

Congress of the United States

Washington, D.C. 20515

April 26, 2021

The Honorable Rosa DeLauro
Chairwoman
House Committee on Appropriations

The Honorable Kay Granger
Ranking Member
House Committee on Appropriations

The Honorable Mike Quigley
Chairman
House Appropriations Committee
Subcommittee on Financial Services

The Honorable Steve Womack
Ranking Member
House Appropriations Committee
Subcommittee on Financial Services

Chairwoman DeLauro, Ranking Member Granger, Chairman Quigley, and Ranking Member Womack:

As you consider the fiscal year (FY) 2022 Financial Services and General Government (FSGG) Appropriations bill, we urge you to fully fund Wall Street's cop on the beat, the U.S. Securities and Exchange Commission (SEC).

The SEC is tasked with the important mission to (1) protect investors; (2) maintain fair, orderly, and efficient capital markets; and (3) facilitate capital formation. In fulfilling this mission, the SEC oversees \$140 trillion a year in securities trading and more than 28,000 market participants that employ over one million people in the United States. These market participants include investment advisers, mutual funds, broker-dealers, national securities exchanges, credit rating agencies, clearing agencies, and self-regulatory organizations like the Public Company Accounting Oversight Board, the Financial Industry Regulatory Authority, the Municipal Securities Rulemaking Board, the Securities Investor Protection Corporation, and the Financial Accounting Standards Board. The SEC also reviews disclosures and financial statements of over 7,600 reporting companies, including approximately 4,300 exchange-listed public companies with an approximate aggregate market capitalization of \$34 trillion. Without sufficient funds, the SEC cannot fulfill its important mission or oversee these crucial activities and entities.

Adequate funding and personnel is necessary to take on these broad, complex, and important responsibilities, particularly during a time when our country is battling a deadly global pandemic that continues to impose significant challenges to U.S. investors, the U.S. financial system, and the U.S. economy.

In addition to providing the SEC with the funding needed to tackle the impacts of the COVID-19 pandemic, it is imperative that the SEC be given the resources to address other regulatory and market structure weak points. The January 2021 GameStop controversy highlighted these issues and raised serious questions regarding existing rules governing short sales and related disclosures, as well as the conflicts between the practice of payment for order flow and firms' best execution obligations. It also raised important questions about the efficacy of anti-market manipulation laws and whether technology and social media have outpaced regulation in a manner that leaves investors and the markets exposed to unnecessary risks.

The SEC's budget under the Trump Administration and the has been consistently woefully inadequate and pales in comparison to the budgets of the entities the SEC oversees. For example, while the SEC requested \$1.895 billion for the entire agency for fiscal year 2021, JPMorgan Chase's 2020 technology budget alone was about \$11.4 billion. Meanwhile, the

Dodd-Frank Act envisioned the agency having \$2.25 billion by FY 2015. It is also important to note that the SEC's appropriation is entirely offset by fees levied on securities transactions and does not increase the government debt.

Due to years of inadequate funding by the Trump Administration, the SEC was forced to impose a strict hiring freeze which resulted in the loss of hundreds of critical positions. It is crucial that the SEC be given sufficient funding to not only fill the personnel backlog created by the previous administration, but to be given the funding it needs so that it may adequately tackle challenges facing our capital markets that have been neglected for far too long. This includes providing the SEC the funding it needs to hire new personnel, including economists, with expertise in areas like climate change and cybersecurity, and to expand the SEC's Office of Minority and Women Inclusion (OMWI) so that it may play a greater role in the SEC's policymaking process to ensure that women and minorities are sufficiently represented.

Additionally, in December 2020, recognizing the greater role of financial technology, including "evolving areas such as distributed ledger technology and digital assets, automated investment advice, digital marketplace financing, and artificial intelligence and machine learning," the SEC converted the Strategic Hub for Innovation and Financial Technology (FinHub) to a stand-alone office. It is crucial that the SEC receive the funding it needs to sufficiently staff this new office with employees who have the specialized expertise needed to help the SEC foster new growth and opportunities created by new financial technologies and to confront the new challenges they may present.

Furthermore, it is imperative that the SEC be granted sufficient funding to complete and implement the Consolidated Audit Trail (CAT), which will allow regulators to better protect investors and market integrity by efficiently and accurately tracking activity in U.S. equity and options markets. Additionally, the SEC must be granted the funding needed to ensure that the SEC has access to the cybersecurity tools and personnel needed to protect this system and data.

Lastly, we urge the Committee to provide the SEC with the funding it needs to adopt new rules requiring comprehensive environmental, social, and governance (ESG) disclosures, including disclosures related to climate risk, human capital management, human rights, political spending, tax disclosures, and corporate board diversity. These disclosures are critical for investors and market participants to evaluate companies' financial performance as well as long-term viability. Full funding for the SEC to adopt these new rulemakings should be accompanied with the full elimination of all appropriations riders adopted last Congress that prohibit the SEC from proposing and adopting rules related to these disclosures, particularly with respect to political spending.

For the reasons highlighted above, we urge the Appropriations Subcommittee on Financial Services and General Government to protect America's investors, ensure market integrity, and hold bad actors accountable, by fully funding the SEC.

Thank you in advance for your consideration of this urgently needed request.

Sincerely,

Handwritten signature of Maxine Waters in blue ink.

Congresswoman Maxine Waters

Handwritten signature of Brad Sherman in blue ink.

Congressman Brad Sherman

Fully Fund the SEC, FY 2022
List of Signatories
April 26, 2021

/s _____
Jake Auchincloss

/s _____
Sheila Jackson Lee

/s _____
Stacey E. Plaskett

/s _____
Cindy Axne

/s _____
Mondaire Jones

/s _____
Michael F.Q. San Nicolas

/s _____
Joyce Beatty

/s _____
Al Lawson

/s _____
Jan Schakowsky

/s _____
Sean Casten

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Stephen Lynch

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Terri A. Sewell

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Danny K. Davis

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Carolyn B. Maloney

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Albio Sires

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Peter A. DeFazio

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A. Donald McEachin

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Mark DeSaulnier

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Rashida Tlaib

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Gregory W. Meeks

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Ritchie Torres

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Bill Foster

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Alexandria Ocasio-Cortez

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Nydia M. Velázquez

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Jesús G. “Chuy” García

/s _____
Ilhan Omar

/s _____
Nikema Williams

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Vicente Gonzalez

/s _____
Jimmy Panetta

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Jim Himes

/s _____
Chellie Pingree