

**STATEMENT OF ROEL C. CAMPOS**

**COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS  
UNITED STATES SENATE**

**JULY 26, 2005**

Chairman Shelby, Ranking Member Sarbanes, and members of this Committee, it is my very great pleasure and honor to be here before you today. I would first like to introduce two members of my immediate family who are attending today - my spouse and life's partner, Mini, and one of my sons, Daniel. Mini is a practicing physician in the District and must hurry back after these hearings to keep her patient appointments. Daniel is sixteen years old and will be a sophomore in high school at a local school, Sidwell Friends. Our older son, David, is in Texas, visiting family and friends.

Almost exactly three years ago, I had the privilege of coming before this Committee for confirmation hearings, as today, to be a member of the U.S. Securities and Exchange Commission. At that time I shared with this Committee that my life's journey had begun in a humble household of Mexican-American parents in the southernmost part of Texas. I explained that my father served in World War II, was wounded in action in Germany, and worked many jobs during his working life to support my mother and five children.

Three years ago, my father, a retiree, and millions of other Americans were dismayed and outraged as they learned of one giant corporate fraud after another, ENRON, Adelphia, Tyco, and WorldCom. In response to the concerns of investors and retirees, like my father, who wondered whether their investments were safe and whether they should have confidence in the American markets, Congress, guided by this Committee, led by then Chairman Sarbanes, did the nation a historic service by passing the Sarbanes-Oxley Act of 2002.

In the three years of my service, the Commission has fulfilled Congress' mandate, met the deadlines, and implemented through often complicated rulemakings, the requirements of Sarbanes-Oxley. Unfortunately, in those three years, many other threats to investor confidence and the stability of the markets have erupted. Securities analysts were discovered to be recommending companies they believed were "dogs," in their own words, to promote bank business. A disturbing number of mutual fund executives were found to be placing self interest above fiduciary duties and were found to have allowed market timing and late trading privileges to large customers at the expense of fund investors. Significant trading violations were found to exist on floors of our major exchanges. Full and accurate financial disclosures by listed companies continued to be a problem and many schemes to inflate financial numbers were uncovered.

With these challenges, the Agency found itself in the busiest and most crucial time since its creation, when Congress first dealt with massive fraud and flight from the markets following the Great Depression. In the three years of my service, the Agency has

conducted over 200 rulemakings, interpretations, proposals, and the like. In that time frame, the Agency has brought nearly 2000 enforcement proceedings. In FY 2003, over \$1.1 billion and in FY 2004 over \$1.21 billion in disgorgement and penalties were assessed to help restore investor losses from securities fraud.

I continue to believe that in America, the vast majority of businesspersons, broker dealers, investment advisers, and professionals are honest and scrupulous. However, my days as a federal prosecutor and businessman teach me that a significant few will succumb to temptation and thereby cheat. It is true that no amount of regulation will totally prevent fraud. However, wise regulation and proper sanctions will deter and reduce the odds of success and reduce the damage that occurs before the discovery of fraud in the marketplace. The challenge of all regulation is to protect fully investors and their capital without unduly burdening the conduct of business. The sad fact is that a few cheaters can cause capital to stampede to the sidelines, cause huge reputation damage to an industry, and diminish the liquidity of our markets.

During the past three years, I believe that the SEC has contributed mightily with Congress in helping restore much of the lost confidence of investors in our markets. There is still a long way to go. Most of the rules involving Sarbanes-Oxley have been in effect less than two years and their positive impact is just beginning to be evident. While nothing in life is perfect, I believe that the SEC has implemented Sarbanes-Oxley and other rules in a very moderate and practical manner, allowing honest business and the regulated financial industry to flourish. I believe that an important key to the future is that the Agency continue to listen to industry and, where appropriate, smooth out the "rough edges" of regulation. However, wise and fundamental principles, such as those in Sarbanes-Oxley and those seeking greater transparency and elimination of conflicts must not be compromised.

Recently, for example, I have supported and been actively involved in the Agency's effort to understand and apply industry suggestions in the areas of hedge fund adviser registration, the application of Section 404, involving attestation of internal controls of public companies, and the constant improvement of our examination process. The SEC's enforcement program must continue to be vigorous and act in real time to protect investors' capital and minimize losses. Where egregious violations of securities laws occur, strong sanctions must be imposed to create deterrence and provide appropriate punishment. On the other hand, where possible, the Agency must continue to reduce and eliminate antiquated rules, such as with the Securities Act Reform, which will simply and greatly reduce the cost of raising capital in America.

If the Senate grants me the huge honor of confirming me a second time as a member of this Commission, I vow to continue to bring all of my energies to work diligently with my fellow Commissioners and Chairman to continue to accomplish the noble mission that Congress has given this Agency: to protect investors and to maintain the integrity of the markets.

Thank you for your kind attention. I will be pleased to answer any questions.