SECURITIES AND EXCHANGE COMMISSION INVESTOR ADVISORY COMMITTEE MEETING

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SEPTEMBER 24, 2020

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SECURITIES AND EXCHANGE COMMISSION INVESTOR ADVISORY COMMITTEE MEETING

TRIVIA EDWARDS, FINANCIAL ANALYST, COMER CAPITAL GROUP

RANDALL ELEY, PRESIDENT AND CHIEF INVESTMENT OFFICER, EDGAR LOMAX VALUE FUND

LORI SCHOCK, DIRECTOR, OFFICE OF INVESTOR EDUCATION AND ADVOCACY, SEC

[*] (UNKNOWN): Thank you. Good morning, everyone. I call this meeting of the Investor Advisory Committee to order Nick Foley - John Foley, excuse me, will call the roll and I will let him do that now.

FOLEY: Thank you. We'll go in alphabetic order. Beginning with Cien Asoera. Cien are you on the line? I see you, but I don't think we can hear you. OK. Well, I can see Chen here on the video, so I will mark him present.

Next, we have - and I believe she's not in attendance this morning. But just to be sure, Allison Bennington? Not here.

Daniels? Perhaps you're muted. I see you as well.

DANIELS: Here, here.

FOLEY: Good morning, Ted.

DANIELS: Good morning.

FOLEY: Fleming?

FLEMING: Thank you that's me, John. Good morning, John. It's Rick.

FOLEY: Good morning, Rick. Elissa Germaine?

GERMAINE: I'm here.

FOLEY: Good morning.

GERMAINE: Hi,

FOLEY: Craig Goettsch? We have Craig Goettsch on the call? All right. We'll circle back. Satyam Khanna?

KHANNA: Yes.

FOLEY: Thank you. My understanding is also that Nancy LeaMond will be missing the morning session, but joining us in the afternoon. Just to be sure, Nancy, are you on the line? Moving on to Lori Lucas.

LUCAS: Hi, I'm present.

FOLEY: Good morning.

LUCAS: Good morning.

FOLEY: Paul Mahoney?

MAHONEY: I'm on.

FOLEY: Good morning, Paul. Jennifer Marietta-Westberg?

MARIETTA-WESTBERG: Present.

FOLEY: Good morning. Christopher Mirabile?

MIRABILE: Present. Good morning.

FOLEY: Good morning. Mina Nguyen?

Nguyen: Here. Good morning.

FOLEY: Good morning. Anne Simpson?

SIMPSON: Good morning. I'm here.

FOLEY: Good morning Anne. Jerome Solomon?

SOLOMON: Present.

FOLEY: Good morning. Heidi Stam?

STAM: I'm here. Thank you.

FOLEY: Thank you, Heidi. And J.W. Verret? Do we have J. W. on the line?

VERRET: Yes, I'm here.

FOLEY: Hi, J. W. Just circling back one more time just in case. Craig Goettsch? Not present at this time. That completes the roll.

MAHONEY: John, thank you very much. Welcome to the SEC's Commissioners and staff and panelists and members of the public who are joining us. I want to mention that this is the final IAC Meeting or Anne Simpson who has been an enthusiastic and thoughtful contributor to the IAC's work since she joined us in November of 2016. She will be very much missed.

After we have heard from the Commissioners, I will ask Anne to say a few words for us. But now I would like to turn the floor over to SEC Chair, Jay Clayton.

CLAYTON: Thank you, Paul. And let me echo your thanks to Anne, remarkable job. And just on a personal level, when we engage it's always respectful, substantive and I always learned something. So your contributions to the Committee have been vast, but your contributions to my thinking have been particularly important. So thank you very much.

SIMPSON: Thank you.

CLAYTON: Actually, it's my pleasure, my pleasure. I also want to welcome Satyam to his first meeting. Satyam, it's good to have you back in the building, albeit virtually, welcome. And I'm certain that you'll make a strong and substantive contribution to the Committee as well.

Turning to today's agenda, I am pleased that you will spend time this morning discussing these two important topics: self-directed individual retirement accounts, or IRAs, and minority community investor inclusion. As I indicated at the Committee's meeting last November, both of these are topics that are of great importance to me, and I appreciate your focus on them today.

In my discussion of IRAs, I asked two questions: One, do retail investors in self-directed IRAs have sufficient protections? And, two, is there anything further the Commission should do to help these investors?

Here, I'm going to deviate from my prepared remarks and note that this is not only a concern of mine, it's a concern of many of my colleagues in the Enforcement Division. Put quite simply, are the indicia of reliability that are present in these types of products accurate? Or are these really much more risky than they appear to be?

They are typically administered by custodians or trustees who may have only limited duties to the retail investor. And a retail investor investing through a self-directed IRA may not receive a broker-dealer's recommendations subject to Regulation Best Interest or advice subject to an investment adviser's fiduciary duty. Said in another way, does it look like a professional with a responsibility is present, when in fact they're not.

In that circumstance, the retail investor would not have the protections that we would expect them to be afforded. I hope today's discussion will provide additional input as we consider what additional protections, if any, the Commission can and should provide these retail investors.

Turning to expanding opportunities for minority community investors, I firmly believe the Commission's focus on promoting diversity, inclusion, and opportunity, both within the SEC and in the industries and markets we oversee, is of paramount importance. It is a topic about which I have spoken at length, including at recent meetings of our Asset Management and Small Business Capital Formation Advisory Committees.

A critical aspect of our job is to promote the interests of our long-term Main Street investors. This doesn't just mean current investors, but also those who will join the investor ranks over time. Here, I believe we can all agree that, as a general matter, expanding our investor base is only a positive. America's capital markets democratize wealth creation and provide new opportunities to investors.

Over 60 million U.S. households are currently invested in our markets, but a closer look reveals considerable differences across demographic groups. For example, while an estimated 61 percent of white households are invested, whether directly or through retirement accounts, that number falls to 31 percent for black households and 28 percent for Hispanic households.

We should continually assess where we can do more to facilitate an inclusive environment for new investors, and this is particularly true for those from underrepresented communities in order to address the existing wealth gap.

This means asking ourselves, among other things, how we can expand participation and representation in our markets, at all levels, whether that is through access to capital, access to investment opportunities, or access to financial education and financial empowerment - always with the overlay of our investor protection mandate.

I look forward to your discussion and recommendations regarding these matters and if I can be of assistance with either matter, please do not hesitate to reach out directly to me. Thank you, Paul.

MAHONEY: Thank you, Jim Clayton. Commissioner Peirce.

PEIRCE: Thank you, Paul, and thank you, Anne for your years of service to the Committee, but your influence will last even though you will not be able to be part of the Committee anymore. So we really are grateful for your - for the seriousness with which you took your participation on the Committee. I know that took a lot of time.

And Satyam, welcome, I know that we will enjoy hearing your contributions as well. And so thank you for agreeing to do this.

Thanks to the rest of the Committee members and to our panelists for today. It looks like two very interesting panels, and delighted to have such a great set of panelists. The issues that you're discussing are important ones.

Thinking about self-directed IRAs and the potential ramifications of those, I think is particularly timely and important. And, also a discussion of how we can make sure that everyone in our country is participating in our capital markets, is investing and building retirements and building wealth that can then be passed on to the next generation, so looking very much forward to those conversations.

And then, finally, I just want to thank you all for taking the responsibility of looking at the bylaws of the of the Committee and trying to think how is it all those needs to change and trying to make sure that the Committee continues on and it continues to be a valuable voice for us and a valuable source of ideas and recommendations. So looking forward to hearing that discussion as well. Thank you all very much.

MAHONEY: Thank you, Commissioner Peirce, Commissioner Roisman.

ROISMAN: Hi, good morning, and thank you, Paul. Thank you to Anne for all of your years of service and for your contributions and passion for this Committee and its efforts. I think we all can agree we've benefited from your input. And I, like the Chairman, I appreciate all the time you spent with me and staff over the years.

And a big welcome to Satyam, welcome back. I really look forward to hearing your input and insights and working with you and the rest of Committee over the next years.

I'm really happy to join this meeting today of the IAC, I'd like to extend my thanks to Paul Mahoney who's assumed the mantle of leadership as the Interim Chair of this Committee. And thank you to all of the Committee members for sharing your valuable time, perspectives and experience.

I was happy and impressed when I saw today's agenda. You're venturing into new territory, exploring issues related to self-directed IRAs, and challenges faced by minority investors. These are complex matters. And I'm truly looking forward to each of the discussions.

I also commend you, like Commissioner Peirce, for focusing on the internal governance of the IAC. The leadership of this Committee takes on great responsibility and it's prudent to formalize and bring transparency for procedures this Committee follows for deciding who will fill these important roles and how you deal with all your matters.

So I really appreciate you taking a look at that, and thank you very much.

MAHONEY: Thank you, Commissioner Roisman. Commissioner Lee.

LEE: Yes, good morning. I'm glad to be able to join you today. And as always, I want to thank each of you for your important work on behalf of the Commission. I know this is kind of a transition period for the Committee with several new members.

While, I have the pleasure of welcoming back in May except for Satyam Khanna, who I don't believe had started yet, so, again, a warm welcome to you Satyam. And Anne, I thank you for your service on this Committee and your thoughtful input on issues that are important to investors. You will be greatly missed on the Committee. But I know and hope that we will continue to hear from you on issues important to investors. Your thoughtful input is really - just invaluable.

The agenda today reflects this Committee's usual and thoughtful approach to helping us with some of our most pressing issues. And I'm especially pleased to see that you'll be discussing the topic of minority community investor inclusion.

I gave remarks earlier this week at the Council of Institutional Investors Fall Conference where I shared some ideas on how the SEC might more systematically consider gender, racial and other representation disparities and its policymaking and think more deeply about our role in addressing the challenges of diversity and inclusion in our capital markets more broadly.

And during that event I asked for help in thinking through these issues, because they are as challenging as they are critically important, so I commend you for taking up that topic. And I look forward to the discussion and especially to any recommendation that may result from your consideration.

So, with that, I know you have a busy agenda, so I'll just say once again thanks to all the Committee members for your service. And thank you to the panelists as well for devoting your valuable time. And with that, I'll let you get your work.

MAHONEY: Thank you, Commissioner Lee. Commissioner Crenshaw.

CRENSHAW: Thank you, Paul, and good morning, everybody. As my colleagues have already said in, I have not had the pleasure of working with you in my current capacity. I don't know if you remember, in my capacity as counsel to Commissioner Jackson and Commissioner Stein, I did work with you a little there. And we always looked to your insights and your valuable input and you will be missed. So thank you very much.

And as you all know, I have had the pleasure of working closely with Satyam. So welcome, Satyam. I know the Committee is lucky to have you. And I think your insights and your judgment will be invaluable as you serve on the Committee. So welcome aboard, I'm glad to share my first meeting with you.

I do look forward to hearing from today's panelists. As you all know, the first panel will be on self-directed IRAs. Several years ago, the SEC's Office of Investor Education and Advocacy or OIEA issued an investor alert to warn investors of the risks associated is self-directed IRAs. That risk alert observed that self-directed IRAs allow investment in a broader and potentially riskier portfolio of assets than other types of IRAs.

Some examples of the unconventional IRA assets include real estate, tax liens, private placements, physical gold and other precious metals, cryptocurrencies, farmland, livestock. Dealer caution that while a broader set of investment options may have appeal, investors should be mindful that investments in self-directed IRAs raise risks, including fraudulent schemes, high fees, and volatile performance, just to name a few.

I'm interested in hearing from you about the unique risks that unconventional investments held in self-directed IRAs present to retail investors, and whether we are doing all that we can to protect retail investors from those risks.

I also understand not all investments held in self-directed IRAs are considered securities, which means we don't have comprehensive authority over the self-directed IRA market. I'm interested to hear to what extent are there gaps in regulatory protections and how those gaps can be filled or what we can do to protect investors most effectively.

Finally, I understand that there's going to be a panel discussion on improving diversity and inclusion among retail investors. A 2017 Federal Reserve Board analysis - a survey of consumer finance data describes long-standing and substantial wealth disparities between families of different racial and ethnic groups.

It further states that wealth losses during the Great Recession and the magnitude of timing recovery also vary substantially across families grouped by race and ethnicity. I fear these disparities can become even more pronounced during the COVID-19 crisis. And as all of you know, we have substantial empirical evidence of racial discrimination in other financial markets, including high cost lending markets, and the mortgage market, auto financing and student lending.

So one question I have for you that I would like the Committee and our outside experts to explore is, is there any evidence of racial discrimination or disparate impacts in the securities market specifically? If so, in what ways? And how can the SEC address those issues?

More broadly, how do we ensure access to high quality investments and services that will breed confidence in the market so that all workers and retirees in all racial and ethnic groups can participate more fully and gain the access - gain access and benefits to our markets?

I certainly don't expect to uncover all of the problems or find all the solutions to these difficult and complex issues today. But I think it's critical to have this conversation, focusing on where the biggest problems are, and doing everything we can to address them.

Thank you so much for your time and consideration. I look forward to hearing the panels.

MAHONEY: Thank you Commissioner Crenshaw.

I just want to thank all of the Commissioners for their consistent participation in these meetings. Their time is under incredibly heavy demand, and your attention to the work of this Committee is deeply appreciated. Just wanted to ask Anne Simpson if she had anything she'd like to say as she completes her term on the IAC.

SIMPSON: Well, thank you, Paul. Yes, it's my great pleasure to say a few words. I'd very much like to thank the - my fellow members of the Committee, some are new, some have been serving for a long time. I think this Investment Advisory Committee does tremendous work.

And I particularly also like to thank the SEC staff, who carried the burden of taking forward many of the ideas and thinking that come from this group. So thank you, Rick, thank you, Alex, and many others.

I'd also like to thank the Commissioners, I'm not sure - I'm very touched by the kind words from all of you. CalPERS is tremendously supportive of the SEC, as the U.S. capital markets regulator. We see your role is vital and we'll continue to support the work.

We know that there are several dimensions to your task of protecting investors and improving capital formation. And for big pension fund like ours, both of those sides of the SEC's day job really matter, a capital formation in order that we have an investment environment to earn the returns, from which we pay pensions. Nearly $0.60 and every $1 of the pensions we pay come from investment returns, so nothing could be more important to us.

Also investor protection for us means protecting investor's ability to act, and to put proposals forward. So we hope that the SEC will continue to consider the importance of investor rights. The best form of investor protection is self-help. So investor's ability to put proposals forward, for example, and to come back on issues is really important.

And I was a bit sad to see some investors being called gadflies. I think it's more a small investor is like a canary in the mine. A small investor can see things ahead of time often or have a perspective or a view, which is really valuable to the big investors like CalPERS.

But the second and final point I wanted to make was to really urge the Commission to keep working hard on issues of corporate reporting and disclosure. I think the work this Committee has done on human capital management, reporting, could not be more important, the people at the heart of the companies that generate returns for investors.

Our understanding of human capital management really needs to be improved. We're big fans of principles based reporting, but it needs to be supplemented by line items and details. And this Investor Advisory Committee, I think, provided a very good framework, which included issues like health and safety, reporting on diversity by race and gender and other important matters. So I hope the Committee, and the SEC will return to this.

But my final point going to be - for the role of me not to leave without echoing the call for improved reporting on climate risk. CalPERS has done a risk assessment of its portfolio of publicly traded companies. And we consider that something 20 percent of those assets are exposed to either physical risk or transition risk.

And I'd like to really just leave with the final thought that the International Accounting Standards Board has now issued advice, showing how climate risk reporting is consistent with and supported by IFRS, International Financial Reporting Standards.

Now, it's my genuine view that these issues on climate risk and climate opportunity are so fundamental to long-term investors that we really need a better reporting regime. Now, the TCFD, the Taskforce on Climate, Financial Related Risk has produced a framework.

And I think the international work through the IASB shows that that guidance is shovel ready, as the saying goes. And the next simple, and I think, much needed step for the SEC to pick up that climate risk framework and offer some guidance as to how it's aligned with U.S. GAAP.

So my thanks to everyone. It's been an honor and a pleasure to work with you all. CalPERS will stay actively involved in supporting you as you go forward on a whole range of different topics. And I will, this morning, have to leave this session briefly.

But I will be back and looking forward very much to this afternoon's discussion on community inclusion, as issues of racial equity are extremely important to address and certainly there is a role for the capital markets in making sure we have access and participation across financial services.

So thanks for the opportunity, Paul, to share a few thoughts. And I look forward to the rest of today's discussion. Thank you.

MAHONEY: Thank you very much, Anne. I have two quick housekeeping items. First, some of you may have noticed that after this Committee's May meeting, we posted to the IAC website, a proposed recommendation from the Investor-as-Owner Subcommittee on COVID-19 challenges to going concern opinions and audit and control assessments.

Then on June 23rd, Sagar Teotia, the SEC's Chief Accountants released a public statement on the continued importance of high quality financial reporting in light of COVID-19. In the view of the IAC's Executive Committee, as well as the Investor-as-Owner Subcommittee, that public statement substantially implements the proposed recommendation.

So we will not be taking a formal vote on that recommendation today. It remains only for us to thank and commend the Office of the Chief Accountant for providing such timely, important and useful guidance to issuers and their auditors alike.

A second housekeeping issue is, we've had two meetings actually for which we need to approve minutes. I'll do them chronologically. On the May 4, 2020 minutes, the Committee members should have received by e-mail, are there any corrections or amendments to the May 4 minutes? If not, I will entertain a motion to approve.

MALE: So moved.

ASOERA: So moved.

MAHONEY: Is there a second?

STAM: Second.

MALE: Second

MAHONEY: Thank you very much. Everyone in favor, please unmute and say aye.

MALE: Aye.

MALE: Aye.

FEMALE: Aye.

MAHONEY: Are there any opposed? Minutes of the May 4 meeting are approved? Thank you very much. We also have minutes for the May 21 meeting which again, everyone on the Committee should have received by e-mail. Are there any corrections or amendments to that - to those minutes? Hearing none, I will entertain a motion to approve.

MALE: So moved.

MAHONEY: Thank you. Is there a second?

MALE: Second?

MALE: Second.

MAHONEY: Thank you. All in favor, please say aye.

FEMALE: Aye.

MALE: Aye.

MALE: Aye.

MAHONEY: Are there any opposed? The minutes of the May 21, 2020 meeting are approved. Thank you very much. At this point, we are ready to begin our panel discussion on self-directed IRAs. Heidi Stam, who is the Chair of the Investors under Subcommittee will facilitate this panel and I will turn the chair over.

STAM: Thank you, Paul. Welcome, everybody. As you know, we've heard some introductions by the Chairman and the Commissioners. This is an incredibly important topic for us. IRAs are the largest pool of assets in the U.S. retirement market. I believe some 11 trillion at year end 2019. And I believe it constitutes at least a third of dedicated retirement assets. And I'm sure the panelists are going to correct me on that.

But it's an incredibly important component of retirement security for most households. And I think it's very important that the Committee take a look at IRAs from multiple perspectives, and importantly, consider whether there are any specific policy implications that may be indicated by the current environment.

We have a wonderful group of panelists to help us consider this market segment and I'm very pleased to introduce them to you. Craig Copeland is a Senior Research Associate with the Employee Benefit Research Institute. Dr. Copeland has PhD in Economics and he has conducted extensive research on IRAs, account balances, asset allocation, contributions, rollovers and withdrawal activity.

