U.S. Department of Justice

Office of Legislative Affairs

Office of the Assistant Attorney General

Washington, D.C. 20530

March 19, 2010

The Honorable Patrick Leahy
Chairman
Committee on the Judiciary
United States Senate
Washington, D.C. 20510

Dear Chairman Leahy:

Enclosed please find responses to questions for the record stemming from the appearance of Kevin Perkins, Assistant Director for the Criminal Investigative Division of the FBI, before the Committee on December 9, 2009, at a hearing entitled "Mortgage Fraud, Securities Fraud, and the Financial Meltdown: Prosecuting Those Responsible." We hope that this information is of assistance to the Committee.

Please do not hesitate to call upon us if we may be of additional assistance. The Office of Management and Budget has advised us that there is no objection to submission of this letter from the perspective of the Administration's program.

Sincerely,

Ronald Weich
Assistant Attorney General

Enclosure

cc: The Honorable Jeff Sessions
Ranking Member

Responses of the Federal Bureau of Investigation to Questions for the Record Arising from the December 9, 2009, Hearing Before the Senate Committee on the Judiciary Regarding "Mortgage Fraud, Securities Fraud, and the Financial Meltdown: Prosecuting Those Responsible"

Questions Posed by Senator Schumer

HIGH YIELD INVESTMENT SCAMS

You mentioned that high yield investment scams have risen by 105 percent in 2009 alone, and that the FBI currently has more than 1,500 related securities fraud investigations underway. And yet, in a recent Google search for "HYIP," nine out of the ten links on the first page were websites advertising, promoting, ranking and purportedly "monitoring" HYIP's, all promising 1-2 percent daily, 5-8 percent weekly and 20-30 percent monthly returns on investment, if not more.

1. How is it that these sites are incredibly easy to find and dupe consumers, and have yet to be shut down?

Response:

The FBI allocates its resources to investigating those who engage in egregious High Yield Investment Fraud (HYIF). The FBI also works hard to educate the American public on how to avoid falling victim to these schemes. Through our website (www.fbi.gov), printed educational materials, and pod-casts, as well as through presentations made by FBI Special Agents to local citizens, we use multiple media to convey a message of caution and due diligence to the investing public. While these efforts are substantial, and we are encouraged at the number of people who find the FBI through our website and other means to register complaints and concerns, we are not able to monitor and target every website and/or perpetrator who might be involved in a HYIF scheme. The FBI does, though, continue to work with its Federal, state, and local partners, including the Securities and Exchange Commission and the Federal Trade Commission, to address the full range of investment scams.

2. **Please explain your efforts to crack down on HYIP's. Obviously, it takes time to investigate any given site, go to court, and get an injunction to prevent ongoing fraud. Do you need additional statutory authorities to get this problem under control in order to prevent an online Bernie Madoff?**

Response:

As noted above, the FBI aggressively investigates HYIF perpetrators, using such proactive techniques as undercover operations and the exploitation of Securities and Futures Industries Suspicious Activity Reports to stop HYIF perpetrators. In addition, the FBI works closely with the U.S. Securities and Exchange Commission and with other Federal, state, and local law enforcement partners to identify and investigate these schemes. From the beginning of Fiscal Year 2009 through 12/23/2009, the FBI's effort in fighting HYIF has led to the convictions of 140 individuals.

3. When you type "financial fraud" or "victim of financial fraud" into a search engine, the SEC website does not come up. In fact, the only government websites that come up are some scattered press releases from the SEC and the FDIC. How can we increase the visibility of the SEC, the FBI, and the Department of Justice for the average consumer?

Response:

The FBI exerts great effort to maximize its visibility to the average consumer. As discussed above, in addition to our website (www.fbi.gov), which contains a section on financial frauds, FBI Special Agents address groups throughout the country to educate local citizens on financial fraud schemes and how to avoid being victimized. The FBI also hosts Citizens' Academies across the country where diverse groups of citizens attend academies of varying durations at their local FBI field offices to learn about the FBI and the crimes we investigate. In an effort to capitalize on evolving communication outlets, the FBI has created a pod-cast that is available on Apple's iTunes to educate the public on the FBI's efforts to address HYIF and how the public can avoid such schemes. In addition, the FBI is a member of the Financial Fraud Enforcement Task Force that was recently created by the President and has received significant media coverage.