

April 4, 2017

Honorable Members  
Senate Committee on Banking, Housing and Urban Affairs  
538 Dirksen Senate Office Bldg  
Washington, D.C.

Dear Senators,

We urge you to oppose the nomination of Walter Joseph 'Jay' Clayton to serve as Chair of the Securities and Exchange Commission.

In fulfilling the SEC's primary mandate to protect investors, the Chair must direct a staff of 4,300 to oversee thousands of companies issuing securities so as to ensure fair disclosure. This includes information that investors consider material, from climate change to political spending. The Chair must oversee implementation and enforcement of newly mandated rules from the Dodd-Frank Wall Street Reform Act that Congress enacted in response to massive Wall Street misconduct. The Chair must decide on enforcement cases, which, in the last decade, have involved most of the largest Wall Street firms.

As a Sullivan & Cromwell attorney representing issuers, Mr. Clayton would bring no public service experience to this post. In addition, he has no management experience, and would inevitably bring a Wall Street perspective, not an investor perspective to the responsibilities of disclosure, enforcement and rule-making.

Ahead of the hearing, Clayton's resume, his Form 278 and his firm connections show that he has been involved with so many Wall Street clients that he would be barred from participating in enforcement actions involving a host of critical Wall Street actors for two years, creating a barrier to SEC effectiveness in disciplining these potential bad actors. Since these former clients also have a major stake in SEC rule-making, these conflicts of interest raise significant doubts regarding his objectivity in broader policy making as well.

His long time service as outside counsel for Goldman Sachs also undermines confidence that he can bring the appropriate mindset to address the many severe problems that this firm visited on investors and Americans generally, especially surrounding the 2008 Wall Street crash.

His confirmation hearing did little to assuage these concerns. In response to questions during the hearing, he demonstrated little expertise, deflected with non-answers, or expressed sympathy with Wall Street. With no published articles or speeches, little was known about his personal views on key issues. In many areas, his answers either failed to shed additional light or raised new causes for concern.

During his hearing:

- He failed to condemn Goldman Sachs misconduct.
- He failed to commit to aggressive enforcement of laws against illegal insider trading.
- On issues of individual accountability, he seemed unaware of the SEC's authority when it comes to pursuing criminal cases
- He expressed no concern about massive corporate buybacks, including those associated with layoffs and off-shoring US jobs.

- He failed to commit to implementing Congressional laws, notably the unfinished rules left from the 2010 Wall Street Reform Act. Instead, he said “Dodd-Frank could be looked at.”
- He declined to support implementation of the mandated CEO pay ratio disclosure, a rule already finalized by the SEC.
- He failed to commit to combatting mandatory arbitration clauses, where abused investors are blocked from access to courts for a remedy.
- On political spending disclosure, where more than 1.2 million investors have petitioned for a rule, he said only that he would “think about” it.
- He said regulations should generally be rolled back.
- He said he may return to his law firm, highlighting the problem of the revolving door between regulators and Wall Street.

The failure to outline clear, pro-investor views on the pressing issues the Chair will face should be disqualifying.

The Trump administration has certainly lowered the bar for appointees, nominating individuals who profited from massive foreclosures, failed to pay taxes, abused workers, testified untruthfully to Congress, and more. Senators must not reduce their standards when considering the Clayton nomination.

Senators should send a clear message to the Trump administration that it will not accept another Goldman Sachs attorney who brings no experience to the majority of tasks in the chair’s portfolio, who will be so conflicted as to be sidelined for half his term on cases involving the leading Wall Street firms, and who fails to embrace the need for congressionally mandated reforms adopted to prevent another crash. A president who pledged to “drain the swamp” and specifically named Goldman Sachs as a firm with pernicious influence should send a nominee free of these disqualifications and instead one with demonstrated zeal to protect investors.

We urge you to oppose this nominee.

Allied Progress  
 American Family Voices  
 Americans for Financial Reform  
 Campaign for America's Future  
 Center for American Progress  
 Center for Popular Democracy  
 Communications Workers of America  
 Consumer Action  
 Courage Campaign  
 Daily Kos  
 Democracy for America  
 End Citizens United  
 Franciscan Action Network  
 Friends of the Earth - US  
 Main Street Alliance  
 Other98  
 People For the American Way

People's Action  
Progressive Congress Action Fund  
Public Citizen  
The Rootstrikers Project at Demand Progress  
Woodstock Institute  
Working Families Party

cc: The Honorable Bob Corker, Member, Committee on Banking, Housing, and Urban Affairs  
The Honorable Catherine Cortez Masto, Member, Committee on Banking, Housing, and Urban Affairs

The Honorable Tom Cotton, Member, Committee on Banking, Housing, and Urban Affairs  
The Honorable Joe Donnelly, Member, Committee on Banking, Housing, and Urban Affairs  
The Honorable Heidi Heitkamp, Member, Committee on Banking, Housing, and Urban Affairs  
The Honorable Dean Heller, Member, Committee on Banking, Housing, and Urban Affairs  
The Honorable John Kennedy, Member, Committee on Banking, Housing, and Urban Affairs  
The Honorable Robert Menendez, Member, Committee on Banking, Housing, and Urban Affairs  
The Honorable David Perdue, Member, Committee on Banking, Housing, and Urban Affairs  
The Honorable Jack Reed, Member, Committee on Banking, Housing, and Urban Affairs  
The Honorable Mike Rounds, Member, Committee on Banking, Housing, and Urban Affairs  
The Honorable Ben Sasse, Member, Committee on Banking, Housing, and Urban Affairs  
The Honorable Brian Schatz, Member, Committee on Banking, Housing, and Urban Affairs  
The Honorable Tim Scott, Member, Committee on Banking, Housing, and Urban Affairs  
The Honorable Richard C. Shelby, Member, Committee on Banking, Housing, and Urban Affairs  
The Honorable Jon Tester, Member, Committee on Banking, Housing, and Urban Affairs  
The Honorable Thom Tillis, Member, Committee on Banking, Housing, and Urban Affairs  
The Honorable Patrick J. Toomey, Member, Committee on Banking, Housing, and Urban Affairs  
The Honorable Chris Van Hollen, Member, Committee on Banking, Housing, and Urban Affairs  
The Honorable Mark R. Warner, Member, Committee on Banking, Housing, and Urban Affairs  
The Honorable Elizabeth Warren, Member, Committee on Banking, Housing, and Urban Affairs