

MEMORANDUM

To: File Nos. S7-07-18, S7-08-18, S7-09-18

From: Division of Investment Management, Division of Trading and Markets

Re: Roundtable on September 20, 2018 Regarding Standards of Conduct for Investment Professionals

Date: October 30, 2018

On September 20, 2018, a roundtable at the Reginald F. Lewis Museum in Baltimore, MD was held. Approximately 50 individuals attended. The roundtable was intended to gather information from retail investors who will be directly impacted by the Commission's rulemaking regarding standards of conduct for investment professionals.

Attached is the entire transcript of the Baltimore, MD roundtable discussions. The discussions at the roundtable were intended to be conversational, and the Chairman, Commissioners, and SEC staff provided summary descriptions of the Commission rulemakings. To the extent that any descriptions contained in the transcript deviate from the Commission's proposed rule text and rulemaking releases, such descriptions do not supersede the proposed rule text and releases. In this regard, see proposed [Form CRS Relationship Summary](#), [Regulation Best Interest](#), and [Interpretation](#).

THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISER/BROKER-DEALER ROUNDTABLE

YOUR RELATIONSHIP WITH YOUR FINANCIAL PROFESSIONAL
AND THE NEWLY PROPOSED BEST INTEREST RULE

Thursday, September 20, 2018

6:00 p.m.

Reginald F. Lewis Museum

Baltimore, Maryland

1 PARTICIPANTS:
 2
 3 COMMISSION PARTICIPANTS:
 4 Jay Clayton, Chairman
 5
 6 Kara Stein, Commissioner
 7 Robert Jackson, Commissioner
 8 Elad Roisman, Commissioner
 9
 10 Lori Schock, Director, SEC Office of Investor Education
 11 and Advocacy
 12 Sarah ten Siethoff, Associate Director, SEC Division of Investment
 13 Management Rulemaking Office
 14 Lourdes Gonzalez, Assistant Chief Counsel for Sales Practices,
 15 SEC Division of Trading and Markets
 16
 17 AUDIENCE PARTICIPANTS:
 18 Audience Participant 1
 19 Audience Participant 2
 20 Audience Participant 3
 21 Audience Participant 4
 22 Audience Participant 5
 23 Audience Participant 6
 24 Audience Participant 7
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1 PARTICIPANTS(CONT.):
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 3 AUDIENCE PARTICIPANTS(CONT.):
 4 Audience Participant 30
 5 Audience Participant 31
 6 Audience Participant 32
 7 Audience Participant 33
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1 PARTICIPANTS(CONT.):
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 3 AUDIENCE PARTICIPANTS(CONT.):
 4 Audience Participant 8
 5 Audience Participant 9
 6 Audience Participant 10
 7 Audience Participant 11
 8 Audience Participant 12
 9 Audience Participant 13
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PROCEEDINGS

1 CHAIRMAN CLAYTON: Hello. Welcome, welcome.
2 I want to say how nice it is to be here. I'm Jay
3 Clayton, Chairman of the Securities and Exchange Commission,
4 and I'm very fortunate to be joined by three of my
5 colleagues who are Commissioners; and I am going to let them
6 introduce themselves. And then a number of colleagues from
7 our Staff; and I want to let them introduce themselves.
8 Then I'm going to come back and do some preliminaries. But
9 then we really want to get to talking to you.

10 So with that, I will turn to Commissioner Stein,
11 and let her introduce herself.

12 COMMISSIONER STEIN: Awesome. Is this working?
13 No. I'll just -- awesome.

14 So my name is Kara Stein, and I am one of five
15 Commissioners at the Securities and Exchange Commission.
16 And I just wanted to say a lot of you I know have had a full day
17 already. So we really appreciate you coming in after work to
18 talk to us about a very important issue, the standard of
19 conduct that investment professionals owe to investors like
20 yourselves.

21 I also would be remiss if we didn't thank the
22 Reginald F. Lewis Museum of African American History and
23 Culture. I think it is very fitting that we are having the
24 roundtable here, as one of the key values of the center is
25

1 So it's a pleasure to be here this evening, and I
2 look forward to hearing from you.

3 CHAIRMAN CLAYTON: Commissioner Jackson.
4 Thank you, Commissioner Stein.

5 COMMISSIONER JACKSON: I'm Rob Jackson. I am also
6 a Commissioner with the SEC. And we're here to hear from
7 you, so it's really important that we get to the part of the
8 conversation where we hear from you all. I'm just going to
9 be very brief.

10 The reason we're here, and it's very important, is
11 because everybody in this room is trying to invest their
12 money in a way that reflects their priorities, their future,
13 their dream. Whether it's their retirement, education,
14 whatever it is about your life that you're trying to change,
15 the reason this is so important, the reason we all care
16 about it is because we know how much you care about making
17 sure that you get the kind of advice you need, to make those
18 things happen for you and your family.

19 And you are going to hear lots of different
20 perspectives today, and that's fine. But I want to just
21 start by saying everybody up here cares about that and cares
22 about making sure you feel like you have the tools you need
23 that you're entitled to have as a citizen of this country to
24 get the advice you need to change your lives. That's what
25 this is all about.

1 to demonstrate ethical behavior. And that is a key
2 component of what we are here to discuss. That is, how we
3 can help to instill ethical behavior in the market for
4 investment advice.

5 I'd also like to briefly reflect on the process of
6 creating a rule that governs how professionals should act
7 when advising you about what to do with your money. At the
8 heart of this rulemaking process is hearing from you, and
9 that's why we're all here today. After all, this is about
10 your money and what you have at stake, your retirement and
11 your future.

12 So I think all of us are going to be interested in
13 knowing what we do right, what can we do better, how can we
14 help you reach your financial goals, what do you expect from
15 your financial professionals. And, you know, sometimes
16 you're expecting a doctor, but you got a salesperson. You
17 know, what are your expectations when you go in for help on
18 your investment portfolio?

19 And what about fees? Shouldn't you know exactly
20 what you're paying for, just like when you're buying a
21 gallon of milk?

22 So I'm glad that our Chair, Chairman Clayton, is
23 working hard at this and I hope we can ultimately settle on
24 a smart rule that makes sense, first and foremost, for you
25 as investors. And that's what we need from you.

1 And that's why we're here to hear from you.
2 Because the perspective that you have when you walk into
3 that office with that money to try -- to try to make that
4 decision is the perspective we need to set up the market in
5 a way that's going to work for you all. So that's why we're
6 here to hear from all of you tonight. I am delighted to be
7 here. I appreciate the Lewis Center hosting us, and we look
8 forward to the conversation.

9 COMMISSIONER ROISMAN: Hi, I'm Elad Roisman. I'm
10 also a new Commissioner at the SEC, and I am thrilled to be
11 here. And I am exceptionally happy that there are so many
12 of you here to kind of share your views on this important
13 topic.

14 Ultimately, what we're trying to find out is, we
15 put out a rule, and we're trying to see whether what we've
16 got out there is right, or whether it can be improved, and
17 how it can be improved. But I really commend the Chairman
18 and my fellow Commissioners for doing these kind of town
19 halls. And I think it's critically important that we hear
20 from folks who will be directly impacted. And some people
21 just don't make it to Washington. So it's great that you
22 guys are taking the time, especially after a long day, to be
23 here with us. And I'm thrilled to be here, and thanks very
24 much.

25 CHAIRMAN CLAYTON: Thank you. And, Lori, why

1 don't we start with you?

2 MS. SHOCK: I'm Lori Schock. I am the Director of

3 the Office of Investor Education and Advocacy. In addition

4 to maintaining a national outreach program for investor

5 education, we also have an Office of Investor Assistance.

6 So complaints and questions, give us a call, send us an

7 email, we'll take your complaint or question any which way

8 you want to send it to us.

9 And we're happy to be here and talk about this

10 rulemaking, because it does impact investors. And I

11 appreciate you all taking the time to be here as well.

12 I do have one housekeeping issue. And that is, we

13 are not using mics, so please speak up. Also, this is

14 recorded, so we have a court reporter who is taking people's

15 comments and all. We will not attribute; that's why you

16 don't have last names on your tag cards. But we really do

17 want to have this and have this on the record. Thank you.

18 MS. GONZALEZ: I'm Lourdes Gonzalez. I have been

19 working on sales practice issues related to broker-dealers

20 for a long time. And we just want to make sure that what

21 we're proposing or the Commission is proposing is right or

22 how it can be improved upon.

23 MS. ten SIETHOFF: I'm Sarah ten Siethoff. I'm an

24 Associate Director in the Division of Investment Management.

25 And Lourdes and I spent a lot of time working on this

1 project together, including on this document that you have

2 in front of you.

3 This is a sample document for a form of a

4 relationship summary, that we put out as part of this

5 proposal for people to get a sense. This is something

6 that's supposed to be for you, to help you figure out what

7 kind of financial professional you want to use. So

8 hopefully we will hear a lot of good feedback from you

9 tonight on how we can make this better. Thanks.

10 CHAIRMAN CLAYTON: Great, thank you all.

11 Okay, let me get some preliminaries, then we will

12 get to you guys. So first rule of the road for tonight, if

13 you hear legal jargon and you say, "Hey, I don't know what

14 that means," raise your hand. Because it's our job to try

15 and explain that to you. And that's also a theme here. We

16 want to -- we want to produce a product when we write a rule

17 that puts you in a position where you don't get legal jargon

18 but you get information that makes sense.

19 To other legal points, this is an official meeting

20 of the Commission under our rules and regulations. That

21 means it's an open meeting. Lori referred to that. It's

22 being recorded. We are going to try and protect your last

23 names, so we use first names, but we have to record it. If

24 you don't want to have something be on the record, I suggest

25 you just be an observer. But we welcome your participation.

