

Investment fraud

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Charles Ponzi will forever infamously known as the con man of the 1920's. Ponzi dealt with numerous amounts of investors who all trusted him to make them a profit on their investments. Unfortunately, Charles Ponzi was a crook from the start.

He bought a total of \$30 dollars in IPRC's and stole about \$30 million of his investor's money. His brilliant idea that landed him in jail was to not buy IPRC's at all, but to give people part of their own investments and call it a profit; hence " Ponzi Scheme". Since the 1920's there have been numerous " investment managers" who have committed the same con as Ponzi. When you break it down, it really is just handing money to someone you don't know, in hopes that you will see a profit. You can ask the same question about why people gamble with the same answer to why people use the stock market: whether it be to supplement you're income, to earn capital gains or for the mere feeling of excitement as if one was playing poker. So the idea that people find ways to con the system isn't that far fetched (especially if there are examples of in my opinion of what's borderline organized crime, (wall street) that gets away with what is so easily plain and simple: theft from the public. But everything Wall Street does is completely legal.

Their system is so manipulative and if you aren't smart enough to understand their ways, and how to play their game you will get eaten alive. But, unlike the Ponzi scheme what Wall Street does is promise nothing. With millions of people that throw their money into the stock market there are just those " investment manager's/advisor's" who blatantly steal; promising that you will make ' x' amount of money when you never do (i. e. Ponzi, Madoff, Scafanie, and many more.) These men all have completely ripped people off

and done so with out any kind of moral or ethical conscious. Bernie Madoff was a non-executive chairman of NASDAQ, a former American stockbroker, and most importantly and investment advisor.

He defrauded thousands on investors of billions of dollars. His fraudulent actions landed him the title of orchestrating the largest Ponzi scheme in history, a \$50 billion dollar loss. Madoff was considered to have an uncanny forecast to see what investors should do. Later, the SEC found out what he was really doing and that these incredible double-digit returns were like everyone thought, impossible and illegal. According to the Securities and Exchange Commission, the “ two back officer workers who worked for Madoff, confessed they created false trading reports based on the returns that Madoff ordered for each customer”. ”-Associated press (www. npr.

org) and that “ once Madoff determined a customer's return, one of the back office workers would enter a false trade from a previous date and then enter a false closing trade in the amount of the required profit, according to the indictment. ”-Tom Steinert-Threlkeld, “ Women of the House of Madoff”

www. ecuritiestechologymonitor. com) All of his hard work of being a career crook was flushed down the toilet when in 2008, he was “ struggling to meet 7 billion in redemptions, and was planning to honor his agreement to pay out \$173 million in bonus's”-David Margolick, Vanity Fair-“ The Madoff Chronicles Part III” Madoff later confessed to his son Mark Madoff that he has “ absolutely nothing” and “ all of it was a lie”. Apparently Mark, told his brother Andrew and they both reported their father to the federal authorities. He was then arrested and was charged with: securities fraud, investment

advisor fraud, mail fraud, wire fraud, money laundering, false statements, perjury, making false filings with the SEC, and theft from an employee benefit plan. Not only did he ruin the lives of thousands but he ruined his own, way to go! The Ponzi scheme affected my grandfather.

In 2008 he invested 16 million dollars with a man who told him that his returns would be great, and his life investment would be safe. John Scafani, of San Diego " was looking to make himself money when he pitched his clients an investment idea that included pooling money to buy homes around California to fix up and then re-sell for a profit. "(www. 10news. com)

However Scafani did exactly the opposite. Regarding investment fraud, Attorney David Speckman said, " Preying upon people like this is not only immoral but it's illegal in my view, and I think it's a crime. " I completely agree with Speckman's statement because many investment advisors look for the people that have money to invest, and completely take advantage of them.

Whether they walk the line of being ethical and truly think about the damage they will cause by deceiving the people that become to know and trust them; or they are just too blinded by greed and the rush of what thieves feel when they steal. As someone who was indirectly affected by a Ponzi scheme, I feel that there needs to be something that can completely prevent this from happening all together. My grandfather's attorney, as well as Speckman are suing Scafani on behalf of eight other San Diego investors who claimed that Scafani promised to flip the purchased homes but instead sold them to other investors over and over again. The investors also claimed Scafani took a cut

from each deal. “ The I-Team learned Scafani bought a house at 415 K Street in Bakersfield from an investor for \$130, 000 in 2006. Eleven months later, he sold it to another investor for \$280, 000. However, that was never the case, and he does not own the properties.

Scafani prepared for the worst-case scenario. Buried on page 22 of his long contract every investor had to sign is a stipulation not to sue Scafani. ”

(www. 10news. com) Charles Ponzi, an Italian immigrant, began advertising that he could make a 50% return for investors in only 45 days, Madoff in the 12%-15%. Other fraudsters have made inglorious names for themselves. In March of 1932, Ivar Kreuger, a Swedish businessman who had cooked the books of his match manufacturing business and forged \$142 million of bonds, shot himself in the head.

It was reported that he might have burned through \$400 million of investor money by falsifying the accounts of 400 separate companies. (www. forbes. com) If Madoff hadn't faced \$7 billion in redemptions, this Ponzi scheme might not have been discovered. What's astonishing is that he got away with it for so long with nobody discovering it. Ponzi schemes, Short selling abuses, Mutual Fund fraud, Boiler rooms, Accountant fraud, Microcap fraud, Insider trading, Internet fraud, and corporate fraud, are all different kinds of theft. All of these ways are directly the “ results of a practice that induces investors to make purchase or sale decisions on the basis of false information, frequently resulting in losses, in violation of the securities laws.

” (Linda Chatman Thomsen, Director, Division of Enforcement) Insider trading, investment fraud, and all of the above under-mind the integrity and

credibility the stock market. I understand the market is dynamic, as well as appreciate the power of technology. We must use the technology we have and to our advantage, along with the better use of the tools we already have. I believe that the threat of incarceration on a large-scale and action of placing these thieves in jail for longer periods of time are just a few of my ideas to help prevent investment fraud. I hope that the issues we are having today on this subject won't be issues in the next decade.