

HERALD WATCHDOG ALLEN STANFORD SCANDAL

# State aided suspect in huge swindle

Florida regulators -- over objections by the state's top banking lawyer -- gave sweeping powers to banker Allen Stanford, accused of swindling investors of \$7 billion.



FILE - In this Monday, June 29, 2009 file photo, billionaire R. Allen Stanford smiles as he is escorted out of the federal courthouse in Houston. A federal judge on Tuesday revoked Stanford's bond, ordering he be kept in jail while he awaits trial on charges alleging he swindled investors out of \$7 billion. PAT SULLIVAN, FILE / AP PHOTO

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Years before his banking empire was shut down in a massive fraud case, Allen Stanford swept into Florida with a bold plan: entice Latin Americans to pour millions into his ventures -- in secrecy.

From a bayfront office in Miami in 1998, he planned to sell investments to customers and send their money to Antigua.

But to pull it off, he needed unprecedented help from an unlikely ally: The state of Florida would have to grant him the right to move vast amounts of money offshore -- without reporting a penny to regulators.

He got it.

Over objections by the state's chief banking lawyer -- including concerns that Stanford was laundering money -- regulators granted sweeping powers never given to a private company.

The new company was also allowed to sell hundreds of millions in bank notes without allowing regulators to check for fraud.

Over the next decade, the Miami office was among Stanford's busiest in the sale of controversial investments now at the heart of the federal government's sweeping fraud case against Stanford and his lieutenants.

"There was no lawful way that office should have been opened," said Richard Donelan, the state's chief banking counsel who opposed the deal.

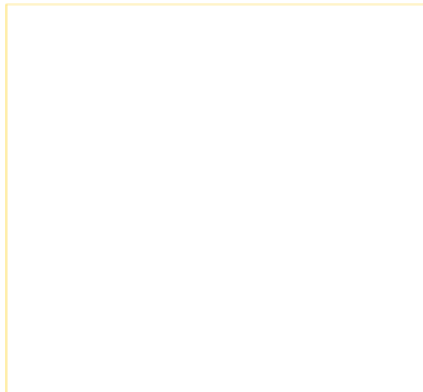
Donelan said he argued that the Stanford plan violated state law, and that there were concerns about money laundering in the Caribbean and "whether Stanford's bank was in conformance with the law."

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### TAKING ADVANTAGE

Represented by a powerful Florida law firm, Stanford got approval to create the first company of its kind: a foreign trust office that could bypass regulators, according to records obtained by The Miami Herald.

The Florida banking director who signed the agreement, Art Simon, now admits he made a mistake.

"Upon reflection, would I have liked to have done it differently? Would I have liked to stop them from doing what they currently did? Yes, of course."

The state's decision allowed Stanford to expand his banking network by offering his prize investments -- certificates of deposit -- without reporting the purchases, according to state and court records.

In the first six years, the office -- known as Stanford Fiduciary Investor Services -- took in \$600 million from customers, state records show.

Now, with Stanford indicted on sweeping fraud charges last month, the Miami office poses serious challenges for federal agents trying to find assets from the demise of his vast banking fortune, legal experts say.

In all, prosecutors say Stanford diverted nearly \$7 billion from customers who purchased his CDs, long touted for their high returns.

Some of the millions went to support Stanford's lavish lifestyle, including private jets, expensive cars and mansions, including a \$10.5 million home in Gables Estates that he has since torn down, records show.