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# Capital Markets and Securities Regulation: Overview and Policy Issues

May 2, 2025

**Congressional Research Service**
https://crsreports.congress.gov
R48521

**CRS REPORT**
Prepared for Members and
Committees of Congress

SUMMARY

R48521

May 2, 2025

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# Capital Markets and Securities Regulation: Overview and Policy Issues

Capital markets are where securities (e.g., stocks, bonds, digital asset securities, and shares of investment funds) are issued and traded. As a main segment of the financial system, capital markets provide the largest sources of financing for U.S. nonfinancial companies. Securities issuers, intermediaries, and investors are all active participants in capital markets. The U.S. capital markets measure over $100 trillion in size.

The *Securities and Exchange Commission* (SEC) is the primary regulator overseeing capital markets. The SEC has a three-part mission to facilitate capital formation, protect investors, and maintain fair, orderly, and efficient markets. Key capital markets components and their policy issues include:

**Securities offerings.** The number of U.S.-listed public companies has declined by more than 40% since the mid-1990s. At the same time, private securities markets have become increasingly prominent. Policymakers are concerned about market transparency and equal access to investment growth and diversification opportunities in private securities markets.

**Nonbank financial intermediation (NBFI).** Vulnerabilities affecting financial stability are present in capital markets, such as certain “runnable” behavior at money-like instruments, hedge fund leverage, interconnectedness between nonbanks and banks, data and transparency issues, liquidity mismatch at open-end funds, and concentration risk at market intermediaries.

**Investment management.** The asset management industry collectively manages money for more than half of all U.S. households. In addition to the issues mentioned under NBFI discussions, observers raised concerns about private equity operations and performance, as well as industry-specific issues, including the compatibility of the industry’s profit maximization practices with certain public-service-oriented industries, such as health care, childcare, and housing.

**Securities trading and market structure.** Market structure issues involve how securities are bought and sold and often relate to the SEC’s mission to maintain fair and orderly markets. Given the size and influence of the $29 trillion U.S. Treasury market, the increased market disruptions have led to development of methods to prevent or mitigate related risks.

**Digital assets.** The SEC is the primary regulator for securities offers, sales, and investment activities, including those involving digital asset securities. It has established a new Crypto Task Force to solicit public input for potential rulemaking.

**Environmental, social, and governance (ESG).** The emergence of ESG and anti-ESG trends are both prominent in ways that could affect policy preferences toward securities disclosure, proxy voting, and SEC operations, among other aspects.

**SEC agency operations and rulemaking.** With the departure of former SEC chair Gensler, the SEC has been undergoing certain curtailment of its staff capacity and enforcement actions. It has also been revisiting the agency rulemaking process.

**Securities industry self-regulatory organizations (SROs).** SROs set and enforce standards of conduct for their members, under the SEC oversight. The SRO model appears to present a tradeoff between its efficiency and information benefits and the need to ensure that the SROs are not abusing their delegated authority to benefit the industry at the expense of the public.

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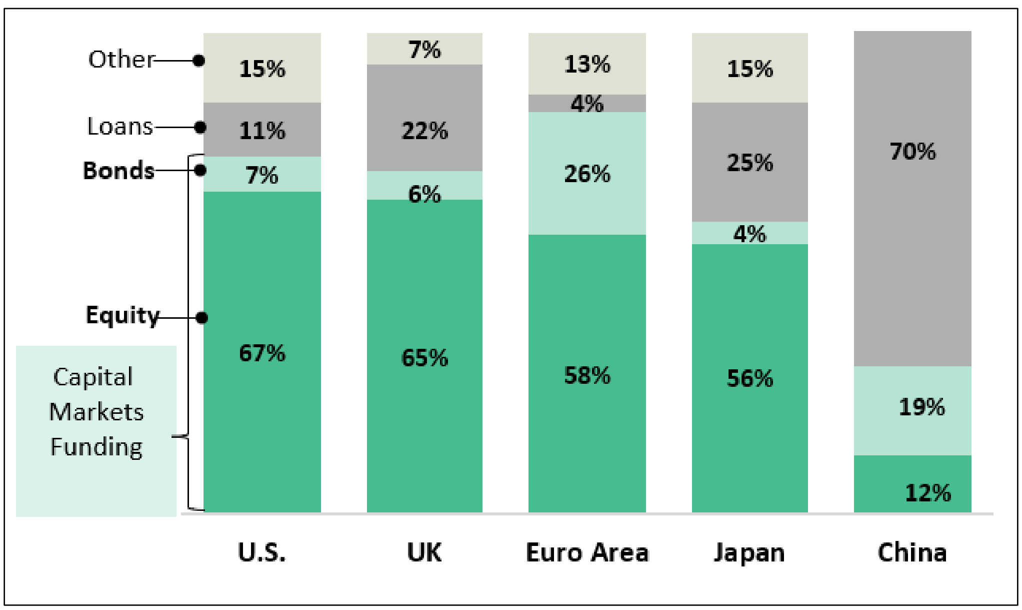
Capital markets are where securities (e.g., stocks, bonds, digital asset securities, and shares of investment funds) are issued and traded. Capital markets play a vital role for business operations and the overall financial and economic health of the nation. The markets are primarily overseen by the Securities and Exchange Commission (SEC). This report provides an overview of capital markets operations and regulation.

# Capital Markets Functionalities and Oversight

U.S. capital markets instruments include (1) stocks, also called equity or shares, referring to ownership of a firm; (2) bonds, also called fixed income or debt securities, referring to the creditorship of a firm or a government entity; (3) shares of investment funds, which are pooled investment vehicles that consolidate money from investors; and (4) digital asset securities, referring to digital representations of value in securities form.[1]

As a main segment of the financial system, capital markets provide the largest sources of financing for U.S. nonfinancial companies. U.S. capital markets provided 74% of the financing for nonfinancial firms in 2023 (**Figure 1**).[2] By contrast, capital markets play a less prominent role in some other major economies (e.g., China, Japan, and the United Kingdom), which rely more on bank loans.

**Figure 1. Capital Markets Financing for Nonfinancial Firms Compared with Other Funding Sources**




**Source:** CRS, using data from the Securities Industry and Financial Markets Association.

**Notes:** "Bonds" and "equity" include both public and private offerings. "Loans" include all bank financing. "Other" generally includes insurance reserves, trade credits, and trade advances. "Euro Area" includes 19 EU-member states using the euro. Data as of 2023, except for China as of 2021.

[1] For more on the definition of *security*, see SEC Division of Corporate Finance Director William Hinman, "Digital Asset Transactions: When Howey Met Gary (Plastic)," speech delivered at Yahoo Finance All Markets Summit: Crypto, San Francisco, CA, June 14, 2018, https://www.sec.gov/news/speech/speech-hinman-061418.

[2] SIFMA, "2024 Capital Markets Fact Book," July 30, 2024, https://www.sifma.org/wp-content/uploads/2023/07/2024-SIFMA-Capital-Markets-Factbook.pdf.

U.S. capital markets measure at more than $100 trillion in value, composed of about $49 trillion in equity and $55 trillion in fixed income as of 2023.[3] At approximately 40% of the global equity and fixed income markets, U.S. capital markets are the largest and most relied-upon in the world.

## Scope of the SEC's Oversight

Securities issuers, intermediaries, and investors are some of the main participants in capital markets. Issuers include public and private companies, the federal government, and municipalities that issue securities for fundraising purposes. Intermediaries such as broker-dealers, investment companies, investment advisers, and securities exchanges facilitate the flow of money from institutional and retail investors to securities issuers that need funding.

Market participants under the SEC's oversight include around 8,300 reporting companies, 4,000 publicly traded companies, 13,000 registered funds, 15,400 investment advisers, 3,400 broker-dealers, 24 national securities exchanges, 103 alternative trading systems, 10 credit rating agencies, and six active registered clearing agencies.[4] SEC-registered market participants include investment advisers, broker-dealers, mutual funds, exchange-traded funds,[5] municipal advisers, and transfer agents.

The SEC is the primary regulator overseeing capital markets. Aside from regulating market participants, the agency oversees other regulatory bodies, such as the Financial Industry Regulatory Authority (FINRA), the Municipal Securities Rulemaking Board, the Securities Investor Protection Corporation, the Public Company Accounting Oversight Board, and the Financial Accounting Standards Board. With regard to broader marketplace regulation, the SEC coordinates with the Commodity Futures Trading Commission—a separate federal financial regulator overseeing derivatives and commodities markets—regarding issues such as securities-based derivatives.[6]

State securities regulators also play a role in regulating intra-state securities markets.[7] While federal law preempts some categories of state securities regulation, certain areas—such as fraud and the regulation of small investment advisers—remain within the purview of state securities regulators.

## Fundamental Concepts

This section provides conceptual background for understanding capital market operational practices and their regulation.

- **Regulatory philosophy.** The SEC is principally concerned with disclosure and transparency on the theory that investors should have sufficient information to make informed investment decisions, or be able to understand and tolerate risks when standardized disclosure is not available.[8] The SEC's regulatory philosophy

[3] SIFMA, "2024 Capital Markets Fact Book," p. 6. Note that market size fluctuates depending on market conditions.

[4] SEC, *Fiscal Year 2025 Congressional Budget Justification*.

[5] For more on exchange-traded funds, see CRS Report R45318, *Exchange-Traded Funds (ETFs): Issues for Congress*, by Eva Su.

[6] CFTC, "The Commission," https://www.cftc.gov/About/AboutTheCommission.

[7] SEC, "State Securities Regulators," https://www.investor.gov/introduction-investing/investing-basics/glossary/state-securities-regulators.

[8] For more details on securities disclosure and transparency, see CRS In Focus IF11256, *SEC Securities Disclosure: Background and Policy Issues*, by Eva Su.

is different from that of banking regulators, which focus primarily on safety and soundness and preventing losses to people who deposit their money into banks.[9] This difference occurs in part because of the federal government's role as an insurer of bank deposits and the importance of the banking system as a payments infrastructure.

