Statement for the Record of the U.S. Chamber of Commerce

"Dodd-Frank Turns 15: Lessons Learned and the Road Ahead"
Hearing Before the House Financial Services Committee

July 15, 2025

The U.S. Chamber of Commerce (Chamber) is pleased to submit this statement for the record for the July 15th hearing of the House Financial Services Committee. The Chamber appreciates the Committee's ongoing work to examine the effect that the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") has had on the capital markets and the broader American economy.

Dodd-Frank was passed in the wake of the 2008 financial crisis – an event that exposed serious flaws within the U.S. regulatory structure and which severely weakened investor and consumer confidence in the financial system. Congress had a generational opportunity to address some of the supervisory and regulatory shortcomings that directly contributed to the crisis and to ensure that the type of instability which built up across the financial system in the mid-2000s would never happen again.

Instead, Congress passed Dodd-Frank, a 2,300-page behemoth that contained hundreds of new regulatory mandates, many of which were completely unrelated to the causes of the crisis. Rather than equipping regulators to oversee modern financial markets, Dodd-Frank turned into a political wish list of policy priorities that have imposed great cost on the American economy but were not adequately calibrated towards making the financial system more stable or more competitive.

Passage of Dodd-Frank in July 2010 was in many ways just the beginning: the law mandates or authorizes regulators to implement some 400 new rules, in addition to requiring agencies to issue dozens of new studies or periodic reports. For fifteen years, the federal financial regulators have proposed or finalized thousands of pages of new, often far-reaching regulations – a process that has created a great deal of uncertainty for businesses and the financial markets.

By the law's 5th anniversary, regulators had already proposed or finalized 307 new rules, spanning nearly 23,000 pages in the Federal Register.[1] Each one of these regulations presented novel questions for those affected by them, including over how to plan for changes that may be made between a proposed or final rule, or determining whether an agency will impose additional requirements that go beyond what is called for under the statute.

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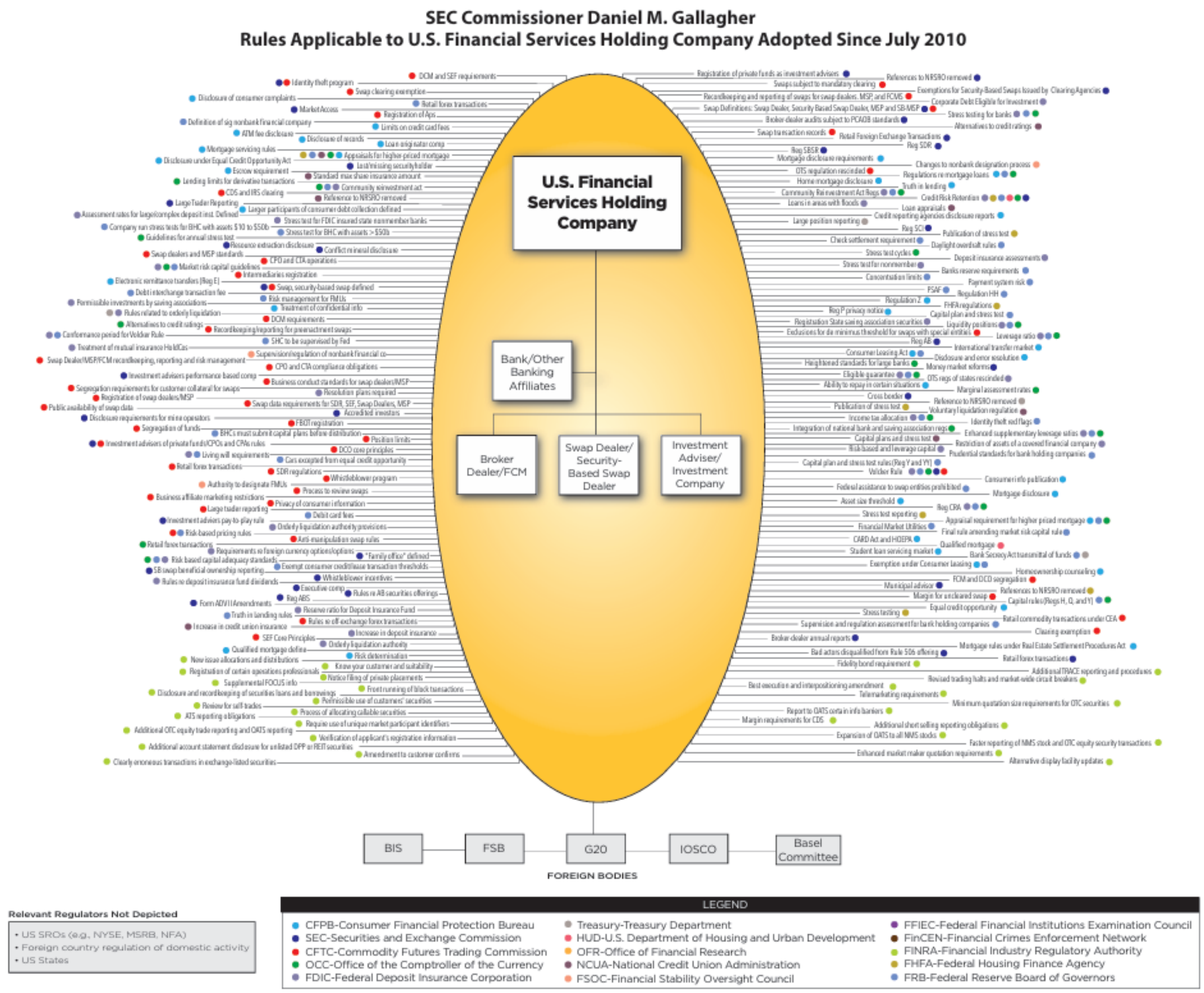
[1] Dodd-Frank Turns 5. Davis Polk (July 2015) https://corpgov.law.harvard.edu/2015/07/30/dodd-frank-turns-5/

