

Senate Committee on Banking, Housing, and Urban Affairs
Hearing on 'Oversight of the SEC's Failure to Identify the Bernard L. Madoff
Ponzi Scheme and How to Improve SEC Performance'
September 10, 2009

Opening Statement of Senator Jack Reed, prepared for the record:

The Securities and Exchange Commission's handling of the Madoff case is shocking, and reveals fundamental problems with the agency's operations, organization, and culture. The cop on the beat missed dozens of clues while Madoff robbed charities, families, and investors. Between 1992 and 2008, the SEC ignored red flags from six detailed complaints, and two studies that sounded alarm bells. The SEC also conducted five separate reviews during the decade and a half that Madoff ran his operations, but failed to take basic steps that would have uncovered the fraud. How did so many examiners and so many investigations fail to close the loop on this Ponzi scheme? How did they fail to complete the minimal follow-up and third-party verification that would have brought down a multi-billion dollar scam artist?

At a Securities Subcommittee hearing I chaired back in May, we took a close look at the SEC's Enforcement Division and heard from the Government Accountability Office about how resource problems and policy changes undermined the Agency's ability to bring enforcement actions. But I am afraid the Inspector General's findings illuminate much deeper issues than scarce resources and changes in policy, and raise questions about examiner competence and agency culture.

I have consistently fought to give the SEC the robust resources and authority it needs to aggressively fight fraud and other abuses in the securities markets. And I will continue to do so. But I hope today's hearing helps us to continue to identify the underlying issues and problems at the agency that led to this preventable travesty. This hearing should help provide further transparency and accountability, and allow Congress to identify concrete steps to rebuild the agency, including steps beyond simply adding resources and authority.

I want to close by saying that while the SEC is currently suffering from a very tarnished reputation, one that it deserves based on its failures in recent years, the agency historically has been a symbol of strength and toughness in the markets for decades, thanks in large part to its dedicated staff. I believe under its new leadership and under the attention of Congress, the SEC can once again become the aggressive watchdog it once was and restore confidence in our securities markets.