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## Senate Investigators Target SEC Officials

Inside Knowledge on Bear Stearns Cited

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Senate investigators are looking into whether senior officials at the Securities and Exchange Commission provided confidential information to former colleagues working on Wall Street.

The inquiry began after the SEC's Inspector General received an anonymous tip earlier this month. It alleged that Linda Chatman Thomsen, the agency's director of enforcement, gave information about investigations into Bear Stearns around March to the general counsel of J.P. Morgan Chase, which at the time was considering whether to buy the troubled investment bank. The Oct. 7 complaint claimed that the inside knowledge obtained by the attorney, Stephen M. Cutler, a former head of enforcement at the SEC, allowed J.P. Morgan to low-ball its bid to purchase Bear Stearns.

A copy of the complaint was also provided to Sen. Charles E. Grassley (R-Iowa), the ranking member on the Senate Finance Committee.

In a letter sent last night to the SEC, Grassley asked for information about all SEC investigations into Bear Stearns, as well as communications between SEC officials and J.P. Morgan Chase about those cases.

"Such conduct would reinforce the appearance that Enforcement decisions, and disclosures of information about them, are sometimes based not on the merits," he wrote in his letter yesterday, "but rather on access to senior officials by influential representatives of power brokers on Wall Street."

An SEC spokesman declined to comment last night. J.P. Morgan Chase did not respond to a request for comment last night.

The inspector general, H. David Kotz, issued a report last month that criticized what some agency employees called the "common practice" of outside lawyers gaining access to senior SEC officials. He also said the agency should consider disciplining Thomsen for such behavior while she was in charge of an insider-trading case.

Grassley raised concerns last year about improper communications between high-level SEC officials and attorneys at firms under investigation.

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