

Senators Criticize Chair White on Disclosure Effectiveness and Political Spending Disclosure

June 16, 2016 | Client Update | 3-minute read

A hearing on SEC oversight held by the Senate Banking, Housing and Urban Affairs Committee where Chair White testified and took questions covered a range of topics, but two senators turned the proceedings into a forum for their complaints on the SEC's efforts to reform disclosure and the absence of mandatory disclosure of political contributions.

Senator Warren criticized the SEC's disclosure effectiveness project through a series of what appeared to be questions to Chair White, but were instead a stream of quotable accusatory statements. She admonished that "the SEC's job is to look out for investors not for big companies," and in her view, instead of completing the mandatory Dodd-Frank rulemaking, "you've headed in the opposite direction" by dedicating SEC resources to "a project you invented and called the Disclosure Effectiveness Initiative" which is intended to fix "something you call 'information overload.'"

Senator Warren berated Chair White, "What evidence [do] you have that this is a real problem that investors have come to you and said, we're worried about getting too much information," and ultimately challenged that "I cannot find, and you have not produced, a single investor who has complained to the SEC about receiving too much information."

Without giving Chair White much an opportunity to respond, Senator Warren concluded that "Investors don't want less information about the companies where they put their money. In fact, I think that's ridiculous." She blamed the Chamber of Commerce ("which represents the giant companies that have to do the disclosing"), and argued "[t]he Chamber has produced a fact-free report whining about this nonexistent information overload problem in 2014, shortly after you launched your initiative."

She went on, "... information overload is a problem that was invented to justify a project aimed at making life easier for big companies and harder for investors... I am frustrated that at your direction the SEC has voluntarily spent two years trying to address a problem that you have no evidence exists... instead of making up work to help giant corporations the SEC should do its job."

While several senators bemoaned the fact that the SEC has not taken up regulations requiring disclosure of corporate political spending, Senator Schumer indicated that this was the SEC issue that was the most important to him. In his view, the SEC is "aiding and abetting" the ability of a "few organizations" (the Chamber came in for criticism here as well) to "poison our politics." He went so far as to say to Chair White "I think you're hurting America."

When pushed, Chair White stated affirmatively that this is not a subject that is on the SEC's current reg flex agenda because of her priorities. To which Senator Schumer replied, "I would just say to you your priorities are out of line with what corporate America needs, and America needs, and I hope when you go to bed late at night you'll think about that. Because our country is basically steered in an awful direction by a narrow few wealthy people. At the very least there ought to be disclosure."

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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