



RISK OF ECONOMIC IMPACTS FROM THE CUMULATIVE EFFECTS OF PROPOSED AND PENDING SEC RULES

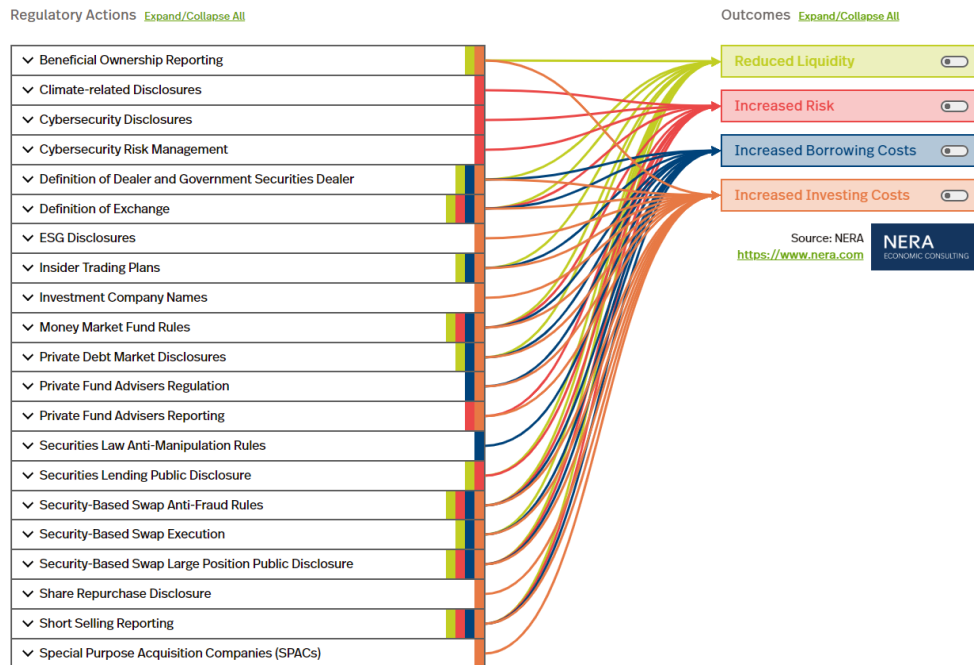
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OVERVIEW

- The Securities and Exchange Commission (SEC) proposed 32 new rules between September 29, 2021, and September 9, 2022, and still has 19 more rules on its spring 2022 regulatory list.
- Many of these proposals have overlapping implementation timelines such that, if finalized, they would go into effect simultaneously or in close succession. Moreover, many proposals affect the same or interconnected financial products and market sectors, while others may have the same or similar adverse effects, such as reducing liquidity or increasing investing costs.
- However, despite the linkages between various proposals, the SEC has assessed the economic impact of each rule independently and in isolation from the others.
- Without carefully analyzing the potential for cumulative and cross-sector effects, simultaneously implementing the SEC's many proposals presents the risk of negative unintended consequences for our capital markets and broader economy.
- To illustrate the need for a broad, multi-rule economic impact analysis, we gathered comments by market participants, fellow economists, and interested parties on the potential impacts of the SEC's regulatory agenda and compiled them in an interactive diagram – see [here](#).

- This diagram summarizes the SEC’s most consequential recent regulatory actions – 20 rule proposals and one major policy change made outside the rulemaking process – and describes how they could negatively affect four key market outcomes: liquidity, risk, borrowing costs, and investing costs.



- More work is needed to identify and analyze the costs and benefits of the cumulative effects that this many proposals are likely to have if implemented simultaneously.
- Understanding which proposals would be net beneficial when put into effect together – and which would not – is essential for the SEC to achieve its mission.

- The following charts and tables supplement the information consolidated in the diagram by depicting the scope, pace, and interconnected nature of the SEC’s rulemaking under Chair Gensler.

Of the 51 new rules on its spring regulatory list, the SEC has proposed 32 and has 19 still pending.

