

POSITIER



Policy
Oriented
Stakeholder and
Investor
Testing for
Innovative and
Effective
Regulation

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SEC Background

- Securities act of 1933 and Exchange Act of 1934: foundations
- SEC established by 1934 act
- Mission:
 - Protect investors
 - Maintain fair, orderly, and efficient markets
 - Facilitate capital formation

SEC's Office of the Investor Advocate (OIAD)

- Required to be established under Dodd Frank Act (2010)
- Established: 2014
- Core Functions:
 - Provide a voice to investors
 - Assist retail investors with problems with SEC or SROs
 - **Study investors**
 - Support SEC's Investor Advisory Committee (IAC)
- **Quasi-Independent office**

Investor Testing: Motivation

- Conduct investor research to inform OIAD and commission on investor issues
- Incorporate expanded social science methods into rule development and analysis
- Provide additional evidence generation tools to the SEC
- Promote inclusion of investor views and needs in commission policymaking

POSITIER

- POSITIER defines an ambitious and broad testing vision that draws upon:
 - Dodd Frank Act’s investor testing provisions facilitate SEC investor testing
 - Executive order on improving regulation and regulatory review
 - Various legislation and OMB mandates on evaluation, data, strengthening use of evidence and innovation
 - Foundations for Evidence-Based Policymaking Act

Vision

- **Test** effects on investors before rolling out policies
- **Increase effectiveness** of organization and regulations
- **Measure** and monitor developments with investors and other financial market participants
- **Estimate** effects of policies and other activities
- **Promote evidence-driven** policymaking
- **Contribute** high quality research to advance the academic debate on issues of policy relevance
- **Integrate** academic and policy research into the policymaking process on issues of policy interest
- **Enhance** the policymaking process

Achievements to Date:

- Rapid data collection:
 - Decreased life cycle **over 95%**
- 15 Month initial phase (ended Sept 2018):
 - Disclosure Effectiveness Evidence Summit
 - 13 nationally representative prob-surveys
 - ~ 14.8 million data elements
 - ~ 20,000 survey completions
 - 15 highly complex testing projects
 - 5 large qualitative studies
- Outputs:
 - IABD “Phase I” research
 - Additional investor research on the way

Source: OIAD Annual Report on Activities 2018

Inputs: Cold Fusion

- Extremely limited resources

Keys to Success

1. Reduce timeframe
2. Reduce costs
3. Substantially raise the quality of investor testing efforts
4. Increase flexibility
5. Independence of OIAD