

Legislation Focuses on Increased Accountability, Transparency and Efficiency to Help Prevent Financial Fraud

Washington D.C. - Congressman Kevin McCarthy introduced two bills to provide more accountability, transparency, and efficiency in financial markets regulation. Congressman McCarthy serves on the House Financial Services Committee.

The first piece of legislation (H.R. 2622) is directed at ensuring that former employees of organizations like the New York Stock Exchange or National Association of Securities Dealers can be held accountable by the Securities and Exchange Commission (SEC) for any misconduct while an employee at these organizations. Currently the federal securities laws leave confusing loopholes such that employees at some regulated or supervised organizations cannot be sanctioned by the SEC after they leave their positions. By clarifying the SEC's authority to sanction formerly associated persons, employees at regulated or supervised entities would be held accountable for their actions while in those positions, even if they have moved on to another job.

The second piece of legislation (H.R. 2623) would reorganize the Securities and Exchange Commission to return inspections and examinations functions to their original location within the Divisions of Investment Management and Trading and Markets. This change would streamline operations at the SEC and reduce the current "stovepiped" structure where those charged with inspecting and examining organizations are entirely separate from those who set the policy. The legislation also requires the SEC to more promptly review and close investigations. A Government Accountability Office (GAO) report made this recommendation when it found that at one point, "nearly 300 (about 35%) of the [Enforcement Division's] open investigations were 2 or more years old, were no longer being pursued, and had no pending enforcement actions." This change would ensure that individuals and companies who are no longer suspected of having committed securities violations are promptly notified.

Congressman McCarthy issued the following statement:

"The SEC missed numerous red flags pointing to Bernie Madoff's ponzi scheme, and left many American retirees, families, and other workers exposed to harm and steep losses. These two

commonsense legislative solutions are an important step to move the SEC from a “check the box” mentality of oversight and enforcement to thinking more broadly to root out problems in the securities industry and protect Americans’ savings.”

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