SEC Rulemaking Items Already Proposed as of September 2022

1. Listing Standards for Recovery of Erroneously Awarded Compensation
2. Pay Versus Performance
3. Mandated Electronic Filings
4. Rule 10b5-1 and Insider Trading
5. Climate Change Disclosure
6. Cybersecurity Risk Governance
7. Proxy Voting Advice
8. Modernization of Beneficial Ownership Reporting
9. Share Repurchase Disclosure Modernization
10. Enhanced Reporting of Proxy Votes by Registered Management Investment Companies; Reporting on Executive Compensation Votes by Institutional Investment Managers
11. Amendments to Form PF to Require Current Reporting and Amend Reporting Requirements for Large Private Equity Advisers and Large Liquidity Fund Advisers
12. Money Market Fund Reforms
13. Electronic Submission of Applications for Orders Under the Advisers Act, Confidential Treatment Requests for Filings on Form 13F, and ADV-NR
14. Private Fund Advisers; Documentation of Registered Investment Adviser Compliance Reviews
15. Cybersecurity Risk Governance
16. Prohibition Against Fraud, Manipulation, and Deception in Connection With Security-Based Swaps; Prohibition Against Undue Influence Over Chief Compliance

- Officers; and Disclosure of SBS Positions
17. Removal of References to Credit Ratings From Regulation M
18. Short Sale Disclosure Reforms
19. Amendments to Exchange Act Rule 3b-16 re Definition of “Exchange”; Regulation ATS and Regulation SCI for ATSS That Trade U.S. Government Securities, NMS Stocks and Other Securities
20. Amendments to NMS Plan for the Consolidated Audit Trail-Data Security
21. Electronic Recordkeeping Requirements for Broker-Dealers and Security-Based Swap Dealers and Major Security-Based Swap Participants
22. Loan or Borrowing of Securities
23. Amendments to Securities Transaction Settlement Cycle
24. Further Definition of Dealers
25. Special Purpose Acquisition Companies
26. Amendments to Fund Names Rule
27. Rules Related to Investment Companies and Investment Advisers to Address Matters Relating to Environmental, Social and Governance Factors
28. Security-Based Swap Execution Facilities
29. Rule 14a-8 Amendments
30. Narrowing Exemption for Certain Exchange Members
31. Clearing Agency Governance
32. Amendments to Form PF

