BETTER MARKETS

15th Anniversary Lehman Collapse Conference

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FIRESIDE CHAT: A Market Regulator's View of Too-Big-To-Fail

Stephen Hall, Better Markets

Hi everyone, I'm Steve Hall, the Legal Director and Security Specialist at Better Markets.

We're now going to turn to the fireside chat with SEC Chairman Gary Gensler and Brooke Masters, the US Financial Editor and Associate Editor at the Financial Times. In 16 years at the FT, Brooke has held a variety of editing, reporting and commentary roles in both New York and London. Among those were Opinion and Analysis Editor, and Chief Regulation Correspondent. She now leads the papers US team of reporters covering financial services, and she also writes a business column.

Chairman Gensler was nominated by President Biden and confirmed by the Senate to serve as Chair of the US Securities and Exchange Commission in April of 2021. Before becoming SEC chairman, he served in many high-profile roles, including as the Chairman of the Commodity Futures Trading Commission, in the aftermath of the 2008 financial crisis. In that role, he was the driving force in implementing the derivatives provisions of the Dodd Frank Financial Reform Act. He has also served as the Chair of the Maryland Financial Consumer Protection Commission from 2017 to 2019. I know that we're all looking forward to this conversation. So, I'll turn it over to you, Brooke.

Brooke Masters, Financial Times

Thanks so much. This should be great fun for us. In general, people tend to think of 2008 as a banking crisis. But of course, the crucial triggers for the broader meltdown included things that happen on the markets, specifically, the one people most remember are the credit default swaps, which AIG the big insurer had written too many of and when they were unable to make good on their promises, they threatened to take down the entire banking system because everyone was their counterparty. That therefore means the perspective of a market's regulator on Too Big To Fail is incredibly important, and also probably what we really need to worry about, and we need to hear what the markets regulators are going to do to make sure we don't get a repeat. So, Gary, you had to deal with the cleanup at the CFTC. And now you're on the SEC. Given all that, you know, where do you think we should be focusing our attention as we look forward and think about preventing the next crisis?

SEC Chair Gary Gensler

Well, thank you, Brooke. And also, I just want to thank everybody at Better Markets for putting the conference together. And what an honor it is to be asked to speak on the 15th anniversary of some of those fateful events in September of 2008. And Lehman Brothers failure was just one of those events.

I think of it this way, Brooke since antiquity, finance at times, concentrates risks. I like to think of it as the neck of the hourglass where money is flowing through the hourglass, but also risk is flowing through the hourglass, right. So, it's the neck of that hourglass. It's called finance. But what happens if, if that concentration of risk in the middle goes to asunder? And many of an economic crisis over centuries is about that middle of the hourglass. It's about finance. The 1930s was deeply embedded in the Great Depression 2008 that you referenced. And the second thing I'd say, it's rarely that it's solely banks or non-banks, banks and non-banks both are at the neck of that hourglass and can concentrate risk. And often, financial fragility comes from a lot of the marketplace, leaning in one direction, monocultures are hurting. We talk about network interconnectedness. We talk of course about regulatory gaps. What do we have in our public policy sphere that maybe we overlooked or had a gap?

So, I think of it as, as both. I wish I could tell the audience that, that won't happen again. But just as we've never do things to repeal the business cycle, the economy is going to expand and contract at times. We are unlikely ever to actually repeal that we're going to have failures of banks and non-banks alike. And our role as a securities regulator, or any financial regulator, is to try to lower the risk of those happening. But also, being aware to the economic reality that we will have some stress periods in the future. And then how do we limit the effect on the investing public, the working public that people don't lose their jobs, lose their homes as innocent bystanders to the highways of finance?

Brooke Masters
Let's talk about specific threats. You know, before cameras turned on, we were talking about how artificial intelligence is changing the way finance gets done and creating a new set of risks. How does the use of artificial intelligence play into the risks that the markets are running?

