SEC Chairman Clayton Outlines Priorities, Signals Focus on Disclosure Requirements

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In remarks at the New York Economic Club on July 12, Securities and Exchange Commission Chairman Jay Clayton set forth what he considers the guiding principles for his tenure at the agency. In particular, Mr. Clayton stressed that protecting the interests of "Main Street" investors would be a fundamental principle underlying the SEC's efforts to fulfill its three-part mission of protecting investors, maintaining fair and orderly markets, and facilitating capital formation. He also highlighted the importance of facilitating capital formation and increasing the attractiveness of the US public capital markets so that Main Street investors can participate in investment opportunities, but without adversely affecting the availability of capital from the private markets.

Consistent with these principles, Mr. Clayton reaffirmed his belief in the SEC's historical disclosure-based approach to regulation as the foundation for effective investor protection, but also stated his concerns about the overall decline in the number of US public companies. Signaling the possibility of changes to the SEC's disclosure requirements applicable to public companies, Mr. Clayton noted that increased disclosure and other burdens imposed on such companies may be playing a role in that decline.

Mr. Clayton did not offer specifics as to which disclosure requirements could come under scrutiny by the agency, but in what could be seen as a reference to certain specialized and other disclosure requirements under the Dodd-Frank Act, he called out the expansion of the scope of required disclosures "beyond the core concept of materiality" that have been justified by regulators and lawmakers "based on discrete, direct and indirect benefits to specific shareholders or other constituencies." Mr. Clayton also indicated that the SEC's disclosure effectiveness initiatives were continuing and that the SEC staff is making good progress on preparing rule proposals based on its November 2016 staff report on ways to modernize and simplify Regulation S-K's disclosure requirements.