In 2015, then-Commissioner of the Securities and Exchange Commission (SEC) Dan Gallagher released a “quilt chart” of Dodd-Frank rulemaking that put into perspective just how complex and expansive Dodd-Frank implementation had become:[2]



Dodd-Frank and the Economy

In 2024, the U.S. Chamber launched our Growth and Opportunity Imperative, a policy agenda intended to support 3%+ annual gross domestic product (GDP) growth for the American economy.[3] It is essential that policymakers understand the real-world

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[2] Crazy Quilt Chart of Regulation. Commissioner Dan Gallagher (June 2015) https://www.sec.gov/newsroom/speeches-statements/crazy-quilt-chart-regulation
[3] https://www.uschamber.com/assets/documents/Growth-and-Opportunity-Memo.pdf

difference that 3% annual growth means for American households and businesses versus 2% annual growth.

At 3% growth, someone born today will see the size of the American economy double by the time they are in their early 20s; at 2% growth, it will take until they are in their mid-30s for the economy to double. Higher growth rates have also historically increased labor force participation and boosted production of goods and services which makes them more affordable for working Americans.

Higher growth is also essential when it comes to the national debt and decreasing the federal budget deficit. For example, if the economy increased growth by half a percentage point – from 2% to 2.5% - that would reduce the deficit by $1.2 trillion over 10 years. The opposite is also true – if growth slows from 2% to 1.5%, that translates to a $1.2 trillion increase in the deficit.

The growth priority is even more urgent given the historically weak level of growth in the U.S. economy post-financial crisis. Since 2010, GDP growth in the U.S. has averaged 2.2% per year compared to an average of 3.4% per year from 1950-2010. This included growth of just 2.1% per year from 2010-2014 – a historical anomaly given that the rates of growth coming out of a recession have typically been much higher.[4]

It is of little coincidence that this tepid period of growth coincided with the most active period of Dodd-Frank implementation. The American Action Forum estimated in 2014 that Dodd-Frank would lead to a $895 billion reduction in growth over 10 years.[5] Other research shows that overall compliance costs for Dodd-Frank exceed $50 billion annually.[6]

Dodd-Frank's contribution towards discouraging public listings on U.S. exchanges should also not be overlooked. Many of Dodd-Frank's mandates – many of them discussed in detail below – have markedly increased the reporting costs for public companies, thereby discouraging companies from undertaking an initial public offering (IPO). The U.S. is currently home to roughly half the number of public companies than existed three decades ago, and the IPO market is a fraction of what it was in the 1980s or 1990s. As a recent Chamber report described, fewer public companies translates to a drag on the overall economy as public companies have long been a source of high growth and job creation.[7]

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[4] U.S. Bureau of Labor Statistics monthly labor review (December 2015)
[5] https://www.americanactionforum.org/dodd-frank/
[6] Baker Institute (September 2019) https://www.bakerinstitute.org/research/dodd-frank-costs-compliance
[7] Unlocking America's Capital Markets: Fueling Economic Growth and Innovation. U.S. Chamber (June 2025) 20250587_CCMC-CPSummit-PublicCompanyReport_FINAL.pdf

To put this in perspective, a 2022 report from the American Council for Capital Formation found that at the end of 2019, there were at least 800 fewer public companies in the United States because of the high cost of mandatory reporting under our securities laws. The report further estimated that a 10% increase in reporting costs would have led to 80 fewer public companies which would have created a combined 51,000 employees and $60 billion in revenue.[8] Dodd-Frank's corporate disclosure mandates have only contributed to these troubling trends.