Brigitte Madrian is the Dean of the Brigham Young School of Business. She also has her PhD in Economics and has had a distinguished academic career at multiple universities. She's received multiple prizes for her research, and she is currently focused on behavioral economics and household finance.

We next have Elizabeth Salas Evans. She is the President and Chief Compliance Officer of Cayena Capital Management which is a registered investment advisor. Her client experience includes a broad spectrum of individuals from high net worth to low and moderate income clients. She is an advocate for improving financial literacy and access to financial services and investment to marginalized communities.

David Forman is the Chief Legal Officer of Fidelity Brokerage Services for the past 10 years. Previously he has been a private law practice, most recently as a partner with Hutchins, Wheeler & Dittmar.

Joe Savage is the Vice President and Associate General Counsel in FINRA's Office of General Counsel. Joe specializes in a broad variety of securities, regulatory matters, including investment management, advertising and broker-dealer issues.

I want to thank you all for your participation and giving your time to this effort. I will call upon each panelist to deliver their remarks. Once we heard from all the panelists, we will open up for discussion among the Committee members and commissioners.

Since we have a very long list of participants, I will encourage people to use the raise hand function on your WebEx screen. But if for some reason I don't see you, be patient, I will take pause to make sure that I haven't missed anybody for their comments or remarks. So thank you all again. And I will turn to Dr. Copeland, if you wouldn't mind to start us off. Thank you.

COPELAND: Thank you, Heidi. Can everyone hear me?

STAM: Yes.

COPELAND: OK, great. I'm going to be talking about some slides that I provided, that I'm going to talk through them. So if you don't have them, you will be able to get through it.

One of the things I want to really focus in is on data that I have available from our EBRI IRA database. I will be looking at also the IRS, the Internal Revenue Service, has the tax data. But we can get more detail on behavior from the EBRI IRA database, so that's going to be both sources that I'm going to talk about as I go through this, And I really want to make some specific points on background, and there's a couple of issues that really stood out that were mostly the result of regulation policy and rules that exist for IRAs in self-directed world that I'm going to talk about as I go through the data.

So first of all, I'm going to - I want to talk about the average and median balances for the accounts. So if someone could advance to slides. What I really want to talk about is the difference between what you see if you take the aggregate and you find the average for a traditional self-directed and Roth.

You could see that the average is really quite large $160,000. However, the median, obviously the middle point, is only $44,000. So really, there is a significant percentage of these IRAs, that are relatively small accounts or relatively small about. Most likely they are less sophisticated investors.

And you can still do this, but we look at this by ages, how low the balances are for people that are young. They don't really become very large until you get into your 50s, 60s and really into your 70s when you when you basically retire and you brought your money over from a 401(k) plan or other DC plan in the employer market.

So really, I want to look at the - really give you the size and scope of what these accounts are in a relatively small, and therefore they're going to be most likely inexperienced investors. And that really sets the stage for really what we're going to be talking about the rest of the day with the rest of the people.

On the next slide, another point is really where we come about what the dollars that come into our account, whether it is - whether it's traditional or Roth IRA. In particular, traditional Roth IRA, you can see that the rollovers are 11 times the amount of the contributions.

So really, most of these dollars that are coming into the IRAs at this point, started out in an employment based plan, whether it be DC plan, in some cases it could be DP plans that could be rolled over as well. But, really, most of the dollars now are coming in 11 times as much.

And the other interesting thing is that the Roth IRA is outpacing the traditional IRA in contributions. So really, most of these contributions are going into their - or over 50 percent of these are going into Roth IRAs.

And another issue is that there's this about one-third of the dollars going into traditional IRAs are nondeductible contribution, after tax contributions. So, really, when you look at the most of the contributions are nondeductible, and that's what's going in when you contribute. But the most main dollars are from coming up from rollovers.

And this really could be of particular challenge, because they were invested in a certain way in the DC plan, so on the next slide, I look at really a particular investment allocation strategy that really occurs with - that's really being the major that falls into 401(k) plans, which is Target Date Funds, and how they are allocated after they a rollover - rolled over into the IRA.

And one thing that really stands out is the difference between the balances - for the rollover account balances that are less than 5,000 compared to that 5,000 or more. You still see there's a tremendous shift away from balanced or Target Date Funds, even for those that are 5,000 or more. But there is some type of diversified equity use in for those larger plants.

But when you look at those for the small account balance, it really stands out is that it's over three quarters of the overall assets for these small balances are going into money. So - and that is a result of the default option that's set up for automatic rollovers and forced cash out of - from 401(k) plans and the like. When it's between 1 and up to $5,000 that default estimate is some type of money type investment and this is really what happens.

Why is this an important issue? Well, there's a significant percentage of these rollover accounts that are in that bucket. You see that only one-fifth of the accounts or if you put the two accounts together, it's - are coming from accounts of less than $5,000. So this is a significant share of people with these accounts are in this $5,000 range.

Well, and then they are talking about the default option is there to preserve principal and people either move it or consolidate. You can see in the next slide the one thing is that we see that, first of all if you look on the right - one more slide - you look at the right, you see the circle that gives the age distribution. And you see that over 50 percent of the people are 25 to 45 that have a rollover in this amount and that is truly something.

That's people that have a long ways to go before they get to their retirement, at least 20 plus year before he hits 65. And we really see that these accounts have been around for a long time. It's not something that they've just been there one or two years. We look and we see a whole 26 percent or one quarter of all these accounts have been established seven or more years ago.

So they're sitting there in a money investment for over seven years, collecting some - particularly now virtually no return and potentially they get to the point where the fees could be outweighing what they're returning. So really their balance is not being preserved, you're actually losing money in this sense as a way.

And on the next slide, I'm going to show you really the percentage they're all are 100 percent. And really it doesn't really matter whether the account has been there just recently, it just came, let's say in the first year that we looked at or whether it's seven or 11 years prior. Still all three quarters of these are still 100 percent allocated in money.

So, basically, they have ended up in this amount and they haven't moved for seven to 11 years. So that really makes us think about really, what should we be doing? These aren't really servicing the purpose of providing retirement security, if they're staying in money for potentially 10 years, not really going anywhere.

Should we be looking at consolidation? Should we look at consolidating these accounts and getting them into an employment based plan by somehow making it automatic. This is the systems that are being really developed out there already and particularly for active participants, so we can get this from having two different accounts where you may be paying fees into one. And there is a whole regulatory system that is very advance set up for the employment based clients that really doesn't exist any IRA.

The other notion is to set up some type of system that maybe makes it something that we could get more growth out of these accounts potentially, and we could have a different default investment instead of a money option, something that is analogous to what is going on in a 401(k) plan when they enter TDF.

Because these are - they are initially defaulted for those that don't make an option into the TDF plan of its 401(k) plan. But suddenly, once the dollars are rolled over to the IRA, suddenly it's all money. And we can see that people aren't making decisions for the most part, regardless of their age, and regardless of how long the account been there. So this is one issue that really stood out that could be as a result particularly of that particular regulation.

The second thing I want to talk about is withdrawals. And one of the clear things that comes out is the RMDs appear to act as a signal for the correct withdrawal rate. That seems to be what is coming out what people are using for taking their money out is what they - what they get on their statement each year as what they should be talking out and that's what should be taken out.

And what we know is that - and in particular, we can see that really its fully depending upon - I took a little tolerance level here to see, if they're within 2 percent of what the RMD was up to 10 percent. And basically you can see that two-thirds to three-quarters are taking the RMD and the rest, the numbers here are showing the ones that take more.

So, really, that - really that is what two-thirds and three-quarters be doing, they're taking the RMD. And now we don't know what that is right or wrong, because really what happens with this withdrawal rate, this is people that take it over six year periods. So we know that they're consistently taking some amount. We averaged it here to find out how the balance is changing in with respect to withdrawal rate.

So if we move forward to Slide 11, we could see what these changes are in these balances over the six year period based upon the average of the withdrawal rates over the six year period. So as you can see, at the lower withdrawal, average withdrawal rates from zero to four.

Basically even at the 25 percentile, the balances are increasing. You go up to the 4 percent to the four to just under 5 percent, over 50 percent of the balance is still increasing, even though they're taking consistent withdrawals over this six year period.

Once we hit over five, then we start seeing the balances start to decline. And really then when you go out to over seven and a half, you see pretty much all decline. Why is this important? Because even at the RMD range, you can get a situation with the balances continue to increase. So people are actually potentially under spending and not really knowing how much they could be taken out and how much they could really be spending.

Because if their balances are still increasing six years after they retire, they're really not tapping into the assets they have potentially that they want to and live the life that they could. However, once you get out way out, you could see that the balances are going down tremendously.

So we need to make sure that we can help inform people the ability of between hitting that range where you're just going to have a small decrease relative to where you get out to the large increase.

And really, we can kind of see that this is really important, because we can compare the changes in the IRA database, with changes enacted and we see from another government survey of HRS. So if we go to the next slide, I give you this comparison that regardless of the balance of the IRA, we see a very similar change in what's happening in the IRA to the changes in the overall assets that reported on HRS.

So it doesn't look like people are just taking out their account balance and saving it in an after tax account after they pull it out. It looks like the drawdown is going to be spent. And in this case, they're drawing down very little, that they're actually able to preserve the account.

And you can see really rather, 50 percent are at 100 percent what they were three to four years ago overall assets when you look at HRS in the same way you look at it in the IRA. So, clearly, people don't know how much they can take out. They are potentially underspending, but you do see those people that are going to zero very quickly. So they're taking out too much.

So that in the next slide, I kind of point out some of the overall takeaways that we say that IRA owners are really focused on the RMD as their key. And in many cases, this is not a - an amount that is really enough for them to be to live the life that they can, because they're continuing to build up after they retire and the whole point of the building up these assets is to have money in retirement.

However, we also see people that are spending way too quickly and these balances are going to zero at a very quick pace - three to six years. So really, what we found is also when we ask people in our Retirement Confidence Survey, they do not have a lot of knowledge and understanding how you turn assets into income and how much an income balance can provide.

And that's one of the things that led to the lifetime income disclosures that now exist in 401(k) plan. But a lot of that is lost once it rolls over the IRA, because now they're not getting that information anymore.

So it's something to consider whether they need that in the IRA plan as well to provide in that same type of dollars, because that's where many of the dollars are ultimately ending up in the IRA. And that really concludes my comments. And I look forward to questions later. Thank you.

STAM: Thank you, Dr. Copeland. I just want to - I appreciate you sitting very close to time. As you know, one of my roles as moderator is to be the time cop here. So for the panelists, if I interrupt you towards the end of your session to remind you that to wrap up, I hope you will forgive me in advance. So thank you very much, Dr. Copeland. I'm going to turn to Dr. Madrian now for her remarks.

MADRIAN: Thank you. Happy to be here with everyone today. My expertise is in individual investor decision making and I want to focus on four themes that tie into some of my research that I think have implications or thinking about self-directed IRAs.

So the first is that many investors lack basic financial literacy. The second is that many investors don't understand the impact of investment fees. The third is that many investors do not understand the impact of taxes. And the fourth is that many investors are not well equipped to make sound investment choices in a world where there are virtually an unlimited number of investment options.

So let me start with financial literacy. I think most people on this call are probably familiar with this literature. Growing body of evidence, both within the U.S. over time, and across many countries throughout the world, suggests that many investors do not understand basic and - concepts important for making good financial investment choices.

They don't understand compound interest. They don't understand diversification and risk. So, for example, many investors think that a single stock is a better investment than a well-diversified stock mutual fund. And they don't understand inflation.

So a lack of financial literacy, combined with various subconscious, psychological biases, leads to systematic and well documented investment mistakes that are exacerbated in certain contexts. And retirement savings would be one of those contexts, both because of the complicated choice. It's a choice that individuals only make once, so there's not a lot of opportunity for learning. And it's a choice that's spread out over time, and individuals do particularly poorly at these types of complicated intertemporal decisions.

So the second thing I want to talk about is investment fees. And I want to describe a research experiment that I conducted with some of my collaborators several years ago, and this was an experiment designed to help us assess how well individuals understand and are a paying attention to investment fees.

So we call this our S&P 500 Index Fund experiment. We gave investors a hypothetical $10,000 to allocate across four actual S&P 500 Index Funds. And the key important thing about this context is that if the choice is between four different S&P 500 Index Funds, those funds have extremely - highly correlated returns, because they're all tracking the same S&P 500 Index and the tracking error, in general, is pretty small.

But the fees vary by - varied by an order of magnitude. So the best outcome since they're generating pretty similar returns, but have widely varying fees, is to invest all of this hypothetical money they're given into the lowest fee fund.

How do investors actually make decisions in this context? Well, the first finding is that almost nobody invested entirely in the lowest fee fund. Less than 10 percent of participants put all of their money in the lowest fee fund.

On average, the investors did only slightly better than throwing darts, then the return you would get from a randomly allocated portfolio across these four different S&P 500 Index Funds. We had one intervention where we made information on fees more salient to some of the investors.

Making their fee information salient didn't move investors in the direction of a lower fee portfolio, but the vast majority, more than 80 percent, still did not invest all of their portfolio into the lowest fee fund.

And then we also tried intervention where we made return since inception, more salient to investors. And in that case, investors moved their portfolios into the funds had higher returns since inception, even though this measure doesn't predict future returns. And in our case, we had picked the funds that investors could choose from, so the funds with the highest returns since inception also had the highest fees.

So chasing this meaningless measure of past returns actually was an objectively worse thing to do, because it led you to move your money into a higher fee portfolio rather than put it all into the lowest fee fund.

Now, one interesting finding was that investors who had a higher degree of confidence in their own choices did make objectively better choices. So investors do seem to have some sense of whether they know what they're doing or not. And those who are more confident in what they're doing were in fact making better choices.

And the conclusions we drew from this study where, first of all, most investors don't understand fees - the majority in our study. Irrelevant information can sway investment decisions in ways that actually harm consumers. And that point is important because it calls into question the effectiveness of disclosure policies, and those disclosure policies be effective if investors don't actually know how to use the information.

So the third point I want to talk about is taxes. Individuals don't understand the impact of taxes. And this is important because there are two different ways that investors can save both in an IRA and a 401(k). They can use a pretax account, or they can use a Roth account. And those types of savings vehicles have very different tax implications.

And what I found in my research is that, most investors don't understand the tax consequences of their savings decision. One piece of evidence on this front is that savings rates don't change, even when a Roth option is introduced that didn't used to exist.

So if investors have a Roth option, and they're using it, they can actually have a lower contribution rate and generate the same consumption in retirement, because when they take the money out of retirement, they won't pay taxes on it, it's already been taxed. And in fact, we don't see any change in the amount that individuals save in pretax world versus a Roth world, even though the Roth world is generating higher retirement consumption.

We did find in this context, a finding that mirrors one that I just discussed. Investors in this case, with a greater understanding of the tax treatment of retirement savings were more likely to appropriately adjust contribution rates to the tax regime. It was a minority of people who understood taxes well enough to do that.

The last point I want to talk about is complexity and how investment choice interacts with the number of investment options that are available to savings plan participants. As the number of investment options increases, the complexity of the investment task increases. It's a lot easier to evaluate five choices than it is to evaluate 500 choices or even 5,000 choices.

And when tasks become more complicated, individuals use simplifying heuristics to make the decision task easier. So one of those heuristics is to invest in a thing that's most familiar and for many individuals, the thing that is most familiar is their own employer stock. But that is objectively probably the worst investment you could choose, because it will lead you to be very poorly diversified.

Another simplifying heuristic is to choose the safest option. So that would be something like a money market fund. Another heuristic is to stick with the default option. So this would be consistent with the evidence that Craig presented a few minutes ago on investors who've had money rolled into an IRA through an automatic rollover those with less than $5,000 balances, that their accounts are predominantly in a money market fund, which was the default option.

There's some really interesting evidence on this front from Sweden. So Sweden has a self-directed component of their retirement system. And right now, there are about 1,000 options that individuals can choose from, and about 1 percent of people are actually making an active choice, and the rest are sticking with the with the default that calls into question.

If most of the people - if 99 percent of the people are sticking with the default, what value are you getting from actually providing 1,000 options that are only being used by 1 percent of the population?

There's also evidence that investors disproportionately invest in options that are at the top or the bottom of a list of options. They choose the type of investment that is most represented in the choice set. So 75 percent of the options are equity options. They'll be more heavily invested in equities.

A 75 percent of the options are bond like options; they'll be more heavily invested in bonds. And finally, they're more likely to choose investments that are most heavily advertised, even though the investments that are most heavily advertised may in fact not be the objectively best investment.

The second finding is that when decisions become more complicated, individuals also procrastinate. They put off making choices. And this means that they may be less likely to reallocate when reallocation is warranted. So this may be another factor that feeds into the finding that Craig presented earlier about people sticking with the default, even five, seven, 10 years after having the money automatically rolled into an IRA.

So, thinking about self-directed IRAs relative to an employer sponsored 401(k) plan, a self-directed IRA does offer more options and for some people, that could be a benefit. But the tradeoffs are there's no gatekeeper vetting the options and exercising oversight, picking the options that are actually managed well, picking the options that have lower fees.

And there's a large amount of research that suggests that in terms of meeting investors objectives for the type of risk versus return tradeoffs they need, most investors would be well served by an investment menu with approximately a dozen well vetted options in it.

So I think there are lots of reasons to have some skepticism about how well the self-directed IRA world is working for many of the retirement savings plan participants in that space. And I'll conclude there.

STAM: Thank you, Dr. Madrian. I appreciate those remarks. I'm going to turn now to Liz Evans.

EVANS: Thank you. And before discussing my recommendations with regard to self-directed IRAs, I'd like to thank the Investor Advisory Committee, the SEC, my fellow panelists and the public for your time and opportunity this morning.

While we recognize that the SEC only can enforce laws with regard to investment products, as stated in the memo I submitted last week, and I also look forward to the panel this afternoon, minority and low income communities have been overlooked in receiving sophisticated investment advice that would allow for capital growth and planning for retirement, particularly using self-directed IRAs.

This has led to greater risk of fraud and extortion. There is a clear need for more minority investment advisors, such as myself and executive to regulators across agencies. Product offerings are essential to our ability as financial professionals to meet the various demands, risk tolerances and time horizons of our clients.

Our recent report from the Economic Policy Institute by Monique Morrissey details the lack of retirement savings among Americans, and a widening and disastrous gap for low income Black, Hispanic, non-college educated, educated and single workers and as Dr. Copeland and Dr. Madrian also referenced this need and lack of retirement savings.

The pandemic has compounded the situation with minority and low income Americans are disproportionately affected due to COVID-19 and further impacted due to growing economic uncertainty regarding employment, education and housing.

Further, a more recent report released on Tuesday by Citibank, investment is essential to closing the racial gap for Blacks and minorities with an estimated $16 trillion lost over the past 20 years, in contributions to U.S. GDP to their racism. I urge the Committee and SEC to consider the following recommendations based on challenges I faced as a financial professional providing advice to low income and minority investors and communities across New Hampshire.

The SECURE Act which was approved by the Senate on December 19, 2019, eliminated the stress IRAs, which particularly would provide the opportunity for perhaps a single mother, their single parent who has contributed to a retirement account and rolled over those assets into an IRA, electing perhaps a child as a non-spousal beneficiary to no longer be able to take required minimum distributions over their lifetime.

The SECURE Act eliminated that opportunity and now non spouse beneficiaries are required to cash out accounts by the 10th year were one of the prior options was five years. So, of course, the benefits of that is that it's an added five years.

