

**MEMO# 33818**

October 12, 2021

## **SEC Chair Gensler's Testimony on October 5 Before the House Financial Services Committee**

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TO: ICI Members

Accounting/Treasurers Committee

Proxy Working Group SUBJECTS: Audit and Attest RE: SEC Chair Gensler's Testimony on  
October 5 Before the House Financial Services Committee

On October 5, SEC Chair Gary Gensler testified before the House Financial Services Committee<sup>[1]</sup> on four topics from the SEC's unified agenda: (i) funds and investment management; (ii) market structure; (iii) predictive data analytics; and (iv) issuers and issuer disclosure.

Chair Gensler's remarks were virtually identical to his September 14 testimony before the Senate Banking Committee.<sup>[2]</sup> This memorandum only highlights the few new items in the Chair's October 5 testimony.

### **Funds and Investment Management**

Chair Gensler indicated his support for the Commission's<sup>[3]</sup> recent proposal that would enhance the proxy voting disclosures that funds provide to their shareholders.<sup>[4]</sup>

### **PCAOB Inspections**

Chair Gensler noted that China and Hong Kong currently do not comply with a key 2002 Sarbanes-Oxley Act requirement: that the auditors of US public companies must be subject to inspection by the Public Company Accounting Oversight Board (PCAOB). He pointed out that in 2020, Congress enacted the Holding Foreign Companies Accountable Act (HFCAA) to ensure that all jurisdictions around the world comply with that Sarbanes-Oxley requirement.

Chair Gensler noted that in September 2021, the PCAOB adopted a rule to fulfill its obligations under the HFCAA, and he expects the Commission to "promptly consider this rule with the hope that [the SEC] remains on track to finalize its required rulemaking before the end of the year."

## SEC Resources

The Chair pointed out that although capital markets have grown and technology continues to shape the face of finance, the SEC has not grown to meet the needs of the 2020s. He noted that at the end of fiscal year 2016, the SEC had 4,650 people on board, but that since then, the SEC's staffing has decreased by about 4 percent.<sup>[5]</sup>

He expressed appreciation for the "House's decision to support a fiscal year 2022 budget of about \$2 billion" but said that such budget would only get the SEC to a headcount of 4,859. Thus, Chair Gensler stated that he hopes to "continue to work with Congress to build back to where [the SEC was] in 2016, [and] to have the resources reflective of the growth and evolution of the capital markets."

Nicolas Valderrama  
Law Clerk

### endnotes

[1] See Testimony Before the United States House of Representatives Committee on Financial Services (Oct. 5, 2021), available at <https://www.sec.gov/news/testimony/gensler-2021-10-05>.

[2] See ICI Memorandum No. 33796 (Oct. 1, 2021) regarding SEC Chair Gensler's Testimony on September 14 Before the Senate Banking, Housing, and Urban Affairs Committee, available at <https://www.ici.org/memo33796>.

[3] The recording of the SEC's open meeting at which the proposal was considered is available at [https://www.sec.gov/video/webcast-archive-player.shtml?document\\_id=092921-open-meeting](https://www.sec.gov/video/webcast-archive-player.shtml?document_id=092921-open-meeting).

[4] See ICI Memorandum No. 33803 (Oct. 6, 2021) regarding SEC's Proposal to Enhance Reporting of Proxy Voting Information, available at <https://www.ici.org/memo33803>.

[5] For instance, Chair Gensler noted that: in fiscal year 2020, the Division of Enforcement's staff had 6 percent fewer staff than it did in fiscal year 2016; the Division of Corporation Finance is currently 20 percent smaller than in 2016; and the Division of Examinations' total staff has remained relatively flat despite significant growth in the number of registered investment advisers and in their assets under management.