- **Public and private securities offerings.** The SEC requires that offers and sales of securities, such as stocks and bonds, be either registered with the SEC or undertaken pursuant to a specific exemption.[10] The goal of registration is to ensure that investors receive key information on the securities being offered. Registered offerings, often called public offerings, are available to all types of investors. By contrast, securities offerings that are exempt from registration requirements are referred to as *private offerings* or *private placements*. Private offerings are available only to institutions or individual investors who meet certain net worth or income thresholds and individuals who possess certain indications of technical expertise.
- **Retail and institutional investors.** Investors are often divided into retail investors (individuals and households) and institutional investors. Stakeholders generally perceive retail and institutional investors as having different capabilities to process information, comprehend investment risks, and sustain financial losses. In general, retail investors are thought to warrant more protection from inadequate disclosure than institutional investors are.
- **Primary and secondary markets.** The primary markets are where securities are originally issued through public and private securities offerings.[11] The secondary markets are where securities are traded to provide liquidity for existing securities. *Liquidity* is a common term that measures how quickly and easily transactions can occur without affecting an asset's price. Certain trading venues—for example, national securities exchanges and alternative trading systems—are essential enablers of secondary market trading and liquidity, which are important to the markets' overall health and efficiency.
- **Capital formation and investor protection.** Investor protection and capital formation are two of the SEC's core missions.[12] Some observers believe that the two goals stand in some tension. They argue that "light touch" regulation promotes capital formation by lowering firms' compliance costs, potentially at the expense of investor protection.[13] Others, however, have argued that the perceived tradeoff between the SEC's capital formation and investor protection

[9] Federal Reserve Bank of Chicago, "Safety and Soundness," https://www.chicagofed.org/banking/banker-resources/safety-and-soundness.

[10] SEC, "Registration Under the Securities Act of 1933," https://www.investor.gov/introduction-investing/investing-basics/glossary/registration-under-securities-act-1933.

[11] For more on primary and secondary markets, see Corporate Finance Institute, "Primary Market," December 7, 2022, https://corporatefinanceinstitute.com/resources/wealth-management/primary-market.

[12] SEC, "The Role of the SEC," https://www.investor.gov/introduction-investing/investing-basics/role-sec.

[13] See, for example, Mark Lebovitch and Jacob Spaid, "In Corporations We Trust: Ongoing Deregulation and Government Protections," Harvard Law School Forum on Corporate Governance, February 6, 2019, https://corpgov.law.harvard.edu/2019/02/06/in-corporations-we-trust-ongoing-deregulation-and-government-protections.

goals is less stark, because robust investor protection induces greater participation in securities markets, which in turn lowers the cost of capital.[14]

# SEC Operations

The SEC is an independent federal regulatory agency responsible for administering federal securities laws. Congress passed the Securities Exchange Act of 1934 (P.L. 73-291) to create the SEC in the wake of the stock market crash in 1929 to help restore confidence in capital markets. It has broad regulatory authority over the securities industry, including securities offering and trading, asset management, and investment advisers. The SEC has a three-part mission: (1) capital formation; (2) investor protection; and (3) maintaining fair, orderly, and efficient markets. This regulatory structure provides rules for honest dealing among securities market participants, including disclosure requirements for public companies, oversight of key market intermediaries, and prohibitions of fraud and market manipulation.

## Budget and Appropriations

The SEC's budget is set through the congressional appropriations process, specifically in the annual Financial Services and General Government Appropriations bill.[15] Fees on stock and other securities transactions that the SEC collects from securities exchanges offset the appropriations. Annual collections, which historically exceeded the SEC's annual appropriations, go directly to the U.S. Treasury's General Fund. The SEC's annual budget for FY2024 was approximately $2.1 billion.[16]

## Organizational Structure

The SEC is led by five presidentially appointed commissioners, including a chair, all of whom are subject to Senate confirmation. Commissioners have staggered five-year terms, and no more than three commissioners may belong to the same political party. For FY2024, the SEC had around 5,300 positions and 5,000 full-time equivalent employees across six divisions, 24 offices (such as the Office of the Advocate for Small Business Capital Formation and the Office of the Strategic Hub for Innovation and Financial Technology), and 10 regional field offices in Atlanta, Boston, Chicago, Denver, Fort Worth, Los Angeles, Miami, New York, Philadelphia, and San Francisco.[17] The SEC closed its Salt Lake regional office in June 2024 and is reportedly planning to cut regional directors as part of its cost-cutting efforts.[18] **Figure 2** illustrates the SEC's six divisions:

[14] For example, see former SEC Commissioner Luis Aguilar, "Capital Formation from the Investor's Perspective," December 3, 2012, https://www.sec.gov/news/speech/2012-spch120312laahtm.

[15] See CRS Report R48188, *Financial Services and General Government (FSGG) FY2025 Appropriations: Overview*, by Baird Webel.

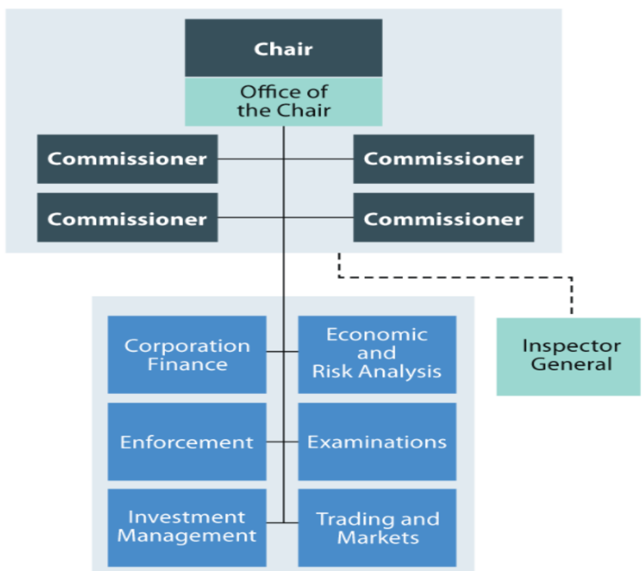
[16] SEC, *Fiscal Year 2025 Congressional Budget Justification*, https://www.sec.gov/files/fy-2025-congressional-budget-justification.pdf.

[17] SEC, *Divisions and Offices*, April 2, 2025, https://www.sec.gov/about/divisions-offices, and SEC, *U.S. Securities and Exchange Commission Organizational Chart - Text Version*, https://www.sec.gov/about/divisions-offices/us-securities-exchange-commission-organizational-chart-text-version.

[18] SEC, *SEC to Close Salt Lake Regional Office*, June 4, 2024, https://www.sec.gov/newsroom/press-releases/2024-67, and Chris Prentice and Douglas Gillison, "Exclusive: US SEC plans to cut regional directors as agency prepares for DOGE scrutiny, sources say," Reuters, February 24, 2025, https://www.reuters.com/world/us/us-securities-regulator-plans-cut-regional-directors-due-trump-administration-2025-02-24.

- The **Corporation Finance Division** is responsible for the review of securities issuer filings and disclosures.
- The **Enforcement Division** takes actions to deter misconduct and punish securities law violations.
- The **Examinations Division** conducts the SEC's National Exam Program that involves onsite examinations of market participants such as investment management companies and advisers, broker-dealers, clearing agencies, and self-regulatory organizations (SROs).
- The **Investment Management Division** regulates investment management companies and advisers pursuant to the Investment Company Act of 1940 and Investment Advisers Act of 1940 (P.L. 76-768).
- The **Trading and Markets Division** oversees capital market infrastructure and its participants to help maintain fair, orderly, and efficient markets.
- The **Economic and Risk Analysis Division** provides cross-divisional support for the agency on research, economic analysis, and data analytics.

**Figure 2. SEC Divisions**




**Source:** SEC.

**Notes:** See the complete SEC organizational chart at https://www.sec.gov/files/secorg.pdf.

# Securities Laws and Regulation

The SEC oversees an array of securities laws, several of which have been amended over time. Major securities laws include those described below.

**Securities Act of 1933 (P.L. 73-22).** This act sought to ensure that investors are given salient information on securities offered for public sale and to ban deceit, misrepresentations, and other kinds of fraud in the sale of securities. The act requires issuing companies to disclose information deemed *material* to investors as part of the mandatory SEC registration of the securities that those companies offer for sale to the public. Certain offerings are exempt from full registration requirements, such as private securities offerings to financial institutions or to sophisticated institutions.

**Securities Exchange Act of 1934 (P.L. 73-291).** In addition to creating the SEC, the act governs securities transactions on the secondary market and gives the agency regulatory oversight over SROs, including stock exchanges such as NASDAQ, that have quasi-governmental authority to police their members and attendant securities markets. The Financial Industry Regulatory Authority, the principal regulator of broker-dealers, is also an SRO.

**Investment Company Act of 1940 (P.L. 76-768).** This act regulates the organization of investment companies, such as mutual funds. Investment companies are primarily engaged in the investment of assets from other institutional or retail investors. In an attempt to minimize the potential conflicts of interest that may arise due to the operational complexity of investment companies, the act generally requires investment companies to register with the SEC and publicly disclose key information on their investment objectives, structure, operations, and financial status.

**Investment Advisers Act of 1940 (P.L. 76-768).** Investment advisers are firms or sole practitioners that are compensated for advising others about securities investments, including advisers to mutual funds and hedge funds. In general, under the act, advisers managing a certain amount of assets must register with the SEC and conform to the act's regulations aimed at protecting investors.

**Sarbanes-Oxley Act of 2002 (**P.L. 107-204**).** Passed in the aftermath of accounting scandals at firms such as Enron and Worldcom during 2001 and 2002, Sarbanes-Oxley sought to improve the reliability of financial reporting and the quality of corporate audits at public companies. Among other things, it created the Public Company Accounting Oversight Board to oversee the quality of corporate accountants and auditors and shifted responsibility for the external corporate auditor from corporate management to independent audit committees.

**Dodd-Frank Wall Street Reform and Consumer Protection Act (**P.L. 111-203**).** Enacted in the wake of the 2007-2009 financial crisis, the 2010 Dodd-Frank Act mandated sweeping financial regulatory changes, many of which affected the SEC. The act required the SEC to adopt rules to help ensure that those who securitize certain debt retain a share of the risk in assets that they transfer; reformed the regulation of credit rating agencies; required hedge fund advisers to register with the SEC; and created an interagency financial risk monitoring panel, the Financial Stability Oversight Council, with the SEC chair as a member.

**Jumpstart Our Businesses Startup Act (**P.L. 112-106**).** This 2012 act was broadly aimed at stimulating capital formation for companies, particularly newer and smaller firms. It also eases regulatory requirements for certain initial public offerings through the creation of a new entity called an *emerging growth company* and through *Regulation Crowdfunding*, which permits companies to provide securities to retail investors through regulatory exemptions under the Securities Act of 1933.

