



Department of Justice

STATEMENT OF

**LANNY A. BREUER
ASSISTANT ATTORNEY GENERAL**

BEFORE THE

**SUBCOMMITTEE ON CRIME AND DRUGS
COMMITTEE ON THE JUDICIARY
UNITED STATES SENATE**

ENTITLED

**“WALL STREET FRAUD AND FIDUCIARY DUTIES: CAN JAIL TIME SERVE AS AN
ADEQUATE DETERRENT FOR WILLFUL VIOLATIONS?”**

PRESENTED

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**Statement of Lanny A. Breuer
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**Before the United States Senate
Committee on the Judiciary
Subcommittee on Crime and Drugs**

**Hearing Entitled
“Wall Street Fraud and Fiduciary Duties: Can Jail Time
Serve as an Adequate Deterrent for Willful Violations?”**

May 4, 2010

Good afternoon, Mr. Chairman, Senator Graham, and distinguished Members of the Subcommittee. Thank you for inviting me to be part of this hearing and giving me the opportunity to discuss the issue of fraud on Wall Street and the critical role of jail time in deterring white collar crime.

Introduction

I am privileged to represent the Department of Justice at this hearing and to lead the Criminal Division’s more than 400 exceptional lawyers. With our partners in the U.S. Attorneys’ offices around the country, the Federal Bureau of Investigation, the Securities and Exchange Commission, and a host of other agencies, we are fully committed to rooting out and prosecuting financial fraud, whether perpetrated on Main Street or Wall Street. In its many forms – including mortgage, corporate, and securities fraud – financial fraud has a serious and damaging impact on our financial, credit, and housing markets. These crimes erode the public’s confidence in our markets and

institutions, siphon billions of dollars from hardworking Americans, and have led to a growing cry by many that Wall Street does not play by the same rules as Main Street.

The Department has aggressively prosecuted financial fraud, and we will continue to do so. Indeed, in the wake of the financial crisis and the unprecedented sums of taxpayer money that have been invested in economic recovery, the Attorney General has led the Department in redoubling our efforts to combat financial fraud and help restore the public's faith in the integrity of our markets and institutions. With the creation of the Financial Fraud Enforcement Task Force, we have entered an era of heightened enforcement in the area of financial fraud and other white-collar crimes. As I will describe, the hallmarks of this era of heightened enforcement are increased attention and resources focused on financial fraud, increased information sharing within the law enforcement community, enhanced cooperation and coordination with our law enforcement partners, and tough penalties for both corporations and individuals – including jail time in appropriate cases.

Financial Fraud Enforcement Task Force

In November 2009, the President signed an Executive Order establishing a new interagency Financial Fraud Enforcement Task Force (FFETF or Task Force) to combat financial crime. The Task Force is actively engaged in an ongoing effort to strengthen our collective efforts – in conjunction with our federal, state, and local partners – to investigate and prosecute significant financial crimes relating to the current financial crisis; to recover ill-gotten gains; and to ensure just and effective punishment for those

who perpetrate financial crimes. The Task Force's mission is not just to hold accountable those who helped bring about the last financial meltdown, but to prevent another meltdown from happening. By punishing criminals for their actions, we send a strong message to anyone looking to profit from the misfortune of others.

The FFETF's membership is comprised of individuals from the highest levels of the federal government. It is chaired by the Attorney General, and its Steering Committee, led by the Deputy Attorney General, includes the FBI, the Department of the Treasury, HUD, and the SEC. Drawing on the substantial resources of the federal government, the FFETF counts among its members the Department of Justice, the FBI, the Department of the Treasury, HUD, the SEC, the CFTC, the Department of Homeland Security, the Department of Labor, the Federal Trade Commission, the Federal Deposit Insurance Corporation, the Federal Housing Finance Agency, the Office of Thrift Supervision, the Office of the Comptroller of the Currency, the Recovery Accountability and Transparency Board, the Internal Revenue Service-Criminal Investigative Division, the Special Inspector General for the Troubled Asset Relief Program, the U.S. Postal Inspection Service, the U.S. Secret Service, and many other federal departments, agencies, and offices.