However, the risk to that is if you consider a single parent who has made significant contributions over their working professional career, which perhaps could be several decades, and their ability to preserve that generational wealth beyond the said 10 years.

Second, consideration for the fixed income minimum denomination of individual bonds. To the extent possible, the Commission should facilitate and encourage the issuance of lower minimum denomination investment grade individual bonds. And this is particularly with regard to AAA and the highest quality to allow for retail investors and self-directed IRAs to purchase high quality fixed income products.

I argue that there may be greater risks to markets if individual investors pool all their money to buy one individual issuer versus the ability to access higher quality bonds with a lower denominations for a portion of their portfolio and I pointed Dr. Harry Markowitz's Modern Portfolio Theory and the benefit of asset allocation for risk mitigation, growth and preservation.

And of course, we can discuss the options for exchange traded funds and mutual funds to satisfy the investment grade investments. However, I think given the current economic conditions that the increased risk and uncertainty, investors may perhaps favor individual issuers.

Third, Regulation Best Interest, REG Bi. The SEC should focus on the quality of Form CRS relationship summary, and accurate reporting and disclosure of client complaints against financial professionals. Further, consideration should be given to an investor's ability to understand the resolution of such client complaints and whether and where the financial professionals subject to these complaints are still providing advice.

Fourth, and while inherently challenging, the SEC should enhance its effort to coordinate with other agencies that have an impact on self-directed IRAs, such as the Department of Labor, the Internal Revenue Service, to eliminate the multiple names and potential confusing disclosures for tax deferred IRAs.

And for example, I point to contributory rollover and traditional IRAs as examples of account types that serve an identical purpose for investors. And greater harmony among agency regulations will reduce the cognitive load for vulnerable investors when making essential decisions regarding retirement planning.

So this would be one area where we could reduce the account size, so which would then reduce that cognitive load for investors attempting to make the best financial decision when preserving their retirement savings.

And lastly, the SEC should pay great attention to alternative investments regarding nontraditional self-directed IRAs. Many times individuals and families from Muslim and low income communities are advised to invest in self-directed IRAs as the only option for saving for retirement with a guarantee of Sharia compliant investment.

Low income families are also being sold investments that guarantee an opportunity to be a landowner through real estate investments, and guaranteed returns on unregistered debt offering. Further, individuals are being advised to take premature distributions from retirement accounts in order to make an investment in illiquid assets such as real estate, private placements with a promise of guaranteed returns.

In closing, I urged the SEC to place greater scrutiny not only on the number of products available to investors, but also the cultural relevance and financial outcomes of these products to low income and minority communities and investors as a whole. Thank you.

STAM: Thank you, Liz, for your perspective, very helpful. I'm now going to turn to David Forman for your remarks. David? Is David on the line? We lose him?

BAIN: This is Nick. I do not see David.

STAM: OK. I don't know, maybe Tony can see if we can get him back on. And in the meantime, what I'll do is I'll skip over to Joe Savage.

SAVAGE: Thank you, Heidi. And thank you to the commissioners, SEC staff and the other Committee members for having us here today. I'm the Vice President at FINRA.

Just for some of the folks - the public folks who may be on the meeting and have not heard of FINRA, FINRA is a private self-regulatory organization that regulates broker-dealers. We're regulated by the SEC. And we have our own rules and enforcement program, examination program for broker-dealers. So that's sort of what we put into the picture.

I just want to make it safer. So I'm just speaking for myself this morning, not on behalf of the FINRA Board or its staff. And today, I just want to spend a few minutes to talk about FINRA's role in regulating self-directed IRAs that are offered to broker-dealers.

You've heard some of my fellow panelists talk about the rollovers from retirement plans, IRAs, and so I won't go over that. Just to reiterate, some of my panelists' points. The vast majority of assets that are put in IRAs come from rollovers. And so this is a particular focus for FINRA and its examination staff.

In 2013, FINRA republished what's called a regulatory notice, which is a notice for various purposes, including providing guidance to broker-dealers. And this one, in particular, provided guidance on IRA rollovers.

The intent was to remind member firms and their representatives that when recommending a rollover or transfer of assets from a retirement plan to an IRA, or marketing an IRA, they have certain obligations.

So let me talk first about what allegations a broker has when it's recommending a rollover from a retirement plan to an IRA, because there's a lot of factors that have to go into that consideration. Putting aside what investments are invested in once the assets get to the IRA, you got to think about is this decision - the rollover decision itself, appropriate.

One of the factors, of course, is the range of investment options. Some IRAs offer thousands, or even maybe 10s of thousands of options. The whole market out there, retirement plan usually has fewer options and - than several funds. But, of course, there are IRAs that are offered by funding companies, for example, they may have a limited number of options as well.

Dr. Madrian and Dr. Copeland both mentioned fees and expenses as an important factor. And in this case, the broker-dealer needs to consider not only the account level expenses for an IRA, but also product expenses. So if the products being offered to IRA are - tend to be high expense, then they have sales loads, commissions, or ongoing fees, those are factors that should be considered.

Also, the broker needs to consider, well, what services are available to the investor, both through the plan and the IRA. Plans often have a lot of services that beyond just giving options to invest, they may have planning tools, they may offer individualized investment advice either by a human or a robo advisor. They may have a telephone helplines, educational materials and they may offer investor workshops.

So these are all benefits and services that a investor may get to a plan. An IRA may offer some or all of these services, but that's something the broker-dealer should consider when determining whether a rollover is appropriate.

Another important part is penalty fee withdrawals. And I think, a lot of folks don't know this, but if an employee leaves her job between age 55 and 59.5, she may be able to take penalty fee withdrawals from a plan. Generally, if once the rollover occurs, and if an investor is in the same age range, and she decides to withdraw money, she's going to be taxed on it, so that that's an important factor as well.

There's also a difference between plans and IRAs in terms of protections for creditors and their legal judgments. Retirement plan assets generally are free from creditors under Federal law, whereas IRAs are protected only in bankruptcies. So that's a difference.

Required minimum distributions, we heard both Dr. Madrian and Dr. Copeland talk about that. Both retirement plans and IRAs do have required minimum distributions as part of the plan features. But one difference is, if the account holder in the plan is still working at age 70.5, he generally is not required to make - required minimum withdrawals, during - while he's still working.

Lastly, employer stock. We heard Dr. Madrian talking about that can be - if they're overly concentrated in their employer stock that can be bad, but there's also negative tax consequences if an investor transfers employer stock in kind to an IRA, so those have to be considered as well.

Next, I want to talk a little bit about conflicts of interest. Obviously, a rollover is always going to involve conflicts regardless of the intermediary that's involved. As the broker-dealer, the conflict takes the form of sales commission or trail fees from investments they recommend.

There also may be brokerage account fees that come into play. And then if it's an investment advisor, of course, the advisor will start earning an asset based fee from the customer for managing her account, so those are conflicts as well.

And I'll talk a little bit about REG BI, Regulation Best Interest in a moment, because it's important there to consider these conflicts.

Also, FINRA has rules governing broker-dealer advertising, it's our Rule 2210. Generally, it requires communication to be fair and balanced, not misleading, and provide a sound basis for any claims made in the ad. It also prohibits material omissions of information that are necessary to make a communication fair balanced. And let me give you an example of that.

We've seen in the past years, advertisements from broker-dealers to talk about free or no free IRAs. Sounds like you go into the IRA, you don't pay anything, that sounds great. And then you sort of find out and read the finer print, well, there actually are fees.

First of all, there's fees for the products you invest in and there may actually be account level fees such as low balance fees or money transfer fees that they don't mention in the ad. So sometimes these ads really are misleading and we've made a point to tell our firms these kinds of ads have to be fair and balanced and they shouldn't be making claims that they can't support.

Lastly, of course, there are firms that have supervisory procedures to make sure both the rollovers and the advertising are done in compliance with FINRA rules and with SEC rules and they need to train their representatives to make sure that the representatives understand the rule requirements as well.

I guess, last, I just want to talk a little bit about Regulation Best Interest. This is actually an SEC rule. It's also called REG BI. It took effect in June 30th of this year. And it's important because it's a new rule that governs broker-dealers obligations with respect to retail investors.

Anytime a broker-dealer or a representative of a broker-dealer recommends to a retail customer a securities transaction or strategy, including the recommendation of an account, REG BI kicks in. It superseded FINRA's suitability rule which governs recommendations to retail investors previously.

The suitability rule requires recommendations to be suitable based on the investor's risk tolerance, financial needs, financial profile, tax situation and other factors. REG BI is different because it says it doesn't have to be just suitable, it has to be in the customer's best interest.

And that means the broker-dealer has to look at alternatives to the account or the recommendation, or the account or the securities they are recommending, and think about fees and costs.

So I just went over some of the factors that would come into play when making those kinds of recommendations. And I think we're going to see those kind of considerations under REG BI as well.

Right now FINRA is examining for a compliance with REG BI. Mostly, we're looking at making sure firms have filed and sent to their customers a form called a Customer Relationship Summary or Form CRS, that's required for any broker-dealer that provides services to retail investors.

Even if they don't make recommendations to those investors, they still have to file a form of CRS and send it to their clients. We're also looking to make sure that firms have policies and procedures necessary to implement REG BI.

So with that, I'll stop, Heidi, and turn it over back to you. Thanks.

STAM: Thank you, Joe. I appreciate your comments. I am still looking to see if David Forman is on the line here. One way or another, I think, we lost him somehow.

BAIN: We still don't have David.

FOLEY: This is John Foley from the SEC. We were trying to reach out to David, but we haven't succeeded yet.

STAM: OK, well, perhaps you can continue to try and reach him and we will continue the conversation without him. And when he comes on, if he comes on, we will break to give him an opportunity to make his key points.

So with that, I'd like to open the panel up for discussion. I'd like to turn first to the Chair or any of the commissioners who may be able to be on the line, and so I would ask Chair Clayton are - do you have any questions or would you like to speak at this time?

I turn to the commissioners, Commissioner Peirce? Roisman? Commissioner Lee? Commissioner Crenshaw? OK, no questions from point. I'll open up to the Committee members. And I want to remind you that you use the raised hand function, and if it's maybe hard for me to see them, and I've been advised by the tech staff at the SEC, I might not see them all.

So I will pause periodically and just open it up and you can just unmute and call out and wave your hands and, we'll get to everybody. So with that, let me see, I am looking for raised hand questions. I don't see any. Or raised, do I see you raising your hands - raising your hands physically - (crosstalk)

LUCAS: I'm physically raising my hand.

STAM: Pardon me?

LUCAS: I'm physically raising my hand--

STAM: --which will work if you're on my screen. So we'll try that as well. Thank you, Lori. Go ahead.

LUCAS: Good, thank you very much. These are terrific remarks, and I really appreciate everyone's insights and observations. My question is for Professor Madrian, and I know that you have done just a tremendous amount of work in the area of default, and behavior of individuals that are in 401(k) plans and use default. And my question for you is, what would you recommend, as the appropriate default for an IRA?

MADRIAN: I'd probably keep it consistent with the default that is in 401(k) land, which is a low fee target date fund. But I think I would also lean towards a default of trying to keep money in 401(k) land where there is more oversight, particularly in large plan, they're doing a good job of picking investment options that have low fees.

So some of that research suggests that federal government employees who have the best 401(k) plan in the world have investment advisors going after them trying to get them to transfer their money out of the Thrift Savings Plan, and into IRA land, where they're going to go from paying fees of three basis points to fees of 100 to 200 basis points, and that's a problem.

LUCAS: Thank you very much.

STAM: Paul.

MAHONEY: Thank you. So this is question for Mr. Savage or Mr. Copeland might have something to say on as well. I'm interested in what happens when an investor chooses to put part of an IRA into something that is not securities, so real estate, gold, whatever it might be? And essentially, what are the custody arrangements?

And, I guess, my question for Mr. Savage is, would that typically be within the custody of someone you regulate? Or would it be in the custody of someone that you and the SEC did not regulate?

SAVAGE: Thanks, Paul, I think again, it's going to be kind of a facts and circumstance - determination (inaudible) real estate investments, of course, through REITs and through other limited partnerships that are out there, those are likely to be within our jurisdiction. If it's actually land or buildings, they're investing as opposed to some sort of vehicle to invest in real estate it may be outside our jurisdiction, so it depends.

I think, one thing I will add, though, is that if the recommendation from the broker is to sell a security to put it's - so the investor can invest in real estate, for example, that recommendation to sell the security is within our jurisdiction. So that piece of the recommendation, we're going to under section over and we're going to take a close look at.

In terms of custody, again, I think it depends on private placements. There is no third party custodian. The money just goes straight to the issuer. And in real estate, I suspect that would be the case as well, but others may know better than me. Thanks,

STAM: Yes. I sort of have a follow up question to that. So when you're - when the FINRA exam teams go out, are you aware is this - do they look to see whether a FINRA member has a custody business for alternative assets?

SAVAGE: Well, certainly, examiner should know from profile whether they have a business of selling real estate related investments or limited partnerships, because there are a lot of firms out there that do that, as private placement firms.

And, we do look at a lot of things, including how the money flows from the investor to the ultimate issuer. I would also mention that we have under our Rules 5122 and 5123, a filing program where if broker dealers are participating in REG D offerings, and the buyers include retail investors, essentially accredited investors that are needing a higher standard such as a qualified purchaser standard.

Those kinds of private placements are filed with FINRA, or the least they are supposed to be filed with FINRA, and we do take a look at them through a Triage program to see if they are red flags or things we need to take a closer look at.

STAM: Thank you. Someone else has a question. And I hear an echo on myself. J.W., thank you. You're muted. Very good.

VERRET: Thank you. I appreciate today's conversation. And I've learned a lot. Most of what we've talked about so far is for items that are not within the SEC jurisdiction. So for example, the SEC has no role in encouraging people to save more, or to save more in a particular type of investment. Those are not within the SEC's mandate.

So I'm having a hard time seeing the recommendation that the Committee would consider for these issues that we're discussing. But I do think it's a good opportunity to salute the Commission for not revising the credit investor definition, and opening up more access to Regulation D and other exempt securities - exempt offerings.

It's - took a very small - very small step opening up the credit investor definition, but it's something that we should encourage, and something that we should continue to look at and to continue to open up. And it also underscores Commissioner Peirce's recommendation that is yet to be taken out to consider a framework or initial coin (ph) offerings, and how that can improve also access to assets value - crypto assets or digital assets across groups of people. So I think those might be considered related to those (inaudible) today about including access. Thanks.

STAM: Thanks, J. W. Yes, no, I - I think, one of the challenges that we have, and I think one of the challenges that the Commission is struggling with is that there is a segment of this market that they - that it's not clear what authority there is.

But, obviously, there is some crossover either between financial institutions who are costing assets, and perhaps in coordinating with other financial regulators, there could be an intersection where, if nothing else, the Commission could be influential and I think trying to figure out what that might be could be important. I see that Ted Daniels has a question. So I'll turn to Ted now. Thank you.

DANIELS: Thank you, Heidi. I have a question for Mr. Savage. Can you elaborate on - you made (inaudible) IRAs most affected by bankruptcies. But I was - wasn't exactly what you said. Can you repeat it - pension funds were protected. I just want to get that distinction again between the two.

SAVAGE: Right. Well, I appreciate that question. And I'll start off by saying, honestly, I'm not a bankruptcy or creditor expert. This is from our notice and the notice basically said that there is different levels of protections for assets in our retirement plan versus assets under an IRA.

And essentially what it said that, assets in IRA are only protected from creditors when the holder or investor is in bankruptcy. Whereas, if the assets aren't returned to plan, there's broader protection from creditors it is investment certified to be - for the investor to be in a bankruptcy proceeding. That's my understanding.

DANIELS: Thanks very much.

STAM: Thank you. I'm open up for further comments or questions. Lori.

LUCAS: Yes. I have another question for Mr. Savage. You mentioned also that if there was a possible conflict that could happen when a registered advisor was receiving an asset based fees for advising our IRAs that could result in a conflict.

I'm curious about the nature of that conflict. Is that connected to what Professor Madrian was talking about where that advisor may - might prefer the individuals who rollover the money into 401(k) in order to advise on it or what we're getting at? And that was (inaudible).

STAM: There was - (CROSSTALK)

SAVAGE: I'm Sorry, Lori, I actually, I apologize, my screen froze and so I didn't get your question. Can you repeat it, please?

LUCAS: Certainly. You had mentioned that there was a possible conflict that could arise when an advisor is advising on a - to a client and they're fee based and the rate is an asset base fee, as opposed to a commission, I'm wondering on the nature of that conflict and if it get that what Professor Madrian was indicating where they might prefer to have people rollover from a 401(k) in an IRA in order to advice other assets, is that an conflict or what is the conflict?

SAVAGE: The conflict is essentially that the investment advisor has an incentive to recommend the rollover so that the advisor can earn asset based fees from the client and that's basically it. That's in the interest of the advisor, obviously, to have the rollover occur, because they're going to make some money from the rollover, which they wouldn't make if the rollover didn't occur. So that's basically what I was trying to say.

LUCAS: Thank you.

STAM: OK. That David is trying to dial back in. So while we're waiting for him to hopefully successfully dial back in, I'll turn to - I see Rick Fleming has a question.

FLEMING: Thanks Heidi. My question is for Joe also. I guess, I'm less worried about IRAs when there's a financial professional involved on the account. So how much of the universe though, would be self-directed IRAs where there is no financial professional. Where there's just - the money's at a bank, there's the trustee on the account and basically, the investor can invest in anything that they want securities, real estate, whatever. Where there's not some sort of relationship with a financial professional, but its subject to regulation.

SAVAGE: Yes. Thanks Rick. Honestly, I don't have the data on the breakdown, maybe Dr. Copeland does. But I don't really have a breakdown between IRAs that are held or a broker-dealer that are advised or they're advised by investment advisor, and custody by a broker-dealer versus discount accounts, either through a broker-dealer or through a bank where the account holder makes all the decisions. So I don't have that data. I think it's a very good question. And I don't know if Dr. Copeland has any better knowledge than I do about that.

COPELAND: On an asset basis, the overwhelming majority is by - has some relationship with financial advisor. But when you look at the number of accounts, you see many of these small accounts that don't have a type of relationship that's been set up either through a bank or through a default option. And in some cases, people don't even though the money is there, and that's why some of those hang around.

So it really is important to really look at the people with the smaller account, those are the ones that you're going to be seeing the ones that are doing it on their own, either by choice or by default and that's where you get to it. Because - but really problem is lot of the big mutual fund companies have an open brokerage window where you could do something, you get maybe a little bit of advice, but not an actual professional relationship.

And that's a growing part of the market is people doing it on their own. And that really can create issues that you'll see people making investment options that make no sense. And they're doing it on their own and they can get larger amounts of money doing it now. So you really have to really kind of figure out what's going on there when they're doing that. So...

STAM: Yes. No, I think it's a good point. I have the information. I believe David Forman has joined us. So it's actually a perfect time, David, if you're here to jump in, because Craig just talked about large brokerage houses where lot of people do their own directing of their investments where there is, I know, a fidelity or wealth of information available to investors. But question about how much time they spend getting that information, so David?

FORMAN: So, sorry about that. I'm not sure how I got booted. I thought I was just uninvited--

STAM: No, I definitely want you here.

FORMAN: Thank you. I feel very welcome. So we can talk a little bit about the trends we've been seeing in terms of retirement investor behavior during this really unusual period. Mostly, what we've seen is it's actually kind of surprising.

