

For Immediate Release

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Grassley works to protect investors and free market by strengthening SEC watchdog
Senator secures commitment from commissioner to respond to 2007 wrongdoing

WASHINGTON – Senator Chuck Grassley said the agreement he reached today with Senator Chuck Schumer of New York will give the Inspector General for the Securities and Exchange Commission (SEC) an additional \$1 million for each of the next two fiscal years to oversee the work of the agency charged with protecting investors, maintaining fair, orderly and efficient markets, and facilitating capital formation.

“The public deserves ongoing rigorous, independent oversight of the SEC,” Grassley said. “Congress has dropped the ball with SEC oversight, and even the former Inspector General failed in his important role. The good news is the current Inspector General for the SEC has demonstrated a commitment to policing the agency and identifying problems that have repercussions for every American. We ought to dedicate more resources to this effort, and especially if Congress is going to give the SEC itself more money.”

The new funding for the SEC Inspector General and the SEC is part of pending legislation sponsored by Grassley and Senator Patrick Leahy to fight fraud against the taxpayer-funded bailout of America’s financial system and to strengthen the federal False Claims Act, under which updates sponsored by Grassley in 1986 have recovered \$22 billion for the U.S. Treasury that would otherwise have been lost to fraud.

Grassley successfully made the case that some of the new resources Schumer sought for the SEC in this broad-based legislation should go to beef up the SEC’s watchdog, especially given recent failures by senior SEC enforcement officials, the SEC’s culture of deference to Wall Street and the agency’s failure to identify market abuses, including Bernard Madoff’s Ponzi scheme against investors.

In addition, Grassley won a commitment today from the SEC Chairman, Mary L. Shapiro, to report on complete implementation of recommendations made in August 2007 by Grassley and Senator Arlen Specter, based on their investigation which documented how an SEC lawyer was fired for protesting special treatment by the SEC of a Wall Street CEO.

“It’s pretty unbelievable that the SEC has refused to hold anyone accountable for the misconduct in this case, which was verified by two independent inquiries,” Grassley said. “I appreciate the new Commissioner’s commitment to taking action, and look forward to her reform on May 8.”

A copy of the April 23, 2009, letter from Shapiro to Grassley is posted with this news release at <http://grassley.senate.gov> and <http://finance.senate.gov>. A copy of the August 2007

report completed by Grassley and Specter, titled “The Firing of an SEC Attorney and the Investigation of Pequot Capital Management,” is posted at <http://finance.senate.gov/sitepages/leg/LEG%202007/Leg%20110%20080307%20SEC.pdf>.

Under the Grassley-Schumer agreement, the Inspector General would receive \$1 million in 2010 and 2011, or \$2 million total. The SEC would receive \$20 million in 2010 and 2011, or \$40 million total. The total cost of the amendment is \$42 million over two years.

The overall bill, the Fraud Enforcement and Recovery Act (S.386), is being debated by the Senate this week.