

April 5th, 2011

Dear Member of Congress,

On behalf of the undersigned organizations, we urge you to support full funding for the Commodity Futures Trading Commission (CFTC) and the Securities and Exchange Commission (SEC). Anything less would deprive these agencies of the basic resources they need to police the safety and integrity of our financial markets and increase the danger of another financial crisis.

CFTC

Under the current continuing resolution, the CFTC is funded at \$168.8 million for FY 2011. This funding level, which falls far short of the President's requested funding of \$286 million, does not provide any funds for the agency to carry out its new responsibilities under the Dodd-Frank Wall Street Reform and Consumer Protection Act. H.R. 1, the full-year continuing resolution approved by the House in February, proposed a further \$56.8 million cut to this \$168.8 million funding level. This is an unacceptable starting point that should be ignored.

It is shocking that Congress would even consider a proposal that would have the effect of eviscerating the agency with central responsibility for assuring transparency and stability in the commodities markets. The price of everyday items from milk to gasoline depends on the fair and open operation of commodities markets policed by the CFTC. The CFTC is even now working to implement Congressional directives on position limits to prevent excessive speculation in key oil and food markets – an effort that will be impossible if these crippling cuts are imposed.

The Dodd-Frank financial reform act also expands the CFTC's responsibilities to include oversight of approximately \$280 trillion in previously unregulated domestic swaps markets. This is a key step in bringing the "shadow markets" that helped crash the economy under sensible regulation. However, it represents a more than seven-fold increase in the notional size of the market the CFTC must supervise. The President's 2012 budget request would increase CFTC funding to \$308 million in order to allow it to undertake these major new responsibilities. This \$140 million increase is tiny when compared to the scope of the CFTC's new responsibilities. Moreover, the Administration has recommended that this increase be funded in a deficit-neutral manner by a very small fee on users of CFTC-regulated derivatives markets.

If we want to protect the economy from further catastrophic financial instability, as well as effectively control commodities speculation, we must bring derivatives markets under sensible oversight. This simply cannot be done without providing the CFTC with the additional funding necessary to implement the Dodd-Frank Act.

SEC

Over the last several decades, millions of middle-income Americans have come to rely on our nation's securities markets for their retirement security. The SEC has primary responsibility for overseeing the brokers and investment advisers that investors rely on for advice and recommendations, the mutual funds they invest in to fund their retirement, and the disclosures that

help them determine the best place to put their money. Under-funding the SEC puts their financial security at risk, but the House full-year continuing resolution would do just that.

Like the CFTC, the SEC is currently being funded at a level that does not provide any resources for implementation of the new financial reform law. That law gave the agency substantial new responsibilities, including new authority over credit rating agencies and hedge funds. Among its most important new tasks is oversight of the market in security-based derivatives, such as credit default swaps like those that led to the failure and bailout of the American International Group (AIG) in 2008. This segment of the derivatives market is one of the most complex, important, and fastest growing areas of the financial markets. For the agency to carry out these new responsibilities effectively, it will require increased funding.

That reality is reflected in the President's 2012 budget request, which would increase SEC funding to \$1.4 billion, an amount that will be fully offset by fees on financial entities engaging in SEC-regulated securities transactions. In contrast, the full-year continuing resolution adopted by the House would cut an additional \$41 million from the agency's 2011 budget. While less draconian than the proposed reduction in CFTC funding, the proposed cut is nonetheless irresponsible. The SEC budget is a good investment for taxpayers. Last year, for example, the SEC recovered more than twice its budget, \$2.2 billion, for defrauded investors. Cutting its budget will inhibit its ability both to detect and deter fraud and to aid defrauded investors to recover their losses.

Conclusion

The CFTC and SEC are vital to the proper functioning of our financial markets. Under-funding them is deeply irresponsible given the potential costs of a financial crisis. Much of the deficit we are struggling to address today reflect the impact of the 2008 financial crisis, which was brought about by under-regulation of our financial markets. Although the economy has begun a slow and painful recovery, unemployment rates remain roughly twice as high as they were prior to the financial crisis. Even today, American households are almost \$8 trillion poorer than they were in 2007, before the Wall Street collapse. There should be no debate over relatively small expenditures needed to protect our economy from another such catastrophe. Indeed, it is difficult not to see these cuts as a last ditch effort by Wall Street to block long-overdue regulation, and not a fiscal issue at all.

It is absolutely essential that you reject inadequate funding levels for the SEC and CFTC and instead insist that the agencies Americans depend on to protect their financial well-being and the health of the economy be adequately funded.

