

April 21, 2016

Mary Jo White
Chair
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Dear Chair White,

I am writing today to express my concern and disappointment with the Securities and Exchange Commission's recent decision to approve the application of Stamford Harbor Capital, L.P., to register as a money manager for outside clients.¹ This decision raises serious concerns about the SEC's ability to protect investors, to uphold the integrity of financial markets from corrupt, illegal investment management practices, and to impose meaningful accountability on wrongdoers.

Stamford Harbor Capital, L.P. ("Stamford Harbor") is an investment management vehicle co-owned by Steven A. Cohen. As I am sure you are aware, Cohen is the former manager of SAC Capital Advisors, a hedge fund that pled guilty to insider trading violations in 2013 and paid a record \$1.8 billion in penalties as part of a settlement with federal authorities.²

In January 2016, the SEC barred Cohen from "supervising funds that manage outside money until 2018" as punishment for his role in "encouraging" insider trading among SAC Capital portfolio managers.³ The Commission also required Cohen to subject his family office firms to SEC examinations and hire independent consultants to "ensure compliance with securities laws." In announcing its settlement with Cohen, the Director of SEC's Enforcement Division claimed that these "strong" sanctions achieved "significant and immediate investor protection and deterrence."⁴

¹ See Miles Weiss, "Steve Cohen Has a New Firm That's Allowed to Take Outside Money," *Bloomberg* (April 14, 2016) (online at <http://www.bloomberg.com/news/articles/2016-04-14/steve-cohen-has-a-new-firm-that-s-allowed-to-take-outside-money>).

² Patricia Hurtado, Bob Van Voris and Saijel Kishan, "SAC Record \$1.8 Billion Insider Plea Caps 7-Year Probe," *Bloomberg* (April 10, 2014) (online at <http://www.bloomberg.com/news/articles/2014-04-10/sac-judge-approves-record-insider-trading-accord-with-u-s>).

³ Securities and Exchange Commission, "Steven A. Cohen Barred From Supervisory Hedge Fund Role" (January 8, 2016) (online at <https://www.sec.gov/news/pressrelease/2016-3.html>).

⁴ Patricia Hurtado, Bob Van Voris and Saijel Kishan, "SAC Record \$1.8 Billion Insider Plea Caps 7-Year Probe," *Bloomberg* (April 10, 2014) (online at <http://www.bloomberg.com/news/articles/2014-04-10/sac-judge-approves-record-insider-trading-accord-with-u-s>).

Yet *just two months* after the SEC announced this “strong”, “significant”, and “immediate” act of “investor protection,” the Commission approved the application of Stamford Harbor to register as an investment management firm.⁵ Stamford Harbor’s April regulatory filings clearly state that Steven Cohen “is associated with Stamford Harbor by way of his indirect ownership” of the firm, which will retain *up to 50 percent* of its clients profits.⁶ Cohen owns the firm through two separate holding companies—Stamford Harbor Capital Holdings, L.P., and Stamford Harbor Capital, Inc.—set up in March 2016.⁷ Even worse, as a journalist from *Financial Times* points out, the SEC’s January settlement “specifically provided for the creation of a structure like Stamford Harbor to take outside money.”⁸

The creation of a shell management structure renders Mr. Cohen’s involvement with Stamford Harbor legal under the terms of the Commission’s January settlement. “Consistent with his January agreement with the SEC,” noted a Stamford Harbor spokesman, “[Cohen] will not supervise the activities of anyone working on its behalf.” Instead, the company will rely on the same management team as Point72 Asset Management, Cohen’s family office that manages his \$11.2 billion fortune.⁹

The SEC’s decision to approve Stamford Harbor—and the January settlement terms that allowed this to happen—make a mockery of the SEC’s core mission to “protect investors.”¹⁰ The Commission has permitted a recidivist hedge fund manager, well-known for his former company’s willingness to evade and ignore federal law, to once again profit from—and potentially exploit—investors.

