Congress of the United States
Washington, DC 20515

April 13, 2012

Chairman Spencer Bachus
The Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

Ranking Member Barney Frank
The Committee on Financial Services
B301 C Rayburn House Office Building
Washington, DC 20515

Chairman Scott Garrett
Capital Markets and GSE Subcommittee
The Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

Ranking Member Maxine Waters
Capital Markets and GSE Subcommittee
The Committee on Financial Services
B301 C Rayburn House Office Building
Washington, DC 20515

Dear Chairman Bachus, Ranking Member Frank, Subcommittee Chairman Garrett and Subcommittee Ranking Member Waters,

On February 28th of this year, Allen Stanford was found guilty by a jury of his peers in operating one of the most elaborate and destructive Ponzi schemes in American history. This verdict was an important measure of vindication for all of the victims of Stanford's fraud, including thousands of middle class Americans who lost their entire life savings just as they were approaching retirement. However, while justice has been rightly served on Mr. Stanford, an even more important issue for his victims remains frustratingly unresolved.

In June of 2011, the Securities & Exchange Commission (SEC) concluded that certain Stanford victims were entitled to restitution for their losses under the provisions of the Securities Investor Protection Act (SIPA). Unfortunately, the Securities Investor Protection Corporation (SIPC), which is responsible for the management and administration of the privately-financed fund from which these payments are issued, has fiercely resisted and fought the SEC's determination that Stanford victims are eligible for SIPC coverage every step of the way. Then, last September, the SEC took the extraordinary step of filing suit against SIPC to force a liquidation and payout to the Stanford victims. SIPC attempted to resolve the claims of the Stanford victims raised in the lawsuit by extending a confidential settlement offer to the SEC. However, for one reason or another, this settlement offer never made its way to the Stanford victims to decide for themselves whether to accept or reject the offer.

While it is not clear what the precise terms of this settlement offer were, what cannot be denied is that the victims caught in the middle of a protracted legal fight between these two entities should have the right to choose for themselves whether to accept or reject a negotiated settlement on their behalf, if such an offer is extended. That is why we have introduced **H.R. 4002, the Improving Security for Investors and Providing Closure Act (Improving SIPC) of 2012**, and why we humbly request that you move to schedule this bill for a hearing and markup in the Subcommittee on Capital Markets and Government Sponsored Enterprises as soon as possible.

To be clear, our legislation does not force or compel action on behalf of any party, including SIPC. Indeed, our bill only establishes a process by which SIPC would be *allowed to offer* a capped settlement under the extraordinary circumstances in which it is sued by the SEC, where *each victim would have the right to determine whether to accept or reject that settlement* offer, and with the clear understanding that an acceptance of the settlement releases the individual from any related SIPC claim in the future. Every year, countless class action lawsuits are settled when individuals from the affected class decide to accept the terms of a settlement offer. These individuals choose the certainty, peace of mind, and closure a settlement can provide. It is unacceptable that victims of financial fraud are being treated differently in legal disputes between the SEC and SIPC. Our legislation would protect these victims.

Our legislation is supported by a bipartisan coalition of 12 co-sponsors, creates no new mandates or requirements, does not involve the expenditure of taxpayer money, and is free of any sort of election year politics. It is a bill written solely with the purpose of empowering our constituents to put an end to what is in almost all cases the worst personal financial crisis of their lives, and provide them with a second chance at that which was taken from them.

In addition, we have drafted a package of amendments to resolve concerns raised by individuals that will be impacted by the legislation. The amendments would clarify that, under the bill, individuals would be eligible to receive their net equity claim; individuals not permitted to participate in the settlement offer made by SIPC would have an avenue to have their claims heard and resolved; and that once a victim has received a settlement payment from SIPC, then SIPC will be allowed subrogation rights against the debtor.

Enclosed with this letter is a copy of HR 4002, a draft package of markup amendments based on feedback from those who it would affect, and summary documents with detailed explanations of the legislation. We ask that you join us in bipartisan cooperation by scheduling a hearing and markup on this important legislation, and look forward to offering our assistance and support to you however possible. Please feel free to contact Ben Couhig in my office at: (202) 225-3901, or Joshua Lipman in Congressman Deutch's office at: (202) 225-3001, should you need any further information. Thank you.

Sincerely,

Bill Cassidy
Member of Congress

Theodore E. Deutch
Member of Congress