OPENING STATEMENT OF
CHAIRMAN PAUL E. KANJORSKI

SUBCOMMITTEE ON CAPITAL MARKETS, INSURANCE, AND GOVERNMENT SPONSORED ENTERPRISES

HEARING ON OVERSIGHT OF THE U.S. SECURITIES AND EXCHANGE COMMISSION: EVALUATING PRESENT REFORMS AND FUTURE CHALLENGES

JULY 20, 2010

Good morning. We meet today to consider the current performance and future plans of the U.S. Securities and Exchange Commission. When taking over the agency nearly 18 months ago, Chairman Schapiro faced considerable challenges, perhaps none greater than restoring the Commission's reputation in the wake of the collapse of sizable investment banks and the revelation of the $65 billion Madoff fraud. This massive Ponzi scheme made it undeniably clear that the Commission's examination, oversight and enforcement programs had serious weaknesses and required substantial reforms.

During her tenure and using the powers that she already had, Chairman Schapiro has pursued an ambitious results-oriented agenda aimed at protecting investors and restoring market confidence. She has shaken up the Commission's senior management. While she has already accomplished much, Chairman Schapiro also faces many more hurdles in the coming months, especially as she works to implement the Dodd-Frank Wall Street Reform and Consumer Protection Act, which will become law tomorrow. This statute grants the Commission many new powers and endows it with significant new responsibilities.

Today, Congress will carry out its constitutional oversight mandate by closely examining what the Commission has recently done to better protect investors, facilitate capital formation, and maintain fair, orderly, and efficient markets. We will also begin comprehensive oversight of the Administration's implementation of the new Wall Street reform law. I believe that Congress must focus like a laser beam on this issue by holding regulators accountable for their performance under the landmark statute. As a result, this hearing is the first of many that I intend to hold on issues related to the new law.

Under the Wall Street reform law, the Commission will, independently and in cooperation with other agencies, write and police more than 100 new rules on issues like the sale of derivatives, the fiduciary duty of broker-dealers, the nomination of board directors by investors, and mandatory arbitration clauses inserted into securities contracts. Additionally, the law will require the Commission to complete a score of studies under very tight deadlines.

The historic agreement also subjects credit rating agencies to greater accountability through new liability standards, and the Commission will issue rules that, among other things, establish a system to prohibit issuers of structured finance products from picking the entity that provides the initial credit rating. The statute further empowers the Commission to register and oversee hedge fund managers and other private fund advisers.

Moreover, the landmark law aims to modify the structure of the agency to make it more nimble and responsive to the ever novel innovations of Wall Street. In addition to the offices and other structural reforms that it will impose, the bill contains my proposal to require an independent, external, comprehensive examination and overhaul of the Commission. This overhaul effort will ensure that a fresh look at the inner workings of the agency is taken in order to help rectify any remaining problems, and make sure that the Commission and its partners can effectively and efficiently detect and stop Wall Street fraudsters.

As we proceed today, we will undoubtedly review the recent developments that have garnered eye-catching headlines on the front pages of America's newspapers. For example, we need an update about the structural reforms put in place after the market's temporary plunge on May 6. We also need to shed more light on last week's eye-popping $550 million settlement with Goldman Sachs. I, for one, am hopeful that this legal action will be the first, and not the last, brought by the Commission against the hucksters of Wall Street who spun toxic mortgages into golden financial opportunities by hiding information or defrauding investors by other means.

In closing, I look forward to hearing from Chairman Schapiro on the reforms implemented by the Commission during the last year, its pending initiatives, and most importantly on how the Commission expects to implement the many new powers and authorities contained in the conference agreement to reform the way that Wall Street operates. Because too many Americans have lost their retirement nest eggs, we cannot rest. We must continue to work to improve the effectiveness of this important agency.