1 Last thing is a short lesson in administrative

2 law. My colleagues referenced this. When we make rules

3 like this, we have an obligation to publish them in a

4 proposed form, say, hey, here's what we're thinking, here is

5 why we're thinking it. Give us your feedback on how we can

6 make it better.

7 The people to my right and about 50 other people

8 worked really hard to get a proposal out. But that's what

9 it is. What is sitting out in front of the public today is

10 a proposal. I'm going to describe it briefly in a second.

11 But it can be improved, and we think this feedback will

12 improve it.

13 The proposal, in a nutshell, has a couple of

14 parts. It's clear to us that the current standard of

15 conduct that applies to one type of investment professional,

16 a broker-dealer, is not where the reasonable investor would

17 expect it to be. When people deal with a broker-dealer or

18 an investment adviser -- and those are the two types of

19 investment professionals -- what they want to know -- we

20 believe what they want to know is that person is not trying

21 to take advantage of them.

22 Now, we can phrase it in different ways, and

23 that's one of the things we're working on. But you want to

24 know that the law doesn't allow that person to take

25 advantage of you. In fact, that person has to service you.

1 They have obligations to service you. They can't put their

2 interests in front of you. They have to do due diligence.

3 They have to be capable of offering the advice. A number of

4 factors like that. And I don't think anyone up here thinks

5 the standard that applies today at law is where it should

6 be. One part of this.

7 Second part of it is, when you talk to them, when

8 you go and meet with an investment professional,

9 particularly in the first instance, say you're retiring and

10 you have a 403(b) or a 401(k) and now you're going to be

11 responsible for that investment and you say, "I want some

12 help." When you go to that person, they need to explain to

13 you who they are, how they are compensated, what obligations

14 they owe you. Right now, they kind of have to do that, but

15 we don't feel -- at least I don't feel -- and again I'm

16 speaking for myself here -- I don't feel that that

17 conversation is required to take place in as clear and

18 candid a way as it should. So that's the second part of it.

19 The third part of it is we have investment

20 advisers. And there's a lot of law around investment

21 advisers; and we're trying to clarify what the Commission's

22 view on that law is. Investment advisers are described as

23 having a fiduciary duty to their clients. That's a very

24 simple term. It's actually somewhat complicated, what it

25 means, in practice. And we're trying to explain that to the

1 market as well, and also make it part of what an investment
2 adviser would have to explain to you when you meet them, in
3 the first instance.

4 So that's what we're trying to do here. I'll stop
5 there.

6 Let me ask if there's any questions about that,
7 and I'm going to kick it to you guys.

8 (No response.)

9 CHAIRMAN CLAYTON: Okay, so how I'm going to kick
10 it to you guys is I would love to hear from people who've
11 had a good or bad experience with an investment professional
12 and what part of it they thought was good or bad. Go ahead.
13 You look ready to tell us, which leads me to believe it
14 might be bad.

15 (Laughter.)

16 AUDIENCE PARTICIPANT: I'll tell you, I actually
17 worked in finance for over 10 years, hedge funds and also
18 traded, and also worked for a bank. I left the industry
19 because it was actually bad, but really more for the
20 investors we served.

21 And the problem I saw, and why I left the industry
22 was, from a fundamental level, I read the transcripts from
23 before about the education and communications and conducts
24 of advisers. I know the distinctions between these two very
25 well. I guess the problem that I really saw was there was

1 okay.

2 AUDIENCE PARTICIPANT: I just want an opinion
3 about this, because I don't -- I don't want you to feel
4 pressure to give me a definitive answer, because this
5 catches a lot of academics off guard. One of the big parts
6 I mentioned about education is, I saw from previous meetings
7 in Denver, people advocate education with the investors. I
8 say education, proper education with the finance
9 professionals who actually are sticking these things in
10 people's portfolios saying, hey, look how much Google has
11 risen. That rise comes from the exchange of money between
12 investors; that does not come from Google, Google dividends,
13 because they don't pay dividends.

14 And I just want to ask an opinion. I don't need a
15 definitive answer. Because this catches a lot of people off
16 guard. So that's all.

17 CHAIRMAN CLAYTON: Okay, you caught me off guard.
18 (Laughter.)

19 CHAIRMAN CLAYTON: So look, I'm not going to spend
20 too much time on this.

21 What [Audience Participant] is saying is,
22 you know, [Audience Participant] is making a
23 point about non-dividend-paying stocks and
24 stocks that rise in value because people think the company
25 is growing and is going to pay. He's also saying that when

1 no real way we could actually deliver what we were
2 promising. Mainly because a lot of the stocks out there,
3 Google, Amazon, Tesla, they have no monetary connection to
4 the company.

5 I know the textbooks call it an equity instrument,
6 but the reality is, these things do not have a monetary
7 connection to the company. They never pay dividends. They
8 never share profits with investors. The textbooks call it
9 an equity instrument but, logically speaking, how can it be
10 an equity instrument if a company never pays these
11 investors, right?

12 So from a probabilistic standpoint -- because at
13 the end of the day, investors invest to make money. They
14 don't actually want to hold Google stocks forever and just
15 enjoy the number rise and fall; they've got to get their
16 money back. And if investors are ultimately contributing
17 all the money and the only way they can -- the only
18 foreseeable way they can get their money back is by selling
19 it to another investor, that's a not a positive sum
20 situation, I guess you could say.

21 And I just want to --

22 CHAIRMAN CLAYTON: I didn't know we were having
23 finance class --

24 (Laughter.)

25 CHAIRMAN CLAYTON: I've got Jackson here, so I'm

1 you buy a stock, you're planning on selling it someday.

2 AUDIENCE PARTICIPANT: Correct.

3 CHAIRMAN CLAYTON: And when a stock doesn't pay a
4 dividend, or an instrument doesn't give a return in cash,
5 what you really are hoping for is somebody who believes it's
6 worth more than you do at the time you're selling it.

7 AUDIENCE PARTICIPANT: Yes.

8 CHAIRMAN CLAYTON: That's part of investing. I'm
9 not going to get into the sort of thing -- but a point we've
10 heard from every one of these roundtables we've attended is
11 that we're not educating our investors early enough. We're
12 not educating people in high school and college. And that
13 is coupled with the fact that we're all living longer, God
14 willing, and more responsible for our own retirements. And,
15 you know, we're not the Department of Education. But we get
16 it.

17 Part of what I've learned and I think part of what
18 my colleagues have learned from this, Lori is in the
19 business of investor education, is we can't do enough of it.

20 But I'm going to hold off on more esoteric
21 discussions of intrinsic value.

22 AUDIENCE PARTICIPANT: I've thought deeply about
23 that, too. But I was only going to add that really the
24 missed education I see is not really on your end, it's
25 actually the professors. I've talked to finance professors,

1 including CNBC. They say, oh, look how much money you --
2 that's not money. That is an imaginary value that comes
3 from the exchange of money, which is fundamentally different
4 from traceable money people can hide under their mattresses.

5 So this is -- the real missed education, missed
6 communication is at the academic and media level, who keep
7 saying, oh, look at you, you tweeted this, Elon, and now you
8 just made \$2 billion. He didn't make \$2 billion. \$2
9 billion doesn't appear out of nowhere. It's a finite thing,
10 where we have measure and loads and --

11 CHAIRMAN CLAYTON: A famous investor said, don't
12 congratulate me for buying a company, congratulate me for
13 selling it.

14 Who wants to talk about their experience and how
15 we could improve it?

16 AUDIENCE PARTICIPANT: I will. But I'm afraid I'm
17 going to look like an idiot if I describe it. But I just
18 wanted to say, last year I retired from Hopkins and I was in
19 a 403 program. And when I retired, all of a sudden --
20 you're going to figure out how old I am, too -- all of a
21 sudden, there's the requirement of a distribution there.
22 And then I had to decide what to do with all this -- not all
23 this, but some money that was coming in.

24 And I started looking at counselors and I didn't
25 realize how complicated the whole process was. I didn't

1 trying to skin you. Or that you're not sitting on an even
2 playing field where you have to, you know, watch your wallet
3 the whole time.

4 You want to know that they have an obligation not
5 to put their interests ahead of yours. And that's clear to
6 me. And that wasn't -- that may not be the way the law is
7 today, which you researched and found out. And that's where
8 I am. In that conversation, that person can't put their
9 interests ahead of yours.

10 But I want to let my -- I will say one more thing.
11 I think that point is critical in our society. Because it's
12 a lot of money. It's all the money you had from, you know,
13 retirement savings when you left your job. That's a pretty
14 critical point for us to regulate.

15 AUDIENCE PARTICIPANT: Can I add one quick point
16 to that? I was in the Maryland legislature, and we always
17 got bills on making sure financial information was included
18 in classrooms. We found that most kids can't balance a
19 checkbook when they graduate from high school. So financial
20 literacy is a real issue for us, too.

21 CHAIRMAN CLAYTON: I was helping and failing my
22 kids with their algebra homework just Sunday afternoon.
23 Well, I obviously failed your test. But I was shocked that
24 there were no financial problems. You know, none of the
25 problems had to deal with balancing your checkbook or

1 realize there were two different levels and all this. And I
2 eventually figured it out and I figured, why couldn't
3 everybody have the best interests at heart? Why couldn't it
4 all be the fiduciary standard?

