

The SEC Polices Business With Firm, but Fair, Hand

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The subprime mortgage crisis has many Americans wondering if regulators are exercising proper oversight of financial firms. One agency that has come under heavy criticism is the Securities and Exchange Commission (SEC). One of its major missions is policing the stock market.

Critics have accused the SEC of not going after corporate wrongdoers strongly enough. They point to a decline in the SEC's collection of corporate penalties and disgorgements (the forced surrendering of profits obtained by illegal or unethical acts) from 2006 to 2007. Some in the press have accused SEC Chairman Christopher Cox of being "soft" on business. A few U.S. senators have ordered the Government Accountability Office (GAO), the government's watchdog group, to look into the matter.

We're confident the GAO will find that the SEC has acted properly and is faithfully and rigorously fulfilling its mission of protecting investors.

Why? Just look at the SEC's record.

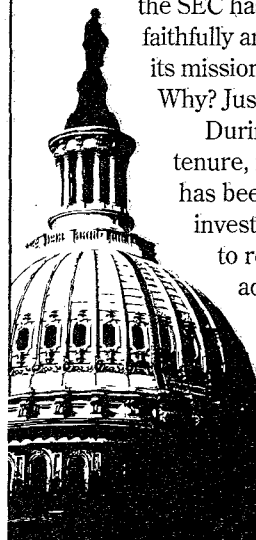
During Chairman Cox's tenure, more than \$3.5 billion has been returned to defrauded investors, and there are plans to return much of the additional \$5 billion that has been collected in enforcement actions by

the end of the year. In 2007, the Commission set a record for the number of corporate penalties imposed and brought the second-highest number of enforcement actions ever.

To suggest that a one-year decline in corporate penalties is evidence that the SEC has gone soft on business is misleading and nearsighted. The GAO is likely to find that the drop can be attributed to a number of legitimate factors such as business cycles, economic factors, and, most importantly, recent improvements in corporate governance. The SEC should not be encouraged to search for dollars to prove how tough it is, regardless of whether companies actually did anything wrong.

While protecting investors should always be the SEC's top priority, let's not lose sight of its other key missions including maintaining fair, orderly, and efficient markets and facilitating capital formation. These goals are key to a strong, competitive economy, and lawmakers should focus on how well they are being met. We need strong capital markets to grow our economy and meet the financial security needs of our citizens.

No matter how many times critics accuse Chairman Cox of being overly "business friendly," the facts won't change. Chris Cox's SEC has been ambitious, firm, and fundamentally fair, but it certainly hasn't been soft on business.



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