

Ethical investments



Ethical Investment. Bernard L Madoff was arrested in December 2008, on charges of defrauding investors of \$ 50 billion in a Ponzi scheme. At the time of arrest he was 73 years old. Final charges proved against him were securities fraud, investment advisor fraud. mail fraud, money laundering, false statements, perjury, false filing with SEC and stealing employee benefit plans. He has been awarded sentence of 150 Years in Federal prison and \$ 150 billion in fines. Madoff maintained double face. He started and owned share market brokerage NASDAQ through initializing IT based electronic share quotes in 1960s. By 1990 his firm was trading an average daily share volume of \$ 800 million. Due to sheer volume and popularity of his firm he was able to earn huge profits while giving almost a penny or less to other brokers per share. He mostly made his business strategy public through interviews to reputed journals, due to which his huge earnings did not raise suspicion. For example he used to compare his profits with Standard and Poor's who had a history of earning 14 to 16 % profit per annum. His strategy was simple; due to huge volume of trading he would buy shares of MNCs (multinational companies) and strong stock holders. He would then take option contracts on good terms and earn profit. He also made calculated buying and selling with respect to fluctuations in share market index. He would manipulate share prices by advance knowledge, artificial shortage and later flooding of shares. He also minimized losses by limiting his downside portfolio in stocks. The Ponzi scheme took advantage of a ruling in Federal law which requires firms to annually pay minimum 5% of their funds. Since he largely dealt with charities his fraud went unnoticed over decades. His investment of \$ 10 billion in charities allowed him to encash \$500 million annually, whereas on ground he was not trading at all.

He was a Jew and took benefit of religious connection in making a lobby of rich Jew investors who would never withdraw funds from his investment. Since he maintained middle level profits of about 10 % to investors over decades he achieved investor confidence. More and more new investors kept investing with him and he was able to swindle money and yet pay old investors at the expense of new investors for so long. At last when his firm was not able to sustain payments the entire system collapsed, although 50 % of his investors lost no money due to investments in stocks. Madoff was able to continue fraud so long because he maintained a noble image, had a high finance and Jewish lobby around him, running a reputable stock firm NASDAQ, giving steady profits to investors for decades and never asked for money / met investors himself. According to CNN although Madoff run a fraud empire for decades he never used Email, black berry and could barely turn on his computer. As per CNN report “ 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. Until the scam's later years, people heard about it from friends. It was a private club, one that, famously, became only more desirable because of Madoff's seeming reluctance to admit new investors.” (CNN Money) Works cited CNN Money. “ Madoff Mess”. Money. cnn. 30April, 2009. Web. 28 July 2011. <http://money.cnn.com/2009/04/24/news/newsmakers/madoff.fortune/index.htm>