



**SECURITIES INVESTOR PROTECTION CORPORATION**  
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December 2, 2011

The Honorable Bill Cassidy  
United States House of Representatives  
1535 Longworth House Office Building  
Washington, D. C. 20515

**Re: Stanford Antigua Bank Fraud**

Dear Congressman Cassidy:

This is in reply to your letter dated November 22, 2011, concerning the certificates of deposit ("CD") issued by the Stanford International Bank Ltd. in Antigua ("Stanford Antigua Bank") to your constituents and others. At the outset, please let me emphasize that SIPC has great sympathy for the victims of the Stanford fraud, and fully appreciates the magnitude of the losses that have been inflicted upon thousands of people across the world.

SIPC had been in regular contact with the SEC about the Stanford Antigua Bank fraud since the matter first broke, long before the SEC's June 15 announcement referenced in your letter. Since June 15, those communications have intensified, including a personal visit and several direct telephonic communications between the Chairman of the SEC and me, and numerous interactions between our staffs. While the SEC and SIPC disagree about whether the Securities Investor Protection Act ("SIPA") applies to the Stanford matter, we have nonetheless had these communications in a good faith effort to explore possible solutions that may be permitted under the statute. Your letter notes, correctly, that the Stanford matter is a complex and complicated one. For that reason, the SIPC staff also has solicited the perspectives and information offered by representatives of Stanford investor advocacy groups, and by the SEC Receiver, his counsel and staff. We have sought their views and information in an effort to confirm our understanding of the facts surrounding the investment in the Stanford Antigua Bank CDs.

As you may know, the fundamental disagreement that we have with the SEC is about whether SIPA applies to the unique facts of the Stanford Antigua Bank fraud. SIPC is limited by law to protecting broker-dealer customers against the loss of cash or securities in the custody of failing SIPC member brokerage firms. By contrast, this case involves investors, both

The Honorable Bill Cassidy  
December 2, 2011  
Page Two

domestic and foreign, who chose to purchase CDs issued by an offshore bank in Antigua. None of the CDs were held in custody at the Stanford U. S. broker-dealer or its clearing firm.

For SIPC to take the unprecedented step of guaranteeing those offshore investment losses would rewrite SIPC's 40-year mandate under the law and would have other serious consequences. Those consequences include the potential for the use of taxpayer funds, because SIPC might have to borrow from the U.S. Government through a line of credit with the Treasury.

Even so, since the receipt of Chairman Schapiro's June 15<sup>th</sup> letter, and in particular subsequent to SIPC's September 15 Board meeting, SIPC and the SEC have worked in good faith to attempt to resolve our disagreement. SIPC has not been silent on the matter—and instead has been in regular dialogue with the SEC and others on this matter. Irrespective of the outcome, however, let me emphasize that SIPC is committed to working through these issues fully and fairly under the law.

SIPC recognizes that it is in everyone's best interest, and in particular that of the Stanford Antiguan Bank investors, to resolve this matter as promptly as practicable. We are working with all deliberate speed toward that end. Should you or your staff desire to have a briefing on this matter, we would be pleased to meet with you or your staff. Please contact either SIPC's President, Stephen Harbeck, or SIPC's General Counsel, Josephine Wang, by telephone at 202-371-8300, or by e-mail at [sharbeck@sipc.org](mailto:sharbeck@sipc.org) and [jwang@sipc.org](mailto:jwang@sipc.org), if you believe such a briefing would be useful.

Sincerely,



Orlan M. Johnson  
Chairman

OMJ/pmd

cc: All signatories to November 22, 2011 Letter