BETTER MARKETS

SEC

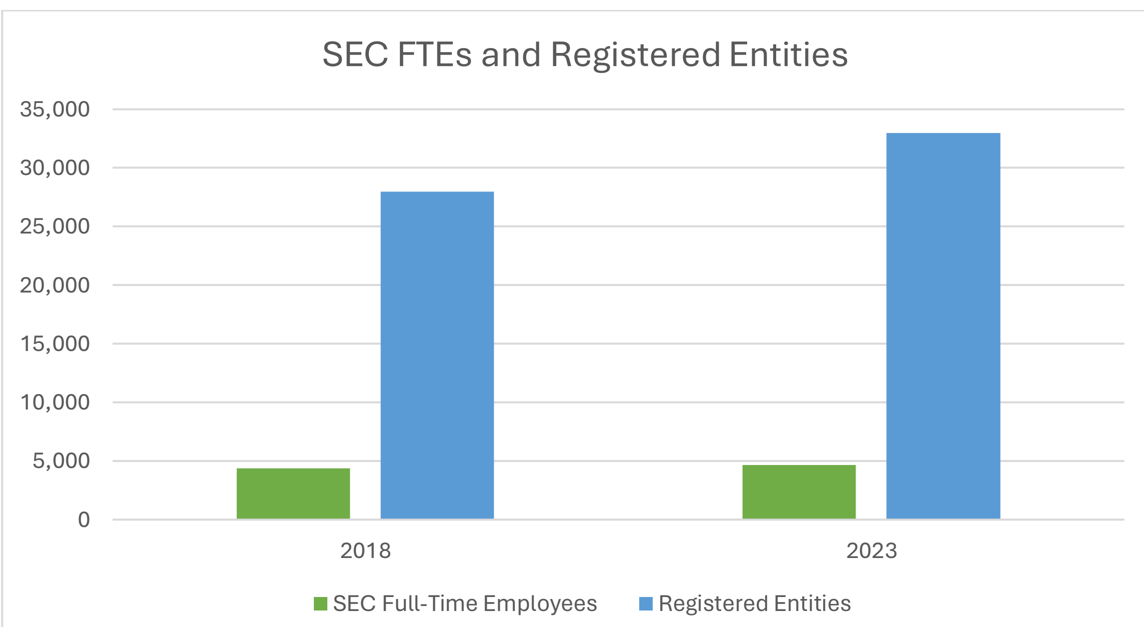
FACT SHEET

Despite Growing Responsibilities SEC Continues to be Severely Underfunded, Threatening Markets and Investors

