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Jay Clayton, Chairman
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Questioners: Harold Ford, Jr.
Former U.S. Congressman

Robert Pisani
On-Air Stocks, CNBC

Introduction

Chairman Marie-Josee Kravis

Good afternoon everyone. I'm sorry to interrupt your conversations, but we'd like to get this show on the road. I'm Marie-Josee Kravis. I'm the Chair of the Economic Club of New York and a Senior Fellow at the Hudson Institute. First of all, I hope you all had a fantastic summer, and it's wonderful to have you here today for the launch of our fall season which promises to be both substantive and quite exciting with a number of speakers from both the private and public sector and from the U.S. and abroad. So we have a very rich program and I hope that we'll see many of you at as many of those events as possible. And I want to thank all of you, all of our members, and especially the 291 members of the Centennial Society who make this program possible. We have become the leading platform for nonpartisan discussions of economic, financial, social and political issues. And I want to thank all of you for making that possible.

I'm happy to welcome today's students who are joining us from the Fordham Gabelli School of Business and as well members of our Economic Club of New York Fellows which is a select cohort of next-generation thought leaders that are sponsored by members of the Club. So I welcome you here today.

And, of course, it's my pleasure to introduce our guest this afternoon, Jay Clayton, who is the Chairman of the U.S. Securities and Exchange Commission. He was confirmed, sworn in, in

May of 2017. His key areas of focus at the Commission thus far have been investor protection, transparency and fairness, ensuring that investors, both retail and larger investors have access to both private and public markets. He has focused very much on updating and enhancing regulation and oversight of markets, taking into account advances in technology, making our capital markets more accessible to businesses and investors and ensuring that the United States remains the world's leader in terms of transparency, effective disclosure, and investor protection.

Prior to joining the Commission, Jay has had an illustrious career as a lawyer, a partner at Sullivan & Cromwell, where he was a member of the firm's management committee and co-head of the firm's corporate practice. From 2009 to 2017, he was a lecturer in law and adjunct professor at the University of Pennsylvania Law School. A member of the New York and Washington, DC bars, Jay earned a BS in engineering from the University of Pennsylvania, a BA and MA in economics from the University of Cambridge, and a JD from the University of Pennsylvania Law School.

I want to remind everyone that this event is on the record. There are a number of representatives of the media who are with us today and the event is being carried live. Without further ado, I'll invite Jay Clayton to join us and thank you so much for launching this season. (Applause)

Jay Clayton, Chairman

U.S. Securities and Exchange Commission

Thank you Marie-Josee. Thank you very much. And thanks to the Economic Club. And thanks to the students who are here. I think I enjoy talking to students more than almost any other group. I'm grateful to be back. The Economic Club is where I gave my first public speech as SEC Chairman in July of 2017. In that speech, I discussed the principles that would guide my SEC Chairmanship. I believe we, and "we" is important to me – have followed those principles. We – our exceptional Division and Office heads and the approximately 4,400 dedicated women and men, who are the SEC – have accomplished a substantial amount. Yet, let there be no doubt, there is a lot more to do.

My remarks today will proceed in three parts. First, an overview of some of our recent initiatives. Second, some observations about our efforts to combat offshore corruption, including the undesirable effects of a continuing lack of global commitment in this area. And third, a discussion of some of the current market issues we are monitoring. In addition, because this is the Economic Club, and more because I enjoy acknowledging the insights the field of economics has provided us, I will mention some economic tenets and related luminaries that we reference from time to time at the SEC. Let me give you an example, when we discuss leverage and capital structure more generally, I will turn to our Chief Economist, S.P. Kothari, and say something like "Miller Modigliani". Generally, S.P. smiles back. I know better than to ask if he's just humoring me. Before I go further, I should note that my views are my own and do not reflect the views of my fellow Commissioners or the SEC staff.