The FFETF is leading an aggressive, coordinated, and proactive effort to investigate and prosecute financial crimes. We have marshaled both criminal and civil enforcement resources to investigate and prosecute financial fraud cases, recover stolen funds for victims, address discrimination in lending and financial markets, and enhance

coordination, cooperation, and information sharing among authorities responsible for investigating and prosecuting significant financial crimes and violations.

Essential to the Task Force's mission is enforcement. The FFETF is focusing our investigative and prosecutorial efforts on the types of financial fraud that affect us most significantly in this time of economic recovery, including:

- Mortgage fraud – from foreclosure rescue and loan modification frauds to systematic lending fraud in the nationwide housing market;
- Securities fraud – including Ponzi schemes, misrepresentations to investors, and corporate frauds, such as traditional insider trading;
- Recovery Act and rescue fraud – to ensure that taxpayers' investment in America's economic recovery is not siphoned away by a dishonest few; and
- Discrimination – to ensure that the financial markets work for all, and that no one is unfairly targeted based on impermissible characteristics.

The Task Force is also enhancing coordination with state, local, tribal, and territorial authorities responsible for investigating and prosecuting significant financial crimes, including coordinating with the National Association of Attorneys General (NAAG) and the National District Attorneys Association. One of the most effective tools for combating financial fraud is our long-standing partnership with federal, state, and local law enforcement and regulatory agencies. Collaboration, communication, and

information-sharing have long been a proven solution to the nation's most complex crimes.

Since I last appeared before the Senate Judiciary Committee in December of 2009, the Task Force has been actively increasing coordination and enforcement. The Task Force has established a Financial Fraud Coordinator in every United States Attorney's Office across the nation to facilitate uniform and aggressive enforcement against criminals in the financial arena. The Task Force has launched a website, providing the public with a single location to access resources from the numerous Task Force members to protect themselves from financial fraud and to report it – wherever and however it occurs.

Task Force members have been active in their enforcement efforts. For example, in March, the president of Park Avenue Bank in New York was charged with attempting to fraudulently obtain more than \$11 million in taxpayer rescue funds from the Troubled Asset Relief Program. Also in New York, an investment banker with UBS has been charged, along with an accomplice, by the U.S. Attorney's Office in an insider trading scheme related to information about certain mergers and acquisitions contemplated by UBS clients. In another Task Force case, seven Wall Street professionals and attorneys from New York, New Jersey, and Connecticut were indicted on multiple counts of securities fraud and conspiracy for their participation in a scheme involving inside information regarding mergers and acquisitions of public companies. Two weeks ago, the U.S. Attorney in Newark charged the chief executive of Capitol Investments USA

with a \$880 million Ponzi scheme stemming from the solicitation of investors in a purported grocery distribution business.

As even this past month demonstrates, Task Force efforts around the country are starting to bear fruit. In Las Vegas, the president of a real estate development investment company was sentenced to 12 years' imprisonment and ordered to pay \$86.9 million in restitution to over 1,000 victims for a massive loan fraud scam. In Minnesota, a man who ran a Ponzi scheme involving commodity pools was sentenced to almost 10 years' imprisonment and ordered to pay more than \$20 million in restitution to his victims. In Dallas, a federal jury convicted the managing director of AmeriFirst Funding Corp. for fraudulent securities offerings that raised more than \$50 million from more than 500 victim investors. He will be sentenced in July.

We also saw several guilty pleas in April, due in no small part to the strength and quality of the Task Force's cases. For example, in San Francisco, the CFO of a private equity firm pleaded guilty to insider trading on information regarding Tempur-Pedic International. A Minneapolis man pleaded guilty in a Ponzi scheme case involving a foreign currency trading fraud that took \$190 million from 1,000 investors.

