



NASAA

NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION, INC.

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April 22, 2004

The Honorable Frank R. Wolf
Chairman
Subcommittee on Commerce, Justice,
State and Judiciary
House Appropriations Committee
H-309 Capitol
Washington, DC 20515

The Honorable Jose E. Serrano
Ranking Member
Subcommittee on Commerce, Justice,
State and Judiciary
House Appropriations Committee
1016 LHOB
Washington, DC 20515

Dear Chairman Wolf and Ranking Member Serrano:

The North American Securities Administrators Association (NASAA) ¹ appreciates the opportunity to comment on The National White Collar Crime Center (NW3C), an organization that has benefited state securities law enforcement efforts across the country. State securities regulators are grateful for your efforts to assure that the NW3C received its full funding of \$9 million in FY 2004, and we recommend the same level for FY 2005.

The NW3C is a non-profit, federally funded support organization for state and local law enforcement that has been in existence for the past 24 years. NW3C provides enforcement tools such as training for securities regulatory staff, investigative support services, and case research assistance. NW3C offers on-site classroom and computer-based trainings that have been utilized by securities regulators in approximately 45 states. These programs are an important complement to the various trainings NASAA funds for its members, including: attorney-investigator, broker-dealer, corporate finance, investment adviser, and investor education. Every year, the NW3C also hosts economic crime conferences that enable state and local regulators to keep abreast of the latest trends and techniques in fighting economic crime.

White-collar crime cases encompass a broad range of misconduct that profoundly affects your constituents. For instance, it is estimated that securities fraud alone costs investors \$40 billion per year. Regulators' and prosecutors' ability to fight crime relies on our ability to effectively leverage the resources of local, state and federal agencies. The investigation of mutual fund trading practices launched by state and federal officials demonstrates both the value-added benefits of state securities regulation and the complementary relationship between state and federal regulators. In addition, the analyst conflict of interest global settlement is another example of why now is the time to strengthen, not weaken, enforcement support for state and local law enforcement agencies.

¹ The oldest international organization devoted to investor protection, the North American Securities Administrators Association, Inc., was organized in 1919. Its membership consists of the securities administrators in the 50 states, the District of Columbia, Canada, Mexico and Puerto Rico. NASAA is the voice of securities agencies responsible for grass-roots investor protection and efficient capital formation.

State securities agencies simply could not afford to maintain all of the proprietary databases made available for use at no charge by NW3C. These valuable information resources provide a critical resource to local and state investigators working on cases involving multistate activity and, in turn, help to facilitate cooperative, rather than duplicative investigations and actions by local law enforcement and regulatory officials.

The NW3C's investigative support services help state and local law enforcement bring financial crime cases to successful prosecution. This support includes analytical services such as visual and audio aids, public records searches, and selected case funding.

Maintaining the current funding level of \$9 million continues public safety by: (1) increasing state and local law enforcement's ability to conduct cyber and economic crime investigations; (2) increasing investigative assistance for state and local case preparation and prosecution, and; (3) increasing research that will define and describe the many unanswered questions regarding the recognition, prevention, and investigation of cyber and economic crime.

Without maintaining the current funding level, law enforcement will fall behind in the fast moving and technically driven cyber and economic crime areas, and public safety will suffer as more of these types of crime impact communities and the economy. On behalf of NASAA, Tanya Solov, Illinois Securities Director, recently testified before the Senate Special Committee on Aging regarding Internet investment fraud against the elderly. The Internet has made it simple for a con artist to reach millions of potential victims at minimal cost – turning the information superhighway into a road of ruin for victims of cyber fraud. Full funding for NW3C's investigative support services provides prosecutorial evidence that helps state enforcement bring these kinds of financial and cyber crimes cases to a successful conclusion.

NASAA respectfully requests that you support the National White Collar Crime Center's budgetary needs. Their ability to maintain services with no increase in their current budget of \$9 million is a testament to their strategic management and wise use of their appropriations. The assistance the NW3C provides to state securities regulators is invaluable to our law enforcement efforts.

Please do not hesitate to contact Joseph L. Borg, Chairman of NASAA's Enforcement Section and the Director of Alabama Securities Commission, or Deborah Fischione House in NASAA's corporate office if you need additional information regarding this very worthwhile program.

Sincerely,



Ralph A. Lambiase
NASAA President
Connecticut Securities Director