June 12, 2024

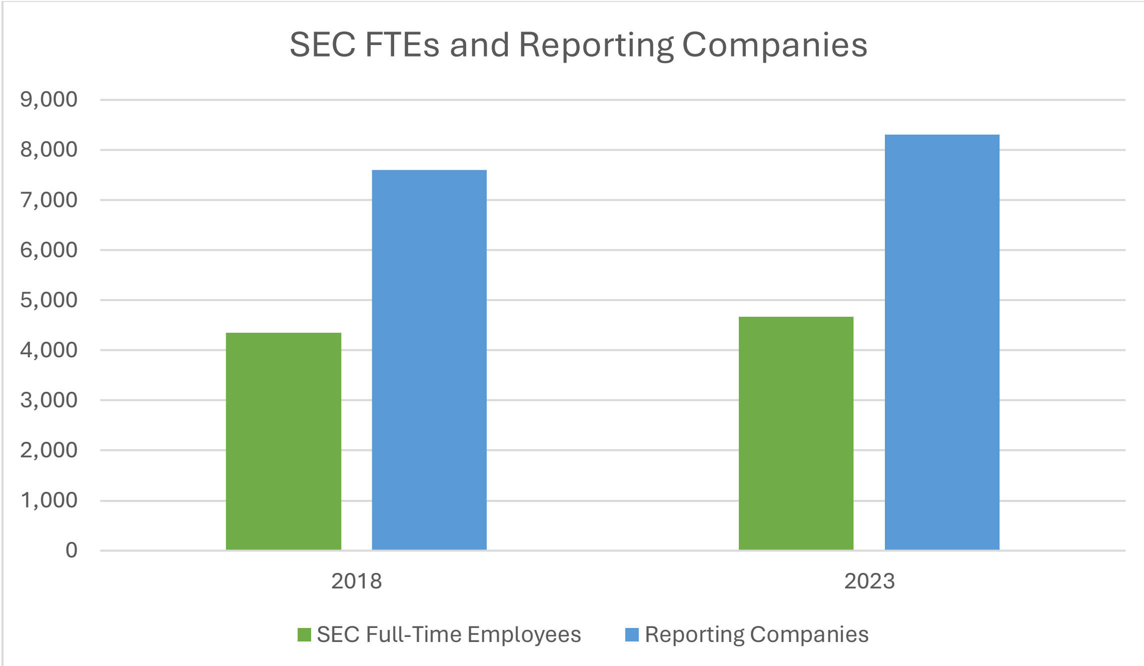
The U.S. capital markets are the broadest, deepest, most liquid markets in the world. Their success is due largely to foundational securities laws passed nearly a century ago, coupled with an extensive regulatory framework, and the SEC's work in implementing and enforcing those laws and rules, which underpins a thriving financial system and economy. But there is an underreported threat to those markets and the regulation that has allowed them to thrive: the SEC, relative to its scope of responsibility, "is subject to chronic underfunding."[1]

The SEC is charged with overseeing vast swaths of our $100 trillion capital markets, including 15,400 investment advisers, 13,000 registered funds, 3,400 broker-dealers, 24 national securities exchanges, 103 alternative trading systems, 33 self-regulatory organizations, 10 credit rating agencies, and six registered clearing agencies. Over the last five years, the number of regulated entities subject to SEC oversight has increased significantly, but the agency's funding has failed to keep pace. The SEC has only a few hundred more full-time employees (FTEs) than it did five years ago, yet the number of regulated entities that it oversees has increased from 28,000 to 33,000:

