

## TITLE IX: INVESTOR PROTECTIONS AND IMPROVEMENTS TO REGULATION OF SECURITIES

### Investor Protection:

- **Investment Advisory Committee:** Creates Investment Advisory Committee to advise SEC on regulatory priorities.
- **Office of Investor Advocate:** Creates the Office of Investor Advocate within the SEC and the appointment of an OIA Ombudsman.
- **Rulemaking on Mandatory Arbitration Clauses:** SEC will conduct rulemaking to affirm, disaffirm, restrict, or ban mandatory arbitration clauses if doing so is in the best interest of investors.
- **Point of Sale Disclosures:** Point of sale disclosure to retail investors must be concise, clear about costs, risks and compensation of advisor, broker dealer, and any intermediaries.
- **Whistleblower Protections:** Expands whistleblower protections.
- **Funding of the SEC:** SEC will not be self-funded. The SEC must have its budget approved by Congress; however, it may submit its budget directly to Congress without White House approval. Furthermore, the SEC may build up a reserve of \$1,000,000.00.
- **Fiduciary Duties of Brokers, Dealers, and Investment Advisors:** Orders a study on the effectiveness of the standards of care for brokers, dealers and investment advisors providing investment advice to “retail customers.” The SEC is granted rulemaking authority to impose a fiduciary duty equivalent to that of investors under Section 211 of the Investment Advisers Act, after a 6 month study is completed.
- **Study on Enhanced Examination of Investment Advisors:** SEC study on the need for enhanced examination and enforcement resources for investment advisers.
- **Manipulative Short Sale Prohibition:** Prohibits manipulative short sales and requires customer notification that they have the option to allow their securities to be used in short sales and that the broker may be compensated if the securities are used in short sales.

### Credit Rating Agency Reform:

- **Office of Credit Ratings:** Establishes Office of Credit Ratings within the SEC.
- **Credit Rating Advisory Board:** Creates a Credit Rating Agency Board.
- **SEC Rulemaking Authority:** Gives SEC rulemaking authority to: (a) separate rating divisions within an NRSRO; (b) consider information from non-issuer sources when rating securities; (c) prescribe rules on agencies' procedures and methodologies used to determine ratings; (d) determine

qualifications standards for rating analysts; (e) create universal symbols for rating agencies.

- **NRSRO Compliance Officer Prohibitions:** Forbids NRSRO compliance officers from participating in credit-rating related work and requires disclosure of rating methodologies.
- **SEC Studies:** SEC studies on the feasibility of standardized credit ratings terminology, how independence of NRSROs affects credit ratings, and alternative methods for addressing conflicts of interest.
- **GAO Study:** GAO study on alternative methods of NRSRO compensation.

### **Securitization:**

- **Risk Retention Requirement:** Must retain not less than 5% of credit risk. Can retain less than 5% if underwriting and loan standards meet certain underwriting requirements set by regulators.
- **Risk Retention Exemption:** Qualified residential mortgages are given express exemption from the risk retention requirement.
- **Asset-Level and Loan-Level Disclosures:** Requires, at a minimum, that the SEC collect asset-level or loan-level disclosure in order to perform due diligence, including unique identifiers relating to loan brokers or originators, broker or originator compensation of the assets backing the security, and risk retention.
- **Description of Representations and Warranties:** Rating agencies would have to describe representations and warranties.
- **Registration Statement Disclosure Rules:** SEC must issue rules relating to the registration statement filed by the issuer of an asset-backed security to perform due diligence on underlying assets and the nature of the analysis.

### **Corporate Governance:**

- **Say on Pay:** Shareholders get a non-binding vote on executive pay.
- **Independent Compensation Committees:** Compensation committees must consist solely of independent directors.
- **Executive Compensation Disclosure:** Requires disclosure of executive compensation.
- **Disclosure of Institutional Investor Voting:** The SEC must require institutional investors to disclose their voting in compensation-relating voting.
- **Clawback Provisions:** Includes clawback provisions to recover erroneously awarded executive compensation.
- **Required Issuer Disclosures:** The issuer must disclose: the relationship between compensation actually paid and the financial performance of the

issuer, the ratio of average worker pay to executive pay, and disclosure of employee and director hedging of employer equities or options.

- **Amendment to BHCA:** Extends Bank Holding Company Act to prohibit excessive executive compensation, fees, and benefits.
- **Beneficial Owner Proxy Voting:** Brokers who are not beneficial owners of stock are no longer able to vote company proxies unless the customer instructs the broker to do so.