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Good afternoon, Chair Van Hollen, Ranking Member Hagerty, and members of the Subcommittee. Thank you for inviting me to testify today on the Securities and Exchange Commission's Fiscal Year (FY) 2024 budget request. As is customary, I'd like to note that my views are my own as Chair of the SEC, and I am not speaking on behalf of my fellow Commissioners or the SEC staff.

Protecting the Public for 90 Years

The SEC is critical to the American public. For 90 years, the federal securities laws—and our work to oversee them—have played a crucial role in good times and in times of stress. These laws, the first of which was enacted in 1933, benefit investors, issuers ranging from startups to multinational corporations, and the markets in the middle. The core principles of U.S. securities markets regulation have contributed to America's economic success and geopolitical standing around the globe.

This agency's clients are the 330 million Americans—your constituents—who invest in their 401(k)s and IRAs, trade through brokerage apps, take out mortgage or auto loans, or use robo-advisers. They're also Americans accessing the capital markets to fund their businesses from small to large, their new ideas and innovations. We oversee broker-dealers; stock exchanges; clearinghouses; investment companies, such as mutual funds and exchange-traded funds; investment advisers; and public company issuers, among other participants in our financial markets.

It's for the investing public and issuers that our staff must continue to drive efficiencies, help promote for financial stability, and modernize our rulesets for today's $100 trillion capital markets as well as today's technologies, in a manner consistent with our Congressional authorities.

Growth and Change in the Markets

We've seen tremendous growth and change in our markets. More people than ever are participating—trading and using tools and technologies that were unavailable even a few years ago.

For example, from 2017 to 2022, the number of clients of registered investment advisers grew nearly 70 percent from 34 million to 57 million. During that same period, average daily trading in the equity markets more than doubled from more than 30 million transactions to more than 77 million.

Technology is rapidly transforming our markets and business models. These changes range from electronic trading and the cloud to artificial intelligence and predictive data analytics, just to name a few. There has been dynamic change in communications to and among investors, from Reddit forums to celebrity influencers. Further, we've seen the Wild West of the crypto markets, rife with noncompliance, where investors have put hard-earned assets at risk in a highly speculative asset class.

Such growth and rapid change also mean more possibility for wrongdoing. As the cop on the beat, we must be able to meet the match of bad actors. Thus, it makes sense for the SEC to grow along with the expansion and increased complexity in the capital markets.

I am proud of this agency. I am proud of our dedicated staff. It has done remarkable work with limited resources. With funding to meet the scale of our mission, we can be an even stronger advocate for the American public—investors and issuers alike.

Further, while recent market volatility raises many important issues for policymakers and the American public, it is also a reminder of the SEC's need to be adequately resourced.

Budget Request

I am pleased to support the President's FY 2024 request of $2.436 billion for SEC operations, to put us on a better track for the future. The bulk of the increase would be to support currently authorized staffing levels given inflation. In addition, we've requested $39.6 million for needs supporting General Services Administration (GSA)-led real estate projects.

Though in this testimony I'm discussing the full request, I want to thank this Committee for its bipartisan approval last week on the bill that would fund the SEC at $2.364 billion, which would allow the SEC to continue operating at its current level.

To put this in context, with this Committee's help, FY 2023 funding for the first time would bring the agency's staffing back above where we were seven years ago. The SEC this year is expected to be approximately 3 percent larger than it was in FY 2016. Meanwhile, the demands on our talented staff have grown dramatically.

The agency's oversight function is vast. In addition to the approximately 40,000 entities I mentioned above, we oversee credit rating agencies, the Public Company Accounting Oversight Board, the Financial Industry Regulatory Authority, the Municipal Securities Rulemaking Board, the Securities Investor Protection Corporation, and the Financial Accounting Standards Board.

In FY 2023, the number of positions funded by Congress was 5,303, a much-needed increase of 400. We're now in the process of filling those positions. The FY 2024 request seeks funding for an additional 170 positions, as well as full-year funding for those staff hired in FY 2023. Considering full-time equivalents (FTEs)—or actual time worked—the FY 2024 request would support 5,139 FTEs.

As this Committee considers its work, it's worth noting the SEC's funding is deficit-neutral; appropriations are offset by transaction fees.

