
FINRA Has "Disastrous Record": Watchdog Group

By Editor Test Thu, Feb 25, 2010

FINRA and other SROs have "an incestuous relationship with the industry they are tasked with regulating," according to the Project on Government Oversight.

The Project On Government Oversight (POGO) [sent a letter today](#) (February 23) to the congressional committees tasked with financial oversight urging them to stop relying on private financial self-regulators like the Financial Industry Regulatory Authority (FINRA).

FINRA oversees thousands of securities brokerage firms that do business in the U.S. It is one of the self-regulatory organizations (SROs) in the nation's financial regulatory regime.

FINRA and other SROs have "an incestuous relationship with the industry they are tasked with regulating, and therefore should not be trusted with the important job of protecting the investing public."

In a release, POGO said:

"Although FINRA is currently seeking to expand its authority and is defending its record in paid advertisements, the organization actually has an abysmal track record of regulating the securities industry.

"SROs such as FINRA failed to prevent virtually all of the major securities scandals dating back to the 1980s. And in recent years, under the leadership of current Securities and Exchange Commission (SEC) Chairman Mary Schapiro, FINRA failed to regulate many of the larger firms that were at the heart of the financial crisis, including Bear Stearns, Lehman Brothers, and Merrill Lynch, and also failed to detect the Ponzi schemes run by Bernie Madoff and R. Allen Stanford.

"Amidst the economic collapse of 2008 during which FINRA itself lost \$568 million in its investment portfolio, and despite its failure to adequately conduct oversight of the securities industry, FINRA awarded its top 20 senior executives \$30 million in salaries and bonuses."

In its letter to Congress, POGO said, "the cozy relationship between FINRA and the securities industry has resulted in pervasive conflicts of interest, and ought to raise doubts about whether FINRA can ever be an effective regulator."

"FINRA's disastrous track record should be all the evidence Congress needs to conclude that self-regulators can't be trusted with protecting investors," said POGO Executive Director Danielle Brian.

"Our fragile economy shouldn't be left in the hands of a regulator that's in bed with the same industry that brought the financial system to the brink of collapse."

Founded in 1981, POGO is an independent nonprofit that investigates and exposes corruption and other misconduct in order to achieve a more effective, accountable, open, and ethical federal government.

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