

OPENING STATEMENT
The Honorable José Serrano
Chairman, Financial Services and General Government Subcommittee
House Committee on Appropriations

Hearing on the Securities and Exchange Commission
Fiscal Year 2011 Budget Request
March 17, 2010

The Subcommittee will come to order. I welcome you to this hearing of the Financial Services and General Government Subcommittee. Today the Subcommittee will hear testimony from the Chairman of the Securities and Exchange Commission, the Honorable Mary Schapiro.

At our SEC hearing a year ago today, Chairman Schapiro was new to the job and being bombarded with the emerging story about the gigantic Madoff Ponzi scheme and the SEC's repeated failure to detect it. Fortunately, we have not had any comparable investment scandals emerge since then, but we have seen the scandal of 10 percent unemployment that is rooted in the meltdown of the securities markets.

I hope that this year's hearing can focus on two issues. First, how is the SEC reforming its internal operations, especially in light of the substantial increase in funds that have been provided? Second, how does the SEC propose to reform the securities markets to better serve the American people?

The meltdown in our securities markets in 2008 and 2009 was the driving force in the financial crisis that has brought the worst economic downturn in almost 80 years. Although the unemployment rate has stopped rising, we still find almost one in ten people in our labor force without work and one in six are either unemployed or underemployed. Clearly there is more work to be done.

The Securities and Exchange Commission must be nimble to adjust to rapid changes in the securities markets. To effectively enforce the current rules, the SEC must run ever faster to keep up with the sophistication of the clever fraudsters like Madoff, Sanford, and the Galleon hedge fund. In the last two years, this committee has boosted SEC funding by more than 20 percent in part to strengthen the size, skills and technology of its enforcement and analytical staff. This hearing will examine how effectively the Commission is using those funds and how it proposes to use additional funds next year.

In addition to better enforcing its old rules, the SEC has an obligation to address the economic problems caused by the securities markets. Too often, discussion of the SEC's responsibilities focuses narrowly on investor protection. From the beginning, however, the SEC has also had more profound responsibilities. Remember that the SEC was created in the wake of

the Great Depression that had also been triggered by a meltdown in securities markets. The Securities and Exchange Act of 1934 set out the purposes of the SEC in very broad terms:

“to protect interstate commerce, the national credit, the Federal taxing power, to protect and make more effective the national banking system and Federal Reserve System, and to insure the maintenance of fair and honest markets in such transactions.”

If events in the securities markets over the last year and a half have taught us anything, it should be that what happens in securities markets can have major consequences for commerce, credit, tax revenues, the banking system as well as investors. We count on the SEC, as the agency most closely tied to the securities markets, to take a broad view of its responsibility concerning the health of the economy and not merely investor protection.

Those infamous “toxic assets” that caused our financial system to seize up in 2008 were securities after all. How did so many assets become so toxic? Could proper regulation have avoided this crisis? The SEC must thoroughly examine what went wrong in the securities markets to allow the meltdown in 2008 and 2009 to occur. It must change its rules and advise Congress of changes in the law needed to prevent anything like this from happening again.

With those opening remarks, I would like to recognize Mrs. Emerson for any opening statement that she wishes to make.
