

Speech by SEC Staff: Remarks at News Conference Announcing Enforcement Cooperation Initiative and New Senior Leaders

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**Washington, D.C.
January 13, 2010**

Thank you and welcome.

Today we are announcing additional steps in our continuing effort to shape an Enforcement Division that is strong, swift and strategic.

First, we are announcing the individuals who have been selected to manage our new national specialized units.

And second, we are expanding the Division's investigative toolbox to include cooperation agreements and related initiatives.

Our new cooperation program has the potential to be a game-changer for the Enforcement Division.

For the first time, we will have a formal framework of incentives - incentives to secure the cooperation of persons who saw, heard and witnessed securities fraud first-hand - and who can walk into a courtroom, raise their right hand and tell their story to the world.

Both the new national specialized units and the cooperation program result from the rigorous self-assessment conducted by the Division.

This was not, as they say, a shovel-ready project.

We started from scratch, considered all ideas, new and old, and subjected them all to careful evaluation and assessment.

In July, we announced our plan to implement a comprehensive set of recommendations arising out of that self-assessment.

Collectively, these initiatives have been described as the biggest reorganization of the Division in more than 30 years.

They included delegating to senior staff the authority to issue subpoenas, creating a flatter management structure, and eliminating redundant bureaucratic requirements, among others.

These proposals are intended to keep our organization and process dynamic, taking account of the complexity of the markets and products we patrol, the finite resources at our disposal, and most importantly, the consequences for investors if our batting average isn't as close to 1,000 as possible.

Specialized Unit Chiefs

I am joined today on stage by Lorin Reisner, the Deputy Director of the Division of Enforcement. Also here are the six individuals who have been selected to lead the specialized units and as well as our

national leadership team, all of whom are seated before you today.

With respect to the National Specialized Units, there are five in total.

Each will utilize enhanced training, hiring of and consultation with individuals with industry experience or other specialized skills, targeted investigative approaches, and in some cases new technology, to conduct more efficient and comprehensive investigations.

The Units will focus on areas with complicated organizational structures or regulatory schemes, on newly-emerging and complex markets, transactions and products, and on targeted areas we believe are deserving of enhanced enforcement scrutiny.

The first is the Asset Management Unit. It will focus on investment companies, investment advisers, mutual funds, hedge funds and private equity funds.

The second is Market Abuse Unit. It will focus on large-scale and organized insider trading and market manipulation schemes, and will utilize some unique technology to aid in the investigations.

The third is the Structured and New Products Unit. The scope of this Unit will cover all structured products, including collateralized debt obligations, both cash and synthetic, Credit Default Swaps, securitized instruments and other structured products. It will also focus on newly-developing products.

The fourth is the Foreign Corrupt Practices Act unit. It will focus on enforcing the law and regulations that prohibit corporate bribery of foreign officials.

The fifth and final is the Municipal Securities and Public Pension Unit. This unit will focus on misconduct in the \$2.8 trillion municipal securities market and at public pension funds.

Before I introduce you to the new unit chiefs, I want to emphasize that I am exceptionally proud of and impressed by the depth of the talent, dedication and professionalism of the enforcement staff up and down the division, and of the senior leadership gathered before you today. They have been steadfast in their dedication to investor protection, and I am confident that we are putting in place a structure that will complement their talents and bring the full force of their abilities to bear on behalf of investors.

I'd now like each of these very talented individuals selected to speak briefly. So let's start with Bruce Karpati and Rob Kaplan, who will serve as Co-Chiefs of the Asset Management Unit.

Next we have Dan Hawke, who will be Chief of the Market Abuse Unit.

Next is Ken Lench who will be Chief of the Structured Products Unit.

Next is Cheryl Scarboro who will be Chief of the Foreign Corrupt Practices Act Unit.

Last is Elaine Greenberg, who is Chief of the Municipal Securities and Public Pensions Unit.

Office of Market Intelligence

We are also announcing today the head of a different sort of specialized unit, but one that is critical to our program.

Tom Sporkin will be Chief of our newly-created Office of Market Intelligence.

This office will be responsible for the collection, analysis, risk-weighting, triage, referral, and monitoring of the extraordinary number of tips, complaints, and referrals that the SEC receives each year. It will also be responsible for harvesting that intelligence in order to better inform our investigative focus and priorities.

Cooperation

Each of these units, and the entire Enforcement Division, will benefit greatly from the other initiative

we are announcing today -- cooperation.

Cooperating witnesses can be an enforcement lawyer's most valuable weapon in the fight against securities fraud. Every criminal law enforcement authority in the nation is armed with this tool, and we believe it will be equally valuable in the securities enforcement context.

Why? Because the benefits of cooperator testimony are many.

Cases aided by cooperator testimony can be made quickly and efficiently, because cooperators are most often insiders who have seen and heard all that happened. Their testimony is often spot-on and irrefutable. Charges supported by cooperator testimony can be resolved or litigated from a position of strength.

More wrongdoers can be brought to justice due to the increased efficiency of cooperator-aided cases.

And finally, cooperating witnesses can be the master key that unlocks the intricacies of cases involving complex transactions that might otherwise escape detection, or enable authorities to apprehend the higher-ups whose culpability can be the most challenging to establish.

The primary three new tools available are as follows:

- First, Cooperation Agreements. They are formal written agreements in which the Division of Enforcement agrees to recommend to the Commission that a cooperator receive credit for cooperating in its investigations or related enforcement actions. Such credit will only be extended if the cooperator provides substantial assistance in those investigations and enforcement actions.
- Next are Deferred Prosecution Agreements. These are formal written agreements in which the Commission agrees to forego an enforcement action against a cooperator -- if the individual or company agrees to cooperate fully and truthfully and to comply with certain reforms, controls and other undertakings.
- The last are Non-prosecution Agreements. These are formal written agreements, entered into under very limited and appropriate circumstances, in which the Commission agrees not to pursue an enforcement action against a cooperator. Here too the agreement would only be entered if the individual or company agrees to cooperate fully and truthfully in connection with an investigation or enforcement action and to comply with express undertakings.

With these new tools comes a new reality for would-be wrongdoers.

That reality is that when you engage in misconduct, you now have to think even harder about the possibility of others coming forward to report to the SEC your secret conversations, your hushed plans, your schemes and deceptions.

And for those thinking about cooperating, you should seriously consider contacting the SEC quickly, because the benefits of cooperation will be reserved for those whose assistance is both timely and necessary.

Latecomers rarely will qualify for cooperation credit, so there is every reason to step forward - before someone else does -- while you are in a position to benefit from your knowledge of wrongdoing.

Thank you. Now, we will take a few questions.

<http://www.sec.gov/news/speech/2010/spch011310rsk.htm>

