

**Chairwoman JoAnn Emerson**  
**Subcommittee on Financial Services and General Government**  
**House Committee on Appropriations**  
**Securities and Exchange Commission**  
**March 6, 2012**

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I would like to welcome our witness, SEC Chairman Schapiro. Thank you for being here today. The SEC has the complicated mission of protecting investors; maintaining fair, orderly, and efficient markets; and facilitating capital formation, while at the same time not over-regulating our markets and hindering economic recovery. This Committee must be vigilant in our oversight of regulatory agencies like the SEC that play an influential role in our economy and have the power to both help and hinder American consumers and businesses.

Since 2001, SEC's budget has increased by over 200 percent. Despite this tremendous growth in resources over the past decade, the SEC failed to detect Ponzi schemes such as Madoff and Stanford, the U.S. financial system nearly collapsed, and judges continue to question SEC settlements and regulations. In recent years, the SEC has also had several embarrassing management lapses such as purchasing unneeded space, destroying investigative documents, and repeating material weaknesses in the SEC's own financial statements, to name a few. I believe many of these problems are symptoms of fundamental problems within the SEC's organization and structure.

The fiscal year 2013 request proposes another substantial funding increase of 18.5 percent over fiscal year 2012. I think this body is reticent to throw more money at the SEC until you have proven that you have addressed these structural problems from within in a comprehensive way. We want to have confidence that the SEC is:

- issuing regulations based on sound data and analysis that can stand up in court,
- taking strong enforcement actions against individuals committing fraud,
- helping to facilitate access to capital for American businesses, and
- effectively managing the resources provided to run your operations.

Just because the SEC is funded through fees, doesn't absolve you from rigorously managing the funding entrusted to SEC and doesn't absolve this Subcommittee from providing extensive oversight.

You are currently faced with many challenges including implementing Dodd-Frank, modernizing your technology, and reforming your organization. I encourage you not to rush or throw money at any of these challenges. There is something to be said for getting these changes right the first time. Deliberate, thoughtful change is what is necessary to make our financial markets and this agency work better on behalf of the American public.

Chairman Schapiro, we recognize that you have an incredibly difficult job. We know you and your staff are working very hard to meet today's challenges and we appreciate your efforts. I look forward to your testimony.

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