



Via Hand Delivery

September 14, 2015

The Honorable Thad Cochran
Chairman
Committee on Appropriations
United States Senate
Washington, DC 20510

The Honorable Barbara A. Mikulski
Ranking Member
Committee on Appropriations
United States Senate
Washington, DC 20510

Dear Chairman Cochran and Ranking Member Mikulski:

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 committed to protecting the retirement savings of millions of American workers and retirees across the country.¹

In order to safeguard long-term investors and the U.S. capital markets, the Council has long believed that the U.S. Securities and Exchange Commission (SEC or Commission) must have sufficient, stable, and independent funding to meet investors' needs.² As you might expect, we are concerned about provisions of the fiscal 2016 Financial Services and General Government Appropriations bill that address funding of the Commission. As you are aware, those provisions provide a level of funding to the SEC that is \$222 million, or 13 percent, below what SEC Chair White has indicated is necessary for the Commission to "fulfill its obligation to protect investors, maintain fair, orderly and efficient markets, and facilitate capital formation."³

¹ For more information, see Council of Institutional Investors (Council), *About Us*, www.cii.org/about_us (last visited Sept. 14, 2015).

² See, e.g., Investors' Working Group, U.S. Financial Regulatory Reform: The Investors' Perspective 9 (July 2009) (recommending that the U.S. Securities and Exchange Commission's funding keep "pace with rapid market changes and financial innovation . . .") (on file with Council), http://www.cii.org/investors_working_group. 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, see Council, *Investors' Working Group*, <http://www.cii.org/content.asp?contentid=141> (last visited Sept. 14, 2015).

³ Fiscal Year 2016 Budget Request of the U.S. Securities and Exchange Commission: Before the Subcomm. on Fin. Servs. & Gen. Gov't. Comm. on Appropriations, 114th Cong. 1 (May 5, 2015) (testimony of Chair Mary Jo White) [hereinafter Testimony], <http://www.sec.gov/news/testimony/testimony-fy-2016-sec-budget-request.html>.

In testimony before the Senate Appropriations Committee's Subcommittee on Financial Services and General Government, CII believes Chair White made a compelling case for funding the Commission at the level requested. As you know, the requested funding would allow the SEC to hire an additional 431 staff in critical, core areas, including enforcement and trading and markets, and provide the resources needed to permit the Commission to enhance its technology to keep pace with the entities and markets it regulates.⁴

In addition, we share the following two specific concerns raised recently by the Director of the Office of Management and Budget:

- (1) [Without the requested funding the] “SEC would not be able to execute on its expanded responsibilities over . . . derivatives market participants, and clearing agencies, among others.”⁵
- (2) “The bill also rescinds \$25 million from the agency's mandatory Reserve Fund, established by the Wall Street Reform Act. This rescission continues a budget gimmick that inhibits technology spending on mission-critical, multi-year projects, including data analysis tools, enforcement and examinations improvements, and enhancements to the tips, complaints, and referrals system.”⁶

Reducing the federal deficit and the burdens on American taxpayers are vital issues. As you are well aware, however, funding the SEC in no way increases the federal deficit or costs taxpayers or any other federal agency any money.⁷ The SEC’s funding is fully offset by transaction fees from self-regulatory organizations.⁸ Moreover, we believe that to-date Chair White has demonstrated that she is an effective and prudent steward of the funds the Commission has been appropriated.

Finally, while the SEC may be imperfect, it is the only independent federal agency that is explicitly tasked with, and centrally focused on, protecting and advocating on behalf of investors.⁹

⁴ *Id.* at 1.

⁵ Letter from Shaun Donovan, Director, Office of Management and Budget, Executive Office of the President, to The Honorable Thad Cochran, Chairman, Committee on Appropriations, U.S. Senate 4 (Aug. 5, 2015), <https://www.whitehouse.gov/sites/default/files/omb/legislative/letters/senate-fsgg-letter-cochran.pdf>.

⁶ *Id.*

⁷ Testimony, *supra* note 3, at 1.

⁸ *Id.* & n.3.

⁹ U.S. Securities and Exchange Commission, *About the SEC*, <http://www.sec.gov/about/whatwedo.shtml> (last visited Sept. 14, 2015).

Under the leadership of Chair White, the Commission remains the most important institution for maintaining investor confidence in the U.S. capital markets—confidence that drives investment, creates market stability, encourages job creation and safeguards the livelihood of millions of American workers and retirees.¹⁰ Thus, in our view, fully funding the SEC is good for American investors, taxpayers, businesses and the U.S. economy generally.

For all of the above reasons, we respectfully request that you oppose passage of the Financial Services and General Government Appropriations bill, unless and until it is amended, to increase the SEC's budget consistent with Chair White'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 202.360.9919 or Jeff@cii.org.

Sincerely,



Jeff Mahoney
General Counsel

cc: The Honorable John Boozman, Chair, Subcommittee on Financial Services and General Government, Committee on Appropriations, United States Senate
The Honorable Chris Coons, Ranking Member, Subcommittee on Financial Services and General Government, Committee on Appropriations, United States Senate
The Honorable Richard C. Shelby, Chair, Committee on Banking, Housing, and Urban Affairs, United States Senate
The Honorable Sherrod Brown, Ranking Member, Committee on Banking, Housing, and Urban Affairs, United States Senate

¹⁰ See *generally* Chairman Mary Schapiro, Remarks at the SIFMA Annual Conference (Oct. 27, 2009) (describing the role and activities of the Securities and Exchange Commission in restoring investor confidence following the financial crisis), <https://www.sec.gov/news/speech/2009/spch102709mls.htm>.