Legal Houdini December 15, 2009

Webpages and books on Madoff

- **Financial Times**
  http://www.ft.com/indepth/madoff-scandal

- **Wall Street Journal**
  http://online.wsj.com/public/page/bernard-madoff.html

- **New York Times**
  http://topics.nytimes.com/top/reference/timestopics/people/m/bernard_l_madoff/index.html?scp=1-spot&sq=madoff&st=cse

- **SEC**
  The SEC rapport on its own failure to uncover the Ponzi sceme of Madoff
  http://www.sec.gov/news/studies/2009/oig-509.pdf

  A shocking research on the inability of the SEC to discover the Madoff fraud. This report of September 2009 is prepared following an investigation of the Office of Investigations van de US Securities and Exchange Commission. In between 1992 – 2008 the SEC had been given ample notice by third parties that something strange was going on at Madoff. All the investigations of SEC were insufficient. The SEC receives 6 duly substantiated complaints and in 2001 two publications of reputable resources (Barron http://online.barrons.com/article/SB989019667829349012.html en MARHedge) raising critical questions. No evidence has been found of improper conduct or intent to prejudice Madoff (not even with Eric Swanson, former SEC employee who had during a certain time a romantic relationship of the niece of Madoff, Shana Madoff, also an employee of Madoff). The investigations were simply done by inexperienced and/or incompetent people and were not thorough enough. Already in 1992 the SEC thought about the possibility of a Ponzi sceme. A feeder fund of Madoff (Avellino and Bienes) was detected and forced to closed but the SEC did not continue its research to Madoff. If the SEC would have done so, the Madoff Ponzi scme would have been detected already then.
  In 2000, 2001 and 2005 Markopolos informed the SEC about certain red flags suggesting the possibility of a Ponzi sceme but the SEC failed to undertake proper action.
  In 2004 a registered hedge fund informed the SEC about certain odd things but the investigations was closed too soon. In 2005 certain red flags were noticed but there was insufficient follow up. op de mogelijke problemen bij Madoff maar het onderzoek werd te vroeg gestaakt.
  The failure of the SEC enabled Madoff to refer to his potential investors to these investigations, claiming that the SEC did not find anything and that there was nothing wrong.
  The incompetence of the relevant people, combined with the fact that the SEC did never verify the statements of Madoff with an independent third party (such as DTC, were the trades Madoff claimed to have executed should have been traceable but, since there never were executed, no trace would have been found, thus proving the fraud) is shocking.

  Inspector General Kots states in his conclusion: “there were systemic breakdowns in the manner in which SEC conducted its examinations and investigations”.
  In other words, this problem is not only a Madoff problem but should appear elsewhere.
  The good news is: at least it is out in the open.

- **Et surtout n'en parlez à personne, Romain Gubert en Emmanuel Saint Martin, 2009**
  Au Coeur du gang Madoff is the subtitle of this book. As often the title of this book explains precisely what this book is, an insight view in Madoff adepts.
  The authors work for the French Magazine Le Point and the French News Television France 24. This book gives a lot of insight in victims of Madoff. The authors have taken a lot of interviews and use news items. Some of the victims give their personal view. The French connection of Madoff is described extensively. The book also gives information on Luxalpha, the feeder fund in Luxemburg and Thierry de la Villehuchet, the boss of Access who committed suicide after the discovery of the fraud. The book does not explain the reasons for the fraud although it cites a psychologist which names Madoff as a pervert narcist. However, this view is not based on analysis of Madoff himself so it is doubtful to so the least. It is however a nice French language holiday read (provided you read French)

- **Madoff with the Money, Jerry Oppenheimer, 2009**
  If you like gossip, this is a great book for you. Lots of stories on the wrongdoings of the Madoff clan. I was disappointed. Hardly any real insight and background information, just superficial gossip. Is does give lots of samples of victims of Madoff in the US. I think one can do without this one.

