11/4/09: Kanjorski Investor Protection Act Passes in Financial Services Committee

| Print |

Investor Protection Act is Third Kanjorski Regulatory Reform Bill to Pass Committee

WASHINGTON - Today, the House Financial Services Committee passed H.R. 3817, the Investor Protection Act, introduced by Congressman Paul E. Kanjorski (D-PA), Chairman of the House Financial Services Subcommittee on Capital Markets, Insurance, and Government Sponsored Enterprises, by a vote of 41 to 28. Last week, the Committee passed two other regulatory reform bills with extensive bipartisan support, which were both introduced by Chairman Kanjorski, including H.R. 3818, the Private Fund Investment Advisers Registration Act, by a vote of 67 to 1, and H.R. 3890, the Accountability and Transparency in Rating Agencies Act, by a vote of 49 to 14.

"In order to maintain a sound economy, we must improve investor protection and confidence," said Chairman Kanjorski. "The Investor Protection Act aims to achieve these goals while also improving enforcement powers at the U.S. Securities and Exchange Commission and implementing a fiduciary standard for broker-dealers and investment advisers to ensure that customers' interests are at the forefront of investment recommendations. Our financial system has failed far too many investors for far too long and we must change course. I believe this bill has the capabilities to address many of the problems we continue to face."

A summary of H.R. 3817 follows:

- **Protecting Investors and Righting Wrongs.** The financial crisis exposed the perils of deregulation. The Investor Protection Act will right these wrongs by reforming the Securities and Exchange Commission (SEC) to strengthen its powers, better protect investors, and efficiently and effectively regulate our securities markets.

- **Comprehensive Securities Review and Reorganization.** The failures to detect the Madoff and Stanford Financial frauds demonstrate deep deficiencies in our existing securities regulatory structure. An expeditious, independent, comprehensive study of the entire securities industry by a high caliber body will identify reforms and force the SEC and other entities to put in place further improvements designed to ensure superior investor protection.

- **Enhanced SEC Enforcement Powers and Funding.** By doubling the authorized funding for the SEC over 5 years and providing dozens of new enforcement powers and regulatory authorities, the SEC will be able to enhance its enforcement programs and gain the tools needed to better protect investors and police today's markets.

- **Fiduciary Duty.** Every financial intermediary who provides advice will have a fiduciary duty toward their customers. Through a harmonized standard, broker-dealers and investment advisers will have to put customers' interests first.

- **Whistleblower Bounties.** A whistleblower bounty program will create incentives to identify wrongdoing in our securities markets and reward individuals whose tips lead to successful enforcement actions. With a bounty program, we will effectively have more cops on the beat in our securities markets.

- **Ending Mandatory Arbitration.** Because mandatory arbitration has limited the ability of defrauded investors to seek redress, the SEC will gain the power to bar these clauses in customer contracts.

- **Closing Loopholes and Fixing Faulty Laws.** The Madoff fraud revealed that the Public Company Accounting Oversight Board lacked the powers it needed to examine the auditors of broker-dealers. The $65 billion Ponzi scheme also exposed faults in the Securities Investor Protection Act, the law that returns money to the customers of insolvent fraudulent broker-dealers. The Investor Protection Act closes these loopholes and fixes these shortcomings.

###

Close Window