



AP Source: US probes flourishing Stanford Group

By BEN FOX – 1 hour ago

SAN JUAN, Puerto Rico (AP) — U.S. regulators are investigating a Texas billionaire's investment firm and his Caribbean bank, which have delivered higher-than-average returns to investors and depositors despite the global meltdown, an official said Thursday.

Investigators visited Florida offices of the Houston, Texas-based Stanford Group Co. in January as part of a probe that dates back at least three months, said a U.S. official with knowledge of the probe who spoke on condition of anonymity because he was not authorized to provide information about it.

The Securities and Exchange Commission, the Financial Industry Regulatory Authority — the U.S. brokerage industry's self-policing body — and the Florida Office of Financial Regulation are trying to determine if the investment company and bank controlled by billionaire R. Allen Stanford violated financial regulations or laws as they prospered and maintained high rates of return on certificates of deposit in recent years, the official said.

A spokeswoman for the Florida agency, Holly Hinson, confirmed its investigation but said she could not disclose details.

A Stanford spokesman denied anything was unusual about the regulators' visit last month to company offices in Florida.

"We were informed by the three agencies that this was a routine examination," spokesman Brian Bertsch told The Associated Press.

Stanford, 58, is one of the most prominent businessmen in the Caribbean, with investment advisers around the world helping him grow a personal fortune estimated at \$2.2 billion by Forbes magazine.

His Stanford International Bank Ltd., said deposits grew from \$624 million in 1999 to \$8.4 billion in December. The bank is based in the twin-island Caribbean nation of Antigua and Barbuda, which has carved out a niche as a tax haven and offshore base for Internet gambling.

The bank says on its Web site it is able to pay higher interest to depositors "by channeling available resources into profitable activity," through investing and by having lower administrative costs by relying on "services and support of wholly owned Stanford affiliates located throughout the world."

Some analysts say that its performance has raised concern.

L. Burke Files, president of a Tempe, Arizona-based due diligence firm that specializes in offshore financial organizations, said he steered a client away from Stanford in part because the bank's CD rates were two to five times higher than the competition, and because the returns seemed to avoid the market swings that show up in the accounts of even the best investors.

"The consistency of returns gave me significant pause," Files said. "How is this guy smarter than the very smart people" at other big-name financial institutions?"

Stanford has deep roots in Texas, where he graduated from Baylor University, and still speaks with a slight twang. But he travels in different circles now — knighted in 2006 by the islands' government, Stanford is known there as "Sir Allen." And last year he shook up the staid world of professional cricket by bankrolling the purse in a \$20 million winner-take-all match in Britain.

The investigation of his financial group was reported earlier Thursday by Business Week and Bloomberg News.

The SEC and the Financial Industry Regulatory Authority declined comment, saying they do not confirm or deny investigations as a matter of policy.

The U.S. official said the Stanford probe predates the investigation of money manager Bernard Madoff, who was arrested in December after allegedly confessing to his sons that he had swindled investors out of \$50 billion in a Ponzi scheme.

Stanford International Bank recently told depositors in a letter posted on its Web site that it had no exposure to Madoff funds and that it was in compliance with financial regulators in Antigua.

Independent Florida-based analyst Alex Dalmady recently raised questions about Stanford in a financial journal, saying its returns appear too good to be true.

Dalmady said the bank offered rates on CDs of 7.5 percent on a one-year desposit of at least \$100,000 in fall 2007, when U.S. banks were offering 4-5 percent. Its gains on investments were consistently above

average, ranging from 10-14 percent from 2003-2007. The company also said it had a gain of 6 percent in 2008, while many other firms had significant losses, Dalmady wrote in the VenEconomy Monthly newsletter.

"I looked at those results and said 'Hmmm ...,' said Dalmady. "Even if the numbers are right, the business model is dubious: Take deposits and play the stock market."

Bertsch said the Stanford Group disputes Dalmady's findings: "We see this report as the opinion of an isolated analyst. We obviously disagree with him."