The House Financial Services Capitol Markets Subcommittee approved a series of legislative changes designed to strengthen and streamline the Securities and Exchange Commission's (SEC) enforcement authority by allowing the agency to seek civil monetary penalties in cease-and-desist proceedings. The ... The House Financial Services Capitol Markets Subcommittee approved a series of legislative changes designed to strengthen and streamline the Securities and Exchange Commission's (SEC) enforcement authority by allowing the agency to seek civil monetary penalties in cease-and-desist proceedings.

The bill (DRAFT), which cleared on a voice vote, authorizes the SEC to bar people who have violated securities laws in one segment of the industry from entering another segment, permit the commission to share information with foreign securities investigators without waiving the agency's right to use the information in its own enforcement actions, and clarify that states have the right to require filings on securities offerings exempted from SEC scrutiny.

House Financial Services Capital Markets Subcommittee Chairman Paul Kanjorski, D-Pa., said the bill would “modestly” strengthen the SEC's enforcement facilities by adopting a series of “mostly non-controversial” modifications suggested by the agency over the last two years.

It also requires fingerprinting for the personnel of registered securities information processors, and national security exchanges and associations. The change would bring these entities into line with the other industry groups whose employees are subject to criminal background checks.

The bill would extend Securities Investor Protection Corporation insurance to futures positions held in securities customers' accounts. The program covers losses of up to $400,000 in losses caused by the insolvencies of brokerage and other investment firms.

The measure bolsters existing provisions protecting the confidentiality of sensitive business information obtained by the SEC during the supervisory process, and by the agency staff during probes of investment companies and advisors.

In addition, the bill requires the SEC chairman or a designee to appear in person before the House Financial Services Committee annually for the next five years to testify on the agency's efforts to provide more accurate and clearer financial information to investors.

The bill cleared after the subcommittee debated an amendment offered but then withdrawn by Rep. Michael Capuano, D-Mass. It was intended as a protest against a recently reported SEC proposal to let American companies opt out of domestic accounting standards in favor of international rules to make themselves more competitive in the global marketplace.

Capuano said it would be “outrageous” and “dangerous” to allow such a “wholesale” shift away from the accounting reforms enacted in the aftermath of the Enron scandal, especially without congressional approval. His amendment called for barring the SEC from ceding United States regulatory authority to non-U.S. agencies.

Capuano's denunciation of the SEC proposal provoked bipartisan rebukes. Rep. Brad Sherman, D-Calif., said that, in fact, the international standards were “to some extent better than ours” in a number of respects.

Rep. John Campbell, R-Calif., said he believed “we should stake a strong, hard look at international standards” because markets “are becoming increasingly international.”