5 And, I mean, that's what we assume anyway. We
6 assume everybody there has the best -- it's like a doctor or
7 a lawyer. You assume when you go to a financial person,
8 they have your best interest at heart. And I was kind of
9 surprised that didn't happen. Because now, as you know, as
10 you just alluded to, more and more people are using those
11 different mechanisms and there's more money available than
12 we've had before.

13 My father had a pension so he didn't have those
14 kind of decisions. I had to make these decisions and my
15 family. And I just wanted to know I had the best person
16 available for that.

17 And that's why I really appreciate you having this
18 hearing, by the way.

19 CHAIRMAN CLAYTON: Let me say, and I don't want to
20 monopolize the conversation here, we've got lots of smart
21 people here. But I fundamentally believe that a person in
22 your position who is going out and seeking advice on a
23 significant life event like rolling over their 403(b) or
24 rolling over their 401(k), it's reasonable for you to expect
25 that that person is not -- how do I say -- they're not

1 whatnot.

2 But let me -- there's a lot that you've said that
3 I want to give my colleagues to react to if they want to.
4 Or we can move on.

5 COMMISSIONER STEIN: This is a big topic. I mean,
6 at the end of the day, I think we're trying to figure out
7 maybe how we can change the law. Right? It might be asking
8 Congress to change the law or writing our rules differently.

9 I think from my perspective, you should be able to
10 trust that adviser and you should know that they're not
11 directing you to a certain investment because they're going
12 to make more money, you know, off of directing you to that
13 investment. So I am pretty clear about where I am on that.

14 I think if any of you in the room have had an
15 experience where if you only had a certain piece of
16 information or you had understood the role of that adviser
17 better, would it have made a difference?

18 AUDIENCE PARTICIPANT: So I have a 401(k) and a
19 403(b) from -- that I worked 26 years and put money in. And
20 I worked for the government. And so when I left there,
21 seven years ago, I called that plan and I said, you know,
22 "Tell me what you think I should do with it, because I'm at
23 another job and I'll be putting money in and getting 401(k)
24 and 403(b) with another company." And they said, "Oh, just
25 leave it here.

1 You know, I didn't know what to ask. Just leave
2 it here. And so not that that wasn't the best possible
3 solution, but they didn't give me like any data to say,
4 well, this is why you should leave it here. Or if you did
5 X, you might get something, you know, 10 years from now when
6 -- you know, I'm 58 years old. When I left there, I was 52
7 or 51. And, you know, now I'm looking at 70, you know,
8 straight down the barrel. And, you know, I don't know if I
9 made the best choice by leaving it there. It's very
10 complicated.

11 I did look at your form. And not that these folks
12 needed disciplinary action but I was like curious about
13 question 8. You want us to ask them, do you or your firm
14 have a disciplinary history for what type of conduct? I
15 mean, how -- why should they tell me that and is there a
16 list that I can call?

17 CHAIRMAN CLAYTON: Very good question. Yes. The
18 answer -- so we have lots of tools. We need people to get
19 to them more. But let me flip it over to Lori on some of
20 the tools we have to help you.

21 MS. SHOCK: Investor.gov. That's the -- everyone
22 has a smartphone here. Put in investor.gov. you can do a
23 background check. And, [Audience Participant], I hope you did a background
24 check when you went with your financial person.

25 AUDIENCE PARTICIPANT: I will now.

1 MS. SHOCK: All right, perfect. You can see if
2 they've had regulatory issues or if there have been investor
3 complaints, how long they've been in the industry, how long
4 they've worked with their firm. And they don't know that
5 you're looking at it. It's free. And you can, for either
6 broker-dealers or an investment adviser, you can just go
7 through the one place and it will give you the information
8 for both type of registrants. Okay?

9 CHAIRMAN CLAYTON: But we need to drive more --
10 one of the things for the form that I'm asking --

11 AUDIENCE PARTICIPANT: That would have been nice
12 if it was at the end of it.

13 CHAIRMAN CLAYTON: Should we require them -- I
14 don't -- there are some like Constitutional issues here I've
15 got to worry about. But should we require them to put
16 investor.gov on there so that people can access these
17 databases that we keep that list bad actors?

18 MS. ten SIETHOFF: And the questions in that form
19 are supposed to be so when [Audience Participant] was out shopping for a
20 financial professional, to arm you with here are the kinds
21 of questions I can go through with them and I can ask them
22 all and get confident that they're giving me good answers
23 that I'm comfortable with. And to help you think of some of
24 those questions you may not think of otherwise.

25 COMMISSIONER JACKSON: And you asked -- you said

1 something, a 403(b), you worked for the government or you
2 worked in education?

3 AUDIENCE PARTICIPANT: Not in education, no.
4 Social services. I worked for state government.

5 COMMISSIONER JACKSON: I'm asking because I was a
6 teacher before I took this job. I had a 403(b). And when
7 you leave the job, you know how it is, you leave the job.
8 It's time to roll it over or keep it or whatever.

9 So they called me up and I said, "What are my
10 options?" And they said, "Yeah, you can just leave it
11 here." I said, "Okay, but like, I just got a new job. You
12 don't think I should" -- and they said, "What's your new
13 job?" I said, "Well, I'm an SEC Commissioner. And they
14 said, "Oh, shoot."

15 CHAIRMAN CLAYTON: So that's the answer.

16 COMMISSIONER JACKSON: You said something I want
17 to point out, which I think is very important. You said,
18 why should they tell me if they have a bad disciplinary
19 history? They're not allowed to lie to you when they pitch
20 you investment advice. And that's one of the important
21 things about getting questions and putting it on the table
22 for these guys. That's why we're trying to get you to ask
23 the questions. Because once you ask them, they can't lie to
24 you in connection with taking your money.

25 And you are entitled to answers to all of these

1 questions, and many more, by the way. Which is why Lori's
2 right, to go to investor.gov. They have a whole worksheet
3 there of things you're entitled to ask and get answers to,
4 and you should feel comfortable asking those questions.
5 You're entitled to the answers.

6 AUDIENCE PARTICIPANT: I will just say that I
7 tried to read the rule. It was over 400 pages long. I was
8 going to print it and bring it and sit it there. So, I
9 mean, this is very complicated stuff. Just want you to
10 know.

11 AUDIENCE PARTICIPANT: I have a question about the
12 database.

13 CHAIRMAN CLAYTON: If you wait, we'll come back to
14 you.

15 AUDIENCE PARTICIPANT: Okay.

16 AUDIENCE PARTICIPANT: I'd like to ask the
17 Commissioners, how informative is the securities arbitration
18 process that deals with concrete cases? How informative is
19 that to your rulemaking process, or to your enforcement
20 actions? I think there are some serious glitches that it's
21 not informative. It will not produce enforcement actions
22 when it should because of the way the -- the courts defer to
23 the arbitrator's award. You don't have to have a reason to
24 award. And the best source of information as to how the law
25 and the practices of a broker-dealer or investment adviser

1 have on the -- the impact it has on the individual customer
 2 or client is in the concrete case, in the dispute.
 3 So I would like to know, is the Commission looking
 4 at that? Is the Commission trying to open up that avenue of
 5 education for itself?
 6 CHAIRMAN CLAYTON: I'm going to go to Lourdes in a
 7 minute, but I just want to repeat what is a terrific
 8 question. Because words are fine. Like, we can write a
 9 bunch of words. What do they mean in practice? And what we
 10 are trying to do, and it's a great point, is what are the
 11 types of harm that we're trying to prevent?
 12 And what you're saying is, if we knew more about
 13 arbitration cases where people have been wronged, we could
 14 write a better rule. Correct.
 15 Two other areas we're looking at is we have people
 16 who inspect investment advisers, and FINRA has people who
 17 inspect broker-dealers. Trying to arm them with better
 18 tools to inspect for bad behavior is also part of our
 19 rulemaking.
 20 But with that, Lourdes, let me have you respond
 21 directly to the question.
 22 MS. GONZALEZ: So one of the things that we do at
 23 the SEC is we approve the arbitration rules that FINRA
 24 dispute resolution has. We also -- and that's a long
 25 process. It isn't like they file a rule with us and we just

1 approve it and that's the end of it. You know, we've had
 2 some rules where we've worked with them for years, frankly,
 3 before the rule was approved.
 4 We also review the complaints. So if somebody has
 5 been in arbitration and they don't like the outcome, they
 6 may complain to the SEC. And eventually it will make it to
 7 the -- it goes to the exam folks; eventually it makes it to
 8 my desk or to Lori's group. Makes it to my desk, and we
 9 review it. And really, for programmatic reasons, is the
 10 arbitration system working?
 11 We also meet with the industry a couple times a
 12 year. Petitioners on both sides of arbitration will go to
 13 New York or they will come down to D.C., and we talk to them
 14 about the arbitration program. And so we have -- and we
 15 oversee, most importantly, the FINRA arbitration process.
 16 So examiners will go in there, they will review, you know, a
 17 particular aspect of arbitration, and then they will come to
 18 us in the Division and we'll have a conversation. We'll
 19 review the exam report; we will have a conversation about if
 20 it's working or not.
 21 We have a pretty good sense of the cases in
 22 arbitration that are going through arbitration because of
 23 our interaction with FINRA. We also have quarterly
 24 complaint calls with the SROs, with FINRA and the exchanges,
 25 to find out what the complaints are that are coming in,