SEC Chair Gary Gensler
So predictive data analytics, going a little further than artificial intelligence, when I'm predicting something based on the data and the analytics, that's been around for centuries as well in finance. I don't know what the Medici would have called it, but they had to predict whether somebody would repay their loans. But what we have now, and it's not just with Chat GPT, but what we've had now for a number of years, is this new wave of math, and computational power, called artificial intelligence and machine learning. And I think that it's going to lead to some great advances in society and in finance, inclusion, and access, and innovations in finance. It's already being used in so many ways to process our insurance claims, process our opening accounts, and of course, Robo advising, and brokerage shops.

But I also think that it's probably going to lead to more fragility in the capital markets, and that the financial crisis of whether it's 2028 or 2032, may well be that everybody goes: Oh, my I didn't realize that everybody was relying on the same data aggregator for mortgage data information, or the same generative artificial intelligence platform for fill in the blank. And I think that it's bound to lead to greater monocultures and network interconnectedness for a simple reason, just like we have kind of one dominant search engine in the US. Why do we often and great advances in technology have just one platform? It's the economics of networks. And I think there's very significant economics of networks that we'll see. Just a handful of base artificial intelligence models, and data aggregators scooping up the best data for a particular market. That leaves a great challenge for us regulators of course,

Brooke Masters
So what could or should be done, given that there probably will be some winners in all this?

SEC Chair Gary Gensler
Yeah, look, I hate to be one to raise a challenge without a solution. A terrific student back at MIT, Lily Bailey, and I wrote a paper on this three years ago. And then we got to one fateful moment where we said, well now we have got to write some solutions. And, and I will tell you, one can pull up that paper

from three years ago, deep learning and financial stability. And you'll see it, there's certain things that seem obvious, but I'm not sure they'd work that well. And it's about model risk management and making sure that the models are properly checked and curated and the governance and things like that. But it's a much greater challenge. Because I'm really talking about sort of, there might be a need for what I might call a horizontal review. If many market actors in the market are relying on the same base model, or many market actors are relying on the same data aggregator. And look at we saw this in 2007. It was called the quant crisis when a bunch of hedge funds were sort of strategically using the same model, they weren't literally renting it from somebody. And so, I think this is going to take a lot of thought, by both regulators here in the US and internationally and market participants to guard against what otherwise might be a somewhat inevitable outcome of monocultures and hurting based upon models and data.

Brooke Masters
One of the markets people are particularly worried about right now seems to be the Treasury market, because it's so big, and it has had, you know, how obviously had the flash crash? And you all have been looking at what to do to sort of make it more stable and less vulnerable? Do you think we have a handle on the problems? And are the proposals you guys working on going to solve some of the problems?

SEC Chair Gary Gensler
Well, I'm pretty proud of what we put together working with the US Department of Treasury, the Federal Reserve, the CFTC, our colleagues. The Treasury market is the base upon which the rest of the capital market is built. It is 25 trillion, our total capital market is about 100 + trillion. And we've had jitters of and on, all the way back for decades. In 1980s, we had a bunch of jitters when a bunch of Securities Dealers, Treasury securities dealers failed. Congress gave the SEC authorities in 1986, really important authorities.

But I think that we saw those jitters again in 2019 and 2020. When I say jitters, there were some real challenges in the funding markets, and then real challenges as COVID broke out. And so, we put together a number of proposals. One is around ensuring that those that are dealing in the marketplace, you know, buying and selling Treasury securities on a regular basis, making markets and so forth, actually register. That the platforms where they meet and transact, the Treasury platforms that those who are properly registered and have some regulation. And then around central clearing. And the proposal is to bring more of this market into the benefits of central clearing which are not without risk, but it helps lower the risk and net down the risk. And we put all of these proposals out to public comment we have good feedback, staffs working through recommendations.

Brooke Masters
When do you expect to get to it?