SEC Rulemaking Items Still Pending as of September 2022

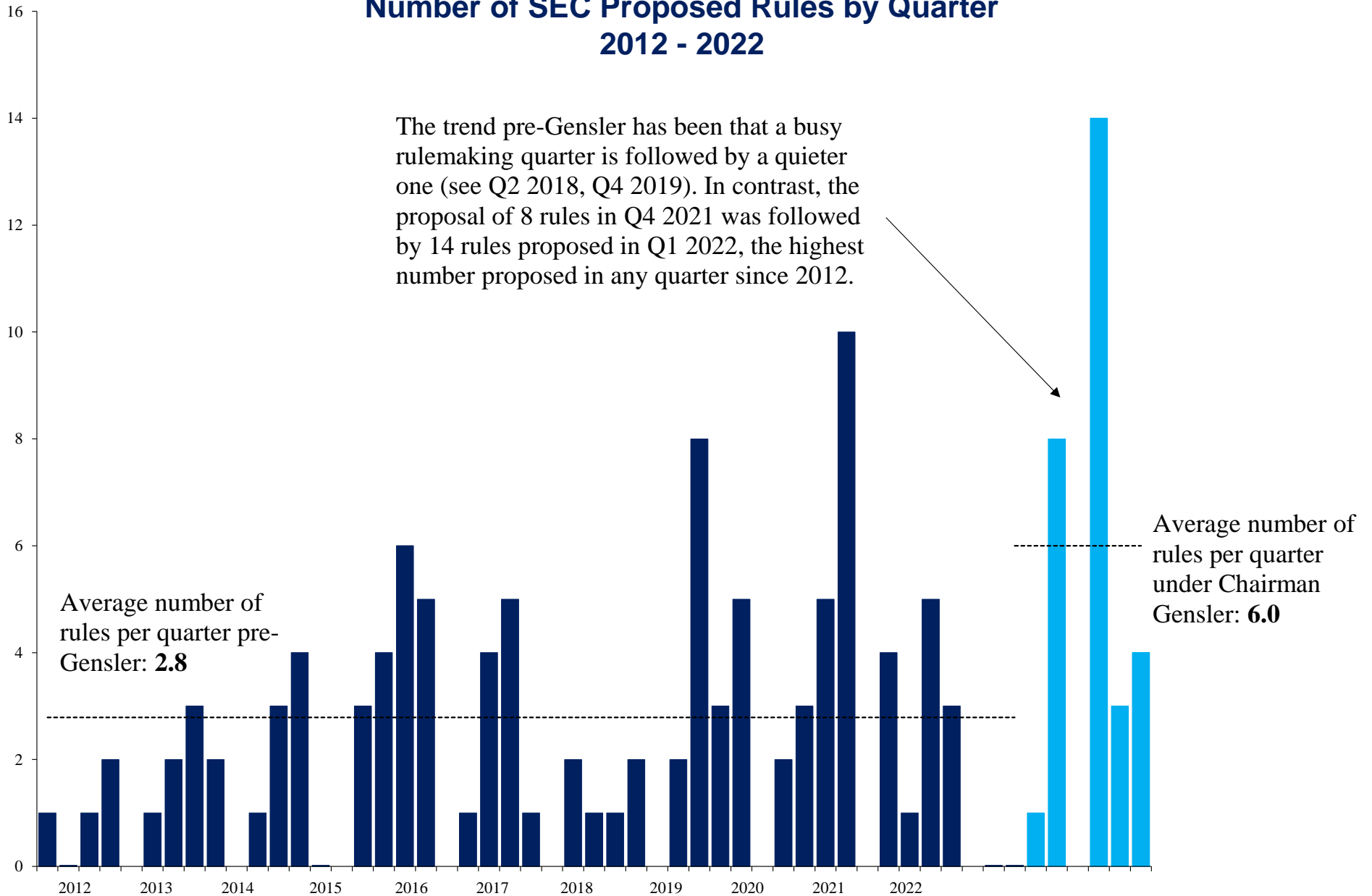
1. Corporate Board Diversity
2. Disclosure of Payments by Resource Extraction Issuers
3. Rule 144 Holding Period
4. Human Capital Management Disclosure
5. Regulation D and Form D Improvements
6. Revisions to the Definition of Securities Held of Record
7. Amendments to the Custody Rules for Investment Advisers
8. Third Party Service Providers
9. Open-End Fund Liquidity and Dilution Management
10. Fund Fee Disclosure and Reform
11. Digital Engagement Practices for Investment Advisers
12. Prohibition Against Conflicts of Interest Relating to Certain Securitizations
13. Exchange-Traded Products
14. Electronic Filing of Broker-Dealer, Clearing Agency, and Self-Regulatory

- Organization Security-Based Swap Entity Reports
15. Equity Market Structure Modernization
16. Digital Engagement Practices for Broker-Dealers
17. Expanding Clearing of Government Securities
18. Cybersecurity
19. Regulation ATS Modernization

The average number of new SEC rule proposals per quarter has doubled under Chair Gensler compared to recent history.

