

STANFORD FINANCIAL GROUP RECEIVERSHIP

Procedures for Transfer of Certain Customer Brokerage Accounts

Last Updated March 30, 2009

As a result of orders issued by the Court on March 5, 2009 and March 12, 2009 at the request of the Receiver, certain previously frozen brokerage accounts of customers of Stanford Group Company may now be transferred by the customer to a new brokerage firm. ([Click here to view the March 5 order](#) and [here to view the March 12 order.](#))

Accounts Eligible for Transfer

Question 1. Which brokerage accounts are eligible to be transferred?

Answer. All Stanford Group Company customer brokerage accounts are now eligible to be transferred, except for the following:

- (1) brokerage accounts owned by an individual Defendant or by any person who, based on records available to the Receiver, had any of the following relationships to any Defendant or to any entity owned or controlled by the Defendants: shareholder, member of the board of directors, member of senior management (as determined by the Receiver in his sole discretion) or registered representative or financial advisor who earned commissions or fees based on certificates of deposit or owed loans to Stanford Group Company (for more information on these accounts, see FAQ 4 below);
- (2) brokerage accounts owned for the benefit of the individual Defendants or Stanford companies;
- (3) brokerage accounts that have at least \$250,000 in assets as of February 27, 2009 and with respect to which the Receiver has determined, by utilizing electronic data reasonably available to him through his investigation, may contain proceeds from the allegedly fraudulent products or activities (for more information on these accounts, please see FAQ 5 below);
- (4) brokerage accounts that secure unpaid balances owed by customers or non-purpose loans made to customers (if these balances and loans are repaid, however, the account may be transferred, as discussed in FAQ 24 below; in addition, this criteria does not preclude accounts with margin loan balances that are in compliance with applicable margin rules from being transferred); and
- (5) brokerage accounts that are related to accounts in categories 1 through 4 by social security number or tax identification number, when available.

Question 2. Does it matter whether my account is held at Pershing LLC (“Pershing”) or J.P. Morgan Clearing Corp. (“J.P. Morgan”), in order to be eligible for transfer?

Answer. No. In contrast to the situation following the March 5 order, accounts held at both Pershing and J.P. Morgan (formerly known as Bear, Stearns Securities Corp.) may now be transferred, unless they are in one of the 5 categories listed in FAQ 1. Almost all of Stanford Group Company’s customer accounts are held at Pershing, but a small number are held at J.P. Morgan. As indicated below, some of the procedures for transfer are different for accounts held at Pershing than for accounts held at J.P. Morgan.

Question 3. Are Stanford managed accounts now eligible to be transferred? Must accounts be less than a certain size in order to be eligible to be transferred?

Answer. While managed accounts and accounts having more than \$250,000 in net assets were not eligible to be transferred under the Court’s March 5 order, managed accounts and accounts of all sizes are now eligible to be transferred, unless they are in one of the 5 categories listed in FAQ 1.

Question 4. If my account is frozen because it is in the first exception category of FAQ 1 (brokerage accounts owned by persons who had certain relationships to the Defendants or the Stanford entities), is there a way I can obtain its release?

Answer. On March 27, 2009, the Court, at the request of the Receiver, issued an order approving an account review process that will permit holders of these accounts to file a form with the Receiver providing information explaining either:

- why the holder thinks he or she should not be classified as a person who had any of the listed relationships to the Defendants or the Stanford entities; or
- even if the holder is a person who had such a relationship, why the holder thinks the Receiver should not view him or her as an account holder who has participated in or benefited from fraudulent activities.

[\(Click here for further information about the account review process.\)](#)

Question 5. Why are accounts in the third exception category of FAQ 1 (brokerage accounts that have at least \$250,000 in assets and that may contain proceeds from the allegedly fraudulent products or activities) not eligible for transfer? If my account is in this category, is there a way I can obtain its release?

Answer. Information available to the Receiver indicates that these Stanford Group Company accounts may be associated with certificates of deposit (“CDs”) issued by Stanford International Bank, Ltd. (“SIB”) or with transfers of funds to or from SIB. The information indicates that these accounts may have received amounts from redemption of SIB CDs or from interest on SIB CDs, that these accounts may have received other amounts directly or indirectly from SIB or in some way related to SIB CDs, or that the owners of these accounts may have received amounts related to SIB or SIB CDs outside of their brokerage accounts, such as in non-brokerage

accounts at other Stanford companies. The Receivership Estate is entitled to recover these amounts related to SIB or SIB CDs for the benefit of the Estate, so that they may be shared equitably with other claimants against the Estate. These other claimants would include people who purchased SIB CDs but were not able to redeem them before the Stanford companies were placed in receivership.

