



## SEC May Send Staff to 'Fraud College' to Detect Future Madoffs

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By Joshua Gallu and Dawn Kopecki

Sept. 3 (Bloomberg) -- The Securities and Exchange Commission may create a "fraud college" to train staff in detecting market abuses after the agency failed to stop **Bernard Madoff's** \$65 billion Ponzi scheme, Chairman **Mary Schapiro** said.

"The fraud college concept is a great one," Schapiro said today at a joint meeting with the Commodity Futures Trading Commission in Washington. Coordinating fraud-detection training with the CFTC "would be particularly valuable," she said.

The SEC is already training more than 300 examiners on ways to spot fraud after Madoff eluded the SEC for more than 16 years, Schapiro said in response to a suggestion from **John Coffee**, a securities law professor at Columbia University. SEC Inspector General H. **David Kotz** yesterday released a summary of a nine-month investigation that showed incompetence and inexperience helped Madoff avoid detection.

The SEC is revamping its enforcement division after lawmakers and investors criticized it for missing Madoff's scheme. **Robert Khuzami**, SEC enforcement director, last month announced he would form five specialty units focusing on cases in asset management, structured products, municipal securities, foreign corrupt practices and market abuse.

"Specialization can be a danger as well as an asset," said Coffee, who also suggested the SEC and CFTC set up a joint task force to oversee swap contracts. "The greater danger is that specialized units don't share information well."

Fraud in the derivatives market may be lessened if the CFTC had SEC-like powers to enforce insider trading and market manipulation cases, Coffee said in prepared remarks.

**Richard Owens**, an attorney at Latham & Watkins, said the agencies need to develop a joint set of standards that outline how the commissions will decide what kinds of enforcement cases they will bring.

**William McLucas**, a former SEC enforcement director who's now at WilmerHale in Washington, said the agencies should convene a group of staff from both agencies to determine how best to cooperate on enforcement.

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