

Lynch Introduces Legislation to Stop SEC Revolving Door

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WASHINGTON, D.C. – Today, **Congressman Stephen F. Lynch** (MA-08) introduced H.R. 1463, the *SEC Revolving Door Restriction Act of 2015*. The legislation requires Securities and Exchange Commission (SEC) employees to wait at least one year before working for a company if they handled an enforcement action brought against that company within the previous 18 months. **Congressman Lynch** introduced H.R. 1463 ahead of SEC Director of Enforcement Andrew Ceresney's testimony before the Financial Services Committee's Capital Markets Subcommittee this morning.

"As Director Ceresney highlights the enforcement office's priorities in the coming year at today's hearing, I want to emphasize the need to end the revolving door at the SEC, which poses increasing risks to the agency's effectiveness and ability to keep enforcement actions fair and transparent," said **Lynch**. "H.R. 1463 will reduce conflicts of interests beyond the current ethics rules by requiring employees to wait at least a year following separation from work at the SEC before working for a company whose enforcement action they handled. I believe that this added measure will improve confidence in the agency's ability to investigate suspected wrongdoing and continue the SEC's recent efforts to strengthen their enforcement function," **Lynch** added.

Specifically, H.R. 1463, the *SEC Revolving Door Restriction Act of 2015*, amends the *Securities Exchange Act of 1934* to prevent former employees of the SEC from seeking employment with companies against which they participated in enforcement actions in the preceding 18 months. H.R. 1463 defines enforcement action as court actions, administrative proceedings, or Commission opinions. Former employees must seek an ethics opinion from the SEC if they are interested in seeking employment within a year of their termination at the SEC with a company that was subject to an SEC enforcement action in which they participated. If a former employee violates the provisions of H.R. 1463, the person would be subject to the same penalties provided in section 216 of title 18 of the U.S. Code.

The *SEC Revolving Door Restriction Act of 2015* is supported by the Project on Government Oversight (POGO), a nonpartisan, independent watchdog. POGO detailed the dangers of a revolving door blurring the lines between the SEC and the interests it regulates in a 2013 report, "Dangerous Liaisons: Revolving Door at SEC Creates Risk of Regulatory Capture." The report

highlights that some SEC alumni have gone on to represent companies during SEC enforcement probes and have assisted in acquiring waivers for companies charged with wrongdoing.

“The revolving door has spun with alarming speed between Wall Street and the SEC's enforcement division, allowing scores of former officials to become highly-paid lawyers, lobbyists, and consultants for the very banks they used to investigate. When an enforcement attorney leaves the SEC on Friday, and shows up on Monday requesting favorable treatment for a bank charged with wrongdoing, it can greatly damage the integrity of our regulatory system. Rep. Lynch's bill would help restore the public's trust by requiring enforcement alumni to cool off for a reasonable period of time before going to work for a bank they used to oversee. These common-sense reforms deserve strong bipartisan support,” said POGO Executive Director Danielle Brian.