

Bernie madoff essay sample

[Finance](#), [Investment](#)



For the most part fraud in the end Securities and Exchange Commission for its companions repentance and shame. 📖 These famous words were said by Charles Simmons and they couldnt be further from the truth. What causes one to commit fraud? Is it greed? Is it the thrill of not being caught? Is it the feeling that you are owed something and this is the way to fulfill that feeling? There are an endless amount of reasons that could cause one to commit fraud. Bernard Madoffs reasoning remains a mystery. He was the the founder and primary owner of Bernard L. Madoff Investment Securities and Exchange Commission LLC. The firm is primarily known for its business in market-making, or serving as the middleman between buyers and sellers of shares. But Mr. Madoff also oversaw an investment-advisory business that managed money for high-net-worth individuals, hedge funds and other institutions.” (The Wall Street Journal)

There is not one person that doesnt understand how Bernie Madoff got away with this for as long as he did. Even Bernie Madoff cannot believe it himself. One of the reasons Madoff was able to perpetrate his fraud for so long was his preference for marketing his investment business by word of mouth.” (CNNMoney. com) Bernie Madoff was a well known investor that was popular among celebrities and the wealthy and was a difficult man to get an appointment to be their money manager. He started off with an investor, offering to take x amount of money and promising to give them more in return. With normal interest rates at 4 or 5%, he built a reputation of giving returns as high as 11%. This drew the attention of other people with lots of money who wanted those kinds of returns so his reputation grew and grew

until he had amassed a fortune from other peoples money and he never invested a dime.

He would pay the previous investor with the money he received from the money from the next investor. This was known as a Ponzi Scheme. A Ponzi scheme is a type of investment Fraud that promises investors exorbitant interest if they loan their money. As more investors participate, the money contributed by later investors is paid to the initial investors, purportedly as the promised interest on their loans. A Ponzi scheme works in its initial stages but inevitably collapses as more investors participate.” (The Free Dictionary) According to Bloomberg News reports Madoff used a “ random-number generator, old stationery, a ‘ phantom’ trading platform and an aging computer” to perpetuate the too-good-to-be-true scam where investors were getting crazy return”. (Gothamist)

Bernie Madoff, the mastermind behind this Ponzi Scheme and the former president of the Bernard L. Madoff Investment Securities and Exchange Commission financial advisory firm. He never did come out and say what his motives were to commit this fraud. He saw a quick way to make money and he did not get caught for a long time. In court documents, Bernie Madoff says he did this scheme by himself and no one else was involved. But the records showed something different. Frank DiPascali, who acted as the chief financial officer for Madoff Investment Securities and Exchange Commission. He stated “ No purchases or sales of Securities and Exchange Commission were actually taking place in their accounts. It was all fake. It was all fictitious. It was wrong, and I knew it was wrong at the time.” (Gothamist)

The Securities and Exchange Commission said DiPascal's involvement was "Under DiPascal's supervision, Madoff's programmers organized accounts on a single IBM AS/400 computer, which would automatically allocate fictitious trades to individual accounts." (Gothamist) DiPascal had made a nice paycheck keeping up with this scheme for Madoff.

Jeffrey Picower may be the one investor who had benefitted from the Ponzi Scheme. A Wall Street Journal story [7] published in May cited unnamed sources saying that the Securities and Exchange Commission were looking into eight investors who appear to have received special treatment from Madoff. Among the eight named, Picower seems to have withdrawn the most money, with the bulk of it coming from an account called "Decisions, Inc." According to the Madoff trustee's court filings, "the account reflected little trading activity and relatively few holdings," yet Picower took hundreds of millions out of it. At the time of Madoff's arrest, the account had a reported negative net cash balance of more than \$6 billion." (Republican) Lee Richards, who has been appointed by the Securities and Exchange Commission as the receiver of all Bernard Madoff Investment Securities and Exchange Commission assets, also served as the court-appointed trustee over Avellino & Bienes during its legal dispute with the federal agency, according to Bloomberg News.