# Role of Congress

The Senate Committee on Banking, Housing, and Urban Affairs and the House Committee on Financial Services are two main congressional committees responsible for the oversight of the SEC.[19] Senate Banking's jurisdiction covers "banks, banking, and financial institutions," and

[19] House Financial Services Committee, *Committee Jurisdiction*, https://financialservices.house.gov/about/jurisdiction.htm, and Senate Banking, *Jurisdiction*, https://www.banking.senate.gov/about/jurisdiction.

House Financial Services jurisdiction covers "securities and exchanges," among other financial services jurisdiction topics. The SEC chair and commissioners often testify before Congress, but unlike the Federal Reserve chair, they are not statutorily required to testify semiannually.[20] At congressional oversight hearings, Members normally examine the agency's operations (e.g., organization and staff), rulemaking, enforcement, the agency's responses to changes in capital markets, policy and regulatory priorities, among other topics.[21]

# Policy Issues

Capital markets have continually drawn policy attention, especially with regard to capital formation, investor protection, and efficient market operations. In recent Congresses, some capital markets legislative proposals, such as those that would build on the Jumpstart Our Business Startups Act (P.L. 112-106), have evolved through multiple iterations.[22] Members of Congress have also developed numerous standalone proposals targeting some of the policy issues associated with respective aspects of capital markets operations listed below.[23]

## Public and Private Securities Markets

The number of U.S.-listed domestic public companies has declined by more than 40% since the mid-1990s.[24] As of 2023, the United States has around half as many listed companies per capita as other developed countries.[25] **Figure 3** illustrates the historic trend of the number of publicly traded companies at the United States and other countries between 1975 and 2023. While the

[20] For more details, see CRS Report R47288, *Statutory Testimony Requirements: Background and Issues for Congress*, by Ben Wilhelm.

[21] For example, House Financial Services Committee, *Hearing Entitled: Oversight of the Securities and Exchange Commission*, September 24, 2024, https://financialservices.house.gov/calendar/eventsingle.aspx?EventID=409374, and Senate Banking, *Oversight of the U.S. Securities and Exchange Commission*, September 12, 2023, https://www.banking.senate.gov/hearings/09/06/2023/oversight-of-the-us-securities-and-exchange-commission.

[22] In 2012, the bipartisan Jumpstart Our Business Startups Act (JOBS Act; P.L. 112-106) established several new options for fundraising. Starting in 2015, parts of the Fixing America's Surface Transportation Act (P.L. 114-94)—referred to as JOBS Act 2.0—provided additional regulatory amendments for smaller companies. Following the JOBS Act and JOBS Act 2.0, Congress has considered numerous legislative proposals that build on existing JOBS Act provisions, including the JOBS and Investor Confidence Act of 2018 (House-amended S. 488 in the 115th Congress; JOBS Act 3.0) and several other packages introduced by Members in both the Senate and the House. See Senator Tim Scott, *Scott Leads Banking Republicans in Introducing Capital Markets Reform Legislation*, September 24, 2024, https://www.banking.senate.gov/newsroom/minority/scott-leads-banking-republicans-in-introducing-capital-markets-reform-legislation; Senator Patrick Toomey, *Banking Republicans Roll Out Capital Formation Legislation to Mark 10th Anniversary of JOBS Act*, April 4, 2022, https://www.banking.senate.gov/newsroom/minority/banking-republicans-roll-out-capital-formation-legislation-to-mark-10th-anniversary-of-jobs-act; and Rep. Patrick McHenry, *House Passes Expanding Access to Capital Act*, March 8, 2024, https://financialservices.house.gov/news/documentsingle.aspx?DocumentID=409192.

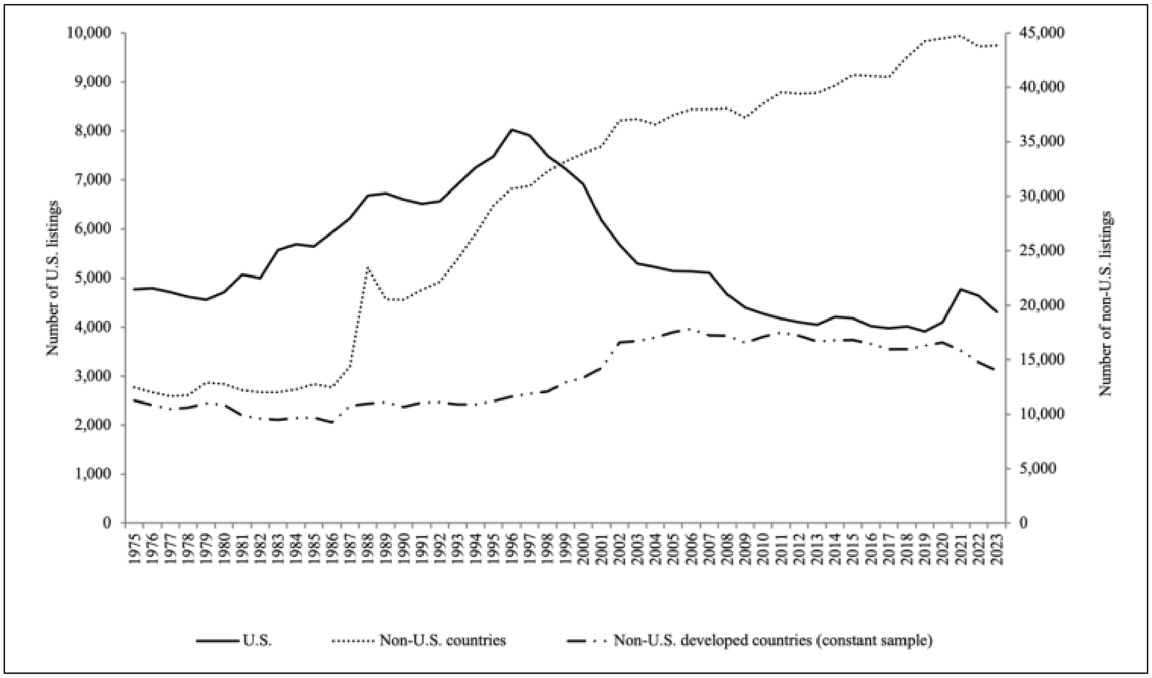
[23] See examples of legislative proposals mentioned on the House Financial Services Committee website accompanying two capital markets hearings in February and March of 2025. House Financial Services Committee, *Hearing Entitled: The Future of American Capital: Strengthening Public and Private Markets by Increasing Investor Access and Facilitating Capital Formation*, February 26, 2025, https://financialservices.house.gov/calendar/eventsingle.aspx?EventID=409469, and House Financial Services Committee, *Hearing Entitled: Beyond Silicon Valley: Expanding Access to Capital Across America*, March 25, 2025, https://financialservices.house.gov/calendar/eventsingle.aspx?EventID=409504.

[24] World Bank Group, *Listed Domestic Companies, Total—United States*, https://data.worldbank.org/indicator/CM.MKT.LDOM.NO?locations=US.

[25] Craig Doidge et al., *Are There Too Few Publicly Listed Firms in The US?*, March 3, 2025, https://ssrn.com/abstract=5163070.

number of U.S. publicly traded companies declined sharply since the 1990s, the growth trend at non-U.S. countries continued steadily.

**Figure 3. Number of Publicly Traded Companies: United States v. Other Countries**




**Source:** Craig Doidge et al., *Are There Too Few Publicly Listed Firms in The US?*, March 3, 2025, https://ssrn.com/abstract=5163070.

**Notes:** Investment companies, mutual funds, REITs, and other collective investment vehicles are excluded. The set of non-U.S. countries comprises the 71 countries included in Simeon Djankov et al., *The Law and Economics of Self-dealing*, May 17, 2007, https://dash.harvard.edu/server/api/core/bitstreams/7312037c-56f0-6bd4-e053-0100007fdf3b/content. Countries are classified as developed based on the MSCI classification scheme as of 2014. There are 13 non-U.S. developed countries in the constant sample.

At the same time, private securities markets have surpassed public markets as the preferred way to raise money.[26] This phenomenon has shaped policy discussions around proposals to encourage public offerings, facilitate both public and private market efficiency, and enable proper investor access to private securities market investment opportunities.[27] Some observers are concerned that the growth in private offerings could hinder equal access to investment opportunities and investment portfolio diversification, since nonaccredited investors (e.g., most individuals and households) do not have access to private offerings. Their policy proposals aim to expand the size and eligibility of investor access to certain private securities offerings or make certain public securities offering processes easier. Other observers are concerned about investor protection and the lack of transparency in private securities markets. They believe that the opacity of large private securities markets could risk market disruptions and misallocation of capital. Their policy proposals aim to increase private securities market regulatory oversight and reporting.

[26] Scott Bauguess et al., SEC Division of Economic and Risk Analysis, *Capital Raising in the U.S.: An Analysis of the Market for Unregistered Securities Offerings, 2009-2017*, August 2018, https://www.sec.gov/files/dera-white-paper_regulation-d_082018.pdf.

[27] For more on investor access through changes to the accredited investor definition, see CRS In Focus IF11278, *Accredited Investor Definition and Private Securities Markets*, by Eva Su.

## "Democratization of Investing" Movement

The vast majority of American businesses are operating as private companies. There are more than 30 million businesses in the United States, but fewer than 5,000 are publicly traded.[28] One source indicates that around 2,800 publicly traded companies have annual revenue greater than $100 million, while around 18,000 private businesses are of that size.[29] Other research indicates that, as of 2025, around 81% of U.S. companies with over $100 million in revenue are privately held.[30] Expanding access to private markets thus could lead to diversification benefits and broadened investor participation in opportunities at private companies. The world's largest asset manager, BlackRock, led a *democratization of investing* movement by acquiring private assets and private markets data provider capability, followed by a push to redefine typical investment portfolio composition for individual investors.[31] Specifically, the firm envisions the current standard 60/40 individual investment portfolio (60% stocks and 40% bonds) to be transitioned to 50/30/20 (50% stocks, 30% bonds, and 20% private assets) in the future, in order to fully represent portfolio diversification.[32] Other major asset managers, such as Goldman Sachs, joined the push to give individual investors greater access to private markets. The firm launched new open-ended private markets funds that are reportedly specifically available to investors who have at least $5 million across their portfolios.[33]

### *For Further Information*

CRS Report R45221, *Capital Markets: Public and Private Securities Offerings*, by Eva Su

CRS In Focus IF11256, *SEC Securities Disclosure: Background and Policy Issues*, by Eva Su

CRS In Focus IF12642, *Private Credit: Trends and Policy Issues*, by Eva Su

CRS In Focus IF11278, *Accredited Investor Definition and Private Securities Markets*, by Eva Su

CRS In Focus IF10747, *Private Securities Offerings: Background and Legislation*, by Eva Su

CRS In Focus IF10855, *Capital Access: IPO and "IPO On-Ramp"*, by Eva Su

CRS In Focus IF10848, *Capital Access: SEC Regulation A+ ("Mini-IPO")*, by Eva Su

CRS In Focus IF11655, *SPAC IPO: Background and Policy Issues*, by Eva Su

CRS In Focus IF12674, *Americans' Investment Options in Capital Markets for Retirement*, by Eva Su

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[28] U.S. Small Business Administration, "Frequently Asked Questions About Small Business, 2023," March 7, 2023, https://advocacy.sba.gov/2023/03/07/frequently-asked-questions-about-small-business-2023.