1 because brokers have to report on the complaints that they
 2 receive. So we get aggregate data. We can see spikes in
 3 complaints or the nature of complaints or, you know, a
 4 product, a firm, et cetera.
 5 AUDIENCE PARTICIPANT: I hope you're going to look
 6 at the complaint that I made yesterday to the Commission,
 7 which was an egregious case of a broker working himself into
 8 an inheritance of an estate, where the 78-year-old woman
 9 with no spouse or children had dementia and there was a
 10 failure -- and we have been trying to communicate with
 11 FINRA, the Maryland insurance and securities people and the
 12 SEC for over a year. And there was absolutely no
 13 involvement.
 14 I also think, as a former staffer, when I was on
 15 the Staff way back when, when an individual customer came
 16 in, when an investor was vulnerable, there was an immediate
 17 rush to try to get to the bottom of it, to find out, to deal
 18 with the individual customer. I don't see that in the Staff
 19 today, I don't see that in the state securities regulators.
 20 And I also think there has to be better communication
 21 between the different regulators.
 22 In our case, the arbitration panel said that there
 23 was a serious failure of compliance and supervision, but
 24 they did nothing about it. And then the Maryland regulator
 25 said, oh, you had a full opportunity to litigate. So one

1 passed off on the other. Nothing got done.
 2 And there has to be better communication and
 3 coordination between the different regulators. And there
 4 has to be a better emphasis on, when an individual investor
 5 comes in, the most important thing is to listen to that
 6 investor and to get to the bottom of his case and his story.
 7 CHAIRMAN CLAYTON: So let me respond to a couple
 8 things. Because I agree with a lot of what you're saying.
 9 So no law or rule or whatever we're doing here is good
 10 unless you can enforce it, right? Again, it's just words on
 11 a page unless you enforce it. And if somebody doesn't
 12 follow what they're supposed to do, if somebody takes
 13 advantage of someone who is, you know, not -- no longer has
 14 their faculties, we should be able to catch them. We have
 15 to catch them. It's not just can we; we should.
 16 So in that regard, we've actually recognized that.
 17 We formed a retail strategy task force recently at the SEC
 18 to go after more of these cases. We also recognize, and
 19 Lori's group is on this, that our investor base has changed.
 20 The demographics are such that we have more older
 21 investors, who are more susceptible to these types of
 22 situations. Sometimes, government is slow to change, but we
 23 recognize this. And I think you're -- that's why we're
 24 here. You're right to say, "Hey, you guys have got to do a
 25 better job in this area."

1 AUDIENCE PARTICIPANT: May I comment just briefly
2 on your fiduciary duty standard?

3 CHAIRMAN CLAYTON: I think you have a right to do
4 that.

5 AUDIENCE PARTICIPANT: Well, thank you. And I
6 view it as a privilege and an opportunity to be here, and I
7 applaud your work as a former staffer to continue a
8 wonderful tradition of the Commission for many, many years.

9 I don't think the best interest standard really
10 means anything. I think when you look at fiduciary duty and
11 you look at changing the mindset of people in the industry
12 from sales to professionalism, you have to think in terms of
13 two aspects. One, promulgate textually clear rules, which
14 comes from pragmatic experience and learning from
15 experience. And that's why I mentioned the arbitration
16 process as a tremendous, informative tool for rulemaking and
17 enforcement.

18 And then the other aspect of it is, with respect
19 to fiduciary duty and concepts such as just and equitable
20 principles of trade and the Ezra Weiss shingle theory, these
21 concepts apply in the interstices of the law, where you
22 don't really have a specific rule that applies.

23 But what you need to do in those circumstances is
24 to get people to internalize -- people in the industry to
25 internalize not only the specific, textually clear standards

1 to very clear about exactly what we expect from these
2 finance professionals in order to change the cultural issues
3 you're describing, I certainly agree with you.

4 CHAIRMAN CLAYTON: Let me -- I'm going to segue
5 Commissioner Jackson's comment with a little bit of filling
6 it in. I think there are some places we can be clear, and
7 there are some places you have to have principles. I think
8 that's -- that's how I view the world. You can't have a
9 5,000-page rulebook where you have to do this in that
10 situation.

11 One of the areas that it's now clear to me,
12 talking to people like you, that we should say, "You can't
13 do that" -- and again, I'm only speaking for myself -- "You
14 can't do that" -- are high-pressure sales contests.
15 Somebody is calling you. You just left, you know, you're
16 rolling over your 401(k), and they say, "You've got to get
17 into this," you know. And what's behind that is, if they
18 get you into it by September 30, they get a big bonus.

19 I don't think you can have that kind of
20 compensation structure and easily say you're putting, you
21 know -- you're not putting your interests ahead of the
22 clients'. And so for me, high-pressure, product-specific
23 sales contests are something we can specifically say, not so
24 much.

25 But if there's other activity that you've

1 that you promulgate, but the aspirational norms that you
2 want to develop.

3 And this depends a lot upon the firms; it depends
4 on the regulators and what they believe their commitment to
5 be, and it depends upon the arbitrators. And also the other
6 leg of it, what you're doing tonight is investor education.
7 And you've just got to keep going with that so people can
8 make an informed judgment and informed discussion.

9 CHAIRMAN CLAYTON: Well, I'll just say I think
10 your view is well-founded.

11 AUDIENCE PARTICIPANT: Thank you, sir.

12 CHAIRMAN CLAYTON: That having people in the
13 profession who take a professional responsibility is
14 important.

15 I don't know if others have reactions?

16 COMMISSIONER JACKSON: I think something else you
17 said is very important. Which is, it's important for us to
18 be clear about what we expect. Because we want people in
19 the industry to get a clear message from us about what those
20 norms are. And I think every one of us understands that.

21 And the Chairman pointed out -- and he's right,
22 you know -- the Staff has poured hours and hours and hours
23 into this rule. And the product we have is a very good
24 starting point.

25 But I think if what you're saying is that we need

1 experienced that you say, "You know what? That just sat
2 with me horribly" or "I didn't like it," tell us about it.

3 AUDIENCE PARTICIPANT: Four words which I think
4 should be on top of every marketing material and will clear
5 up a lot of this is we simply say, \$34 trillion worth of
6 stocks is equal to zero dollars in reality.

7 (Laughter.)

8 AUDIENCE PARTICIPANT: One, that's true. Two,
9 you're going to get pushback on it because that will be a
10 little bit too truthful, right?

11 CHAIRMAN CLAYTON: We'll go with a less binary
12 outcome.

13 (Laughter.)

14 AUDIENCE PARTICIPANT: So we already have
15 investor.gov, we have FINRA's Broker Check, we have ADV Part
16 I, ADV Part II, why do we need a part three? And if we
17 already have all these resources that people don't appear to
18 be utilizing, what makes you think that, all of a sudden,
19 this relationship summary is going to change the world and
20 be utilized by people going forward?

21 MS. ten SIETHOFF: I can take that one.

22 CHAIRMAN CLAYTON: I think the relationship
23 summary is going to help. I do.

24 MS. ten SIETHOFF: So on the comparison documents,
25 there is lots of information out there. Those information

1 serve a lot of purposes. There are a lot of ADV Part IIs
2 that are 150 pages long.

3 So I think, per [Audience Participant]'s comment of
4 she looked up our rule and it was 400 pages and she wasn't
5 going to plow through all of it, and I get that, and a
6 link a lot of investors, they're not going to plough through
7 all of it.

8 It's there for people who want to read it, it has
9 a lot of good information. But I think our belief is that
10 we should be doing a better job of giving investors
11 something short, simple, so that when
12 [Audience Participant] says, I need a financial
13 professional, what are the three or four things I
14 should be focusing on and what are the handful of questions
15 I should be asking and get an answer to?

16 And so I think the ADV has its role and it
17 provides good information. But it's not for that purpose.
18 And we really think it's important that when people are
19 looking for a professional, that they have useful
20 information that helps them ask the right questions and make
21 that decision.

22 So this may not have everything in it that people
23 want, and that's why we're here. We'd love to how to hear
24 your feedback about how we can help you better. But we
25 don't think those documents are designed for that purpose.

1 satisfies you, you should probably go somewhere else. You know,
2 the person might not be able to say it's \$5. You know, they
3 could say, you know, it's somewhere between \$5 and \$7, it
4 depends on -- that's an okay answer. But if they say, you
5 know what, don't worry about it, I can't tell you, or it's
6 too complicated? Not so much. That's my view.

7 COMMISSIONER ROISMAN: I think this has been
8 incredibly helpful, just for me. But I think ultimately
9 some of the things that have been common core is that people
10 want to have enough information to make an informed
11 decision. And ultimately, the relationship going for
12 financial advice is a daunting one. I think we can all kind
13 of acknowledge that.

14 I know from personal experience, the first time I
15 started investing, I wasn't sure what I was doing and I
16 tried to learn as much as I could. And then, you know, if I
17 go to a financial adviser, I want to kind of have a better
18 understanding of what their role will be and what the
19 relationship is.

20 I think to your point earlier, which is, you know,
21 are we just inundating people with more information? I
22 think this is a good place for us to stop and say, how can
23 we distill it so people actually understand? And the
24 purpose of the rule is saying, you can't put your
25 interests, certain of your interests, ahead of the client's.

1 MS. GONZALEZ: And, Sarah, we've spent a lot of
2 time on the questions at the end in trying to figure out are
3 these the right questions or not, Sarah and I, and we're
4 curious as to what you think of these questions and what's,
5 in your view, most important or not so important.

6 CHAIRMAN CLAYTON: Let me say something else about
7 the form. Here's the thing. It's hard to read any document
8 on its own in this area and feel like you understand what's
9 going on. The form is to accompany a conversation. That's
10 one of the real benefits of it. It's to drive the kind of
11 candid conversation that you want to have with your
12 investment professional. Hey, how are you getting paid?
13 You know? Here's my money. I have some money I've saved
14 for a long time. I'm asking you for your advice. How am I
15 paying you for that advice? Tell me about it. Tell me what
16 your incentives are. Tell me what kind of obligations you
17 owe me. And then answer some of these questions.