We've seen that there has been remarkably steady activity in retirement investment savings. There's been an increase overall in IRA and Roth contributions. That's helped, I think, in part by the extension of the tax season. And so, we, in fact, have record flows into our IRAs and other retirement accounts, including the SEPs, simples and rollover IRAs.

And by record breaking (ph), we have something like 82 billion pour into those kinds of accounts after August 1st and that's - that is a - for us an all-time high. And so I think this is very promising to suggest that investors are taking seriously the need to save for retirement and that they're not panicking holding money out for short term expenses. And I think it is actually not what we would have expected to see. But it's - I think it's a heartening sign.

The average IRA balance was actually 13 percent, higher from Q1 to Q2 this year, which I think tends to show the same thing. And you know, we're not talking about 401(k) plans at the moment, but I do want to mention that we've seen similar things there. More than 76 percent of employers contributed to their retirement plans. Only about 11 percent dropped their matching contributions during the crisis.

And those that did, the vast majority intend - they intend to resume as soon as possible, but, hopefully, by next year at the latest. So all of that suggests a very strong, a very robust environment for retirement savers.

It also reflects a real - that's the message that you have to save for retirement, really drilled in a way that it may not have in the past. People are maybe not as complacent as they might have been during the days of endless bull markets.

I also think - surprisingly, the CARES Act, I think it was critical. I think helped people who really needed it. But we are seeing very little take up. The activity that you see in withdrawals from - that really from the taking advantage of the CARES Act is really minimal and much, much less than you would have thought. That said, I think it was a an important step because the people who need it really need it.

I would add also that if you look at retirement plan contributions in the first half of 2020, they were up something like 25 percent from the prior year and so - again, people are socking away money. And the core question, though, for these retirement investors that we found is that, a lot of them know that they have to save. A lot of them are kind of scared.

A lot of them are - they've gotten the message that they need to really put money away for retirement, but they're not entirely sure what to do with it. And so there's been a concomitant increase in demand for managed accounts in retirement space. We see a lot of requests for direct help and actually putting together plans for people to move toward retirement and a real willingness to implement those plans, more so, I would think then, in previous years.

So, I think not to use the phrase Scared Straight, but I think a lot of people have realized that they have to pay more attention to this stuff. And so all of that is very - it's a positive on the one hand, but I think there are still some blockers that we can talk about.

Let me pause there. Any questions on that part of it? If not, let me mention Millennials. We saw we saw surprisingly high demand among Millennials for retirement assets. The number of IRAs that were owned by Millennials increased 23 percent over the prior Q2. I don't have the Q3 figures yet, but we expect them to be pretty similar all that's especially in the Roth area.

There, if you took those alone, that would be 36 percent year-over-year growth, and almost a 50 percent increase in the amount of Roth contributions we're seeing among Millennials. So that message has, I think, has really sunk in, in the millennial generation and that is heartening to hear I think, for all of us.

So go back to manage accounts, I think that the kind of do-it-yourself - a lot of investors who thought they could do it themselves, and were not really necessarily looking for much help, I think they are now actively seeking help in a way that they have not before. We've gotten tremendous amount of interest in either managed accounts or Target Date funds as solutions or the similar kinds of solutions that have some level of direct expertise involved.

The days where someone would just take a model portfolio or get a little education and pick something and just leave it there, those seem to be waning. I think, people are realizing that it's - this is a treacherous financial world to be without some expert assistance. And so we really have seen huge demand there.

The other thing that I would add is that one of the main benefits that we've discovered in the account space here is that a lot of investors, as we all know, have a tendency to panic when markets turned down suddenly, or there's some kind of disruptive event, and they end up selling at exactly the wrong time and then buying back at exactly the wrong time.

And that, obviously, is much less likely to happen, if they're assisted by an advisor, whose primary function is to manage their money, but whose secondary function is to keep them from panicking and selling when unexpected events and sort of keep - to help them stick to their long-term plan.

And so we think that the penetration of market - penetration into the retirement market in terms of managed account program has really been - I think, it's helped a lot of people not lose more money than they would have, but for the assistance of an advisor at some point.

The other thing we've seen - and I think this is not going to surprise anyone. There's been a huge increase in the amount of usage web traffic on our website and mobile applications. The 401(k) 403(b) participants, retirement in general is up something like almost 50 percent from the prior year.

That's to be expected. People don't really want to go to the branch anymore. Most of our branches were actually closed for months. Many of them remained closed. And what we've discovered is that people seem to be perfectly happy to do their retirement planning and to do these - all these various activities from home.

That said, there are certain things that can't be done from home, they're certain - in some cases, state requirements for things like signature guarantees, and, and so on. And so we're looking at ways to try and sort of allow people who would rather not expose themselves by leaving outs and coming to a branch to be able to do some of these activities from home. And I think that's an areas that one's focus at this point, because it is a real concern.

I would say - apart from that I'm going to make a slight left turn and suggest a couple of things that we had been very focused on in terms of what could change in the regulations at this point, and in light of the pandemic, but more generally.

I would say our top priority in terms of a regulatory change would be to rethink and modernize the rules around electronic delivery. People don't want paper documents, nearly the way that they used to. The post office doesn't want to handle one. Our mail rooms don't want to have to handle them. And so we've heard loud and clear from investors that if they can get it in electronic form, it would be - but for a tiny fraction, almost everyone would prefer it that way.

And there are still, however, all sorts of rules that the SEC has for delivery of various documents and other agencies too. This is not specific to the SEC. But they require something in writing. And although the SEC has electronic delivery guidance, we really think that this is a prime opportunity to rethink how that could be expanded and to treat electronic delivery as really the primary means of getting things to people.

When you look at the electronic signatures in national commerce act, the ESIGN, it was - it's not 20 years old and most of the guidance around how to deliver regulatory documents is also getting a little creaky and worn around the edges. And we strongly feel it's time for a rethink of that.

Not only does it add to costs for everyone, because - especially Fidelity where we have just an unbelievably large customer base, the amount of paper we have to send to people is just - I mean, we get letters of people with standing next to a pile of papers that's taller than they are, and complaining that they get too much paper.

And it's not necessarily ecologically efficient. It's not what customers appear to want most of the time. And yet some of the rules still operate on the presumption that you have to choose paper unless you jump through a bunch of hoops to allow people to get electronic delivery.

And, for example, just to give one example, REG BI, if you're talking to a prospect, and they want to talk about potentially rolling over, for example, you have to somehow get them a Form CRS before you can make a recommendation even if they're just a prospect, and they don't want to give you their e-mail address, for example.

And so the idea that you can't help that person, because they don't want to turn over their e-mail just before they've even decided they want to have a relationship with you, for various reasons, a lot of sort of records to give out are e-mail addresses, because we all know what happens when you do that frequently.

The end result is that the rep can't help that person. And it just doesn't - it doesn't make - some of these things don't make sense. It made sense at a time when it was the norm and when there was a fairly large population of seniors or persons of lower means who didn't have access to the internet or mobile applications and so on. Those we think are long past, and there are a lot of roles that we would hope would, in this space would be reexamined to ask whether they are really anachronistic or make sense at this point.

The other one - and this isn't necessarily specific to retirement. The other big area that we - that the pandemic uncovered that's really ripe for reconsideration is the set of FINRA rules over which the SEC has jurisdiction, of course, requiring any person onsite inspection of non-branch offices. So for example, we have - for a while, we had our entire rep population, all the reps who sit in branches and on the phones, they all are working from home.

But the way the rules are written, we are required to do home inspections periodically. And it is incredibly difficult during a pandemic. Number one, nobody wants to go to anybody else's house and travel to get there. But number two, it's just we have thousands and thousands of reps, that's just - it's prohibitive. It's really difficult to do that.

And we are firmly convinced that there is essentially nothing that you can find by an in-person visit that you couldn't find by virtual means, by viewing a virtual walkthrough sort of location or by 24 hour monitoring through a webcam place wherever you like. And I will say that, in our experience, we have - having done these for years, we have literally never found anything in an onsite inspection that, number one, was material in a way.

And number two, that we wouldn't have found any of the available electronic means that we've thought about. So we think that's another one that is a little anachronistic and particularly difficult to cope with in times like this one. Yes, and nobody knows when this will end, but it's just made - it's made adapting to the increased customer demand very difficult in some ways. And the alternative is you have to have people come back into the office, which we really do not want to do until it's - until we're certain it's really safe.

So I will pause there any questions on this?

STAM: Thank you, David. I'm so glad you were able to join back in. You know, as you've talked about some of the - the challenges with the onsite inspections and things like that. I wanted to offer to all the panelists you are also free to ask questions of one another, or raise comments as they have come to mind during the conversation. So I'll pause there and say, do any of the panelists want to speak to any of the comments or have questions for any of their co-panelists based on the presentation.

SAVAGE: Yes, I'd like to make one comment and I'm not sure why Dave didn't bring this up. But FINRA has actually - it's given a lot of temporary relief in response to the COVID-19 crisis, including with respect to branch inspection.

I realized the industry would like a lot of this relief to occur on a permanent basis. We've certainly heard that from trade associations and individual member firms. And so it's certainly on our radar screen. But I did want to bring that to the attention - (CROSSTALK)

FORMAN: Yes. I should have mentioned that we have gotten transitional temporary relief. I think what we are saying, though, is that - what we find is that it's perfectly workable as it means surveilling home, offices and other locations like this, to do it remotely and to do it virtually.

And we would strongly ask for some thought to be given to whether it's really necessary to have in-person visits, absent some specific circumstances that would actually no taking favor that, because for the most part we just - we don't see that it really adds anything, except a tremendous burden. And I think that's the pandemic kind of brought to light a latent issue that everyone was living with. But it's going to be the transitional help that's been fantastic. And I think it demonstrates that there's no reason it needs to be purely temporary.

STAM: Yes. Hey, guys, I just want to point out that that is a topic that a lot of people have been discussing both at the Commission, I'm sure at FINRA, and in the industry and among investor groups, which is that, the pandemic has really forced us to think about a lot of new ways of working and doing things.

And it really is an opportunity to think about what we were forced to do because of the pandemic and now we may have an opportunity to do from a regulatory standpoint. So I know that the IAC is looking back those opportunities going forward. So I think you're going to hear a lot more on that topic. Let me open up to questions. Lori and then J. W.

LUCAS: --attracting the registered investment advisors. And it's not just the rollovers - there are forced out rollovers of 5,000 and less. But, generally buyers (ph) are sort of looking for pretty significant sized assets in order to be willing to advice on them. Interested in the role of managed accounts, or even Robo advice to help in the IRA space with these smaller balances that are less likely to attract actual human advisors.

FORMAN: So, I'm not sure who that question is directed for, but I'll take a stab at it. We are intentionally targeting for this kind of assistance newer investors, younger investors, the availability of Robo advice, or very low cost, mostly online advice is one of the things that really engages new investors and gets them to start in doing things the right way, build some healthy habits and start building a portfolio early on. So I think we are all in favor of it.

There is no minimum for most of us products. The - that in the advent of fractional shares, which I don't think is necessarily what you want to suggest for retirement. But Robo advisors, in particular, tend to be extremely cheap. Anybody can - almost anybody can afford them, I think.

Really anybody - several of them are fundamentally free, at least, in terms of the charge to the customer. So I think we see that as a critical - the earlier people start using these kinds of programs, the better reward will be down the road when they actually are ready for retirement. So we are we're all in favor of that and spend a lot of time thinking about how to make them work more effectively.

LUCAS: Thank you.

STAM: Thank you, David. J. W. you had a question.

VERRET: Yes, I was just going to say I really appreciated David's suggestion about a paperless delivery. And I think that that would make for great IAC recommendation to recommend the SEC do a comprehensive review of any remaining paper delivery requirements it hasn't. It sounds like, particularly, this gets you in 40 Act.

And I think a great alternative - there's two alternatives actually. One is the E-delivery and then the other is the access equals delivery model used in proxy delivery and 33 Act delivery where you can have a retail broker give someone a URL rather than a piece of paper, just a URL and say if you want to look up on your iPhone real quick, you can take a look at it.

I think E-delivering access to access equals delivery could be really helpful and really appreciate the suggestions. Thanks.

FORMAN: And that's exactly what we're thinking of. And, again, it's not suggesting that people who don't - if you want paper, you will get paper. It's just that the default assumption that everyone wants paper is really - it can be a real hindrance for the vast majority people who don't and for the ability of firms to deliver something in a manner that customers want it in the cheapest way possible and so I'm heartened to hear that resonates.

STAM: Thank you. I want to ask you a question myself to Liz Evans. And we've heard a lot and David spoken about that client base at Fidelity, which we're all familiar with, and he has a pretty good handle on and spoke about that that community.

I'm just curious if you could speak a little bit to the - your client base, which I know may have different concerns. And in particular, when it comes to retirement security or retirement savings, it's great that they're consulting with an advisor, but is the longer term retirement objective, what's most are their minds, and you find that you're helping them with other more immediate issues.

EVANS: Heidi, thank you for the question. Yes, I think a lot is really maintaining assets that have been accumulated and then growing them. So I find a lot of my time doing financial projections and planning to be able to provide.

And in some cases, even just a hypothetical based on contributions to even a 401(k) or other defined contribution plan, in addition to perhaps a Roth IRA or other self-directed IRA. To then be able to play something tangible in front of an individual that is low income, and maybe perhaps has never spoken with an investment advisor that is a fiduciary to make the best - it gives the best advice based on their best interest.

So a lot of my conversations with low income investors are really just trying to define the difference between guidance and advice. As such, I think a very rudimentary phase of the planning that that allows for that to be escalated to that next phase.

And so I'll also add that my notes to really increasing investment advisors within communities really speaks to that were in some cases the overload of disclosures, and then products, and then understanding what's the fiduciary versus a non-fiduciary, and an investment advisor that is licensed with 65, state regulated versus SEC and then duals. All of these things that that become almost like a shutdown mechanism for investors.

Well, a lot of my conversations are educational in nature, where even if it - the result is advice that hey, no, the funds need to stay in your defined contribution. And further, you may want to consider consolidating individual retirement accounts into those defined contribution plans. Because, yes, it reduces the fees, but also allows for you to keep track of your money as you're making those contributions. And then on the tax side, take the deduction for the contributions, or you wouldn't be able to take that deduction if you put the money in an IRA if you had a defined contribution plan available.

And so I find that it's essential to have access to investment advisors. And even just to have I think that that experience and exposure of what does that process look like when perhaps you do get to a point where you may need your assets professionally managed or just why. Why would anybody need to speak with an investment advisor? So I think just having that access in more broader terms and number I think would allow for what I believe better decision makers - decision making by investors.

STAM: One follow-up question. Are you often asked the question, are your clients aware of or are they interested in alternative assets for their IRAs?

EVANS: Absolutely, depending on the client and prospect where I have spoken with individuals that have reached out to me following a distribution and investment and perhaps the private placement as an accredited investor of beating the under 35 number and then participated as perhaps a limited partner.

And so then at that point my advice is very limited, of course, where you can't unwind that transaction and you've already taken distributions. But, absolutely, it comes up in the form of, well, I'll own real estate, I'll own land.

But then further when it comes to minority and Muslim individuals, an investor, looking to invest in products that follow a Sharia compliant law, I think, is also very difficult. And in particularly when it comes to fraud and extortion, because there is that idea of, well, there is no alternative. And so this is an alternative investment or perhaps - in order for you to remain Sharia compliant and not take interest, then you would invest in a vehicle that perhaps has an underlying investment in real estate, and another hard asset.

So I believe that there's a lot of - a lot of risks, but perhaps a very little, that an investment advisor such as myself can provide as direct advice in some of these circumstances that are really just - it becomes this unfortunate.

STAM: Thank you. Thank you. And I just have a quick question for David Forman and then I'll open it up to everybody else. Again, David, does Fidelity custody not an alternative asset in IRAs?

FORMAN: I don't believe so. I couldn't tell you for sure.

STAM: That would make the advice function. But - I mean, in my experience - and here this is the challenge, I think, that we're facing is that - and I know Vanguard doesn't custody them, for example, and I, I tried to find out whether Fidelity did and it didn't appear to me that they did.

FORMAN: I'm pretty sure we don't. But (CROSSTALK) we don't, is that - it may be that there's some pocket where there's certain exceptions or something in for - depending on the vehicle. But--

STAM: Right. So if you have a - I believe, if you have a trust company, or if you're a bank, or credit union, for example, I think you will - you may perform custody services for a self-directed IRA. But I think that's part of the challenge that we have here. Because I think there is concern that this part of the market is fraught with potential for fraud. The custodians don't have the same obligations as, say, a registered advisor or broker dealer representative.

And so, it's part of the problem that we're trying to figure out how we can get at, you know, investor protection in this market, and maybe a little bit elusive. And I think Liz suggested in her in her paper, that, you know, coordination between the Commission and other interested regulators is probably important, and maybe it's the states for state registered trust companies, or maybe it's the banks more broadly that need to be approached with respect to custody of these assets. I'm not sure. But thank you. I'm going to pause again for questions from other participants.

DANIELS: I got a question, Heidi. It's OK? OK. I have a question for Mr. Forman. In respect to the electronic distribution of documentation rather than hard copies, a lot of the hard copies are sometimes very difficult to read, and we have a financial literacy problem in this country. Do you foresee dissemination of documents electronically to be more informative or declarative, so people can understand exactly what is being said or the nature of the transaction that's been reported?

FORMAN: So I think it depends on the nature and context of the particular communication. And in most cases electronic communication, I would say, is equally as effective at a minimum as a paper version.

In many cases, particularly, long documents, when you think about prospectus and statements of additional information and when you're talking about really lengthy documents, I think the electronic version has some significant advantages.

So, for example, you could have clickable links that would take you just to the specific section that you want to look at. And you can have define terms where you click on - you click on that and you get to the part of the web page that you're looking for that describes the specific thing you're interested in.

So it all depends on how it's utilized. But I think in - I think most people would get more utility and be more likely to read disclosures if they're delivered in electronic format. The other advantage of an electronic format can be designed for the - it can be modified for the specific device you are on.

So if you're using a Kindle Reader as opposed to an iPad, as opposed to a computer or a mobile device, you can design it so that the information is still readily available and easy to see and access. And I think that's something that people are accustomed to, just in general, now apart from electronic delivery of regulatory documents and this is sort of the norm at this point.

So - yes, so I firmly believe that papers kind of are an anachronism at this point. And there are reasons why people want paper. But that shouldn't be the driving force behind requiring paper for everyone, unless - the default unless you go through a number of hoops in most cases are really not necessary and not necessarily fun for the customer either.

DANIELS: So you're saying that the links that are attached to the electronic documents it's when the more information about a particular subject area in a document they can lead them at in terms of ease--

FORMAN: You can do things in - with an electronic document that you can't do with paper. In terms of bring that information - I mean, that is one reason why internet is such an effective tool for communication. Because you can embed links and things and you can - if people don't have to sort of go figure out on their own and where to find out more information about something, you can literally be something that's just click on and then they get to some of those important documents, and take them right to the spot.

Again, it's all how you design in the content of the document - to what extent you do that. But it certainly has the ability to do that certainly at their and we would hope that that's something that we'll see more of in the future.

I don't think that's - that can be done today without changing electronic delivery rules. You can still do that for people who want electronic communications instead of the default presumption is still everybody really wants paper and you got to jump through certain hoops to get electronic, which in reality is not the case for almost anyone these days.

DANIELS: OK. Thanks very much.

