SEC Looking at Stanford Execs for Aiding and Abetting Fraud

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The Securities and Exchange Commission wants to hold several former Stanford Group Co. executives liable for the massive Ponzi scheme that brought down the brokerage. The charging demonstrates that the mastermind behind a financial fraud is often not the only person to face civil and criminal penalties.

The SEC contends that the firm's former president Daniel Bogar, former compliance officer Bernerd Young, and executive Jason Green knew or should have known that documents provided to investors for CDs sold by Stanford International Bank were false or misleading. The executives allegedly encouraged their colleagues to use the deficient offering documents to help sell the securities, according to Reuters.

The Private Securities Litigation Reform Act of 1995 authorizes the SEC to pursue enforcement actions against secondary actors if they had a business relationship with a firm that committed fraud and had knowledge of the fraudulent activity.

The SEC was given even wider latitude to bring charges against third parties under the Dodd-Frank Act, which lowered the requisite intent from knowingly to recklessly providing substantial assistance to primary actors who violate securities laws.

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