

MEMO# 23267

February 20, 2009

Receiver for Stanford to Post FAQs on Networked Accounts

[23267]

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TO: BANK, TRUST AND RECORDKEEPER ADVISORY COMMITTEE No. 7-09
BROKER/DEALER ADVISORY COMMITTEE No. 9-09
COMPLIANCE MEMBERS No. 10-09
OPERATIONS MEMBERS No. 5-09
SEC RULES MEMBERS No. 19-09
TRANSFER AGENT ADVISORY COMMITTEE No. 18-09 RE: RECEIVER FOR STANFORD TO POST
FAQS ON NETWORKED ACCOUNTS

As you may know, on February 16, 2009, a U.S. District Judge in Texas appointed a receiver (the "Receiver") to take possession of the assets of Stanford International Bank and several of its affiliates, including the Stanford Group Company, a registered broker-dealer. [1] The Receiver is tasked with taking control of the assets pending resolution of SEC proceedings against the firms.

We have been advised by the Receiver that the following FAQs will be posted shortly to its web site at <http://stanfordfinancialreceivership.com/faqs.html>:

Notwithstanding the terms of the restraining order from the United States District Court for the Northern District of Texas Dallas Division dated February 16, 2009, mutual funds are advised of the following guidance relating to National Securities Clearing Corporation ("NSCC") networked accounts associated with Stanford Group Company ("Networked Accounts"):

Q: Should a mutual fund process NSCC orders placed by Stanford Group Company to redeem shares held in Networked Accounts?

A: Yes, NSCC redemption orders may be accepted and processed. The proceeds of those redemptions should be sent to Pershing, LLC for Stanford Group Company. Pershing, LLC will freeze the proceeds pending further instructions from the Receiver.

Q: Should dividends or distributions that are set to be paid on Networked Accounts be paid to Pershing, LLC for Stanford Group Company?

A: Yes. As with redemption proceeds, Pershing, LLC will freeze any dividends or distributions paid on Networked Accounts pending further instructions from the Receiver.

Q: Can mutual funds accept purchase or exchange NSCC orders placed by Stanford Group Company for shares held in Networked Accounts?

A: In most cases, Pershing, LLC for Stanford Group Company will prevent purchase or exchange orders from being submitted to NSCC. Nevertheless, mutual funds should reject any purchase or exchange order submitted by Stanford Group Company through NSCC for Networked Accounts.

Please be advised that it may take several days for the FAQs to be posted to the Receiver's web site.

Robert C. Grohowski
Senior Counsel
Securities Regulation Investment Companies

endnotes

[\[1\]](http://stanfordfinancialreceivership.com) The order, and other related documentation, is available through <http://stanfordfinancialreceivership.com>.

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