STAM: Thank you. Any further questions? And speak up, because I might - either send me a note or via chat or speak up, because I can't - I don't think I can see everyone. I believe we might maybe be coming to the end of our discussion. I'll pause again. And Paul, did you have anything you wanted to add?

MAHONEY: No, I don't. Heidi, thank you so much. And thank you to all of our panelists. This was really an incredibly informative and interesting discussion. I learned a lot. I'm sure all of my colleagues on the IAC learned a lot as well. We, we appreciate your time immensely.

For the members, let me just remind everyone, that our administrative session begins at 12:15 and it is a different link. So you'll have to exit this meeting and join the administrative session through the link that you've been sent.

We will probably just take a few minutes or not begin that meeting immediately just so if people that want to grab a bite or use the restroom or whatever. We'll have a few minutes to do so. So I'll try to get us underway say around 12:20-12:25 something like that. But with that, the morning session is adjourned. Thank you all.

FORMAN: Thank you

(RECESS)

MAHONEY: Good afternoon, everyone. It's 1:30. So we will go ahead and call to order the afternoon's session of the Investor Advisory Committee Meeting. I just want to acknowledge that Nancy LeaMond has joined us in the afternoon session.

Nancy, welcome.

LEAMOND: Thank you.

MAHONEY: We have a fascinating and important panel this afternoon on minority community investor inclusion. And Ted Daniels is going to facilitate that panel.

So, Ted, I'm going to turn the floor over to you.

(UNKNOWN): Ted, I think you're on mute.

MAHONEY: Ted, you're still muted.

DANIELS: OK now? Can you hear me? It's not open here. Do you have me muted?

(UNKNOWN): Yes, yes, we can hear you.

DANIELS: You can hear me? OK. OK. Let me start again. Welcome to the Securities and Exchange Commission's Investor Advisory September 24th meeting. We are excited about the subject of this panel, Minority Community Investment Inclusion. This is a topic of interest to SEC Chairman Jay Clayton, the other SEC commissioners, and many others in the financial and educational communities.

We are pleased to have similarly great panelists who would share their knowledge of expertise with us today in this area. As you know, they are continuing discussions about the wealth gaps that exist in our country, an announcement that (inaudible) created through the acquisition of home ownership and financial assets, minorities (inaudible) half whites and other groups in both areas.

The question that we have upon us today is, it's part - is that how we address this today, and why? And what can be done to enable communities of color gain access to financial assets, which may lead to closing wealth gaps.

The panel will share important research done in these areas, present barriers and hurdles such as minimum account size or investment limits and challenges in financial literacy that discourage minority communities' access to investment products and services.

They are just steps taken to address financial inequalities and share their own financial experiences that made steps to take to increase acquisition of financial assets and services by minority communities. At the end of this panel discussion, we hope to present knowledge and information that can be used to develop recommendations to submit to the commission that would give minorities more opportunities to invest in financial assets and create wealth.

Joining us today, our panelists are Ray Boshara. He's the Director of the Center for Household Financial Stability at the Federal Reserve Bank of St. Louis. This center conducts research around family, savings, assets and debts.

We have also George Nichols III. He's currently serving as the Chief President and CEO in the stored history of the American College of Financial Services.

Trivia Edwards is a first generation graduate of Jackson State University, where she earned her masters' degree. She is a former student ambassador for the Society for Financial Education and Professional Development. She now works as a Financial Analyst at Comer Capital Group in Jackson, Mississippi.

Randall Eley is the President and Chief Investment Officer of the Edgar Lomax Companies, an investment advisory firm located in Northern Virginia, a portfolio manager for the Edgar Lomax Value Fund.

And Lori Schock - many of you may know. She is the Director of the Securities and Exchange Commission's Office of Investor Education and Advocacy. And at times, she served as the Associate Director at - as one of the associate directors at FINRA's Investor Education Foundation.

Please place your comments and questions in the comment box at the end of the presentations that are made by the panelists. We will ask those questions at the end of the panelist discussions. We will start off today with - I'm going to have the commissioner at the course of - at the end - of course, at the end of this session to talk about the next questions about the innovative things that have been presented by the panelists.

We will start off by - start our conversation off today - a discussion today with Ray Boshara.

Thanks for joining us.

BOSHARA: Thank you, Ted, for the introduction and the invitation, and thank you all to the members of the IAC. I really appreciate the opportunity. Needless to say, these are my own views and not necessarily the business of the Federal Reserve. Ted asked me to lead off by providing kind of a baseline for our panel today.

So - next slide, please. So, at our center, we had a generational educational gender and racial and ethnic wealth gaps and wider (inaudible) for families and the economy. My focus today is on the racial wealth gaps in especially the black-white wealth gaps. Let me just note first that race exacerbates every other wealth gap that we study. So, whether it's the generational gender or educational wealth gap, race makes it much wider and much worse. OK?

So - but before diving into the specifics of the black-white wealth gap, let me just zoom out a little bit and say something about racial and ethnic wealth gaps overall so we can see where the black-white wealth gap fits in.

So, on the left, you can see that since 1989 and 2016, which is our most recent data, although the new data come out in the next few days, we have very significant racial and ethnic gaps. The very top is - are white families. Next is other, basically everybody who is not white, Hispanic or black that largely includes Asians. And then below that, Hispanic and black families.

You can see that these gaps are large and persistent. They haven't really changed a lot over time with African-Americans and Hispanics really seeing very low, almost flat lining, even though there has been some movement. So these gaps are large and persistent.

And moving over to the graph on the right, despite this notion of education being the great equalizer, in fact, these gaps actually grow significantly wider as education levels rise. That's very dispiriting, but nonetheless, it's a true reality that education isn't in fact a driver of the racial wealth gap, not something that's closing it. And that's despite other progress on voting rights, discrimination, educational attainment, all these other things are just kind of translating into more wealth.

Next slide, please. So let's just zoom in on the black-white wealth gap here. So this is just a snapshot of where we are in 2016. You saw that the sort of a basic 10-to-1 wealth gap. Black families have 16,000 at the median compared to white families of 163,000. Homeownership rates vary significantly.

As to rates of surviving on emergency savings, factor of sex. Having zero or negative net worth, one in 10 versus one in five. And how many have become a millionaire already? One in seven white families, which is one in 200 black families.

But one of the key points I want to make here is that we not just focus on the gap. The gap is significant and it matters, and that's why we're talking today. But look at the absolute amount of wealth that black families have. 16,000, imagine what you could do with your life with 16,000 versus 163,000 or being underwater or not being able to survive on your savings. So we do focus on gaps, but these absolute levels actually matters significantly for your resilience and your ability to move up the economic ladder.

Next slide, please. So this next slide I think is really foundational for our efforts here at the Investor Advisory Committee. Basically we're going to unpack the balance sheet here and look at the different components of the balance sheet and see how blacks and whites compare, both the rate at which they own these assets and the value of those assets.

And the punch line here is in the title. Black families are less likely to own assets and to have lower amounts when they do. We've already seen the homeownership number, but look at the value difference. It's 1.5 times. 200 versus 125. That's the value of a home, not home equity.

Business ownership, rates are twice the rate of ownership and three times the rate of value. Retirement savings of almost twice as many whites as blacks have the accounts with the value of nearly three times. Very relevant for our committee here, having other kinds of stocks, bonds or mutual fund ownership, a difference of a rate of four times difference in ownership and four times the value. Really remarkable. Traditional savings accounts, a little bit closer, but the values are not really close. And then not a lot of ownership of 529 in health savings accounts, but the values do differ quite significantly here.

So, again, these are - this is very consistent no matter what asset class you're talking about. Blacks own those assets at lower rates and have significantly lower values in just about every single asset class that we here documented. OK? And again, it's the values that matter, not just these gaps.

Next slide, please. All right. So we did look at debt-to-asset ratios between blacks and whites. And as you can see, blacks have a debt-to-asset ratio of 32, which is quite high compared to a ratio of 18 for white. And once again, these different ratios really are a reflection of the significantly higher asset holding rates among white families. And I think because they have these much higher debt-to-asset ratios that leads a lot less money for investing. OK?

And you can see in the chart there in the middle, you're looking at a - the rate at which black and white families actually have direct or indirect stock holdings. 32 percent for black families. Almost twice that for white families at over - just over 60 percent.

And yet another indicator of this inability to invest shows that the data point that we have here that white families actually save - 50 percent of them saved more than they spend, where that was only true for 30 - about 38 percent of black families. So these weaker balance sheets really do impede their ability to have money left over for investing.

Next slide, please. And so what we want - I just wanted to show a little bit more about kind of what does the debt side of the balance sheet looks like. And so, kind of unpacking the debt side, and what is in fact behind this higher debt-to-asset ratio that we see.

Just two takeaway here. First is that mortgage debt is in fact much higher among white families that that also reflects the fact that they own homes that are of significantly greater value, and not surprisingly, whites also have a higher rate of mortgages, also reflecting the fact that they own homes at a much higher rate. But the difference here is that you have a net worth difference that is very significant. So the home equity difference, whites have about 85,000 in home equity compared to blacks of 46. So, right there, there is a cushion and an asset base that is very substantial.

But then you look at student loans and credit cards, both - blacks have higher rates of both of those even though the value of those debts do not differ significantly. And on vehicle loans, the two, blacks and whites, seem to be about the same.

So, once again, if you're really trying to understand these debt-to-asset ratios, it's really the higher levels of assets by whites that explain these very different ratios, not so much the debts, but especially the assets and home equity in particular is something that really drives it.

Next slide, please. I just wanted to make an important point here reflecting several years of research that we've done at our center here, which is trying to understand to what extent is this 10-to-1 ratio wealth gap structural versus what we would call behavioral. Right?

So we were trying to figure that out. So if you have this 10-to-1 gap, how much of it can be explained by 300 or 400 years of choices by policymakers not so that blacks own wealth versus how much is actually influenced by making good financial choices, good investments, going to college, family structure. And it turns out from our own research that about 80 percent of the wealth gap is really structural and institutional whereas 20 percent of it can be explained by the different choices that black and white families make. And we came to that by comparing black and white families that made similar choices and seeing how much of a wealth gap was left over.

And so the important point here is that, no matter how we cut the data, whether by age, by education, by family structure, by asset class, blacks come out worse. OK? Blacks come out worse no matter how we cut the data. And that cannot be because blacks overall are making poor choices and whites overall are making good choices. That is a fallacy. OK?

You have to understand that most of the wealth gap is explained by deliberate efforts to prevent black families from accumulating property, and that still shows up today. And what I think the implication of that is, is that we can't just look at improving financial education and improving choices even though we should do all of that just to understand that we also have to look at structural and institutional barriers that prevent black families from accumulating wealth.

The final slide. So I jotted down nine ideas to help low-wealth minority and black investors moving forward. And let me just say that some of these are behavioral, some of them are institutional. And I would also point out that not all of these are solely the responsibility of the SEC. I recognize that they may have a role in partnership with other agencies. But I do hope that the SEC does use its research convening an education powers to move forward on some of these fronts.

So, very briefly, let me just - let me just go through them here. I think you're all aware that lower minimum opening deposits can have a big impact and to encourage and protect more small or micro investors. I think 529 savings plans have made the most of front - the most progress on this front.

Secondly, as the SEC has already done in conjunction with others, continue to promote more simplicity and transparency in disclosures, which you have to couple that with more robust financial education efforts in schools, the workplace, major financial moments of life. I was pleased to see the new FLEC report that you all contributed to and recognize the pioneering work of Ted Daniels on this slide. So, really continue those great efforts.

Third and - the number three and four are really more like institutional interventions as opposed behavioral. Really think more about how - the greater role that opt-outs and defaults could play in getting families automatically into retirement and college savings plans, which is where the vast majority of Americans are getting exposure to stocks and equities. So we - we can do more on that front, and I think we should.

Second - and the fourth one here, also institutional, look into the benefits and challenges associated with setting up savings and asset accounts automatically at birth. Seven and eight states already do this on 529s, and there are now proposals at the national level such as baby bonds and others to do this nationwide. I've worked on several bipartisan proposals when I worked in Congress on this idea, and it has a lot of potential. But I think it deserves more studying.

Fifth, and I think you've heard a lot about, is emergency savings, like sidecar savings, really are an incredible intervention for stability for families, but it protects the savings and investments that families already have. And there's research from five or six different sources that say how critical that is.

And finally, just briefly, I think, as we do more opt-in, opt-outs and defaults, target funds become increasingly important in whatever we can do to strengthen those. The fiduciary rule, which you've already written about, is critical and even just the thread of it suggests that it can be effective. You might have seen the research by Egan and Ge and Tang on that. And finally, think about the impact of COVID on minority investor inclusion and consider some novel ways to protect investor wealth.

And I'll leave it at that. And I think I stayed within my 12 minutes. Thank you.

DANIELS: Yes. Thank you very much. (inaudible) very enlightening and very good. Thanks very much. A great kickoff for our discussion here on this minority inclusion.

And we have George Nichols - as I said before, he's the President and CEO of American College of Financial Services - to share with us.

George?

NICHOLS: Great. Thank you, Ted, and good afternoon, everyone. And (inaudible) also for the invitation to be with you this afternoon as we talk about ways to how we can better serve our societies. I also want to recognize for the great ambassador program that he does, which I think is a fabulous program. It's going to make a difference in helping teaching more and getting more knowledge out there among investors. So thank you, Ted, for what you're doing.

What I want to share with you is a little bit about what the American College of Financial Services is doing in the advisor space and then talk about a bold new initiative that we have, that we just started about a month ago, that really is trying to focus on addressing this upward mobility and the wealth gap that Ray just talked about a little bit.

So if we could go to the next slide - thank you. All right. So we're just celebrating our 15th year of education, networking and mentoring through the Conference of African-American Financial Professionals. This is the longest running and the largest event for black financial professionals. Due to the COVID-19, just like this event, we held this virtually in August and we had over 1,300 registrants for the conference, representing about 300 companies and independents that are focused in the financial services profession.

The beauty of this, obviously, is that we were able to raise quite a bit of money that we actually are driving into a scholarship program. We've been offering a scholarship program to HBCUs for a number of years where we're trying to get more black individuals in the financial services space to give advice through the black community.

We were able to raise quite a bit of money and expand that where that we ultimately want to get to where we have scholarships for all of the HBCUs that have a business program and people that may be interested being a financial advisor. I'm pretty excited about what we've been able to achieve.

But I do want to say something about the HBCU effort. I know there was another announcement from IBM today. And one of the things that they - people need to think about. One, everyone is excited, I'm excited, about the money that is flowing into HBCUs.

But when we think about where we're going to fend blacks that may want to go into the profession and can have an impact on where wealth is, there's a lot of blacks that are actually going to the schools in a local community in urban cities. And they're public institutions, and I think we really need to think about the broadening of where we begin to look at where we can find additional talent and individuals who are committed to this to work through the process.

But we're very, very happy with the success that we've had in partnering with HBCUs and getting those students that are interested in financial services can do more work with us. And our goal is to help them develop their knowledge around giving advice, whether it's to individual's families or businesses. And so that's what we will continue to be doing.

Next slide. OK. Now I'd like to move into this very bold initiative that we have that's going on related to promoting upward mobility and wealth building a black America. When George Floyd was killed in Minneapolis by a police officer, that was on by birthday. So I remember that very uniquely in terms of the trigger of creating this racial unrest.

And immediately I've started thinking about the fact of what could we at the college do to try to make a difference. And we concluded that given our relationship with so many banks, insurance companies, asset managers and others that are in the financial services space, could we be a convener of bringing them together to focus on this wealth gap and upward mobility for black America.

If you think about the financial services industry, they have been financing our country since its birth. But what if they took those same knowledge in financial resources that we've helped fund America? And we focused it in on addressing the issues of financial and economic issues in the black community, many of those that Ray shared with you earlier in his statistics. So we just added a couple with this bold thing of four steps forward, which is an ambitious program that's focused on some areas - again, we're not trying to deal with criminal justice system or the health care system. We're just focused on those financial and economic issues in a very narrowly focused approach so that we feel like we can measure and actually get real results.

So let me quickly walk you through each one of these. The first one is financial literacy with a focus on black women. When we think about the black community, we see the black female as the gatekeeper. They're the culture-keeper of the black community. They're also the leaders. So you think about this. 89 percent of single parent households in a black community are black females. 63 percent of black women are the bread winners in their family. 68 percent of the black graduates in this country today are female.

And when you look at starting businesses, they are having one of the highest cliffs of starting new businesses even though the numbers are very, very low. So we concluded this is the logical audience because if you could impact their knowledge around financial matters, whether it's household matters, starting a business or running my business better, we would have a general impact. They are the ones that are raising black males. They are the ones that are giving advice in parts of the community, whether it's a church or other places because of the role that they play. So we believe a very, very focused approached and different levels of where they are in their lifecycle to address this financial literacy, we think we can make a difference.

And I will say, and I'll touch on this again, one of the things that we have concluded as most important is that they are not getting their financial information from what we would judicially think it would be. They're not going to advisors. They're not getting it from their base. They may be getting it from somewhere else. We need to begin to understand where they get their information, the people that they trust and then rethink how we deliver that for them in order for them to increase their lifestyle.

Second is a recruiting and training program. If you're going to make success in the black community around advice and this financial knowledge, I think it's important that we also have people who look like them in the community who'll provide an advice.

My first introduction of a financial advisor, I was seven years old, hanging on my mother's skirt when the white agent collected the $2.68 every week that my mother paid for my $500 whole life policy. That is not how we can do this in the future. So we wanted a creative program that helps financial services industry recruit more black advisors.

Yes, it's HBCUs, yes, it's urban schools, but actually what we really need to think about is one of the characteristics and equalities that we're finding in most successful advisors and then be more narrowly focused when you're going on campus. It's not just a matter of just recruiting blacks, but we are albeit (ph) thinking about the business.

Being a financial advisor is not an easy job. So let's make sure we're giving it to someone that's really focused on that and has the skill set and the attitude and desire to be an advisor because I found most of them tell me the word they hear most is no. So you've got to get over a lot of things in order to be successful in the business.

But in addition to that, we've looked at a training program. So if we are able to recruit more black advisors into the space, one of the additional components of training is, can they join study groups? Because most of the advice now is being in a team approach, and you start wanting to share information. But most black advisors cannot join white study groups. So we're saying let's create best practices and let blacks start their own. And when we do that, and we have a group of them involved in study group, what if we went to those firms and says, now, why don't you give us your top producers and they be coaches and mentors to the study groups? You just created a whole new training program where they're helping them get their study group up, all the things that that white study groups are typically doing, that also connect them in their career, new training program.

But the other thing is just as important. And that is, in this unrest right now, thinking about how we're going to have the conversation, that uncomfortable conversation, we just put them in a place where they start out in a comfortable because it's in their space, and now we can continue that conversation, and we believe that there'd be more mentor-making relationships among white advisors and black advisors in this environment, which we're trying to create.

Third is an executive leadership program. Well, if you look at all of the resources out there, it talks about the data that says if you have a diverse workforce, if you have a diverse C suite if you have a diverse board of directors all of those statistics tells you right now that you're going to be more successful and more profitable as a company.

So we're saying the financial services industry seemingly has done a good job of creating a pipeline and they fuel that pipeline well but they're not going any higher. So how it and what is it that we could do to allow them to advance them towards the C suite?

We've concluded that we could create a curriculum that is focused around the unspoken things of Corporate America not the things that you learned in your executive development program by that company this focus around their culture.

