

SEC REQUESTS MORE MONEY TO FIGHT FRAUD

Last July, when President Obama signed the Dodd-Frank Wall Street Reform and Consumer Protection Act, he promised greater oversight power to the agencies tasked with keeping watch over the nation's financial markets. "These reforms represent the strongest consumer financial protections in history," he said. Many of those protections were to come from the Securities and Exchange Commission in the form of new authority over derivatives markets, hedge funds and credit-rating agencies. "We were tasked with writing about 100 new rules and writing 20 studies," SEC Chairman Mary Schapiro tells Guy Raz, host of weekends on All Things Considered. The agency is funded through this fiscal year. But last week, Schapiro told Congress she simply won't have enough money next year to implement the reforms spelled out in the law. She's asking Congress for more than \$200 million, bringing the SEC's total budget to \$1.4 billion. Right now, Schapiro says, the SEC employs about 12 analysts for every \$1 trillion in assets it manages. Six years ago that ratio was 19 for every \$1 trillion, and trade volume has doubled since. "That's just not good enough," she says. The agency is hoping to add up to 500 new employees to a staff that currently has around 3,800 employees. Schapiro says she'll hold off on significant hiring until she's sure the SEC can afford it. Even then, many of those new hires could be former Wall Street analysts, and one former SEC head is under investigation for allegedly protecting the leader of a \$7 billion Ponzi scheme in 2009. Are the wolves guarding the henhouse? "I don't think so," Schapiro says. "My experience has been that the people who join us from Wall Street are among the most aggressive and dogged about pursuing fraud or products that create threats for the public." Schapiro says in her two years with the SEC, the agency has been very transparent about where it has not done "the kind of job that the American people have a right to expect of us." Things could be worse for the SEC. Members of the Commodity Futures Trading Commission — which was created by the Dodd-Frank Act — reportedly had to take the low-cost bus service Megabus to New York to save that agency \$1,000 on train tickets. ... Members of Congress opposed to additional funding for the SEC have argued the agency that stood by while Wall Street traders wrecked the economy doesn't exactly deserve a raise. But the SEC, Schapiro argues, is still a good investment because it's effectively deficit neutral. The agency offsets its budget with fees assessed against the financial services industry. ... And last year the agency returned \$2.2 billion to investors who had been cheated and defrauded. It did so, Schapiro says, with a budget of \$1.1 billion. "So we're a pretty good deal." The answer to the budget problem, she says, "can't be to fund the agency less or to not give it the tools it needs to do the better job that I think everybody would like to see us do." (NPR)