It will never be too late for Congress – or regulatory agencies through rule revisions - to address some of the more economically harmful aspects of Dodd-Frank. Indeed, the SEC recently held a roundtable on public company executive compensation disclosure requirements that examined, amongst other issues, some of the disclosures mandated by Dodd-Frank that cost public companies a lot to produce but provide almost no benefit to investors. The House Financial Services Committee also continues to consider legislation that would repeal or amend certain Dodd-Frank provisions to lessen their burden on the economy. The Chamber continues to strongly support many of these efforts and appreciate the Committee's continued interest in the economic consequences of Dodd-Frank.

Dodd-Frank and the Courts

Dodd-Frank has been the subject of frequent litigation, and several rules or authorities granted to regulators by the law have either been limited or struck down by the courts. Incorrect or inadequately justified interpretation of these new regulatory authorities has created significant uncertainty for the business community. Notable examples include:

- The SEC's 2011 proxy access rule, adopted pursuant to Section 971 of Dodd-Frank, was vacated by the United States Court of Appeals for the D.C. Circuit, with the court finding that the SEC had "once again" acted arbitrarily and capriciously in its rulemaking process.[9] The case reinforced the SEC's obligation to conduct a cost-benefit analysis with each new rulemaking it adopts.

- The SEC's 2012 conflict minerals rule, adopted pursuant to Section 1502 of Dodd-Frank, was partially struck down on First Amendment grounds by the United States Court of Appeals for the D.C. Circuit.[10]

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[8] American Council for Capital Formation – "The Declining Number of Public Companies and Mandatory Reporting Requirements" (Prepared by Ernst & Young) (June 24, 2022)

[9] *Business Roundtable and Chamber of Commerce of the United States of America vs. SEC* (July 22, 2011) https://cases.justia.com/federal/appellate-courts/cadc/10-1305/10-1305-1320103-2011-07-22.pdf?ts=1411134683

[10] *National Association of Manufacturers et al. vs. Securities and Exchange Commission* (April 14, 2014) https://cases.justia.com/federal/appellate-courts/cadc/13-5252/13-5252-2014-04-14.pdf?ts=1411135623

- A federal district court found that the Financial Stability Oversight Council's (FSOC's) designation of MetLife as a "systemically important financial institution" (SIFI) was arbitrary and capricious and therefore MetLife was not subject to the enhanced regulation that results from a SIFI designation under Title I of Dodd-Frank.[11]

- The SEC's 2023 private funds rule was vacated by the United States Court of Appeals for the Fifth Circuit in June 2024. The SEC claimed that Section 913(h) of the Dodd-Frank provided it with the authority to promulgate the rule – an argument that the court flatly rejected, finding that Congress clearly intended for Section 913(h) to apply to retail investors, not private fund investors.[12]

- The SEC's initial 2012 resource extraction rule, adopted pursuant to Section 1504 of Dodd-Frank, was vacated by a federal district court in 2013. The resource extraction requires companies involved in oil, gas, and mineral exploration to disclose certain payments made to foreign governments for extraction rights. A subsequent 2016 resource extraction rule from the SEC was vacated by Congress pursuant to the Congressional Review Act (CRA) in 2017. The SEC ultimately adopted a third iteration of the rule in 2020 that remains in place as of today.

- In 2024, the Supreme Court rolled back enforcement authorities granted to the SEC under Dodd-Frank and reaffirmed that in cases where the SEC is seeking monetary penalties against an individual, that individual has a right to a jury trial and cannot be forced to have their case heard by an in-house administrative law judge (ALJ) at the SEC.[13]

So rather than establishing brightline and lasting rules of the road for the financial system, Dodd-Frank has been a fifteen-year odyssey of constantly shifting and unpredictable rulemaking projects, litigation that has upended substantial portions of the law, and vastly different approaches towards Dodd-Frank implementation depending on which political party controls the executive branch. This environment has created enormous challenges for businesses that rely on certainty and clear rules when making decisions or long-term investments.