The SEC has 30 Divisions and Offices across our 11 regional locations and Washington, D.C. headquarters. I'm summarizing below the budget requests for our six Divisions and will briefly touch on technology and real estate. For further details as well as a review of the other offices of the SEC, please reference the FY 2024 Congressional Budget Justification.[1]

SEC FTEs (FY 2016 – FY 2024)

	FY 2016 Actual	FY 2022 Actual	FY 2023 Enacted	FY 2024 Request
SEC Overall	**4,554**	**4,547**	**4,685**	**5,139**
Enforcement	1,380	1,311	1,325	1,434
Examinations	1,023	1,051	1,061	1,144
Corporation Finance	477	395	404	454
Trading and Markets	258	262	271	309
Investment Management	183	205	209	238
Economic and Risk Analysis	151	146	161	198

Full-time equivalents (FTEs) at the SEC and in individual Divisions. Overall SEC FTEs include all Offices and Divisions.

Enforcement and Examinations

The Divisions of Enforcement and Examinations account for about half of the SEC's staff. Without examination of compliance with and enforcement of our rules and laws, we can't instill the trust necessary for our markets to thrive. Stamping out fraud, manipulation, and abuse lowers risk in the system. It protects investors and reduces the cost of capital. The whole economy benefits from that.

Division of Enforcement

The SEC received more than 35,000 separate tips, complaints, and referrals from whistleblowers and others in FY 2022. To give context, this is more than double the number we received in FY 2016.

During the same period, the Division shrank 5 percent.

Even with limited resources, the Division brought more than 750 enforcement actions in FY 2022, a 9 percent increase over the prior year. Our actions resulted in orders for $6.4 billion in penalties and disgorgement.

Meanwhile, rapid technological innovation in the financial markets has led to misconduct in emerging and new areas, not least in the crypto space. Addressing this requires new tools, expertise, and resources.

[1] *See* Securities and Exchange Commission, "Fiscal Year 2024 Congressional Budget Justification" (March 10, 2023), *available at* https://www.sec.gov/files/fy-2024-congressional-budget-justification_final-3-10.pdf.

The additional staff will provide the Division with more capacity to meet these challenges, investigate misconduct on a larger scale, and accelerate the pace of enforcement investigations to resolution.

This year's request would grow the team and get the Division to just 4 percent more than it was in FY 2016.

Division of Examinations

The Division of Examinations serves on the front lines to help ensure firms comply with the law.

In FY 2022, we conducted more than 3,000 examinations across our tens of thousands of registrants, from investment advisers to broker-dealers to exchanges, to ensure they are following their legal obligations to customers, including seniors and other vulnerable investors.

Importantly, the Division is the first line of defense for the investing public relying on investment advisers. Their numbers have grown significantly in the last five years. Registered investment advisers grew by 20 percent—to about 15,000, up from approximately 12,500 in 2017. During the same period, the number of private funds advised by registered investment advisers increased by 50 percent to approximately 50,000. This stretches thin the limited resources of the Division.

Further, we work in parallel with self-regulatory organizations to examine registered broker-dealers; in each of the last five years, we jointly examined nearly half of them—even as the number of daily transactions in the equity markets more than doubled.

Our FY 2024 request would help the Division grow to 1,144 FTEs, allowing it to keep pace with the market challenges of the last decade. The majority of this increase relates to full-year funding for those staff positions authorized and hired in FY 2023.

These additional resources would strengthen the Division's ability to protect American families by addressing risks in the crypto markets, cyber and information security, and the resiliency of critical market infrastructure.

Programmatic Divisions

Next, I will turn to our three programmatic Divisions.

Corporation Finance

The Division of Corporation Finance oversees the disclosures of public companies so that investors can make informed investment decisions. It's important for investors to receive useful, timely, and accurate disclosure.

During the last three years alone, the number of reporting companies the Division oversees has increased by 18 percent to 7,836, primarily due to initial public offerings. In addition, merger activity has more than tripled 2020 levels in the last two fiscal years. In contrast, the Division's staff is still approximately 17 percent below FY 2016.

Today's budget request would grow the team to 454 FTEs. With this increase, the Division still would be 5 percent smaller than it was in FY 2016. Nonetheless, additional resources would allow the Division to serve investors more ably as markets grow and evolve.

