

## Inquiry into SEC's enforcement arm

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The Securities and Exchange Commission is to be investigated by the US congressional watchdog, after a senior senator questioned whether the agency had sufficient staff and funds to police the markets.

Democratic Senator Jack Reed said on Tuesday he and Chris Dodd, the Senate banking committee chairman, had asked the Government Accountability Office to examine the SEC's enforcement division – marking the second time in 18 months a member of Congress has asked for a review of the division's activities.

They sought the review after penalties and the repayment of ill-gotten gains ordered by the SEC fell by almost half in the last fiscal year to \$1.6bn (€1.25bn, £810m), said Mr Reed, who heads the banking committee's subcommittee on securities, insurance and investment.

He said the sharp decrease "raises questions about whether changes have taken place in enforcement philosophy or scope of activity".

The GAO was asked to review whether the agency had "sufficient staff and funds to perform its mission and whether there have been fundamental changes in operation to the way they handle cases".

Mr Reed made the remarks in a speech given to a conference held by the North American Securities Administrators' Association in Washington. Staff would be assigned to an investigation in the near future, according to the GAO.

The impending investigation is likely to put further pressure on the SEC and its chairman, Christopher Cox. The agency has recently come under increasing criticism on a number of fronts, including for perceived weaknesses in its oversight of investment banks, such as Bear Stearns which collapsed last month.

Mr Cox said on Tuesday: "Whenever the GAO examines parts of our regulatory enforcement programme, we have benefited from the experience."

Last year the GAO investigated the enforcement division following a request from Chuck Grassley, who was then chairman of the Senate's committee on finance, and made several recommendations related to how the SEC conducts investigations.

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