



Consumer Federation of America



July 24, 2012

The Honorable Charles E. Grassley
135 Hart Senate Office Building
Washington, DC 20510

The Honorable Jack Reed
728 Hart Senate Office Building
Washington, DC 20510

Dear Senators Grassley and Reed,

We are writing on behalf of Consumer Federation of America¹ and Americans for Financial Reform² to endorse the legislation you have introduced, S. 3416, The Stronger Enforcement of Civil Penalties Act (SEC Penalties Act). The recent rash of financial frauds has prompted calls for more vigorous enforcement from members of both parties. Your legislation responds to that call by enabling the SEC to impose more meaningful fines on those who violate the securities laws and perpetrate fraud.

We agree with Sen. Reed that we need to put an end to the system in which large firms “can look at the bottom line and see they can break the law, get caught, pay a nominal fine, and still profit.” This legislation would tackle that problem by increasing the statutory limits on civil monetary penalties, directly linking the size of these penalties to the scope of harm and associated investor losses, and substantially raising the financial stakes for repeat offenders of our nation’s securities laws. Among its most important provisions, it would:

- increase the per violation cap for the most egregious securities laws violations to \$1 million per offense for individuals and \$10 million per offense for entities;
- allow penalties equal to three times the economic gain of the violator and include the amount of associated investor losses as part of the penalty determination; and
- otherwise adjust civil fine limits upward, so that fines imposed for serious securities law violations are no longer mere “decimal dust,” to use Sen. Grassley’s apt phrase, for the large financial firms who commit those violations.

¹ Consumer Federation of America (CFA) is a nonprofit association of some 300 national, state, and local pro-consumer organizations created in 1968 to represent the consumer interest through research, advocacy, and education.

² Americans for Financial Reform is an unprecedented coalition of over 250 national, state and local groups who have come together to reform the financial industry. Members of our coalition include consumer, civil rights, investor, retiree, community, labor, faith based and business groups.

Public trust in the markets – and the regulators - has been badly shaken by a series of financial frauds and scandals in which investors and the public are harmed and financial stability is undermined, but the perpetrators walk away with a slap on the wrist. While no single piece of legislation (or any legislative action alone) can solve that problem, your bipartisan bill is an essential component of that response. By increasing the penalties for wrongdoing, it reduces the likelihood that SEC fines will continue to be viewed as just another cost of doing business.

We applaud you for your leadership in introducing this legislation, and we look forward to the opportunity to work with you on this issue.

Respectfully submitted,

Americans for Financial Reform
Consumer Federation of America