SEC Chair Gary Gensler
You know, we do things not against the clock. We do things based upon the comment files and what staff recommendations and commission. I raise one other thing if I can because it's a financial stability conference. Back to your earlier point about where's the risk in the banks or in the nonbanks. The Treasury market is so fundamental to the whole market. It crosses across that, and I just want to highlight one area of potential risk in the system right now and it's related to the Treasury markets and

in the hedge fund community, the macro hedge funds or relative value players. And they can be in our sovereign markets or international sovereign markets.

Often, they fund their balance sheets, they fund their purchases of sovereign debt, treasuries, through what's called prime brokerage relationships with the banks. And so, the risk management that the banks and broker dealers, providing that funding to the hedge fund community, has led to significant leverage. That means a lot of balance sheet with modest capital behind it. Or in terms of more technically, very low margin, and sometimes zero margin in the Treasury funding markets. And I think that that is a risk. Central clearing has many benefits, but one of the benefits is also bringing some of those funding arrangements into the clearing house where they're netted, and you get the benefits of netting, but you also get the benefit of some required margining.

Brooke Masters
And it sounds like you're definitely going to press ahead with this idea to push more of it.

SEC Chair Gary Gensler
Brooke, I can't prejudge anything, it depends on the work of the staff depends on the work of the Commission. But I think that this is a critical piece of the SEC's responsibility. It's a responsibility to everyday investors to sort of lower the fragility, increase the stability of a market, so innocent bystanders don't lose their jobs don't lose their homes, in a market that goes asunder. And I would say one other thing. We're living in a changed time. We went, since the Lehman crisis of 15 years, we went about 13 years with rather stable, low, almost zero interest rates here in the US. And of course, you know, the story that's changed in the last 18 to 24 months. And we also lived in a period of time where central banks around the globe, not just here in the US, participated actively in quantitative easing and participate in in their sovereign debt markets. And as they've receded from those sovereign debt markets, gilts and treasuries and euros. That's also a change in the marketplace that marketplaces need to adapt. They have to regain their muscle memory. You know, you can walk on a trading floor in New York and London. And it's really rare to find anyone sitting on that trading floor that traded treasuries, or gilts, prior to the Lehman crisis.

Brooke Masters
When you talk about central clearing, clearly, it's crucial for treasuries? Are there other markets that you think central clearing needs to play a bigger role in?

SEC Chair Gary Gensler
Well, I'm very proud of work that we've already finished here at the SEC, related to the rest of the securities market. Working with market participants adopted a rule to shorten the clearing to one day from two days. And you might recall, in the midst of that, those events in early 21, the Game Stop so to speak events, there were some challenges and that individual investors were locked out of trading, in part because of the back-office infrastructure. So, I'm pleased that again, that will go into effect next May. That's an important piece as well.

Brooke Masters
And let me talk about the split between banks and non-banks, the growth of private markets and private players who have absorbed some functions of banks, who aren't doing private credit, real estate,

infrastructure, finance. You obviously have done a fair amount in terms of investor protection in that area. Do you feel that those players need more supervision in terms of market stability?

SEC Chair Gary Gensler
Well, I think Congress decided that. And it was after the Lehman events of the 2008 crisis, Congress came together and addressed it. The chair, Mary Shapiro, who was in this office at the time, worked with Congress on important provisions. For one that advisors to private funds generally would have to register with the SEC. And two, there were some important disclosures. Working with the CFTC, we jointly put out those disclosure requirements that's called Form PF. Those were done 10, 11 years ago, and a lot has changed. And we're updating that working with our colleagues at the CFTC. I think that information is really important. Let me just note the private fund field. In aggregate, earlier this year, these numbers are from manages about $26 or $27 trillion of assets. Now, there's $110 trillion of assets managed by investment advisors, but $26 or so trillion in private funds. This is now larger than the entire banking sector of 23 trillion. I was honored to work at the US Treasury Department in the late 90s and worked on a report after a hedge fund called Long Term Capital Management failed and was asked by then Secretary Rubin to go up on a fateful weekend to Long Term Capital Management. Two observations. One is the entire private funds community then was a little less than a trillion, I think $800 billion, which was roughly 20 or 25%, the size of our economy. Well, you can do the math now that private funds community has grown quite a bit. Two, it's now larger than the entire banking sector. Whereas back in 1998, it was different. But three, Long Term Capital Management was jitters in the market that may have emanated to be a big systemic event. It didn't end up because of what the New York Federal Reserve did and getting those banks together to basically support a wind down of Long Term Capital Management. But the leverage that was at Long Term Capital Management is not unique. That type of leverage has a may exist at certain hedge funds, even today, that size and scale may and has existed. So it's just something to be alert to.