18 One of the questions that I love, and sometimes it
19 doesn't have a precise answer, sometimes it does, is I have
20 --I have \$1,000. If I ask you to invest that for me, how
21 much of that money is going to work for me and how much is
22 going out in fees? You know, I expect to pay somebody for
23 advice. But I'd like to know how much is going to work for
24 me and how much is going out in fees.

25 If you can't get an answer to that question that

1 And I think that's a great starting point to make people
2 feel comfortable in that conversation and feel more
3 comfortable kind of asking the little bit more uncomfortable
4 questions.

5 But I think ultimately what we're trying to find
6 out from folks here is, would something like this help? Is
7 it clear enough for you to understand the relationship we
8 have? And if not, what other things would you like to know?

9 AUDIENCE PARTICIPANT: All right.
10 I have a question. Well, a comment actually.

11 It seems like the common thing that I'm hearing is
12 an understanding of -- first, let me say, I have an
13 appreciation for what the SEC does in terms of the
14 rulemaking and writing that. Let me say that first.

15 But I think it would be an advantage to the SEC
16 and the common mom and pop person to have a plain language
17 campaign. I mean, this woman here said she -- it's 450
18 pages. Like, I know you guys do a wonderful job. But if I
19 am Jane Doe the consumer, how am I supposed to interpret
20 those rules and regulations? Thankfully, I'm in a place
21 where I can ask. But there are a lot of people who don't
22 know what to do with their retirement, don't -- I mean, they
23 just don't. And they're not going to come to or look for the
24 regulatory aspect of things to figure that out.

25 So I really believe very strongly that we should

1 consider a plain language campaign. At least that's what
 2 I'm calling it. But you want people to understand what
 3 you're giving them. You can give them all the information
 4 you want but if they don't understand it, then what's the
 5 point?
 6 CHAIRMAN CLAYTON: Let me ask you a question.
 7 Because I think after -- this is our seventh, eighth roundtable.
 8 This is the fifth one that I've moderated. I can't tell you
 9 how right you are.
 10 One thing we're thinking about is a video. What
 11 I'd like to know is, if we did -- I don't want it to be too
 12 long. If things are too long, people don't watch them. But
 13 if we did a three, four, five-minute video --
 14 AUDIENCE PARTICIPANT: Two or three.
 15 CHAIRMAN CLAYTON: -- two or
 16 three --
 17 (Laughter.)
 18 AUDIENCE PARTICIPANT: It's the bid/ask --
 19 CHAIRMAN CLAYTON: But if we did a two-minute
 20 video and really pushed it out there on the questions you
 21 should ask your investment professional, the types of
 22 investment -- we're thinking about doing that. Is that
 23 something we should put our resources into?
 24 AUDIENCE PARTICIPANT: I think that could be
 25 excellent. And really, you could have a series of videos.

1 You could have snippets. Like this gentleman said, two to
 2 three minutes, depending on what the topic is. Because
 3 you're not going to capture everything in two to three
 4 minutes. But at least if there's a series of topics, people
 5 can go and choose that and listen for those two or three
 6 minutes.
 7 CHAIRMAN CLAYTON: Thank you.
 8 AUDIENCE PARTICIPANT: One of the things, kind of
 9 going with the plain language campaign, is the forms that
 10 you're talking about creating in this plain language, have
 11 something where you can compare when I go from adviser to
 12 adviser, professional to professional.
 13 One of the things that has just recently happened
 14 in the restaurant industry or food is that they put calories
 15 on everything -- to my dismay.
 16 (Laughter.)
 17 AUDIENCE PARTICIPANT: The thing is that you are now making
 18 an educated choice. So when you are looking at the first thing
 19 on the menu versus the last thing on the menu, you can make
 20 that decision. There's an equalizer across the board.
 21 So if there are questions -- and also taking into
 22 consideration some cultural engagements, there are some
 23 people who are not comfortable asking a person in a
 24 professional position "How much money do you make, how much
 25 money are you making?" that is -- for many people, that is

1 very disquieting.
 2 So if you have a form that everybody gets that,
 3 you know, the investment adviser or broker-dealer or
 4 whomever has in there, this is the range of fees no matter
 5 what we're talking about, I can take this sheet of paper
 6 with me when I go to the next person and I can compare, you
 7 know, is the turkey burger worse than the hamburger?
 8 AUDIENCE PARTICIPANT: Depends on if you put the bleu cheese
 9 on it.
 10 (Laughter.)
 11 AUDIENCE PARTICIPANT: But it changes
 12 the dynamic, because you have something that you can
 13 compare.
 14 CHAIRMAN CLAYTON: So I know you are going to have
 15 somebody here who's going to be like, "Yeah."
 16 COMMISSIONER STEIN: I've been suggesting that.
 17 (Laughter.)
 18 CHAIRMAN CLAYTON: And the ability to scrape the
 19 data so there are all sorts of great comparisons. We want
 20 to move toward that.
 21 One -- I just want to be honest. One challenge we
 22 have is there are so many different types of products and
 23 services, it's difficult to create one form that captures
 24 them all. But my objective over time is to get there, so
 25 that -- but for certain types, we can already do the

1 comparison.
 2 But I can't tell people, you know, you're not
 3 allowed to price things this way or that way. That's a
 4 pretty heavy -- but I agree with you and want to drive
 5 things toward that result.
 6 AUDIENCE PARTICIPANT: Can we keep a database for
 7 investor losses? Sorry.
 8 AUDIENCE PARTICIPANT: So to the point about the
 9 different products and things like that, and I absolutely
 10 understand about the variability and the changes and what
 11 products at what broker-dealer you're going to get because
 12 of the things they do in the background as well. But
 13 similar to -- something I understand, the way that lending
 14 happens, there are those boxes across the top, so at least
 15 it is something. And I'm not suggesting that it will be the
 16 end all, be all, the level of accuracy within whatever
 17 margin of error. But it's something that I can take from
 18 this broker-dealer and put to another broker-dealer or
 19 investment adviser and just have a basis for comparison.
 20 Again, the calorie counts are not going to be accurate but
 21 they give you something to look for, too.
 22 CHAIRMAN CLAYTON: I know we all agree with you.
 23 And the benefit of that -- I'll let Sarah answer, but the
 24 benefit of that that we've already had in the mutual fund
 25 industry in terms of costs and, hey, this one is this and I

1 can compare, and driving the cost down through competition,
 2 I can't tell you how much money that actually puts back in
 3 investors' pockets. It would be -- it would be great to do
 4 that more broadly across the spectrum. Absolutely.
 5 COMMISSIONER JACKSON: And there's another reason,
 6 you're right, if I can just quickly add, Commissioner Stein
 7 has really been pushing very effectively on this for a long
 8 time. And another reason you're right, if you think about
 9 what happened when we forced people to put calories on the
 10 menu, they start thinking about what they're serving. They
 11 asked themselves the question. They have to write down,
 12 here is what we're going to have to tell people this is what
 13 we're feeding them. And they start thinking a little bit
 14 more seriously about the products that they're putting on
 15 the table.
 16 Another benefit also in the mutual fund space and
 17 here, too, I think, would be people have to write down,
 18 here's what we make, here's how we make it. Is that the way
 19 we want to get paid? Is that the kind of product we want to
 20 offer? And that's a very healthy set of questions for
 21 people in the finance space to be asking each other.
 22 So you're absolutely right about this. We agree
 23 with you.
 24 COMMISSIONER STEIN: And we've been -- after the
 25 Wall Street Reform Bill, we were able to do some of that in

1 the mortgage market, so people could better compare mortgage
 2 products. So I think it's something we should be working
 3 on.
 4 CHAIRMAN CLAYTON: Lori, what do we say about an
 5 educated investor?
 6 MS. SHOCK: It's our best defense against fraud,
 7 it makes informed investment decisions. That's right.
 8 I had a question that was actually said up here to
 9 me about investor.gov. If I may just say that when you do
 10 the background check, if you're looking for a financial
 11 professional, you can do that as well. So that whole fraud
 12 thing, that way you know you're at least not starting off
 13 with a fraudster. So you can do a search within five miles,
 14 10 miles, 25 miles if you don't have a person in mind or
 15 have a name.
 16 And sir, with an injured hand, I'm going to call
 17 on you because that hand has gone up and down and we want to
 18 make sure we get you.
 19 AUDIENCE PARTICIPANT: Thank you.
 20 MS. SHOCK: Yes, sir.
 21 AUDIENCE PARTICIPANT: Do you have the authority
 22 to do that?
 23 (Laughter.)
 24 AUDIENCE PARTICIPANT: So, you know, think about
 25 who opposed that calories information. There were certain

1 entities that thought, I don't want that revealed. And so I
 2 wonder how much the industry does, itself, want to put
 3 calories on? I think about [Audience Participant]'s story,
 4 [Audience Participant]'s client, the Commissioner,
 5 excuse me, who said he didn't know much.
 6 And I wonder, most investors don't seem to really even know
 7 the basics.
 8 Which is why I went to E-Trade, and I hope this
 9 isn't a departure. I thought I knew the risks, bought some
 10 Google stock. But, you know, my parents inherited stocks,
 11 equities as well from their parents and passed it down. So
 12 after the IPO, I'm watching Google, I'm thinking, okay, the
 13 stock is flat and years go by and Google is making billions
 14 of dollars. I don't think anyone disputes that. My parents
 15 had some Coke and JC Penney.
 16 And so I just did some reading and looked deeper
 17 into it and I recognized -- and this was mentioned -- I
 18 don't actually own a piece of Google. And I bought it from
 19 an investor and the only way I can get my money is to sell
 20 it to another investor. And there's a term for that, by the
 21 way.
 22 And I just wonder, like, my parents don't know
 23 that. They're holding all this stock. They don't know
 24 that. And I just wonder, what would happen? You talk this
 25 is an education event. What would happen if the calories