Number of SEC Proposed Rules by Quarter 2012 - 2022

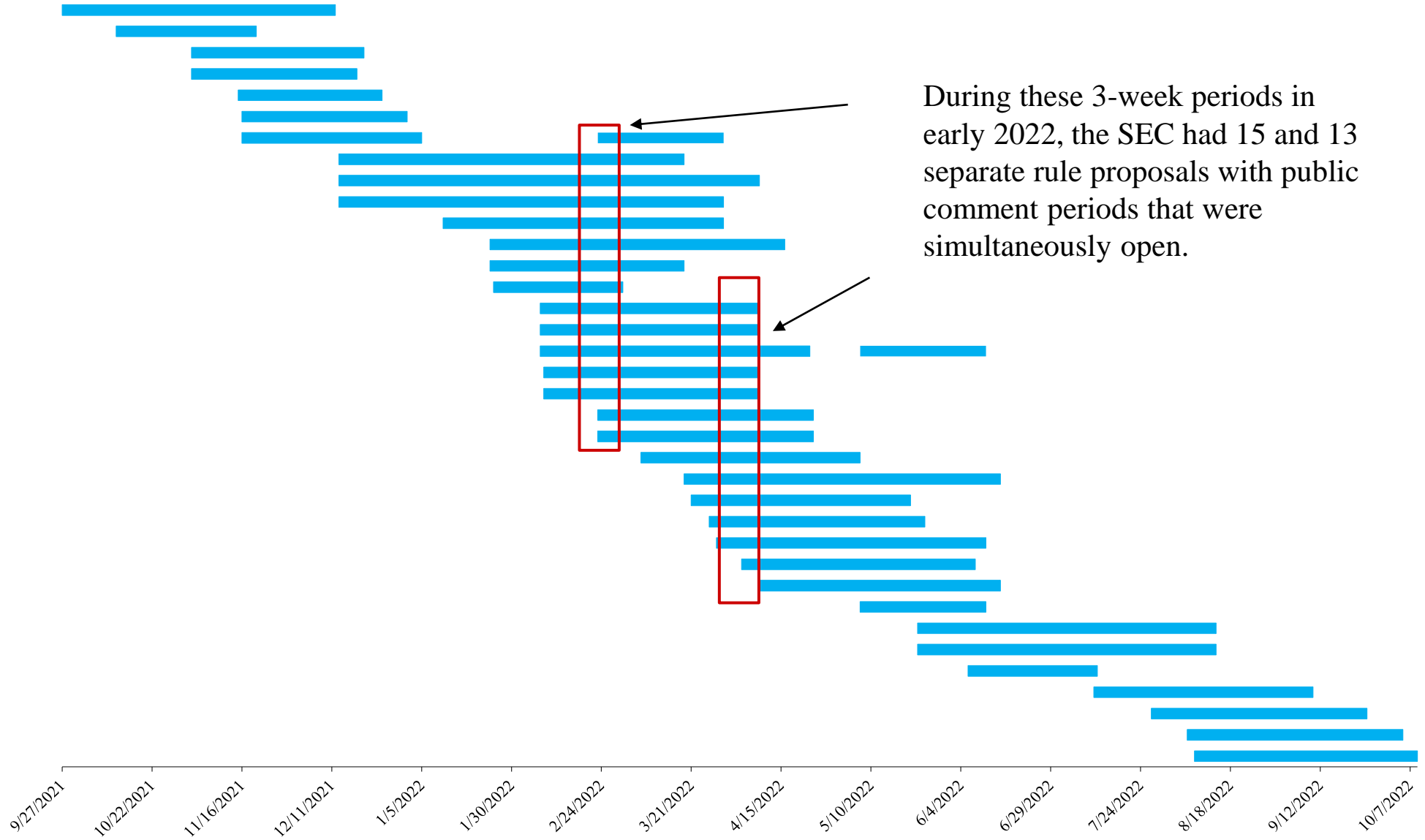
The trend pre-Gensler has been that a busy rulemaking quarter is followed by a quieter one (see Q2 2018, Q4 2019). In contrast, the proposal of 8 rules in Q4 2021 was followed by 14 rules proposed in Q1 2022, the highest number proposed in any quarter since 2012.



Notes and Sources:
Data are from the SEC.

Releasing multiple rule proposals simultaneously or in rapid succession results in overlapping comment periods and clustered comment deadlines. Market participants and other interested parties have voiced concerns that this has limited their ability to analyze and provide input on the cumulative and joint effects of proposed rules.

Comment Periods for SEC Proposed Rules since September 2021¹



During these 3-week periods in early 2022, the SEC had 15 and 13 separate rule proposals with public comment periods that were simultaneously open.

Notes and Sources:

Data are from the SEC.

¹Gaps in the timeline for a rule's comment period indicate that the comment period has been reopened.

The 32 rules proposed by the SEC impact many segments of the financial markets.

