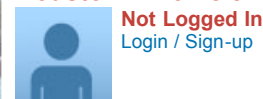




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Bank run by Stanford keeps mum while under scrutiny

By KRISTEN HAYS and MARY FLOOD Copyright 2009 Houston Chronicle
Feb. 16, 2009, 10:37PM

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Curiously high returns on certificates of deposit at a Caribbean island bank operated by Houston-based Stanford International Group raised red flags that prompted some analysts to warn investors to beware.

And R. Allen Stanford, head of the Stanford Financial Group and its affiliated offshore Stanford International Bank, made no public statements Monday to reassure investors spooked by a week of revelations about ongoing regulatory and possible criminal investigations into sales of high-yield certificates of deposit.

Stanford Financial spokesman Brian Bertsch wouldn't discuss the whereabouts of the Texas billionaire, who lives in St. Croix, U.S. Virgin Islands, or say whether Stanford would respond to depositors' concerns about their investments.

Stanford mailed a letter to clients last week that sought to downplay the regulators' investigations, calling their visits to six Stanford offices in the U.S. "routine examinations."

The Securities and Exchange Commission, the FBI and the Internal Revenue Service are investigating, according to a person familiar with the probes.

While the scope of the probes is unclear, investigators are at least in part looking into the sale of the CDs issued by the bank in the island nation of Antigua and Barbuda.

The bank has drawn federal scrutiny before. In 1999 Stanford handed U.S. Drug Enforcement Administration officers a \$3.1 million cashier's check from the bank after investigators found that a major drug trafficking ring in Mexico had used the bank to stash or launder money. At the time Stanford told the Los Angeles Times that the payment "was the right thing to do morally, and it's the legal thing to do."

The current flurry of revelations include reports that investors have been told they can't redeem their CDs for two months even if they mature sooner. The Wall Street Journal reported Monday that foreign depositors are flying to Antigua hoping to withdraw their money.

Bertsch said only that depositors may withdraw money "in accordance with the terms of their accounts." He declined to specify if that meant they can withdraw time deposits only when they mature.

Atlanta lawyer James Dunlap said he has clients who have had trouble withdrawing money in Stanford CDs. Dunlap's firm and another one in Boston have placed Internet ads looking for investors with complaints against Stanford companies.

Florida accountant Bob Parrish said that last year some Florida clients who came to him for tax preparation had a collective \$500,000 in Stanford International Bank. Parrish looked into it because the offshore institution lacks federal deposit insurance that protects U.S. bank deposits.

He said he found the bank appeared to act more like a hedge fund or mutual fund than a bank. Rather than using its deposits to make loans, it was making what Parrish viewed as risky investments in fledgling U.S. ventures. But unlike a U.S. mutual fund, the bank's annual report did not disclose its investments in securities.

"There's no telling where the money was," Parrish said. The clients withdrew their deposits.

Consistency a problem

L. Burke Files, president of Financial Examinations & Evaluations, a due diligence firm based in Tempe, Ariz., said he also examined the business and became concerned about the consistent rates of return, "whether the market was going up, down or sideways," he said.

The SEC has subpoenaed information about Stanford's U.S. brokerage operations from two former financial advisers who allege in a Harris County lawsuit that they were forced out because they didn't want to participate in unethical or illegal business practices at the firm.

Others also have sued after leaving the firm. In a 2006 lawsuit filed in state court in Miami, Lawrence De Maria, a one-time public relations writer for Stanford, alleged he was fired for asking questions about practices at the company.

De Maria alleged among other things that a majority of deposits in the Antigua bank came from South Americans seeking to hide money and that Stanford Financial and Allen Stanford made cash payments to Antigua politicians.

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Billionaire downplays scrutiny of Stanford Financial

Stanford lawyers argued that De Maria lacked firsthand knowledge of the company's finances. In his deposition, De Maria acknowledged he had no solid evidence to back up some allegations. The lawsuit ended with a confidential settlement in 2007.

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Purva Patel contributed to this story.



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keeponranting wrote:

Like it or not here comes another major Houston company crash. These guys were investing the investment money where everyone else lost money. Just put 2 and 2 together folks. It don't look good.

2/17/2009 1:22:09 AM

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ratfink wrote:

This guy is laughing all the way to the bank. Suckers are what he went after. Isn't a wonder. Things too good to be true are not.

2/17/2009 5:15:39 AM

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stonehaven wrote:

Sounds (according to the Chronicle) that this is a problem. Madoff the second?

2/17/2009 6:13:16 AM

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Rerun wrote:

I'm hearing mini Madoff.

2/17/2009 6:53:18 AM

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HoustonsComical wrote:

What? A successful bank? The feds can't allow that.

2/17/2009 1:26:02 AM

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etoain wrote:

Reuters bulletin: SEC says charges Robert Allen Stanford, 3 of his companies for alleged fraud involving \$8 billion CD program 11:46am EST

2/17/2009 11:10:52 AM

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Mental_Recession wrote:

Rerun wrote:

Yeah, I say the CNBC flash as well. FBI is in the office and they are saying it is bad, another Madoff. I don't want to say I told you so, but I told you so Saturday and again earlier this morning.

2/17/2009 10:57:38 AM

They are now calling this another fraudulent multibillion dollar investment scam.....CNBC just ran another piece on it. Robert Stanford...where are you??



2/17/2009 11:05:21 AM

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[\[Report abuse\]](#)**A-Rod69** wrote:Another ENRON????
ENRON 2.0????

people simply dont learn

2/17/2009 11:02:14 AM

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[\[Report abuse\]](#)**A-Rod69** wrote:

They should look at Chase International Bank Downtown too they say it 'stinks' too!

2/17/2009 10:57:43 AM

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[\[Report abuse\]](#)**Rerun** wrote:

Yeah, I say the CNBC flash as well. FBI is in the office and they are saying it is bad, another Madoff. I don't want to say I told you so, but I told you so Saturday and again earlier this morning.

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