

March 7, 2019

The Honorable Richard Shelby  
Chairman  
Committee on Appropriations  
United States Senate  
Washington, DC 20510

The Honorable Patrick Leahy  
Vice Chairman  
Committee on Appropriations  
United States Senate  
Washington, DC 20510

The Honorable John Kennedy  
Chairman  
Subcommittee on Financial Services  
and General Government  
United States Senate  
Washington, DC 20510

The Honorable Christopher Coons  
Ranking Member  
Subcommittee on Financial Services  
and General Government  
United States Senate  
Washington, DC 20510

Re: Importance of Robust FY2020 Funding for the Securities and Exchange Commission

Dear Chairman Shelby, Vice Chairman Leahy, Chairman Kennedy, and Ranking Member Coons:

On behalf of the Investment Company Institute,<sup>1</sup> I am writing to support robust funding for the Securities and Exchange Commission (SEC) for fiscal year 2020 and, in particular, increased funds to support the Commission's critical cybersecurity and data protection responsibilities. ICI represents the interests of regulated funds, which manage total assets of \$21.9 trillion on behalf of more than 100 million Americans seeking to save for college, retirement, and other important financial goals. A well-funded and effective SEC is essential to the continued success of regulated funds and their investors.

Regulated funds play an important role not only in the lives of individual investors but in our nation's financial system. They are major participants in US capital markets, which are widely viewed as being the fairest, most efficient, and most competitive in the world. Regulated funds contribute to overall US economic growth by channeling and allocating investors' capital to businesses of all kinds,

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<sup>1</sup> The [Investment Company Institute](http://www.ici.org) (ICI) is the leading association representing regulated funds globally, including mutual funds, exchange-traded funds (ETFs), closed-end funds, and unit investment trusts (UITs) in the United States, and similar funds offered to investors in jurisdictions worldwide. ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers. ICI's members manage total assets of US\$21.9 trillion in the United States, serving more than 100 million US shareholders, and US\$6.6 trillion in assets in other jurisdictions. ICI carries out its international work through [ICI Global](http://www.ici.org/global), with offices in London, Hong Kong, and Washington, DC.

March 7, 2019

Page 2

helping to finance their operations, research and development, innovation, and growth in employment.<sup>2</sup>

Our industry views regulation as a necessary component for building and sustaining the confidence of regulated fund investors. Regulated funds have prospered for close to 80 years under a robust framework of laws and regulations administered by the SEC under the Investment Company Act of 1940 and other federal securities laws.

Under the capable leadership of Chairman Jay Clayton, the SEC has put forth a strategic plan for 2018-2022 that outlines three goals intended to guide the agency's work: (1) attention to the interests of long-term "Main Street" investors; (2) a continual focus on changes in the securities markets and how the agency's regulation and oversight must adapt; and (3) a commitment to "elevating the agency's performance through technology, data analytics and human capital."<sup>3</sup> By holding itself to these goals, the SEC will be well positioned to utilize the resources it receives from Congress to maximum effect.

The SEC's current regulatory and policy agenda includes a range of initiatives that are of considerable import to the regulated fund industry, but of all the initiatives on the SEC's agenda, one stands out as a top priority for both the agency and the regulated fund industry: cybersecurity and data protection.<sup>4</sup> Indeed, this initiative reflects all three of the goals outlined in the SEC's strategic plan.

ICI and its members commend Chairman Clayton for his commitment to enhancing the SEC's practices relating to cybersecurity and data protection.<sup>5</sup> Under Chairman Clayton's leadership, the SEC has demonstrated that commitment, continuously evaluating its data security protocols in light of its regulatory program. A recent example is the SEC's action to allow mutual funds to report monthly portfolio holdings information at quarter's end, thereby reducing the sensitivity of the information collected by the Commission.<sup>6</sup> This was a much-needed step that ICI and its members strongly support.

Attention to the Commission's cybersecurity and data protection needs requires significant investment—both in time and resources. The SEC recently appointed its first Chief Risk Officer

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<sup>2</sup> Statement of Paul Schott Stevens, President & CEO, ICI before the Committee on Financial Services, US House of Representatives, on Empowering a Pro-Growth Economy by Cutting Taxes and Regulatory Red Tape (June 20, 2018); *see also* Statement of Jay Clayton, Chairman, SEC before the Committee on Banking, Housing and Urban Affairs, US Senate, on Oversight of the US Securities and Exchange Commission (Dec. 11, 2018) ("Clayton Testimony").

<sup>3</sup> *See, e.g.*, Clayton Testimony.

<sup>4</sup> *Id.*

<sup>5</sup> *See, e.g.*, Jay Clayton, Chairman, SEC, Public Statement on Cybersecurity (Sept. 20, 2017), available at <https://www.sec.gov/news/public-statement/statement-clayton-2017-09-20>.

<sup>6</sup> *See SEC Modifies Timing for Filing Non-Public Form N-PORT Data to Align With its Approach to Data Management and Cybersecurity* (press release, Feb. 27, 2019), available at <https://www.sec.gov/news/press-release/2019-23>.

March 7, 2019

Page 3

(CRO), whose cybersecurity efforts will require, and deserve, increased funding. Additional SEC efforts and resources will be needed to make further improvements to the agency's information security environment, including its EDGAR filing system. A 2016 breach of that critical SEC system allowed the hackers to engage in illicit trading using the nonpublic information that was seized.<sup>7</sup> It is an unfortunate fact that some ICI members spend more on data security than the entire SEC budget, yet the SEC collects and must secure reams of sensitive market data, and in some cases, personally identifiable information.

In closing, I urge your support for robust funding for the SEC to fulfill its mission of protecting US investors, including the more than 100 million investors who own shares of regulated funds. These investors deserve the benefits of an SEC that can soundly and effectively regulate securities offerings, market participants, and the markets themselves.

With very best regards.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul Schott Stevens". The signature is fluid and cursive, with a large initial "P" and "S".

Paul Schott Stevens  
President and CEO  
Investment Company Institute

cc: Members of the Subcommittee on Financial Services and General Government

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<sup>7</sup> See *SEC Brings Charges in EDGAR Hacking Case* (press release, Jan. 15, 2019), available at <https://www.sec.gov/news/press-release/2019-1>.