

OPENING STATEMENT OF CHAIRMAN PAUL E. KANJORSKI
SUBCOMMITTEE ON CAPITAL MARKETS, INSURANCE, AND GOVERNMENT
SPONSORED ENTERPRISES
HEARING ON SEC OVERSIGHT: CURRENT STATE AND AGENDA
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We meet today to focus on the work of the U.S. Securities and Exchange Commission. Although she is no stranger to us, this hearing also represents the first time that Mary Schapiro will testify in her new capacity as the head of the Commission.

Chairman Schapiro has, of course, taken over the helm of a much beleaguered agency. In recent months, many have criticized the Commission for its lack of diligent enforcement. The Commission showed particular ineffectiveness when, despite numerous warnings, it failed to uncover the Madoff scandal. This \$65 billion fraud has caused extreme hardship, if not ruin, for far too many individuals, pension funds and charitable institutions.

Our panel has already examined the Madoff affair in great detail, using the unfortunate episode as a case study to examine the gaps in our existing regulatory structure and to identify solutions to fill these holes. The recent public assessments of Harry Markopolos and the Government Accountability Office show an agency in distress. To restore investor confidence in our markets, the Commission must expeditiously change the way that it does business.

Since her return to the Commission as Chairman, Mary Schapiro has moved aggressively to focus the agency on fulfilling its key mission -- protecting investors. She has beefed up the importance of the enforcement unit, pursued significantly more enforcement actions than her immediate predecessor, and removed unnecessary hurdles that slowed progress in enforcement cases. In less than 6 months, she has also replaced nearly all of the agency's senior officials.

In nominating Mary Schapiro, President Obama remarked, "Mary is known as a regulator who's both smart and tough -- so much so that she's been criticized by the same industry insiders who we need to get tough on...I know that Mary will provide the new ideas, new reforms, and new spirit of accountability that the SEC desperately needs so that fraud like the Madoff scandal doesn't happen again."

Without question, I wholeheartedly concur with the President's assessment. In her short tenure, Chairman Schapiro has displayed a commitment to implementing the reforms needed to change the internal culture and external perceptions of the Commission.

The Commission, however, must continue to take bold and assertive action as it moves forward to bring enforcement actions against wrongdoers and to rewrite the rules governing the industry to better protect investors. Without further action to finalize regulatory proposals on proxy access, the custody of client assets, and short sale restrictions, investors will lack the real protections that they need. The hard work on these matters therefore lies ahead.

As the Commission works to put in place new rules, Congress must also work to update our securities laws. In this regard, Chairman Schapiro has recently transmitted an ambitious set of 42 legislative proposals. The Commission's Inspector General has also offered us some ideas.

And the Obama Administration has, of course, already relayed general concepts and specific legislative proposals. I am now developing a bill based on these useful recommendations.

Of the many suggestions already proposed, one important one stands out: We ought to put in place new standards that reward whistleblowers when their tips lead to catching fraudsters. By encouraging whistleblowers to come forward when they know of wrongdoing, we will leverage the Commission's limited resources and increase the number of cops on the beat.

Improving the Commission's overall operation and performance will additionally require a significant increase in its budget. Chairman Schapiro has noted that the agency lacks the resources required to match increasingly sophisticated markets. Fortunately, the House will soon consider a bill providing for a modest increase of 8 percent in the Commission's 2010 budget.

But, we must do even more to remedy these constraints. The financial crisis shows what happens when unbridled capitalism lacks a strong regulatory check. We must therefore seriously consider the Commission's request to raise its 2011 budget authorization by an additional 20 percent.

Alternatively, we might decide to put the Commission on the same independent footing as other financial regulators by moving the agency outside of the appropriations process.

In closing, I look forward to Chairman Schapiro's testimony today. Her comments will help us as we embark on overhauling financial services regulation.