Dodd-Frank and the SEC

[11] *MetLife vs. Financial Stability Oversight Council* (March 30, 2016) https://www.govinfo.gov/content/pkg/USCOURTS-dcd-1_15-cv-00045/pdf/USCOURTS-dcd-1_15-cv-00045-0.pdf

[12] *National Association of Private Fund Managers et al. vs. Securities and Exchange Commission* (June 5, 2024) https://cases.justia.com/federal/appellate-courts/ca5/23-60471/23-60471-2024-06-05.pdf?ts=1717608641

[13] *SEC v. Jarkesy* (June 27, 2024) https://www.supremecourt.gov/opinions/23pdf/22-859_1924.pdf

Under Dodd-Frank, the SEC was granted authority to implement roughly 90 rulemakings, including some rules that were required to be completed jointly with other regulators. Many of these rulemakings are not related to the 2008 financial crisis.

Title IX of Dodd-Frank contained a litany of new corporate disclosure rules and other requirements that the SEC has subsequently spent years implementing, including consequential new rules that were only adopted in the last few years and following inadequate rulemaking process.

Many of the disclosure rules mandated by Dodd-Frank are also counterintuitive to the longstanding principle of materiality that has guided public company disclosure for eight decades. The materiality standard – namely, what is important to a reasonable investor focused on investment returns – has instilled in investors and issuers alike a confidence in the accuracy and integrity of information that promotes market efficiency, competition, liquidity, and price discovery.

In recent years, however, a variety of interest groups have zeroed in on SEC disclosure by pressing for new mandatory disclosure requirements to advocate for social and political change. While some of these may be worthy causes, they are not material to investors and their voting decisions. As SEC Commissioner Hester Peirce regularly reminds the public, the SEC's disclosure authority is intended to inform investors, not drive company decision making.[14] Unfortunately, Dodd-Frank included a number of nonmaterial disclosure requirements for public companies, often seeking to drive social or political change rather than providing more useful information for investors.

The Chamber continues to have concerns about the following rules:

Executive Compensation Rules

Pay Ratio

Section 953(b) of Dodd-Frank directed the SEC to require that public companies disclose the ratio of their chief executive officer (CEO) compensation to that of their median employee. The intention behind the pay ratio rule was always inherently political and intended to address the issue of income inequality through

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[14] *See*, eg: Speech by Commissioner Hester Peirce, "Spare the Trees So Investors Can See the Forest: Remarks Before the Executive Compensation Roundtable, June 25, 2025. Available at: https://www.sec.gov/newsroom/speeches-statements/remarks-peirce-executive-compensation-roundtable-062625 "Executive compensation disclosure, along with other disclosures, should reflect rather than direct corporate actions."

corporate disclosure. The reality is that the rule is costly for public companies to comply with and results in information that is immaterial to investors.[15]

The pay ratio rule provides no benefits for investors, adversely impacts the ability of American companies to compete in a global economy, makes it more difficult for businesses to engage in efficient capital formation, and damages the public company model by making public companies subject to activist attacks and criticisms that are based upon misleading data.

The rule has never been about providing investors with material, decision-useful information. Pay ratio disclosures also do not accurately reflect internal pay or labor practices and are too simplistic to provide meaningful insights.

The Chamber continues to support full repeal by Congress of Section 953(b). Absent repeal, the SEC should revisit its 2015 final rule and eliminate some of the unnecessary compliance requirements of the rule that are not required by statute, including using non-U.S. and seasonal employees as part of the calculation to identify median employee compensation.

Pay Versus Performance

Section 953(a) of Dodd-Frank directed the SEC to require public companies to disclose the relationship between the pay of top executive officers and the financial performance of the company.

The relationship between pay and performance is undoubtedly information of interest to investors. However, the SEC's rule – finalized twelve years after Dodd-Frank was signed into law – does not necessarily provide information of interest to investors. In the time between when Dodd-Frank was signed into law and the rule was finalized in 2022, companies increasingly provided greater information to investors on a voluntary basis about the relationship between pay and performance.

In adopting the final rule, the SEC could have recognized this organic evolution of pay versus performance disclosures and adopted a principles-based rule to allow companies to explain pay and performance in their own words.

Instead, the SEC adopted a highly prescriptive rule that requires the disclosure of information which may conflict with other data provided by companies. As a result, public companies will have to provide additional disclosure to explain any differences

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[15] U.S. Chamber of Commerce Center for Capital Markets Competitiveness: The Egregious Costs of the SEC's Pay-Ratio Disclosure Regulation (May 2014), available at https://www.uschamber.com/assets/archived/images/documents/files/Egregious-Cost-of-Pay-Ratio-5.14.pdf

between the SEC-required disclosure and information that companies are already providing. Specifically, the SEC rule requires disclosure of "compensation actually paid," a metric that is inherently misleading because a large portion of the amounts shown include hypothetical valuations of equity awards that in many cases have not yet been earned or paid.