Although the Task Force has made substantial steps in leading the charge of heightened cooperation, enforcement, and deterrence, there's more work to do. We expect, over the next several months, to announce new cases and sentences, all of which

we believe will send a clear message that financial fraud, in all of its forms, will not be tolerated.

Fraud Enforcement and Recovery Act

Last year, Congress passed the Fraud Enforcement and Recovery Act (FERA) with broad bipartisan support, and the President signed it into law on May 20, 2009. I would like to thank Chairman Leahy, Senator Kaufman, Senator Grassley, and the other sponsors for their leadership on this important effort. The Department of Justice worked closely with the Senate Judiciary Committee and other Members of Congress in strong support of FERA.

The Act allows the Department of Justice to prosecute anyone who fraudulently obtains or uses money expended by the Government during the economic crisis, such as money from the Troubled Asset Relief Program (TARP), under the American Recovery and Reinvestment Act, or other economic relief. Further, FERA enhanced the reach of the False Claims Act (FCA), one of the Department's most effective civil tools for deterring and redressing fraud against Government programs, ensuring that the FCA continues to protect taxpayer funds against those who would misuse them. FERA also amended the federal securities fraud statute, Section 1348 of Title 18, to cover fraud schemes involving commodities futures and options.

We are continually reexamining our statutory authorities and resources to make sure that we have the tools we need to safeguard the integrity of our markets and to protect our citizens from fraud. On behalf of the Department, I would like to express the continued desire to work with the Subcommittee on legislative proposals in order to support our criminal prosecutions against financial crimes and to enhance our authorities to bring offenders to justice.

Resources

Robust resources dedicated to fighting financial fraud are the starting point for effective law enforcement in this area. As a Department, resources are being added to address mortgage fraud and related financial crimes. In Fiscal Year 2009, U.S. Attorneys received total enhancements of 59 line prosecutor and 17 support positions for this effort. The Department's budget for Fiscal Year 2010 contains additional fraud enforcement resources, including five additional Criminal Division prosecutors and 35 U.S. Attorney's Office positions. And, in the Fiscal Year 2011 budget, the Department has asked for five fraud positions in the Criminal Division and 109 fraud positions in the various U.S. Attorneys' Offices.

The numbers, of course, don't tell the whole story. The quality of our people will play a big role in our success. In the Criminal Division, we are attracting extraordinary new talent at the line attorney and leadership levels. The new chief of our Fraud Section, Denis McNerney, is a good example. Denis joined the Division recently from Davis

Polk & Wardwell. He's a former AUSA and deputy chief of the Criminal Division in the Southern District of New York.

By increasing resources to address financial fraud and bringing in dynamic and talented people, we believe our prosecution achievements in combating financial fraud will only grow.

Criminal Enforcement Efforts

Since even before the launch of the FFETF, the Administration was aggressively investigating and prosecuting wrongdoing that contributed to the financial crisis and wrongdoing that resulted from it. In doing so, we built upon the lessons and successes of the Department's efforts over the last several years to combat corporate fraud. Since 2002, the Department has obtained approximately 1,300 corporate fraud convictions, including convictions of more than 200 corporate chief executives or presidents, more than 120 vice presidents, and more than 50 chief financial officers.

The Department's commitment to vigorously identify and pursue wrongdoing in our corporate boardrooms and on Wall Street has only grown stronger in the wake of the economic crisis. Our prosecutors and agents are determined to ensure that wrongdoers are punished. This means seeking jail time whenever appropriate. We believe that these efforts are critical to restoring investor confidence in the markets and ensuring that our corporate citizens play fair.

