

United States Senate

WASHINGTON, DC 20510

July 1, 2010

The Honorable Mary Schapiro
Chairman
Securities and Exchange Commission
SEC Headquarters
100 F Street, NE
Washington, DC 20549

Dear Chairman Schapiro:

As Congress has considered new rules intended to rein in the abuses of Wall Street that resulted in huge losses for investors and the economy as a whole, I have become increasingly alarmed about the management of the Securities and Exchange Commission (SEC). Opinions differ as to the SEC's role in the financial crisis, but it is clear that failures by employees at the agency led to massive losses for investors in such cases as the Madoff and Stanford Ponzi schemes. The Inspector General's reports on these Ponzi schemes reinforced criticism that the culture of the SEC itself impedes proper enforcement of financial rules and regulations. Many believe that the SEC will not be an effective regulator until it reforms this culture.

This is why the recent scandal regarding SEC employees who viewed sexually explicit material at work or while using government computers is so disturbing. Americans were rightly outraged that their tax dollars went to pay the salaries of employees who were spending time at work viewing pornography (for up to 8 hours a day in one case), while massive frauds were being perpetrated and risky securities sold to investors. Somehow the SEC did not fire any of the 33 employees who were found to have violated SEC policies against viewing explicit material. In fact, many of the employees were allowed to stay on at the commission with only light discipline.

Senator Charles Grassley shared with you a letter from an anonymous SEC whistleblower who reported that morale in the regional office where the employee worked had plummeted because the assistant regional director, who had viewed explicit material at work, received only a light reprimand. If these allegations are true, they may offer some indication of what is wrong at the agency.

If the SEC is to become an effective regulator again, it needs to ensure its employees are accountable. With that in mind, please explain why 17 employees who viewed explicit material received only light reprimands and six others received only informal counseling. Further, please advise me if there are statutory or regulatory hurdles that you feel make it difficult to terminate employees for cause, particularly in cases like those discussed herein. If you believe there are such barriers, I am prepared to help change the law to clear them.

Americans demand that their government perform its assigned functions in an efficient, professional and responsible manner. When it doesn't, they rightly demand accountability as well as change. When neither is delivered, they lose faith. The SEC has lost the faith of the American people. I know that you are working tirelessly to change the culture of the SEC and to restore it to an institution that effectively performs its mission, including protecting American investors. But if you are to regain the faith of the American people, and Congress, for that matter, you must deliver accountability for those who so clearly contributed to past failures. Those who viewed sexually explicit materials when they should have been performing their professional responsibilities must be subject to more severe sanction.

Sincerely,

A handwritten signature in blue ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

CLAIRE MCCASKILL
United States Senator
Missouri