SEC Proposed Rule Changes September 2021 – September 2022

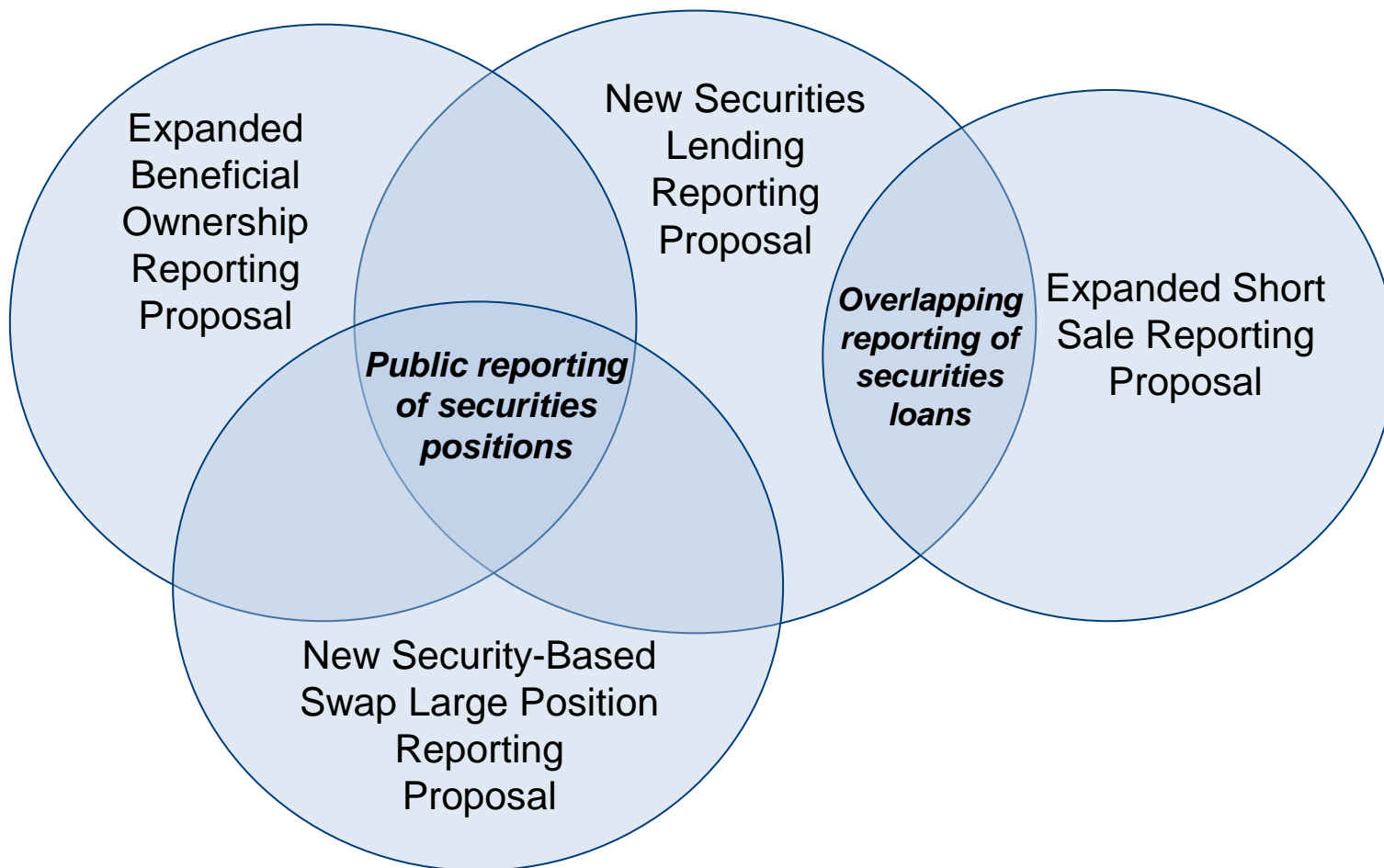
No. (1)	Date of Proposal (2)	Rule (3)	Primary Projected Effect of Proposals ¹		
			Public Companies/ Investors (4)	Asset Management (5)	Broker- Dealers/ Exchanges (6)
1	9/29/2021	Enhanced Reporting of Proxy Votes by Registered Management Investment Companies; Reporting of Executive Compensation Votes by Institutional Investment Managers		✓	
2	10/14/2021	Reopening of Comment Period for Listing Standards for Recovery of Erroneously Awarded Compensation	✓		
3	11/4/2021	Electronic Submission of Applications for Orders under the Advisers Act and the Investment Company Act, Confidential Treatment Requests for Filings on Form 13F, and Form ADV-NR; Amendments to Form 13F	✓	✓	✓
4	11/4/2021	Updating EDGAR Filing Requirements	✓		
5	11/17/2021	Proxy Voting Advice	✓		
6	11/18/2021	Reporting of Securities Loans		✓	✓
7	11/18/2021	Electronic Recordkeeping Requirements for Broker-Dealers, Security-Based Swap Dealers, and Major Security-Based Swap Participants			✓
8	12/15/2021	Share Repurchase Disclosure Modernization	✓		
9	12/15/2021	Money Market Fund Reforms		✓	✓
10	1/13/2022	Prohibition Against Fraud, Manipulation, or Deception in Connection with Security-Based Swaps; Prohibition against Undue Influence over Chief Compliance Officers; Position Reporting of Large Security-Based Swap Positions	✓	✓	✓
11	1/26/2022	Rule 10b5-1 and Insider Trading (Note: This replaces the version initially issued on December 15, 2021.)	✓		
12	1/26/2022	Amendments to Form PF to Require Current Reporting and Amend Reporting Requirements for Large Private Equity Advisers and Large Liquidity Fund Advisers		✓	
13	1/26/2022	Amendments to Exchange Act Rule 3b-16 Regarding the Definition of “Exchange”; Regulation ATS for ATSs That Trade U.S. Government Securities, NMS Stocks, and Other Securities; Regulation SCI for ATSs That Trade U.S. Treasury Securities and Agency Securities			✓
14	1/27/2022	Reopening of Comment Period for Pay Versus Performance	✓		
15	2/9/2022	Private Fund Advisers; Documentation of Registered Investment Adviser Compliance Reviews		✓	
16	2/9/2022	Cybersecurity Risk Management for Investment Advisers, Registered Investment Companies, and Business Development Companies		✓	
17	2/9/2022	Shortening the Securities Transaction Settlement Cycle	✓	✓	✓