This is an unacceptable outcome from the nation’s primary enforcer of securities laws, and it is the latest example of an SEC action that fails to appropriately punish guilty parties, deter

⁵ The SEC approved Stamford Harbor’s application on March 14, 2016. See SEC, “Investment Adviser Firm Summary: Stamford Harbor Capital, L.P.,” *Investment Advisor Public Disclosure* (online at http://www.adviserinfo.sec.gov/IAPD/IAPDFirmSummary.aspx?ORG_PK=283077); Miles Weiss, “Steve Cohen Has a New Firm That’s Allowed to Take Outside Money,” *Bloomberg* (April 14, 2016) (online at <http://www.bloomberg.com/news/articles/2016-04-14/steve-cohen-has-a-new-firm-that-s-allowed-to-take-outside-money>).

⁶ Stamford Harbor Capital, L.P., *Part 2A of Form ADV: Firm Brochure* (April 1, 2016) (online at http://www.adviserinfo.sec.gov/IAPD/Content/Common/crd_iapd_Brochure.aspx?BRCHR_VRSN_ID=383472), pg. 6, 4.

⁷ According to Stamford Harbor’s most recent Form ADV, “Stamford Harbor Capital Holdings, L.P.,” owns 75% or more of Stamford Harbor. A second company, “Stamford Harbor Capital, Inc.,” also owns a portion of the new company. The Form ADV lists Steven Cohen as the owner of both Stamford Harbor Capital Holdings and Stamford Harbor Capital, Inc. See Stamford Harbor Capital, L.P., *Form ADV* (April 1, 2016) (online at http://www.adviserinfo.sec.gov/IAPD/content/ViewForm/crd_iapd_stream_pdf.aspx?ORG_PK=283077), pg. 19-20.

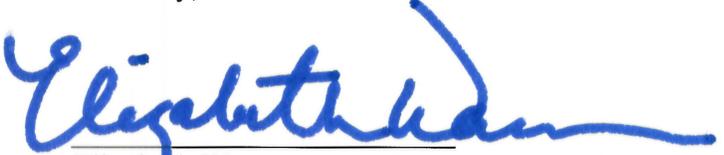
⁸ Mary Childs, “Steven Cohen lays groundwork for new fund,” *Financial Times* (April 14, 2016) (online at <http://www.ft.com/cms/s/0/0c3540a2-0260-11e6-99cb-83242733f755.html#axzz45pe1z8PD>).

⁹ Immediately after SAC Capital Advisors settled with the U.S. government after pleading guilty to “reaping hundreds of millions of dollars in illegal profits and fostering a culture of criminality that encouraged brazen insider trading,” Cohen changed the company’s name to Point72 Asset Management. See Mary Childs, “Steven Cohen lays groundwork for new fund,” *Financial Times* (April 14, 2016) (online at <http://www.ft.com/cms/s/0/0c3540a2-0260-11e6-99cb-83242733f755.html#axzz45pe1z8PD>) and Patricia Hurtado, Bob Van Voris and Saijel Kishan, “SAC Record \$1.8 Billion Insider Plea Caps 7-Year Probe,” *Bloomberg* (April 10, 2014) (online at <http://www.bloomberg.com/news/articles/2014-04-10/sac-judge-approves-record-insider-trading-accord-with-u-s>).

¹⁰ Securities and Exchange Commission, “What We Do” (online at <https://www.sec.gov/about/whatwedo.shtml>).

future wrongdoing, and protect investors.¹¹ I urge the Commission to put procedures in place that ensure that future settlement agreements cannot be so easily undermined. I also ask that your staff provide me with (1) a briefing on the decision to approve Stamford Harbor as a money manager for outside clients; and (2) a complete list and additional explanatory information on any other individuals or firms who, like Mr. Cohen, were barred from managing funds (or barred from other activities by SEC) yet are presently indirectly involved in those activities with SEC-registered entities.

Sincerely,



Elizabeth Warren
United States Senator

¹¹ See Letter from Elizabeth Warren, U.S. Senator, to Mary Jo White, Chair, Securities and Exchange Commission, June 2, 2015 (online at http://www.warren.senate.gov/files/documents/2015-6-2_Warren_letter_to_SEC.pdf).