The Chamber has previously called on the SEC to revise its 2022 final rule to reflect existing pay disclosure practices and to ensure that investors are provided with material, decision-useful information.

Compensation Clawbacks

The Chamber believes that properly calibrated stock exchange listing standards are an integral component of good corporate governance at America's publicly listed companies, and executive compensation clawbacks are a means to help drive good governance practices if done in a balanced and responsible manner. However, we remain concerned that the SEC's final clawback rule from 2022 – adopted pursuant to Section 954 of Dodd-Frank – is contrary to the mandate under Section 954 and fails to take into account proactive clawback policies that have been implemented by companies over the last 15 years.

The final rule inappropriately encompasses reporting errors that were not material to previous reporting periods (so-called "little r" restatements) – something that is at odds with Congressional intent under Section 954. The SEC's 2022 rule also provides for clawback of compensation on a pre-tax basis, an approach that is not required by the Dodd-Frank Act and is unnecessarily burdensome on individuals who may not have committed any type of fraud or misconduct to trigger the clawback.

The SEC's clawback rule should be amended so that, at a minimum, it conforms with the statute and recovery of compensation is done on a post-tax rather than pre-tax basis.

Incentive Compensation

Section 956 of the Dodd-Frank Act requires that six agencies – the SEC, Office of the Comptroller of the Currency (OCC), Federal Reserve Board (FRB), Federal Deposit Insurance Corporation (FDIC), National Credit Union Administration (NCUA), and Federal Housing Finance Authority (FHFA) – jointly prescribe regulations or guidance regarding incentive compensation agreements at financial services firms. These agencies together proposed rules twice – in 2011 and 2016 – but have yet to enact a regulation implementing Section 956.

The Chamber submitted previous comments outlining serious concerns with both proposed rulemakings. The Chamber has been concerned that the approach outlined in those rules is overly prescriptive and entirely at odds with the purpose of Section 956. We have cautioned the agencies from enacting anything similar to what has been previously proposed.

Instead, as the Chamber wrote in 2024, interagency guidance adopted in 2010 provides a more appropriate framework for Section 956 implementation.[16] Section 956 provides clear authority to the six agencies to issue guidance rather than a prescriptive rulemaking. The 2010 guidance was carefully developed by the federal banking regulators and has enabled these agencies to achieve their regulatory goals in their supervision of the banking industry without significantly impeding competition for talent. These agencies should consider if guidance is the more appropriate path and potential principles-based modifications to the 2010 guidance rather than a highly prescriptive regulation.

The Chamber recently submitted comments to the SEC in conjunction with the SEC's roundtable on executive compensation disclosure requirements. These comments outline in greater detail some of the Chamber's views on executive compensation disclosures generally, including some of the specific Dodd-Frank mandates mentioned above.[17]

Additional Dodd-Frank Disclosure Rules

Conflict Minerals, Mine Safety, and Resource Extraction Disclosure Rules

Section 1502 of Dodd-Frank directed the SEC to write rules that would require certain companies to disclose whether materials used in their manufacturing processes originated in the Democratic Republic of the Congo (DRC) and other surrounding countries. The mandate also originally required companies to disclose whether their products could be considered "conflict-free" i.e. sourced from mines and regions that were not controlled by armed militias that contribute to human rights violations in the region.

While the continuing decades old humanitarian crisis in the DRC needs to be resolved, the SEC regulation implementing Section 1502 fails to do so while imposing substantial reporting requirements upon companies, despite parts of the rule being struck down as violating the First Amendment. In fact, substantial evidence shows

[16] https://www.uschamber.com/finance/u-s-chamber-of-commerce-letter-on-section-956
[17] https://www.uschamber.com/finance/corporate-governance/u-s-chamber-comments-on-sec-request-for-information-on-executive-compensation

that the conflict minerals rule has exacerbated the humanitarian crisis on the ground in the DRC.[18][19]

SEC Commissioner Uyeda recently spoke about the ongoing consequences of the conflict minerals rule, including those laid out in 2024 GAO report on the rule:

> "You don't need to take my word with respect to the failure of the conflict mineral rules to achieve their intended objective. The U.S. Government Accountability Office (GAO) reported in 2024 that peace and security in the Democratic Republic of the Congo had not improved with the SEC disclosure rule. The GAO concluded that the SEC rules had "not reduced violence in the Democratic Republic of the Congo (DRC) and has likely had no effect in adjoining countries." In fact, the GAO found that "the rule was associated with a spread of violence."
>
> The cost of this rule has created significant regulatory compliance costs for U.S. public companies without clear corresponding benefits. By discouraging public companies from sourcing tin, tungsten, and tantalum from the DRC, the policy has acted as a de facto boycott on such mineral purchases. This result is unfortunate because tin, tungsten, and tantalum have each been classified by the U.S. Geological Survey on a list of mineral commodities critical to the U.S. economy and our national security."[20]

