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SEC Probing Stanford Receiver for Keeping \$118 Million

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Investor complaints about the long delays and puny payouts from the receiver in charge of rounding up assets from Allen Stanford's alleged \$7 billion ponzi scheme have prompted an SEC investigation of the receiver.



AP

Allen Stanford

SEC Inspector General David Kotz confirms he is looking into whether the SEC's actions regarding oversight of the receiver has been on the up and up. In a motion filed Monday, attorneys said that of the \$119.7 million recovered by the receiver, \$118.2 million has gone to expenses and fees, leaving just \$1.5 million for investors.

The receiver, Dallas attorney Ralph Janvey, was appointed by a federal judge at the SEC's request, after the agency sued Stanford in 2009. But more than two years later, Janvey has recovered just pennies on the dollar for Stanford investors.

"We did receive a complaint recently about Stanford receivership-related issue," Kotz told CNBC. "We have looked at it and plan to open up an inquiry or investigation with respect to allegations regarding improper conduct of SEC employees."

It is the latest in a series of Stanford-related investigations by Kotz, who earlier found SEC staffers were aware of problems at Stanford as far back as 1997.

The new investigation is apparently the result of a request by a Massachusetts law firm, Kachroo Legal Services, that has been attempting to intervene in the Stanford litigation on behalf of a handful of Stanford investors claiming "malfeasance and waste" in the receivership.

The complaint also alleges an improper relationship between Janvey and the official court-appointed Stanford investors committee, which consists of four attorneys and two individual investors. Rather than looking out for all 28,000 investors, the complaint alleges, the committee is simply generating more fees for the attorneys.

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"And the potential compensation to these attorneys is enormous," the complaint says.

Janvey's attorney, Kevin Sadler, tells CNBC in a statement that Janvey has not yet heard from Kotz, "but will respond promptly and appropriately to any such request or inquiry, just as the receiver has responded to numerous requests from other government agencies" since being appointed in February of 2009.

"The allegation of an 'inside deal' between the receiver and the investors committee is patently false and completely irresponsible," the statement adds.

"Through dozens of motions, reports and fee applications filed with the court, as well as hearings held in open court, all of the receiver's activities have been transparent and open to scrutiny by the Court and other interested parties."

But attorney Gaytri Kachroo, who filed the new motion and requested the Inspector General's investigation, notes that the last time the SEC objected to a bill from Janvey was more than a year ago.

Stanford, 61, has denied wrongdoing and claims Janvey and the SEC have been dismantling a legitimate business. He is scheduled to go on trial in January on 14 criminal counts.

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