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## Madoff arrested for fraud that could be as much as \$50 billion

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**Bernard L. Madoff, former president of Nasdaq and one of the most active investors in the past 50 years, was detained by the FBI yesterday after confessing that his business was “a giant Ponzi scheme” that cost its clients \$50 billion (€38 billion).**

Bernard L. Madoff, former president of Nasdaq and one of the most active investors in the past 50 years, was detained by the FBI yesterday after confessing that his business was “a giant Ponzi scheme” that cost its clients \$50 billion (€38 billion), the Spanish site “El Economista” said.

The same source said that a Ponzi scheme is a pyramid fraud where the promised returns are paid using the money obtained from new clients.

Bernard L. Madoff Investment Securities, founded by the investor who has now been arrested, presented \$17.1 billion in assets under management and at least half of its clients are hedge funds.

According to the Bloomberg agency, quoted by the Spanish site, two FBI agents entered the 70-year-old investor’s apartment in Manhattan.

“We are here to see if there is an innocent explanation”, federal agent Theodore Cacioppi told Madoff. The answer was “there is no innocent explanation”. Madoff said he had used and lost the institutional investors’ money.

Madoff stated that his business was a “fraud” and that it was “finished”, stressing that he had “absolutely nothing” and that the business was “basically a giant Ponzi scheme”, the agent said.

Madoff also said that the business had been insolvent for years, estimating then losses of around \$50 billion, adding that he had between \$200 million and \$300 million to pay the staff, family and friends.

This arrest shows the fall of Madoff and his business which was specialised in dealing with shares, creating markets and advising investors.

There are, however, some unknowns, namely whether the clients really lost \$50 billion.

Madoff appeared before a judge who accused him of fraud and set bail at \$10 million in a hearing where the defendant remained silent. If he is found guilty, the investor could face up to 20 years in prison.

According to an alert issued by the US market regulator, SEC, the collapse of Bernard L. Madoff Investment Securities was due to a rapid series of events in early December.

The source said that in the first week of that month, Madoff told an employee that the clients were asking for \$7 billion to be repaid and that he was trying to get liquidity and thought he could do it.