Title XV of Dodd-Frank includes two other mandated disclosures for public companies – a requirement that companies involved in mining provide information mine safety (Section 1503) and a requirement that companies disclose certain information about payments to foreign governments for the extraction of oil, gas, minerals. (Section 1504)

Title XV is aptly entitled "Miscellaneous Provisions." The topics these rules encompass are entirely unrelated to the financial crisis of 2008 or the stability of the financial system. The information required under these disclosures is also costly to produce yet is immaterial to investors.

The Chamber continues to support the repeal of Sections 1502, 1503, and 1504 of Dodd-Frank, and we commend the Committee for including draft legislation to repeal Sections 1502 and 1504 as part of this hearing.

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[18] How a Well Intentioned U.S. Law Left Congolese Miners Jobless. Washington Post (November 30, 2014)
[19] See 2017 U.S. Chamber letter to SEC regarding reconsideration of conflict minerals rule https://www.sec.gov/comments/statement-013117/cll2-1648731-148501.pdf
[20] Remarks at the "SEC Speaks" Conference. Commissioner Mark Uyeda (May 19, 2025) https://www.sec.gov/newsroom/speeches-statements/uyeda-remarks-sec-speaks-051925

Regulation of Private Funds Under Dodd-Frank

Title IV of Dodd-Frank significantly expanded SEC oversight of private funds – including private equity and hedge funds – and also subjected certain funds to enhanced reporting requirements.

Title IV replaced the longstanding private fund exemption with a requirement that private funds with at least $150 million in assets under management (AUM) become subject to SEC registration and supervision. Even fifteen years ago, this $150 million AUM threshold was extremely low and encompassed many smaller funds that do not have substantial compliance resources. Very soon after Dodd-Frank was signed into law, members of the House Financial Services Committee worked on a bipartisan basis to revise this new mandate, understanding that it would create barriers to entry and inhibit the ability of many funds to invest in small and middle market businesses.[21]

However, the $150 million AUM threshold still has not been revised and remains in effect today. **The Chamber commends the recent bipartisan work of Reps. Barr and Velazquez to introduce the Small Business Investor Capital Access Act.** This bill would index the $150 million threshold for inflation dating back to 2010, and then annually thereafter.[22] This will ensure that the line determining SEC registration is more reflective of growth within the economy and within the private capital markets.

<u>**The Chamber also supports draft legislation that would narrow the SEC's authority under Section 211(h) of the Investment Advisers Act.** The legislation would permit the SEC to apply disclosure obligation to broker-dealers and investment advisers with regard to their customers but limit the SEC's ability to impose additional obligations on brokers and advisers. This would prevent the SEC from taking an expansive view of their authority under Section 211(h), as was the case with the private funds rule that was struck down by the courts.</u>

<u>Accredited Investor Definition</u>

Section 413(a) of Dodd-Frank made a substantial revision to the definition of "accredited investor" under SEC regulation. The provision prohibited using the value of an individual's primary residence when calculating their net worth to determine whether they are "accredited."

As a result, an investor today will qualify as an accredited investor if they 1) have a net worth that exceeds $1 million (excluding the value of their primary

[21] H.R. 1105, Small Business Capital Access and Job Preservation Act (113th Congress)
[22] H.R. 3673, Small Business Investor Capital Access Act

residence); or 2) have an annual income of at least $200,000 (or $300,000 jointly with a spouse). Other individuals may qualify if they hold certain professional licenses, but the income and net worth criteria are the most common ways for an individual to qualify.

Securities in early-stage, non-public companies, have a significant potential for growth, but are also considered to be higher-risk. The accredited investor definition is intended to limit investors from participating in this market. However, by equating higher wealth or income with financial sophistication, the accredited investor definition can lead to both under and over-inclusive outcomes. The definition leaves out sophisticated and savvy investors who may not meet financial thresholds while including a wealthy person with no experience in financial markets.

By excluding one's primary residence from the net worth calculation – and offering no alternative pathway towards becoming an accredited investor – Dodd-Frank severely limited the pool of individuals eligible to invest in certain offerings.

