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United States Senate

WASHINGTON, DC 20510

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Senator Chris Dodd
Chairman
Committee on Banking, Housing, and Urban Affairs
United States Senate
534 Dirksen Senate Office Building
Washington, D.C. 20510

Senator Richard Shelby
Ranking Republican
Committee on Banking, Housing & Urban Affairs
United States Senate
534 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairman Dodd and Ranking Member Shelby,

We are writing to request a hearing, prior to the beginning of August, to examine the allegations of a Ponzi scheme conducted by Allen Stanford, and others in the Stanford Group, and the failures of our nation's regulatory agencies to intervene to protect the companies defrauded investors before February of this year.

While discussions with the SEC have been helpful and cooperative, Congress must use its full resources to get to the truth of this complex matter. Hearings are essential in our efforts to determine how the U.S. regulatory agencies failed the thousands of Stanford investors and what can be done in the future to prevent or minimize the harm caused by these "Ponzi" schemes in the future. Undoubtedly, the hearings will also provide a needed platform and spotlight for these victims as they seek resolution of this trying ordeal.

According to a recent indictment of Allen Stanford and others the Stanford Group Companies used at least 100 different entities to carry out an elaborate Ponzi scheme. The Stanford brokerage firm was the nucleus of this scheme. The Ponzi scheme would have never developed without the brokerage firm.

The failure of oversight by the federal financial regulatory authorities is shocking. The Stanford Group Companies have a long history with these agencies. Multiple agencies operating under the US State, Treasury and Justice Departments all had extensive previous knowledge of Stanford's fraudulent practices dating back to 1998, yet the SEC still gave the company the authority to sell the CDs under licensed and regulated financial advisors starting in 2001.

Between 2001 and 2008, 29 FINRA complaints were filed by Stanford employees alleging fraudulent business practices. In 2007 and 2008, FINRA fined Stanford Group for

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misleading customers about the safety and risk of the SIB CDs in 2007 and for not maintaining minimal capital requirements in 2008. Yet, investors were not alerted or warned.

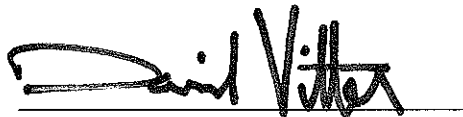
The SEC began receiving credible information from whistleblowers in 2003 and began the investigation into the "massive ongoing fraud" of Stanford in 2005. FINRA issued For reasons that we do not know at this point the SEC failed to take action until February of 2009. According to credible media reports, the DOJ issued a stand-down order to the SEC in 2006. In 2006, the SEC also issued a "no-action letter" to the Stanford Group Companies. The Stanford Group brokers used this letter when soliciting clients as evidence of its regulatory compliance.

As noted above, it is our understanding that there were ample warning signs that should have compelled the respective federal government agencies to take immediate action to protect investors. Thousands of investors invested their life savings in Stanford entities after the SEC and other federal agencies were made vividly aware of problems and concerns with the Stanford Group Companies. Any public action by regulatory authorities would have likely saved these investors from the hardships they now face.

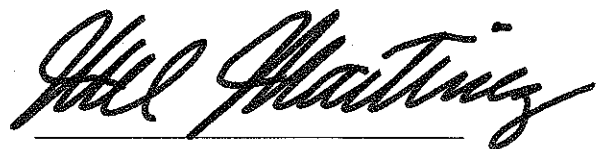
Due to the alleged Stanford fraud, thousands of investors are left without access to their savings while the company's assets are in the custody of a court ordered receivership. U.S. victims (approximately 4,500 depositors in at least 35 states) account for at least \$1.5 billion of the outstanding CDs. Most of these victims are senior citizens and many of these deposits were held in IRA accounts. Every day that this investigation and court proceeding drags on carries a real price to these defrauded investors.

These victims waited years for the appropriate governmental agencies to intervene on their behalf, Congress should do better by them and provide the much needed sunlight of a Congressional hearing on this issue. As the debate on how to restructure the regulatory regime of the financial services sector begins in Congress, the issue of how our governmental agencies responded to Allen Stanford's alleged Ponzi scheme should be addressed. Please advise us, as soon as possible, when such a hearing can be scheduled.

Sincerely,



David Vitter
United States Senator



Mel Martinez
United States Senator



Bob Corker
United States Senator