

## [Securities Regulation Daily Wrap Up, TOP STORY—SEC and CFTC seek modest budget increases as White House targets PCAOB and CFPB, \(Feb. 11, 2020\)](#)

Securities Regulation Daily Wrap Up

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A White House Budget proposal includes major spending cuts that would consolidate the PCAOB into the SEC and limit funding for the CFPB.

The SEC and CFTC published their annual budget requests while the Trump Administration proposed a FY'21 budget with major spending cuts it said could result in a balanced budget within 15 years. Funding requests from the SEC and the CFTC remain modest for FY'21. However, the White House seeks major spending cuts and other changes for the Public Company Accounting Oversight Board and the Consumer Financial Protection Bureau. Still, it remains to be seen if both houses of Congress will pass some or all of the annual appropriations bills for segments of the federal government this year and the final FY'21 appropriations numbers may not be set by lawmakers until late 2020.

**SEC and CFTC requests.** The SEC said it will [request](#) a FY'21 appropriation of \$1.895 billion or \$80 million more than its FY'20 appropriation of \$1.815 billion. By comparison, the SEC last year received an increase of \$140 million over its FY'19 amount of \$1.675 billion.

The additional funds would allow the SEC to add some positions across the agency's divisions and for offices focused on issues unique to small businesses and for staff roles within the chief data officer function. The SEC also said its FY'21 request would aid its outreach efforts to stakeholders regarding fintech issues via its Strategic Hub for Innovation and Financial Technology (FinHub).

The CFTC [requested](#) \$304 million, a \$20 million increase for FY'21 that, if approved by Congress, would exceed the \$16 million increase it received for FY'20. The CFTC's annual appropriations have tended to remain comparatively modest despite the agency's expanded Dodd-Frank Act duties regarding swaps and derivatives.

**White House targets PCAOB, CFPB.** The modest SEC request is likely consistent with the austerity [proposed](#) by the Trump Administration's budget, which seeks \$4.4 trillion in [spending cuts](#) to reach the goal of a balanced budget in 15 years. These cuts would directly impact the SEC and the PCAOB by consolidating the PCAOB into the SEC with projected ten-year cost savings of \$580 million. The White House cited the reduction of "regulatory ambiguity," clarification of redundant congressional mandates, and a need for greater Congressional oversight as the reasons for the proposed consolidation.

The PCAOB was created by the Sarbanes-Oxley Act of 2002 in response to the Enron and WorldCom accounting scandals. In 2010, the PCAOB withstood a constitutional challenge to its board structure ([Free Enterprise](#)). In recent years, however, the PCAOB has seen its entire board replaced en masse in 2017 ([SEC press release](#); Chairman Jay Clayton [statement](#)) and the [posting](#) of a job vacancy that would have required former Board Member Kathleen Hamm, one of the group of replacement board members announced in 2017, to re-apply for her position following the expiration of her term. The PCAOB also was pulled into a [data theft and test cheating scandal](#) involving a Big 4 accounting firm.

The White House budget also targets for elimination the SEC's reserve fund, which the Trump Administration projects would save \$158 million and \$408 million over five- and ten-year periods, respectively. Moreover, the Trump Administration seeks to restructure the CFPB to achieve more than \$6 billion in savings over a ten-year period. The proposed CFPB reforms would limit funds transfers from the Fed to the CFPB and increase

Congressional oversight of the CFPB. The CFPB, like the PCAOB, has seen its structure challenged in court and the Supreme Court will soon hear a case that could decide the fate of the director-led bureau.

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