Recognizing the deterrent value of jail time, the Department has sought significant prison sentences against white collar criminals. For example, the Department secured a 150-year sentence for Bernard Madoff, a 50-year sentence for Tom Petters, a 324-month sentence for Colin Nathanson, a 293-month sentence for Michael Riolo, a 20-year sentence for Richard Piccoli, and a 117-month sentence for Charles "Chuck" E. Hays for perpetrating separate Ponzi schemes. We obtained a 100-year sentence for Edward Okun for perpetrating a scheme to defraud clients of his 1031 Tax Group LLP.

The Department secured sentences of more than 25 years each for two executives of National Century Financial Enterprises (NCFE) following their convictions on conspiracy, fraud, and money laundering charges. Just a couple of weeks ago, we secured an 87-month sentence of an individual for violations of the Foreign Corrupt Practices Act (FCPA), the longest ever under the statute. We obtained a seven-year sentence for the principal outside attorney for Refco for his role in executing Refco's more than \$2.5 billion fraud. The Department also secured a five-year sentence for former Credit Suisse broker Eric Butler for misrepresenting to investors that auction rate securities were backed by guaranteed student loans when they were actually backed by much riskier mortgage-backed securities, and a four-year sentence for a former vice president of American International Group (AIG) for his role in a scheme to manipulate the company's financial statements through the use of \$250 million sham re-insurance transactions.

As these and the countless other substantial prison sentences that we have obtained demonstrate, the punishment for perpetrators of financial fraud can be substantial. Fraud offenses carry significant statutory penalties—for example, up to 20 years for each count of wire fraud and up to 25 years for each count of securities fraud. In addition, depending on the amount of loss and other factors, the application of the federal sentencing guidelines related to fraud offenses, results in significant guidelines sentencing ranges. Using the criminal statutes in our arsenal and faithfully applying the sentencing guidelines, the Department has sought, and will continue to seek, appropriately stiff sentences for financial fraud defendants.

After the Supreme Court's decision in the Booker case, the sentencing guidelines are advisory. Thus, even when the Department recommends a significant sentence within the guidelines range, the sentencing judge is not required to impose a guideline sentence. Indeed, United States Sentencing Commission data show that the percentage of defendants sentenced within the guidelines has decreased since Booker. In the first quarter of Fiscal Year 2010, for example, 40 percent of fraud defendants were sentenced below the guidelines. We are carefully monitoring what appears to be an increased disparity in white-collar sentencing, particularly in high-loss securities fraud cases. In the meantime, we will continue to seek appropriately tough sentences for individuals.

In addition to seeking prison sentences for individual offenders in appropriate cases, an essential part of our criminal enforcement strategy is to hold corporations accountable as well. Thus, in numerous cases, we have sought and obtained corporate guilty pleas and the payment of substantial criminal fines. For example, the Department recently obtained a guilty plea and criminal fine of \$400 million from BAE Systems on charges of conspiring to defraud the United States. In other cases, the Department has entered into a deferred prosecution agreement (DPA) with the corporate wrongdoer. For example, in December 2009, the Department and the Manhattan District Attorney's Office contemporaneously entered into DPAs with Credit Suisse and secured an overall total \$536 million forfeiture for Credit Suisse's violations of the International Emergency Economic Powers Act (IEEPA). In addition to the payment of substantial fines and forfeitures and the implementation of significant remedial measures, the Department's

resolutions with corporations may require the retention of an independent compliance monitor in appropriate cases. Such independent compliance monitors help to ensure that the corporation's compliance programs are appropriately designed and implemented to prevent and detect future corporate wrongdoing.

The Department believes that corporate guilty pleas and DPAs, corporate fines, and the imposition of independent compliance monitors serve the important criminal enforcement goals of specific deterrence, general deterrence, and rehabilitation. The beneficial impact of such resolutions on a corporation's culture, its compliance programs, and its future behavior generally goes beyond the particular area of wrongdoing. For example, a corporation's enhancement of its internal controls as part of a resolution relating to FCPA violations should help the corporation to prevent and detect not only future foreign bribery by its employees but a range of other potential criminal conduct. It is not our experience that companies treat guilty pleas and DPAs (and their related collateral consequences), fines, and independent corporate monitors (not to mention the significant costs and disruptions of criminal investigations) as a cost of doing business. In our experience, corporate resolutions have a real deterrent effect.

