Groups: Investors Continue to be at Risk from Inadequate SEC Funding for Investment Adviser Oversight Under Proposed 2014 Omnibus Spending Bill

Chronic Underfunding by Congress Makes IA "User Fee" a Necessity for Investor Protection

Washington, D.C. – January 14, 2014 –Investors beware: The proposed 2014 omnibus spending bill scheduled to be voted on in the House and Senate this week will not provide adequate funding for the U.S. Securities and Exchange Commission's investment adviser (IA) oversight program, according to a diverse group of financial planning, consumer, and regulatory organizations.

Inadequate funding and resources are already a problem for the SEC's investment adviser oversight program. The SEC examined just 8 percent of the approximately 11,000 SEC-registered investment advisers last year and the agency does not expect to be able increase the examination rate with existing resources. Moreover, approximately 40 percent of investment advisers, or two out of every five advisers registered with the SEC, have never been examined by the agency.

In light of the continued resource challenges at the SEC, a broad-based coalition of organizations, including consumer and industry groups and state regulators, is renewing its call for federal legislation to authorize the SEC to collect a "user fee" from investment advisers, the revenue from which will be dedicated solely to increasing the number and frequency of SEC examinations of firms. The groups support H.R. 1627, the Investment Adviser Examination Improvement Act, introduced by Rep. Maxine Waters (D-CA) and Rep. John Delaney (D-MD).

Organizations coming together to support investment adviser user fee legislation include: AARP, Consumer Federation of America, Certified Financial Planner Board of Standards, Financial Planning Association, Investment Adviser Association, National Association of Personal Financial Advisors, and the North American Securities Administrators Association.

Barbara Roper, Director of Investor Protection, Consumer Federation of America, said: "Funding for the SEC has not kept pace with dramatic changes in the marketplace, including the participation of more and more middle-income investors who rely on the capital markets to save for retirement and other important financial goals. While the lack of resources has hampered many essential functions at the agency, one of the more glaring shortfalls is in funding for the investment adviser oversight program. Failing to fund this program properly has a direct impact on investors, putting more investors at real risk of losing their retirement nest egg."

Neil Simon, Vice President for Government Relations, Investment Adviser Association, said: "Simply stated, the omnibus spending bill does not provide the SEC with the additional resources it needs to perform critically important investor protection functions. We are especially disappointed that the budget will not allow the SEC to add staff to its Office of Compliance Inspections and Examinations -- as proposed by the Administration in its budget request -- so it can increase its oversight of investment advisory firms. This makes it all the more important that Congress allow the SEC to supplement its resources through user fees, as provided under the Investment Adviser Examination Improvement Act. We strongly encourage Congress to take up this legislation to ensure effective oversight of the advisory profession by the SEC."

Authorizing the SEC to collect user fees is "an efficient, economical, and common sense solution to the SEC's chronic problem of insufficient examination resources," the organizations explained in a December 4, 2013 letter to Members of the House of Representatives. They added: "it is imperative that the SEC be able to properly oversee the activities of registered investment advisers. We are deeply concerned that the SEC's current inability to examine investment advisers more frequently increases opportunities for investor fraud and abuse." We cannot continue this dangerous game and hope the American people understand when the next scandal hits.

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