

US Senate Leaders Propose Bill to Stem Investor Fraud 14:54 EDT / Jan 22

By Matt Day

WASHINGTON (MNI) - In the wake of the Bernard Madoff scandal, Senate leaders introduced a bill Thursday that would add 650 federal law enforcement agents to crack down on Wall Street fraud.

Senators Charles Schumer, D-N.Y., and Richard Shelby, R-Ala., proposed legislation that would provide an additional \$110 million to fight white-collar crime.

“Our white collar crime divisions are under-staffed, under-funded, and overwhelmed,” Schumer said in a press conference to unveil the legislation.

Schumer said FBI white-collar crime units are down 625 agents since the agency’s reorganization following the Sept. 11 attacks.

Shelby said, “We know there’s been a lot of fraud. We need more cops on the beat.”

Regulators have been taking the heat for missing the problems with Madoff’s operation, despite multiple warnings from suspicious market participants and regular reviews by the SEC.

The legislation, called the Supplemental Anti-Fraud Enforcement for our Markets (SAFE) Act, provides for the hiring of 500 new FBI agents, 100 SEC enforcement division employees, and 50 assistant U.S. attorneys.

Schumer said the bill has the capacity to pay for itself in ordered restitution, comparing it to the Congressional response to the savings and loan crisis of 20 years ago, which authorized millions of dollars for FBI and prosecutor hirings.

“There is no debate about the effectiveness of that action,” Schumer said.

President Obama’s nominee for Treasury secretary, Timothy Geithner, has said in his confirmation hearings that he supports overhaul of financial regulation to prevent the types of behavior that led to the financial crisis.

The Senate Finance Committee confirmed Geithner’s nomination Thursday, and a vote by the full Senate is expected next week.