The Department believes that corporate resolutions are a complement to, not a substitute for, prosecutions of individuals. Thus, when the Department enters into a corporate resolution, the plea agreement, DPA, or other agreement typically provides that the corporate resolution does not protect the corporation's officers, directors, or employees, or any other individuals, from prosecution. Indeed, in many situations, the

corporation's officers and employees are also prosecuted. For instance, not only did Kellogg, Brown & Root plead guilty to violating the FCPA, agree to pay a \$402 million fine, and retain an independent compliance monitor for three years, but its former Chairman and CEO, Jack Stanley, and two other individual defendants also were criminally prosecuted. To be sure, despite the Department's emphasis on the prosecution of individuals, individuals may not be prosecuted in some cases, for reasons ranging from a lack of jurisdiction or sufficient admissible evidence to the running of the statute of limitations. But, to be clear, our criminal enforcement strategy in financial fraud cases is to seek tough penalties from corporations and individuals alike.

Aggressive Law Enforcement Techniques

By its nature, financial fraud is a sophisticated crime. We believe that our approach to fighting these kinds of crimes can be no less sophisticated. In several criminal enforcement actions, we have used aggressive law enforcement techniques to stay on offense in bringing criminals to justice.

In a case that has garnered much attention, a Southern District of New York grand jury in October 2009 indicted Raj Rajaratnam, the manager of the multi-billion dollar hedge fund, Galleon Management, LLC, and five others, with participating in an insider trading scheme that netted more than \$20 million. Subsequently, charges were brought against 15 other defendants, including an attorney at a major law firm. To date, 11 of the 22 defendants have pleaded guilty, including four of the six defendants arrested with Rajaratnam in October and a former high-ranking IBM executive.

This case has been described as the largest hedge fund insider-trading schemes ever charged by the Department. According to the charging documents, the defendants are alleged to have traded repeatedly on material, nonpublic information given as tips by insiders and others at hedge funds, public companies, and investor relations firms. The tipsters and tippees allegedly even used disposable, prepaid cell phones to try to conceal their conduct. As a result of their insider trading, these defendants and others allegedly gained millions of dollars of illegal profits for themselves and the hedge funds with which they were affiliated.

This case is believed to represent the first time that court-authorized wiretaps have been used to target significant insider-trading on Wall Street. It demonstrates our commitment to being aggressive and innovative in investigating and prosecuting white-collar crimes. We have numerous tools at our disposal to help us accomplish our mission, and we will continue to use all of them.

We made that clear once again in a recent FCPA investigation in which the Criminal Division's Fraud Section used undercover law enforcement techniques to uncover what we allege to be widespread fraud and corruption. As a result, 22 executives and employees of companies in the military and law enforcement products industry were indicted for their involvement in schemes to bribe foreign government officials. The investigation involved the most expansive use ever of undercover techniques to uncover

FCPA violations. Taken together, these two cases reflect a new chapter in proactive and innovative white-collar criminal enforcement.

Securities Fraud Enforcement Efforts

The Department has successfully prosecuted many high-profile securities and commodities fraud cases and has sent a clear message to those who have preyed on investors. Working closely with the SEC and the CFTC, the Department has brought a number of important prosecutions related to other criminal conduct exposed by the financial crisis. And, since the financial meltdown began in the fall of 2007, we have intensified our efforts to combat significant financial frauds. For example, the FBI currently reports more than 2,200 pending corporate and securities fraud investigations across the country, many with losses exceeding \$100 million, and several with losses over \$1 billion. Efforts to hold accountable the most egregious corporate and securities fraud offenders resulted in 473 convictions in FY 2009 alone. The establishment of the FFETF has even further increased focus on financial frauds and our close cooperation and collaboration with the SEC and the CFTC.