This limitation necessitates Congressional passage of the accredited investor bills recently considered by this Committee, including Chairman Hill's Fair Investment Opportunities for Professional Experts Act, which passed the House of Representatives last month. The Chamber also strongly supports other bills that would permit someone to qualify by demonstrating their financial sophistication through an exam administered by the SEC or the Financial Industry Regulatory Authority (FINRA). These types of pathways towards accreditation are a much more accurate barometer of someone's financial sophistication than their income or net worth alone.

<u>Definition of Venture Capital Fund</u>

The Chamber also continues to support the "Developing and Empowering our Aspiring Leaders (DEAL) Act," which would revise registered investment adviser (RIA) rules promulgated by the SEC that have disincentivized some venture capital funds from investing in emerging growth companies (EGCs). EGCs are a class of public company established by the 2012 Jumpstart Out Business Startups (JOBS) Act and which benefit from tailored regulation for a period of time once they go public.

Dodd-Frank sought to exempt venture capital funds from the costs and challenges associated with becoming an RIA. However, the definition of "venture capital fund" eventually promulgated by the SEC pursuant to Dodd-Frank was too narrow and did not reflect the Dodd-Frank statutory obligations of a full venture capital exemption.

The current definition ignores critical elements and developments related to the venture capital industry, including growth equity firms which can often be investors in EGCs around the time they are considering a public offering. Shares of EGCs, including the purchase of EGC shares on the secondary market, should be considered qualifying investments. Creating a more accurate venture capital exemption definition – which the DEAL Act would do – would expand the pool of possible investors for EGCs.

Arbitration

Section 921 of Dodd-Frank grants the SEC authority to prohibit the use of pre-dispute agreements by broker-dealers and investment advisers. While the SEC has not implemented rules under Section 921, the Chamber would support eliminating this authority as it is based upon a fundamentally misguided view about the use of arbitration and ignores the benefits of arbitration to investors.

The availability of arbitration as a system for resolving disputes—including disputes between retail customers and their broker-dealers and investment advisers—is extremely important to all parties involved in a dispute. Arbitration of investor and consumer disputes has been common practice for decades; there are perhaps hundreds of millions of consumer contracts currently in force that include arbitration agreements – many of them relating to consumer financial or investment products or services.

Prohibiting the use of arbitration agreements would mean that investors may be forced to spend more money, time, and effort to resolve disputes through litigation. All parties benefit from the reduced expense and complexity that comes through arbitration and, most importantly, individuals can seek redress for claims that could not practically be brought in court.

Accordingly, the Chamber supports draft legislation that would eliminate the authority granted to the SEC under Dodd-Frank Section 921.

SEC Enforcement After Dodd-Frank

Dodd-Frank granted the SEC the authority to seek civil monetary penalties against a defendant through the agency's in-house administrative tribunals as opposed to proceedings through Article III federal courts. Unsurprisingly, in the years immediately following Dodd-Frank, the SEC began bringing a significantly larger number of its enforcement cases through its ALJ system rather than federal courts. This ability of the SEC to play judge, jury, and prosecutor raised major due process concerns and called into question the credibility of the SEC's enforcement program.

In 2015, the Chamber released a comprehensive report on SEC enforcement, including dozens of recommendations for how the SEC could be both more transparent and effective in its enforcement efforts.[23] As the Chamber emphasized in that report, effective securities regulation depends on an SEC enforcement program that is both effective and respectful of the due process rights of individuals – goals that had been severely undermined by the SEC's overuse of its ALJ system.

While the *SEC vs. Jarkesy* Supreme Court decision has addressed many of the problems of the SEC ALJs, the Chamber will continue to work with Congress and the SEC on additional recommendations from our 2015 report to improve the SEC's enforcement program.

Financial Stability Oversight Council

Title I of Dodd-Frank established FSOC, an interagency council chaired by the Treasury Secretary and whose voting members consist of the heads of each federal financial regulator along with an independent member with insurance expertise. FSOC is charged with identifying and responding to potential threats to the financial stability of the United States.

Dodd-Frank provided FSOC with extensive authority, including the ability to designate an institution or certain activities as "systemically important" and subject them to enhanced supervision by the Federal Reserve. Unfortunately, in the years immediately following passage of Dodd-Frank, FSOC strayed from its mandate when it embarked down a path of designating institutions for enhanced supervision without first conducting a substantive economic analysis and assessing the impact that such designation would have on financial stability and the broader economy. These flaws were eventually exposed by the 2016 *MetLife* decision.

