



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

THE CHAIRMAN

April 15, 2010

The Honorable Mitch McConnell
Minority Leader
United States Senate
S-230 Capitol Building
Washington, DC 20515

Dear Senator McConnell:

I am writing to urge your support for the provision in the financial reform legislation currently before the Senate that would provide independent funding for the Securities and Exchange Commission.

By guaranteeing independence, facilitating long-term planning, and closing the resource gap between the agency and the entities it regulates, independent funding will allow the SEC to better protect millions of investors. In addition, independent funding will ensure an SEC that is more effective at identifying and addressing the kinds of risk that dealt a significant blow to the American economy. An independently funded SEC will be better able to take strong action to prevent future risky activities by the entities under its supervision and to fulfill the important new responsibilities assigned to it under the legislation.

Congress has long recognized the important role that independent funding plays in the effectiveness and impartiality of financial regulators. Yet the SEC, unlike its bank regulator counterparts, is subject to the appropriations process. To provide the world-class industry supervision and investor protection American investors deserve, the SEC must have the resources to properly supervise a growing number of markets and market participants trading immense volumes at almost the speed of light, and the independence to deploy those resources where they are needed most.

Despite the damage done by the financial crisis, trading volume has more than doubled since 2003, the number of investment advisors has grown by roughly 50 percent, and the funds they manage have increased nearly 60 percent, to \$33 trillion. The SEC's 3,800 employees oversee approximately 35,000 entities -- including 11,500 investment advisers, 7,800 mutual funds, 5,400 broker-dealers, and more than 10,000 public companies -- a 9-1 ratio that is only growing larger.

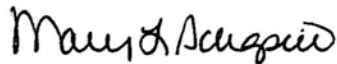
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Independent funding would allow the SEC to increase its professional and technical capacity, to keep up with the financial industry's rapid growth. It also would enhance the long-term planning process, enabling the SEC to address the increasingly sophisticated technologies, products, and trading strategies adopted by the financial services industry. In addition, independent funding would provide the flexibility to respond to developing risks in the same way that our domestic and foreign counterparts did during the recent financial crisis.

Currently, the SEC's budget is offset by fees on the securities industry, assessed primarily on securities transactions and registrations. However, the fees collected by the SEC are completely independent of, and typically significantly exceed, the appropriations received by the agency. For example, in 2010, the SEC will collect about \$1.5 billion for the Treasury, while its appropriation is \$1.1 billion. I believe that fees assessed on investors' transactions should be dedicated to protecting investors.

Independent funding will pay dividends for American taxpayers, and the economy as a whole. This funding is an essential component of strong regulatory reform and I urge you to support it.

Sincerely,



Mary L. Schapiro
Chairman