

Is the White House Coming for You? New Budget Proposal Calls for Increased Adviser Oversight

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The Obama Administration's budget proposal for 2013 is a very interesting indication as to how it views the role of the [investment adviser](#) and its supervision by the Securities and Exchange Commission. The SEC's budget calls for \$1.566 billion for 2013, a \$245 million increase over fiscal 2012's appropriation. Much of that money will be devoted to expanding oversight initiatives by the Office of Compliance Inspections and Examinations (OCIE).

"In 2013, OCIE plans to hire additional examiners to focus on investment advisers and investment companies as part of a multiyear effort to increase coverage of the advisory industry, allowing OCIE to more effectively assess the risk of, monitor and examine market participants to focus on the areas in greatest need of attention," the [White House budget](#) states.

The initiatives to be funded are geared towards protecting investors, preventing bottlenecks, strengthen market stability, and leverage IT systems. They include:

- 222 new examiners in OCIE to be able to "inspect and examine the expanding breadth of entities under the SEC's jurisdiction," i.e. private equity and hedge funds.
- 191 positions in the enforcement program, improving its ability to track and manage tips, complaints and referrals, while developing a "comprehensive case management system."
- A focus on exchange-traded funds and money market funds, which have unique attributes that present different and often more challenging regulatory concerns than conventional funds.

While Mary Shapiro received some misgivings about the 2012 budget request from the congressional Appropriations sub-committee in her testimony earlier this month, and it will certainly not be passed as proposed, it is likely that the administration will be able to push through at least a portion of the increases. The agency saw a \$136 million funding increase for fiscal 2012.

Interestingly, the proposal seems to be a vote of confidence for the oversight over advisers by—tried and proven—SEC over a self-regulatory organization, whether FINRA or a newly-created one. Good news if you ask me.

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