Sincerely,

AFL-CIO

AFSCME

Americans for Financial Reform

Arizona Consumers Council

Arizona PIRG

Arkansas Community Organizations

CAJA³ Community Action for Justice in the Americas, Africa, Asia

CAlegislation
Ceres
Chicago Consumer Coalition
Colorado PERA
Columban Center for Advocacy and Outreach
Community Reinvestment Association of North Carolina
Consumer Action
Consumer Assistance Council
Consumer Federation of America
Consumer Watchdog
Consumers for Auto Reliability and Safety
Consumers Union
Council of Institutional Investors
Delaware Community Reinvestment Action Council, Inc. (DCRAC)
Democratic Processes Center, Inc
Demos
Empire Justice
Environmental Partnerships
Food & Water Watch
Food Democracy Now!
Friends of the Earth
Greenlining Institute
GRO - Grass Roots Organizing of Missouri
International Brotherhood of Teamsters
Jacksonville Area Legal Aid, Inc.
Jobs with Justice
Kentucky Equal Justice Center
Massachusetts Consumers' Coalition
Missionary Oblates
National Association of Consumer Advocates
National Association of Shareholder and Consumer Attorneys
National Community Reinvestment Coalition
National Consumer Law Center (on behalf of its low income clients)
National Consumers League
National Family Farm Coalition
National People's Action
NC Justice Center
Neighborhood Economic Development Advocacy Project
New Jersey Citizen Action
Pesticide Action Network North America
Privacy Activism
Privacy Rights Clearinghouse

Public Citizen

Service Employees International Union (SEIU)

ShareOwners.org

Sisters of Notre Dame de Namur JPIC

Social Investment Forum

Sunflower Community Action

Swaps & Derivatives Market Association

The Institute for Nonviolent Economics

U.S. PIRG

Virginia Citizens Consumer Council

WhyHunger

Following are the partners of Americans for Financial Reform.

All the organizations support the overall principles of AFR and are working for an accountable, fair and secure financial system. Not all of these organizations work on all of the issues covered by the coalition or have signed on to every statement.

- A New Way Forward
- AARP
- AFL-CIO
- AFSCME
- Alliance For Justice
- Americans for Democratic Action, Inc
- American Income Life Insurance
- Americans for Fairness in Lending
- Americans United for Change
- Calvert Asset Management Company, Inc.
- Campaign for America's Future
- Campaign Money
- Center for Digital Democracy
- Center for Economic and Policy Research
- Center for Economic Progress
- Center for Media and Democracy
- Center for Responsible Lending
- Center for Justice and Democracy
- Center of Concern
- Change to Win
- Clean Yield Asset Management
- Coastal Enterprises Inc.
- Color of Change
- Common Cause
- Communications Workers of America
- Community Development Transportation Lending Services
- Consumer Action
- Consumer Association Council
- Consumers for Auto Safety and Reliability
- Consumer Federation of America
- Consumer Watchdog
- Consumers Union
- Corporation for Enterprise Development
- CREDO Mobile
- CTW Investment Group
- Demos
- Economic Policy Institute
- Essential Action
- Greenlining Institute
- Good Business International
- HNMA Funding Company

- Home Actions
- Housing Counseling Services
- Information Press
- Institute for Global Communications
- Institute for Policy Studies: Global Economy Project
- International Brotherhood of Teamsters
- Institute of Women's Policy Research
- Krull & Company
- Laborers' International Union of North America
- Lake Research Partners
- Lawyers' Committee for Civil Rights Under Law
- Move On
- NASCAT
- National Association of Consumer Advocates
- National Association of Neighborhoods
- National Community Reinvestment Coalition
- National Consumer Law Center (on behalf of its low-income clients)
- National Consumers League
- National Council of La Raza
- National Fair Housing Alliance
- National Federation of Community Development Credit Unions
- National Housing Trust
- National Housing Trust Community Development Fund
- National NeighborWorks Association
- National People's Action
- National Training and Information Center/National People's Action
- National Council of Women's Organizations
- Next Step
- OMB Watch
- OpenTheGovernment.org
- Opportunity Finance Network
- Partners for the Common Good
- PICO
- Progress Now Action
- Progressive States Network
- Poverty and Race Research Action Council
- Public Citizen
- Sargent Shriver Center on Poverty Law
- SEIU
- State Voices
- Taxpayer's for Common Sense
- The Association for Housing and Neighborhood Development
- The Fuel Savers Club
- The Leadership Conference on Civil and Human Rights
- The Seminal
- TICAS
- U.S. Public Interest Research Group
- United Food and Commercial Workers
- United States Student Association
- USAction