[29] Hamilton Lane, "Private Market Investing: Staying Private Longer Leads to Opportunity," April 14, 2022, https://www.hamiltonlane.com/en-us/insight/staying-private-longer.

[30] BlackRock, Larry Fink's 2025 Annual Chairman's Letter to Investors, https://www.blackrock.com/corporate/investor-relations/larry-fink-annual-chairmans-letter.

[31] Silla Brush, "Larry Fink Is Capitalizing on a Seismic Shift in Private Markets," *Bloomberg Law*, February 20, 2025, https://news.bloomberglaw.com/private-equity/blackrock-is-out-to-unite-public-and-private-markets-heres-why, and Jack Pitcher, "Larry Fink Says Regular Americans Need Private Assets Too," *Wall Street Journal*, March 31, 2025, https://www.wsj.com/finance/investing/larry-fink-says-regular-americans-need-private-assets-too-22a109b7.

[32] Larry Fink, *The Democratization of Investing*, 2025, https://www.blackrock.com/corporate/literature/presentation/larry-fink-annual-chairmans-letter.pdf.

[33] Todd Gillespie, *Goldman Opens Up Private Equity Deals to Rich Individuals*, *Bloomberg Law*, April 2, 2025, https://www.bloomberglaw.com/product/blaw/bloomberglawnews/private-equity/BNA%2000000195-f5f8-da07-a5dd-f7ff289d0001, and Goldman Sachs, *Goldman Sachs Alternatives Launches G-PE Fund*, April 2, 2025, https://am.gs.com/en-us/institutions/news/press-release/2025/G-Series-launch.

## Market-Based Nonbank Financial Intermediation

Vulnerabilities affecting financial stability are present in capital markets, such as certain "runnable" behavior at money market mutual funds (MMFs),[34] leverage levels, interconnectedness between nonbanks and banks, data and transparency issues, liquidity mismatch at open-end funds, and concentration risk at market intermediaries. Some observers believe nonbank financial intermediation (NBFI) is a source of financial stability concern and thus warrants increased policy action to address its vulnerability. Others argue that as the banking system increasingly faces tightened regulatory requirements, more fundraising activities and their related risks may have migrated to NBFI. This interconnectedness has also led researchers to argue that instead of viewing businesses and risks as having migrated from banks to nonbanks, the interactions between the two resemble an interwoven relationship that has evolved over time.[35]

### Runnable Behavior at MMFs

*Run risk* refers to the scenario where many investors withdraw their investments nearly simultaneously, triggering spillover events for the broader financial system. While banks more frequently use the term *run*, investment funds and certain financial instruments could also face run-like behavior.[36] Among all runnable NBFIs, MMFs are the most often used example to illustrate financial stability concerns. MMFs are susceptible to runs because the shareholders expect to always be able to redeem their funds at a price of $1 per share, while the value of a fund's assets could fall below the value of outstanding shares. As such, shareholders have an incentive to redeem their shares before others do when there is a perception that the fund might experience a loss (i.e., *the first-mover advantage*). During market distress, if a fund indeed suffers a loss (i.e., "*breaking the buck*"), investors who redeem their shares early in the run may get more money for their shares than do other investors who redeem their shares later. The MMF industry experienced substantial growth in recent decades and reached $7.1 trillion in net assets as of November 2024.[37] MMFs experienced runs multiple times during past financial market distress. The MMF runs in 2008 and 2020 prompted federal government backstops for the funds.

### Hedge Fund Leverage and Treasury Basis Trade

*Leverage* generally refers to an entity's capability to use borrowed funds or derivatives to amplify possible risks and returns. *Basis trade* normally refers to a trading strategy that seeks to exploit the difference in prices between a derivative and its underlying instrument. For example, a basis trade in Treasury securities could involve shorting Treasury futures while buying the underlying Treasury securities using borrowed money (often via the repurchase agreement market). Such an arbitrage technique, in theory, is low risk if an asset's different prices in different markets eventually converge. Specifically, an arbitrager could start by selling the higher-priced asset in one market and buying the same (lower-priced) asset in a different market. When the prices converge, it could capture a profit by selling the formerly lower-priced asset and buying back the

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[34] For more on money market mutual funds, see CRS Report R47309, *Money Market Mutual Funds: Policy Concerns and Reform Options*, by Eva Su.

[35] Viral Acharya et al., *Where Do Banks End and NBFIs Begin?*, April 2024, https://www.nber.org/papers/w32316.

[36] Jonathan Rose, *Understanding the Speed and Size of Bank Runs in Historical Comparison*, May 25, 2023, https://research.stlouisfed.org/publications/economic-synopses/2023/05/26/understanding-the-speed-and-size-of-bank-runs-in-historical-comparison.

[37] SEC, Money Market Fund Statistics, https://www.sec.gov/data-research/data-visualizations/money-market-fund-statistics.

formerly higher-priced asset. Because the price differentials are typically very small, a hedge fund must build a large position through borrowed money to make a meaningful profit. Past hedge fund failures, such as the collapse of Long-Term Capital Management in 1998, illustrates the extent of the risks that prompted a government rescue.[38]

### *For Further Information*

CRS Report R48512, *Nonbank Financial Intermediation (NBFI or "Shadow Banking") and Capital Markets Policy*, by Eva Su

CRS Report R47309, *Money Market Mutual Funds: Policy Concerns and Reform Options*, by Eva Su

CRS In Focus IF12511, *Hedge Funds: Background and Policy Issues*, by Eva Su

CRS In Focus IF12012, *Treasury Securities Market Disruptions and Policy Issues*, by Eva Su

CRS In Focus IF12642, *Private Credit: Trends and Policy Issues*, by Eva Su

CRS In Focus IF11825, *Family Office Regulation in Light of the Archegos Fallout*, by Eva Su

CRS Insight IN11421, *Leveraged Loans and Collateralized Loan Obligations (CLOs): Recent Developments and Policy Actions*, by Eva Su

CRS In Focus IF11673, *"Zombie" Companies: Background and Policy Issues*, by Eva Su

## Investment Funds and the Asset Management Industry

Asset management companies—also referred to as investment management companies, money managers, funds, or investment funds—are collective investment vehicles that pool money from various individual or institutional investor clients and invest on their behalf.[39] As the industry's primary regulator, the SEC oversees asset managers with more than $120 trillion in regulatory assets under management combined.[40] The industry has grown substantially due to retail investors' increased reliance on asset managers to invest their money for them rather than investing their own money themselves. More than half (54.4%) of all U.S. households owned some form of SEC-registered investment company funds as of 2024.[41] When operating as expected, the industry functions to pool assets, share risks, allocate resources, and produce

[38] Report of The President's Working Group on Financial Markets, *Hedge Funds, Leverage, and the Lessons of Long-Term Capital Management*, April 1999, https://ypfsresourcelibrary.blob.core.windows.net/fcic/fcic-docs/1999-04-00%20Hedge%20Funds,%20Leverage,%20and%20the%20Lessons%20of%20Long-Term%20Capital%20Management%20(PWG%20on%20Financial%20Markets).pdf.

[39] While an investment company could manage multiple funds, in common usage, the word *fund* is also used interchangeably to describe an investment management company. For this report, unless noted otherwise, funds are also referred to as investment companies. Per Title 15, Section 80a-3(a)(1), of the *U.S. Code*, the statutory definition of *investment company* is any issuer that "(A) is or holds itself out as being engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting, or trading in securities; (B) is engaged or proposes to engage in the business of issuing face-amount certificates of the installment type, or has been engaged in such business and has any such certificate outstanding; or (C) is engaged or proposes to engage in the business of investing, reinvesting, owning, holding, or trading in securities, and owns or proposes to acquire investment securities having a value exceeding 40 per centum of the value of such issuer's total assets (exclusive of Government securities and cash items) on an unconsolidated basis."

[40] SEC, *Investment Adviser Statistics Form ADV Data, period ending December 2023*, May 15, 2024, https://www.sec.gov/files/im-investment-adviser-statistics-20240515.pdf.

[41] Investment Company Institute, *2024 Investment Company Fact Book*, https://www.icifactbook.org/pdf/2024-factbook.pdf.

research information. Asset management companies offer public or private funds. These two types of funds are distinguished by the kinds of investors who can access them and by the regulation applied to them.[42] Public funds—such as mutual funds, exchange-traded funds, closed-end funds, and unit investment trusts—are broadly accessible to investors of all types. Private funds are limited to institutional and certain retail (individual) investors who are perceived as better positioned to understand and tolerate risks. The main types of private funds are private equity, hedge fund, venture capital, and family office.[43] Additionally, a number of intermediaries, such as investment advisers and custodians, provide distribution channels, safeguards, and other essential services to investors and fund issuers.

The business practices of and regulatory requirements for asset management companies vary. Investment funds differ based on their asset risk profile, investor access, portfolio company composition, and ease of buying or selling their shares, among other things. The industry is governed by a somewhat fragmented regulatory regime stemming from several different statutes.[44] Most of the regulatory framework was created in the 1930s and 1940s, but the business practices and trends affecting the industry are evolving. Examples of this evolution include (1) the rapid growth of the industry; (2) the increasing dependence of American businesses on capital markets financing; (3) the shift from active to passive investment styles; and (4) the expansion of the private securities markets, including the growth of private funds.[45]

## Private Equity (PE)

PE firms pool investor money to purchase company shares with the aim of selling them after changing the portfolio companies' structure or operations.[46] The PE industry has gained more importance because of the growth of the private securities markets. Some academic research suggests that PE enhances competition, enables capital formation, assists distressed company resolution, and transforms financially underperforming companies.[47] Other observers raised concerns in light of the industry's growth in size, importance, and complexity coupled with certain practices.[48] The PE industry draws additional policy debates regarding its performance records, operational practices, and industry-specific issues, including the compatibility of PE's profit maximization practices with certain public-service-oriented industries.[49] These issues are

[42] For more on public and private funds, including descriptions of different types of public and private funds and their regulatory frameworks, see CRS Report R45957, *Capital Markets: Asset Management and Related Policy Issues*, by Eva Su.

