



Consumer Federation of America

February 26, 2021

The Honorable Sherrod Brown
Chairman
Committee on Banking, Housing
and Urban Affairs
U.S. Senate
Washington, D.C. 20510

The Honorable Patrick J. Toomey
Ranking Member
Committee on Banking, Housing
and Urban Affairs
U.S. Senate
Washington, D.C. 20510

Dear Chairman Brown, Ranking Member Toomey, and Members of the Committee:

I am writing on behalf of the Consumer Federation of America to express our strong support for Gary Gensler's nomination as Chair of the Securities and Exchange Commission (SEC). Mr. Gensler combines a Wall Street insider's market expertise with an unwavering commitment to the public interest and the skills of a seasoned regulator. These traits make him ideally suited to fulfill the important responsibilities of SEC Chair.

The incoming SEC Chair faces a daunting list of pressing issues. After decades of relentless expansion of private offering exemptions, a trend that took on new momentum in the previous administration, the health of our public markets is in serious decline. While the number of IPOs has risen dramatically in recent years, that rise is driven almost entirely by the growth in special purpose acquisition companies (SPACs), which have provided spectacular windfalls for insiders while performing very poorly for most investors. Meanwhile, companies are able to grow to enormous size in the private markets without the transparency, accountability, and discipline that public markets bring, post-Enron reforms to both auditor oversight and auditor independence are in shambles, shareholder rights have been seriously eroded, investors' demands for more comparable and reliable information on companies' environmental, social, and governance practices remain unmet, and retail investors who rely on investment professionals for advice and recommendations remain vulnerable to conflicted advice.

As a result, the SEC faced a challenging agenda before the recent frenzied trading in GameStop and other "meme" stocks revealed both serious vulnerabilities in our markets and gaps in our regulations. As a result, an evaluation of rules governing options trading, payment for order flow, market manipulation, short selling, trade settlement, broker-dealer capital requirements, and the application of broker-dealer sales practice rules to the psychological nudges built into retail-oriented trading apps join a growing list of pressing issues facing the incoming SEC Chair. Action on those issues will be essential to restoring the stability of the markets on which the wellbeing of both issuers and investors depends.

It will take an individual of extraordinary energy, commitment, and expertise to manage that burgeoning workload and deliver the reforms that the markets, and the moment, demand. As he proved during his tenure as Chair of the Commodity Futures Trading Commission (CFTC), Mr. Gensler is ideally suited to the job. Working with a tiny staff and a modest budget at the CFTC, he managed to out-perform other much larger, better funded regulatory agencies in completing the technically complex, politically challenging rulemakings mandated by the Dodd-Frank Act. Even more impressive, he managed to get bipartisan support for a large majority of those rules without sacrificing his commitment to effective regulations. During his tenure at the CFTC, Mr. Gensler also demonstrated that he understands the importance of backing thoughtful regulations with tough enforcement.

As recent events have so dramatically demonstrated, the public's faith in the integrity of our capital markets hangs by a thread. If investors lose faith in our markets, or if issuers conclude that our markets are too unpredictable to serve as a reliable source of capital, our economy will suffer. Mr. Gensler has the expertise, experience, and public interest commitment necessary to oversee a careful review our regulations, identify weaknesses, and craft a regulatory response that is both workable and effective. We therefore urge you to approve his nomination without delay so that he can quickly set about the challenging task before him.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Barbara Roper".

Barbara Roper
Director of Investor Protection