

Reps. Cummings, DeFazio Want Wider SEC Fraud Investigation

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NEIL CAVUTO, ANCHOR: Well, the government is looking for the next Goldman Sachs, investigating whether it is going to slap fraud charges on any other banks. On the heels of that, the president heading to New York City Thursday to push his plan to clamp down on the street.

My next guests calling for the Securities and Exchange Commission to expand the Goldman investigation. Democratic Congressman Elijah Cummings and Peter DeFazio join me right now.

CAVUTO: Congressman Cummings, to you first, do you suspect this is significantly broader than Goldman?

CUMMINGS: Yes, I do believe that. And the most important thing that we have to do is make sure that we have a very clean, accountable and transparent market system. And so we need to look beyond this one deal. But I have a suspicion, as does, clearly, the SEC, that it's much broader than what we've seen so far.

CAVUTO: Congressman Cummings, though, I'm just wondering, though, all of this happened under either Washington's watchful eye or unwatchful eye. So is it a matter of needing more cops to prevent this sort of thing in the future or just smarter ones?

CUMMINGS: Well, clearly, in the past, there have been complaints that the SEC had not used all the power that it had. I think nobody would dispute that.

As a matter of fact, when the — when the SEC came before the oversight committee, we were surprised at some of the lax efforts on that — with regard to that organization.

Now, with Ms. Schapiro heading it up, we think they have been much more aggressive. But certainly, they need to move within the rules that they already have. And we probably need to add some.

But these derivatives are very interesting because what you find is that it seems as if the market is ahead of the law. And in many instances, we find, in such a fast-paced society that we're in, sometimes the — that we are behind, actually, the pace of developments in the market.

And so, you know, I think we need to do — we need to do both. We need to enforce what we have and we probably need to add some additional things. And as my colleague, Mr. DeFazio, just said, those are the kinds of things that we need to do, in moving in that direction.

CAVUTO: I'm sorry — and Elijah raises the view — but there isn't nearly the amount of regulation or oversight or babysitting, for lack of a better term, in some of the hot Asian markets, for example, as is being proposed in our own country.

Now, that could just be, you know, a preview of collapsing issues there. But for now, that's not the case. So wouldn't money naturally be drawn to those markets and not ours?

CUMMINGS: Yes, we could easily worry about those things, but I think it's more important that we look at the long-range situation here. And that is that you have an accountable system, that you have a transparent system, and that you have a very clean system, so that people will have the confidence to invest.

One thing that we don't want is for people to get to a point where they say, "You know what, I'm not bothering because this whole thing is rigged." That's the worst thing that could happen. So we've got to...

CAVUTO: All right. That's a good point.

(CROSSTALK)

CUMMINGS: We always have to have a balance.