



NASAA

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## NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION, INC.

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May 6, 2003

The Honorable Judd Gregg  
Chairman  
Subcommittee on Commerce, Justice,  
State and Judiciary  
Senate Appropriations Committee  
S-146A Capitol  
Washington, DC 20510

The Honorable Ernest F. Hollings  
Ranking Member  
Subcommittee on Commerce, Justice,  
State and Judiciary  
Senate Appropriations Committee  
123 Hart Senate Office Building  
Washington, DC 20510

Dear Chairman Gregg and Ranking Member Hollings:

The North American Securities Administrators Association (NASAA)<sup>1</sup> 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.

The NW3C is a non-profit, federally funded support organization for state and local law enforcement that has been in existence for the past 23 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 approximately 45 states. These programs are a necessary complement to the various trainings NASAA funds for its members, including: attorney-investigator, broker-dealer, corporate finance, investment adviser, and investor education trainings.

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. Now is the time to strengthen, not weaken, enforcement support for state and local law enforcement agencies.

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<sup>1</sup> 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.

The following are just a few examples of the numerous ways that NW3C has benefited state securities agencies:

*Virginia* - The most valuable assistance provided by NW3C is in its database information system. This information is crucial in locating targets of investigations as well as witnesses. In fact, just recently, while preparing for a hearing before the Virginia State Corporation Commission, staff was able to locate a defendant and witness for issuance of a subpoena. This was made possible only because of the NW3C system. In addition, NW3C compiled data in an investigation involving nine bank accounts, eight brokerage accounts, and seven mutual fund accounts. That information was forwarded to the U.S. Attorney's Office in Roanoke and is now the subject of an ongoing federal criminal investigation.

*Alaska* - The investigative services provided by NW3C make it possible for a smaller state securities agency, such as the one in Alaska, to have access to detailed background reports and information that would not otherwise have been possible without NW3C support. In addition, through the use of investigative services of NW3C, the Alaska Division of Banking, Securities and Corporations has been able to issue subpoenas and orders that have been instrumental in civil and criminal prosecutions of numerous cases.

*Hawaii* - The Securities Enforcement Branch of the Hawaii Department of Commerce and Consumer Affairs attended the Financial Investigations Practical Skills training course that was hosted by the NW3C. Five investigators from the Securities Enforcement Branch attended that training in Honolulu, Hawaii. This is specific, on-site, classroom training from the NW3C that would not otherwise be available to the Hawaii agency.

This specific financial fraud and computer fraud training is invaluable to the agencies that investigate and prosecute financial fraud at the local level. Other specific courses that Hawaii has taken advantage in past years are the Financial Records Examination and Analysis Training, Basic Data Recovery and Analysis Training and Telemarketing Fraud Advanced Skills Team Training. Hawaii plans to utilize the training offered by the NW3C in the coming year to continue to enhance its knowledge and expertise in the areas of white collar crime and cyber crime.

*Kansas and Delaware* – Both states are working to extradite an individual from France to face prosecution for a \$1.3 million prime bank scam involving a company called Addison & York. There are four victims in Kansas who lost \$119,000. Kansas has already convicted a person from Massachusetts and is set for trial in June against a defendant in Alberta, Canada. NW3C also assisted with \$3,000 in extradition expenses.

*Texas* – The Texas State Securities Board has benefited greatly from the state-of-the art training on financial analysis available through the NW3C. Several Texas investigators were able to attend a Financial Investigations Practical Skills training program. This was a unique opportunity for them to enhance their expertise in conducting white collar crime investigations. The additional skills they obtained have helped them to hone the practical

skills, insights and knowledge necessary to bring a financial investigation to a successful conclusion. The techniques learned by the Texas personnel attending NW3C seminars have been critical in preserving electronic and computer information as valuable evidence in later criminal cases. NW3C made it possible for Texas to engage in several multistate investigations that would have been extremely difficult if not impossible without the analytical assistance it received from the Center.

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 provides 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.

NASAA respectfully requests that you support the National White Collar Crime Center's budgetary needs. The assistance it provides to state securities regulators is invaluable to our law enforcement efforts. Please do not hesitate to contact me or Deborah Fischione House in NASAA's corporate office if you need additional information regarding this very worthwhile program.

Sincerely,

A handwritten signature in black ink, appearing to read "Christine A. Bruenn", with a stylized flourish at the end.

Christine A. Bruenn  
NASAA President  
Maine Securities Administrator



NASAA

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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 Longworth House Office Building  
Washington, DC 20515

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