Brooke Masters
Do you think at this point with the revisions to Form PF that you guys have the information you need?

SEC Chair Gary Gensler
We adopted some revisions, which were with regards to current reporting. And I think that was a really important step. But we're still working along with our colleagues at the CFTC on some joint rulemaking on the periodic reporting. And stay tuned.

Brooke Masters
Oh, it sounds interesting.

Another area, I think this is the question of the growing size of the non-bank markets. After the crisis as part of Dodd Frank, obviously, the creation of FSOC to oversee systemic risk more broadly in the US economy, which I think we all agree we needed. One of the debates was whether one could do that simply by monitoring and regulating activities, or whether we needed to more specifically regulate non-bank entities like big, big companies. Many of the companies that were considered have only gotten bigger since then. Where do you as a member of FSOC come down on whether we need to be looking at specific institutions in addition to what they get involved in?

SEC Chair Gary Gensler
Well, I think it was… Two things, I think it was an important reform. I was honored to serve in the Obama administration. And I remember Chair Frank Barney Frank and Chris Dodd working on this, but I think this emanated as well from the Treasury Department itself and Secretary Geithner. I think getting the council together. I was honored to be a member of that initial Council. And I think it serves some really good functions that convening and getting us together. Now there was the President's Working Group, and I used to staff that in the late 90s. So, I have some history. But two, it gave this newly formed counsel some important authorities, based upon congressional standards, from time to time to name, some entities that were systemically relevant or systemically important in the words of the statute, and that they would have enhanced supervision and oversight from the Federal Reserve. And then secondly, systemically important financial market utilities, which is like clearing houses. And I think that that was a good thing that Congress did. We as a Financial Stability Oversight Council, and I'm a member of that under-Secretary Yemen's leadership, put out a proposal for public comment. I don't want to prejudge the outcome. I know that there's more work to be done. But I think that that proposal was to help get us back to where we were. There were some revisions in the prior administration, I think that made it harder for FSOC to fulfill its congressional mandate, to consider that there may be some non-banks that are appropriately or systemically important, and so designated, and then pick up some enhanced regulation from the Federal Reserve.

Brooke Masters
You hear a lot from both entities that could be designated via FSOC and also those that are being regulated through various efforts to deal with private funds and non-banks, that there's too much regulation and that it will just lead to unnecessary cost and reports that nobody reads. How do you respond to that?

SEC Chair Gary Gensler
Oh, no, maybe it's my years in finance. I think about my time at Goldman Sachs in 1987, when everything came asunder, and you know, the big market crash in 1987. I think about the savings and loan crisis in the late 80s and early 90s and the American public had to pick up a tab and set up a Resolution Trust Company. I think about smallish things like Long Term Capital Management that almost spilled out. And I think about the financial crisis of 2008, the 10 million people lost their jobs and millions lost their homes. I think about everyday working Americans and retirees that rely on the highways of finance, and, you know, thoughtful prudent laws and regulation that lower those risks.

Brooke, there's still there's going to be risk in the system. We neither repealed the business cycle, nor repeal that from time to time there's going to be stress that spills out from the financial sector to the greater economy, but we should do what we can. And it's a balancing act but do what we can to lower some of the risk.

