UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 95212 / July 7, 2022

INVESTMENT ADVISERS ACT OF 1940
Release No. 6065 / July 7, 2022

ADMINISTRATIVE PROCEEDING
File No. 3-20929

In the Matter of **JAMES M. DAVIS,** **Respondent.**	**ORDER INSTITUTING ADMINISTRATIVE PROCEEDINGS PURSUANT TO SECTION 15(b) OF THE SECURITIES EXCHANGE ACT OF 1934 AND SECTION 203(f) OF THE INVESTMENT ADVISERS ACT OF 1940, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS**

I.

The Securities and Exchange Commission ("Commission") deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Section 203(f) of the Investment Advisers Act of 1940 ("Advisers Act") against James M. Davis ("Respondent" or "Davis").

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the "Offer") which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, Respondent admits the Commission's jurisdiction over him and the subject matter of these proceedings, and the findings contained in

paragraphs III.2 and III.4 below, and consents to the entry of this Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934 and Section 203(f) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions ("Order"), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds that:

1. Davis, formerly a resident of Baldwyn, Mississippi, was a director and, from 1992 through February 2009, the Chief Financial Officer of Stanford Financial Group ("SFG"), the parent company of Stanford International Bank, Ltd. ("SIB") and multiple other affiliated financial-services entities, including Stanford Group Company ("SFG"), an affiliated, dually registered broker-dealer and investment adviser. All of these companies were owned by Robert Allen Stanford ("Stanford").

2. On August 27, 2009, Davis pleaded guilty to three counts of mail fraud, conspiracy to commit mail, wire, and securities fraud, and conspiracy to obstruct the Commission's investigation of SFG and SIB, in violation of 18 U.S.C. §§ 2, 371, and 1341, before the United States District Court for the Southern District of Texas, in *United States v. James M. Davis*, Case No. 4: 09-cr-335. On January 25, 2013, a criminal judgment was entered against Davis, sentencing him to a prison term of 60 months, followed by three years of supervised release, and ordering him to forfeit $1 billion.

3. In connection with the plea agreement, Davis admitted that:

   a. Davis falsely: (i) represented that the portfolio of investments that purportedly funded the returns that SIB paid to investors was well-managed, safe, and secure; (ii) claimed that SIB's investment strategy was to minimize risk and achieve liquidity; and (iii) touted, in SIB's annual reports beginning in at least 1999, an almost year-by-year percentage and dollar increase in the purported value of SIB's earnings, revenues, and assets.

   b. Unbeknownst to investors, Davis, Stanford, and others internally segregated SIB's investment portfolio into three investment tiers—cash and cash equivalents ("Tier I"); investments with "outside money managers" ("Tier II"); and other assets ("Tier III"). Davis and others created and perpetuated the false impression that SIB's Chief Investment Officer managed all three tiers, when, in reality, she managed only Tier II assets—which, by 2008, made up only 10% of SIB's entire portfolio. By contrast, Davis and Stanford had exclusive control over Tier III, which consisted of 80% of the portfolio in 2008 and consisted of illiquid investments including grossly overvalued real and personal property acquired from Stanford-controlled entities at falsely-inflated prices and at least

$2 billion of undisclosed, unsecured personal loans from SIB to Stanford, concealed and disguised on SIB's financial statements as "investments."

c. Davis falsely inflated the values of SIB's assets, regularly created false books and records in which the value of the investment portfolio was further fraudulently adjusted, prepared fictitious investment reports to provide to Antiguan regulators, and reviewed false financial statements to be included in SIB's annual reports to be sent to investors.

d. Davis participated with others in designing a real estate transaction that inflated and converted Antiguan real estate worth approximately $65 million into a purported $3.2 billion asset of SIB through a series of property flips involving multiple related-party transactions with business entities controlled by Stanford to fraudulently add billions of dollars in value to SIB's financial statements.

e. On February 10, 2009, Davis instructed SIB's Chief Investment Officer, before her testimony to the Commission, that she should only disclose her knowledge of Tier II investments in the SIB Portfolio and that she should not reveal her knowledge of Tier III investments, even though Davis had described Tier III to her the week before.

4. On April 25, 2013, in *SEC v. Stanford International Bank, Ltd., et al.*, Case No. 3:09-cv-298, the District Court for the Northern District of Texas granted the Commission's motion for summary judgment against Respondent and, among other things, enjoined Respondent from violating Section 17(a) of the Securities Act of 1933 ("Securities Act"), Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Sections 206(1) and 206(2) of the Investment Advisers Act of 1940 ("Advisers Act"). The Court also found Respondent to be jointly and severally liable with Stanford for $5.9 billion in disgorgement that was fraudulently acquired as a result of the scheme and for $861,189,969.06 in prejudgment interest. The Court also ordered Davis to pay a civil penalty of $5 million.

5. The Commission's complaint, as amended, alleged, among other things, that Davis: (a) participated in the transfer of investor funds to Stanford and retroactively documenting such transfers as "loans;" (b) participated in "reverse-engineering" fictitious investment returns for SIB and then incorporating those false numbers into SIB's annual reports, which he knew were distributed to investors; (c) participated in misleading investors that SIB's Chief Investment Officer was responsible for investments in SIB's entire portfolio, when in fact she only managed a small section (Tier II),while he and Stanford exclusively managed the largest portion (Tier III), which made up 80% of the portfolio; (d) participated in "papering" a bogus real estate transaction that inflated the value of Antiguan real estate from $65 million to $3.2 billion, to support an alleged capital infusion by Stanford in December 2008; and (d) failed to disclose to the SGC sales force, among other things, that Stanford had misappropriated more than $1.6 billion of investor funds, that SIB's annual

reports, financial statements, and quarterly reports to the Antiguan regulator were false, that hundreds of millions of dollars of SIB investors' funds had been invested in a manner inconsistent with offering documents, and purported capital infusions by Stanford in 2008 were a fiction.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent Davis's Offer.

Accordingly, it is hereby ORDERED pursuant to Section 15(b)(6) of the Exchange Act, and Section 203(f) of the Advisers Act, that Respondent Davis be, and hereby is,

barred from association with any broker, dealer, or investment adviser; and

barred from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in ay penny stock, or inducing or attempting to induce the purchase or sale of any penny stock.

Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, compliance with the Commission's order and payment of any or all of the following: (a) any disgorgement or civil penalties ordered by a Court against the Respondent in any action brought by the Commission; (b) any disgorgement amounts ordered against the Respondent for which the Commission waived payment; (c) any arbitration award related to the conduct that served as the basis for the Commission order; (d) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (e) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

By the Commission.

Vanessa A. Countryman
Secretary