But we're talking about things that blacks have to understand if you'd been the first or the only that's been able to go up the corporate ladder. We came up with this actually looking at my own career. I was at New York Life Insurance Company is a 175 year old company and in 2007 I became the first black ever at that time 167 years of age the first black ever to be on the Executive Management Committee.

So you're telling me a company in New York City takes that oath for a black person to be at the top. But there were certain things that I've learned and if I could share those with other blacks that are not getting it from HR.

We're not even getting you from some of their mentors we think we can build a curriculum, a curriculum that will be led by a researcher about - faculty members who have been stating this for years and executives who've been able to navigate Corporate America as well.

Last is a collective impact approach. In this collective impact approach I want you to think about COVID-19. Right now the pharmaceutical industry is racing to come up with a vaccine for COVID-19. If you're competing but you're sharing information they're shared for actual resources and they're sharing intellectual resources in order for us as a country to come up with a solution and a vaccine.

What if we were doing that for black America? What if we said not just your philanthropy or not your DNI? But if that your business people may have made money for your company in growing it? What if they got involved to help us figure out how to address the institutional barriers and challenges that Ray referenced in order for us to create the upward mobility of black America?

We think that could actually be done and we can actually teach some of the things that can help them be successful. But it is going to take a collective effort and we're saying that that's the industry itself should come together but by sector so that they bring their expertise to the table.

We actually believe that there are things that they can come up with that they can talk to the SEC or the Federal Reserve or the OCC or strange risk regulators about things that you tweet that actually might improve and move the needle for black America.

But we won't be able to do that unless you put them together and they're using the intellectual property as just as much as they're thinking about the financial because what has happened in this country so far is every crisis that we've had people writes checks and unfortunately we get the same outcome.

And we're standing unless we think. Let's start applying different sort of thought process around trying to move corporate American. And talk about mobility and well for black America. That's our strategy the important things about this is one we want to create a win-win.

We want the business community to be able to make money but why they're making money? We want them to help grow the financial resources of the black community that's a win-win because that's actually more money for them to make.

These are their future employees these are their future customers. So we think it is an opportunity for us all comes to together to be focused on something and they're able to make money by doing good. Next slide please.

You know the last thing I want to touch on very quickly is I'm just trying to think about what I can help the investor council think about when we think about a role that they can help people in society? Now I'm a former Reagan White House I was an Insurance Commissioner and I was Head of the Commissioner's Association in 2000.

So I understand from a regulatory perspective importance of promoting regulatory solutions are the tools that uplift and protect diverse constituents. I understand that the focus on monitoring and setting the rules of financial service professionals and firms.

But I think that we should be more focused also on the end user not just from a pure protection perspective but actually understanding them and then rethinking some of the things we do in promote ever regulatory body about which will help.

And what's interesting that as I listen to Ray (ph) the powerful information that he gave that is only been validated by those who live in the black community and all those things. But I think that is important that as we recognize that America's monolithic that the black community is not monolithic.

And that more people should be listening to the information that Ray has brought out is like we read it and we don't overlook it but we really have to get back to it and understand the real things. Now I want to share the personal story of my own upbringing that just talks about the decision around investing.

I want to fight kids in the family that is struggling to pay bills. Now we said we will poor and I use those words carefully poor? We could not afford the other 2 letters that's how poor we were. So again there are more kids growing up my parents never talked about investing our stocks. They didn't talk about any of that.

They thought us income. They said get a job pay your bills hope you have enough to save for a little bit insurance and then you say you lived a good life that is what it is. But it was more important there was something else that even when I learned about investing something that I realized from my family life and from other blacks that I meet.

When whites talk about investing in the market they talk about the potential and the opportunity or gain. Black talks such a little so when they think about the market they think about do I have something that I can lose?

That is a powerful differentiator in terms of how people think one things of the gain and the other things of loss or risk mitigation so they don't invest. I did not start investing I thought I was in my thirties. And even then I struggled with am I willing to lose?

I never thought about much about what I could gain. So just think about the philosophical shift that the SEC and others have to start thinking about when you start understanding some of the psychological things that have been going on.

So Ray is correct, that we've been dealing with these institutional burdens for a long, long time. And they still are things that exist today then you got to recognize that the psychological impact of things that we've grown up with that we pass it of generation to generation including someone who runs a financial services education institution who is doing well financially because he has career in corporate America.

You will have those same issues and he deals with their psychological that it go all the way back and if we don't think about that it really doesn't matter how simplified the information is that what it is you're asking you do? You got to get me over that before you can actually help me become better and invest and do the things that are necessary.

We think that's very, very important. There is one other thing that I want to share if you think important and that is you got to think about the family. I struggled everyday because my immediate family thinks I'm a black, because I've done well and that's pressure.

And so there are a lot of social factors that have to go in when we think about where the black community is in terms of what we're going to help? Thank you all very much and I would get to the end for questions.

DANIELS: Well, thanks very much. I'm inspired about your bold plan, those four panels that you have. And I think you great success in making sure that comes as the biggest. I think you're going to be very successful absolutely great.

We have Trivia Edwards to join us now. Trivia Edwards we're going through Ambassadors just an outstanding person in right from - to financial services industry, Trivia?

EDWARDS: Thank you.

DANIELS: OK, thank you.

EDWARDS: --virtually and today I'll be speaking about investing against blacks in millennials. So what is this means? Historical currency and to talk about the hurdles and barriers that we that black millennials still face today provide you all with some potential solutions that could hopefully reduce the racial wealth gap. Next slide please.

Next slide please. Next slide please, OK. Thank you. So where do we begin? Well, we get data that are pretty far but for the purpose of this discussion. Let's start with African Americans distress in the financial institution through which basement to the failure of Freedman's Bank.

In 1865 as you all may know President Abraham Lincoln if that was the Freedom's Bank for the purpose of providing a safe depository for freed African American slavery. Unfortunately when a bank fails it wiped out an unprecedented amount of wealth in the black community.

Over $50 million was lost which equates to approximately $150 billion today. Another subsequent government - that hit our black from generate an insane amount of wealth at the same rate as white well as Ray outlining.

This program specifically designed for a white middle class and lower class families which preventing African Americans from hearing FHA mortgages and as a result the opportunities will accumulate wealth through homeownership was lost.

This not only robbed black's for their ability to generate wealth but it also - there was a psychological impact on home owners will. Due to lack of opportunities and lack wages created conditions where black largely focused on survival instead of wealth accumulation and this mentalities still passed signs for generations today.

Next slide please. So fast forward to today African Americans are on average about 60 percent of the incomes of their white counterparts. But the wealth gap far exceeds the income gap. As white households have ten times the wealth of black households and the gap continues to grow today.

Next slide please. So some come in ways to generate wealth is through home ownership market investment direct investment and how ownership let's talk about homeownership. As you can see only 40 percent of African American own homes opposed to 70 percent of whites.

This is very important to note because owning a home is one of the largest asset for accumulation wealth and transferring wealth. But even as an African American home owner whites are generating more wealth than black this is a decrease in values of our homes from the generational reach of red lining.

A study found that a typical home in a red line neighborhood gain over $200,000 or 52 percent less in a home in a green line neighborhood over the past four years. Black millennials own their first home by the age of 35 opposed to their white counterparts who own their first home by the age of 25, given whites another hit starting accumulating wealth.

Next slide please. Today 90 percent of black college students are likely to take out student loans. The education gap, the education achievement gap is also siding at 90 because the lack of investment in black neighborhood also includes the lack investment in the schools and as a result quality education or paying for college for most black families is out of reach.

I'm a glaring example of these. As a first generation college graduation I didn't have the appreciation for scholarships or burden finance in my education for student loans. In the bargain of student loan debt directly contributes to the lack of investments and savings made in the black community especially as a black millennial.

Next slide please. Another contribution for the widening wealth gap is white's greater participation in the stock market. Only about 30 percent of blacks are invested in the stock market opposed to 51 percent whites.

Next slide please. And only about 41 percent millennials under the age of 35 are invested in the stock market opposed to all other age groups next slide.

OK, so the hurdles and barriers that contribute to the racial wealth gap are lack of knowledge on how to make investment information? Although now we have technology at our finger tips it's confusing on where to begin when investing due to false information on the internet and not to make it any better in our communities these conversations were not being had at the dinner table growing off.

This speaks to a generational curse of the survival mentality being passed on as well as financial havoc and distress in financial institutions. The lack of pool started banks in the African American community banks are the drivers of wealth creation in any society despite the importance of black banks in our communities they're impacted limited by the relatively small and lack access to capital.

Now they can provide loans, their services are limited when it comes to investment rules. And there is also hesitation due lack of black financial advisers being there to average financial advisor is a 50 year old white man.

In the end the participation in work - limited there are limited participation and availability of retirement plan program. Often times the only exposure that we have in regard for investing is through retirement account benefits at work but all employers do not offer those benefits and if they do there is very little participation.

Next slide please. So we also think investment obstacles. There are limited marketing of investment products and services. There are more marketing on how to accumulate debt through pay day loans and credit cards than various about investments around the stock market.

Credit card companies selling cards in the mail but where do we see financial literacy information in the mail? Going to point number three high level of marketing of consumer items this reinforces number one reinforces number three because number one is - I'm sorry number three is producing a highly consumerist behavior through depreciating essays.

And number two the perception that calls for life to invest. The reality is that these days technology deals with access to more investments platforms that have more convenient ways to invest at lower costs.

In the end reading a prospectus is like reading another language due to the legal release information. There is a lack around stand of understanding - in our community - investors. And to my last point inheriting risk advisory in tangible assets.

Millennials are to a more essay classes there they could see and switch which is partially in grand sounds their distrust in financial institutions and they're not even aware of it. Next slide please.

So what are the potential solutions that should be configured? Introduce our use for investor education. Debunk the myth that it calls for invest by creating awareness that investment products in statuses now require lower initial investments.

Increased marketing of investment products and services to minority communities by also educating our financial service providers that the black community isn't one tab market in which they can benefit from it as well include a short concise summary in the prospectus that allows the average person to understand what they are potentially investing in?

Requiring our SENSEX terms to expand platform to expand their platforms to include investor education SENSEX companies are now seeing the value in expanding their platforms by cash up. I downloaded cash up about 3 years ago when I first started using cash up they - it was only transactional outstanding money and receiving money but now cash up added a feature where you can invest in stocks.

These SENSEX companies are aware of these but the need needs to be accomplished. And my last point makes financial investor education a national common floor standard in schools understands that SEC would - this will require SEC to collaborate with U.S. Department of Education.

But there's also a direct way that you all still drastically reduced the wealth gap and that was the participation within the stock market. A brokerage account can be opened for all 6 tiers to fund an initial stock purchase which can be tied to a national financial literacy curriculum.

The SEC could potentially use the revenues from fees and fine to - this is not new. Similar actions are being taken in other state - college savings plan. The treasurer of the - thing blue is parking ticket revenue who fine kindergarten college savings plans.

If the kids for college program would have been starting in 1979 it would have reduced the racial wealth gap between whites and blacks by 82 percent. I believe that this act will have a great impact on the racial wealth gap as it will help level the playing field for all minorities.

Next slide please. And as I close I would like to leave you all with this quote. Compound interest is the eighth wonder of the world he who understands it or who doesn't hates it thank you.

DANIELS: I'm sure I understood. Well, now we have Randall Eley who joins us now. As I said Eley is a Portfolio Manager for Edgar Lomax Value Fund. He has been - sometime. He has a lot of the share - Randall?

ELEY: Yes, thank you Chair. I want to make sure that everyone can see me on the program. One of the things I'm proving to the exile groups. All right great, great. - Technology but any of that.

Let me send the Investors Advisory Committee for the invitation to speak today and in fact for pulling on this program. And especially our Chair Daniels the Interim Chairman Paul Mahoney and Rick Fleming all of them might have a chance to talk to in some detail in preparing for this event.

And with that - discussing and you know expectations over hopefully it will come out this really will. I want to thank the SEC in general all the meetings because education is important. And I've heard the speakers speak before me you know talking about education to some degree I think it is it's very fair.

And so any of that let me get on but before I proceed just a few words about Ted Daniels. I had the good fortune of meeting Ted over 30 years ago shortly after the big October 19th, 1987 crash.

I was pleased to learn at that time of his interest in financial literacy and promoting it and he wondered frankly how long this new investment advisors firm might start was going to be a lot because it was very small firm.

Just started out I practiced law I had no background in money management. And he at the Lawman's company as was called was considered an experiment. And so I want to thank Ted for a couple of opportunities he gave me back then to speak the word - a couple of shows he was producer on. But I spoke on the - several continuing education events with him.

And I'm so please to find over the years that even today I can tell you all Ted has only been that enthusiastic and works just as - from all I see in promoting financial literacy as he did over 30 years ago. And Ted, you allow who will tell people out of age well that say a lot.

Now I'm known in the industry as an Investment Manager sometimes called the Money Manager. We specialize in investing in big company stocks primarily by institutional accounts. Now let me am clear what I am not?

I am very pleased that the subject today is about promoting diverse is something that needs to be up and continually discussed and worked on because I think the vitality of the American economic social and political system is based to a large part on whether this country does a good job in that area?

After all yes, just taking further and make it better the whole concept of having a free enterprise system. And so I'll work very hard to being an entrepreneur and a successful one who would in fact be able to take advantage of the successes that could come from operating in an - free enterprise system but also not - which is you can find.

It is perfectly acceptable and is completely right way if you don't make sure you develop a competitive process, competitive products and process. But I'm not however an expert on different ways to improve diversity and I'm not saying that as any kind of a complaint.

I would like to invite everyone who's listening into this discussion. Who feel they have some expertise and who would like to be instrumental in this effort to speak up participate when they can because I only thing is to all of outputs not just those who are for the minority groups who have been kept out of the action in this American free enterprise system for so long.

I've really been listening to the speakers today and I continue listening because I'm already giving some ideas for the things I would think off. I have spent so much time in my adult life working hard to be a successful entrepreneur trying to get business whatever the difficulties and even sometimes the bears may be.

I do wish to have my boss however to all those who are promoting diversity. Because number one it develops fairness. Fairness will build the morale in our country and in the long run there's no doubt in my mind it would be to the benefit of the entire economy.

It also will develop talent, wherever talent originates feel there's no God given right that any one group of people on this earth that any one family has that you know all of your talent individuals will be born among that group.

And by the same token every single group of any size we'll have held in various areas to perform. It's just a matter of time that talent however can only be used and only come out if it is promoted, trained and then maintained.

And so we want to make sure that every person we can possibly reach out to and America knows if they are willing to work hard enough and have the faith in the system and try that they have a chance to be successful. To make the economic system stronger and I think here is important for all involved in these discussions understand.

We're not talking about taking anything away from it buddy. You know we're talking about very all of those who have the ability see that ability develop enhanced and use so we can grow the path. So that in fact we can all have more not have a situation where so much focuses on scrambling for anybody to get something on field because we can say after all I'm not in that family or I'm not the - over there.

That we keep a small path because we simply don't run an efficient economic system but let them step away from prepared remarks for just a moment and address one issue that has come up and that particularly regarding African Americans.

And I just want to mention a couple of reasons why the financial statistics are so weak? And remember every group that's dealing with problems and long term problems there are historical reasons for it. So it's understanding those reasons that often will help us understand why we should carry out an effort like this but also help us come up with good answers?

With African Americans the reason, the bottom line reason is simple, slavery. Every group of people in history if you go back far enough ancestors were slaves and some ancestors were nobility. American lives however simply happened to be a position that slavery was near term.

Some of us, and this includes me, can actually remember conversations in our home with a great grandparent who were born to a parent or parents who have been slaves. And when they talk about slavery, they weren't talking about anything they read in a book, they were talking about what people live through, that they knew. And so you could see growing up in these homes, you could see the ramifications of slavery even at that time, when I was growing with people who leaved with those who've been in slavery.

Slavery and its aftermath has left the entire country with problems that need to be solved. At first, for African-Americans there was no education - remember, the definition of slavery is you can't educate the people you want to keep down. If you do, they are going to stay there. They will figure ways to get away and disappear, and take care of themselves wherever they go.

They also own no property. The definition of slavery is that you are owned; you don't own. So, when the Emancipation Proclamation was declared, as important as it was in history, but that did not give the slaves property, or when they were free, that did not give them property. So the aftermath, the immediate aftermath of slavery was that these people had no education, and their children and grandchildren had no inheritance because they owned no property.

So everything was started anew for the most part. These were essentially economically prominent (ph) people. And remember, we're talking about my and some of the others here, we're talking about our ancestors. This is not something for us to sit down and cry about today; these are just facts that we should understand and I think everyone else who looks at this, it says that will ask questions sometimes or was - those African-Americans only have 10 percent as I heard, the one gentleman pointing out, owned 10 percent of the assets of others - why don't they just go and get more money.

Remember in history, people put up primary (ph) money for their children, they call it inheritance, they call it investing in their children to be educated, and in fact to get jobs and to do any number of things, to buy homes and cars, but a slave can't do that. And when you left no money to your children, then your children are in a weaker position, everything was being made anew. And then finally, the ramifications of law that continue to this day.

Historically, when you study this in sociology or economics, it depends on the particular circumstances, but it can take a group anywhere from 200 to 500 to 1000 years working away from something like this. It is important to America that we not wait 500 to 1000 years for Black Americans or Hispanic Americans or Native Americans or by the way some of your poor White Groups from areas of West Virginia, for example, who grew up in environments where they just didn't have a chance. I don't think it is to America's benefit to just wait 500 to 1000 years for that to automatically work itself out.

Finally, to help the (ph) education effort, let me just very briefly tell my story. I practiced law for nearly 10 years until late 1986. During that period, from beginning when I was in law school, my four siblings and I built an investment club that began when we started a Joint Savings Program and this was in the mid to late 1970s, 1975-1976. We were saving on average about $15 each a pay day. And we plan to start a business together. We didn't know exact what it was, although I was interested in investing.

And we ultimately within a couple of years had saved enough money, we started an investment club, started investing, most turned to me because I loved the subject of investing and said, "Why don't you just take the money and invest?" And I didn't want to lose the money, so I started gravitating to big company stocks and that's what the company does today. We kept up the savings, fortunately all of my siblings are alive. There are five of us all together. We still do it by the way; we've never stopped.

And that was the key because that pool of funds grew, and grew and grew so much so that after we had continued saving and the investment club grew, word starting getting around about the kind of returns we were getting and there were people, friends of the family, law office of mine who asked "Would you be willing to invest some money for me?" It didn't take long for me to figure out this could be a business and a great business. And thus in September 1986, I opened the Edgar Lomax Company out for business and as many will say, the rest is history.

I met Ted a little bit over a year afterward, right after the crash of 1987. When we started off investing in 19 - at the end of 1986, we were investing a total of $122,000. That's considered nothing in the money management business. By the time I met Ted a bit over a year later, we had more than doubled to $350,000 thereabout. That was still considered nothing. But we persevered; we kept saving; we kept having others join us and I was investing, and it became a business that turned profitable over the years.

And so at this point, I hope the next minute or so that I will try to wrap up, will be helpful in some way, through the SEC, I want to encourage, add my voice to encourage to continue running educational forums like this. So, Ted, I think it was a great idea. And anything I can do outside of this to be helpful, certainly feel free to call on me. I also would like to encourage the SEC is when your examiners go out, when you are looking at the rules, you'll keep training the examiners, see that they got a good continuing education to emphasize taking steps with keeping in mind the cost to those they are regulating, to those they are examining.