[43] See CRS Report R45957, *Capital Markets: Asset Management and Related Policy Issues*, by Eva Su.

[44] The main statutes that govern the asset management industry at the federal level include the Investment Company Act of 1940 (P.L. 76-768), the Investment Advisers Act of 1940 (P.L. 76-768), the Securities Act of 1933 (P.L. 73-22), and the Securities Exchange Act of 1934 (P.L. 73-291). For more on securities laws, see CRS In Focus IF11422, *Federal Securities Laws: An Overview*, by Chris D. Linebaugh, Jay B. Sykes, and Nicole Vanatko.

[45] For details on these individual items, see CRS Report R45957, *Capital Markets: Asset Management and Related Policy Issues*, by Eva Su.

[46] For more on private equity, see CRS Report R47053, *Private Equity and Capital Markets Policy*, by Eva Su.

[47] Shourun Guo et al., "Do Buyouts (Still) Create Value?," *Journal of Finance*, vol. 66, no. 2 (April 2011), https://www.jstor.org/stable/29789787. Emily Ross et al., *Private Equity and Financial Stability: Evidence from Failed Bank Resolution in the Crisis*, April 17, 2021, https://ssrn.com/abstract=3828789. Edith Hotchkiss et al., *Private Equity and the Resolution of Financial Distress*, July 7, 2021, https://ssrn.com/abstract=1787446.

[48] Senator Elizabeth Warren, *Warren, Lawmakers Renew Legislative Push to Stop Private Equity Looting*, October 10, 2024, https://www.warren.senate.gov/newsroom/press-releases/warren-lawmakers-renew-legislative-push-to-stop-private-equity-looting.

[49] See CRS Report R48252, *Private Equity Investments in Large For-Profit Child Care Organizations: In Brief*, by Karen E. Lynch and Eva Su.

particularly prominent during policy debates concerning PE in health care, childcare, and housing, among other industries that closely link to social wellbeing.[50]

### Venture Capital (VC)

VC funds are sources of startup financing for early-stage, high-growth firms, such as technology startups. According to the SEC, as of the first quarter of 2024, more than 3,000 VC funds were managing about $400 billion in assets.[51] Although the size of VC investments appears small compared to the overall size of U.S. capital markets (which exceeds $100 trillion) the industry nonetheless plays a key role in funding entrepreneurs who carry out innovations. These startups form the pipeline for potentially transformative companies that could become drivers of economic growth. Many well-known publicly traded technology companies—such as Alphabet (formerly Google), Apple, Meta (formerly Facebook), and Amazon—were once VC funded. Some legislative proposals aim to expand capital formation under VC funds by expanding the related legal definitions that provide regulatory exemptions.[52] But some investor advocates are concerned that, if regulators permit an expanded VC fund investment presence in certain areas, VCs could shift fund activity away from direct primary investment stakes in startups. Others proposes to raise the persons and committed capital thresholds for VC qualification requirements, thus increasing the number of funds that could potentially use the VC exemption.[53] These proposals seek to balance the tradeoffs between fostering capital formation through VC funding and ensuring regulatory compliance and investor protection.

#### *For Further Information*

CRS Report R45957, *Capital Markets: Asset Management and Related Policy Issues*, by Eva Su

CRS Report R47053, *Private Equity and Capital Markets Policy*, by Eva Su

CRS Report R48252, *Private Equity Investments in Large For-Profit Child Care Organizations: In Brief*, by Karen E. Lynch and Eva Su

CRS In Focus IF12412, *Venture Capital Operations and Regulation*, by Eva Su

CRS Report R47309, *Money Market Mutual Funds: Policy Concerns and Reform Options*, by Eva Su

CRS Report R45318, *Exchange-Traded Funds (ETFs): Issues for Congress*, by Eva Su

CRS In Focus IF12511, *Hedge Funds: Background and Policy Issues*, by Eva Su

## Market Structure

Market structure issues involve how securities are bought and sold and often relate to the SEC's mission to maintain fair and orderly markets. As previously mentioned, securities are initially created and offered in the primary market and are subsequently traded in the secondary market. A trading system that brings together multiple securities buyers and sellers generally has to register

[50] For example, Senator Elizabeth Warren, *Senators Warren, Markey Introduce the Corporate Crimes Against Health Care Act of 2024*, June 11, 2024, https://www.warren.senate.gov/newsroom/press-releases/senators-warren-markey-introduce-the-corporate-crimes-against-health-care-act-of-2024.

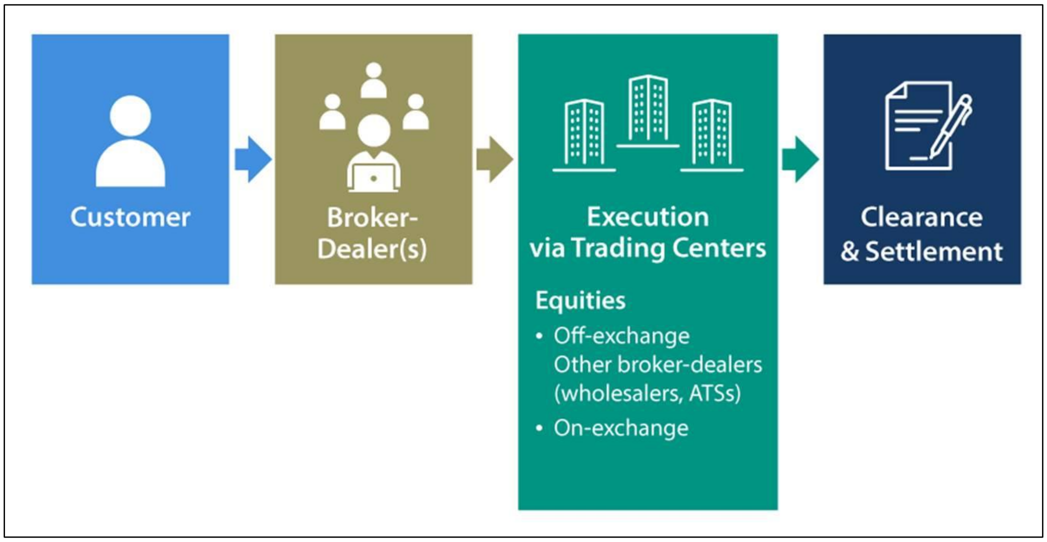
[51] SEC, *Private Fund Statistics First Calendar Quarter 2024*, https://www.sec.gov/files/investment/private-funds-statistics-2024-q1.pdf.

[52] For example, The Developing and Empowering our Aspiring Leaders Act of 2023 (H.R. 2579 in 118th Congress).

[53] For example, The Improving Capital Allocation for Newcomers Act of 2021 (H.R. 2790 in 117th Congress).

with the SEC as a national securities exchange or operate as an alternative trading system (ATS) and register as a broker-dealer.[54] A national securities exchange is a securities exchange that has registered with the SEC under Section 6 of the Securities Exchange Act of 1934.[55] ATSs are SEC-regulated electronic trading systems that match securities orders for buyers and sellers. Some ATSs are referred to as "dark pools" because, unlike national securities exchanges, they do not publicly display the size and price of their orders.[56] A broker is any person engaged in securities buying and selling for others, while a dealer is any person engaged in securities transactions from his or her own account. Because most securities firms act as both brokers and dealers, they are generally referred to as broker-dealers.

**Figure 4. Equity Market Structure**




**Source:** SEC.

**Figure 4** illustrates the typical equity market structure for a stock trade.[57] When an investor goes through a broker-dealer to place a trade, the broker-dealer could route the customer order to one of several execution venues. These venues include national securities exchanges and off-exchange venues such as ATSs, single-dealer platforms, and wholesalers (also referred to as market makers).[58] Transactions also go through a *clearance and settlement* process, whereby transaction details are verified and money and shares are transferred between the accounts of the buyer and seller. Many regulatory requirements promulgated by the SEC and FINRA govern securities trading and market structure. These requirements include rules designed to promote market transparency (e.g., publicly displayed quotations and other disclosure and reporting requirements), fair access and representation (e.g., standards of care for customer transactions to

[54] See SEC Regulation National Market System and Regulation Alternative Trading Systems. 17 C.F.R. §§200, 201, 230, 240, 242, 249, and 270.

[55] 15 U.S.C. §78f.

[56] FINRA, "Where Do Stocks Trade?," December 3, 2021, https://www.finra.org/investors/insights/where-do-stocks-trade.

[57] SEC, *Staff Report on Equity and Options Market Structure Conditions in Early 2021*, October 14, 2021, https://www.sec.gov/files/staff-report-equity-options-market-struction-conditions-early-2021.pdf.

[58] A market maker is a firm that stands ready to buy or sell a stock at publicly quoted prices. For more information, see SEC, *Market Centers: Buying and Selling Stock*, https://www.sec.gov/fast-answers/answersmarket.

mitigate conflicts of interest and other risks), intermarket access, sub-penny pricing restrictions, and market data consolidation and distribution.[59]

## Payment for Order Flow

The 2021 GameStop event drew increased policymaker attention to a revenue model in which broker-dealers receive payment from market makers for routing trades, referred to as *payment for order flow* (PFOF).[60] These developments have led to the formation of a SEC market structure reform that could affect how stock trading orders are executed, priced, and disclosed.[61] Supporters of PFOF argue that the arrangement benefits investors by subsidizing low- or zero-commission rates and other services.[62] In addition, they note that marketable retail orders that tend to be routed to the PFOF rebaters must be executed under best-execution protocols and are executed at the national best bid or offer or at a price that improves on it.[63]

However, concerns have arisen that because broker-dealers may not pass PFOF rebates on to their clients, they may have economic incentives to send retail orders to rebating market makers that are the most beneficial to them instead of the clients, creating potential conflicts over their duty of best execution.[64] PFOF has been effectively banned in the United Kingdom, Australia, and Canada due to such conflict-of-interest concerns.[65] The European Union also reviewed the practice and proposed to prohibit PFOF with the expectation that retail orders will be sent to other more transparent markets in the absence of PFOF.[66]

Academic research has not formed a consensus regarding whether PFOF would improve or harm price execution. One study has found that the shift to PFOF-facilitated zero commissions was beneficial to retail investors in terms of their overall costs of trading.[67] Another study found that trades executed at the best-quoted prices surged after the United Kingdom effectively banned PFOF.[68] Other research found that PFOF-facilitated zero commissions led to overall improvements in market quality but that retail investors received less price improvement per

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[59] Regulation NMS and Regulation ATS. 17 C.F.R. §242.600-614 and 17 C.F.R. §242.300-304.

