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# Senators probe inaction against Stanford

By MENGFEI CHEN Copyright 2010 Houston Chronicle  
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WASHINGTON — Angry senators grilled top officials of the Securities and Exchange Commission on Wednesday, citing the agency's delays in taking action against accused swindler R. Allen Stanford despite repeated red flags about his financial firm's operations.

Lawmakers sharply questioned Rose Romero, the director of the SEC's Fort Worth regional office, and Robert Khuzami, the agency's national enforcement director, about a report from the agency's independent inspector general.

It found that the Fort Worth compliance office decided at least four times not to act on findings by SEC staffers that Stanford appeared to be operating a Ponzi scheme.

Committee chairman Chris Dodd, D-Conn., described the situation as one in which "you had an examination office yelling 'fire, fire, fire' and an enforcement branch yelling 'no fire.'"

Sen. Kay Bailey Hutchison, R-Texas, called the revelations "stunning" and said that she hoped something is being done to make sure such a lapse doesn't happen again.

Stanford, 60, and three other executives of Houston-based Stanford Financial Group are accused in federal indictments of running a \$7 billion investment fraud scheme using certificates of deposit issued by a Stanford bank on the Caribbean island of Antigua.

Stanford is being held without bail in Houston as a flight risk. He has denied wrongdoing and is scheduled for trial in January. The others will be tried separately and are free on bail.

The inspector general's report concluded that Fort Worth SEC officials harbored suspicions that Stanford was acting illegally as early as 1997, two years after his company's broker-dealer arm, Stanford Group Co., registered with the SEC.

Over the next eight years, the compliance branch of the Fort Worth office conducted four separate examinations of Stanford's investments and reported each time that the high returns and low volatility were

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"highly unlikely" and inconsistent with a "legitimate" fund.

All four times, Fort Worth's enforcement team chose not to act on the findings. The enforcement team first opened a formal investigation into Stanford's company in 2005.

The SEC filed a civil fraud suit in February 2009 against Stanford and his companies, which were placed in receivership. A federal grand jury handed down the criminal indictments four months later.

In testimony Wednesday, SEC Inspector General H. David Kotz blamed the agency's culture, saying senior SEC officials thought they were being judged by the number of cases they processed, not on the number of investors affected or the size of the fraud.

As a result, Kotz said, the Fort Worth office focused on cases considered "quick hits" or "slam dunks." Complicated cases such as Stanford's were put off or handed to state securities boards.

Romero, who joined the Fort Worth office in 2006, expressed regret that the SEC had not acted more quickly to limit investor losses.

Khuzami, the top SEC enforcement official in Washington, said the SEC believed that it had not gathered enough evidence at the time of the earlier warnings. He said losing in court would have given Stanford "a Good Housekeeping seal of approval" to call his investments safe because a judge had rejected the SEC's claim. But Khuzami conceded, "We did not pursue the evidence as hard as we should have."

Cassie Wilkinson, a Houston resident who lost her savings when Stanford's companies were placed into receivership, attended the hearing with other Stanford investors. She called the SEC's testimony an effort to "cover their backsides" and said it needs a "housecleaning."

"There were obviously people who did not do their jobs, and no one has been fired. Investors have lost \$7 billion. That seems wrong," she said.

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**Jaxxx** wrote:

Oh yes, the bush years!!!

9/23/2010 12:48:28 AM



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**ratfink** wrote:

These people in the SEC need to be put up on charges. Obviously they had something to gain by letting that sleezeball operate a bank.

9/23/2010 5:56:40 AM



(100)

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**FloLake** wrote:

Amen there Jaxxx, amen!

9/23/2010 1:32:18 AM



(3852)

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**prlary** wrote:

Just a bunch of thugs...

9/23/2010 6:00:25 AM



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**Mental\_Recession** wrote:

Sen. Kay Bailey Hutchison, R-Texas, called the revelations "stunning" and said that she hoped something is being done to make sure such a lapse doesn't happen again

\*\*\*\*\*



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She says this after Enron??

9/23/2010 5:33:24 AM

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**iviewit** wrote:



Oh did the SEC and SEC Inspector General delve into the fact that their former head of enforcement Thomas Sjoblom of Proskauer Rose was in a Miami Airport Hanger teaching Stanford Employees how to lie to FBI and SEC investigators, who were bugging the hanger he was preaching in. Did the SEC investigate itself here, where are the Feds investigating what exactly former SEC Officials are doing both inside and outside of Stanford to derail with scienter regulations. Again and again the SEC tries to cover up their mess with it was bad management but what Sjoblom shows is that it was wholly intentional by the regulators who after derailing any investigations have cushy law firm jobs for their job well done. Hmmm, Proskauer is being sued in a global class action for the Whole billions in damages, International Drug Cartels are involved with Stanford planes loaded with checks to Cartels. So Sjoblom, the former SEC head is funny, he goes into an SEC meeting with Holt (who then sues him for violations of attorney conduct codes) and acts all, hey what are you guys doing, you can't investigate this now go away and call my friends at SEC. No no say agents, we can and FBI is also investigating and Sjoblom leaves the meeting and sends a text to agents that he is withdrawing all his statements prior, can that be done??? Has the SEC investigated Sjoblom reported him, arrested him, hmmm. It has been reported in Stanford that blood oaths were being taken with regulators, how many cutters are at the SEC, just waiting to collect their Proskauer Partnership????

Eliot I. Bernstein

Inventor

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<http://www.killallthelawyers.ws/law> (The Shakespearean Solution)

Also, check out

Eliot's Testimony at the NY Senate Judiciary Committee Hearings Part 1

[http://www.youtube.com/watch?v=8Cw0gogF4Fs&feature=player\\_embedded](http://www.youtube.com/watch?v=8Cw0gogF4Fs&feature=player_embedded)

and Part 2 @

[http://www.youtube.com/watch?v=Apc\\_Zc\\_YNIk&feature=related](http://www.youtube.com/watch?v=Apc_Zc_YNIk&feature=related)

and

Christine Anderson Whistleblower Testimony @

<http://www.youtube.com/watch?v=6BIK73p4Ueo>

and Eliot Part 1 - The Iviewit Inventions @

[www.wethepeople.tv](http://www.wethepeople.tv)

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avidfishr wrote:

Just another fat and happy gov't organization.

9/23/2010 6:36:42 AM

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prlary wrote:

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