

ED PERLMUTTER
7TH DISTRICT, COLORADO

WASHINGTON OFFICE:
415 CANNON HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
PHONE: (202) 225-2645
FAX: (202) 225-5278

DISTRICT OFFICE:
12600 WEST COLFAX AVENUE
SUITE B-400
LAKEWOOD, CO 80215
PHONE: (303) 274-7944
FAX: (303) 274-6455



Congress of the United States
House of Representatives

December 17, 2008

The Honorable Christopher Cox
Chairman
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Dear Chairman Cox:

The United States is experiencing one of the worst economic downturns in its history. There are a number of factors contributing to the downturn specifically, the financial crises.

Throughout the past two years Congress has examined why our financial system is so unsteady. In a number of instances the causes for strain were due to the lack of oversight and enforcement taken by your agency. Mortgage-backed securities, naked-short selling and the missteps by the three major rating agencies have all contributed to the markets distress. Recent reports regarding the \$50 billion scheme undertaken by Bernard Madoff highlight a massive failure of the SEC to investigate a corrupt investment business. The American public deserves better.

From testimony before Congressional committees it is clear your agency is focusing on risky behavior within the derivatives market but the charges of securities fraud brought against Bernard Madoff are the greatest since the Securities and Exchange Commission (SEC) was created in 1934. Reports detail a consistent flow of complaints to your agency beginning in 1999 accusing Bernard Madoff's business of breaking the law. Beginning in 1998, the SEC planned to investigate one in every two newly formed investment advisors. Why did the SEC not investigate Bernard Madoff when he registered as an investment advisor in 2006? What does your agency need to prevent these types of scams, which endanger the financial security of Americans?

I look forward to your prompt response.

Sincerely,

Ed Perlmutter
Member of Congress

CC: The Honorable Barney Frank
The Honorable Paul Kanjorski

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