[60] For more details, see CRS In Focus IF12594, *Payment for Order Flow (PFOF) and Broker-Dealer Regulation*, by Eva Su. For more background on GameStop, see CRS Insight IN11591, *GameStop-Related Market Volatility: Policy Issues*, by Eva Su.

[61] For more on the SEC-proposed market structure reform, see CRS In Focus IF12336, *SEC-Proposed Regulations to Reform Stock Trading*, by Eva Su.

[62] Senate Banking Committee, "Toomey Launches Effort to Preserve Commission-Free Trading," press release, October 28, 2021, https://www.banking.senate.gov/newsroom/minority/toomey-launches-effort-to-preserve-commission-free-trading.

[63] Senate Banking Committee, "Toomey Launches Effort."

[64] Testimony of SEC Chair Gary Gensler in U.S. Congress, House Committee on Financial Services, May 6, 2021, https://www.sec.gov/news/testimony/gensler-testimony-20210505.

[65] Bart Zhou Yueshen et al., "Banning Payment for Order Flow May Benefit No One," *Insead*, September 29, 2022, https://knowledge.insead.edu/economics-finance/banning-payment-order-flow-may-benefit-no-one.

[66] European Union, Proposal for a Regulation of the European Parliament and of the Council Amending Regulation (EU) No 600/2014 as Regards Enhancing Market Data Transparency, Removing Obstacles to the Emergence of a Consolidated Tape, Optimising the Trading Obligations and Prohibiting Receiving Payments for Forwarding Client Orders, November 25, 2021, https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52021PC0727.

[67] Samuel Adams et al., *Do Investors Save When Market Makers Pay? Retail Execution Costs Under Payment for Order Flow Models*, December 6, 2021, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3975667.

[68] CFA Institute, "Payment for Order Flow in the United Kingdom," June 2016, https://rpc.cfainstitute.org/sites/default/files/-/media/documents/article/position-paper/payment-for-order-flow-united-kingdom.pdf.

share.[69] A 2022 study of 85,000 simultaneous market orders with five broker-dealers found that PFOF does not appear to harm price execution.[70]

## Treasury Market Disruptions and Market Structure Reform

The $28.6 trillion U.S. Treasury securities market is considered one of the most important financial markets in the world.[71] The market provides a low-risk (backed by the full faith and credit of the U.S. government) and liquid asset for global investors while raising funding to finance U.S. federal spending. Any event that significantly disrupts Treasury market functions, such as sudden increases in price volatility or reductions in liquidity, could cause distress in the global financial system. Market disruptions in 2014, 2019, and 2020 show that the Treasury market is not immune to such disruptions.[72] Multiple authorities are responsible for regulating or operating various components of the Treasury market. For example, the Department of the Treasury is responsible for securities issuance, while the Federal Reserve executes auctions and buybacks (the latter are rare). Trading in Treasury securities is facilitated mainly by brokers and dealers. The Government Securities Act of 1986 (P.L. 99-571) establishes the broker-dealer regulatory framework in the government securities market. The Trade Reporting and Compliance Engine (TRACE) is the main system for consolidating Treasury securities transaction data and reporting. FINRA operates TRACE with the involvement of the Treasury, SEC, Fed, and other official entities. The process for clearing and settling transactions in Treasury securities is facilitated by entities operated by or under the oversight of the Federal Reserve and the SEC. Treasury derivatives markets generally include Treasury futures, options, swaps, and futures on indices related to Treasuries, among other instruments. The Commodity Futures Trading Commission oversees these Treasury derivatives markets.

Policy discussions about the Treasury market focus on diagnosing the causes of market disruptions and identifying potential methods to prevent or mitigate the related risks. Abnormal events in the Treasury market and their increased frequency have revealed areas of structural vulnerability. Various government agencies, industry practitioners, and think tanks have made a number of recommendations in recent years to address these challenges, some of which are broadly described below.[73] Critics of these recommendations assert that some proposals would entail undue government intervention and impose additional costs on market participants. Proposed policy options for Congress to consider—either through taking direct legislative actions to alter the regulatory landscape, or mandating related agencies to study and implement appropriate changes—include the following:

- Enhance market-making capacity through the creation of a facility at the Federal Reserve—which would provide permanent, broad, and direct access to its

[69] Pankaj K. Jain et al., *Trading Volume Shares and Market Quality: Pre- and Post-Zero Commissions*, December 2021, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3741470.

[70] Christopher Schwarz et al., "The 'Actual Retail Price' of Equity Trades," SSRN, September 14, 2022, http://dx.doi.org/10.2139/ssrn.4189239.

[71] SIFMA, "U.S. Treasury Securities Statistics," April 4, 2025, https://www.sifma.org/resources/research/statistics/us-treasury-securities-statistics.

[72] For more discussions of Treasury market events, see CRS In Focus IF12012, *Treasury Securities Market Disruptions and Policy Issues*, by Eva Su.

[73] Group of Thirty, *U.S. Treasury Markets Steps Toward Increased Resilience*, July 1, 2021, https://group30.org/images/uploads/publications/G30_U.S_._Treasury_Markets-_Steps_Toward_Increased_Resilience__1.pdf; and Inter-Agency Working Group on Treasury Market Surveillance, *Recent Disruptions and Potential Reforms in the U.S. Treasury Market: A Staff Progress Report*, November 8, 2021, https://home.treasury.gov/system/files/136/IAWG-Treasury-Report.pdf.

financing—in an effort to ensure intermediaries' confidence in market making. The Federal Reserve launched a related standing facility in 2021 to provide a backstop for Treasury markets.[74]

- Increase safeguards including potential registration of certain large trading firms as dealers under securities law and expand Treasury securities trading regulation (e.g., through changes to SEC Regulation Alternative Trading Systems [ATS]).
- Mandate central clearing of more trading activities through a central counterparty clearinghouse. Central clearing could reduce counterparty risk, increase transparency, and expand intermediaries' balance sheet capacity (e.g., through "netting").[75] The specific steps could include the expansion of central clearing to all Treasury securities and repos.
- Increase market transparency and monitoring by expanding reporting, disclosure, and data collection and tracking. Recommendations along these lines include potential enhancements to FINRA's TRACE reporting for Treasury securities. Among the enhancements under consideration is a shortened trade reporting time frame. Others have recommended that Treasury securities transactions be publicly disclosed like the TRACE reporting for corporate bonds.[76]
- Establish a new all-to-all trading platform that could allow major Treasury market participants (e.g., asset managers, dealers, and nonbank liquidity providers) to trade directly with any other participants. Some believe this potential new platform could be especially helpful during market distress when traditional intermediaries could face constraints.[77]
- Establish an emergency program at the Federal Reserve called "basis purchase facility" that would purchase Treasury securities from hedge funds during market stress to help unwind leveraged positions, while fully hedging this purchase with an offsetting sale of Treasury futures.[78]
- Enhance trading venue oversight by expanding Treasury securities trading regulation (e.g., through changes to the SEC Regulation ATS).
- Evaluate the impact of exempting Treasury securities from certain bank leverage ratios to alleviate Treasury market intermediation constraints.[79]

[74] Federal Reserve, "Standing Repurchase Agreement (Repo) Facility," https://www.federalreserve.gov/monetarypolicy/standing-overnight-repurchase-agreement-facility.htm.

[75] For more on netting, see Michael Fleming and Frank Keane, *The Netting Efficiencies of Marketwide Central Clearing*, April 2021, https://www.newyorkfed.org/medialibrary/media/research/staff_reports/sr964.pdf.

[76] Group of Thirty, *U.S. Treasury Markets Steps Toward Increased Resilience*, p. 17.

[77] Alain Chaboud et al., *All-to-All Trading in the U.S. Treasury Market*, Federal Reserve Bank of New York, February 2025, https://www.newyorkfed.org/medialibrary/media/research/epr/2025/EPR_2025_all-to-all_chaboud.pdf; Libby Cantrill et al. of PIMCO, "How Can Policymakers Improve the Functioning of the U.S. Treasury Market?," *Adviser Perspectives*, September 12, 2022, https://www.advisorperspectives.com/commentaries/2022/09/12/how-can-policymakers-improve-the-functioning-of-the-u-s-treasury-market; and Inter-Agency Working Group for Treasury Market Surveillance, *Enhancing the Resilience of the U.S. Treasury Market: 2022 Staff Progress Report*, November 10, 2022, https://home.treasury.gov/system/files/136/2022-IAWG-Treasury-Report.pdf.

[78] Anil Kashyap et al., *Treasury Market Dysfunction and the Role of the Central Bank*, March 27-28, 2025, https://www.brookings.edu/wp-content/uploads/2025/03/4_Kashyap-et-al.pdf.

[79] Nellie Liang, Testimony for the House Committee on Financial Service's Task Force on Monetary Policy, Treasury Market Resilience, and Economic Prosperity, April 8, 2025, https://docs.house.gov/meetings/BA/BA00/20250408/118116/HHRG-119-BA00-Wstate-LiangN-20250408.pdf, and SIFMA, Enhance Market Resilience by Exempting Treasuries from Leverage Ratios, April 9, 2025, https://www.sifma.org/resources/news/blog/enhance-market-resilience-by-exempting-treasuries-from-leverage-ratios.

- Evaluate investor positions and trading flows, including positions at large Treasury securities investors. These could include certain hedge funds and mutual funds that pose leverage and liquidity considerations.
- Evaluate the possibilities to use Treasury Department's buyback program to adjust the volume of Treasury securities in circulation.[80]

In December 2023, the SEC finalized a rule to generally mandate central clearing of Treasuries as well as repurchase and reverse repurchase agreements collateralized by Treasury securities.[81] The agency extended the compliance date for the rule in February 2025.[82] The SEC also adopted additional rules in 2024 to require certain market participants that routinely conduct Treasury transactions to register as broker-dealers and be subject to stricter regulation.[83] In the 119th Congress, the House Financial Services Committee established a new task force to focus on Treasury market issues.[84]

### *For Further Information*

CRS In Focus IF12012, *Treasury Securities Market Disruptions and Policy Issues*, by Eva Su

CRS In Focus IF12336, *SEC-Proposed Regulations to Reform Stock Trading*, by Eva Su

CRS In Focus IF12594, *Payment for Order Flow (PFOF) and Broker-Dealer Regulation*, by Eva Su

CRS In Focus IF12400, *Short Selling: Background and Policy Issues*, by Eva Su

CRS Insight IN11591, *GameStop-Related Market Volatility: Policy Issues*, by Eva Su

## Digital Asset Securities

The SEC is the primary regulator overseeing securities offers, sales, and investment activities, including those involving certain digital assets.[85] In cases where the digital assets are securities, the SEC has both (1) *enforcement* authority that allows the SEC to bring civil enforcement actions, such as anti-fraud and anti-manipulation actions, for securities laws violations *after the fact*; and (2) *regulatory* authority, which could include registration requirements, oversight, and principles-based regulation.

