

**OPENING STATEMENT OF
RANKING DEMOCRATIC MEMBER PAUL E. KANJORSKI
SUBCOMMITTEE ON CAPITAL MARKETS, INSURANCE,
AND GOVERNMENT SPONSORED ENTERPRISES
HEARING ON EXPEDITED HIRING AT THE SECURITIES AND EXCHANGE
COMMISSION AND ON EXPEDITED ONLINE BROKER DISCLOSURES
THURSDAY, MARCH 6, 2003**

Mr. Chairman, thank you for the opportunity to offer my initial thoughts about H.R. 658 and H.R. 957 before we hear from each of our witnesses.

As you know, Mr. Chairman, I have made investor protection one of my top priorities for my work on this committee. As a result, I have regularly supported sensible and well-crafted legislative initiatives designed to advance this goal.

During the last year and only after a series of large-scale corporate scandals, many of my colleagues finally joined me in recognizing the importance of maintaining a strong federal regulator to protect the interests of America's investors. Accordingly, we have significantly augmented the resources available to the Securities and Exchange Commission, including increasing the agency's budget by more than \$270 million thus allowing it to hire more than 800 new workers. Unfortunately, the SEC has encountered some difficulties in identifying and hiring the best workers for these new positions, particular in a number of specialized professional fields.

Accordingly, H.R. 658, the Accountant, Compliance and Enforcement Staffing Act, would seek to streamline the hiring process for accountants, compliance examiners, and economists at the SEC, similar to the rules all government agencies use to recruit and hire attorneys. Former SEC Chairman Harvey Pitt suggested this accelerated hiring process for these professionals earlier this year in a letter to Congress.

We will also hear from a witness later today about H.R. 957, the Broker Accountability through Enhanced Transparency Act. This bill seeks to provide investors with easy online access to critical information about securities firms and their brokers. These disclosures would include information on regulatory investigations, disciplinary actions, legal proceedings, and customer complaints. The bill would also give the National Association of Securities Dealers certain legal protections for providing this information over the Internet.

Since Congress required the NASD in 1990 to make such information available to individual investors without charge, this disclosure program has become increasingly popular. Today, the NASD maintains information on more than 665,000 registered securities employees in this automated, electronic system, and in 2002 investors made 2.5 million requests for information about these professionals. The vast majority of these requests were made via the NASD website.

In general, I believe that both H.R. 658, in expediting the hiring of SEC professionals, and H.R. 957, in expediting the access of investors to important information about their brokers and brokerages,

have merit. Nonetheless, I also believe that our panel must answer a number of critical questions before proceeding with any markup on these matters. Moving in haste on legislation could cause multiple unintended consequences.

Regarding H.R. 658, we should, for example, discern how the SEC will ensure a fair hiring process in the absence of the competitive service process requirements. We should also examine how we can protect the civil service status of professionals hired through an expedited process. In my view, we may ultimately identify alternatives to the proposed legislation that achieve the same objective.

With respect to H.R. 957, we must make sure that the information distributed by the NASD about brokers and their firms via the Internet is accurate and proper, allowing individuals to dispute and correct information contained in the database. After all, a broker should not lose customers because they are guilty until proven innocent. The limited liability provisions contained in this bill should also not provide immunity for willful and malicious actions. We must additionally understand how the NASD resolves disputes concerning the information contained in its database.

In closing, Mr. Chairman, I look forward to hearing from our witnesses on these two legislative proposals. I also look forward to working with you to improve these measures in the weeks ahead and encourage you to move forward deliberately on these matters.