On March 27, 2009, the Court, at the request of the Receiver, issued an order approving an account review process that will permit holders of these accounts to file a form with the Receiver providing information that may lead to the release of their accounts. The required information includes information about ownership of SIB CDs and about transfers of funds between the holder and SIB. ([Click here for further information about the account review process.](#))

Transfer Process

Question 6. If my account is eligible to be transferred, how do I do that?

Answer. To transfer an eligible brokerage account away from Stanford Group Company, you need to contact a new brokerage firm and open a new account with them. As part of the account opening process, one of the forms you will be asked by your new firm to fill out is a transfer form referred to as an ACATS form. Once that has been completed, your new firm may begin the account transfer process by presenting the completed ACATS form to Pershing or J.P. Morgan through the ACATS system. If your account is an Individual Retirement Account (IRA), please see FAQ 22 for additional information.

Question 7. How do I open a new account at another firm?

Answer. You may obtain the forms to open a new account at a new firm either from the new firm or in some cases from its website.

Question 8. How long will the transfer process take?

Answer. Once the ACATS form has been submitted to Pershing or J.P. Morgan by your new firm through the ACATS system, it will then take about a week to complete the transfer in most cases. The process may take longer for accounts with unusual circumstances. Please follow up with your new firm to see if there are any issues during that time.

Question 9. Do I have to pay any fees to transfer my account?

Answer. No. The Receivership Estate will absorb the fees associated with the ACATS transfer process, as well as any maintenance and termination fees associated with the transfer of Individual Retirement Accounts (IRAs).

Question 10. May I transfer my account to a bank or trust company, or to some other type of recipient, rather than to a brokerage firm?

Answer. You may transfer the assets in the account to any financial institution of your choice that can accept the brokerage account assets on your behalf, but the transfer process will be completed most quickly if the recipient is a participant in the ACATS transfer system. In addition to brokerage firms, many banks and trust companies are ACATS participants.

Question 11. Will the transfer request include my cash, securities and margin balances?

Answer. Generally, yes. The ACATS process will generally move your full account balances and holdings in your Stanford Group Company brokerage account to the new firm. However, you should confirm that the new firm can accept all of the positions in your account, including mutual funds and annuities. Please see FAQ 23 below for more information about margin balances. Please see FAQ 25 below for more information about annuities.

Question 12. What does ACATS stand for?

Answer. ACATS stands for Automated Customer Account Transfer Service. ACATS is a system that facilitates the automated movement of account balances and holdings between brokerage firms and other financial institutions.

Question 13. How long do I have to transfer my Stanford Group Company brokerage account to a new firm?

Answer. There is no fixed deadline at this time, but it is in your best interest to act promptly in order to begin the account transfer process.

Check Writing and Access to Cash

Question 14. Will I be able to take money out of my current Stanford brokerage account using check writing, my debit card or other features such as Pro Cash, Stanford Cash Account or Privileged Access, before the transfer is completed?

Answer. No. You will not be able to write checks on your account or withdraw cash from it while it remains a Stanford account at Pershing or J.P. Morgan. You may be able to establish check-writing or cash withdrawal privileges at your new brokerage firm.

Question 15. Will I still be able to use my current debit cards or checks when my account is moved over to the new firm?

Answer. No. You will need to apply for a new card and checks at your new firm, to the extent it offers such services. All cards and checks under the Stanford Group Company relationship will be voided.

Liquidating Positions

Question 16. Will I be able to liquidate positions in my Stanford account while I'm looking for a new brokerage firm?

Answer. Yes, but it is recommended that you transfer your account first and then place orders to liquidate positions in order to minimize the risk that placement of a liquidating order interferes with the transfer process. Alternatively, if you wish to place a liquidating order before initiating the transfer process, you should direct your new firm to wait three business days after you place the liquidating order before it presents the ACATS transfer form to Pershing or J.P. Morgan through the ACATS system. To liquidate a position in your account while it remains at Stanford, you may call the phone number established by the Receivership for this purpose (1-866-964-6301 or 713-964-6300).

Dividends and Interest Payments

Question 17. What happens if I transfer my account to a new firm and I am due to receive a dividend or interest payment?

Answer. You will still be entitled to receive the dividend or interest payment. Your new firm will be entitled to receive the dividend or interest payment from Pershing or J.P. Morgan, once it is paid. Your new firm will process the dividend or interest payment into your account, once it is received from Pershing or J.P. Morgan, and it should be reflected as "received" on an account statement from your new firm.

Account Statements

Question 18. Will I still receive a statement for my Stanford account held at Pershing at month end?

Answer. You will receive a month end statement for your Stanford Group Company brokerage account from Pershing as long as it had activity during the month. If you transfer your account during the month, the statement that you receive will reflect that your account balances and holdings have been transferred. After that, your account will be officially closed at Pershing and you will receive no further account statements from Pershing on behalf of Stanford.

Question 19. Will I still receive a statement for my Stanford account held at J.P. Morgan at month end?

