

U.S. DEPARTMENT OF THE TREASURY

Press Center



Secretary Timothy Geithner Remarks at the Financial Fraud Enforcement Task Force Event

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Thank you, Rob. And thanks to Secretary Donovan and Attorney General Holder for your excellent leadership.

Let me close by putting this new Financial Fraud Enforcement Task Force into a broader context.

We are emerging from a severe financial crisis and a deep recession caused, in part, by failures of financial regulation and consumer and investor protection.

Basic regulations in our financial system that were designed to provide those protections instead allowed many financial institutions to operate completely outside of them with little supervision and oversight.

Institutions were able to shop for the weakest regulator and the weakest form of regulation.

This helped make it possible for millions of Americans to be sold subprime mortgages they could not afford.

This helped give rise to teaser rates on credit cards that lured consumers in and then hit them with big increases.

And this helped financial criminals defraud huge numbers of investors of their savings.

To address these failures we first need to enact comprehensive financial reform that establishes stronger standards, enforces those standards evenly, and creates a more stable, safer financial system.

The bills being drafted in both chambers of Congress would do that by creating stronger system-wide protections and a much stronger regime for protecting consumers and investors.

But for these reforms to work we need more than new rules. We need more than a new system with fewer gaps and greater oversight. We also need a much more aggressive strategy of enforcement.

It's not enough to prosecute fraud only after it's become widespread. We can't wait for problems to peak before we respond.

Too often in the past, even with dedicated people at the federal and state level trying to provide strong protections, resources around enforcement were not mobilized until extensive damage had already been done.

Remember, it took federal banking agencies until June 2007 to reach a consensus on supervisory guidance that imposed even general standards on subprime mortgages. By then it was too late.

President Obama is committed to changing that and bringing a more aggressive, preemptive and proactive approach, across federal agencies and alongside state governments, to stop trends in financial fraud as early as possible.

This task force is designed to help do that.

Now, we've already taken some important steps in this direction.

In April we announced an inter-agency approach to combat loan modification fraud by moving early and preemptively in a coordinated manner.

Since then, Treasury's Financial Crimes Enforcement Network has pursued more than 100 cases, partnering with 31 state attorneys general who are aggressively cracking down on mortgage fraud and are shutting down suspect companies.

State Attorney Generals are shutting down the operations, in part because of our efforts to increase coordination among federal and state agencies.

Treasury will play a key role on this new task force.

As part of this, we will work to increase transparency in our financial system, making it more difficult for criminals to access, manipulate or hide illegal assets.

And we will enhance coordination to better analyze and investigate the intelligence we get from financial institutions regarding suspicious activity.

Two years ago, the conventional wisdom was that our financial system was burdened by too many rules and too much enforcement.

Clearly that consensus was wrong.

We need to do everything we can to restore trust and confidence in our financial system and central to that effort is enacting stronger and smarter rules with stronger, more proactive enforcement.

Thank you.

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