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July 23, 2018

Ms. Nicole Puccio
Branch Chief
Office of Financial Management
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-2521

Re: Comment to Draft of 2018-2022 Strategic Plan for Securities and Exchange Commission
SEC Release No. 34-83463

Dear Ms. Puccio:

Paul Hastings LLP is pleased to have the opportunity to comment on the U.S. Securities and Exchange Commission's ("SEC") Strategic Plan for Fiscal Years 2018-2022. We believe that the SEC's Strategic Plan addresses most of the key topics that the SEC should consider as part of its strategic planning and provides a solid framework for the SEC's future. We suggest including one additional area of focus that the SEC should consider as part of its strategic planning. We recommend creating a committee to evaluate whether the securities laws need comprehensive reform to reflect technological innovation resulting from (A) the different platforms available to market participants, (B) the impact of artificial intelligence on markets and investment decisions, (C) changes in (1) securities markets (including the rise of international markets), (2) investor composition and (3) how market participants consume media and (D) developments in what information investors consider relevant when making investment decisions.

Enhance Main Street Investors' Access to Relevant Information

The SEC's first goal in the Strategic Plan is to protect the long-term interests of Main Street investors. The SEC has long sought to level the playing field between Main Street investors and institutional investors. Information asymmetry between retail investors and institutional investors has spurred many disclosure requirements. Unfortunately, these disclosure requirements are no longer as effective as they once were. Institutional investors have significantly more resources, both financial and expert, than any Main Street investor. As technological innovation continues to accelerate, the disparity between the institutional investor and the Main Street investor in all relevant respects will continue to grow. The institutional investor has the resources to invest in all necessary hardware and software to maintain a competitive edge, not just in the speed at which the institutional investor can consume relevant information, but also in the speed at which the institutional investor can receive information and execute trades. In addition, the institutional investor not only has the necessary expertise to understand each issuer through industry conferences and one-on-one meetings and each of its competitors' businesses, but also has direct access to an issuer's management. Main Street investors are also at a disadvantage because their entire working time is not devoted to analyzing companies and financial markets. That is precisely the job of the institutional investor. The irony of the current regulatory regime is that it contributes to the disparity between institutional investors and Main Street investors. Accordingly, we recommend the SEC add to its strategic plan by looking into whether the current regulatory regime promotes the SEC's goals.

Paul Hastings LLP | 101 California Street | Forty-Eighth Floor | San Francisco, CA 94111
t: +1.415.856.7000 | www.paulhastings.com

Under Goal 1.4 in the Strategic Plan, the SEC briefly touches on some portions of this concern. The SEC states that it wants to modernize design, delivery and content of disclosures to make information more readable, useful and timely. We fully agree that this should be a priority. To do this, we suggest that the SEC task a committee in its Strategic Plan that will evaluate what information is relevant to investors' investment decisions, how all market participants use technology and how information flows can be better matched to how people consume media.

This committee should be composed of SEC members, legal, accounting and investment professionals, issuers, technologists, and academics. The committee should focus on determining what information is relevant to investors in today's market and how to best deliver that information on a timely basis to all investors. For example, mobile computing is now more important than stationary computing. Consumers expect information to be audio-visual and interactive rather than just written, and the rise of artificial intelligence will dramatically affect how investors make investment decisions. But it is not just matching regulations to developments in technology.

The committee should also consider the relevance of disclosure requirements to current investment decisions. For example, an analysis of the issuer's financial statements for the last three years might no longer be a determinative factor in an investor's investment decision. This type of analysis made sense when businesses were not changing as rapidly as they do today nor as subject to more competitive and disruptive forces as in 1933. In today's world, investors likely care more about how an issuer is operating today, its place in the competitive market and how it will function in the future. For example, issuers routinely meet with institutional investors in industry conferences not accessible to Main Street investors and develop operational projections for each issuer. We recommend that the committee study whether the regulatory focus would be better directed to requiring that all such one-on-one meetings be webcast and all business plans that the institutional investor comments on or reviews be disclosed by the issuer. The committee should also research whether retail investors are reading the documents published on EDGAR. These disclosures are complex and lengthy, and retail investors likely do not have the resources to fully evaluate them on a timely basis. This is a critical recommendation. We believe the SEC should study whether Main Street investors actually benefit from the current disclosure regime.

Another key function of the committee should be to study what the investment community looks like—how investors consume information, how they facilitate their investment transactions, and how they stay updated with market trends and recent developments. As the delivery platforms for information change, we believe that the committee should study whether the disclosure requirements should change so information is presented to investors based upon how media is consumed. Smartphones have revolutionized how consumers access information. Smartphones have apps, pop-ups, badges, texts, banners and alerts that facilitate easy information access, and most importantly, do this is a way that notifies consumers of only relevant information. They also provide convenient methods for conducting personal financial activity and consummating online transactions. This committee should research how people consume media and utilize technology, and create ways to deliver SEC disclosures in a timely, readable and user-friendly way. While EDGAR is a great system for issuers and institutional investors, it lacks the convenience and user-interface qualities that captivate and assist most Main Street investors today. Issuers should "push" information to investors rather than relying on investors to "pull" that information.

The U.S. securities laws have been in place for over 85 years. Under the Strategic Plan's Goal 2.2, the SEC wants to identify rules and approaches that are outdated. This commitment is commendable.

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Changes should be made to address current market and technological advancements. And change is not impossible. In the last 85 years, there have been several changes to the tax code, and each change was implemented to address developments in the economy. The core of U.S. securities laws, like Rule 10b-5, still serves its purpose—to protect investors from fraud—and we do not suggest a change to those laws. But the format, content, and sheer volume of disclosure requirements may no longer be assisting Main Street investors' investment decisions based upon rules enacted 85 years ago. If the relevant information is extracted and displayed in the proper format so that a Main Street investor can easily understand the information, then the SEC will meet its goal of protecting Main Street investors' long-term interests. We believe that a simplified and more relevant disclosure regime could also promote more companies becoming public companies.

Examine the Impact of Artificial Intelligence

This Strategic Plan governs the SEC's goals over the next five years. During these five years, there will be significant advancements in technology, namely artificial intelligence. The SEC should work with technologists and market visionaries to determine the impact that artificial intelligence may have on companies, investors and the SEC itself. If the SEC starts considering the effects of artificial intelligence on securities laws and market participants, it will be able to react faster and better to any developments in artificial intelligence.

Conclusion

We suggest that the SEC create a committee to evaluate how market participants use technology and to determine what information is relevant to investors when they make investment decisions. If the disclosure requirements are tailored to only relevant information, the SEC can modify its presentation of that information to match how investors consume media through technology. Then, Main Street investors will be able to absorb the critical information that they need to make an informed investment decision.

Furthermore, the SEC has wisely included in the Strategic Plan its intent to examine data security and cybersecurity concerns. We simply recommend that the SEC examines artificial intelligence as well, so that it will be prepared for any potential impact that artificial intelligence may have on the U.S. securities market.

We appreciate the opportunity to comment on the SEC's Strategic Plan. If we can be of further assistance please do not hesitate to contact us at [redacted] or [redacted].

Sincerely,

Michael Zuppone

Michael L. Zuppone
Global Head of Securities Practice Group
for PAUL HASTINGS LLP

Thomas Pollock

Thomas Pollock
for PAUL HASTINGS LLP