United States Senate
COMMITTEE ON FINANCE
WASHINGTON, DC 20510-6200

June 14, 2010

Via Electronic Transmission

The Honorable David Kotz
Inspector General
United States Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Dear Inspector General Kotz:

In recent reports you have highlighted problems associated with the revolving door between working at the Securities and Exchange Commission (SEC) and working in the securities industry, which the SEC is charged with regulating.

For example, you recently found that the head of the SEC's Fort Worth Regional Office Enforcement Division played a significant role in delaying and limiting the scope of investigations that could have detected R. Allen Stanford's $8 billion ponzi scheme. Your report found he then left the SEC and attempted on three separate occasions to switch sides and defend Stanford. In another review, your work revealed that an SEC enforcement attorney pursued an unwarranted investigation at the request of Allied Capital and later left the SEC to become a lobbyist for Allied Capital.

In April, the *Wall Street Journal* reported that the speed at which the door revolves can be swift:

> Steven Richards left the SEC in July 2008 as a top accountant in the enforcement division to join the global business advisory firm FTI Consulting. Five days later, he signed on to represent a client involved in a "nonpublic investigation" by his old division.
>
> In August 2008, Andrew Dunbar left his job as an enforcement lawyer in the SEC's Los Angeles office to take a job with the law firm Sidley Austin. Eleven days later, he was tapped to help a client answer an "informal request for information" from the same office.

* * *

> The two ex-SEC men were among 66 former SEC employees who filed 168 letters with the SEC secretary in 2008 and the first nine months of 2009 disclosing clients or new employers they planned to represent before the agency, according to documents obtained through a public-records request.[1]

In a more recent situation, Trading and Markets Division Associate Director Elizabeth King recently left the SEC to work for a leading high frequency trading firm, Getco, LLC. Given her former position at the SEC, this raises a number of questions about:

(1) the extent to which Ms. King was personally involved in the SEC's review of last month's "flash crash" and related rulemaking activities on high frequency trading,
(2) when she first had contact with Getco, LLC about the possibility of employment there and whether she recused herself from matters related to the SEC's inquiry and rulemaking after that point, and
(3) the extent to which SEC and government-wide ethic rules will limit her communications with her former colleagues at the SEC on behalf of Getco, LLC going forward.

Accordingly, could you please (a) provide a summary of the matters your office has reviewed that raise similar revolving door issues, and (b) conduct a review of the circumstances surrounding Ms. King's departure from the SEC and disclose the results so that Congress and the public can more accurately assess the integrity of the SEC's operations?

Thank you for your prompt attention to this important matter. Please provide your reply in electronic format to Brian_Downey@finance-rep.senate.gov. If you have any questions, please do not hesitate to contact Emilia DiSanto or Jason Foster of my staff at (202) 224-4515.

Sincerely,

Chuck Grassley

Charles E. Grassley
Ranking Member

[1] Tom McGinty, "SEC Lawyer One Day, Opponent the Next," *The Wall Street Journal,* April 5, 2010.