And that's why at the at the SEC, we have a three-part mission, investors, issuers, and the middle is the markets. And we talk about fair, orderly and efficient markets. And I think part of that orderly markets is ensuring that the pricing function works, that investors and issuers continue to have access to markets, and that's why we have a resiliency agenda. And it's a resiliency agenda around the issues we've talked about the Treasury markets, clearing houses, shortening the settlement cycle, as we talked about, it's around private funds, some of this disclosure. It's also around regulated funds, like money market funds, and earlier this year, we finalized some updates on that as well. And lastly, it's also about cyber resiliency. And we have a number of proposals there. But I agree with you there's there are tradeoffs. And we look very carefully at cost and benefits. We do robust economic analysis on each of these proposals.

Brooke Masters
You mentioned cyber, we haven't talked about that. I mean, clearly now that everybody is attached to the internet, and they're attached in different ways to each other, there are big risks involved in having everything be online. At the same time, and they're obviously incredible conveniences. How do you see that as a risk to stability? And what can you do about it?

SEC Chair Gary Gensler
Look first, it is absolutely right what you said, it's driven a great deal of efficiency and information sharing and access. And just the idea that today we have, I think 53 or 54 million separately managed accounts in the US and that's up from 30 million just six years ago. That's robo advisors. That’s an interconnectedness and an access and efficiency that can be in our markets. But it doesn't mean that it's not without risks. And cyber risk can be from state actors, and it can be from non-state actors. It could be somebody trying to steal your bank account or brokerage account information, or somebody trying to disrupt the whole stock exchange. And it's part of why a number of years ago well before my time at the SEC, we put in place something, a rule called systems compliance and integrity. And it was for the largest entities that are central, think about the stock exchange, systems compliance and integrity. But we thought that it'd be appropriate to put out some proposals around investment advisors and broker dealers. That's the whole community so about 14,000 investment advisors by the way, and 3000 or so broker dealers. And we put out a proposal about how they manage those risks and cyber. It’s what we call a policies and procedures proposal that they would have policies and procedures to manage those risks. We separately put something out, which was an update to a 22- or 23-year-rule around individual notification. Like if my brokerage account information got hacked, ought I know about that, so that I maybe can take some protection for myself. So those are the types of things we're looking at.

Brooke Masters
And do you feel you have a handle on it? Or are more proposals needed?

SEC Chair Gary Gensler
Well, we're still sorting through the public comment back on these investment advisors, broker dealer and these public notices, I'll call them, which is called Roll SP. And we're thoughtfully going through those in the staff and the Commission will consider it. But I think this will be an ongoing challenge for society and for finance writ large. I don't think we should think there's one moment. And we work closely with our partners across the administration, especially over it is CISA, under Jen Easterly, and the like.

Brooke Masters
One of the biggest threats to financial stability isn't directly financial. And that's climate change. Because you know, clearly as the world changes, risk is harder to measure, and new risks emerge. There's been a lot of talk about you all doing more about disclosures and measuring and where do you feel you are on that? And is there more to come?

SEC Chair Gary Gensler
So let me let me start by saying we're not a climate regulator. I look at this through the lens that Congress has mandated for our agency. And it's about disclosure of public companies. And those public companies raise money from the public, and provide full fair and truthful disclosure, and it's about their material risk, and their, of course, their balance sheets and income statements. And we've been doing this for decades. I came into the job, and in 2021, these numbers have now been looked at subsequently, in 2021, over 80% of the top 1000 companies, the Russell 1000, over 80% made climate risk disclosures. And I think the number is like 55% or 57% disclosures on greenhouse gas emissions. So that's where an agency like ours has a role to play. Investors are making investment choices buying and selling and voting based on that information that the majority of the top 1000 companies are already making. That's our role. It's an important role. But I would say it's a narrower role than you suggest. It's not, as you suggest, part of a resiliency agenda. It's just a matter of bringing comparability, some consistency, some efficiency to the disclosure space that is largely been happening over time about material things to investors and investors sure seem to be wanting these disclosures. Investors representing 10s of trillions of dollars of assets have written in and, you know, a significant support to bringing some consistency in this space.

