



OFFICE OF
INSPECTOR GENERAL

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

This document is subject to the provisions of the Privacy Act of 1974, and may require redaction before disclosure to third parties. No redaction has been performed by the Office of Inspector General. Recipients of this report should not disseminate or copy it without the Inspector General's approval.

MEMORANDUM

TO: Mary Schapiro
Chairman, Securities Exchange Commission

FROM: H. David Kotz 
Inspector General

COPY: William Lenox
Ethics Counsel

DATE: April 22, 2010

SUBJECT: Report of Investigation, Case No. OIG-526
Investigation of the SEC's Response to Concerns Regarding Robert Allen Stanford's Alleged Ponzi Scheme

Subsequent to the issuance of the above-referenced Report of Investigation ("ROI") on March 31, 2010 and subsequent to approval by the Commission for release of the ROI to Congress and the public, the Office of the Inspector General ("OIG") learned from the Texas State Securities Board ("TSSB") further information about an aspect of the OIG investigation relating to the TSSB.

Specifically, the OIG stated in Section IV of the ROI that the SEC had received a letter dated October 28, 2002, from Complainant 1 ("the Complainant 1 letter"), a citizen of Mexico who raised concerns about Robert Allen Stanford and his companies ("Stanford"), and its CDs in which her mother had invested. *See* ROI at 53. The OIG reported that it found evidence that the SEC staff had decided to forward the Complainant 1 letter to the TSSB on December 10, 2002, without responding to Complainant 1 or investigating her concerns. ROI at 56.

The OIG also reported, based on interviews of Denise Crawford, TSSB Commissioner, and TSSB Empl 1 PII, that the TSSB

This document is subject to the provisions of the Privacy Act of 1974, and may require redaction before disclosure to third parties. No redaction has been performed by the Office of Inspector General. Recipients of this report should not disseminate or copy it without the Inspector General's approval.

had searched its files and found no record of receiving the letter. *Id.* The OIG also reported Crawford's statement that she was confident that the TSSB had not received the Complainant 1 letter from the SEC because the TSSB's internal tracking system for such correspondence would have evidenced its receipt. *Id.* Further, the OIG noted that Crawford, TSSB Empl 2, PII of the TSSB, and TSSB Empl 3, TSSB Empl 3, PII of the TSSB, all stated in interviews that they had never seen the letter. *Id.* at 56, n. 35.

On April 16, 2010, Crawford called the OIG and stated that while the information provided to us about the Complainant 1 letter was accurate at the time we interviewed her and her staff, a copy of the Complainant 1 letter had subsequently been located in TSSB files. Earlier this week, the OIG followed up with TSSB officials and learned that a TSSB administrative assistant was cleaning out a file cabinet that contained "miscellaneous information" that TSSB staff had kept for potential use in future examinations and found a copy of the Complainant 1 letter. It was explained to us that this file cabinet had not been searched when the OIG requested that the TSSB ascertain whether it had received the Complainant 1 letter. They also noted that the Complainant 1 letter should not have been filed in the cabinet where it was found and that it clearly had not been handled properly or in accordance with TSSB's procedures for handling such correspondence. They provided no further information or explanation for the mishandling of this letter or their failure to locate it during the course of our investigation.

The new information does not change the OIG's finding that the SEC staff had decided to forward the Complainant 1 letter to the TSSB without responding to Complainant 1 or investigating her concerns. It also does not change the OIG's finding that the decision to refer the matter to the TSSB was not revisited when, one week later, the SEC examination staff referred the Stanford matter to the Division of Enforcement staff because of its concerns that Stanford was operating a Ponzi scheme. *See* ROI at 56-57. However, in order for there to be a full and complete record of this matter, we are providing you with this newly-discovered information.

If there are any further questions about this or any other aspect of the ROI, please contact me.