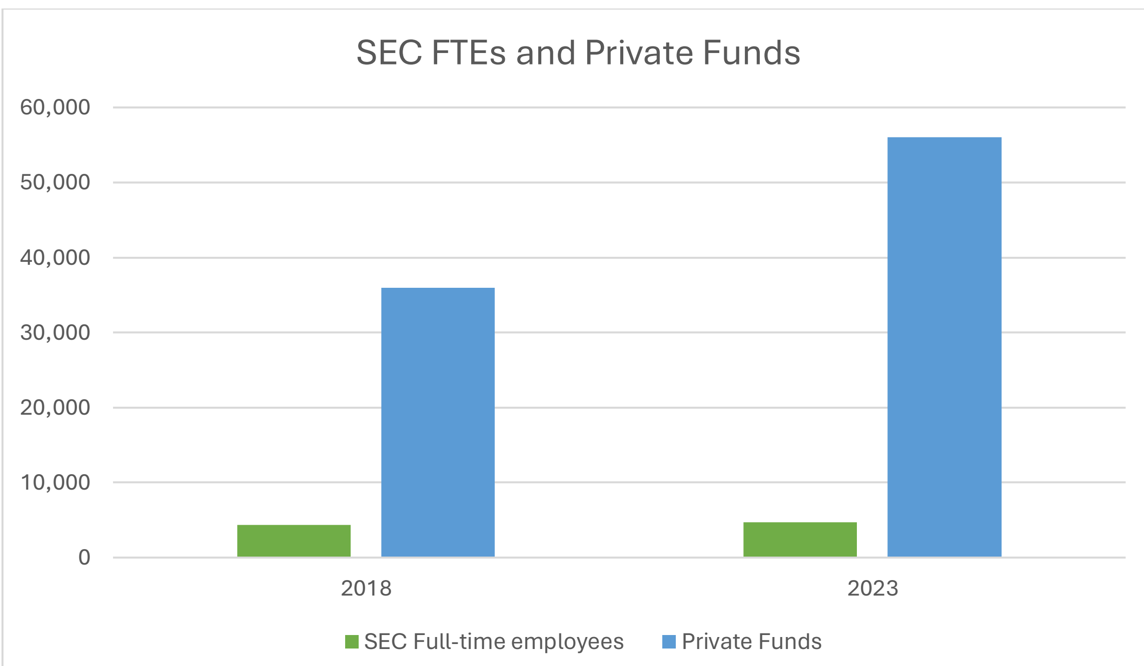


[1] Brooke Harrington and Camilo Arturo Leslie, *Toward a Multilevel Sociology of Fraud*, 118 Nw. U. L. Rev. 139, 160-61 (2023).

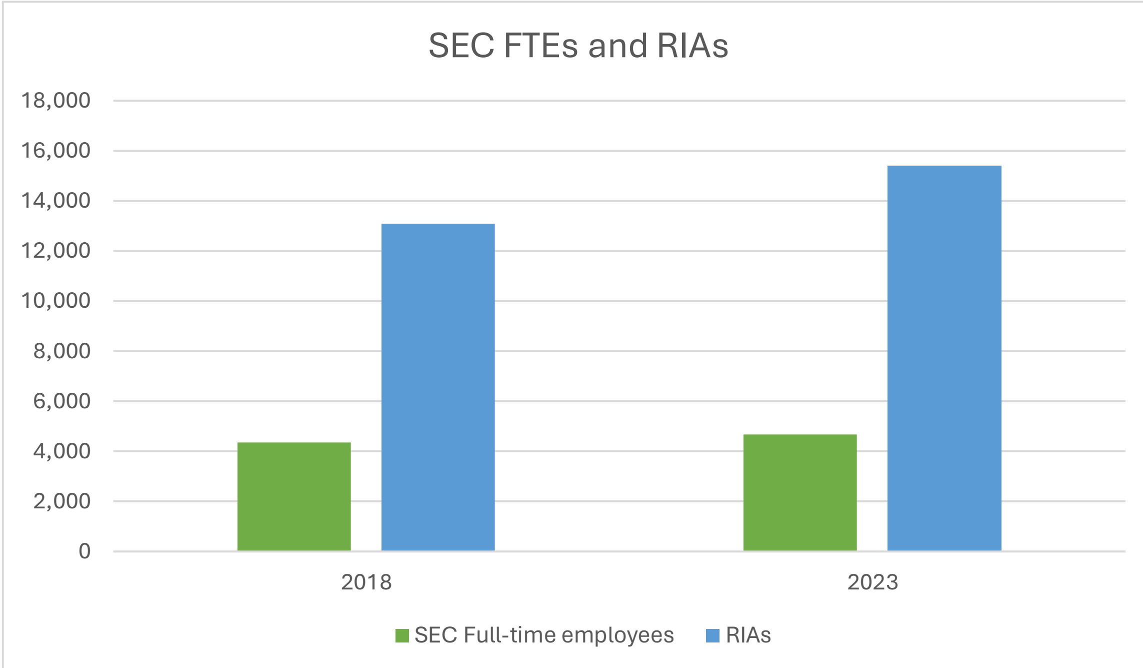
The increase in the scope of the SEC's responsibilities can be seen across the board. The number of reporting companies subject to SEC oversight has increased from 7,600 to 8,300:

