

MEMO# 33759

September 8, 2021

SEC Chair Gensler Speech to European Parliament Committee on Economic and Financial Affairs

[33759]

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TO: ICI Members
Advertising Compliance Advisory Committee
Disclosure Working Group
ESG Advisory Group
ESG Task Force
Global Operations Advisory Committee
SEC Rules Committee
Securities Operations Advisory Committee
SUBJECTS: Advertising
Disclosure
ESG
Financial Stability
Fintech and Digital Assets
RE: SEC Chair Gensler Speech to European Parliament
Committee on Economic and Financial Affairs

On September 1, SEC Chair Gensler spoke to the European Parliament Committee on Economic and Financial Affairs on three topics: (i) Predictive Data Analytics, Digital Engagement Practices, and Financial Stability; (ii) Crypto Assets; and (iii) Issuer Disclosures. Chair Gensler's remarks are summarized below.[\[1\]](#)

Predictive Data Analytics, Digital Engagement Practices, and Financial Stability

Chair Gensler noted concern about "whether the [financial industry's] broad adoption of deep learning models could contribute to a future crisis" and suggested that "these models could lead to systemic risk by encouraging herding into certain datasets, providers, or investments." Chair Gensler stated that the SEC is looking at these issues "as part of a broader examination of predictive data analytics."

Crypto Assets

Chair Gensler noted that "the platforms for crypto trading and lending, unlike traditional exchanges, provide direct access to millions of investors" and given that "there's no broker

in between the public and the platform, absent clear investor protection obligations on these platforms, the investing public is left vulnerable."

With respect to stablecoins-crypto tokens pegged to the value of fiat currencies-the Chair stated that these tokens are embedded in crypto trading and lending platforms and that the use of stablecoins on these platforms "may facilitate those seeking to sidestep a host of public policy goals connected to our traditional banking and financial system: anti-money laundering, sanctions, and more."

Issuer Disclosures

Chair Gensler indicated that he asked the staff to develop a proposal for the Commission's consideration that would require public companies to provide climate risk disclosure. He noted that in doing so, the staff is reviewing "other frameworks and standards, including the Task Force on Climate-related Financial Disclosures (TCFD) framework."

He also noted that funds may "brand themselves as 'green,' 'sustainable,' 'low-carbon' [and that he has] ... directed staff to review current practices and consider recommendations about whether fund managers should disclose the criteria and underlying data they use to market themselves as such." In a Question & Answer session that followed, Chair Gensler expounded on this, stating that it would be appropriate to say that funds claiming to be sustainable, green, etc. need "to disclose an awful lot more about what stands behind it. We have a basic tenet and a basic bargain that you don't defraud the public...What stands behind [claims that a fund] is 'green' or 'sustainable'? We will try to put more clarity on that, both [through] qualitative and quantitative disclosures."

Finally, Chair Gensler noted that he has asked staff to pursue, for the Commission's consideration, "disclosure requirements with respect to human capital and board diversity as well as a proposal ... on cybersecurity risk governance, which could address issues such as cyber hygiene and incident reporting."

Dorothy M. Donohue
Deputy General Counsel - Securities Regulation

endnotes

[1] See Remarks before European Parliament Committee on Economic and Monetary Affairs (September 1, 2021), *available at* <https://www.sec.gov/news/speech/gensler-remarks-european-parliament-090121>.