

United States House of Representatives
Committee on Financial Services
Washington, D.C. 20515

July 9, 2014

The Honorable Pete Sessions
Chairman
Committee on Rules
H-312, the Capitol
Washington, D.C. 20514

Dear Chairman Sessions:

I write to respectfully request that the Committee on Rules not protect sections 125, 501, 625, 626 and 632 of H.R. 5016, the Financial Services and General Government Appropriations Act of 2015, from points of order, as these sections place improper funding restrictions on our financial regulatory agencies and inappropriately authorize an appropriations bill.

Specifically, section 125 of H.R. 5016 places improper funding restrictions on the Office of Financial Research (OFR), the office specifically created in the wake of the worst financial crisis to study systemic risk across the U.S. economy and inform the decisions of the Financial Stability Oversight Council (FSOC). Section 155 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (P.L. 111-203) explicitly funds the OFR through assessments on both bank holding companies with more than \$50 billion in assets and nonbank financial companies supervised by the Federal Reserve. Congress provided the OFR with a funding source similar to many FSOC member agencies to ensure that the OFR always had sufficient funding to conduct the research needed to monitor threats to our financial system. Section 125 disregards existing law by subjecting the OFR to the appropriations process beginning in 2015.

Additionally, section 501 of H.R. 5016 consists of legislating on an appropriations bill. This section alters section 1017 of the Dodd-Frank Act, which establishes the process by which operations of the Consumer Financial Protection Bureau are independently funded by the Federal Reserve System. It has been well-established that Congress intended for the Consumer Financial Protection Bureau's funding to be free of political influence, similar to other independent banking regulatory agencies. Sources of funding for the Consumer Financial Protection Bureau have been appropriately debated during the current Congress in the authorizing Committee of jurisdiction. I therefore ask that section 501 be exposed to a point of order.

Further, several sections of H.R. 5016 place improper restrictions on the Securities and Exchange Commission (SEC). In particular, section 625 prevents the SEC from spending from the Reserve Fund for the next year. The Reserve Fund was created under section 991 of

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the Dodd-Frank Act in order to facilitate long-range planning and budgeting by the Commission, particularly since the Commission's technology systems have traditionally lagged behind dramatic market changes. Also, the Reserve Fund was created because Congress recognized that the Commission requires resources to respond to unforeseen crises such as the so-called "Flash Crash" of May 2010, when U.S. stock markets plummeted approximately 9 percent in just a few minutes. Congress already has robust oversight over the use of the Reserve Fund, with the SEC required under the Dodd-Frank Act to notify the Committee on Financial Services and the Committee on Appropriations within 10 days of making a Reserve Fund obligation. Section 625 would overturn existing law, and create uncertainty both for the future of the SEC's efforts as well as the stability of our financial markets.

Additionally, section 626 of H.R. 5016 violates Rule XXI, clause 2, by making changes to SEC's existing authority to regulate the disclosure of material information, which may include political contributions made by corporations. The SEC has broad authority to protect investors by requiring that companies disclose information to the public so that investors can make informed decisions. Although there are questions as to whether political contributions made by companies are material to investors, section 626 would prevent the SEC from even considering this issue. As a result, this provision would hamstring our securities regulator from fulfilling its statutory mandate.

Finally, section 632 of H.R. 5016 consists of legislating on an appropriations bill. This section would substantially alter section 716 of the Dodd-Frank Act, which requires financial institutions with access to the federal banking safety net to spin-off certain swaps dealing activities to separately capitalized affiliates. The underlying section in Dodd-Frank is subject to significant debate, and its inclusion in a spending bill is inappropriate. I therefore also ask that section 632 be exposed to a point of order.

In order to uphold the integrity of the appropriations process, I ask that the Committee on Rules submit to the requests contained within this letter. The funding process for our financial regulatory agencies should not be used as a way to side-step the proper role of authorizing Committees in Congress.

Sincerely,



MAXINE WATERS
Ranking Member

cc: The Honorable Louise M. Slaughter, Ranking Member, Committee on Rules
The Honorable Jeb Hensarling, Chairman, Committee on Financial Services