Securities-related crimes come in all types and stripes, and new methods are constantly emerging and being tested by fraudsters. But traditional frauds and schemes continue to exist. Indeed, the financial crisis itself has exposed established fraud schemes that had been thriving undetected in the booming American and global financial system.

The Madoff case, brought by the U.S. Attorney's Office for the Southern District of New York, the FBI, and the SEC, is probably the most prominent example. In this case, Bernard Madoff was charged on eleven counts of securities fraud, investment adviser fraud, mail fraud, wire fraud, money laundering, false statements, perjury, false filings with the SEC, and theft from an employee benefit plan. He was ultimately sentenced on June 29, 2009, to 150 years in prison for perpetrating a Ponzi scheme that resulted in billions of dollars in losses to thousands of investor-victims. Moreover, the district judge in the case entered an order of forfeiture totaling \$170 billion.

From the discoveries made in this case, the Department has uncovered and pursued a number of related matters – including, for example, a case against Madoff's accountant who pleaded guilty on November 3, 2009, to a nine-count indictment charging securities fraud and related offenses; a case against another Madoff employee who pleaded guilty on August 11, 2009, to ten felony counts; and a case against two computer programmers for Madoff who were charged on November 13, 2009, with conspiracy and with falsifying the books and records of a broker-dealer and of an investment adviser.

Another example is the Stanford case brought by the Criminal Division's Fraud Section together with the U.S. Attorney's Office for the Southern District of Texas. The case was investigated by the FBI and United States Postal Inspection Service. In June 2009, Robert Allen Stanford and four other individuals were indicted in connection with a scheme to defraud thousands of U.S.-based investors of approximately \$8 billion in Certificates of Deposits. The indictment charges that the defendants misrepresented the

financial condition of Stanford International Bank, Ltd., its investment strategy, and the extent of its regulatory oversight by Antiguan regulators, all the while siphoning off investor funds for personal use.

According to court documents, defendant Stanford is alleged to have fraudulently lured investors to trust him with their money and instead funneled funds to various “pet projects” that were not profitable. As the gap between reality and the reported value of the Bank’s assets grew, the Chief Financial Officer, allegedly at defendant Stanford’s direction, directed the accounting department to manipulate the Bank’s revenue/asset values. In addition, defendant Stanford is alleged to have bribed the head of the Antiguan Financial Services Regulatory Commission to ensure that it did not conduct a thorough examination of the Bank’s books and records. On August 27, 2009, the former Chief Financial Officer of the Bank pleaded guilty and agreed to a preliminary order of forfeiture of \$1 billion.

In another recent prosecution, this one relating to a \$3.65 billion Ponzi scheme, the United States Attorney’s Office for the District of Minnesota obtained the conviction of Thomas Petters late last year on wire fraud, mail fraud, and related charges. Petters obtained billions in money and property by inducing investors to provide his company with funds ostensibly to purchase merchandise that was to be re-sold to retailers at a profit. In fact, no such purchases were ever made. Instead, Petters and his co-conspirators diverted the funds to make lulling payments to investors, paying off those who assisted in the scheme, funding businesses owned by Petters, and financing his

extravagant lifestyle. Six co-conspirators also pleaded guilty for their roles in the scheme. Petters recently was sentenced to 50 years in prison for his crimes.

In yet another instance, in a case brought by the U.S. Attorney's Office for the Eastern District of New York, two former Credit Suisse brokers were charged with securities fraud for misrepresenting to investors that auction-rate securities were backed by guaranteed student loans, when they were actually backed by much riskier mortgage-backed derivatives, enabling the brokers to earn much higher commissions. Investor losses allegedly exceeded \$1 billion. One defendant pleaded guilty, and one defendant was convicted by a jury. The defendant who was convicted after trial, Eric Butler, was sentenced to five years' imprisonment, a \$5 million fine, and forfeiture of \$250,000.