1 were disclosed and people realized this actually -- I don't
 2 own a piece of that company; I can only get my money out
 3 through another investor. I don't think anyone knows that;
 4 I didn't.
 5 AUDIENCE PARTICIPANT: Google Class C shares --
 6 these things make \$400 billion of market cap, they don't pay
 7 dividends, they don't have voting rights, Google doesn't
 8 back the value. So people are literally trading in an
 9 imaginary Google ticker, where they're not going to get any
 10 money from Google, they're not allowed to have a say. And
 11 they're saying, oh, well, I'll trade it for \$1,200. You
 12 know, it's kind of -- I don't even know why that exists,
 13 personally. But this happened way before your watch, but
 14 from a logical level, how on earth did that even come about?
 15 CHAIRMAN CLAYTON: There are more issues than
 16 we're dealing with tonight.
 17 (Laughter.)
 18 CHAIRMAN CLAYTON: Yes.
 19 AUDIENCE PARTICIPANT: I'm a pension trustee for a
 20 small 403(b). And a lot of my friends are retiring. I hope
 21 to do that soon, too. But one of the things that we get
 22 asked -- and you may not be the people who regulate this and
 23 forgive me if I'm incorrect -- I think the broker-dealer
 24 questions are good -- I think the investment adviser questions
 25 are good. What do we tell people who are thinking about going

1 into annuities? I have an opinion about it but what I --
2 what we find is that we have people who are retiring who
3 have managed to amass a right amount of money. They're
4 scared crapless, they don't know what to do. And somebody
5 talks them into putting it into an annuity.

6 Could we have any information about that or where
7 would we --

8 CHAIRMAN CLAYTON: So here -- the question is --
9 and thank you for being a trustee. Because it's a big
10 responsibility.

11 AUDIENCE PARTICIPANT: It's huge.

12 CHAIRMAN CLAYTON: No, it is. And sometimes
13 thankless.

14 So the question is, there are products that can be
15 complicated. Let me try and frame it. Some of them are
16 annuities. In particular, variable annuities. A variable
17 annuity is you give an insurance company a bunch of money,
18 they promise you an income stream, I'm going to pay you
19 something a month, and we're going to invest some of your
20 money in equities, maybe mutual funds, and you might get a
21 return on that. Lori, have I got it right?

22 MS. SHOCK: Sounds good. I would say it's a
23 mutual fund with an insurance wrapper.

24 CHAIRMAN CLAYTON: Sounds good to me. Anyway, you
25 get two things, you get an equity investment and what is

1 They decided that they like him. I'm just a little bit
2 wary.

3 He has suggested to my parents that he is a
4 conservative adviser and that he's advising them to roll
5 into my dad's TSP, to roll that into an annuity. It's a
6 fixed annuity. This is something that I'm like, oh, my
7 goodness, what are you doing? Because they're 60 and in 30
8 years from now, they're going to be getting half of what
9 they think they're getting now. I don't think that they
10 realize that. This scares the bejesus out of me because I'm
11 their son, I'm going to be paying for them at some point in
12 time for their care.

13 CHAIRMAN CLAYTON: The fact that you feel that
14 responsibility is good for them, right?

15 AUDIENCE PARTICIPANT: So I sympathize and I share
16 the concern of how can I help them? I'm the financial
17 person in the household. And so they come to me asking
18 questions a lot. I have invested some of their money into
19 various stocks of various types over the years. But they
20 come to me for advice. What do I do? Where do I go?

21 CHAIRMAN CLAYTON: I'm going to go to Lori,
22 because Lori has tools on how to explain and analyze
23 annuities. And we'll also follow up with you. I want your
24 civics lesson, too. But maybe give a quick --

25 MS. SHOCK: Sure. And so again, investor.gov. We

1 just a promise of payment.

2 These are complicated instruments and they often
3 include complicated fees. And one of the questions is, does
4 a retail investor adequately understand those? I'm pleased
5 to say that, not as part of this because we can't solve
6 everything, but we're looking and Sarah's group is looking
7 closely at putting the calories on the menu for annuities so
8 people have an ability to --

9 MS. ten SIETHOFF: We're looking at doing a very
10 summary type of disclosure document. Again, because people
11 don't like to read a couple hundred pages to try and piece
12 through these products, that explains in very simple terms
13 the key features and risks. So that again, they go in armed
14 with here are the key risks that I want to ask about and the
15 key features that I should look at to say is this the right
16 investment for me. So stay tuned.

17 CHAIRMAN CLAYTON: Stay tuned.

18 AUDIENCE PARTICIPANT: Hi, I'm [Audience Participant].
19 I have two things.

20 One, I'll start with a story about my parents, and
21 then I have a civics-oriented question.

22 So my parents, my dad has recently retired and
23 they have sought an investment adviser, who they have found.
24 They went to a library, at a library, and talked with him
25 afterwards and have since started a relationship with him.

1 also have printed brochures on variable annuities. And the
2 other thing is -- I'm a big believer in diversification.
3 And so putting everything into one product is never, you
4 know, sound advice. So that should give some pause.

5 Make sure you also do this background check that I
6 talked about. Find out, because the person may be only
7 registered as an insurance agent, because fixed annuities
8 are insurance products only. They don't fall under our
9 jurisdiction. But just -- I think there's a lot more
10 homework that needs to be done before making that decision.

11 Also, for those of you who are affiliated with the
12 federal government, the Thrift Savings Plan has incredibly
13 low fees. And that's money that stays in your pocket, not
14 someone else's pocket. So make sure your -- that should be
15 part of the equation as well.

16 MS. ten SIETHOFF: And that -- I just want to
17 recommend, I mean, the materials on variable annuities, it's
18 just a couple pages long. It tells you all the key risks to
19 be diligent about and, really, anybody could read it --

20 AUDIENCE PARTICIPANT: In the current low interest
21 rate environment, in the future -- it's just something that
22 makes me cautious.

23 So moving to the civics part then real fast, I get
24 brochures or I get -- because I own stock, I get things in
25 the mail asking me to vote on my stock. I'm happy to vote

1 on my stock. I enjoy voting. I vote frequently. I like
2 voting against compensation for these directors who are paid
3 billions of dollars -- millions. However, sometimes I don't
4 feel that I am the best-informed individual to vote on
5 everything and I would like to assign that to the person who
6 is my fiduciary, my broker-dealer. However, they are only
7 willing or they are only able to vote right now on the
8 auditor ratification. And I am wondering if there is a
9 possibility -- I would like to assign them more voting
10 rights if I can because I think that they are probably in a
11 better position. They know more. That's their job, they
12 should be informed.

13 CHAIRMAN CLAYTON: So voting, again, not the
14 subject for tonight. But, no, you raise it. Voting has
15 gotten more complicated because many stocks are held through
16 intermediaries or in funds and whatnot and we, just like we
17 are looking at the variable annuity disclosure and trying to
18 bring the calorie count to that, we're looking at voting.

19 So I don't have a solution for you tonight, but
20 we're looking at it. Including the question you asked.

21 AUDIENCE PARTICIPANT: There are investors that
22 you can educate -- or can't educate, and they don't have the
23 capability, but they have the money. When does independent
24 oversight kick in, in respect to an investor who, let's say,
25 is a senior or impaired or in some way vulnerable? And

1 shouldn't that be part of the rulemaking process, to protect
2 the vulnerable, the particularly vulnerable investors?

3 CHAIRMAN CLAYTON: Let me say one thing that we've
4 done recently. We have some rules that say, hey, when
5 somebody makes an order, you've got to fill it fast or
6 you've got to do this fast. Including when somebody says,
7 hey, sell that for me.

8 We've changed that rule to say, you know what?
9 You don't need to do it fast if you have a sense that
10 there's diminished capacity. Let's have a chance to
11 investigate that. But we are looking to that. Lourdes?

12 MS. GONZALEZ: So we have, at the SEC, have worked
13 for a long time on senior issues. It's funny, I have gone
14 to a lot of conferences on these issues and everybody has a
15 story about something going wrong, including in my husband's
16 family, by the way, so we all feel this deeply, where the --
17 in our case, it was the hairdresser who took advantage of an
18 elderly aunt and now owns a house.

19 But I have two points to make. One is there's a
20 very good senior help line that is run by a securities
21 regulator that we oversee, FINRA. If you Google it, I think
22 it's like Senior Help Line or something like that. It's run
23 out of the Boca Raton office in Florida. And they are very
24 good about following up with firms, with the investors, and
25 really try to help. And they've been able to help investors

1 get money back. It's a great service that they're doing.
2 Don't have to do it but people at FINRA really care.

3 The second point is there's a new rule for broker-
4 dealers that want to take advantage of it with respect to
5 elder financial exploitation. If they believe an elderly
6 investor is being taken advantage of, they can follow
7 certain procedures and delay disbursement of the funds for a
8 certain period of time. It's a brief period of time but
9 it's like a pause. And the reason for that is because time
10 is the enemy of the thief. That's the impetus of that rule.
11 It's kicked in and brokers are -- some brokers are using it.

12 And the other part of the rule is broker-dealers
13 are required to try to obtain from a customer a trusted
14 contact. Before there's a problem, the customer can give a
15 trusted contact. If there's some issue that you see with
16 me, you can call my daughter, [Redacted]. So I urge people to
17 consider that and take advantage of it.

