

**Statement of Senator Tim Johnson**  
**Senate Committee on Banking, Housing and Urban Affairs**  
**“Oversight of the SEC Inspector General’s Report on the ‘Investigation of the SEC’s Response to**  
**Concerns Regarding Robert Allen Stanford’s Alleged Ponzi Scheme’ and Improving SEC**  
**Performance”**  
**September 22, 2010**

Mr. Chairman, thank you for holding today’s hearing. Following the release of the SEC’s Inspector General’s Report, “Investigation of the SEC’s Response to Concerns Regarding Robert Allen Stanford’s Alleged Ponzi Scheme,” I think it is crucial that this Committee continues its oversight role of the SEC, especially the agency’s responsibility to protect investors. I also think it is important that we delve deeper into the “alleged” Stanford Ponzi Scheme and the SEC response, as there are constituents in my state who were victims.

The report highlights grave errors made by the SEC, particularly when the examinations conducted since 1997 at SGC (Stanford Company Group) indicated fraud, but no enforcement action was taken. The inaction by the Enforcement Division elicits grave concern about the priorities of the SEC in this case, especially when Americans’ life savings were lost.

While massive cases like the Madoff ponzi scheme rightfully grab headlines, I am pleased that we are taking a closer look at the fraud perpetrated by Stanford, the impact on investors, the response of the SEC, and the IG’s investigation into the SEC’s response to concerns about Robert Allen Stanford.

I applaud Chairman Schapiro for the efforts she has made to reform how the SEC regulates markets and protects investors. I also think the Dodd-Frank bill makes some important changes at the SEC to better protect investors. That said, it is the role of this Committee to help determine if these are the right changes to prevent fraud, like that which was

perpetrated by Allen Stanford, from happening again, and to ensure that these changes are working.

It is my goal to ensure that the SEC has the right tools and appropriate resources; that investors have access, information, and protection, and that industry participants follow the rules, while also having certainty. I look forward to hearing more from today's witnesses, and I look forward to working with members of this Committee to ensure that investors are protected from fraud before it happens.