So, some recent initiatives, in June, the Commission adopted a package of rulemakings and interpretations designed to enhance the quality and transparency of retail investors' relationships with investment advisors and broker-dealers. This comprehensive package brings the standards of conduct and required disclosures for financial professionals in line with what a reasonable investor would expect. Said simply – from discount brokerage to internet advisors, to full-service commission brokerage, to a wrap fee combination of advisory and brokerage – financial professionals cannot put their interests ahead of their client's or customer's interests; and they must tell their clients and customers, in plain language, the scope of the services they're providing and how they are paid for those services. Pretty simple.

I note that this pretty simple approach is in line with the candor and commitment that sophisticated, institutional investors have long demanded and received. Let me talk a little more about candor and consistent commitment. It not only provides clarity and comfort on an individual level, it may foster competition and better pricing on a market level. This is fundamental economics – Pareto, Friedman, Fama, Samuelson, and my personal favorite as a student, Ken Arrow – would all tell us that reducing opacity in pricing, adopting rules that can be observed efficiently and are enforced generally and predictably and, otherwise providing for the ability of customers to shop will improve consumer outcomes dramatically. Personally, I remain in awe of those economists' combination of mathematical aptitude, market awareness and social optimism. We should look to them more often.

Our final rulemaking package was the result of an organic process, drawing on the experience and expertise of our staff as well as input from an array of market participants – including from seven investor town halls around the country where, in an unscripted, take-any-questions environment, we heard directly from investors. I'm going to depart from my prepared remarks here. You know what people told us? They wish they knew more about investing earlier and they wish they got started earlier. We're working on that too. So we've continued these town halls, and I'm so grateful to our staff for bringing long overdue regulatory rationality and clarity to this important market, which encompasses 43 million American households.

Okay, so I spoke about the power of choice, competition, and clear investor-oriented rules in investment services. However, in the absence of access to a meaningful range of investment opportunities, those key principles have less impact. This is an issue of growing concern. I'll explain. We now have two segments in our capital markets. One, public markets: mainly exchange-listed equities, and Treasuries and other classes of debt securities, including municipal bonds. And two, private markets: private equity and venture capital investments and certain classes of debt securities. Twenty-five years ago, the public markets dominated the private markets in virtually every measure. Today, by many measures, the private markets outpace our public markets, including in aggregate size.

Now, I'll invoke a common critique of economists. Harry Truman, and many others, have longed for a one-handed economist. This issue needs multiple hands. I will attempt to use only two. On the one hand, the breadth, depth, and nimble nature of our modern private capital markets – which is both unrivaled and coveted around the globe – has substantially contributed to the competitiveness of the U.S. firms and the performance of the U.S. economy generally. We should not do anything to impair the effectiveness of our private capital markets. On the other hand, we have roughly half the number of public companies we had twenty years ago. Growing companies are staying private substantially longer and public equity markets are being used more for liquidity by private equity and venture investors than for accessing new growth capital. The problem is Main Street investors generally have access to only one hand – our public markets. They have extremely limited, and in many cases costly and otherwise less attractive access to our private markets. This should not surprise any of us.

Let's go back to the economists. For a host of reasons, including our approach to regulating participation in these markets, the marginal cost to a company of including an individual investor – other than perhaps friends and family – in a private offering is very high. On the other hand, because individuals generally can commit substantially less capital than professional institutional investors, the marginal benefit to the company of including such investors is very low. Said another way, willing buyers and willing sellers cannot meet efficiently.

This is where I turn to my friend, S.P., and say "George Akerlof" "*The Market for Lemons*." I love to cite this work. I do it all the time, probably more than I should. But, anyway, for the students in the room, they know it well. Akerlof explained why, for a long time, the used car market included only bad used car. Why? Why did it include only lemons? Because you could not tell a good used car from a bad used car. Accordingly, buyers assumed all used cars were bad and priced them accordingly. They priced low. In turn, because buyers offered only bad or low pricing, sellers offered only bad used cars. This problem has actually been partially solved by incentive alignment and information gap bridging techniques, including enforceable used car guarantees – certified pre-owned.

