

Congress of the United States

Washington, DC 20510

April 26, 2024

The Honorable Tom Cole
Chairman
Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Rosa DeLauro
Ranking Member
Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515

The Honorable David Joyce
Chairman
Subcommittee on Financial Services
and General Government
Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Steny Hoyer
Ranking Member
Subcommittee on Financial Services
and General Government
Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515

Chairman Cole, Ranking Member DeLauro, Chairman Joyce, and Ranking Member Hoyer:

The Securities and Exchange Commission (SEC), our cop on the Wall Street beat, is tasked with the important mission to (1) protect investors; (2) maintain fair, orderly, and efficient capital markets; and (3) facilitate capital formation. As you consider the fiscal year (FY) 2025 Financial Services and General Government (FSGG) Appropriations bill, we urge you to fully fund the SEC with at least \$2.594 billion for its fiscal year (FY) 2025 budget.

In fulfilling this mission, the SEC oversees our \$110 trillion capital markets, as well as more than 29,000 market participants that employ over one million people in the U.S. These market participants include 15,000 investment advisers, 750 investment companies, 3,500 broker-dealers, 24 national securities exchanges, 95 alternative trading systems, 9 credit rating agencies, 7 clearing agencies, and self-regulatory organizations like the Public Company Accounting Oversight Board (PCAOB), the Financial Industry Regulatory Authority (FINRA), the Municipal Securities Rulemaking Board (MSRB), the Securities Investor Protection Corporation, and the Financial Accounting Standards Board. The SEC also reviews disclosures and financial statements of approximately 5,250 exchange-listed public companies with an aggregate market capitalization of \$51 trillion. Without sufficient funds, the SEC cannot fulfill its important mission or oversee these crucial activities and entities.

Adequate funding and staffing are essential for the SEC to manage the growing complexity and volatility in U.S. markets, especially considering the previous Administration's reductions in SEC personnel. It is crucial that the SEC receives the necessary resources to address long-neglected investor protection challenges in our capital markets. This includes funding to hire new personnel, including technologists and economists, professionals with expertise in areas of financial risks related to climate change, artificial intelligence, and cybersecurity. Additional funding is also necessary to expand the SEC's Office of Investor Advocate so that all investors, including retail investors, have a voice at the SEC, as well as to expand the Office of Minority and Women Inclusion (OMWI) so that it may play a greater role

in the SEC's policymaking process to ensure that underserved populations are sufficiently represented both within the agency and the financial services industry at large.

Among several important priorities, \$2.594 billion will bolster the SEC's important rulemaking agenda, which is moving at a thoughtful and deliberate pace. This includes efforts to rigorously defend and implement the recently finalized climate disclosure framework, as well as other Environmental, Social and Governance (ESG) matters, such as exposure to risks related to human capital management and employee diversity, political spending, cybersecurity threats, foreign tax reporting, and supply chain disruptions. SEC needs funding to also ensure shareholders' ability to engage with the companies they invest in, including safeguarding shareholders' fundamental right to submit and resubmit proposals, and protecting the independence of proxy voting advice. Full-funding is also necessary to provide enhanced transparency in the private funds space; reform deficiencies in equities market structure highlighted by this Committee following the GameStop trading event; and hold accountable those responsible for investor harm during the 2020-2022 growth of special purpose acquisition companies (SPACs), which have supplanted the traditional initial public offering (IPO) and present novel investor, legal and accounting issues. It is also important that the SEC invest in its own technology and regulatory infrastructure, including completion of the Electronic Data Gathering, Analysis, and Retrieval Modernization project and ensuring the Consolidated Audit Trail is fully operational. For these reasons, Democrats support the full allocation to the Reserve Fund created in the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) and is specifically designed to support multi-year investments in I.T. projects.

While the SEC has broad authorities to regulate the offer and sale of securities and to regulate intermediaries, including trading platforms within the digital assets industry, the agency continues to face stiff resistance by crypto industry participants to register and become compliant with the securities laws and rules that have protected investors for decades. The SEC's requested funding level will bolster its ability to protect investors and customers from noncompliant digital assets entities.

The \$25 trillion private funds industry, encompassing hedge funds, private equity, and venture funds, now surpasses the U.S. commercial banking sector, valued at \$23 trillion. The fund managers' capital allocation decisions significantly affect investor returns, consumer welfare, and broader societal and environmental impacts. Sufficient SEC funding is also necessary to provide a window into private fund activities within industries, companies, and countries that pose strategic challenges to our national and economic security. Additionally, a robust budget would allow the SEC to focus on the proliferation of the issuance of unregistered—or exempt—securities, which lack sufficient protections for investors to better understand the risks associated with these securities.

Finally, we note that these funds appropriated to the Commission will not be borne by the taxpayer as all SEC funds are offset entirely by transaction and other fees on capital market participants.

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 request.

Sincerely,



Maxine Waters
Ranking Member, Committee
on Financial Services



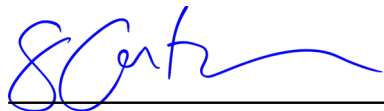
Brad Sherman
Member of Congress
Ranking Member,
Subcommittee on Capital
Markets



Danny K. Davis
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Emanuel Cleaver, II
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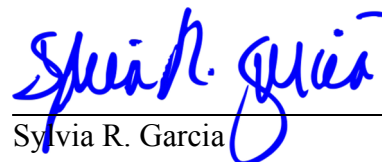
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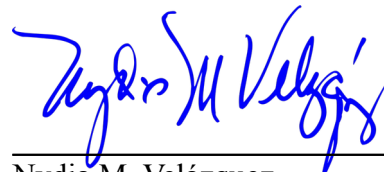
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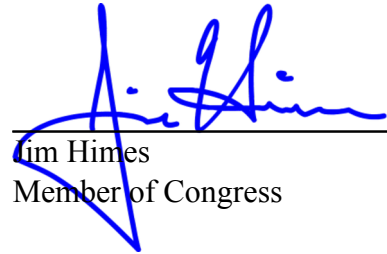
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Ilhan Omar
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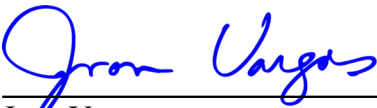
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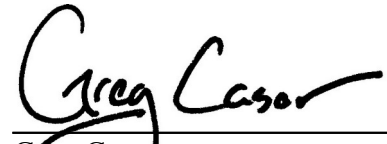
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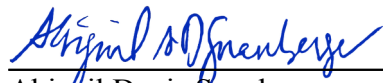
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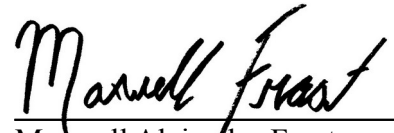
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