

Opening Statement

Thank you Mr. Chairman.

And Mr. Chairman, I also want to express my thanks to you, to Chairman Bachus and to this entire sub-committee, including your staff, for making this important hearing possible, and for the privilege to be a part of these proceedings today to address an issue that is extremely important to me and to my constituents.

Certainly my home state of Mississippi has seen its share of challenges in the last 10 years. Hurricane Katrina decimated the Mississippi Gulf Coast, the Gulf Oil Disaster took precious lives, impacted our environment, and cost hundreds of jobs in its aftermath. The stories are just now unfolding with regard to the recent tornados, and now the historic flooding along the Mississippi River. Mr. Chairman, Mississippians are resilient people.

But the Stanford Financial ponzi scheme, and the lives it shattered in my home state, stands in stark contrast to those natural disasters. For years, when this calamity was brewing, unlike Hurricane Katrina, there were no reliable forecasts by our government. When this disaster struck, and when hundreds of citizens and families' lives were changed forever, there was no government to come to their rescue. The federal agencies, charged with protecting the welfare of our citizens, failed to stand by my constituents and victims throughout this country.

Mr. Chairman, by and large, these were not wealthy investors. On the contrary, these were hardworking parents and grandparents...teachers, factory workers, coaches, middle-class Americans...they were our neighbors and our friends, looking forward to traveling, spending time with the grandchildren, and giving back to their communities. And Mr. Chairman, 80% of these victims had invested less than \$500,000. Of the \$7 billion in total losses, \$2 billion was lost by over 5,000 victims in the United States. Of those, 125 were from my state of Mississippi alone, totaling over \$64 million.

From many meetings in my office and from my staff's research, it is clear to me that on many levels there was a monumental breakdown within our regulatory and enforcement agencies. From what I have seen, the SEC's own Inspector General uncovered problems as far back as 1997 when the first examinations were conducted, and when there was only \$250 million in deposits with Stanford. And yet, investors were not warned, and

investments continued until 2009 when deposits totaled \$7.2 billion. I find that absolutely unbelievable.

Investors in my district and my state have asked, “How could this happen in our country?” I too echo that question and ask: “How could Allen Stanford allegedly falsify P& L and balance sheets, issue bogus marketing literature and investment strategies for so many years - taking advantage of vulnerable hard working Americans - and it go unnoticed by the SEC? Why did former SEC employees receive jobs in the Stanford company? Why did the SEC hesitate? Why weren’t investors alerted years earlier? Indeed, how could this happen in America?

What now? It is my understanding that the SEC’s own forensic accounting investigators determined that none of the invested funds ever went to purchase a security. Actually, much information shows that the monies invested funded the growth of the Stanford business, construction of luxury offices, and the extravagant, lavish lifestyle of the company’s owner. If this is the case, and there seems to be much evidence to support this, then SIPC coverage is warranted.

It is quite clear that there is a very hyper technical dispute on whether these victims warrant coverage by the Securities Investor Protection Corporation. From what many victims and other experts have told us, no securities products were ever purchased. If this Hearing and further evidence underlines the contention that victims believed they were purchasing registered securities and in fact were not, and that the SEC failed to do its job to protect them, then why would these victims’ investments not be covered by SIPC?

This hearing should not only focus on the experiences of these victims, but it should also shine light on these questions: Why would coverage not be warranted? What more do these victims need to show?

The Stanford victims in my state of Mississippi and throughout the country deserve an answer and deserve to have closure and a final resolution by the SEC and their government.

I thank the witnesses who are here today. I appreciate your time and your efforts in being a part of this Hearing. I look forward to your testimony.

Mr. Chairman, I thank you again for this opportunity, and I yield back the balance of my time.