I believe this situation – both the public hand and the private hand – should be addressed. We should increase the attractiveness of our public capital markets as places for companies to raise capital, not just find liquidity. And we should increase the type and quality of opportunities for our Main Street investors in our private markets.

On the public market hand, our Division of Corporation Finance, led by Bill Hinman, can boast many recent initiatives designed to increase the attractiveness of public markets while maintaining or enhancing our unparalleled commitment to investor protection. I'll rattle off a few. Modernizing financial disclosure rules for business combinations and debt offerings, expanding key JOBS Act initiatives to more public companies, and recognizing that one size does not fit all, permitting scaled disclosure by public companies.

Before I turn to our efforts to broaden investor access to our private markets, I want to make another point about our public markets. There's a product that we utilize countless times a day, has almost incalculable social value and often is overlooked or at least taken for granted. The product is market prices. Prices for stocks and bonds and other assets generated by markets that are transparent, information-rich and fair, are of immense value to our economy. They are – to cite Paul Samuelson again – public goods. Generally, once prices are published, we can all use them. Like lighthouses, they are in economist speak "non excludable" and "non-rivalrous." In most cases, I cannot keep you from using price information and my use of price information does not affect your ability to use that information.

There is more. Main Street investors can be confident that public company stock prices reflect the views of professional investors. This is the rare kind of free riding that economists adore and that underpins Malkiel's "*Random Walk Down Wall Street*" and the rise of passive investing. On the other hand, from the perspective of firms, managers making long-term decisions – such as whether to invest in human talent, equipment and research – rely substantially on metrics that are themselves dependent on today's public market-generated pricing information. These include EBITDA multiples and cost of capital estimates that – now get this – somewhat ironically, these public market-generated pricing metrics are essential to the efficient functioning of our private markets.

Now, Congress and the SEC have long sought to expand Main Street access to our private capital markets while preserving investor protection. Recent initiatives include Regulation Crowdfunding, expanding Regulation A, and lifting the ban on general solicitation for rules under Regulation D. These various efforts have had benefits, but they also have added, what I would say are new patches to an already patchwork regulatory framework that remains rooted in income and wealth tests for investor access.

We're taking a fresh look at this framework with the aim to increase access to our private capital markets for our Main Street investors, including examining whether appropriately structured funds can facilitate Main Street investor access in a manner that ensures incentive alignment with professional investors, just like our public capital markets. Main Street investors and professional investors are in it together– let's find a way in funds that they're in it together – and otherwise provides appropriate investor protection. Stay tuned.

We have some other initiatives going on. I'll list out a few before turning to the FCPA. One is modernizing our regulatory approach to investment funds, increasing transparency in the corporate and municipal bond markets, and improving and examining our equity market structure. We also recently took a first step in increasing transparency and accountability in the area of proxy voting.

Turning now to the effectiveness of our efforts, together with our colleagues at the Department of Justice, to combat offshore corruption around the globe. For the past two-plus decades, we have vigorously enforced the Foreign Corrupt Practices Act or FCPA. The SEC has brought nearly 80 FCPA cases in the past five years alone, involving alleged misconduct in more than 60 countries.

To be clear, I believe this work is important. Corruption is corrosive. We see examples where corruption leads to poverty, exploitation, and conflict. Yet, we must face the fact that, in many areas of the world, our work may not be having the desired effect. Why? In significant part, because many other countries, including those that have long had similar offshore anti-corruption laws on their books, do not enforce those laws. Couple this asymmetry and our unique enforcement position with, one, the fact that U.S. jurisdiction generally is limited to areas where U.S. and U.S. listed companies do business and, two, the reality that there are countries where the business opportunities are attractive but corruption is endemic and, in that mix, you have the potential for undesirable results.

