



News analysis

Newsbook

An affair to remember

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IRVING PICARD, the court-appointed trustee overseeing the Madoff estate's bankruptcy (pictured), has earned his year-end break. December 11th, the second anniversary of Bernie Madoff's arrest for perpetrating the largest financial fraud in history, was also the deadline for lawsuits to help recoup investors' losses. Mr Picard has been furiously busy, firing off dozens of lawsuits seeking a total of around \$50 billion for investors who lost money in Mr Madoff's Ponzi scheme.

Mr Picard's deep-pocketed targets include some of Wall Street's top brass, among them JPMorgan Chase, UBS, HSBC, Citigroup and Merrill Lynch (now part of Bank of America). The lawsuits charge them with either failing to spot the fraud or, in some cases, knowingly facilitating it. One \$9 billion lawsuit asserts that HSBC twice hired KPMG, an accounting firm, to probe Mr Madoff's firm, but that the bank failed to act when concerns were raised. Another suit takes aim at Medici Bank, an Austrian bank run by Sonja Kohn, whom Mr Picard describes as Mr Madoff's "criminal soul mate". The banks and Ms Kohn deny any wrongdoing but investors' losses could still fall substantially if banks choose to settle. Mr Picard has already recovered around \$2.5 billion, including some \$470m from Union Bancaire Privée, a Swiss bank which funnelled clients' money in Mr Madoff's direction.



Investigators are still trying to work out who else at Mr Madoff's firm may have had a hand in the fraud. Mr Madoff, who was sentenced in 2009 to 150 years in prison, has adamantly maintained he acted alone. That has not spared others from suspicion. On December 11th one of his two sons, Mark, committed suicide after two years of investigations into his knowledge of the fraud (which he denied) and more of Mr Picard's lawsuits, the latest of which targeted his children.

Even as they wait to recover their money, the victims also run the risk of settling too soon. Some distressed-debt firms are offering to buy claims from them at a reduced rate. Cash-strapped investors may find this offer appealing, but could regret it if Mr Picard recovers lots of assets later. Nobody wants to be swindled twice.

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