18 AUDIENCE PARTICIPANT: Two things. First of all,
19 I think it's good that the form requires disclosure of
20 disciplinary issues. The problem is, there just isn't
21 enough resources to police the number of actors out there.
22 There are those actors that are bad actors that do things
23 intentionally. And then unfortunately, there's a whole lot
24 of people out there selling stuff that they really don't
25 understand what they're selling. And I think that's a

1 bigger problem.

2 It's interesting to me that there are a number of
3 professional designations that include with them an
4 obligation, an ethical obligation that if you're a member of
5 that profession, you have an obligation to report
6 misconduct. We don't have that with registered reps or
7 people in the securities industry. And that's interesting
8 to me.

9 If you're a CFA, you have an ethical obligation to
10 report CFAs or misconduct that you see. If you're an
11 attorney, you have ethical obligations to report
12 inappropriate conduct on the part of another attorney.

13 So it's impossible for the regulators at the state
14 or federal level to police everything. And the most
15 vulnerable people are the individuals. And there's just too
16 many small salespeople meeting one on one with the most
17 vulnerable people. And we need another solution to dealing
18 with that problem.

19 But secondly, to your point of sale disclosure
20 form, from my own investor experience, one of the biggest
21 challenges in understanding the difference between a broker-
22 dealer and an investment adviser is understanding that the
23 person sitting across the table from me may make the exact
24 same recommendation to me and a hundred other customers that
25 they see. And you can ask them to disclose how much money

1 they're making. But what I don't understand as an investor
2 when I'm sitting there is that this guy always recommends
3 these products.

4 So I would add to your -- your disclosure form not
5 just what -- how much of the \$1,000 do I invest, but what do
6 you typically recommend to an investor like me who comes to
7 you with \$10,000? Is it always these companies' products
8 and why? Is that really the best product for me or is it
9 just that your approved product menu only has 50 products on
10 it and so that's what you're going to recommend to
11 everybody? Because the investors don't see the BD's
12 approved product menu.

13 And if the answer is, "I always recommend these,"
14 that tells me that I may be sitting across from a registered
15 rep who sells wrap accounts as opposed to a fiduciary that
16 is really looking at my personal situation and evaluating it
17 and making a recommendation.

18 CHAIRMAN CLAYTON: So I think your comments are
19 great, and appreciate it. And I want to say that -- I always
20 have to be careful when I say these things because I can't
21 -- like I said, I can't write a rule that's 500 pages and
22 says you have to do X, Y and Z. But to calorie count, and things
23 that I like -- so, I would like it. And let me be
24 absolutely clear, I don't know if this can be
25 required -- I don't know if we can drive

1 husband and I have joint accounts and are completely
2 different investors. And I -- we have a financial adviser
3 who I'm happy with, and I am because she asks us that.

4 My concern on some of these in costs, cost is --
5 clearly, you want the money to work for you and not for
6 someone else. But I had to force my husband to go to a
7 financial adviser because I don't feel comfortable that I'm
8 making the right decisions, and our adviser, we're very
9 happy with her. But my husband just wanted to do the
10 investing himself. And we're now in an account and we did
11 go through all these, what are the fees, where are they
12 going? My husband is an engineer, so he went through all of
13 that.

14 And I came -- and my feeling was, I don't care
15 what I'm paying within reason. But when I look at the
16 differential, and we looked at sort of like a, you know,
17 standard mutual fund or an index. And I looked at sort of
18 over the last five years what was the increase and what
19 would it have been, versus an advisory account we're in now,
20 and we're paying more for that advisory account but the
21 results are better.

22 So, you know, it's more -- it's not just the fees.
23 And my concern about the sole focus -- and I know you're not
24 focusing solely on fees, but by doing that of course you
25 want to get the most cost efficient. But cost efficient may

1 the behavior this way -- but I would like it if
2 when you went in to see a broker-dealer or investment
3 professional, and you had five different types of people.
4 You had Lourdes, me, somebody who is 25, somebody who is 70,
5 with different types of profiles, and you said, hey, run
6 these five profiles through your, you know, recommendation
7 machine. If what comes out of that is the same thing for
8 all five of those people, that recommendation machine is not
9 worth a whole lot, which is what you're saying.

10 And, you know, one of the things that I think we
11 should think about when we sort of say, hey, are you
12 discharging your obligation is that kind of, hey, show me
13 how you're doing it. Do your policies and procedures -- you
14 know, lawyers talk about policies and procedures. When we
15 test them, do they work? I don't know, what does everybody
16 think about that? You know, there are all sorts of
17 different types of people. Do you want to pass this through
18 your procedures? If you come up with the same thing for
19 everybody, I don't know, it tells me something.

20 Let me go to people who haven't yet --

21 AUDIENCE PARTICIPANT: I have a similar comment,
22 actually, two comments. I think, you know, the questions
23 generally are good. And maybe this is really the same
24 comment. You know, sort of, what are your risks? What are
25 your goals? Are really key, because I can tell you my

1 not be the lowest cost.

2 CHAIRMAN CLAYTON: The lowest cost may not be the
3 best.

4 AUDIENCE PARTICIPANT: Right.

5 CHAIRMAN CLAYTON: That's one of the hard things
6 you have to deal with.

7 AUDIENCE PARTICIPANT: And the second question,
8 really, just dovetails on annuities. And again, my husband
9 and I are very different. And we are now near retirement.
10 And so our broker is, you know, saying we actually --
11 because I did have to pay for my mom in her later years, and
12 so I'm absolutely fixed on I want to make sure that I have
13 enough in retirement. And, you know, they'll come back and
14 the models will say, well, 85 percent chance. I'm like,
15 that's not good enough for me.

16 So we're now looking at having -- you know,
17 looking at, okay, what do you think your monthly expenses
18 would be, and buying an annuity. And I had to ask about
19 that because the broker, it's not generally on their menu.
20 Because they actually said, it's more expensive. I'm like,
21 well, yeah, it's more expensive but then I'm guaranteed that
22 I'm not going to run out of that money. So --

23 CHAIRMAN CLAYTON: As Lori was saying, not
24 everything but sometimes something in a different type of
25 product makes sense.

1 AUDIENCE PARTICIPANT: If I can segue in with
 2 that. You have to find out if the broker-dealer you're
 3 dealing with is captured by a single company. No matter
 4 what you do, he can't sell anything but, say, product A.
 5 Everybody that goes in to him has to buy product from
 6 company A. That's all he can sell. He's not licensed to
 7 sell anything else. Whereas, your independent dealer can
 8 give you more, A, B, C. There again, you have to make sure
 9 he's not pushing you over where he's making his most
 10 commission and you're not getting your benefits.
 11 But that's a big question when you first meet him.
 12 Are you captured with a single company or are you
 13 independent? Can you sell me something different?
 14 COMMISSIONER JACKSON: And it sounded like you had
 15 a second point there. It's especially important and
 16 something we've been thinking about and talking about.
 17 Which is, even if you are independent, there is a menu you can
 18 offer me.
 19 AUDIENCE PARTICIPANT: You have to be sure -- I
 20 can be independent and sell 437 different companies. But if
 21 the first company I was ever with gives me the highest
 22 commission rate, am I always going back to that? Am I
 23 always going back? Is that where I am.
 24 And a lot of times, when you look on the wall
 25 behind your dealer, which companies are giving him most

1 awards? Because it's right there. It's right there in your
 2 face. You can see it.
 3 A company that is out of business, Bravo Health,
 4 they're not around anymore. But if you go in there and you
 5 see Bravo, I'm a head salesman for Bravo, I did this for
 6 Bravo, Bravo, Bravo, but I have a shingle out here that says
 7 I can sell for all these other companies but I've got
 8 nothing else on the wall, where am I putting all of my
 9 investment money?
 10 CHAIRMAN CLAYTON: Let me do this. We have
 11 probably about 10 minutes left. I want to go to anybody who
 12 hasn't had a chance to ask a question. Go ahead.
 13 AUDIENCE PARTICIPANT: So I really appreciated the
 14 comments about giving the investor short and simple
 15 information, and I really like the relationship summary.
 16 And as I was reading through this after having retired and
 17 worked with an investment adviser for a number of years and
 18 doing my own investing, I read through, said this is great.
 19 And then I stepped back and remembered what it was like when
 20 I was 25, fresh out of grad school and starting my first job
 21 and trying to figure out how to invest my money.
 22 Looking at the relationship summary, there are a
 23 lot of really fantastic concepts in the summary that,
 24 without that two-minute video, I think a 25-year-old -- and
 25 I think Commissioner Roisman said, going to financial

1 advice, getting financial advice is a daunting and
 2 intimidating experience. And for me, as a 25-year-old,
 3 going in and talking to somebody who was way older than me
 4 at 40 was a scary thing, fresh out of school.
 5 And so how -- my question is this. I was going
 6 through this and highlighting things in, you know, what are
 7 the terms I really didn't understand when I was young and
 8 what are the concepts that up until probably fairly recently
 9 I was clueless on? How do we -- how do we help those young
 10 people, the 25-year-old profile, and the 70-year-old
 11 profile, who has been invested in TSP for 45 years? So
 12 that's my question.
 13 CHAIRMAN CLAYTON: No, I think -- look, I
 14 appreciate your comment. It's a common comment that we've
 15 received, which is, hey, step in the right direction. You
 16 know, it's a great -- 75 pages, not so great. Four pages,
 17 some key terms. You know, are we at the calorie count menu?
 18 We're not there.
 19 But what do we do with the tools we have? And
 20 unfortunately, with the obligation in this space to be
 21 fairly precise, because things get pored over by lawyers and
 22 whatnot.
 23 But I think what I've heard loud and clear
 24 throughout all these roundtables is, you know, give us a
 25 video. Hey, Jay, take the risk of not being precise. Try