Let’s go back to the economists. John Nash, Jean Tirole, and many other greats who developed and applied game theory to economics and regulation, could tell us a lot about the strong incentives for other countries not to enforce vigorously offshore corruption laws against their companies. Assume a hypothetical country with business promise, but endemic corruption. If all other countries pursue the common, cooperative, morally grounded policy or strategy in game theory terms of not allowing their companies to engage in offshore corruption, the country with widespread corruption may change its practices and cross-border business will be conducted competitively and more on the up and up. However, when this cooperative anti-corruption strategy is being pursued by others, the benefits of playing a non-cooperative strategy are great, particularly if your company, if your company is the only one who is cheating. Your company wins the lucrative offshore business with no competition, and the country with endemic corruption doesn't improve.

This is not a new observation. Speaking generally, the response to this observation in the past has been to acknowledge the need for greater international cooperation and cite a few isolated indicia of improvement. Speaking for myself, I have not seen sufficiently meaningful improvement.

To be clear, I do not intend to change the FCPA enforcement posture of the SEC. We should, however, recognize that we are acting largely alone and other countries may be incentivized to play, and I believe some are in fact playing, strategies that take advantage of our laudable efforts.

Taking a step back, this experience, including the FCPA-driven withdrawal of U.S. and U.S.-listed firms from certain jurisdictions, illustrates a broader point. Globally-oriented laws, with no, limited or asymmetric enforcement, can produce individually unfair and collectively suboptimal results. I assure you that this reality is at the front of my mind when I engage with my international counterparts on matters where common, cooperative enforcement strategies are essential to effectiveness, including recent calls for greater securities law-based regulation of environmental and social issues. Serious stuff. Laws without enforcement are just words.

Okay, turning to the more positive. In the remainder of my time, I'll discuss the state of our corporate debt markets, the pending LIBOR transition and Brexit. I would note that related to each of these issues, the Commission strives to coordinate with our regulatory counterparts at home and in other jurisdictions and not to venture too far out of our lane. Staying in your lane is important.

In the United States, outstanding corporate debt stands at almost $10 trillion and now sits at almost 50% of GDP. To quickly round out the picture, federal debt is approximately $22 trillion, mortgage debt is over $15 trillion, municipal debt is almost $4 trillion, and student loan debt is approximately $1.6 trillion. Those numbers should attract our attention.

Two more facts: debt securities accounted for approximately 62% of money market fund assets – sometimes we call these liquidity-oriented products – as of the first quarter of 2019, which is close to its peak of 64%, and low investment grade and high yield debt have been trading at some...(Ringing sound)...did I say something wrong? Okay. Maybe it's one of those countries I want to cooperate. (Laughter). Anyway, okay, I'll go quickly. Should we be surprised about these debt levels and the increase in debt held by, should we be surprised about the levels and the amount held by mutual funds, CLOs, and other vehicles? Emphatically, no. We should not be surprised. Should we be cognizant of the growth in corporate debt, who holds that debt, and the potential ramifications for our markets and our economy? Of course we should.

Domestically, and particularly internationally, corporate debt growth has been fostered through a decade of accommodative monetary policies. We want businesses to hire and invest and consumers to spend, and globally we are using favorable interest rates and other tools to encourage that behavior. Contemporaneously, global regulators have encouraged banks to hold less debt, particularly less low- and sub-investment grade debt. The result: more corporate debt overall and a greater percentage held outside of banks, including by funds. It's just math.

But, if this is not at all surprising, should we worry? Let me be clear. I'm not raising any alarm bells here. Many economic indicators are very strong. But, it's my job to worry. So the question for me is where should we focus our attention? Before I discuss those areas, for balance, I'll just note a few comforting facts. Recently, the U.S. has seen its balance sheet and GDP, balance to GDP ratio stay flat and actually start to decrease as we have slowed quantitative easing. Other countries have not done this. In addition, for the past few years, the size of the mortgage, student loan and municipal markets has been generally flat in relation to GDP. So, some good news.

Now, turning to areas of focus, we certainly should monitor the size of corporate debt in aggregate and by industry, the location and types of holders of that debt, and credit quality. And we should consider the likely actions of these market participants if market sentiment or other circumstances change. We should recognize what prices and price movements in the corporate debt market are telling us. For example, recently on a total return basis, the upside has become more limited while the downside has stayed about the same.

