

Ranking Member Bachus: Madoff, Jefferson Co. Case Expose Regulatory Failings; Whistleblower Agrees

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WASHINGTON - Congressman Spencer Bachus (R-AL), the top Financial Services Committee Republican, said today that a failure of the Securities and Exchange Commission (SEC) to investigate credible charges is a common thread between the notorious Bernard Madoff Ponzi Fraud case and Jefferson County's sewer bond swaps.

Bachus drew the comparison during his questioning of whistleblower Harry Markopolos, who told a House Financial Services Committee today that the SEC repeatedly refused to look into his evidence that Madoff was cheating investors.

"You handed them a case on a silver platter. I'm amazed that they could have ignored what you gave them," said Bachus, who noted that he had similar problems getting the agency to investigate Jefferson County's sewer bond finances.

"I think it was a combination of incompetence and a failure to take on a major player like Mr. Madoff. They fear the big cases," said Markopolos, who spent nine years warning the SEC about what is now believed to be a \$50 billion fraud.

Bachus presented information to the SEC on Jefferson County's municipal bond indebtedness in 1997 and again in 2007, and said it was only recently that there was any follow-up by the agency.

"Your experience is very similar to the one that some of us on the Hill have had," Bachus said. "Ten years ago, and again two years ago, we laid out a case on exactly what was going on in Jefferson County."

Markopolos replied, "I know what happened in Birmingham, Alabama. It happened in my hometown of Erie, Pennsylvania, the same thing, municipal securities fraud. It happened in Massachusetts as well."

In a January 2007 letter to the agency, Bachus said that if penalties are assessed against Wall Street firms, excessive fees should be returned to ratepayers and taxpayers in Jefferson County through a procedure called disgorgement.

Bachus said the two cases are further proof of the need to modernize an outdated financial regulatory system.

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