

CLIENT ALERT

President Creates Interagency Financial Fraud Enforcement Task Force

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As another reminder of the federal government's intent to strengthen its efforts to combat financial crime, President Obama this week established the Interagency Financial Fraud Enforcement Task Force. Led by the Department of Justice, the task force will be composed of senior-level officials from over two dozen departments, agencies and offices, including Treasury, the SEC, the Federal Reserve, the FBI, IRS, HUD, and the FTC. Representatives of the National Association of Attorneys General, and state, local, tribal, and territorial representatives will be invited to participate on the task force through its enforcement committee. Treasury, HUD, and the SEC will also serve on the steering committee. The Attorney General will convene the first meeting of the task force in the next 30 days.

The task force replaces the Corporate Fraud Task Force which was established in 2002 by President Bush in response to a number of corporate accounting scandals, including Enron Corp. and World Com Inc. The newly formed task force will continue to work with state and local partners to investigate and prosecute mortgage, securities, and corporate fraud. In addition, the task force will also investigate discrimination in the lending and financial markets and recover proceeds for victims.

Given the recent criticism of the SEC for failing to detect Bernard Madoff's long-running multi-billion dollar Ponzi scheme, and the financial market meltdown of 2008, the Obama Administration's renewed focus on financial crimes was anticipated and a concomitant increase in white collar related investigations and prosecutions is to be expected. This is consistent with past enforcement trends of increased financial fraud investigations and prosecutions following the savings and loan crisis, the economic downturn in 1990 and the internet/high-tech bubble burst in the early 2000's. According to a recently published report,¹ the FBI is investigating more than 189 major corporate frauds, 18 of which have losses over \$1 billion, and the number of mortgage fraud investigations conducted by the FBI has more than doubled in the past three years.

¹ See "Top Management and Performances Challenges in the Department of Justice," Office of Inspector General (Nov. 13, 2009).

For more information, please contact the professional(s) listed below, or your regular Crowell & Moring contact.

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