Together, we, with our fellow regulators, should monitor banks' exposure to non-banks. Since non-banks now have more exposure, let's find out how much exposure banks have to those non-banks. Among other things, through credit lines to investment funds, clearing banks' supply of balance sheet capacity to permit client clearing, banks' exposure to funds through derivatives, and overlapping portfolio holdings and holdings susceptible to liquidity shocks. We also should monitor flows of funds.

On these and other topics, I'm pleased to note that the level of inter-agency coordination, particularly among the Treasury, Federal Reserve, CFTC, OCC and FDIC, has been strong, and I think, helps all of us to better understand the broader trends and market implications. I am particularly grateful to Secretary Mnuchin, Chairman Powell, Vice Chairman Quarles, former Chairman Giancarlo, Chairman Tarbert, Comptroller Otting and Chairman McWilliams for their efforts to consistently work candidly, cooperatively and proactively on these issues.

Okay, finally, I wanted to give you a brief update on some of the Commission's work relating to the LIBOR transition and Brexit. I identified these as potential risk areas last year.

LIBOR is expected to cease publication after the end of 2021. There are approximately $200...I can never believe that number...$200 trillion in notional transactions referencing U.S. Dollar LIBOR, and the Federal Reserve estimates that more than $35 trillion of these obligations will not mature by the end of 2021. This is not a small issue, and it will not resolve itself. In July, our staff issued a statement emphasizing the importance of this issue for market participants of every type. I will say again, market participants should assess their exposure to LIBOR and decide how to actively manage that risk, and they should ensure that any contracts that extend beyond the 2021 date either reference LIBOR and have an effective fallback language or do not reference LIBOR.

Finally, Brexit. We continue to closely monitor the potential effects of Brexit on markets and market participants. Here, I encourage our issuers, financial service firms and other market participants to fight off the complacency and fatigue that is endemic to situations of this type. I encourage you to continue to prepare for – and reasonably inform your investors of – the potential impacts of Brexit. At the SEC, we are continuing to work with our domestic and non-U.S. counterparts to identify and plan for the moving target that is Brexit.

Thank you very much for inviting me to speak today and I'm happy to take any questions.

(Applause)

QUESTION AND ANSWER PERIOD

CHAIRMAN MARIE-JOSEE KRAVIS: So, thank you so much to Jay Clayton. You mentioned candor and commitment and you certainly showed your candor and clearly also your commitment to making our markets more effective and efficient, but also your commitment to public service, which is admirable for both you and your family. So, thank you. We have two questioners today: Harold Ford, Jr., who is a former U.S. Congressman and Bob Pisani from On-Air Stocks, CNBC, a journalist. I think, Harold, you're...there you are.

HAROLD FORD, JR.: Thank you. I will jump right in. Chairman, thank you for your candor and your remarks. I want to build on your last statement about Brexit and ask how are you, as Chair and the SEC, thinking about a hard Brexit specifically and whether it leads to recession? Are these issues out of your control? And perhaps equally important, are U.S. companies situated and prepared for a hard Brexit or worst-case scenario?

CHAIRMAN JAY CLAYTON: Okay, well, thanks, and thanks for being here, Harold. I really appreciate it. So, if you had asked me that question a year ago, I think my level of nervousness would have been higher than it is today. And I say that because for a lot of companies Brexit has, in many ways, already come. People who run companies prepare for events and have been ordering their affairs to deal with a potential Brexit. So I think time has put us in a better place today than we were a year ago. That said, events of this type that involve a combination of economics, social policy and whatnot, are inherently impossible to model. We can all plan. I know financial services firms, and we've been checking in with them, have been doing a good job of thinking about it. But, you know, exactly how this will play out in the real economy, the range of outcomes remains more than anybody should be comfortable with. That's how I look at it.

