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# United States Senate

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March 12, 2009

The Honorable Richard Durbin  
Chairman  
Senate Appropriations Committee  
Subcommittee on Financial Services and  
General Government  
Washington, D.C. 20510

The Honorable Susan Collins  
Ranking Member  
Senate Appropriations Committee  
Subcommittee on Financial Services and  
General Government  
Washington, D.C. 20510

Dear Chairman Durbin and Ranking Member Collins:

I am writing to urge you to reprogram \$17 million dollars appropriated to the Securities and Exchange Commission (SEC) but not spent in the years prior to Fiscal Year 2009, so that the SEC has that money available this year for much-needed enforcement activity. As the securities markets continue to operate in a state of turmoil, it is more critical now than ever that we provide all the resources necessary for the SEC to reestablish itself as an effective and vigilant protector of investors and the integrity of our capital markets.

As the past year has shown us all too vividly, the SEC was fundamentally unprepared to meet the challenges it was charged to address. From inadequate regulation of investment banks like Bear Stearns and Lehman Brothers, to the massive Ponzi scheme implemented by Bernard Madoff, the SEC failed to protect investors and the American people as a whole from fraudulent and unscrupulous practices that should have never been allowed.

While it's clear that ideology contributed to the SEC's lax enforcement during the Bush Administration, it also seems to be the case that the Commission is currently suffering from a lack of resources needed to implement the necessary changes proposed by Chairwoman Schapiro. Indeed, as Chairwoman Schapiro noted in her March 11, 2009 testimony before the House Appropriations Subcommittee on Financial Services, years of flat or declining budgets forced the SEC to lose 10 percent of its employees from 2005 to 2007 alone. During this time, critical operations were gutted. Most notably, the Agency's Division of Corporation Finance lost 13 percent, its examination staff fell by 7 percent, and the enforcement workforce saw a cut of 10 percent.

Perhaps most troubling is the fact that as the SEC was cutting its staff, the securities market it was charged with overseeing was growing dramatically. Indeed, since 2005, the number of investment advisers registered with the SEC increased by 32 percent, with the number of broker-dealer branch offices rising by 67 percent. In this decade alone, the amount of outstanding asset-backed securities more than doubled, to almost \$2.5 trillion by 2007 with collateralized debt obligations increasing by threefold in just two years. This massive increase in the SEC's workload demands an equally large commitment by Congress to ensure they have the resources to address these challenges.

Reprogramming this \$17 million in unexpended funds will not come at any additional cost to the taxpayers. This money was appropriated in past years so the SEC would be fully staffed and capable of properly overseeing our securities markets. Unfortunately, the previous Administration chose to decline these resources, which left the SEC understaffed and unprepared to do its job. As our Nation confronts the greatest economic challenge we've seen in generations, we need the SEC to be a vigilant cop on the beat, proactively looking for potential securities fraud in all its forms.

While the topic of funding our regulatory agencies might seem like an academic exercise, the effects of a failed SEC have real and disastrous consequences for our economy and the American people. I can't think of a better example in which an ounce of prevention would have been worth a pound of cure. That is why I urge you to reprogram the \$17 million in unspent funds for the SEC to utilize in Fiscal Year 2009 so it can effectively protect investors and restore integrity in our capital markets.

Sincerely,



ROBERT MENENDEZ  
United States Senator