



May 10, 2010

The Honorable John F. "Jack" Reed  
Chairman  
Subcommittee on Securities, Insurance and Investment  
Senate Committee on Banking, Housing, and Urban Affairs  
728 Hart Senate Office Building  
Washington, DC 20510

Dear Chairman Reed:

I am writing on behalf of the Council of Institutional Investors ("Council") in support of key provisions intended to modernize and strengthen investor protection featured in your recently proposed amendment to financial regulatory reform legislation (SA 3854).

As a nonprofit association of public, union and corporate pension funds with combined assets that exceed \$3 trillion, the Council represents major, long-term investors with a duty to protect the retirement savings of millions of American workers across the country. Significantly affected by the financial crisis, Council member funds have a deep interest in meaningful financial regulatory reform. We accordingly support your efforts to strengthen the regulation of the United States ("U.S.") financial system.

The Council specifically supports two provisions of SA 3854 designed to streamline the Securities and Exchange Commission's ("SEC" or "Commission") hiring authority for market specialists, and enhance the SEC's ability to share privileged information with other regulators. We believe these provisions are consistent with the recommendations of the blue-ribbon Investors' Working Group ("IWG"), a diverse panel of experts established by the Council and CFA Institute to propose improvements to the regulation of U.S. financial markets. Both measures would accordingly be constructive additions to financial regulatory reform legislation currently under consideration by the full Senate.

In July 2009, the IWG released its report, *U.S. Financial Regulatory Reform: The Investors' Perspective*, endorsed by the Council's membership last fall.<sup>1</sup> Among its various proposals, the IWG calls on Congress and the administration to strengthen and reinvigorate financial regulators. The IWG specifically recommends that regulators "acquire deeper knowledge and expertise" needed to police large, complex and rapidly changing financial markets:

**Regulators should acquire deeper knowledge and expertise.** The speed with which financial products and services have proliferated and grown more complex has outpaced regulators' ability to monitor the financial waterfront. Staffing levels failed to keep pace with the growing work load, and many agencies lack staff with the necessary expertise to grapple with emerging issues. Political appointees and senior civil service staff should have a wide range of financial backgrounds. Compensation should be sufficient to attract top-notch talent...In particular, agencies should explore ways of recruiting individuals from the private sector to improve the regulators' ability to understand and keep up with complex financial and market innovations.<sup>2</sup>

<sup>1</sup> Investors Working Group, *U.S. Financial Regulatory Reform: The Investors' Perspective* (July 2009), [www.cii.org/UserFiles/file/IWGreport.pdf](http://www.cii.org/UserFiles/file/IWGreport.pdf). For more information, please visit [www.cii.org/iwglInfo](http://www.cii.org/iwglInfo).

<sup>2</sup> *Id.* at 10.

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The Council believes that language included in SA 3854 designed to streamline the SEC's hiring authority for market specialists would help implement this important recommendation. Further, it is our view that a provision in the amendment enhancing the Commission's ability to share privileged information with other regulators is consistent with the IWG's call for "greater sharing of information among national regulators."<sup>3</sup> We accordingly support inclusion of both measures in financial regulatory reform legislation.

Thank you for consideration of the views of investors and for your leadership on financial regulatory reform. We look forward to continuing to work with you to strengthen investor protection and regulation of the entire U.S. financial system. If you have any questions, please feel free to contact me at (202) 261-7081 or [jeff@cii.org](mailto:jeff@cii.org), or Council analyst Jonathan Urick at (202) 261-7096 or [jonathan@cii.org](mailto:jonathan@cii.org).

Sincerely,

A handwritten signature in black ink that reads "Jeff Mahoney". The signature is written in a cursive, flowing style.

Jeff Mahoney  
General Counsel  
Council of Institutional Investors

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<sup>3</sup> *Id.* at 4.