So when you're examining people who are trying serve a small investment community, try not to go in and just run a whole lot of bureaucratic routines simply because it can be done, with this costing these people money every day because what does it do, it forces them more and more to not the serve small investor community. It forces them to go after only bigger accounts which there is a lot of gravitation toward anyway, and to not look at the small investment community at all.

I know what I am suggesting, these are not perfect answers, but I hope it gets the juices flowing at (ph) those who look at the regulation all the time. To big individual investors who maybe listening in, I would like to encourage you to the extent you don't have a portfolio, I say that's only a state today. That's not your future. Start saving, like my siblings and I did, whether it's $50 a pay day, remember there's been inflation. So hopefully, you do better than $50, or whether it's a $100 or $200, but start saving, planning to never stop. Never spend that principal that you save.

Wait until you start getting interests in and dividends in, and come up with a rule, you're never going to spend more than 20 percent of that income, but keep saving because there is no telling what will come up. And I think there's a good chance that like my siblings and I did, you will look up and find that your portfolio is growing and it becomes something substantial. Don't let the obvious difficulty stop you, just try because you may succeed. Thank you all.

DANIELS: Yes, Randall. Thanks very much for sharing your history, your advice and the friendship over the years has been great. I wish you continued success in the management of your mutual fund and just keep on moving and I think you are going to continue to grow.

ELEY: Thanks for everything.

DANIELS: Yes. And thanks for joining us today. Now we have Lori Schock, many of you probably know. She's (inaudible) community, provides Education and Advocacy work in the area of financial education and investment education. So, we have Lori to talk to us now. Lori?

SCHOCK: Thank you, Ted and thank you all for the opportunity to be here today. I have to just start off with my disclaimer. The views I now share today are mine and mine only and they don't necessarily represent those of the Commission. With that being said, I appreciate the opportunity to talk about some of the work of my office, the Office of Investor Education and Advocacy. My guess is most of you're a little bit more familiar with our examination, our enforcement program, so just let me give you a little brief overview of our work.

We are about 25 years old within the Commission time. So, we're actually a fairly new office in the overall scheme of things since the SEC has been around since 1934. And we focus primarily on retail investors. And when I say retail, I mean main street investors. We're not talking about institutional investors or home offices. But, people like myself or my parents. And so we have sort of three main components if you will. Prior to the work of our office, I was handling investor complaints and questions that come into the SEC. So our investor assistance team handles between 15,000 and 20,000 unique investor complaints or questions on an annual basis.

And that means, if someone writes in about the same thing 50 times, we only count it as one contact, so that's just one file. Should they write about something unique, then we'll open up a new case, but that's sort of the work that we do there. We also make referrals to the examination team as well as to enforcement depending on what the type of contact it is, otherwise we can act as a judge or arbitrator for an investor complaint, but it may be the first time that investors received written response from the firm, if it's a complaint against a particular firm or a product there.

And so this informal dispute is the way that we handle it, sometimes it may come with an offer of settlement, sometimes it comes down to "he said, she said" and they have to take it further and to either mediation or arbitration. The next part of my office is, our office of Chief Counsel, they put out the investor alerts in bulletins. I hope you're aware of that program; you can sign up to receive those. We won't inundate you; we will probably put out about 40 or so a year. It's about little over three a month.

Some those are planned, then we have things like COVID that pop up that no one had planned for and the scams that popped up around that. So we were pleased back in early February when we heard about our first investor alert regarding the COVID-19 scams. We were seeing and the trade-in suspensions that enforcement had put in place and they continue to put those in place, I think we're over 35 now, trade-in suspensions, so that investor alert continues to be updated.

And then as we see additional scams pop up, we include those. Then investor bulletins are more investor education program. So looking at our investor bulletins say that there's a new rule making, and I want to make sure people understand that there were some talk earlier about prospectuses and how difficult they are to read. So we actually had put out investor bulletin on how to read a prospectus and what's in it, and some of the things to look for and maybe the summary prospectus would be a shorter version of the longer, legal, more detailed prospectus that some see.

So that's some of the information that we put out. We also maintain Investor.gov which is our retail-facing web site. And so that's - we found the people are having a difficult time finding investor education materials on SEC.gov. So, about 10, almost 11 years ago now, we launched Investor.gov and it's just the retail investor education materials. And so that's where we put out all of our information. We'd like to say that we're unbiased, we certainly don't sell products. We can give financial advice but we can't provide investor education, and that's what we try to do through that service. We also have a public service campaign that tries to drive traffic to Investor.gov.

If I was to talk about some of our key messages, we want people first to not become victims of investment fraud. Also we want people to be aware of fees and the impact of fees on their investments. And then finally risk, making sure they understand the risk that they take depending on what investment they participate in, risks associated with the markets and making sure that people understand that risk is very personal. If you can't sleep at night, you may not be able to afford any loss; but if you have a longer time horizon, you take some risk. Historically, we found that the markets have had better returns, but of course historical performance is not indicative of future performance, but that's all that we have to look at because my crystal ball is certainly broken.

So that's what my Chief Counsel's office does. And then finally, our outreach team and that's where we go out - we used to go out and do programs, now we're doing everything virtually these days. So we made that work in transition rather quickly in March and so, these are all the programs I want to talk about here today. Under the Dodd-Frank Act, they described diversity as minorities and there are actually four specific minority groups that they talk about, they talk about Black Americans, Asian Americans, Hispanic Americans and Native Americans.

Now, some of this can also be viewed more broadly to include veterans, LGBTQ communities, as well as those individuals with disabilities. But I want to talk about some of our programs in minority communities and what we've done. Ted, we certainly have enjoying our relationship in working with you and your organization over the years. I think we've been almost 20 years of - if my math is correct, so not quite, not over 30, but we got 20 solid years there.

But then, also our work with historically Black colleges and university, and lot of has been talked about starting early in making those decisions and good decisions early. Not getting into the debt trap or if you are in the debt trap, getting out of the debt may be, the best investment return you can get is paying of high-interest debt.

Starting early, investing consistently, building that wealth over time and trying not to have leakage, when you say change of job or a crisis comes up, making sure you have an emergency fund - these are just some of the core messages that we talk about with these groups. We also work with the Florida International University which is a Hispanic-serving college and university. We work with Gallaudet which is hearing impaired - so, those are some of the groups that we work with and we talk with students because again, we want to start early and try to change and make better investing decisions early on.

Also always is that over-arching caveat of making sure people don't fall victim to investment fraud because that can certainly throw off someone's long-term investing rather quickly and that really does have severe consequences when it happens to an older American because they may not have the time or resources to make that up.

So when I was talking about the investor alerts that we put out, I wanted to bring a couple to your attention just because these were enforcement actions that were targeted at specific communities and we call that affinity fraud. And so, we have seen this over and over again where a perpetrator will get into a certain group whether it's based on ethnicity, race, religion, service members - members of military have been victims of affinity fraud.

And where someone gets in there and because they're either member of the group or they pretend to be a member of the group or they coerce a person who is a leader in that group to take advantage of their members and essentially lead them down the wayward path of a fraud where it's a Ponzi scheme and at the end of the day, those who've taken cash out are left with the losses.

And so unfortunately, we've seen this time and time again. And one of the investor alerts that we put out in this area, we need of having it translated into Chinese, Korean (ph), Portuguese, Spanish and Vietnamese. And it just shows sort of the depth and breadth of investment fraud and how it will target minority communities. So, that's something that we want to be aware of and try to, especially when we see it in these enforcement cases to make sure that one, if they have been victimized that they report it. And secondly, make sure those who've already been taken advantage of don't spread it around their community, not knowing that "Hey, this is a fraud and it makes it very insidious when that happens."

So, some of the other type of investment alerts that we've had in this area include pyramid schemes, immigrant investment program that was with HB5 visas. Several years ago, we worked with Immigration and Customs to put out an investor alert for that area where we were seeing Chinese-American investors who are being targeted for this as a way to try to gain citizenship and it was an investment fraud. We've also seen this with faith-based investor investment frauds and put out a faith-based investor alert last year I believe, and that one was translated into Arabic, Chinese, Korean, Spanish and Vietnamese.

So, you know it's - this is a broad calling that we have here in addition to the other areas and folks that we focus on - seniors, the military, the federal workforce. Also we have a program working with teachers and these are teachers because we've seen difficulties in their 403(b) Plans, so we have been put into high-cost investment alternatives and maybe some investor education would help them make better investment decisions.

So in addition to the historically black colleges and universities, Spanish - Hispanic universities and some of the differences between the different communities that talked about earlier, whether it's in a loss version or whether maybe it's the - Hey, within the Hispanic community, we find that if you teach one person, it was very family-oriented group. They will take it back and that means if it is taught in schools, children will take it back to their parents. So, we're trying to make inroads into that group to have that better situated for the communities there, and they have that information, and it may be brought in from the children to the adults versus generally coming up from adults down to the kids.

Additionally, we engage women and women of all races, and we know there's this income disparity there as well. And so, we have worked with junior-ly, federally employed women, lean in (ph) Washington and some of the other groups that are more female focused because they also have a tendency - we have a tendency to not like taking on risks, but we will also ask questions and so, having someone who's there who is not trying to sell them anything but just, "Hey, these are the facts. This is what has happened historically. This is getting on the path to starting now." Like I said, we can't give investment advice, but it's certainly a way for us to have a positive impact on the community.

In addition to the staff here at headquarters in Washington D.C., we have 11 regional offices at the SEC and I want you to just be aware of the work that they've done also within those offices. Our California offices in San Francisco and in Los Angeles have focused on teachers and on Native Americans as well as Asian American programs. Florida has certainly done a lot of work with Hispanics. Fort Worth has done the same. Atlanta has been doing some programs with city workers and getting their involvement and their retirement plans and helping save and invest for their futures.

So, the work continues here at the SEC. We do a lot with the little. We can do more with more. But, look forward to the questions or comments that you have. And again, I appreciate the opportunity to be here today. Thank you, Ted.

DANIELS: Thank you, Lori. It's amazing. As you said, we have had a relationship over the last 20 years and we appreciate the support you provide to our organization as we go around the country to demonstrate (inaudible) your resources when we talk about investing to students and then reaching out to communities. But, the scope of your work is very impressive. (inaudible) you reach a lot of people and changes a lot of lives I'm sure.

OK. Now, we are at the point where if you have any questions, we got a chat box, put your questions there. But before we do that, as you're doing that rather, we will now begin from our commissioners. Any comments or any questions you would like to have, I saw Commissioner Roisman is with us right now and Chairman Jay Clayton is on the line with us, and others. Just any question or concerns, anything you want to share, please do so at this time.

ROISMAN: Thank, Ted. I never want to jump in front of the Chairman. So - but I'll use this opening. I just want to say thank you very much to everyone who spoke and (inaudible). I think it's been really, really informative to me. And I hope to engage with the panelist in the future and also with the subcommittee. This is incredibly I think important topic and one where I think we can do a lot more.

So, I want to thank you for taking this topic on - in the IAC. I look forward any recommendations that you guys will come up in this area, but also to the point that every presenter says, I think this has to be a continuing conversation and I just - I'm very thankful for all the presenters and the insights based on your experiences and learnings. So, thank you very much.

DANIELS: OK. Let us take some questions from those who have joined us today. And as I said, you can go to the chat box and our present panelists will respond to your questions. Let's see here. (inaudible) So, you have a question for George Nichols. You want to ask your question now?

ASOERA: Let me start by saying thank you very much, Ted. This is an incredibly valuable panel I think for a lot of us on this call. So, this question is for George. George, in an interview (ph) you mentioned this as well that there seems to be kind of two fronts on this issue of investor advocacy for the minority community which is both on the education side, but also the lack of availability of enough diverse advisors for that person that wants to use a diverse advisor as well.

So, what we see at the firm that I work for is when you go to the home office, for example, there is really good inclusion in the home office. What we tend then to see is out in the field, in the sales force in our industry, there just tends to be just tremendous difficulty in really getting people to be even excited or want to get into the field on the sales side of the business. Do you have any insight, can this Committee - is there anything in this Committee that we can do specifically that would help us or that we can maybe give to the SEC in terms of this?

NICHOLS: That's an excellent question. When - what we've looked at, one of the big things unfortunately is the compensation structure. If I'm coming out of college and I don't care where I'm coming out from and I have a choice of say compensation structured based on how much business that I can create, and I may not have especially for minorities and my friends may not be the ones that - is my natural network, versus I can get a job and I may be like some office person that I'm going to get $40,000 - $35,000, $40,000 $45,000, $50,000 and I know that check's coming in.

I'm telling you, even if I really wanted to be in the professional financial services person, that's a pretty tough call to make. And so, one of the things that I really do think that it would be great if the industry and the regulators to get together to figure out the compensation structure, there may be rules that are set that the industry say they can't do it.

I know that distribution as an expense is a big expense for most firms. So that's what gets stronger (ph) with, but I think the new generation of folks that we're going to have to deal with I think we're going to have to rethink the compensation structure, that's one.

And then the second thing is that, this development, I actually see more firms that are moving away from developing into a successful advisor. I will teach you what I sell and what I want you to sell but I'm not necessarily fully teaching you to be an advisor, which is why we were trying to think of the study group concept.

I think that's another thing that we have to rethink it. I passed the personality test, I went through your matrix to save that gap to some of the qualifications. But again, think about what we said about psychologically and the community in which I grew up in, they still think I'm not going to know that would be traditional.

When I think of some wild advisors who been successful and their kids go to the country club. The kids who have been around in the business environment, that's not something that many of the minority population are going to have the benefit of. So that's not a natural setting for them even if you created the opportunity for me.

So I think that we have to really look at it from that perspective. And then the other thing is we actually want to start doing research that gives the - we've done some preliminary work of asking why - why have you not made in this space, and that's something we hope to be coming out pretty soon and what the outcome and the results of that. So, I think you got to really understand what they're looking at, but some of those things are some of the top lines that we're seeing every day.

DANIELS: Yes. Thanks George. Thanks very much. Anne, you had some comment there. I would like you to raise it.

SIMPSON: Thank you very much, Ted. I think first of all warm thanks to you for leading us this discussion and to all of our speakers. This is such an important issue and I wondered, thinking about CalPERS is a very long pension fund, what is it that we need to do.

We had a debate with our Board in July really asking these questions where does racism show up in our portfolio. And right now, we don't know. So part of the trick here is disclosure and this advisory committee over several years has actually done quite a lot of work on what we call human capital management disclosure. But I would love to hear from the panel if that approach of focusing on disclosure you think is going to make a difference?

And also if you think there are other things in terms of access to capital or understanding employment practices at companies, even the minimum wage. These are all very relevant to this concern about racial equity in the portfolio.

So we've been focusing on disclosure, Ted, as you know and all the wonderful work that Heidi is leading. Is that enough, is it the right thing for us to be looking at, is there more. And thank you very much for Ray's list of nine ideas.

It was very thought provoking, but I think the providers of capital have a role here. So we would love to hear a bit more about what we could be taking on. Thank you, Ted.

Any of the panelists are very welcome to weigh in on that, because I realize it's a such a broad question.

NICHOLS: Thank you, Anne. I don't want to like monopolize the conversation, there's a couple of things. Obviously, disclosure is great, but we really are - I hope you're looking at what you're asking them to disclose.

I think something's happening right now that we are already seeing. Is firms are - and I'm one of those people that believe that words matter. And if you're focused on disclosure and diversity is women and people of color, OK, that's not black America. Because people of color I would include Asians. I would include Latino X into that, and then I would also include blacks.

And a lot of firms that could actually say your numbers look good or investments you make look good, but they're going to actually be people of color and not necessarily focus just on black Americans, that's the first one.

The second one and Anne, I don't - I'm familiar with the name composite (ph), but what do you look like. So you don't look at CalPERS and say what do we look like inside, because part of the conversation that you have is that if you've got a diverse group within your firm, that actually is very helpful.

When we get to talk to financial services firms and they say they've done research and they say this is what our research says. Well, when I look who interpreted the research and if everybody is white and you just made interpretation of black, and which leads me to the next question is say, well if you ever go back to the black community and say this is what we think it is, what do you think it is, not what we thought we found out.

And so I think that when firms say they want to do more, I think you have to take both views of how you are asking the question, so that you know you're getting the right answer. But you also need to take it and you have to evaluate within yourself. We've been putting ourselves in a position that we did get the information what we would do with it, because we're interpreting it in right way. So that'd just be a couple of things from what we're seeing in our conversations.

SIMPSON: These are really important points, so I think if you look at the CalPERS Board, you'll see majority female, minority white, our President is - President of CalPERS, our President of our Board, Henry Jones is African American. And I think our rule (ph) internally at CalPERS, we know we have more to do.

Your point though about what you're asking for is vital. One of the reasons we would want this information is to make sure that we understand where bias shows up in the decision making personals (ph).

So we do a very detailed survey of all our external managers on alternate years and we engage (inaudible) reports on the question of diversity. But we just also appointed our first Chief Diversity Officer and he reports to the Chief Executive.

So CalPERS knows this really matters, it matters to the investment returns, also matters to our own performance. So fully agree (inaudible) advice, but I guess for the Investor Advisory Committee at the SEC, what more. And also just on out of commission (ph) of diversity is multi faceted. And we also include issues like age, we also consider gender and sexual orientation, disability, and really approach diversity in this multi faceted way. So thank you very much for that comment. I think it was absolutely on point.

BOSHARA: I lost my connection very briefly at the very end of your comment Anne, but I think I heard my name.

(LAUGHTER)

So thank you, so if I just very briefly elaborate on a couple of the recommendations, I think the sources (ph) are incredibly important as are the financial education efforts that need to be more robust to grow with it. But I also think we've come to learn the limits of knowledge in and of itself to change behavior and get people included.

And so in my field, there's been a big trend towards using opt outs (ph) and doing things automatically, including not just at the workplace but especially establishing investment accounts (inaudible) automatically.

So seven or eight states do this already that the report of 529 (ph), California of course is looking into this too, and these are really investment accounts. And then there's the baby bonds proposal the big bold plan for the racial wealth gap, I worked on a (inaudible) proposal when I was in Congress. There's different versions of that emerging all over the country.

I think my advice to the SEC would be, this could be an important way that more and more low income and minority families get included, to start saving and investing. And not only will it help tremendously with financial education efforts, because every kid will have an account, it really will create over time whole new classes of investors.

And I think my recommendation is for the SEC to be proactive about this and sort of thinking ahead about what's really involved, what are the tradeoffs, how do we think about target funds, what are the default settings, who makes the decisions; there's a lot of really important questions. When I was putting together several bills in Congress to do this, tons of unanswered questions for which the research convening on education power of the SEC could be very helpful.

DANIELS: Thanks very much, Ray. And thank you again, Anne. We have a comment from Heidi.

STAM: Thank you, Ted. Just an incredibly useful helpful interesting panel. I think the data that Mr. Boshara provided is sobering to say the least. I think many of us in financial services have been working our tails off our whole career to try and figure out how to better educate the clear support, develop and what you're showing us in this data is really very tough.

So we really have to figure out how to get at the institutionalized diocese (ph) that are preventing or that are creating the wealth gap; it's a very serious issue. And I guess my comment, not sort of a question, but a comment, I think our public-private partnerships are going to be incredibly important to this because I think we have a lot of firms with resources that actually would like to move the dial here and we can't wait for them to be regulated nor is it possible necessarily to regulate them.