Brooke Masters
One thing that's been in the news a lot lately is the whole question of crypto and certainly last year with the collapse of FTX, and some of the other exchanges raised the question of not just investor protection, but stability and whether we got through that without massive reductions in the broader market, but I think people worry about it. You all have been sort of working your way around these issues. Where do you see yourselves going next?

SEC Chair Gary Gensler
Well, I mean, I think my predecessor I think I, you know, we have a space, this crypto space that much of it without prejudging any one token, much of it, is under the securities laws, but unfortunately, much of it is also non-compliant.

Let me be though less technical. Millions of investors have been hurt in this field. The bankruptcies are too many for me to mention in the 11 minutes we have left. But, you know, some of the big ones from the Terra Luna thing last year, to Celsius, to of course, FTX, and Genesis and Block Phi, etc. The frauds and scams in this world, the hucksters in this world, the careful lawyering to try to arbitrage rules or laws in various jurisdictions and states. And somehow suggesting that there's no entrepreneurial effort in the middle of most of these tokens when you can find right on social media on X, or what's known as Twitter. There's the CEO of this token, you know, talking about this token, or there's a celebrity that's associating their name and their Instagram following and Twitter followers to, you know, tout something. And so, it's an area that can hurt investors, but it can also hurt the broader economy because it can hurt investor confidence. And finance is ultimately built on trust. And having one sector, and by the way, it's kind of small compared to our 100 + trillion-dollar capital market, it's relatively small, but it can really hurt investor confidence. It can hurt folks that least able to bear the losses. There's various studies that suggest that a lot of the losses actually are being borne by diverse communities and communities of less affluence. And so, then you start to, you know, undermine the broader financial sector. And lastly, say that also it can be interconnected directly. And look at the various banks that failed earlier this year amongst the regional banks. And a number of them were rather associated with the crypto field. Silicon Valley Bank and Signature and Silver Gate. You even had one large stable coin associated with it had its deposits at Silicon Valley Bank. I'm not suggesting, I leave it to the Federal Reserve in the FDIC as to why the banks failed. But, you know, there there's some interconnectedness from time to time.

And then lastly, not to mention how it could undermine law enforcement and undermine, you know, what we're you're trying to do as a nation with regard to guarding against illicit activity, like money laundering, and compliance with sanctions. I've been around finances, as I said, a lot of decades, whatever. I've never seen a field so rife with misconduct and people trying to run outside of the law when they're actually under the law.

Brooke Masters
I guess the frustration, I think, not so much from the industry, which would like to believe it doesn't need regulation, in some cases, is that

SEC Chair Gary Gensler
Satoshi Nakamoto wrote this eight-page paper, whomever she was, or he was, wrote that eight-page paper on Halloween night in the middle of the financial crisis. So, this is the 15th anniversary of Lehman Brothers. But if you had run this conference in six weeks, on Halloween, and six weeks will be the 15th anniversary of Satoshi Nakamoto’s Bitcoin white paper.

Brooke Masters
And yet here we are, we don't really have a handle on it.

SEC Chair Gary Gensler
And we don't know who Satoshi Nakamoto was,

Brooke Masters
No one probably never will. But given there are all these problems, it feels like there are some enforcement cases coming, but it feels like we need rules.

SEC Chair Gary Gensler
We have rules. Brooke, we have rules. We have rules. They're called, the laws that Congress passed, whether it's in the anti-money laundering and the sanction space are whether it's in the securities laws or whether it's the Commodities Exchange Act. We have laws as Congress has passed them in these various areas. We have rules on the books.