Investment Management

The Division of Investment Management oversees the funds and advisers that steward nest eggs for millions of American investors.

It oversees more than 30,000 registered entities, including more than 17,000 registered funds and 15,000 investment advisers.

As discussed earlier, we've seen significant growth in the number of investment advisers and private funds. Further, the assets managed just by private funds, now at approximately $25 trillion in gross assets, have surpassed the size of the entire U.S. commercial banking industry of approximately $23 trillion.

Overall, the combined assets managed by registered investment companies, private funds, and separately managed accounts the Division oversees has surpassed $100 trillion. Given this growth in the markets, we've asked for funding to support 238 FTEs.

Trading and Markets

The Division of Trading and Markets serves on the front line for maintaining fair, orderly, and efficient markets. Market monitoring and supervision are essential parts of the Division's activity—especially during times of market stress.

The markets and the market participants we oversee represent a significant and growing number of market transactions as well as volume of trades. The Division oversees more than 3,500 broker-dealers, 24 national securities exchanges, 99 alternative trading systems, 50 security-based swap dealers, and seven active registered clearing agencies, among other entities. Further, the Division is responding to an increasing number of public inquiries, up by more than 67 percent since FY 2019 to approximately 20,000 inquiries in FY 2022.

In FY 2024, we've requested 309 FTEs to support this important function of the Commission.

Economic Risk and Analysis

Economic analysis is critical to all of the agency's work. The Division of Economic and Risk Analysis supports the Commission in every role, whether it's enforcement or examinations, monitoring the markets, or rulemaking.

In the Enforcement context, the Division's staff is instrumental in identifying potential wrongdoing, assessing ill-gotten gains, and working to return funds to harmed investors.

The Division's economists are involved in every aspect of the agency's rulemaking. Proposing and adopting releases include economic analyses that consider the costs and benefits of our rules as well as their effects on efficiency, competition, and capital formation.

Those analyses are included in proposing releases that are put out for public comment, and staff throughout the agency actively engages with the public to receive input, including on the economic analyses.

FY 2023 has gotten us to modestly above where we were in 2016 for FTEs. Given the critical nature of the Division's work, though, for FY 2024, we've asked for funding to support 198 FTEs.

Additional Matters

Technology

We live in transformational times. The amount of data analysis that the SEC processes in the Division of Enforcement alone has grown 20 percent year over year for the last three years. Cyber threats have placed our financial sector on high alert. As technologies evolve, it is important that the SEC's information technologies follow suit.

Thus, we have requested $393 million to support the Commission's data analysis, cybersecurity, and other IT needs. This request assumes full use of an additional $50 million from the SEC Reserve Fund for multi-year IT projects and programs. To put these figures in context, this spending is dwarfed by what some of the biggest market participants spend in a month on technology.

Real Estate

Another important part of our budget is for offices and leases. We have offices in Washington, D.C., and 11 other places. The total cost in FY 2023 was 5 percent of our budget.

Over the years, we've worked with the GSA to rightsize our leasing footprint. In the last nine years, we have shed 140,000 rentable square feet across our facilities. We are in the process of shedding another 30,000 rentable square feet in our San Francisco and Fort Worth regional offices.

Further, we are preparing to vacate one of our three headquarters buildings in Washington, D.C., by the end of this fiscal year, resulting in a reduction of 210,000 square feet of space and approximately $14 million per year in savings.

The GSA also secured a new lease to move the SEC headquarters in Washington to another building. The separate FY24 request of $39.6 million would support GSA's work on buildout and move-related costs for this effort and for the replacement lease for our Atlanta office. The SEC proposes to offset these costs with fee collections and return any unused amounts to fee payers or the Treasury after project completion.

With the finalization of a new Collective Bargaining Agreement, we look forward to reassessing our facility needs and working with GSA on efforts to relinquish additional space it deems marketable in the coming years.

Conclusion

Two years into this role, I am grateful to work alongside this remarkable staff and my fellow Commissioners to help maintain America's capital markets—the best in the world. We can't take our leadership in capital markets for granted, though.

The SEC is working hard day in and day out to keep pace with the dramatic growth and change in the markets. This FY 2024 budget request would give the agency resources to better protect the American public.

I thank the Committee for providing me the opportunity to summarize this budget request.

I am pleased to take your questions.