

**MEMO# 32942**

November 24, 2020

# **Chairman Clayton Speech Reviews Tenure, Suggests Areas for Further Commission Attention**

[32942]

November 24, 2020 TO: ICI Members

Investment Company Directors SUBJECTS: Disclosure

Financial Stability

Fixed Income Securities

Fund Governance

Money Market Funds

Operations

Risk Oversight

Trading and Markets RE: Chairman Clayton Speech Reviews Tenure, Suggests Areas for Further Commission Attention

SEC Chairman Jay Clayton, who will conclude his tenure at the end of this year,[\[1\]](#) offered in recent remarks his observations on his three-year chairmanship and his views on areas warranting further Commission attention.[\[2\]](#) He reviewed his tenure based on the eight principles that guided his chairmanship.

Regarding areas for further Commission attention, Chairman Clayton highlighted money market funds, securitizations, and proxy voting as “in need of imminent attention.” He stated, “there is no doubt that we need to re-examine the Commission’s prior reforms as well as the performance of money market funds over the recent period.” He referenced the Division of Investment Management’s review of money market funds, which includes considering “critical questions such as: (1) did the potential for the imposition of redemption gates drive market behavior and (2) did our money fund rule’s risk limitations provide funds with the necessary liquidity to meet heightened redemptions.”

Chairman Clayton also expressed hope that “the Commission will continue work around modernizing our proxy system and in particular exploring ways to modernize our rules on shareholder communications so that issuers can engage with their shareholders more directly and efficiently.” He noted, as an example, that “the OBO-NOBO (Objecting Beneficial Owner/Non-Objecting Beneficial Owner) rules are overdue for reexamination—it can be difficult and costly for companies to identify and communicate with their shareholders on important corporate governance issues.” In addition, he said, “[w]e should

update our 'proxy plumbing' system to support and ensure there are efficient communication channels between corporations and their shareholders."

Other areas he suggested for further Commission attention include corporate hygiene (relating to Rule 10b-5 plans, insider trading policies, and stock option plans), the remaining Dodd-Frank rulemaking, and climate-related disclosures. With respect to climate-related disclosures, Chairman Clayton noted that, to the extent material, issuers are required to disclose the current and expected future effects of climate-related issues on their operations and performance. He stated that it is important that this disclosure be "decision-useful" (i.e., material). He also expressed the view that any standardization of disclosure should be approached on a sector-by-sector basis, starting with the sectors that are already using metrics to track and assess climate-related risks.

Annette Capretta  
Deputy Managing Director  
Independent Directors Council

#### **endnotes**

[1] See SEC Press Release, SEC Chairman Jay Clayton Confirms Plans to Conclude Tenure at Year End (Nov. 16, 2020), *available at* <https://www.sec.gov/news/press-release/2020-284>.

[2] See Remarks by Chairman Jay Clayton, Putting Principles into Practice, the SEC from 2017-2020 (Nov. 19, 2020), *available at* <https://www.sec.gov/news/speech/clayton-economic-club-ny-2020-11-19>.

---

Copyright © by the Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.