

## SEC 2015 Budget Impacts Investment Management Industry

March 25, 2015

This past December, President Obama signed an appropriations bill that provides an \$11.8 million budget increase for the SEC's Division of Economic and Risk Analysis (DERA) intended to bolster the agency's cost-benefit analysis used in rulemaking. This action comes after multiple SEC rules have been stricken by the D.C. Circuit for failure to adequately consider their effect on efficiency, competition, and capital formation, as required by law. DERA's budget increase will likely enhance its role in many upcoming regulatory initiatives, including those mentioned mentioned in "FSOC Presses SEC on Money Managers' Systemic Risks" on page 14. Nevertheless, the SEC's overall 2015 fiscal year budget increase fell about \$200 million short of the President's request. Rick A. Fleming, the SEC's "Investor Advocate," is among the dissatisfied, having recommended, in reports to Congress, that sufficient resources be provided to enable the SEC to conduct an adequate number of investment adviser examinations. In 2014 the SEC examined only 10 percent of advisers. Although the SEC's 2015 appropriation does not provide the funds he recommended, Mr. Fleming's most recent report states that his office will seek to identify potential efficiencies or other funding mechanisms to help enhance the SEC's oversight of investment advisers. However, in recent years the SEC has already exploited many of the most obvious potential efficiencies, and agreement on other funding mechanisms (including charging advisers "user fees" or requiring them to pay third parties to conduct examinations) has so far proved elusive. Accordingly, although this year the SEC is expected to add personnel who will be available to examine investment advisers, it has indicated that, absent further budget increases, the percentage of advisers examined each year is likely to remain around 10 percent.

## **Related Practices**

Securities Litigation and Enforcement Financial Services Regulatory Securities Transactions and Compliance Securities Litigation and Enforcement

©2024 Carlton Fields, P.A. Carlton Fields practices law in California through Carlton Fields, LLP. Carlton Fields publications should not be construed as legal advice on any specific facts or circumstances. The contents are intended for general information and educational purposes only, and should not be relied on as if it were advice about a particular fact situation. The distribution of this publication is not intended to create, and receipt of it does not constitute, an attorney-client relationship with Carlton Fields. This publication may not be quoted or referred to in any other publication or proceeding without the prior written consent of the firm, to be given or withheld at our discretion. To request reprint permission for any of our publications, please use our Contact Us form via the link below. The views set forth herein are the personal views of the author and do not necessarily reflect those of the firm. This site may contain hypertext links to information created and maintained by other entities. Carlton Fields does not control or guarantee the accuracy or completeness of this outside information, nor is the inclusion of a link to be intended as an endorsement of those outside sites.