But I think from what I heard from the speakers today, you are in a position along with many other organizations to forge those partnerships and get those firms to put their money where their mouth is, and make some really significant changes. And then as a follow on to that comment, I think several of you touched on this.

But I was thinking, when you were speaking about the psychology that is into the target-date funds and how over time regulation has really supported the growth effectiveness and frankly excellent outcomes that have come from target-date funds.

You have auto enrollment, you have auto escalation, you have those features that have been permitted based on regulatory permissions. And what I would say is perhaps in this world a public-private partnership could we not think of an investment vehicle or a product, I hate to call it a product, but that is more aligned to the psychology of the black community, so that basically has your savings investment growth and education in one product and how it'd be structured in a way that at least encourages the type of outcomes that we want and a closure of that wealth gap.

And I think the commission could have a role to play in there because you probably might need some type of relief in order to offer a pooled product like that, that might have some very different types of features that we needs to see in municipal mutual funds. So that's my - and any panelist would comment upon that idea, and again thank you very much for a very interesting and helpful presentation.

DANIELS: Thanks you, Heidi. Thanks very much. In response to Heidi, we will take that into consideration as we work on the recommendations. Jerry (ph), you had a question?

SOLOMON: Thank you. First, phenomenal panel, great. Very sobering to hear some of the statistics that you had, I have an idea where they were going or headed. And on what Heidi said earlier about being in an industry where you are trying to resolve some of the issues here and do this, and just and it's long process but I think it's - every day I think people get more and more committed to and work harder and harder.

My question I guess is actually sort of related what Heidi just said, I guess it's for Ray Boshara about your target funds. You said - used the term strengthen target funds, is that something that Heidi sort of alluded to make them more flexible, or what do you mean by strengthen target funds, target-date funds, I'm sorry?

BOSHARA: Thank you. It's not - look, I don't wake up every day and think about target funds. I was reading the research about Angela Antonelli at Georgetown, and I've been informed by some of our workers, I'm sure many of you had as well. And it seems like, one of the real challenges is the diversification of the funds such that they tend to be a little bit more biased towards lower return assets as opposed to higher return assets. And you know the asset - and part of that's because of the fee structures - they charge a lot of fees in this environment.

So I think and is this really actually goes along very well with Heidi's comment that - and what I also heard from George and Randall and others as I - there was concern in the black community about loss aversion, and yet at the very time, these are the very folks who need to take more risks in order to grow well. You can't build wealth without taking risks, but it has to be managed well. So I think - I think there really is some really good insight here that we can think about sort of a better performing target fund, especially in light of some of the biases that might exist with black investors.

SOLOMON: So if I hear you correctly, (inaudible) target-date funds.

BOSHARA: Hang on. I'm sorry, my sound cut out.

SOLOMON: OK. So my question is, are you saying that some of these target-date funds are actually, even if they're longer dated, they're more conservative and that's not - OK, got it.

BOSHARA: Yes. Again I'm relying primarily on Antonelli's research for that - for that insight and had some very specific ideas on how to diversify the portfolio to get better long term returns.

SOLOMON: Thank you. Thanks very much. Great panel.

DANIELS: Yes. Thank you, Jerry. Thank you, Ray. Satyam, you have question?

KHANNA: Hi, thanks everyone. And I think I was - I know Heidi and everyone else who say that research was sobering. So I have a question for, in particular for Ray, but also for everyone, two questions.

You talk about I think a lack of access to financial advice. I'm curious if there's research or if you know when minorities do get financial advice, when they go to a financial advisor at some time, is that advice poor than they would otherwise have if they were white, is it poor, is it more costly, is it more conflicted, does that research exists out there?

BOSHARA: I'm actually - I don't know the answer to that and would really defer it to Ted and others who are more in the advice business than I have been. So I'm not aware of research on that but maybe others are.

NICHOLS: Hi, this is George. I'm not aware of any research on that. And it's interesting when we look at our students who come to get fresher designation from us. When we talk to firms, I've never heard them complain about that being a problem other than new people in the business are going to give you a different level of advice than people who've been in the business.

I have not heard anything where that, once you join the firm and you've gone through the training, whether you make it or not is a separate issue. But I've not heard them say that the advice is any different than just where you are new in that profession at that particular time.

KHANNA: I'll just clarify, I meant from the client side and the client with - is there...

NICHOLS: I don't know any research has been done.

BOSHARA: Yes. From the clients who get advice, is that - are they getting better advice or worse advice?

NICHOLS: I don't, we're not aware of that, we did some research recently where on financial literacy if we got about 170,000 along that and we thought it'd be great we have this distribution of these along that and they are already professionals, and we thought they would be (inaudible) work and sharing basic information around financial literacy.

And actually what we found is most people don't want any advisor learning financial literacy because they think that you're ultimately trying to get me to buy something. And so, part of where we want to it - in the future is really trying to understand are they giving advice, as you're giving it from somewhere, even in this they're doing nothing with it.

But is there a place they're going and how to - and yes, your question how do they feel about that. But it really does come down to the same thing that everybody wants - have a relationship advisor and is coming down with the trust thing.

And we've got to figure out, whom do they trust and it maybe I trust some friend and or something and then how do we find the friend and get the right source of information to the friend, because the friend may have the power to get them to move. That's some of the (inaudible) trade community will going to have to get around in the type of research we do to answer. I think your question is an excellent one.

KHANNA: I have another question or if someone else's is chiming in. The question is for the whole group, but I think Ray as well given the background. Are there just other gaps in our knowledge in the securities markets that, in terms of researches on all of this that you'd like to see us do, I think condition (ph) on convening research from - in the SEC or outside.

I'm just not aware of how broad literature is with respect to the racial wealth gap in the securities markets. And given that that's our mandate, I'm curious if that is something that you're aware of or something that we can think it's working (ph).

BOSHARA: So, just to start off, I mean it's more anecdotal than it is like part of research on this - and certainly in my interactions with financial institutions, investment companies that there is, there's many opportunities for further education, let me put it that way.

I had the good fortune of advising the business roundtable on the recommendations that I think we're all going to be seeing fairly soon, and I think they've done a great job. But you know to their credit they acknowledge that there is a lot to learn and what do we need to do to do better.

And so I think there's some - there's a lot you could build on here about exactly what is the racial wealth gap. Why does it matter and how pervasive is it, you know just a - some of what I presented but much more.

And I think the key thing that is really unknown at least, certainly even in - I would say even among most economists is the extent to which that racial wealth gap is structural versus behavioral. And so there is this belief that if you simply make the same choices that whites make, you'd have as much wealth and in fact we show that that's not true. But you might get rid of 20 percent of the wealth gap, but most of it remains and that's because of institutional barriers.

So you have to teach firms who are institutions how to address those institutional barriers. So an institutional response would be like more defaults, more things happening at birth but when you enter the workplace or basic bank account when it's time to get a similar statement from the government.

So I think that's - financial institutions love financial education into their credit that they promoted it, but I think if it stops there, then I think we're not really going to make sure there's progress on the gap.

DANIELS: Well, thanks very much. I think that, Satyam, we may have some data on the subject (inaudible) we are getting from this panel. But we have time for like two more questions and comments. Ms. Jennifer comes up first and then we have Nancy to close us out, OK? Jennifer?

MARIETTA-WESTBERG: Great. Thank you. Very interesting panel with just a wealth of information. So I really appreciate everybody's time. My question is a little bit related to the previous one in that we've seen a lot of metrics today that are important to tracking the wealth gap.

And so I'm curious as to what the key metrics are for you, is it just dollar value, is it the percent of different groups that are actually investing in the market, and whether they have additional data that we don't have yet, but it should be collected in order to really measure whether we're meeting these benchmarks to be set out.

And I've just got one example, Ray you talked about, when you're measuring people that have similar backgrounds like education, you still see the wealth gap. And there's a lot that could underline the education categories such as where people are working and what they're doing. So key benchmarks with the one or two are for you and whether there's additional data that we need to continue to get a handle on these issues?

DANIELS: Ray, would you respond to that?

BOSHARA: I'd like to start but certainly invite my fellow panelists to weigh in here. I think that, net worth is the best overall barometer. All your assets minus all your liabilities is by far the best measure that captures the wealth, you know kind of where we are on initial progress.

And so one of the points I was making is that we've had all this other progress on education, voting rights, anti-discrimination that starts translating into more wealth, which suggests there's something else going on. So, a racial wealth gap itself is critical although there are different ways to measure that that really make a big difference like if you include cars are not in that number.

So I think that's actually really important. I think measuring - as I was showing in looking at those debt to asset ratios, it's really the assets that are - differences in asset ownership that really are driving the racial wealth gap way more than the debt levels are. Even the student loans themselves are disproportionately negative on wealth returns.

So I think certainly for the SEC measuring savings and investment participation would really be - would really be a critical measure, whether it's direct or more likely indirect, I think it is critical to have that exposure.

And then the third thing that I think is fundamental to stability and long term mobility is to look at liquidity measures. Just being able to weather a storm, stay in college, get through an emergency, keep hold on to your home, hold on to your car, all depends on whether or not you have a buffer. And seven or eight pieces of recent research have collaborated the central finding how important liquidity is both for stability and for long term investment research.

DANIELS: Thanks very much. Nancy?

LEAMOND: Yes, Ted thanks, I join the chorus of people thanking you and the panelists for very interesting afternoon. Just in the interest of time, a very quick comment. I know we're going to focus obviously on areas within the purview of the SEC.

But as somebody who comes from an organization that works more broadly, both legislatively and in terms of education, I'd be pleased if anybody - any of the panelists had time to reach out with any specific areas where you think on balance we could help and make a difference with an extensive advocacy effort obviously on pensions, whole range of issues, and especially on education.

We've begun programs targeted to multi-cultural groups in the area of financial education over the last few years. And I think we do pretty well in some of them, I think we stumble in others, so any place I can steal some good expertise and ideas, I'd be delighted to gather, and in terms of where people get information, save your research money to get information from friends and they get information on Facebook and other social media sources.

So our view is that we have to figure out how to crack those media as opposed to thinking of some luxurious way that we might present it separately, and appreciate any insights anybody has. Again thank you for a very, very interesting afternoon.

DANIELS: Thank you, Nancy. Thanks very much. (inaudible) later or you want to think about it, you have an idea that is one. And we got about two minutes to go and (inaudible) let's make one quick question (inaudible).

VERRET: Thank you, Ted, and welcome to the IAC. Just a quick observation, one of Rick's recommendations related to a uniform fiduciary standard, and I wanted to note that that's a complicated issue to consider in this context. And there are countervailing I think effects of that for exactly what we're talking about.

So for example in United Kingdom, the United Kingdom adopted a - I'm not an expert on what they adopted, but as I understand it, I've seen the research compared with testing what happened in response to the version of what they adopted which I understand is a lot tougher than our Reg D (ph) and much more like uniform fiduciary standard.

One of the effects was a dramatic increase in the minimum account balances required before your institution would give you - would give you an advisor because (inaudible) wealth and so they needed to see a higher minimum balance before they let you spend time with an advisor.

But that's contrary to what we're talking about here in terms of - that's increasing an institutional barrier to access to advice, so it's part of the cost benefit analysis to think about there.

DANIELS: Thanks Verret. OK, well, thank you very much for your comment. Well, I want to thank everyone today for joining us and the panelists in particular for all information that was shared. And it is very, very good (inaudible) maybe we had a lot of on this panel. So thanks very much.

And I want to thank the commissioners for joining us today too. You can be sure you'll hear from us, you gave us some ideas (ph) as a committee, as we go forward in the government recommendations to the commission. And actually the comments we got formed by the committee members, let's say, are very thoughtful and useful. And thanks again. Paul, I'll turn it back to you.

MAHONEY: Thank you very much, Ted, and thank you so much to all of our panelists for your time on - this was extremely valuable for us. And Ted, thank you again for putting together such an outstanding panel, and we've certainly got a lot to think about going forward.

For the panelists, you are free to leave the meeting now. For the IAC members, please stay on, we do have a little bit more business to conduct. At this point, we have on the agenda a recommendation of an ad hoc governance working group to amend and restate the IAC's bylaws. Heidi Stam shared the governance working group and she will present the proposal to us. Heidi?

STAM: Thank you, Paul. Well, as many people know and certainly as the committee members know, last June, the committee experienced quite a bit of turnover in its membership, people's terms expired and new members were appointed.

And it became clear to us at that time that the committee would benefit from taking a look at its governance structure and framework, so as to ensure smooth transitions going forward. So as part of that effort, we formed a small working group. Myself, Paul Mahoney, Rick Fleming and Cien Asoera have got together to think about, OK what should we do to ensure smooth transitions going forward? We have got tremendously good help from Rick's staff, (inaudible) helped us.

And as we look today, basically what we've done is we've made sure that our policies and procedures are consistent with our foundational documents, our charter and our bylaws. And looking at the bylaws and particularly we recommended that it be amended and restated to better align to our current needs and taking into account specifically the transitions that are necessarily happening. Now that the committee is a certain number of years old, we're starting to experience these questions.

So in doing that work, we had several changes to the bylaws and would like to propose amended and restated bylaws that changes - essentially provide for the elections of officers, the ability to set agenda and recognizing that there is an executive committee group that basically administers the work of the committee and communicates with members and also the commission and the commission staff.

The members of the committee have had these bylaws in front of them for several weeks now, so I think the conversation has been had. I open it up for any questions at this time with respect to the new bylaws or any other work that the governance working group conducted. So I'll pause there for a moment. I see no questions. So I'm going to ask if somebody would like to move the adoption of the bylaws.

SIMPSON: So moved. It's Anne, and thank you for all the work.

STAM: Thank you, Anne. It's very fitting that you should move for the adoption of the bylaws and (inaudible) and I wanted to join in thanking you. You certainly were tremendous help to me, when I first joined helping me to understand the issues and operation of the committee. So thank you so much, if there are seconds (ph)?

(UNKNOWN): I second.

(UNKNOWN): Second.

STAM: Thank you very much. And with that, I think because this is a recorded vote, I think Alex Ledbetter is going to help call the votes so we have a record of everybody participating.

LEDBETTER: Yes, thank you, Heidi. This is Alex Ledbetter and I'll be glad to call the votes to amend and restate the bylaws.

I will go through the list of names and call you in alphabetical order. When I call your name, please say yes or no, whether you vote for that proposal. Cien Asoera?

ASOERA: Yes.

LEDBETTER: Thank you. We understand that Allison Bennington in not in attendance today, so just to make sure, let me call Allison's name. Allison, are you on the line by any chance? Hearing nothing, I'll move on to Ted Daniels. Ted Daniels?

DANIELS: Yes.

LEDBETTER: Yes. Thank you. Rick Fleming?

FLEMING: Yes.

LEDBETTER: Thank you. Elissa Germaine?

GERMAINE: Yes.

LEDBETTER: Thank you. Craig Goettsch? I understand Craig in not in attendance today, OK. Satyam Khanna?

KHANNA: Yes.

LEDBETTER: Thank you. Nancy LeaMond?

LEAMOND: Yes.

LEDBETTER: Thank you. Lori Lucas?

LUCAS: Yes.

LEDBETTER: Thank you. Paul Mahoney?

MAHONEY: Yes.

LEDBETTER: Thank you. Jennifer Marietta-Westberg?

MARIETTA-WESTBERG: Yes.

LEDBETTER: Thank you. Christopher Mirabile?

MIRABILE: Yes.

LEDBETTER: Thank you. Mina Nguyen?

NGUYEN: Yes.

LEDBETTER: Thank you. Anne Simpson?

SIMPSON: Yes.

LEDBETTER: Thank you. Jerome Solomon?

SOLOMON: Yes.

LEDBETTER: Thank you. Heidi Stam?

STAM: Yes. Thank you, Alex.

LEDBETTER: Thank you. J.W. Verret?

VERRET: Yes.

LEDBETTER: Thank you, J.W. And the yes have it.

MAHONEY: Alex, thank you very much, and Heidi, we really can't thank you enough for all of the work that you did on this that you steered it through expertly. And I know that the current members of the IAC and even those yet to be appointed will thank you for it.

STAM: Thank you, Paul and I appreciate everybody's help and put (ph) along the way, much appreciated, thank you.

MAHONEY: The last thing on our agenda is reports from subcommittees and just so - calling on Heidi yet again immediately. We will go out of order and I will ask Rick if he has anything from the Investor as Purchaser Subcommittee.

FLEMING: Yes. Thanks, Paul. Just briefly, my subcommittee, the Investor as Purchaser Subcommittee has been really consumed recently with putting on the few panels that you saw today. So that's what we've been focused on. We got (inaudible) from Heidi on the first panel.

I just want to point out that Ted did most of the work in putting together this afternoon's panel and inviting the panelists. And as you know, this is Ted's second meeting. It's been - really a huge thank you Ted for all the work that you put into this, and (inaudible) and making such a huge contribution to our committee, even though you've only been on the committee for such a short time.

So I want to thank you especially to Ted and really the whole subcommittee members for putting on such a great meeting today, and it's really good content, real meaningful. So with that, I'm - Paul, I'm sure exactly what we're going to do next as the subcommittee. I think we'll take a little bit of time to sort of digest what we've learned today and see if there are any recommendations that we might want to develop out of the constant from today's meeting in the hopper (ph) immediately, but we'll take some time to think about that and go from there.

MAHONEY: Thank you very much Rick. I will quickly report on behalf of the Market Structure Subcommittee. I mentioned at our last meeting that the subcommittee would resume its work on a recommendation regarding unlisted trading privileges. After discussing it in the subcommittee, I think the majority of the subcommittee did not think we should recommend that issuers have the right to suspend unlisted trading privileges, so we will not be bringing a recommendation on that topic to the full IAC.

We also discussed an issue arising from the panel on credit rating agencies, which is essentially whether the OCRs report of staff examinations should identify firms that are the subject of adverse findings that it currently does not, but simply identifies categories and findings.

We may come to the full IAC with a recommendation on that topic timing to be determined. We also continue to discuss issues arising out of the transition to LIBOR. There is certainly a lot of concern that there is certainly potential there for some market disruption and we are trying to figure out what things fall within the SEC's jurisdiction that we can usefully recommend action on.

So that is my report from the Market Structure Subcommittee. And Heidi, you will get the last word.

STAM: Thank you, Paul. And I'll try and make it very brief. The Investor as Owner Subcommittee had been focusing on a number of issues relating to the institutional investor experience in the time of COVID particularly, the changes to disclosures, the operational virtual shareholder meetings, (inaudible) capital supply chain disclosures, writ disclosures, et cetera. So that is a general topic that I think the whole committee is going to be looking at in December and so we will contribute to refining that agenda along with everybody else.

Another topic that has surfaced to our list, which we're going to look into further in the months ahead is proxy voting disclosure, and again, the commission's initiatives and efforts around proxy performing, which has been important issue for us over time.

And then a new issue that we would like to monitor and maybe investigate further with the - whether the commission is going to move forward on any additional qualified new accredited investors under the financial sophistication definitions is that something that we are going to be monitoring over the months ahead. Thank you. That's it.

MAHONEY: Heidi, thank you very much. I think, I'd like to just finish up by saying we just - we really just had two fantastic and highly informative panels today, so thanks to everyone who helped make that possible and certainly there are many on the committee and on the SEC staff that helped out.

I'm looking forward to moving ahead with our planning for the December meeting, and will - of course, we'll have subcommittee meetings in the interim and so I look forward to seeing you there. Unless there is any other business, this meeting is adjourned. Thank you very much.

Load-Date: September 28, 2020