SHAREOWNERS.ORG, CFA AND CII LAUNCH WEB PUSH TO SAVE CRUCIAL SEC, CFTC FINANCIAL MARKET OVERSIGHT FROM BUDGET CUTS

Cuts Would Come As Agencies Tackle Implementation of Most Sweeping U.S. Financial Reforms Since the Great Depression

WASHINGTON, D.C.///February 16, 2011///Warning of the danger of a major setback in efforts to restore U.S. financial market integrity and the confidence of individual and other investors, ShareOwners.org (http://www.ShareOwners.org) in cooperation with the Consumer Federation of America (CFA) and the Council of Institutional Investors (CII) launched today a major Web-based campaign to spare the U.S. Securities and Exchange Commission (SEC) and the Commodity Futures Trading Commission (CFTC) from the impact of proposed budget cuts.

Investors are being urged to go to http://www.ShareOwners.org to send a message to their members of the U.S. House of Representatives and the U.S. Senate to oppose funding cuts for the SEC and CFTC. The new effort being spearheaded by the nonprofit ShareOwners.org is one of a number of pushes by key groups to protect investors and the integrity of the capital markets by shielding the SEC and CFTC against unwarranted budget cuts.

Last Friday, House Republicans released their proposed 2011 Continuing Resolution (CR) to fund the government for the balance of the 2011 fiscal year, once current funding runs out on March 4th. Included are proposed cuts of $25 million from the $1.12 billion budget of the SEC and $56.8 million from the $168.8 million budget of the CFTC. Additionally, efforts are afoot in the U.S. House to impose even more dramatic slashes to fiscal year (FY) 2012 spending, rolling back funds to 2008 levels. For the SEC, that would mean a steep cut of about $200 million. The SEC Inspector General testified last week that such a drastic reduction would force the SEC to lay off 600 employees. For the CFTC, FY 2012 funding would drop by nearly a third to roughly $110 million.

Tracy Stewart, executive director, ShareOwners.org, said: **"The House-proposed budget cuts for 2011 and what is under discussion for 2012 are an invitation to disaster in terms of financial market integrity and efforts to restore investor confidence. Given the need for the SEC and CFTC to oversee the most sweeping financial reforms since the Great Depression, it is absolutely essential to all Americans that the Senate and the Administration insist that the agencies that protect our financial well-being and the health of the economy be adequately funded to perform their crucial work. We urge all concerned investors to speak out and let Congress know that these cuts will cost Americans much more than they appear to save. They must not gut these agencies in the midst of critical reforms."**

Barbara Roper, director of investor protection, Consumer Federation of America, said: **"With the release of their 2011 continuing resolution, House Republicans have removed any remaining ambiguity about their intent to defund regulators whose role is to rein in Wall Street excess. The cuts proposed for the SEC and CFTC are immaterial in the context of the overall federal budget, but they would be harmful to the SEC and nothing short of crippling for the CFTC. If adopted, they would put the retirement savings of American workers, the integrity of U.S. capital markets, and the stability of the U.S. economy 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 in the world. With the economy still fragile, this is no time to further undercut badly shaken investor confidence by defunding the regulatory agencies they rely on to ensure that their interests are protected."**

Jeff Mahoney, general counsel, Council of Institutional Investors, said: "**While regulatory failures were a contributing cause of the financial crisis, the solution is not to cut the funding of the SEC and the CFTC. Rather, the solution should include providing the SEC and CFTC with the resources necessary to improve their effectiveness and better fulfill their important missions--missions which have now been significantly and appropriately expanded by Dodd-Frank. The bottom line is**

that underfunding the SEC and CFTC will likely guarantee weak enforcement of our securities laws and lax oversight of our financial markets, a result that should concern investors and all Americans."

Specific examples of SEC and CFTC tasks that would be directly endangered by meat-ax budget cuts in the 2011 CR and for FY 2012 include the following:

- The CFTC has been given the job of creating a regulatory regime for and providing oversight of the vast, multi-trillion-dollar over-the-counter derivatives market -- a market many times larger and more complex than those it already oversees.

- The SEC shares responsibility for swaps market oversight and has also taken on an expanded role in policing credit rating agencies as well as hedge funds and private equity funds.

- The SEC's budget shortfall would have the effect of either delaying or even halting fiduciary rulemaking. The agency was asked by Congress to look at the effectiveness of existing rules governing brokers and investment advisers as part of the Dodd-Frank. Without money for staff to help implement a common standard and follow up on complaints, the SEC won't be able to enforce it.

The situation at the CFTC is particularly dire. Until Congress provided a funding boost for this past fiscal year, the CFTC's staffing was stuck at the same level as when the agency was created in 1975. Meanwhile, in just the past decade, trading volume in the markets overseen by the agency has increased almost five-fold and the number of actively traded futures and options contracts has increased seven-fold. The proposed budget cuts 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 concern is that the proposal to eviscerate the federal agency with central responsibility for providing the derivative market integrity, transparency, and stability on which the health of the overall economy depends.

The SEC, while many times larger than the CFTC, nonetheless faces significant funding challenges of its own. Since 1980, the agency has seen its staffing level increase roughly 85 percent, thanks in large part to a significant post-Enron increase. However, the number of investment adviser firms overseen by the agency has grown by more than 150 percent during the same period, the number of mutual funds has grown more than 430 percent, and, while the number of broker-dealer firms has decreased slightly, the number of registered representatives they employ and the number of branch offices from which they operate have grown by roughly 225 percent and 2,100 percent respectively.

Stewart of ShareOwners.org added: **"Our economy needs investor confidence to promote capital formation and economic growth. A major part of what it will take for investors to fully regain their trust in Wall Street is for federal market regulators to fully implement Dodd-Frank Wall Street reforms. America already has seen what happens when the SEC and CFTC are starved of the resources needed to do their jobs properly. This is no time to embrace a penny-wise, pound-foolish approach to funding the agencies on which U.S. investors rely so heavily."**

ABOUT SHAREOWNERS.ORG

Launched in June 2009, ShareOwners.org (http://www.ShareOwners.org) is a nonprofit and nonpartisan organization that educates and organizes U.S. investors to support both short- and long-term financial market reforms. ShareOwners.org's broad four-part agenda focuses on the need for stronger regulation (including a beefed-up SEC), increased accountability of boards/CEOs, improved financial transparency and protection of the legal rights of investors.

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<u>EDITOR'S NOTE:</u> A streaming audio replay of the news event will be available on the Web at http://www.shareowners.org as of 4 p.m. EST on February 16, 2011.