The Chamber strongly supports H.R. 3682, the Financial Stability Oversight Council Improvement Act, recently reintroduced by Reps. Foster and Huizenga. The FSOC Improvement Act would require FSOC to consider alternative approaches before determining that a U.S. nonbank financial company shall be supervised by the Federal Reserve. The Chamber also supports previous legislation from Reps. Barr and Loudermilk that would enhance the transparency of FSOC operations and processes.[24]

Additional Legislation

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[23] Examining U.S. Securities and Exchange Commission Enforcement: Recommendations on Current Processes and Practices (July 2015)
[24] H.R. 3466, 118th Congress

The Chamber supports several other bills that the Committee will consider as part of the hearing, including:

H.R. ___, a bill to repeal certain unused authority of the Securities and Exchange Commission related to standards of conduct. This legislation would preserve the SEC's Regulation Best Interest (Reg BI) and the standards of conduct that currently apply to broker-dealers and investment advisers in their relationships with retail investors. Reg BI is a strong, national standard that ensures financial professionals act in the best interest of their customers and it protects investor choice within the financial services market. This bill would prevent a future SEC from limiting investor choice and making access to basic investment and advisory services cost prohibitive for investors.

H.R. 3959, a bill to exempt fixed-income securities from SEC Rule 15c2-11. This legislation would correct the misapplication of Rule 15c2-11 to fixed income securities. In 2020, the SEC amended Rule 15c2-11 to enhance disclosures in the over the counter (OTC) equities markets. However, the SEC subsequently chose to apply the rule to fixed income securities for the first time since the rule went into effect in 1971. The bill would support capital formation by providing a permanent, statutory exemption for fixed income securities from Rule 15c2-11.

H.R.__, the Credit Access and Inclusion Act of 2025. This legislation would permit the use of alternative consumer payments – such as utilities, phone bills, and leases – to credit bureaus so that an individual's payment history for these services can be considered as part of their credit profile. Federal banking agencies have recognized that the use of alternative data can improve the speed and accuracy of credit decisions. It can also help lenders evaluate the creditworthiness of consumers who currently may not be able to obtain credit in the mainstream credit system. This bill would help consumers build credit histories and increase their chances of accessing more affordable credit terms.

H.R. 3141, the CFPB Budget Integrity Act. This bill would establish greater oversight and budget accountability for the Consumer Financial Protection Bureau (CFPB), an agency whose decisions can affect the financial wellbeing of millions of Americans. Under the bill, the CFPB would be required to report on its use of unobligated balances and it limits the amount of unobligated balances in the Bureau Fund to no more than 5% every year. The legislation would help ensure that the CFPB remains accountable to taxpayers.

H.R. ___, a bill to amend the Consumer Financial Protection Act of 2010 to require the attestation of certain information as part of the consumer complaint submission process, and for other purposes. The CFPB established a mechanism on its website for consumers to report their interactions with financial services providers. The CFPB uses this data to create a publicly viewable "Consumer Complaint Database" with the ostensible goal of promoting transparency about the market of financial products to inform consumers, the business community, and policymakers. However, the CFPB has not taken the necessary action to 1) verify the credibility of complaints submitted to the database; and 2) properly explain to the public steps taken by providers to resolve many of the complaints. The legislation would require consumers submitting complaints to attest to their veracity and also would allow financial institutions to close certain complaints that are deemed duplicative, frivolous, unauthorized, or fraudulent.

H.R. ___, a bill to amend the Consumer Financial Protection Act of 2010 to direct civil penalties to victims and transfer excess funds to the Treasury, and for other purposes. This bill would ensure that penalties assessed and collected by the CFPB actually go directly to victims and prevent the CFPB from using those funds for any other purpose than victim compensation. Any excess funds left over after victims are compensated would have to be transferred to the U.S. Treasury's general fund.

H.R. ___, a bill to amend the Financial Stability Act of 2010 to authorize appropriations for the Office of Financial Research and the Financial Stability Oversight Council, and for other purposes. This bill would establish greater Congressional oversight of FSOC and the Office of Financial Research (OFR) – both of which were created by Dodd-Frank but have operated since then with little accountability towards Congress and the general public. Despite FSOC's momentous authority and weight with regard to financial regulation, there is relatively little oversight. Appropriate checks and balances lead to stronger and more effective agencies

H.R. ___, a bill to require the Federal financial institutions regulatory agencies to jointly review the cumulative impact of regulations issued by such agencies, and for other purposes. In the wake of Dodd-Frank, as regulators begin to propose and implement hundreds of rules, it became clear that there was very little coordination or awareness amongst agencies about the cumulative effect these rules were having on economic growth and job creation. This bill would improve the regulatory process and ensure that federal financial regulators consider the overall costs that new rules impose on the economy.

Conclusion

The Chamber commends the Committee for its continued focus on the lasting impact of Dodd-Frank. We look forward to continuing to serve as a resource for Congress on these important matters.