Carl Shapiro was Madoff's original investor and also one of his last when he supposedly contributed \$250mm to Madoff in November 2008. According to The Huffington Post A 163-page document containing a list of people and companies that invested with Bernard Madoff's firm." Such celebrities as

Kevin Bacon and wife Kyra Sedgwick, John Malkovich, Sandy Koufax, Jeffrey Katzenberg, CEO of Dreamworks, Jeffrey Katzenberg, CEO of Dreamworks, Zsa Zsa Gabor and Director Steven Spielberg's charity, Wunderkinder Foundation were among Bernie Madoffs victims. Along with Fairfield, Connecticut: \$42, Robert I. Lappin Charitable Foundation was forced to close on December 13, Carl and Ruth Shapiro, almost \$145, Avram and Carol Goldberg, Stephen Fine, Several Geneva-based banks including Banque Benedict Hentsch and Union Bancaire Privee lost more than \$4. 22 billion, Royal Bank of Scotland, BramDean Alternatives, BNP Paribas, J. Ezra Merkin, chairman of GMAC, Norman Braman, owner of the Philadelphia Eagles, New Jersey Senator Frank Lautenberg, Publisher Mort Zuckerman's charitable foundation, HT Foundation charity was forced to close its doors in January 2009, Picower Foundation, with Madoff-managed assets of \$1 billion, announced its closure on December 19, 2008" (Mahalo) The easiest and most common thing to say to prevent this kind of scheme is if it sounds too good to be true it probably is. Investors are looking for ways to make an easy dollar.

The best way to prevent this fraud is with the auditing. Most firms and companies have auditors that they have become good friends with. Another outcome with smaller auditing firms that have bigger firms as their clients is they are willing to overlook small errors. They would rather keep their biggest client then lose them doing the right way of auditing. One way to prevent this type of fraud is with the auditors. Firms and companies should be to required to change their auditors every five to seven years, if not sooner for firms that are showing a quick increase in net profits at year-end.

This would also make the auditors stick to the Generally Accepted Accounting Principles to protect their reputation, reducing the likelihood of their cooperation with firms whose managers act unethically.” (Le Panoptique) The Securities and Exchange Commission should have caught onto this scheme a lot sooner than they did. One investor Raymond Spungin, 77, of Staten Island stated he had checked with the Securities and Exchange Commission before investing with Madoff in the early 1990s.

They said Madoff was the greatest,” he said. Were the victims not only of Madoff but of the incompetence of the Securities and Exchange Commission.” (MSNBC. com) “ The Securities and Exchange Commission’s failure to follow up aggressively on detailed and specific information about Madoff’s fraud is further evidence of a culture of deference toward the Wall Street elite at the Securities and Exchange Commission. Until that culture is transformed, the Securities and Exchange Commission will not be the tough cop on the beat that the public needs.” Said by Sen. Chuck Grassley.

(abcnews) The Securities and Exchange Commission was also sued by the victims of Madoffs Ponzi Scheme. Harry Markopolis is known as the whistleblower in Madoffs case who repeatedly warned the Securities and Exchange Commission that Bernard Madoff was perpetrating a massive investment fraud.” He began contacting the SEC to warn that Madoff was a fraud.

He sent detailed memos, listing dozens of red flags, laying out a road map of instructions for SEC investigators to follow; even listing contacts and phone numbers of Wall Street experts whom he said would confirm his findings.

But, Markopolos' whistle-blowing effort got nowhere." (CNNMoney. com) One of Markopolos employers had asked him to replicate Madoffs investment strategy and this led him to his findings. The first red flag that Madoff gave off was that there was not a separation of duties between the broker dealer and the investor advisor, Madoff was both. The next red flag is that Madoff had all the rights to the assets that he was trading. Another red flag is Bernie Madoff claimed he did not charge for fees. He said the profit from the trading for the investment fund" was all he needed. Another red flag is that there was no way to access the investors trades. Madoff sent out paper records for their clients instead of giving them electronic access. And the last red flag is Madoffs auditors. This was a small auditing firm for such a large successful company.

The outcome of this scheme is one that many of us know about. After stealing over fifty billion dollars from his investors, Bernie Madoff had plead guilty to eleven charges and was sentenced to one hundred and fifty years in Federal Prison. Frank DiPascali had plead guilty to ten charges and was given a sentence of one hundred and twenty five years in prison. No matter what length of time they were sentenced to, it does not give all of the investors that had lost thousands even millions of dollars to some that lost their life savings back.

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