

INTRODUCTION

- My name is Leyla M Wydler. I am currently a Registered Financial Advisor and Registered Principal of a Securities Firm, and I have been in the Securities Industry for more than 15 years.
- I would like to thank the US Banking Committee for inviting me to this hearing today. The purpose of my testimony is to bring some clarity to this case, from the perspective of a former Financial Advisor employed by Stanford Group Co., who came forward to regulators in 2003 alleging a Ponzi scheme involving the Stanford International Bank Certificates of Deposit.

EMPLOYMENT WITH STANFORD

- At Stanford Group Company, Financial Advisors who sold CD's were praised and compensated for doing so, and those who did not sell the CD's, were terminated. I was one of them. I am here today to tell you about how this happened to me and what my experience has been as a "whistleblower."
- On November 1st 2000 I was hired by Stanford Group Company as a Financial Advisor and Vice-President, to bring my book of business to the firm. At that time, Stanford was a registered broker-dealer and member of the NASD (now FINRA) that cleared through Bear Stearns Securities Corp.
- I was offered a signing bonus forgivable in 5 years, which I accepted with a clear understanding that my clients' assets would always remain in the custody of Bear Stearns. Mr. Jim Lane, the branch manager, understood my concern and clearly accepted the fact that I would not allocate any of my clients' monies to the offshore bank and affiliate, Stanford International Bank.
- About 6 months into my employment, Mr. Lane was unexpectedly terminated. Mr. Jay Comeaux took over as the new branch manager.

THE PRESSURE TO SELL CD'S

- Financial Advisors were praised for selling CD's and neglected for selling other investments, which I found, was deceptive and inappropriate. We were constantly bombarded with emails to bring more deposits to the bank. Teams from different offices around the US were formed to compete with one another in selling the CD's, and the winners were praised and incentivized. The Houston office team was called the Texas Tequila Twisters and our objective was to raise 2 million dollars of deposits per year, per Financial Advisor.
- Every time a Financial Advisor opened a sizable CD, management would send emails of praise to everyone. If that advisor opened an equally sizable account at Bear Stearns, management was indifferent. Whenever an advisor reached 1 million dollars in deposits at SIB, a free trip to Antigua was granted.
- In 2001, the downturn of the US securities markets motivated Stanford to sell the offshore CD's to US Accredited Investors, exempt through regulation D. At that time, a new wave of pressure was applied to all financial advisors to solicit US prospects by promoting meetings and events sponsored by Stanford.
- After that, it was all about selling CD's, either to foreign or US investors. It seemed to me that other investments like equities, bonds, mutual funds or annuities, were intended to allow for the bringing of clients to Stanford Group, with the purpose of later reallocating their assets into the CD's.
- As a Securities Representative, I was always trained to diversify my clients' portfolio and to review it for suitability. Investing most of the portfolio in a single offshore investment did not fulfill those requirements.

FINDINGS FROM MY DUE DILIGENCE ANALYSIS

SIB was an offshore, unregulated bank that did not provide FDIC or SIPC insurance. Whenever I asked if the bank had insurance to protect customer deposits, I was told SIB was covered by Lloyds of London. With a little research, I learned that the policies provided by Lloyds were for Directors and Officers liability Insurance, and for excess FDIC Insurance to protect Stanford's own accounts at other deposit institutions, but not to protect clients' deposits.

- Although the SIB deposits were touted as safe fixed income investments, the proceeds were subsequently invested in high risk volatile markets, like the stock market, the options market, the futures market, real estate market, and the currency markets. This was not congruent with a prudent investment policy. Management's response to this issue was that the bank's portfolio was managed like a hedge fund, which immediately suggested to me high risk.
- There was no reputable accounting firm auditing the financial statements of SIB. On several occasions I requested a portfolio appraisal of SIB's assets that would give proof to the real value of its holdings. I was told that it was confidential information. This was an inconsistent practice with other financial institutions that provide their investors with detailed portfolio appraisals verified by an external auditor.
- The always high returns consistently indicated in the annual reports did not conform to the reality of the markets, and therefore made them suspicious.
- Regulators have defined that taking client monies at par and diluting them without disclosure to the client into a portfolio which may be under par, is an illegal PONZI SCHEME. This type of scheme has been the cause of failure of numerous financial institutions.

RESULTS FOR NOT SELLING THE SIB CD'S

- Based on my due diligence results, I refrained from selling the CD's to my clients. On November 1st 2002 I was called into Mr. Comeaux's office and told my employment was being

terminated. I was asked to leave the premises immediately, and I was not allowed to discuss the matter.

- I was not given a reason for my termination, although I firmly believe I was terminated for my reluctance to sell the CD's. To make matters worse, SGC filed a claim with the NASD to return the unforgiving portion of the promissory note, confiscated my personal Bear Stearns account, took possession of my clients and distributed them among other Financial Advisors. My ability to make a living and my personal reputation were unjustly compromised.

ARBITRATION DISPUTE WITH SGC

- SGC's claim and my counter claim were resolved in front of an NASD arbitration panel. SGC wanted me to reimburse the unforgiven portion of the signing bonus. I claimed wrongful termination and under the whistleblower act, requested the NASD to investigate my allegations.
- The arbitrators were indifferent about my allegations and the award was given in favor of Stanford. They ordered me to repay the note. No due diligence was done on their part to prove my allegations were unfounded. Had they done so, they would have requested at least portfolio appraisals verified by a reputable third party, to prove me wrong.

THEN I DECIDED TO CALL THE SEC

- On September 15, 2004 the arbitration panel closed the case and gave me notification through NASD dispute resolution office that I was given 30 days to comply with the order or my license would be suspended. I managed to get an extension and contacted Mr. Tom Baudhuin at the SEC, Fort Worth office to share my story with him. I later sent him a letter stating all the red flags that were part of my counter claim. I also asked Mr. Baudhuin to speak with Ms. Carole Sherman an attorney of the NASD enforcement division and explain my case to her. Another

issue we discussed was the fact that the CD's were actually securities, which gave the SEC jurisdiction over Stanford's affairs.

- On December 22nd 2004, I received a phone call from Ms. Victoria Prescott, Senior Special Counsel, at SEC Fort Worth office, in response to Mr. Baudhuin's suggestion to look into this matter. She asked me for more information. I sent her via FEDEX a copy of the SIB brochure, a copy of some of many emails, and other information.

WHAT HAPPENED NEXT

- On January of 2005, my attorney received a phone call from Stanford wanting to reach a settlement. I would give back half of the award in exchange for renouncing to all future claims. This would allow me to retain my licenses and continue serving whatever clients had followed me away from Stanford. I had already lost too much and I decided to settle. I took out a loan and paid them back.
- Four years later, on January of 2009, I received a call from Mr. D. Dee Reibourn, Attorney, Enforcement Division, SEC Fort Worth, wanting to talk about my previous employer, Stanford. I mentioned my conversations with Mr. Baudhuin and Mrs. Prescott. He told me Mr. Baudhuin was retiring from the SEC. We then conducted a telephone interview and I re-told him my story.
- In February of 2009 Stanford imploded, which shocked me immediately. I started receiving calls from many victims, who asked for help. I decided to provide assistance to some of them.
- I feel that I have a moral duty to help Stanford victims whenever I can. They deserve respect, dignity, and support, especially from the people in the securities industry. Unfortunately, most of my concerns in 2003 have been confirmed by the receivers Janvey and Vantis. It is devastating to witness the loss of people's life savings to securities fraud.