

S.E.C. Head Admits Misstep in a Madoff Ethic

By EDWARD WYATT
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WASHINGTON — The chairwoman of the [Securities and Exchange Commission](#) told a Congressional panel on Thursday that she would respond differently today than she did two years ago to ethics concerns about an employee's disclosure that his mother had invested with [Bernard L. Madoff](#).



Andrew Herrer/Bloomberg News

Mary Schapiro said she needed to go "beyond what may be required" on ethical matters.

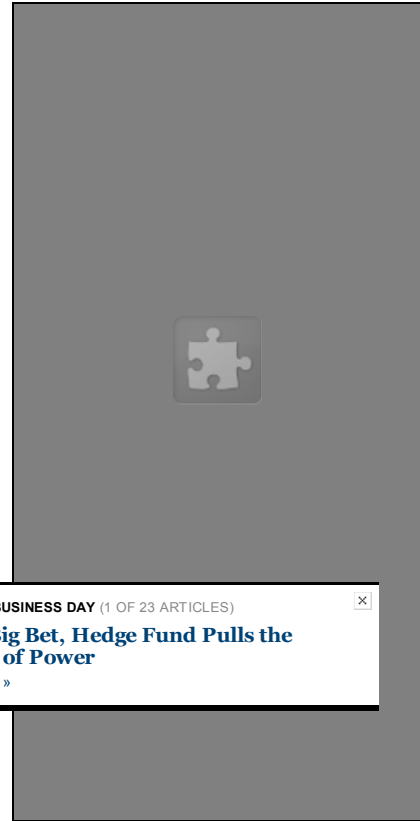
The chairwoman, [Mary L. Schapiro](#), said, however, that she believed she responded appropriately in 2009 when David M. Becker, who was then general counsel, disclosed that his mother had a Madoff account but that it had been closed after she died years earlier.

While she relied on Mr. Becker to raise the S.E.C.'s ethics officer and to follow that offi

Schapiro said that as chairwoman, she needed to go "beyond what may be given situation."

Mr. Becker, who left the S.E.C. in February, told Ms. Schapiro when he joi in 2009 that his deceased mother had an account with Mr. Madoff, whose had killed his investors of billions. She said he informed her that the acco

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in 2006 her three sons divided the proceeds of her estate, which included \$2 million that was withdrawn from the Madoff account.

The hearing had been expected to generate fireworks from the often-combative chairman of the committee, Representative [Darrell E. Issa](#), a California Republican, and other Republicans on the panel. But it was mostly a subdued affair, with no revelations of a smoking gun implicating anyone at the S.E.C. with wrongdoing.

In part, that could be because a formal investigation into the situation has only begun. Ms. Schapiro has asked H. David Kotz, the agency's inspector general, to begin an inquiry, and he is gathering documents and interviewing S.E.C. employees.



Ms. Schapiro said specifically that she was unable to consult any notes, e-mails or memos that might pertain to the matter because she had asked the inspector general to begin gathering relevant materials, and therefore her testimony was based only on her memory about the encounters with Mr. Becker.

Separately, the S.E.C. released on Thursday a consultant's report that recommended changes in the agency's organizational structure and governance to allow it to keep up with rapidly evolving securities markets and the uncertainties caused by the Congressional appropriations process.

The agency should strengthen its oversight of self-regulatory organizations in the securities industry and delegate more tasks to those groups, the report said. In addition, the S.E.C. should reconsider its regional model, which leaves some but not all enforcement and oversight functions in regional offices rather than at S.E.C. headquarters.

The 263-page [organizational study](#) of the S.E.C. by the Boston Consulting Group was mandated by the Dodd-Frank Act, the regulatory overhaul passed in July that was a response to the financial crisis. The study also recommends that Congress decide whether it wants to relax constraints on the agency's funding to allow it to fulfill the missions it has given the S.E.C. or whether it wants to change the S.E.C.'s role to fit the available funding.

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