

**Securities and Exchange Commission Investor Advisory Committee
Minutes of the Meeting on December 13, 2018**

The Investor Advisory Committee (IAC) met on December 13, 2018, in a public meeting at the Securities and Exchange Commission's headquarters in Washington, D.C. The meeting convened at 9:10 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 (morning only)
Commissioner Hester Peirce (morning only)

Advisory Committee Members¹

Anne Sheehan (Chair)
Elisse Walter (Vice Chair) (by telephone) (afternoon only)
Craig Goettsch (Secretary)
Nancy LeaMond (Assistant Secretary) (morning only)
Allison Bennington
John Coates
Lisa Fairfax
Rick Fleming
Stephen Holmes
Paul Mahoney
Jennifer Marietta-Westberg
Lydia Mashburn
Mina Nguyen
Barbara Roper
Damon Silvers (by telephone)
Anne Simpson
Jerome Solomon
Heidi Stam
J.W. Verret (morning only)
Susan Ferris Wyderko

MORNING SESSION

Welcome Remarks and Approval of Minutes of Previous Meeting

Chairman Anne Sheehan called the meeting to order at 9:10 a.m. Ms. Sheehan asked for reports from the IAC subcommittees. Mr. Coates, Chair of the Investor as Owner subcommittee, described the subcommittee's discussions involving human capital disclosures and proxy plumbing.

¹ Matthew Furman and William Lee were absent.

With the arrival of Chairman Clayton and Commissioners Stein and Peirce, Ms. Sheehan invited them to provide opening remarks. Commissioner Stein noted that this would be her last IAC meeting as a Commissioner, and Chairman Clayton paid tribute to her thoughtful perspective. The Chairman and two Commissioners also commented on the agenda topics.

At the invitation of Ms. Sheehan, Chairman Clayton then began an extended question-and-answer session with committee members on a range of topics.

Following that discussion, Ms. Sheehan asked for reports from the other two subcommittees. Ms. Roper, Chair of the Investor as Purchaser Subcommittee, said that it had been discussing disclosures for retail investors and how to test the usability of such disclosures. Ms. Bennington said that the Market Structure Subcommittee had been discussing two topics: liquidity in small cap companies, and ways to enhance the availability of research on companies.

Discussion Regarding Disclosures on Sustainability and Environmental, Social, and Governance (ESG) Topics

Ms. Sheehan introduced the topic and panel members, who spoke in the following order:

- **Daniel L. Goelzer**, Senior Counsel/Retired Partner, Baker & McKenzie LLP
- **Janine Guillot**, Director of Capital Markets Policy and Outreach, Sustainability Accounting Standards Board (SASB)
- **Curtis D. Ravenel**, Chairman's Office, Global Head, Sustainable Business & Finance, Bloomberg LP
- **Jennifer Bender**, Senior Managing Director and Director of Research for the Global Equity Beta Solutions Team, State Street Global Advisors
- **Yafit Cohn**, Associate Group General Counsel, The Travelers Companies, Inc.
- **Jill E. Fisch**, Saul A. Fox Distinguished Professor of Business Law and Co-Director , The Institute for Law and Economics, University of Pennsylvania Law School

Mr. Goelzer summarized the SEC regulatory history and current state of sustainability disclosure, and then offered suggestions on the way forward.

Ms. Guillot provided an update on SASB's efforts to develop sustainability standards.

Mr. Ravenel discussed Bloomberg's view on sustainability issues and described the efforts of the Financial Stability Board's Task Force on Climate-Related Financial Disclosure.

Ms. Bender argued that a standardized framework such as SASB was critical for the widespread adoption of ESG.

Ms. Cohn described Traveler's approach to ESG issues and summarized findings from its discussions with its institutional investors on those topics.

Ms. Fisch urged the SEC to take action to mandate corporate sustainability disclosures, arguing that voluntary disclosures were not enough.

A discussion with Committee members followed.

RECESS

The Committee went into non-public administrative session at about 12:30 p.m.

AFTERNOON SESSION

The public meeting resumed at nearly 2 p.m.

Discussion Regarding Unpaid Arbitration Awards

Mr. Goettsch introduced the topic and panel members, who spoke in the following order:

- **Christine Lazaro**, President, Public Investors Arbitration Bar Association; Professor of Clinical Legal Education and Director of the Securities Arbitration Clinic, St. John's University School of Law
- **Richard W. Berry**, Executive Vice President and Director of Dispute Resolution, FINRA
- **Robin Traxler**, Senior Vice President, Policy and Deputy General Counsel, Financial Services Institute
- **Jill Gross**, Associate Dean for Academic Affairs and Professor of Law, Elisabeth Haub School of Law at Pace University

Ms. Lazaro gave an overview of the problem of unpaid securities arbitration awards. She argued that the best solution was to establish a FINRA-administered national pool funded either by fines or a member surcharge.

Mr. Berry provided an overview of the arbitration forum that FINRA operates, discussed the issue of unpaid customer arbitration awards, and outlined steps that FINRA has taken to address that problem.

Ms. Traxler maintained that various proposed solutions, such as mandatory insurance coverage, would entail negative unintended consequences. She recommended instead that solutions focus on banning bad actors from working in any part of the financial industry.

Ms. Gross observed that the securities industry has unique characteristics that exacerbate the problem of unpaid arbitration awards. She insisted that the SEC has an obligation to address the problem.

A discussion with Committee members followed.

CLOSING

Ms. Sheehan announced that the Committee would approve the minutes of the November 7, 2018, meeting at its next meeting. She adjourned the meeting at 3:10 p.m.