

February 26, 2003

Opening Statement by Congressman Paul E. Gillmor
House Financial Services Committee Subcommittee on Capital Markets, Insurance, and
Government Sponsored Enterprises
Hearing entitled, "It's only FAIR: Returning Money to Defrauded Investors"

Thank you, Mr. Chairman, for scheduling this important hearing today. In the 107th Congress, this committee acted swiftly to address the startling revelations of accounting fraud and other corrupt practices in some of our nation's largest corporations. The Sarbanes-Oxley Act set forth the necessary reforms to our outdated regulatory system that contributed to these transgressions and sought to restore investor confidence in American markets.

An integral part of this legislation was Section 308(a), which established the Federal Account for Investor Restitution, or FAIR Fund, by authorizing the Securities and Exchange Commission (SEC) to take civil penalties collected in enforcement cases and add them to disgorgement funds for the benefit of victims of securities laws violations. These defrauded shareholders must be compensated, if not fully, at least equivalent to any profits received by the perpetrators.

The subcommittee's review, this morning, of The SEC report on enforcement actions required by the Sarbanes-Oxley Act is an important part of our evaluation of the actual effects in practice of the FAIR program. We must pursue all options available to increase the monies recovered in fraud cases for this provision to function effectively. I am particularly interested to hear any ideas from the SEC on how to improve their success rate in acquiring illiquid assets, such as property, cars, etc., and those held overseas and returning those monies to the victims.

I would like to thank Chairman Baker for taking the lead on this issue and working to ensure that investor confidence in our financial system is restored. I look forward to hearing Director Cutler's testimony and being further informed on the legislative changes the SEC would like to see passed to aid in implementation of this provision.

