



Via Hand Delivery

March 8, 2012

The Honorable Harold Rogers
Chairman
Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515

The Honorable Norm Dicks
Ranking Member
Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Rogers and Ranking Member Dicks:

We are writing to express our strong support for the U.S. Securities and Exchange Commission's (SEC or Commission) budget request for fiscal year 2013.¹

As a nonprofit, nonpartisan association of public, corporate and union pension plans, and other employee benefit funds, foundations and endowments with combined assets that exceed \$3 trillion, the Council of Institutional Investors (Council) is committed to protecting the retirement savings of millions of American workers.² We believe an adequately funded SEC is a critical element to fulfilling that commitment.

The SEC, while far from perfect, remains the *only* agency of the federal government whose mission explicitly includes protecting investors.³ Institutional investors and their beneficiaries rely, in significant part, on the SEC to be their advocate in overseeing and monitoring more than 30,000 entities participating in the markets, including

- 9,100 reporting companies
- 15 national securities exchanges
- 8 active clearing agencies, and
- 9 national recognized statistical rating organizations.⁴

Investors expect the SEC to actively inspect and examine those entities and the individuals managing those entities and, when appropriate, aggressively enforce the federal securities laws on investors' behalf.

¹ *Hearing before the H. Subcomm. on Fin. Servs. and Gen. Gov't of the Comm. on Appropriations*, 112th Cong. 1 (Mar. 6, 2012) (Testimony by Chairman Mary L. Schapiro, U.S. Securities and Exchange Commission (SEC)) [hereinafter SEC Testimony], <http://www.sec.gov/news/testimony/2012/ts030612mls.htm> (SEC requesting \$1.566 billion for fiscal year 2013).

² For more information about the Council of Institutional Investors (Council) and our members, please see our Web site at www.cii.org.

³ U.S. Securities and Exchange Commission, About the SEC, <http://www.sec.gov/about/whatwedo.shtml> (last visited Mar. 8, 2012) ("The mission of the SEC is to protect investors . . .").

⁴ SEC Testimony, *supra* note 1, at 2.

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In 2011, the SEC completed more than 1,600 oversight examinations designed to detect and prevent fraud, strengthen industry compliance, monitor new and emerging risk, and inform policy.⁵ In addition, the SEC filed 735 enforcement actions and obtained more than \$2.8 billion in penalties and disgorgement.⁶ Investor confidence in the fairness of the markets demands more, not less of this activity.

One lesson from the financial crisis is that the level of SEC funding was insufficient to allow the Commission to keep pace with rapid market changes and technological innovation.⁷ We, therefore, are particularly pleased that the SEC budget request includes a significant allocation in support of new and improved information technology systems.⁸ The Committee might consider whether that allocation should be increased.

Finally, it is important to acknowledge that funding the SEC does not increase the federal deficit. As you are well aware, the SEC's funding is fully offset by the matching collections of fees on securities transactions.⁹

For all of the above reasons, we respectfully request that the Committee approve the SEC's budget request for fiscal year 2013 and provide the federal government's only investor advocate with the resources they need to fulfill their mission and protect the livelihood of millions of American workers.

If you should have any questions or require any additional information about the Council or the contents of this letter, please feel free to contact me at 202.261.7081 or Jeff@cii.org, or Senior Analyst Laurel Leitner at 202.658.9431 or Laurel@cii.org.

Sincerely,



Jeff Mahoney
General Counsel

cc: The Honorable Spencer Bachus, Chairman, Committee on Financial Services
The Honorable Barney Frank, Ranking Member, Committee on Financial Services

⁵ *Id.* at 1.

⁶ *Id.* An adequately funded government enforcement process that can efficiently pursue actions to recover losses for defrauded investors is particularly important in light of recent U.S. Supreme Court decisions limiting private rights of action for securities fraud. See generally, Christian J. Ward et al., *Morrison v. National Australia Bank, The Impact on Investors* 1 (Feb. 2012), http://www.cii.org/UserFiles/file/resource%20center/publications/CII_Morrison_white%20pape_FINAL.pdf (noting that the U.S. Supreme Court's decision in *Morrison* strips "institutional and other private investors of the significant protection previously afforded by federal securities laws").

⁷ Investors' Working Group, U.S. Financial Regulatory Reform: The Investors' Perspective 9 (July 2009), [http://www.cii.org/UserFiles/file/resource%20center/investment%20issues/Investors'%20Working%20Group%20Report%20\(July%202009\).pdf](http://www.cii.org/UserFiles/file/resource%20center/investment%20issues/Investors'%20Working%20Group%20Report%20(July%202009).pdf) (recommending that the Securities and Exchange Commission's funding keep "pace with rapid market changes and financial innovation . . ."). Following its issuance, the Investors' Working Group (IWG) Report was reviewed and subsequently endorsed by the Council board and membership. For more information about the IWG, please visit the Council's Web site at <http://www.cii.org/iwglInfo>.

⁸ SEC Testimony, *supra* note 1, at 6 ("The SEC's budget request for FY 2013 would support IT investments of approximately \$100 million.").

⁹ *Id.* at 3 ("the SEC is deficit-neutral, as any increase or decrease in the SEC's budget would result in a corresponding rise or fall in offsetting fee collections").