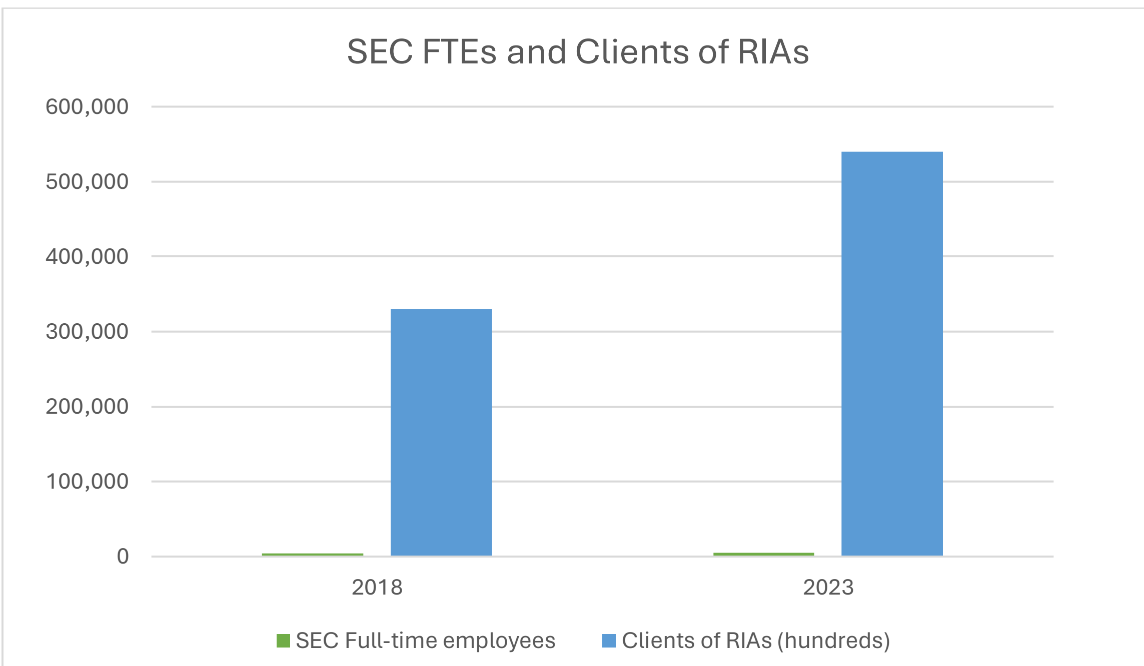


Private funds have also experienced tremendous growth, as the number of private funds has increased from approximately 36,000 to approximately 56,000:



The number of registered investment advisers (RIAs) has increased from 13,100 to 15,400, and the number of clients of registered investment advisers has increased from 33 million to 54 million:





By any metric, the funding for the SEC has not kept pace with the growth of the industry that it regulates, especially since the number of FTEs at the SEC actually shrank between fiscal year 2017 and 2022 and has only recently surpassed the number of FTEs from FY 2017.

To continue overseeing the growing and ever-more complex markets, and to address numerous longstanding problems, the SEC must have additional resources at its disposal. The modest increase to its budget from last year that the SEC has requested—from $2.44 billion to $2.59 billion—is likely to be insufficient. Nonetheless, at the least, fully funding the SEC's budget request in FY 2025 would assist the agency in carrying out its mission to protect investors; maintain fair, orderly, and efficient markets; and facilitate capital formation.

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Better Markets is a public interest 501(c)(3) non-profit based in Washington, DC that advocates for greater transparency, accountability, and oversight in the domestic and global capital and commodity markets, to protect the American Dream of homes, jobs, savings, education, a secure retirement, and a rising standard of living.

Better Markets fights for the economic security, opportunity, and prosperity of the American people by working to enact financial reform, to prevent another financial crash and the diversion of trillions of taxpayer dollars to bailing out the financial system.

By being a counterweight to Wall Street's biggest financial firms through the policymaking and rulemaking process, Better Markets is supporting pragmatic rules and a strong banking and financial system that enables stability, growth, and broad-based prosperity. Better Markets also fights to refocus finance on the real economy, empower the buyside and protect investors and consumers.

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