

# SEC Official Retires As Report Blasts Performance

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A central character in the U.S. Securities and Exchange Commission's investigation in to Pequot Capital quit his job Friday, the day the Senate issued a scathing report about his role in the investigation.

Walter J. Stachnik, who has been inspector general of the SEC since the job was created in 1989, retired Friday, the day the Senate said his role in the investigation of allegations that Pequot Capital engaged in insider trading and other suspicious trading was "flawed from the beginning and hindered by missteps during the entire process."

The SEC's official line is that Stachnik's retirement was planned, but no interim or permanent placement has been named, and the SEC hasn't even gotten around to announcing his departure. Stachnik could not be reached for comment. Nelson Egbert remains deputy inspector general.

The inspector general of the SEC is supposed to act as an impartial arbiter of the agency's conduct, auditing commission operations,

programs, activities, functions and organizations, and investigating allegations of staff misconduct, according to the SEC's Web site.

But the 108-page Senate report, the product of a joint investigation by the Finance and Judiciary committees, said the inspector general had "failed in its mission." The report added that, based on interviews of current and former SEC staff, the inspector general is "not well respected" and perceived as "a tool of management, used for retaliatory investigations against disfavored staff."

"The SEC needs to take immediate action to restore the independence, competence and confidence" in the Office of the Inspector General, the report says.

The Senate investigation into how the SEC handled allegations of insider trading at Pequot Capital began last year, after a former staff investigator at the SEC, Gary Aguirre, said he had been fired for raising questions about the SEC's treatment of him in the course of his work.

The report paints a picture of an agency mired in political favoritism, one that delayed the Pequot investigation, disclosed information about the case to lawyers for the people being investigated, and displayed deference to a well-known Wall Street executive.

Aguirre led the SEC's investigation into the suspicious trading by Pequot, including allegations of insider trading. Pequot is an influential hedge fund founded by Arthur Samberg, a close friend of Morgan Stanley Chief Executive John Mack, the Wall Street executive for whom the SEC allegedly played favorites.

Aguirre has contended he was fired in the summer of 2005, at the peak of his investigation, after complaining to higher-ups at the

agency that he was being stonewalled by the SEC in proceeding with the case, namely in his desire to interview Mack.

The SEC closed the Pequot case last fall without taking action.

An SEC spokesman said Tuesday he was not aware of any connection between the timing of Stachnik's retirement and the release of the report.



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