

STANFORD VICTIMS COALITION

SEEKING JUSTICE FOR INTERNATIONAL FRAUD

September 14, 2010

Mr. Stephen Harbeck
President and CEO
Securities Investor Protection Corporation
805 15th Street, Suite 800
Washington, D.C., 20005

Dear Mr. Harbeck,

I was very surprised to see this statement from you in Kathy Kristof's *Los Angeles Times* column on Sunday:

"The investors in Stanford Financial Group are holding the certificates of deposit in a bank in Antigua in their hands. We do not protect fraudulent projections of value. We ensure that investors receive the securities that they bought, and they have them."

With all due respect, you are clearly misinformed about the details in this case. Your statement is simply inaccurate and it is very difficult to understand how after 18 months of ongoing discussions between my organization, the Stanford Victims Coalition (SVC), and SEC and SIPC officials regarding the various aspects of the legal arguments we've outlined and documented that you can continue to blatantly ignore the facts and rely instead on false assumptions to defend SIPC's position in the Stanford case.

While it is possible some Stanford investors MAY have gotten a piece of paper saying they purchased a CD at Stanford International Bank (but no different than the pieces of paper Madoff investors received), this is not the case for MOST Stanford International Bank CD investors who purchased the securities from a registered representative of Stanford Group Company (SGC), an SEC-registered broker dealer and SIPC member. **The Stanford International Bank CD certificates were, in most cases, in the physical custody of Stanford Group Company and thousands of SGC customers DO NOT hold their securities in their hands.**

SGC customers literally did NOT get the securities they purchased, nor do those investors even have a piece of paper saying they received their securities. In my own personal example, I am MISSING SECURITIES totaling \$1.3 million, yet I cannot file a SIPC claim.

As the SVC, along with dozens of members of Congress, have said, Stanford Group Company customers should be extended the same protection as Madoff customers, and be treated with the same application of the Securities Investor Protection Act Madoff's customers

have been fortunate enough to have received. The fact some Madoff investors do not believe they have been provided adequate coverage seems to be given more attention than the fact Stanford Group Company's customers can't even file claims to receive equal treatment.

It is a devastating reality Stanford victims face each day knowing that being a Madoff victim is a much better situation to be in than being a Stanford victim. Both groups of investors were customers of a SIPC-member broker dealer whose owner has been accused of carrying out a Ponzi scheme and stealing customer funds. Both Madoff Securities and Stanford Group Company represented to customers to have purchased securities for their customers. There are approximately 5,000 investors in each case, yet Madoff investors' losses are up to \$60 billion and SGC customers lost less than \$2 billion. Basic math tells you the Stanford investors are much smaller investors and for most SGC customers, their losses represent 30-40 years of retirement savings that were entrusted to a SIPC-member company to invest. Additionally, SIPC protection would make most SGC victims whole.

Like most Americans who utilize the services of SIPC's members and rely on their expertise and the protection of the SEC and SIPC, these are not savvy investors who understand the difference between an "introducing broker dealer" and a "custodial broker dealer." All that was represented to investors on everything from business cards and signage to promotional footballs and water bottles (and everything in between) was "SIPC Member." There were NO disclaimers. Those came only AFTER our funds were stolen by a broker dealer. The question of who held custody of securities that never existed is not at all a fair way to determine coverage. The fact SGC DID hold physical custody of a substantial number of customers' securities has been glossed over entirely, and I'm sure your response will be something along the lines of "SIPC can return those securities to you, but they have no value. SIPC does not cover loss of value or worthless securities." Mr. Harbeck, the CDs have no value because the owner of the broker dealer stole the funds, not because we purchased securities that did not retain their value, or even securities that never had value. **Our funds were STOLEN and there were no securities**, as the SEC Director of Enforcement has stated. The SEC has even cited case law in the receivership proceeding saying "A Ponzi scheme is insolvent from inception." **How could an insolvent criminal enterprise issue securities?**

The SEC and the DOJ have accused the owner of a SIPC-member of stealing customer funds. The SEC has determined the CDs were in fact securities. **Customer funds intended to purchase Stanford International Bank CDs never made it to Stanford International Bank**, and according to forensic accounting reports, were instead laundered through a series of Stanford Financial Group controlled bank accounts in the U.S. to ultimately pay out redemptions to earlier investors and pay for the expenses of the broker dealer. **This is a very straightforward case and the SEC and SIPC have made it very complicated by taking a hyper-technical interpretation of the SIPA statute and overlooking the basic facts of our case**, which is truly no different than that of Madoff investors. A SIPC-member sold us securities that did not exist. That same SIPC member provided its customers with statements displaying the "Member SIPC" logo on them. The legitimate customer expectation is that the CDs are covered by SIPC.

Adding insult to injury, and protecting the SEC and SIPC rather than investors, we have no private right of action when it comes to disagreements about SIPC coverage and whether or not claims can be filed. It is simply up to the SEC and SIPC to enforce the law and if an investor disagrees – too bad, there’s no right to an opinion review by an objective third party. The only judge we get are your organization and the SEC, and **the fact there are previous cases in which SIPC has extended coverage to investors in similar situations seems to be irrelevant.** It is painfully clear the legal documents provided to your office at the expense of tens of thousands of dollars paid for by the defrauded investors have not even been reviewed or considered and it is simply astonishing our right to SIPC has never been given serious consideration. **Instead, false assumptions are determining the future of 5,000 middle-class American investors who were not protected before a SIPC member stole their savings and most certainly are not getting fair treatment in the aftermath of that crime.**

At a time when it is more important than ever for investors to be reassured of their protection when it comes to investing their hard-earned life savings, the Securities Investor **PROTECTION** Corporation, should be acting as an ADVOCATE for investors rather than as an ADVERSARY. Not even realizing the most fundamental of facts in our case is definitely not in the realm of advocating for our protection. In fact, SIPC seems to have gone out of its way to take an adversarial - and at times condescending - approach in denying coverage for SGC customers. My hope is that the much needed SIPA reform measures will create an organization like SIPC that truly protects investors rather than itself and the industry it represents. **No victims should ever have to go through what Stanford victims have had to endure in this case.**

I would be more than happy to discuss this matter with you personally and look forward to your response.

Sincerely,



Angela Shaw
Director and Founder
Stanford Victims Coalition

Cc: Securities & Exchange Commission Chairman Mary Schapiro
SEC Division of Markets & Trading
House Financial Services Committee
Senate Banking Committee
Government Accountability Office