

**Securities and Exchange Commission Investor Advisory Committee
Minutes of the Meeting on October 12, 2017**

The Investor Advisory Committee (IAC) met on October 12, 2017, in a public meeting at the Securities and Exchange Commission's headquarters in Washington, D.C. The meeting convened shortly after 10 a.m. and was broadcast live by webcast.

The following persons participated in the meeting:

Commissioners of the Securities and Exchange Commission

Chairman Jay Clayton (morning only)

Commissioner Kara Stein

Commissioner Michael Piwowar (morning only)

Advisory Committee Members¹

Anne Sheehan, Chairman

Craig Goettsch, Secretary

Nancy LeaMond, Assistant Secretary

Allison A. Bennington

John Coates

Lisa Fairfax (afternoon only)

Rick Fleming

Matthew Furman

Stephen Holmes

William Lee

Mina Nguyen

Barbara Roper

Damon Silvers

Anne Simpson

¹ Joseph V. Carcello, Hester Peirce, Elisse Walter, and Susan Wyderko were absent.

Jerome Solomon (by phone)

MORNING SESSION

Opening Remarks

Chairman Anne Sheehan called the meeting to order. She welcomed two new members to the Committee—Allison Bennington and Mina Nguyen—as did Chairman Clayton and Commissioners Stein and Piowar in their opening remarks. Chairman Clayton noted that the previous day the Commission proposed amendments to improve the Commission's disclosure framework (as mandated in the Fixing America's Surface Transportation Act), and he thanked the IAC Investor as Owner Subcommittee for its [comment letter](#) on the topic. Commenting on the IAC agenda, Chairman Clayton emphasized the importance of guarding against abuse of blockchain technologies for pump-and-dump schemes and other frauds.

Commissioners Stein and Piowar also commented on the agenda topics, praising the role of law school clinics to support retail investors and their outreach to members of the military.

Approval of the Minutes of the Meeting on June 22, 2017

Following a motion that was proposed and seconded, the Committee voted unanimously to approve the minutes of its public meeting on June 22, 2017.

Discussion Regarding Blockchain Technology and Other Distributed Ledger Technology and Implications for Securities Markets

Chairman Sheehan introduced the panelists, who spoke in the following order:

- **Nancy Liao**, Associate Research Scholar in Law and John R. Raben/Sullivan & Cromwell Executive Director at the Yale Law School Center for the Study of Corporate Law
- **Jeff Bandman**, Principal, Bandman Advisors
- **Michael Bodson**, President and Chief Executive Officer, DTCC
- **Fredrik Voss**, Vice President, Blockchain Innovation, Nasdaq
- **Adam Ludwin**, Co-founder and Chief Executive Officer, Chain

Ms. Liao provided an introductory overview of what blockchain technology is and how it works.

Mr. Bandman gave his perspective on the role of regulators, the obstacles they face in learning about the new technology, and the potential opportunities it offers for real-time regulation. He concluded with comments on recent SEC activity addressing initial coin offerings (ICOs).

Mr. Bodson, while noting DTCC's active experimentation with distributed ledger technology, maintained that the technology still needed to be proven before it could be widely adopted. He described an array of challenges that the technology must overcome, including scalability, interoperability of new and legacy systems, governance, and integration into the existing regulatory framework.

Mr. Voss recounted several of Nasdaq's distributed ledger technology projects. He suggested that widespread adoption of DLT would hinge, in part, on successful implementation of a variety of projects undertaken by Nasdaq and other securities markets participants.

Mr. Ludwin offered a framework for understanding the new technologies and sorting through considerable noise to find the signal. The framework divided the technology into two distinct markets: cryptocurrencies or crypto-assets, which he called a new asset class; and blockchain, which he called a storage-and-transfer mechanism for financial institutions and which he likened to a database and a bank safe deposit box.

A discussion ensued, in which the Committee members participated.

RECESS

The Committee went into recess at 12:12 p.m. for lunch.

AFTERNOON SESSION

The public meeting resumed at 1:30 p.m.

Overview of Law School Clinic Advocacy Efforts on Behalf of Retail Investors

Chairman Sheehan introduced the topic and the panelists:

- Nicole Iannorone, Director, Investor Advocacy Clinic, Assistant Clinical Professor, Georgia State University College of Law
- Qudsia Shafiq, Student Intern, Investor Advocacy Clinic, Georgia State University College of Law,
- David White, Director, Investor Advocacy Project, and Director, Conflict Management Program, Seton Hall University School of Law

Chairman Sheehan also recognized a contingent of law school students and faculty in the audience, and she singled out two of them who were law professors and clinic chairs: Alice Stewart of the University of Pittsburgh School of Law, and Christine Lazarro of St. John's University.

Mr. Fleming noted that the Office of the Investor Advocate has been engaging in outreach with law clinics. Commissioner Stein reiterated the need to find a steady funding stream for such clinics.

In her opening remarks, Ms. Iannarone focused on the role of securities arbitration clinics in protecting investors who lack the resources, or whose claims are deemed too small, to engage private attorneys. She observed that such clinics identify trends and problematic practices to state and federal regulators. She also noted her clinic had logged in more than 7,000 hours of pro bono legal work, worth an estimated \$900,000.

Ms. Shafiq described the clients of the clinic and its role in educating them on financial matters. Through such efforts, she remarked, the clinic restores clients' faith in a just and equitable legal system.

Mr. White stated that clinical programs, besides advocating on behalf of investors of modest means, also have a mission to provide prophylactic best practices for informed investing. He described his program's activities to educate investors who come to them.

A discussion ensued, in which the committee members participated.

Discussion Regarding Electronic Delivery of Information to Retail Investors

Ms. Roper introduced the topic of electronic delivery and a summary mutual fund report, noting that the Investor as Purchaser Subcommittee has been working on a related recommendation.

Ms. Roper introduced the panelists:

- Margaret Darin Hagan, Director of Legal Design Lab, Stanford Law School (by videoconference)
- Gary Mottola, Associate Director, FINRA Office of Investor Education
- Charles V. Callan, Senior Vice President, Regulatory and Corporate Affairs, Broadridge Financial Solutions
- Michael Woodall, Chief of Operations at Putnam Investments

Ms. Hagan described the Legal Design Lab's research, recommendations for design strategies, and models of financial product disclosures aimed at engaging readers.

Mr. Mottola spoke about FINRA's work in improving financial disclosure, data points on investor preferences, and other research studies on how to make disclosures more effective.

Mr. Callan presented a prototype developed by Broadridge that could potentially serve as an enhanced notice of availability of online mutual fund reports, and he proposed a pilot program to collect real data on the impact of the prototype.

Mr. Woodall described Putnam Investments' efforts, including test pilots, to develop enhanced notice emails to shareholders regarding the availability of annual reports.

A discussion ensued, in which the committee members participated.

CLOSING

Chairman Sheehan adjourned the meeting at 3:40 p.m.