ROBERT PISANI: Jay, Bob Pisani. I want to thank you for your zeal in expressing your desire to protect the American investing public, which was the reason the SEC was created – I like to remind people – back in 1932, and for your great interest in the IPO markets. It's the subject of tremendous interest to our listeners and our readers at CNBC. And I just want to follow up about your points on IPOs. You talk eloquently about wanting to make the public markets more attractive and easier to go public. I have seen this for my 22 years on the floor of the New York Stock Exchange. Many people, many small companies have come on the floor, introduced themselves, said we're considering going public, but the costs are ruinous. The legal costs are tremendously high. For small companies, it's really, really difficult. So I laud your efforts here. The problem is that when the rubber hits the road between talking about that – and we all agree it should be easier – and the reality, because every time I do a story or any of my colleagues do a story about the crazy costs of going public, the buy side people call me up and say, hold on a minute, Bob, I know your colleagues and you like to mock these 400 and 500-page tombstones that the companies are required to put out, however can we point out that those of us who are buying these IPOs, this is the primary document that we have to understand what these companies are doing. I understand you don't like that they're 400 or 500 pages because you don't like to read them, but we have to read them because we have to understand what the company is doing to invest for our clients that are out there. So, they always say, Bob, what do you want to do here? Do you want this 400, 500-page document to be reduced to five pages and a little spreadsheet so you can explain it easier for people? I guess what I'm getting at is how do you really get to that point about really making it easier for these companies to go public and reducing the legal costs overall?

CHAIRMAN JAY CLAYTON: Well, Bob, I think if it were easy, we would have solved it already, right? I mean that's part of the issue here. And we focus on the legal costs because they're tangible. They're actually in the document. You can see how much it costs to go public and they've gone up a lot. Okay, we have to ask ourselves have they gone up too much? And the legal costs are not just the legal costs of becoming a public company but it's the legal costs of staying a public company which have also gone up a lot, by any measure. To put it in real dollar terms, I think in my mind it's 3X, 4X what it was when I started doing this. But there are other costs to being a public company, including the scrutiny that you face as a public company. And you should face scrutiny. I do want directors to be nervous about whether they're performing for their shareholders. But do we have the right balance in terms of long-termism and short-termism in that pressure that they feel. I'm sure, I know people on this dais who, you know, faced the short-term pressure and longed for some really constructive long-term pressure. I'm hitting a few highlights. Let me say why I think it's important to solve this problem. It's what I just talked about. For our Main Street investors, in our public capital markets, they get a pretty fair shake. They get to invest alongside sophisticated institutional investors at the same cost. That's a very hard system to replicate in any other way. And the reason we focus so much on them is those are the people who are putting their money to work for the long term. They generally don't trade in and out of the markets on a daily, weekly, yearly basis. They're putting their money in their 401K and they're leaving it there. That capital is really important to our country and we should do what we can to make sure that they're getting to invest alongside the sophisticated money.

ROBERT PISANI: Just to follow up on that, and I hope you do find a way because this is of intense interest to all of the people who watch CNBC and our investors in general. But the other side, how do you expand opportunities for Main Street investors to participate in private equity? I get bitter emails from investors saying, you know, Uber, Bob, this is not a startup, this is a middle stage company now that's been around, you know, eight, nine, ten years. Some of these other ones, these unicorns have been even longer. We buy into the back end of these companies, the average investor, these private people do too. So you've been on the right track on that. Again that's still a question of how much disclosure outside of qualified investors is actually going to be required for people to get in? We want more people to invest in these companies when they're younger stage companies too. The question is how do you get the balance right?

CHAIRMAN JAY CLAYTON: Look, I would like the public capital markets to be attractive to growing companies. You know we want a growing company when it still wants capital to grow, not when investors are exiting. There's a big difference in that dynamic and I would like to see companies get into the public markets so that Main Street investors can participate in that growth capital stage as opposed to the more mature, you know, liquidity and sustained stage.