- **Madoff, the man who stole $ 65 billion, Erin Arvedlung, 2009**
  This book is published in 2009 and is written by the journalist who write the article in 2001 in Barrons – zie http://online.barrons.com/article/SB989019667829349012.html -: "Don't ask, don't tell: Bernie Madoff is so secretive, he even asks his investors to keep mum", In this article she already put questions marks to the steady track record of the Madoff investments. This book provides you with a lot of insight information. It deals with both the legitimate broker deal business as well as the Ponzi sceme. The journalist describes a lot of the people involved and tries to explain why the sceme went undetected for so long time. She explains that the investors were fooled by false statements with transactions that never took place (see page 181 e.f.). The remarks Markopolos made are dealt with (page 195 e.f.) She also sets out the position of the middle man getting rich out of the sceme (such as on p. 242 e.f. Ezra Merkin). Finally she deals with the fall of the Ponzi Sceme (page 263 e.f.).
  A good read given a nice overview on the Madoff Case. Also appeared under the name Too goo to be true: the rise and fall of Bernie Madoff. See Amazon
  http://www.amazon.com/gp/product/1591842875/ref=cm_rdp_product
  Erin is not able to explain the reasons of Madoff's behavior.

- **How Amerika fell for Bernard Madoff's $ 65 billion investment scam, Adam LeBor, 2009**
  LeBor is een investigator journalist and works for – among other - the Times, the New York Times and The Economist. He published books on Hitler's Secret Bankers and a biography of Milosevic. In his book his compares the Madoff club with a cult
  Madoff, the money terrorist, committed a so called affinity fraud, a fraud abusing the trust of a specific religious or ethical group, in Madoff's case the jewish community. Madoff was able to do so since he was regarded as one of the masters of the universe, nicknamed the Jewish T-Bill. A possible explanation of his behavior is perhaps found in the origins of Madoff, a so called sjtarkers (poor East European jewish immigrants). Madoff was targeting the jekkes (the rich German Jewish immigrants). Lehman (of Lehman Brothers bank), Astor, Goldman and Gugenheim are all a part of the jekkers..
  Lebor sets out the first millions through Avellino & Bienes (terminated in 1992by the SEC, which failed however to ensure that the money was not rerouted to Madoff again), the expansion through Ezra Merkin (a genuine jekkee) and Noel (in Greenwich, hedge fund country) and Tucker. The Palm Beach connection Jeffrey Picower is combined with further insight in Palm Beach.

LeBor tries to explain the success of Madoff while referring to the so called madness of crowds, Charles Mackay wrote already in 1841 the book Extraordinary Popular delusions and the madness of crowds, in which he explained that people are collectively fools and animals just following the herd. Social pressure is according to Stephen Greenspan (author van Annals of gullibility) is an important factor. Madoff's investor were scared to miss the boat. LeBor refers to Ponzi schemes in Europe, Jezdimir Vasiljevic in Servie (supported by Milosevic) and the pyramide schemes Caritas in Roemenie, Xhafferi and Populi in Albanie,
The book also sets out what happend in 2009 including the admission of guilt by DiPascali and several civil court cases. Great addition to the book of Arvedlung, see also www.adamlebor.com .

- **Madoff: A Riot of Red flags, Greg N. Gregoriou and Francois-Serge Lhabitant**
  http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1335639
  Interesting article (published in December 21, 2008) dealing with the red flags of Madoff. Writers explain the strategy Madoof claimed to follow (but never did) the so called Split – strike conversion strategy buying shares, buying out of the money puts and selling out of the money calls on those shares (also called a Collar). Track record Madoff claimed was impossible given the historical returns of the stock market. Other red flags were: operational red flags, such as lack of segregation amongst service providers, obscure firm of auditors, unusual fee structure, heavy family influence, Madoff's name was not revealed, lack of staff and lack of SEC registration, extreme secrecy, paper tickets and conflict of interest. As investment red flags writers mention: black box strategy, incoherent filings, sheer market size, warning by independent thirds parties. Also banks refused to do business with Madoff.

- **Bernard Madoff and the Sole Auditor Red Flag, Ross D. Fuerman**
  http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1434097
  Fuerman provides based upon historical information on the performances of auditos, a theoretical basis for the assumption that indeed a sole auditor is a red flag and that other accountants should not simple assume that the sole auditors performs its task properly. Other accountants should check the sole auditor.