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Stanford Funneled \$2 Billion From Bank, Accountant Testifies

Feb 2 2012 | 3:04am ET

Accused hedge fund fraudster R. Allen Stanford diverted some US\$2 billion from his bank's customers to prop up his other failing businesses, a former accountant testified at Stanford's fraud trial in Houston.

Henry Amadio told jurors he created reports for Stanford tracking the money flow out of the Stanford International Bank. "There's no doubt that those amounts came" from the Antigua bank, he said, and the loans weren't disclosed to investors.



According to Amadio, Stanford CFO James Davis frequently said in 2007 and 2008 that “the emperor has no more clothes.”

“I interpreted that to mean Mr. Stanford didn’t have any money to cover the debt, nor did the companies have the money to pay it back, and the bank didn’t have the money to pay it back,” Amadio said.

Earlier in the trial, an Antiguan regulator testified that Stanford pulled out all the stops to sway the island’s banking and financial regulators, using threats and charm—and, on occasion, takeovers of the regulator itself.

“It was a classic case of the rate being put in charge of the cheese,” Marian Althea Clark testified last week.

Separately, this week the receiver in the Stanford case filed suit against a lawyer and two firms he worked at for helping Stanford cover up his Ponzi scheme.

Thomas Sjoblom, a 20-year veteran of the Securities and Exchange Commission, “spearheaded an effort to evade investigation,” Guy Hohmann, representing receiver Ralph Janvey, said. The lawsuit also named Chadbourne & Parke, where Sjoblom worked in 2006, and Proskauer Rose, where he worked from 2006 through 2009.

The two law firms deny any wrongdoing.

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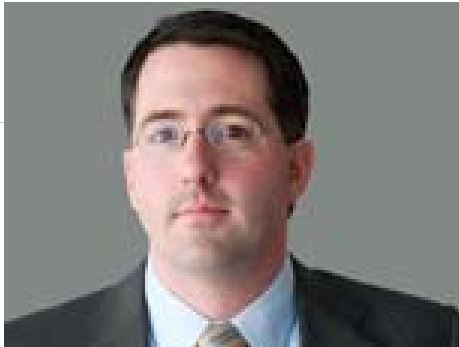
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