Council of Institutional Investors
The Voice of Corporate Governance

Via Hand Delivery

July 15, 2014

The Honorable John Boehner
Speaker of the House
U.S. House of Representatives
Washington, DC 20515

The Honorable Nancy Pelosi
Minority Leader
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Speaker and Minority Leader Pelosi:

I am writing on behalf of the Council of Institutional Investors ("Council"), a nonprofit association of pension funds, endowments and foundations with combined assets exceeding three trillion dollars. Our member funds include 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 members have a deep, abiding interest in strong regulatory reform that meets the needs and demands of long-term investors.[1]

Our members are gravely concerned about the sections of H.R. 5016, the Financial Services and General Government Appropriations Act of 2015, that address funding of the U.S. Securities & Exchange Commission ("SEC").[2] As you are aware, those provisions provide a level of funding to the SEC that is $300 million below the President's request and, if maintained, we fear could seriously inhibit the SEC's mission of protecting investors, including protecting the retirement savings of millions of American workers.

In order to safeguard long-term investors and the U.S. capital markets, the Council believes that the SEC must have sufficient, stable, and independent funding to meet investor's needs.[3] As you know, the United States Congress created the SEC to put a halt to the abusive practices in the markets that precipitated the Great Depression. More recently, following the 2008 financial crisis, Congress significantly added to the SEC's responsibilities with the enactment of the Dodd-Frank Wall Street Reform Act.

In the face of an extensive mandate from Congress to implement and enforce laws and regulations that Congress has deemed necessary to prevent a repeat of the financial crisis, we

[1] For more information, see CII, *About Us*, www.cii.org/about_us (last visited July 14, 2014).
[2] Financial Services & General Government Appropriations Act, 2015, H.R. 516, 113th Cong. (as reported by H. Comm. on Appropriations, July 2, 2014),
[3] Investors' Working Group, U.S. Financial Regulatory Reform: The Investors' Perspective 9 (July 2009), http://www.cii.org/files/issues_and_advocacy/dodd-frank_act/07_01_09_iwg_report.pdf (recommending that the Securities and Exchange Commission's funding keep "pace with rapid market changes and financial innovation . . . .").

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believe it would be manifestly irresponsible to deprive the SEC of these much needed resources.[4] As several House members noted, the cuts from the President's request for SEC funding in H.R. 1506 will "lead[] to less enforcement and hinder[] the ongoing implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act . . . enacted to deter truly outrageous behavior in our financial sector."[5]

Though reducing the federal deficit and the burden on American taxpayers are important issues, as you are well aware, funding the SEC in no way increases the federal deficit or costs taxpayers any money.[6] The SEC's funding is fully offset by matching collections of fees on securities transactions. There is no fiscal justification for curtailing the SEC's 2015 budget.

The SEC may be imperfect, but it is nevertheless the only independent federal agency that is explicitly tasked with protecting investors and, as a result, is a critical institution for maintaining investor faith in U.S. capital markets—that faith which drives investment, creates market stability, encourages job creation, and safeguards the livelihood of millions of American workers.

For all these above reasons, we respectfully request that you oppose the passage of H.R. 5016, unless and until it is amended, to increase the SEC's budget consistent with the Administration's request.

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 202.261.7088 or Todd@cii.org or our General Counsel Jeff Mahoney at 202.261.7081 or Jeff@cii.org.

Sincerely,

Todd W. Noelle
Council of Institutional Investors

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[4] The need for the resources requested was made manifest by SEC Chair White's testimony before the House Subcommittee on Financial Services and General Government Committee on Appropriations. *See Hearing before the H. Subcomm. on Fin. Serv's. & Gen. Gov't of the Comm on Appropriations*, 113th Cong. (May 14, 2014) [hereinafter *SEC Testimony*] (testimony of Chair Mary Jo White, SEC), http://www.sec.gov/News/Testimony/Detail/Testimony/1370541815125#.U8QgJpRdXrQ ("The SEC needs significant additional resources to keep pace with the growing size and complexity of the securities markets and the agency's broad responsibilities. The agency currently oversees more than 25,000 market participants, including over 11,000 investment advisers, approximately 10,000 mutual funds and exchange-traded funds, 4,450 broker-dealers, 450 transfer agents, 18 securities exchanges . . . .").
[5] H.R Rep. No. 113-508, at 147–48 (2014), *available at* http://www.gpo.gov/fdsys/pkg/CRPT-113hrpt508/pdf/CRPT-113hrpt508.pdf (dissenting views of Hon. Nita Lowey and Hon. Jose E. Serrano).
[6] *See, e.g.*, *id.* at 148 ("It is important to note that funding for the SEC is deficit-neutral, as the agency is fee-funded. Therefore, fully funding the agency at the President's request would not cost a dime in taxpayer dollars . . . ."); *SEC Testimony*, *supra* note 4.