1 to give us some straight talk on how we approach this as
 2 part of this process. And I'm hearing that loud and clear.
 3 I don't know what you guys are --
 4 COMMISSIONER JACKSON: I think that's been the
 5 message throughout. And I think what we've heard tonight
 6 is, look, we need to be able to clearly understand what
 7 we're getting when we go into that office for that
 8 overwhelming moment. And the harder the moment is, the
 9 clearer it needs to be.
 10 And I think you're right, sir, to point out that
 11 it needs to be even clearer and easier for the 25-year-old.
 12 Because God help me if I had made any important financial
 13 decisions when I was 25 years old.
 14 (Laughter.)
 15 CHAIRMAN CLAYTON: I'm going to go here and then I
 16 am going to ask each of my fellow commissioners if they want
 17 to make any closing comment.
 18 AUDIENCE PARTICIPANT: Just a comment -- the
 19 statement about the 25-year old -- I completely agree with
 20 them and I do think that it does need to be a little bit
 21 more clear for someone in that age group. Because I'm
 22 fortunate, where I have a profession that explains that but
 23 most of my peers don't have that. So that could be huge and
 24 tremendous help. And then possibly even suggesting a
 25 roundtable inviting more of that demographic to participate

1 in conversations like this so that you do have that
 2 awareness going forward on how you approach the future.
 3 CHAIRMAN CLAYTON: Let me ask each of my
 4 commissioners if they have any final comments, any thoughts?
 5 COMMISSIONER ROISMAN: I think this was incredibly
 6 helpful. This is, obviously, my first one and I really
 7 appreciate kind of the candor and dialogue between us. I
 8 think, you know, ultimately what we're trying to do is
 9 produce a rule that helps everyone. And incorporating your
 10 comments is ultimately the goal, so that we have the best
 11 possible rule.
 12 It sounds to me like people want to be able to
 13 make an informed decision. And part of that is feeling
 14 comfortable in the relationship they have.
 15 COMMISSIONER JACKSON: I agree with Commissioner
 16 Roisman. I want to say that I hope you all consider -- one
 17 thing you've heard from us, I hope, is that we understand
 18 that this is just the start of this conversation. None of
 19 us up here thinks that we're at a perfect place or that
 20 we're going to a perfect place. We need to continue to hear
 21 from all of you.
 22 So the one thing I would suggest is, if you found
 23 it helpful at all or useful to be here in front of us and
 24 get to ask us questions, keep giving us this feedback. We
 25 have on the website places where you can reach out to us,

1 let us know what you're hearing, what confuses you, what
 2 worries you. Keep being in -- keep talking to us. Because
 3 I think I speak for all of us when I'd say that these
 4 conversations make us a lot better at the job of trying to
 5 figure out how to make these things clear for you all. So
 6 we appreciate the candid feedback and we hope you'll be in
 7 touch.
 8 COMMISSIONER STEIN: I heard some great things
 9 today. Maybe we need a nap. When I'm thinking about the
 10 25-year-olds -- I have a 14-year-old who only uses her phone
 11 and, you know, a shorter burst of attention than the two to
 12 three minutes we were talking about for the video. But can
 13 we provide information in a variety of formats for folks
 14 from a variety of backgrounds? And it might be can we
 15 incorporate some of the tools we already have, like our
 16 investor.gov in some form, you know, maybe on the bottom of
 17 that relationship summary. Here are other, you know, places
 18 you can go for information.
 19 And I also -- I like what we were talking about on
 20 the plain language, you know, issue. And I think it's
 21 always a problem for government and lawyers. We all,
 22 actually, happen to be lawyers. And I remember the first
 23 time I -- someone asked me to write something on one page
 24 and I was used to writing things on 20 pages --
 25 (Laughter.)

1 COMMISSIONER STEIN: -- and it was so hard.
 2 Because it's much harder to write the one page than the 20.
 3 So sometimes, we're just a little lazy. It's easier to
 4 write the 400 pages. So I hear that, too.
 5 And I think I really liked what you were saying
 6 about the interstices. Is thinking about -- and we're
 7 talking about this idea of should there be a basic
 8 relationship that undergirds all of the words that you can
 9 count on? You know, we can call it fiduciary duty, we can
 10 call it a best interest standard. But like your doctor or
 11 your lawyer or certain other professionals, you know, are we
 12 going to say there's some certain basic professional duty
 13 you have to not harm people? And I think that's
 14 undergirding all of this, too.
 15 You know, there are going to be rules. Rules are
 16 going to change. But I think what's tricky in this area is
 17 a lot of people do get intimidated and think that person
 18 must know because I don't know. And they project on them
 19 wisdom that they might or might not have. And I think they
 20 project upon them that they, of course, care about my best
 21 interest when they might be trying to win the contest to go
 22 to Jamaica next month. So doing whatever we can to make
 23 that clear, I think.
 24 I think what's been interesting to me is people
 25 spend a lot more time picking out doctors than they do

1 financial professionals. And it's like what can we do to
 2 make people understand you need to do just as much research?
 3 That that's not something you just go because they went to
 4 high school with you, right? Or they're nice, right? And
 5 you met them at the library.
 6 So I think that also undergirds -- I'm sort of
 7 hearing that, you know, also.
 8 Go ahead.
 9 AUDIENCE PARTICIPANT: Two quick things. I wanted
 10 to ask you how, because you made a point on this, how driven
 11 do you think the compensation is in terms of how it affects
 12 the professionalism and the practices of the investment
 13 adviser and broker?
 14 And then the second thing I wanted to suggest is,
 15 I'm a lawyer. I'm an officer of the court. And that means
 16 that not only am I an officer of the court in the court but
 17 I take the law with me outside. And I think you have to
 18 have a concept so the financial service professional could
 19 feel that he's a very important component in terms of our
 20 economy, whether he's in one firm or another firm or he's an
 21 adviser or a broker, et cetera, et cetera. And that's the
 22 base to launch professionalism.
 23 COMMISSIONER STEIN: And I'll just quickly -- I
 24 think it varies from person to person, right? So that's
 25 hard to answer. If someone is a broker-dealer and they

1 treat you with the utmost respect and always put your needs,
2 you know, ahead of theirs. And you could have an investment
3 adviser who is also just trying to make a lot of money,
4 right? So I think it's -- you know, this is a -- this goes
5 back. And you could do that with lawyers and doctors, too,
6 right? It's that same issue.

7 But I think part of this is how do we give you
8 some of the information you need to do that research and
9 find that person who is going to help you make pretty major
10 decisions about your nest egg or your life savings? And it
11 might not just be this relationship summary. If you think
12 of some good ideas about what you wish was out there, write
13 us. Write the commissioners. We would love to hear your
14 ideas about what would help you.

15 MS. ten SIETHOFF: Actually, can I have one quick
16 plug on that point from Commissioner Stein? I think each of
17 you got a little card, a little like postcard size thing
18 that has the website address. We've done a Tell Us page on
19 the website, and that, you can go -- for those who didn't
20 get a comment in here that they would like to share, there's
21 a little web-fillable form so you can go in, type in your
22 feedback, click submit and it goes straight to us. So that
23 has the form for this project. It has it for another
24 investor experience project we're working on for mutual funds
25 and those kinds of disclosures. When we do our variable

1 Do we need to have more in this kind of trusted adviser,
2 trusted friend category? Do we need to do more, you know,
3 at the broker-dealer, investment adviser level so that
4 people can take a pause? Because we are seeing more elder
5 fraud. On our enforcement side, do we need to do more? But
6 it all has informed, you know, what we're trying to get to
7 here.

8 I will leave you with some positives. I've been
9 fortunate enough to do this kind of thing all over the
10 world. We do have about the best thing going here in
11 America in terms of capital generation and participation. I
12 would like, as Chairman, for participation to become broader
13 and less expensive and better advised. Because we're going
14 to need it if we're all saving for our own retirements.

15 And with that, I'll just say, thank you very much.
16 Thanks to the Reginald Lewis Center for having us.

17 (Applause.)

18 CHAIRMAN CLAYTON: Thank you. Thank you all.

19 (Whereupon, at 7:27 p.m., the meeting was
20 concluded.)

21 * * * * *

1 annuity summary document, it will have one for that. So
2 this is a great page if you guys can keep that in mind. You
3 can keep giving us feedback.

4 CHAIRMAN CLAYTON: Let me just see if, Lori or
5 Lourdes, any final comments?

6 MS. SHOCK: I appreciate you taking the time to be
7 here. We really do thank you.

8 CHAIRMAN CLAYTON: Let me just try and wrap up and
9 say how much we all appreciate this feedback. This has
10 mattered, okay? My thoughts, and I know my colleagues'
11 thoughts, on how we're going to go forward, and to
12 Commissioner Stein's comments, you know, this is -- what
13 we're doing here is not the end. Markets change,
14 demographics change, people change. We're not going to get
15 it perfect. We're going to keep looking at it. This is
16 important.

17 But what we have heard has changed our approach,
18 okay? We talked about the video tonight. We understand
19 that the forms, the communication has to be not for somebody
20 who has been investing for 10, 15, 20 years but for somebody
21 who is getting into the game.

22 We've learned through this process that there are
23 certain critical times when you're rolling over from when
24 you have a trustee to when you don't. You know, when you're
25 getting older and, you know, what other things can we do?