We have also where we think appropriate, put out to public comment, and addressed additional roles. One, earlier before I was here around Special Purpose broker dealers who want to set up as crypto broker dealers. While I've been here, we put out a new best execution proposal not just for stocks, but also for crypto. We updated a custody role that Congress gave us authority to do out of the Dodd Frank crisis. And that custody rule also covers crypto, even though crypto security tokens are already covered by the current custody role. We addressed and we spoke to industry concerns and comments. And we also as relates to exchanges, we had a proposal outstanding on exchanges and the definition of exchanges. A lot of folks from the crypto community made comments, we reopen that, and we address those comments. So, whether it's about broker dealers, whether it's about exchanges, whether it's about custody, we have taken up the path where we find it appropriate to put out the public comments and proposals. But there are laws, there are rules, not just here at the SEC. But across a number of areas. I think there's a field that a lot of it just wants to run past that and suggest otherwise.

Brooke Masters
They do seem to be finding some sympathetic judges. So, you have to be careful on that one. I notice we're coming towards the end of our time, and we've done a really wide ranging chat. Are there other things that keep you up at night as both as the markets regulator and in terms of financial stability that we haven't addressed?

SEC Chair Gary Gensler
I don't know. As long my three daughters are doing well, and my girlfriend's still talking to me. I slept pretty well.

Brooke Masters
But seriously,

SEC Chair Gary Gensler
I mean, that was serious.

Brooke Masters
I know, I know, you're serious, but for the purpose of our investors there, I'm sure they're glad you're getting good night's sleep, so you can make good decisions. But do you think that we have enough of a handle on that hourglass that you talked about at the beginning, you know, the things that could really put a clog in it?

SEC Chair Gary Gensler
I believe that it's an ongoing responsibility of those that are, it's a privilege to be in a job like mine, and as it was for each of my predecessors. I think for all of us, it's an ongoing responsibility thing. How do we update our rules of the road, given the new technologies and new business models. That particularly around the questions of this conference, financial stability, we haven't repealed the business cycle. And we will not repeal that from time-to-time stresses will emanate out of the financial sector banks, or non-banks. And we want to lower the chances it hurts everyday Americans, and we also want to lower the chance that we need the fire department, the Federal Reserve to kind of support. Whether it's this non-bank, financial intermediation, you know, money market funds, or hedge funds or something, or for the fire department, that Federal Reserve to support banks. And we saw that earlier this year with the regional bank situation. And through laws, you know, they've they took extraordinary measures to avert what might have been more systemic, and that's in their words, not mine. And so I think that there's always going to be this ongoing policy debates and challenges. At the SEC, I'm just so proud what we're addressing as trying to make sure that the Markets in the middle are not only resilient, which is what you've been focused on, but also efficient and competitive and they have integrity. That the markets in the middle work for investors on one hand and people raising money on the other, issuers. So back to the neck of the hourglass, that the neck of the hourglass works for both ends of the hourglass that needs or wants to trade money and risk. And that the neck of the hourglass is less prone to breaking.

But if it were to break, that it's less prone to hurting the investors and companies and others raising money. And so that's what we're doing. In the Treasury market, in the equity markets, we've already voted to shorten that settlement cycle. Across some of the cyber work, and across the private funds space, particularly about the disclosures, but I would say that relationship between those hedge funds and the banks and broker dealers, that prime brokerage relationship. And then the funds. We started with a little conversation about artificial intelligence. I think that's, that's one that we still need more thinking and discussion and debate before I think before it gets too hard to solve.

Brooke Masters
And sounds like that a pretty big agenda for all of us. Isn't in artificial intelligence week in Washington this week. But thank you, and it's nice to know that you're on the ball and thinking about it. I think we've come to the end of this. Thank you so much for your candor and thoughtful comments. I'm now supposed to turn it over to Cantrell Dumas of Better Markets to introduce the next panel and the next moderator. Thanks, Gary.

SEC Chair Gary Gensler
Thanks so much Brooke. Thank you to Better Markets.