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| Cesspools of financial chicanery and political intrigue |

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| Because of spectacular developments in the ongoing scandals surrounding the CL Financial (Trinidad) and Stanford International (Antigua) Groups and the involvement of local Guyanese enterprises, I will postpone last week’s promise to continue the discussion on whether there are reliable signs of recovery from the global economic crisis, as seen from the perspective of developing countries. Instead, I will treat with aspects of the ongoing financial scandals, because I am firmly convinced at this stage nothing less than an immediate public inquiry, buttressed by a forensic audit of the affected firms is required. This is to ensure that the ethics of professional responsibility, justice, and the rule of law prevail. It will also help Guyanese authorities to scientifically address two questions: What has befallen the country? And, why? From this many important lessons for future financial supervision could be learnt. **Financial and political chicanery**As time flows and more and more investigations are pursued by the media, law enforcement and regulatory agencies, the disclosures of financial chicanery and political culpability unfold. As regards the latter, media reports hint at the political-intelligence connections of the Stanford International Group in the US. The allegation that the CL Financial Group provided US$3 million to the PNM during the 2007 national elections in Trinidad and Tobago is being widely reported in the media.In Guyana, the questions now swirling around payments to Premium Security Services Incorporated (PSSI) suggest a further obscene descent into the mess created by the collapse of CLICO (Guyana).At this point, the only tidy conclusion to this affair would be a public enquiry, buttressed by a forensic audit of the local firms and their business transactions in Guyana and elsewhere, leading up to the present.**Stanford International Group**It is too early to tell whether any of the officers of the CL Financial Group and its Caricom affiliates will face prosecution over the meltdown of the Group. However, in the United States the Stanford International Group faces both civil claims and criminal indictments. According to the Associated Press, a twenty-one count criminal indictment has been handed down for “fraud, conspiracy and obstruction of justice.” The US$7 billion dollars ponzi or pyramid scheme operated by the Stanford Group is accused of “bilking investors” in an orchestrated financial operation based in Antigua and Barbuda. The whole operation has been described as a “broad ruse to deceive investors, fabricate financial statements and hide fraud.”It has been estimated that over 50,000 investors are involved. This includes those in Guyana who have publicly professed that these investments appeared sound and were undertaken after “due diligence.” As I have previously pointed out in this column, given the sordid reputation of Sir Allen Stanford in sections of Caricom’s financial circles, it is difficult to see how thorough these assessments and evaluations of the Stanford Group could have been.The Associated Press has also cited a Professor of forensic accounting in the Untied States (Western Kentucky University) as stating: “Any accountant who looked at [Stanford] reports would have told investors to be cautious.” As to the reports in question he also said: “Had the company’s estimated 50,000 investors looked past the glossy photographs and past Stanford’s buoyant optimism they might have been skeptical.” These Associated Press statements have been carried in thousands of media outlets around the world, including here in Guyana.Investigation by the United States authorities has also revealed that despite the boast by the Stanford Group that it employed twenty exceptionally talented analysts, in fact, Sir Allen Stanford and one other person (his long time college buddy) were overseeing the US$7 billion portfolio of the company. These investments have been aptly termed a “black box,” as the only assets found so far apart from the personal properties held by Stanford (private jets, lavish homes and expensive artefacts) are some real estate and private equity held in companies, which do not trade on public stock exchanges.**Classic scam**This was indeed the classic scam. The firm had advertised that risk was minimal for the money investors placed in the company, while promising consistently over time exceptionally high returns. This was made possible, it claimed because of the exceptional investment skills in the possession of, and working for, the firm.As I have urged readers in previous columns, higher returns in the market place always, and without exception, entail greater risk. No one could offer you returns for their CDs more than twice the going rates on these and assure you at the same time that there is no increased risk of losing your money. In the Stanford Group’s brochures, returns more than twice those on the S&P 500 had been routinely promised.As the investigations have continued it has now been brought to the public’s notice that the Stanford Group worked in cohorts with the top regulator in Antigua and Barbuda, to the shock and horror of many. Leroy King, Head of Antigua and Barbuda’s Financial Services Regulatory Commission was “captured” and bribed to turn a blind eye to the Group’s transgressions. He has been indicted in the US courts as a co-conspirator. To quote the Securities and Exchange Commission: “This scheme was carefully orchestrated to make sure the true information never reached the light of day.”  As I write this, the US authorities are in the process of securing his detention and formal extradition to the United States. |