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