[80] Annmarie Hordern and Daniel Flatley, "Bessent Says Treasury Has Big Toolkit If Needed for Bonds," *Bloomberg*, April 14, 2025, https://www.bloomberg.com/news/articles/2025-04-14/bessent-says-treasury-has-big-toolkit-if-needed-for-bond-market, and Karishma Vanjani, "U.S. in No Rush to Boost Bond Auction Sizes for Refunding, Signals Changes to Buybacks," *Barron's*, April 30, 2025, https://www.barrons.com/articles/treasury-bonds-auction-refunding-buybacks-05bff7e6.

[81] SEC, SEC Adopts Rules to Improve Risk Management in Clearance and Settlement and Facilitate Additional Central Clearing for the U.S. Treasury Market, December 13, 2023, https://www.sec.gov/newsroom/press-releases/2023-247.

[82] SEC, SEC Extends Compliance Dates and Provides Temporary Exemption for Rule Related to Clearing of U.S. Treasury Securities, February 25, 2025, https://www.sec.gov/newsroom/press-releases/2025-43.

[83] SEC, SEC Adopts Rules to Include Certain Significant Market Participants as "Dealers" or "Government Securities Dealers," February 6, 2024, https://www.sec.gov/newsroom/press-releases/2024-14.

[84] House Financial Services Committee, *Task Force on Monetary Policy, Treasury Market Resilience, and Economic Prosperity*, https://financialservices.house.gov/119th-congress-subcommittees/task-force-on-monetary-policy-treasury-market-resilience-and-economic-prosperity.htm.

[85] For more on digital asset securities, see CRS Report R46208, *Digital Assets and SEC Regulation*, by Eva Su.

## Digital Asset Regulatory Gap

Activities in non-security digital asset markets are not subject to the same safeguards as those established in securities markets. Examples of such safeguards include certain rules and regulations that encourage market transparency, conflict-of-interest mitigation, investor protection, and orderly market operations. Policymakers have proposed amendments to the SEC's jurisdiction to bridge this perceived regulatory gap. Some aspects of the existing regulation of digital assets have spawned policy debates about regulatory uncertainty, especially with regard to how previously enacted laws and regulations could be applied to new activities and products. For example, in January 2024, the SEC approved a batch of spot Bitcoin exchange-traded product (ETP) applications, broadening retail and institutional investor access to Bitcoin. Bitcoin ETP proponents argue that the funds provide a familiar and convenient way for investors to invest in digital assets, enabling them to partake in potential financial gains. Opponents worry that the associated risks—such as fraud, manipulation, and valuation and trading risks—could generate investor protection challenges.[86]

## SEC Crypto Task Force

New developments related to digital asset securities in 2025 include the SEC's curtailment of crypto enforcement actions and the establishment of a new Crypto Task Force to develop crypto regulation. The SEC replaced the Crypto Assets and Cyber Unit (50 positions) with the Cyber and Emerging Technologies Unit (30 positions) in February 2025.[87] It also dropped a number of probes, including those affecting Robinhood, Gemini, and Coinbase.[88] The new Crypto Task Force is still in the process of understanding the crypto industry's regulatory needs. The task force's 2025 initiatives include a solicitation for public input through 48 questions covering issues such as definition of security, security offering, trading, custody, ETP, tokenization, and regulatory sandbox in the context of crypto.[89] It is also scheduled to host multiple public roundtables to discuss key topics in crypto regulation, including the definition of *security*, crypto custody, tokenization, and decentralized finance.[90] SEC chair Atkins reportedly said that a top priority at the SEC will be to provide a digital asset regulatory foundation through a "rational, coherent and principled approach."[91]

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CRS Report R46208, *Digital Assets and SEC Regulation*, by Eva Su

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[86] For more on Bitcoin ETPs, see CRS In Focus IF12573, *SEC Approves Bitcoin Exchange-Traded Products (ETPs)*, by Eva Su.

[87] SEC, *SEC Announces Cyber and Emerging Technologies Unit to Protect Retail Investors*, February 20, 2025, https://www.sec.gov/newsroom/press-releases/2025-42. SEC, *SEC Nearly Doubles Size of Enforcement's Crypto Assets and Cyber Unit*, May 3, 2022, https://www.sec.gov/newsroom/press-releases/2022-78.

[88] Robinhood, *SEC Closes Investigation Into Robinhood Crypto with No Action*, February 24, 2025, https://newsroom.aboutrobinhood.com/sec-closes-investigation-into-robinhood-crypto-with-no-action; Olga Kharif, "Gemini's Winklevoss Says SEC Closed Investigation With No Action," *Bloomberg Law*, February 26, 2025, https://news.bloomberglaw.com/banking-law/geminis-winklevoss-says-sec-closed-investigation-with-no-action; and Coinbase, *Righting A Major Wrong*, February 26, 2025, https://www.coinbase.com/blog/righting-a-major-wrong.

[89] SEC, *There Must Be Some Way Out of Here*, February 21, 2025, https://www.sec.gov/newsroom/speeches-statements/peirce-statement-rfi-022125.

[90] SEC, *Crypto Task Force Roundtables*, https://www.sec.gov/about/crypto-task-force/crypto-task-force-roundtables.

[91] Gabriella Borter, "SEC Chair Atkins Says Digital Asset Regulation Is Top Priority," *Bloomberg Government*, April 22, 2025, https://www.bgov.com/next/news/SV51K1DWRGG0.

CRS Testimony TE10066, *America on 'FIRE': Will the Crypto Frenzy Lead to Financial Independence and Early Retirement or Financial Ruin?*, by Eva Su

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## Environmental, Social and Governance (ESG)

The emergence of ESG and anti-ESG trends are both prominent in ways that could affect policy preferences toward securities disclosure, asset management, proxy voting, and SEC operations, among other aspects.[92] This section discusses two ESG-related policy issues in more detail.

### SEC Climate Disclosure Rulemaking

The SEC adopted rules on March 6, 2024 that created a new climate risk disclosure regime.[93] A number of plaintiffs challenged the rule in court, arguing that it exceeds the SEC's statutory authority and is arbitrary and capricious under the Administrative Procedure Act.[94] The SEC stayed the rules in April 2024, and voted to end its defense of the rules on March 27, 2025.[95]

### Shareholder Proxy Voting

*Proxy voting* generally refers to the voting of equity shares for corporate decision-making when shareholders are not physically attending shareholder meetings. Typical shareholder proxy voting policy issues concern concentrated votes at investment management companies, which are voting on behalf of fund shareholders, and proxy advisory firms offering voting recommendations to their institutional clients. The two largest proxy advisory firms—ISS and Glass Lewis—collectively control around 90% of the proxy advisory service market.[96] This level of concentration has led to policy concerns regarding fairness in representation, transparency, and conflict of interest, among others. The House Financial Services Committee scheduled a hearing to discuss ISS and Glass Lewis' influences on markets on April 29, 2025.[97] Some Members of House Judiciary Committee launched an antitrust probe in relation to whether the two advisors

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[92] For questions on ESG issues, please contact CRS researcher Raj Gnanarajah. See CRS In Focus IF11716, *Introduction to Financial Services: Environmental, Social, and Governance (ESG) Issues*, by Raj Gnanarajah.

[93] SEC, *The Enhancement and Standardization of Climate-Related Disclosures for Investors*, SEC issue date March 6, 2024, https://www.sec.gov/rules-regulations/2024/03/s7-10-22.

[94] Iowa v. SEC, No. 24-1522 (8th Cir. filed Mar. 12, 2024). For more details on court decisions, contact CRS legislative attorney Jay Sykes.

[95] SEC, *SEC Votes to End Defense of Climate Disclosure Rules*, March 27, 2025, https://www.sec.gov/newsroom/press-releases/2025-58.

[96] Chong Shu, *The Proxy Advisory Industry: Influencing and Being Influenced*, April 2024, https://www.sciencedirect.com/science/article/abs/pii/S0304405X24000333.

[97] House Financial Services Committee, *Hearing Notice: House Financial Services Committee Schedule for April 2025*, March 21, 2025, https://financialservices.house.gov/news/documentsingle.aspx?DocumentID=409507.

colluded with environmental activists to impose certain ESG goals on companies, among other issues.[98]

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CRS In Focus IF11716, *Introduction to Financial Services: Environmental, Social, and Governance (ESG) Issues*, by Raj Gnanarajah

CRS In Focus IF11695, *The SEC's Proxy Advisory Firm Disclosure Reforms*, by Gary Shorter

CRS In Focus IF11307, *Climate-Related Risk Disclosure Under U.S. Securities Laws*, by Eva Su and Nicole Vanatko

CRS Report R46766, *Climate Change Risk Disclosures and the Securities and Exchange Commission*, by Rena S. Miller, Gary Shorter, and Nicole Vanatko

CRS In Focus IF11256, *SEC Securities Disclosure: Background and Policy Issues*, by Eva Su

# SEC Operations

With the SEC's leadership transition in 2025, its operational structure, size of workforce, enforcement focus, rulemaking, and funding sources have all drawn policy attention. This section describes the debates regarding the SEC rulemaking process and the agency's reserve fund in more detail.