Commodities Fraud Enforcement Efforts

Commodities fraud is another area in which the Department's prosecutors work closely with partner agencies, including the CFTC and its Division of Enforcement, to coordinate enforcement efforts against those who engage in such fraud. Commodities schemes vary widely – from relatively basic frauds premised ostensibly on commodity and foreign exchange investments to sophisticated market manipulation frauds. The more basic schemes simply incorporate commodity futures trading terms in otherwise recycled Ponzi scams. More complex schemes entail efforts to manipulate the futures market in a particular commodity like propane, intentionally distorting supply and

demand dynamics by “cornering” the market through massive purchases that dry up the supply.

The recent Hays case in Minnesota is an example of the results we have achieved by working collaboratively in this area. Defendant Hays defrauded investors of more than \$20 million through a Ponzi scheme involving purported investments in stock index futures and other futures contracts. In a case worked jointly by the Criminal Division’s Fraud Section, the U.S. Attorney’s Office in Minnesota, and the U.S. Postal Inspection Service – together with the CFTC – defendant Hays was charged in a criminal complaint and arrested. We seized, among other assets, a \$3 million yacht that defendant Hays had purchased with investor funds and bank accounts containing approximately \$1 million in fraudulently obtained funds. On the very same day, the CFTC filed a civil enforcement action against defendant Hays and his company. Shortly thereafter, in April 2009, defendant Hays pleaded guilty to mail and wire fraud and financial transaction structuring charges and agreed to forfeit all proceeds of his scheme. Just last week, Hays was sentenced to 117 months’ imprisonment and ordered to pay over \$21 million in restitution. Our combined efforts on the Hays case demonstrate that, by working together, we can move quickly to charge, convict, and forfeit the assets of those who engage in commodities fraud.

In another example, the U.S. Attorney’s Office for the Southern District of Florida, in coordination with the FBI, prosecuted Michael Riolo, who, on October 16, 2009, received a sentence of 293 months imprisonment in connection with his role in

organizing a multi-million dollar Ponzi scheme. According to court documents, defendant Riolo owned and operated two companies that he used to defraud investors (including several current and former police officers) out of millions of dollars. Defendant Riolo induced individuals to invest money with him in the foreign exchange market by leading them to believe that they would receive substantial profits from their investments. Instead, he diverted investor funds for other purposes, including for his own personal use and benefit. In total, defendant Riolo caused more than 80 investors to invest approximately \$44 million, based on materially false statements and omissions of material facts.

As evidenced by these examples, commodities fraud does not occur solely in jurisdictions where trading exchanges operate. To the contrary, this fraud – like so many other forms of fraud – sees no boundaries. We will continue our coordinated enforcement efforts with the CFTC in jurisdictions throughout the country to uncover and prosecute commodities fraud. To augment our expertise and resources in the commodities fraud area, two detailees from the CFTC's Division of Enforcement have joined the Criminal Division's Fraud Section. This detailee program already has increased the number of commodities fraud matters we are able to handle and further improved our strong working relationship with the CFTC.

Conclusion

In sum, the financial crisis has demanded an aggressive, comprehensive, and well-coordinated law enforcement response, including vigorous fraud investigations and

prosecutions of individuals who have defrauded their customers and the American taxpayer and otherwise placed billions of dollars of private and public money at risk. The Department and its partners on the FFETF are committed to this effort. We will ensure that we look at all allegations of fraud closely, follow the facts where they may lead, bring our resources to bear to prosecute those who have committed crimes, and seek appropriately tough sentences for individuals and corporations alike.

Thank you for the opportunity to provide the Committee with this brief overview of the Department's efforts to address financial fraud and our views on the deterrent effect of jail sentences and corporate penalties, and I look forward to working with the Subcommittee further. I would be happy to answer any question from the Subcommittee.