HAROLD FORD, JR.: The news seems daily, if not weekly, and obviously this morning we read of the AT&T and Elliott conversation narrative. What are your views on activism? And is activism being used properly or improperly from your standpoint or the SEC's standpoint?

CHAIRMAN JAY CLAYTON: So, look, like I said, I think directors – whether it's a public company or a private company – directors should be thinking what do my, what do my owners want? That should be at the front of their mind. And, you know, engagement through the proxy process and activism is one way for people to express that. Now we're looking at whether we're actually getting that or we're getting something else. And we want to make sure that shareholder engagement is indeed engagement with shareholders, you know, people who are looking for long-term returns. That's the lens through which I look at this. And we've had roundtables, we're starting to explore the proxy process, voting, access to the proxy, those types of things. And I think, look, I'm an optimist. I think we're going to make improvements in that area.

ROBERT PISANI: Let me follow up on a slightly different question and that's bitcoin, which simply refuses to die.

CHAIRMAN JAY CLAYTON: And you refuse to stop asking me about it. (Laughter)

ROBERT PISANI.: Well, you know I'm a bit of a pain on this, but when bitcoin blew up three or four years ago, not since the dot.com bust have we had this level of inquiry from average investors just flooding us with how legit is this? Is this an investable product? Is this a real breakthrough? Is this a game changer like the internet? We hadn't gotten emails like this since, really the dot.com bust. So I'm expressing the interest level of the viewers and the readers in general. Your staff, you and your staff a year and a half ago wrote what we called the famous 1,000 Bitcoin Question Memo, where those of you who haven't seen it, it was very unusual for the SEC. It basically said, okay, guys, alert everyone, you've got to answer our questions before we're going to approve anything on bitcoin, particularly a bitcoin ETF. And they basically posed 1,000 questions. But they fell into two large buckets. One was the custody issue, particularly the security around custody. And the second was the fact that most bitcoin pricing occurs on foreign exchanges that are easily manipulated. And the implication of this is you, the bitcoin community, had better address these questions before we do anything in the way of approving anything. Are we any closer to answering the SEC's concerns? And are we any closer to getting a bitcoin ETF?

CHAIRMAN JAY CLAYTON: So, look, I think as usual, Bob, you framed it well. There's the product that is a crypto asset and then there's the trading and holding of that asset. We're not merits regulators and we've talked about whether some of these assets are in fact securities. It's been pretty clear that we don't see bitcoin, as we stand here today, as a security. But when you put it into a product and you make it a security, then we have to worry about whether it trades appropriately or not and whether it can be held appropriately or not. On the custody issue, we've put out recent statements. For those who want this to become part of Main Street investing, progress has been made in the custody area. I will say that in the trading area, it troubles me that people look at the trading on these venues and they think it's got the same level of protection that you'd have on an equity market in the U.S. – the NYSE. I'll just say it bluntly. Nothing could be further from the truth. We have lengthy rule books, all sorts of protections to make sure that prices are not manipulated in the equity markets. I don't see those in the crypto asset markets.

HAROLD FORD, JR.: Will, last question, will insider trading always be the delicate enforcement issue that it is? And have you guys given thought to how artificial intelligence can help in any way?

CHAIRMAN JAY CLAYTON: Well, it depends on how you define artificial intelligence, but if you define it as like really sophisticated algorithms that look for patterns that would be, you know, unrecognizable to us and our naked eye, we're doing that. And we get cases that way. So, if you're doing it, let that be a warning. (Laughter)

(Applause)

CHAIRMAN MARIE-JOSEE KRAVIS: So, thank you to Harold, Bob, and to Jay Clayton. And I just want to remind all our members that, as I said, this season has begun. So next week we will be hosting Steve Schwarzman from Blackstone. On October 2, we'll be hosting Dennis Muilenburg from the Boeing Company. October 7, Ana Botin from Banco Santander. And October 8, Brad Garlinghouse from Ripple. So I hope as many of you as possible will be able to join us. Enjoy your lunch and have a good afternoon. Thank you.

(Applause)