## SEC Rulemaking

During SEC Chair Gary Gensler's tenure, which started in 2021 and ended in January 2025, the SEC's rulemaking agenda generated policy debate. Critics of rulemaking during his tenure questioned (1) whether the pace of rulemaking allowed enough time for participants to consider and comment on new rules and (2) whether some of the SEC's proposed rules exceed the agency's legal authority.[99] Meanwhile, advocates for certain policies assert that important issues that warrant new rulemaking, such as rulemaking for digital asset securities, have not been addressed.[100]

The critics argue that the SEC's relatively short comment periods under Gensler may not have left sufficient time for industry stakeholders to research, analyze, and provide quality comments on substantive changes and that the short and overlapping comment periods may place cumulative challenges on the industry's capacity to respond. Gensler asserted that by updating its rules, the SEC could modernize them for changing market environments and potentially create more market

[98] Justin Wise, "House Committee Launches Antitrust Probe of Proxy Advisers," *Bloomberg Law*, March 31, 2025, https://www.bloomberglaw.com/bloomberglawnews/antitrust/XCSHN71G000000, and Representatives Jim Jordan and Scott Fitzgerald, *Letter to ISS*, March 31, 2025, https://aboutblaw.com/bhHx.

[99] Member letter to the SEC, "Private Fund Advisers; Documentation of Registered Investment Compliance Reviews ('Private Fund NPRM')," April 13, 2022, https://subscriber.politicopro.com/f/?id=00000180-29a6-d749-ab92-b9bf20d30000. Industry group letter to the SEC, "Importance of Appropriate Length of Comment Periods," April 5, 2022, https://www.sifma.org/wp-content/uploads/2022/02/SEC_Joint-Trades_Comment-Period-Letter_4-5-2022.pdf. State attorneys general letter to the SEC, Supplemental Comments on Proposed Rule Amendments titled "The Enhancement and Standardization of Climate-Related Disclosures for Investors" by the Attorneys General of the States of West Virginia, Arizona, Alabama, Alaska, Arkansas, Florida, Georgia, Idaho, Indiana, Kansas, Kentucky, Louisiana, Mississippi, Missouri, Montana, Nebraska, North Dakota, Ohio, Oklahoma, South Carolina, South Dakota, Utah, Virginia, and Wyoming (SEC File No. S7-10-22), July 13, 2022, https://ago.wv.gov/Documents/Q0664665.pdf.

[100] SEC Commissioner Mark Uyeda, "Remarks at the 'SEC Speaks' Conference 2022," September 9, 2022, https://www.sec.gov/news/speech/uyeda-speech-sec-speaks-090922.

efficiency.[101] Gensler also responded to concerns regarding agency rulemaking processes, citing the number of rules finalized during multiple former SEC Chairs' full tenures, believing his pace of rulemaking was "right in the zone."[102] The SEC's acting chair Mark Uyeda believes that the agency's previous rulemaking actions were "shortcuts" that led to subsequent litigations, and he plans to restore the SEC to the rulemaking "gold standard."[103] SEC chair Paul Atkins took office as the 34th chair of the SEC on April 21, 2025.[104] Observers expect Atkins to continue with the deregulation agenda started by acting chair Uyeda.[105]

## SEC Reserve Fund

The Dodd-Frank Wall Street Reform and Consumer Protection Act (P. L. 111-203) established the Securities and Exchange Commission Reserve Fund to be used as the SEC "determines is necessary to carry out the functions of the Commission." The SEC can deposit $50 million into the reserve fund annually and the total amount must not exceed $100 million. The reserve fund is not subject to annual appropriation or apportionment. The SEC's FY2025 budget justification indicates that the reserve fund is planned to cover technology and operational enhancement projects.[106]

The reserve fund has drawn policy attention because of the agency's discretion in using the fund absent direct congressional oversight and approval. Some observers argue that a total saving of $475 million over 10 years could be achieved through abolishing the fund that serves as a "slush fund."[107] Opponents of the fund propose to enhance the SEC's accountability to Congress by abolishing it. The SEC states that the continued access to the reserve fund allows the agency to support long-term technology initiatives that would otherwise be more difficult to execute due to budget changes.[108] The Office of Management and Budget sought to eliminate the fund in 2020, stating that, "while the fund is outside of the congressional appropriations process, it has come to represent an extension of the SEC's regular appropriation rather than the emergency reserve it was intended to be," and abolishing the fund would "restore the SEC's accountability by diverting reserve fund resources to the U.S. Treasury for deficit reduction and requiring the SEC to request any additional appropriations from the Congress."[109]

[101] SEC, "SEC Announces Spring 2022 Regulatory Agenda."

[102] Soyoung Ho, "SEC Chair Gensler Defends Fast-Paced Rulemaking," *Thomson Reuters*, October 5, 2022, https://tax.thomsonreuters.com/news/sec-chair-gensler-defends-fast-paced-rulemaking.

[103] SEC acting chair Mark Uyeda, *Remarks to the Investment Company Institute's 2025 Investment Management Conference*, March 17, 2025, https://www.sec.gov/newsroom/speeches-statements/uyeda-ici-031725.

[104] SEC, "Paul S. Atkins Sworn In as SEC Chairman," press release, April 21, 2025, https://www.sec.gov/newsroom/press-releases/2025-68.

[105] Soyoung Ho, "Paul Atkins Moves Closer to Becoming SEC Chair as Senate Panel Advances His Nomination," *Thomson Reuters*, April 4, 2025, https://tax.thomsonreuters.com/news/paul-atkins-moves-closer-to-becoming-sec-chair-as-senate-panel-advances-his-nomination.

[106] SEC, *Fiscal Year 2025 Congressional Budget Justification*, https://www.sec.gov/files/fy-2025-congressional-budget-justification.pdf#page=72.

[107] Politico citing a document prepared by House Budget Committee Republicans. Declan Harty, "House Republicans Revive Push to Kill SEC Reserve Fund," *PoliticoPro*, January 17, 2025, https://subscriber.politicopro.com/article/2025/01/house-republicans-revive-push-to-kill-sec-reserve-fund-00198975.

[108] SEC, *Fiscal Year 2025 Congressional Budget Justification*.

[109] Bill Flook, "White House, SEC Diverge on Reserve Fund Use," *Thomson Reuters*, February 18, 2020, https://tax.thomsonreuters.com/news/white-house-sec-diverge-on-reserve-fund-use.

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CRS In Focus IF11062, *Introduction to Financial Services: Capital Markets*, by Eva Su

CRS Report R48188, *Financial Services and General Government (FSGG) FY2025 Appropriations: Overview*, by Baird Webel

## Securities Industry Self-Regulatory Organizations (SROs)

Securities industry SROs are private-sector organizations that set and enforce standards of conduct for their members, subject to the oversight of the SEC. SROs include national securities exchanges, FINRA, the Municipal Securities Rulemaking Board, and registered clearing agencies. SROs predate the federal securities laws.[110] Instead of wholly displacing private self-regulation, the Securities Exchange Act of 1934 created a framework in which SROs retained significant regulatory and enforcement authority, subject to SEC supervision.[111] According to William O. Douglas—an early SEC Chair and later a Supreme Court Justice—this concurrent regulatory system allows for swifter action than does traditional public enforcement and avoids the "bureaucratic blight of a too intrusive government police force."[112] Over the years, SROs have grown in size and influence. They are now an integral part of the securities industry regulatory framework, with some commentators describing them as akin to a fifth branch of government.[113]

Some capital market regulatory authorities contend that SROs provide more efficient regulation than purely public enforcement schemes do.[114] Supporters of the SRO model have also argued that SROs often have greater expertise and information regarding market developments, which may allow them to produce better regulations than government agencies can.[115] Others have raised concerns about the power of SROs. Some commentators have argued that SROs may adopt regulations that are favorable to the securities industry but not the public.[116]

These types of concerns are associated with the perceived conflicts of interest embedded in the principal-agent problem, in which the *agent* works on behalf of the *principal* and the interests of

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[110] Roberta Karmel, *Should Securities Industry Self-Regulatory Organizations be Considered Government Agencies?* May 8, 2008, https://ssrn.com/abstract=1128329.

[111] John C. Coffee Jr. et al., *Securities Regulation: Cases and Materials*, (2021) p. 61.

[112] Joel Seligman, *The Transformation of Wall* Street, (2003) p. 158 (quoting William O. Douglas). For more details on legal decisions, contact CRS legislative attorney Jay Sykes.

[113] William Birdthistle and M. Todd Henderson, *Becoming a Fifth Branch*, 2013, https://scholarship.law.cornell.edu/clr/vol99/iss1/1.

[114] SRO Consultative Committee of the International Organization of Securities Commissions, *Model for Effective Regulation*, May 2000, https://www.iosco.org/library/pubdocs/pdf/IOSCOPD110.pdf.

[115] SRO Consultative Committee of the International Organization of Securities Commissions, *Model for Effective Regulation*, May 2000, https://www.iosco.org/library/pubdocs/pdf/IOSCOPD110.pdf; and MSRB, *Self-Regulation and the Municipal Securities Market*, January 2018, https://www.msrb.org/sites/default/files/MSRB-Self-Regulation-and-the-Municipal-Securities-Market.pdf.

[116] John Sanders, *Break from Tradition: Questioning the Primacy of Self-Regulation in American Securities Law*, April 4, 2018, https://ssrn.com/abstract=3156569; and Benjamin Edwards, *The Dark Side of Self-Regulation*, 2017, https://scholars.law.unlv.edu/facpub/1117.

the two parties are not fully aligned.[117] Principal-agent problems are common for relationships involving delegated authority, including the SRO model, within which the SEC could be viewed as the principal and the SROs being the agents. In this specific situation, the SRO model appears to present a tradeoff between the efficiency and information benefits associated with the SRO model, and the need to ensure that SROs are not abusing their delegated authority to benefit the industry at the expense of the public.[118] Despite the long-term existence of the SRO framework, some commentators have supported shifting power away from SROs to the SEC or strengthening the SEC oversight of SROs.[119]

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## Disclaimer



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[117] CFA Institute Research Foundation, *The Principal–Agent Problem in Finance (A Summary)*, 2014, https://rpc.cfainstitute.org/sites/default/files/-/media/documents/book/rf-lit-review/2014/rflr-v9-n1-1.pdf; and Javier Núnez, *Can Self Regulation Work?: A Story of Corruption, Impunity and Cover-up*, February 24, 2007, https://link.springer.com/article/10.1007/s11149-006-9020-x.

[118] The model aims to accommodate both (1) the level of government oversight that would promote market integrity, as prioritized by the SEC, and (2) the appropriateness of the SRO regulation that allows for the industry's ability to address business needs and profit-seeking motives, as prioritized by the industry.

[119] John Sanders, *Break from Tradition: Questioning the Primacy of Self-Regulation in American Securities Law*, April 4, 2018, https://ssrn.com/abstract=3156569; and Luis Aguilar, *The Need for Robust SEC Oversight of SROs*, May 8, 2013, https://www.sec.gov/news/statement/2013-spch050813laahtm.