CFA Consumer Federation of America

For Immediate Release
February 12, 2011

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Statement of CFA Director of Investor Protection Barbara Roper In Response to House 2011 Continuing Resolution

Last night, House Republicans released their proposed 2011 Continuing Resolution budget cuts. Included are proposed cuts of $25 million from the $1.12 billion budget of the Securities and Exchange Commission (SEC) and $56.8 million from the $168.8 million budget of the Commodity Futures Trading Commission (CFTC). CFA Director of Investor Protection Barbara Roper issued the following statement in response:

"The House Republican proposed budget cuts are an invitation to financial disaster. Both the SEC and CFTC have suffered decades of under-funding at the hands of Congress, which has repeatedly asked them to do more with less. Under-staffed and operating with obsolete technology, they are ill-equipped to meet the challenges of regulating increasingly globalized, democratized, and complex markets. It is absolutely essential to the well-being of all Americans that the Senate and the Administration reject this irresponsible proposal and insist that the agencies Americans depend on to protect their financial well-being and the health of the economy be adequately funded to perform that vital task.

"With the release of this proposal, House Republicans have removed any remaining ambiguity about their intent to defund regulators whose role is to rein in Wall Street excess. The $56.8 million House Republicans propose to cut from the CFTC is not even pocket change in the context of the overall federal budget, it is the penny you do not bother to reach down and pick up off the pavement, but it is huge in the context of the agency's $168.8 million budget. It would require devastating cuts and layoffs at a tiny agency already struggling under the herculean task of implementing the sweeping derivatives provisions of the Wall Street reform bill. The only possible interpretation is that crippling the agency is precisely the outcome that Republican leaders are seeking to achieve with this proposal.

"Derivatives played a central role in creating the contagion that turned a U.S. housing crisis into a global economic calamity. Derivatives not only magnified by many times the losses suffered by financial institutions, but they created the web of inter-connections that allowed the failure of one relatively small investment bank, Lehman Brothers, to threaten the collapse of the worldwide financial system. With the millions of Americans still jobless as a result of the economic downturn triggered by that financial crisis, it is frankly shocking that members of Congress could make so irresponsible a proposal to eviscerate the agency with central responsibility for providing the derivative market integrity, transparency, and stability on which the health of the overall economy depends.

"The $25 million cut proposed for the SEC, while less completely debilitating than the proposed cuts for CFTC, would nevertheless leave the agency poorly equipped to fulfill its core mission of protecting investors and ensuring the integrity of our capital markets. For decades, as markets have exploded in size, complexity and global reach, Congress has denied the agency the funding it needs to keep pace with those changes. The doubling of the agency's budget in the wake of the Enron crisis, while welcome, could not begin to make up for those decades of neglect. At the same time, millions of middle-income Americans have come to rely on those markets for their retirement security. Under-funding the SEC puts the financial security of those working class Americans at risk.

"American markets have flourished precisely because investors trust that they will receive fair treatment there, and American businesses have reaped the rewards with the lowest cost of capital of any in the world. The investor confidence on which the health of our financial markets depend has been badly battered by a series of scandals in recent years, culminating in the devastating events of the past few years. With the economy still fragile, this is no time to further undercut investor confidence by defunding the regulatory agencies investors rely on to ensure that their interests are protected."

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The Consumer Federation of America (CFA) is an association of nearly 300 nonprofit consumer groups that was established in 1968 to advance the consumer interest through research, education, and advocacy.