18	2/10/2022	Modernization of Beneficial Ownership Reporting	✓	✓	✓
19	2/10/2022	The Commission’s Whistleblower Program Rules	✓	✓	✓
20	2/25/2022	Short Position and Short Activity Reporting by Institutional Investment Managers		✓	✓
21	3/9/2022	Cybersecurity Risk Management, Strategy, Governance, and Incident Disclosure	✓		
22	3/21/2022	The Enhancement and Standardization of Climate-Related Disclosures for Investors	✓		
23	3/23/2022	Removal of References to Credit Ratings From Regulation M			✓
24	3/28/2022	Further Definition of “As a Part of a Regular Business” in the Definition of Dealer and Government Securities Dealer		✓	✓
25	3/30/2022	Special Purpose Acquisition Companies, Shell Companies, and Projections	✓		✓
26	4/6/2022	Rules Relating to Security-Based Swap Execution and Registration and Regulation of Security-Based Swap Execution Facilities		✓	✓
27	5/25/2022	Investment Company Names		✓	
28	5/25/2022	Environmental, Social, and Governance Disclosures for Investment Advisers and Investment Companies		✓	
29	7/13/2022	Substantial Improvement, Duplication, and Resubmission of Shareholder Proposals under Exchange Act Rule 14a-8	✓		
30	7/29/22	Exemption for Certain Exchange Members			✓
31	8/8/22	Clearing Agency Governance and Conflicts of Interest			✓
32	8/10/22	Amendments to Form PF to Amend Reporting Requirements for All Filers and Large Hedge Fund Advisers		✓	

Notes and Sources:

Data are from the SEC.

¹Proposed effects are from comment letters by SIFMA, ICI, CII, IAA, PIC, NIRI, MFA, IIB, ISDA, ASA, Better Markets, Free Capital Management LLC, NFIB and Shareholder Rights Group comment letters, as well as the SEC.

The SEC is evaluating new rules in isolation, which does not account for potential cumulative and cross-market effects that affect the overall net benefit of adopting these rules simultaneously.



- Many financial products and markets are interconnected. Adverse regulatory effects in one sector can negatively impact conditions in another. For example, the SEC has proposed four rules that would expand existing or create new securities-related reporting obligations. But the SEC has evaluated each proposal in isolation from the others.
- Implementing these proposals simultaneously without carefully considering the potential cumulative and cross-sector effects increases the risk of unintended consequences.