Answer. You will receive a March month end statement for your Stanford Group Company brokerage account from J.P. Morgan if there are assets in the account or if there has been activity during the quarter. You will receive subsequent monthly or quarterly account statements to the extent that there is activity or a balance in the account during the relevant period. If you transfer your account during the month, the statement that you receive will reflect that your account balances and holdings have been transferred.

Tax Forms

Question 20. Will I still receive a 1099 form for tax purposes at the end of 2009 from Stanford Group Company, Pershing or J.P. Morgan for the time my account was still active?

Answer. Yes. Pershing or J.P. Morgan, as clearing broker, will produce your year end 1099 form and other tax reporting forms for your Stanford Group Company brokerage account for the time period in 2009 during which your account was held in custody by Pershing or J.P. Morgan. These forms will be mailed to you early in 2010. Tax forms for 2008 have already been mailed.

Money Fund Investments

Question 21. Will I still earn interest or dividends on the money fund in my Stanford Group Company brokerage account until my account is transferred to my new firm?

Answer. Yes. If your cash is currently invested in a money fund account that pays interest or dividends, then it will continue to earn interest or dividends applicable to the particular money fund that you own until the transfer has taken place.

Individual Retirement Accounts

Question 22. If my Stanford Group Company brokerage account that is eligible to be transferred is an individual retirement account (IRA), may I still transfer it?

Answer. Yes. You can request that your IRA account be transferred to your new firm. Please contact your new firm regarding the procedures for opening a new IRA account, so that when you transfer your Stanford IRA account you will not trigger any penalties related to early withdrawal.

Margin Loans and Other Unpaid Balances

Question 23. If my account that is eligible to be transferred has a margin loan associated with it, may I still transfer it?

Answer. If your account is in compliance with applicable margin rules, the margin loan will transfer with the account to your new firm. You should advise your new firm of the existence of the margin loan and the approximate margin loan balance. If your account is not in compliance, your account may not be transferred until it is in compliance. Please discuss these requirements with your new firm.

Question 24. If my account is in the fourth exception category of FAQ 1 (accounts that contain assets that secure unpaid balances or non-purpose loans), may I repay the outstanding balance or loan and then transfer the account?

Answer. Yes, assuming the account is not in one of the other exception categories of FAQ 1. These accounts will no longer be covered by the freeze order once the unpaid balances and loans are repaid. The Receiver encourages customers to repay these amounts, which will allow their accounts to be transferred. To discuss how to make arrangements to repay your unpaid balance or non-purpose loan, please call the number established by the Receivership for this purpose (1-866-964-6301 or 713-964-6300).

Annuity Investments

Question 25. Will the annuity investments shown on my Stanford statement from Pershing or J.P. Morgan be part of the ACATS transfer process?

Answer. Annuity investments that are held by insurance companies and shown on the statement for informational purposes only do not need to be transferred. Custody of these annuities will remain with the insurance company. You may consult with your new brokerage firm to request that your annuity holdings be reported on your new firm's monthly statements. This is typically accomplished by completing a broker-dealer change form that is submitted by your new broker-dealer directly to the insurance company. If the annuity investment is held by Pershing or J.P. Morgan in an IRA account that is transferred, the annuity will generally be transferred along with the other assets, but you should confirm with your new firm that it can accept the annuity.

Pershing and J.P. Morgan

Question 26. Who is Pershing LLC and are my assets safe there?

Answer. Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation and member of the Securities Investor Protection Corporation (SIPC), is one of the world's largest securities brokerage clearing firms that provides technology and securities custody solutions to over 1,150 financial service organizations worldwide. For information about Pershing LLC and customer account protection for accounts held in custody by Pershing LLC, please visit www.pershing.com and www.pershing.com/media/PER_SIPC_2.pdf.

Question 27. Who is J.P. Morgan Clearing Corp. and are my assets safe there?

Answer. J.P. Morgan Clearing Corp., a subsidiary of J.P. Morgan Chase & Co. and a member of SIPC, is a separately capitalized, guaranteed broker-dealer established for the express purpose of holding and financing customer accounts and clearing and settling customer transactions. For more information about the safety of client assets at J.P. Morgan Clearing Corp., please visit <http://www.jpmorgan.com/pages/jpmorgan/safety>. J.P. Morgan Clearing Corp. was formerly known as Bear, Stearns Securities Corp.

Other Questions

Question 28. Whom can I contact with additional questions regarding my Stanford Group Company customer brokerage account?

Answer. If you have additional questions, please call the number established by the Receivership for this purpose (1-866-964-6301 or 713-964-6300). Customers whose accounts are held at J.P. Morgan may also call J.P. Morgan Clearing Corp. at 347-643-1651. You may also email the Receivership at info@stanfordfinancialreceivership.com.