- Veris Wealth Partners
- Western States Center
- We the People Now
- Woodstock Institute
- World Privacy Forum
- UNET
- Union Plus
- Unitarian Universalist for a Just Economic Community

Partial list of State and Local Signers

- Alaska PIRG
- Arizona PIRG
- Arizona Advocacy Network
- Arizonans For Responsible Lending
- Association for Neighborhood and Housing Development NY
- Audubon Partnership for Economic Development LDC, New York NY
- BAC Funding Consortium Inc., Miami FL
- Beech Capital Venture Corporation, Philadelphia PA
- California PIRG
- California Reinvestment Coalition
- Century Housing Corporation, Culver City CA
- CHANGER NY
- Chautauqua Home Rehabilitation and Improvement Corporation (NY)
- Chicago Community Loan Fund, Chicago IL
- Chicago Community Ventures, Chicago IL
- Chicago Consumer Coalition
- Citizen Potawatomi CDC, Shawnee OK
- Colorado PIRG
- Coalition on Homeless Housing in Ohio
- Community Capital Fund, Bridgeport CT
- Community Capital of Maryland, Baltimore MD
- Community Development Financial Institution of the Tohono O'odham Nation, Sells AZ
- Community Redevelopment Loan and Investment Fund, Atlanta GA
- Community Reinvestment Association of North Carolina
- Community Resource Group, Fayetteville A
- Connecticut PIRG
- Consumer Assistance Council
- Cooper Square Committee (NYC)
- Cooperative Fund of New England, Wilmington NC
- Corporacion de Desarrollo Economico de Ceiba, Ceiba PR
- Delta Foundation, Inc., Greenville MS
- Economic Opportunity Fund (EOF), Philadelphia PA
- Empire Justice Center NY
- Enterprises, Inc., Berea KY
- Fair Housing Contact Service OH

- Federation of Appalachian Housing
- Fitness and Praise Youth Development, Inc., Baton Rouge LA
- Florida Consumer Action Network
- Florida PIRG
- Funding Partners for Housing Solutions, Ft. Collins CO
- Georgia PIRG
- Grow Iowa Foundation, Greenfield IA
- Homewise, Inc., Santa Fe NM
- Idaho Nevada CDFI, Pocatello ID
- Idaho Chapter, National Association of Social Workers
- Illinois PIRG
- Impact Capital, Seattle WA
- Indiana PIRG
- Iowa PIRG
- Iowa Citizens for Community Improvement
- JobStart Chautauqua, Inc., Mayville NY
- La Casa Federal Credit Union, Newark NJ
- Low Income Investment Fund, San Francisco CA
- Long Island Housing Services NY
- MaineStream Finance, Bangor ME
- Maryland PIRG
- Massachusetts Consumers' Coalition
- MASSPIRG
- Massachusetts Fair Housing Center
- Michigan PIRG
- Midland Community Development Corporation, Midland TX
- Midwest Minnesota Community Development Corporation, Detroit Lakes MN
- Mile High Community Loan Fund, Denver CO
- Missouri PIRG
- Mortgage Recovery Service Center of L.A.
- Montana Community Development Corporation, Missoula MT
- Montana PIRG
- Neighborhood Economic Development Advocacy Project
- New Hampshire PIRG
- New Jersey Community Capital, Trenton NJ
- New Jersey Citizen Action
- New Jersey PIRG
- New Mexico PIRG
- New York PIRG
- New York City Aids Housing Network
- NOAH Community Development Fund, Inc., Boston MA
- Nonprofit Finance Fund, New York NY
- Nonprofits Assistance Fund, Minneapolis M
- North Carolina PIRG
- Northside Community Development Fund, Pittsburgh PA
- Ohio Capital Corporation for Housing, Columbus OH
- Ohio PIRG
- OligarchyUSA
- Oregon State PIRG
- Our Oregon

- PennPIRG
- Piedmont Housing Alliance, Charlottesville VA
- Michigan PIRG
- Rocky Mountain Peace and Justice Center, CO
- Rhode Island PIRG
- Rural Community Assistance Corporation, West Sacramento CA
- Rural Organizing Project OR
- San Francisco Municipal Transportation Authority
- Seattle Economic Development Fund
- Community Capital Development
- TexPIRG
- The Fair Housing Council of Central New York
- The Loan Fund, Albuquerque NM
- Third Reconstruction Institute NC
- Vermont PIRG
- Village Capital Corporation, Cleveland OH
- Virginia Citizens Consumer Council
- Virginia Poverty Law Center
- War on Poverty - Florida
- WashPIRG
- Westchester Residential Opportunities Inc.
- Wigamig Owners Loan Fund, Inc., Lac du Flambeau WI
- WISPIRG