



Chairman Ander Crenshaw

*Subcommittee on Financial Services and General Government
House Committee on Appropriations*

FY 2016 Budget Hearing – Securities and Exchange Commission

April 15, 2015

Opening Statement As Prepared

The hearing will come to order.

I would like to welcome our witness, SEC Chair Mary Jo White. Thank you for being here today to testify before this subcommittee. We always enjoy having you appear before this Committee and I am sure all Members have lots to discuss with you today.

The Securities and Exchange Commission plays a particularly important role of encouraging capital formation, maintaining fair markets, and protecting investors. A well-functioning SEC is critical to keeping U.S. markets sound and operating efficiently.

For fiscal year 2016, the SEC is requesting a \$222 million, or a 15 percent, increase over fiscal year 2015. While the SEC is fee-funded, I take seriously this Committee's oversight responsibility over the SEC. As we have seen with other agencies—including this one—it's not about how much money you get, it's about how well you use the resources you are given.

This Committee was very generous in fiscal year 2015, providing the SEC with an additional \$150 million, or an 11 percent increase. And since 2001 this agency's budget has increased by 255 percent. I would think this kind of budgetary growth is larger than almost any other federal agency. So, Chair White, today as we discuss your fiscal year 2016 budget request I look forward to hearing from you exactly where this 15 percent increase is needed and why last year's 11 percent increase was not sufficient to cover any additional costs.

On a positive note, for the last two years, this committee has set aside funding to fully fund the Division of Economic and Risk Analysis. Cost-benefit analysis of SEC rulemakings is critical and I am glad to hear these funds have been used to do more analysis of the Commission's activities.

While we have lots to talk about today, I am especially interested to hear your thoughts on market liquidity—or illiquidity—and what the SEC is doing to address this issue. I have heard that burdensome and overlapping regulations are causing a lack of liquidity in the U.S. markets and on our job creators. If not addressed in a timely and consistent manner, illiquidity could introduce potentially damaging volatility to our markets which could have far-reaching impacts on our economy and is contrary to the SEC's mission of fostering access to capital.

I am also concerned by certain decisions made by the Financial Stability Oversight Council (FSOC), of which you are a member. FSOC's regulations affect entities under SEC supervision, and yet I am not sure that FSOC's actions match its mission. In particular, FSOC's process of designating Systemically Important Financial Institutions (SIFI) has troubling implications. I believe entities should be given the ability to address systemic risk before being designated. FSOC should not be in the business of only designating more SIFIs, it should be looking for ways to mitigate systemic risk at the source for the good of our economy as a whole.

Lastly, Chair White, I would like to bring to your attention two letters that I along with my counterpart in the Senate, Senator Boozman, wrote regarding issues that we believe the SEC should take the lead on addressing. As you know I wrote OMB Director Donovan last month with regard to the Department of Labor's proposed rule to amend the definition of "fiduciary." I would argue that Dodd-Frank gave the SEC the responsibility of studying and potentially developing a uniform fiduciary standard of care for broker-dealers and investment advisors, not the Department of Labor. Since then I have read you believe broker-dealers and investment advisors should be held to the same fiduciary standard and are possibly crafting a rule on this important issue. I look forward to discussing this more with you a little later today.

Second, we also sent a letter to Chairman Ketchum of the Financial Industry Regulatory Authority, or FINRA, on their proposed central database rule. While FINRA is a Self Regulatory Organization (SRO), I am concerned that the SEC has frequently addressed critical market structure issues by delegating its responsibility to SROs. I understand that the SEC may in part be delegating these responsibilities to protect your resources, but additional funds are not the only solution, reforms as simple as allowing affected market participants to provide meaningful input could improve governance structure. I hope to learn more from you on this issue later today.

As the securities regulator and expert, I expect the SEC to be leading the charge to help further grow our economy. Chair White you have a central role in both helping businesses and investors gain access to capital and participate in the securities markets, as well as protecting U.S. investors from the bad guys. This is an important responsibility that I know you take seriously. We appreciate all that you and your staff do and we thank you again for being here today. We look forward to your testimony.

I would now like to recognize Ranking Member Serrano for any opening statement he would like to make.

I now recognize Chair White for your opening statement. If you could keep your remarks to five minutes, that will leave us more time for questions.

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