

Warning issued about grandparent scam

CBC News - September 22, 2010

Winnipeg police are again warning the public about the so-called grandparent scam.

The fraud, also known as the emergency scam, has been around for some time and has claimed victims, mostly seniors, in many Canadian cities.

The scam involves a suspect calling an elderly person and claiming to be his or her grandchild.

The suspect then claims they are in jail, or have some other critical emergency, and need money wired to them.

The suspect urges the person not to say anything to anyone as he or she is embarrassed about being in trouble.

In some instances, another person pretending to be a lawyer talks to the victim and provides them with direction on where and to whom to send the money.

Winnipeg police say they have recently been receiving a growing number of reports from people who have been scammed.

In recent cases, two grandparents used money transfer services to send approximately \$15,000 to people pretending to be relatives.

Since November 2009, Winnipeg seniors have been victimized by this scam to the tune of \$80,000, police said in a news release.

The Winnipeg Police Service commercial crime unit is investigating the incidents with other agencies and encourages people to discuss the scam with older adults who may be in care facilities or who they feel may be vulnerable to the scam.

Anyone who gets such a call can press *57 on their phone to trace the call after they hang up, police said.

Further information on the scam can be found on the website for the [Canadian Anti-Fraud Centre](#).

Police allege man stole from women, seniors

CTV - Sep. 13 2010

Toronto police have charged a self-proclaimed "venture capitalist" with fraud in connection with a scheme that police say involved several single women and senior

citizens who lost a combined total of approximately \$1.5 million.

Arvind Kumar Sanmugam, 49, faces two counts of fraud and several other charges after police allege he ran a series of schemes by playing the part of a financial planner and convincing two women that he would marry them.

Detective Tom Hartford, of Toronto's Fraud Squad, described the accused as a smooth-talker who dressed well and used politeness and charm to seduce his victims.

"He really portrays himself as an entrepreneur, an international businessman," Hartford told CTV.ca.

A bizarre collection of victims have been identified, including a doctor he planned to marry after meeting on a dating website, her parents, a widowed senior from Vancouver and a woman he hired to drive him to meetings.

According to police, Sanmugam describes himself as an international businessman and venture capitalist. He is listed in an online business profile as the chairman of a company that trains international police forces by Canadian standards and the chairman of Chez Leeloo, an Indian food and beverage company that employs allegedly more than 6,000 employees.

His profile says his goal is to use 90 per cent of his salary to fund charities.

Hartford said Sanmugam lives in Toronto but has no status as a Canadian.

A fraud investigation began when a widowed senior from Vancouver complained that she was bilked of her life savings and forced to sell her home and move into a rented apartment.

Police allege Sanmugam met the aged retiree through her grandchildren. Having no driver's licence himself, he hired a woman to drive him to the meeting in a Bentley to keep up appearances, Hartford said.

"He told her he could help her with her financial independence," said Hartford. "He told her he could keep her financially secure forever. She bought into it and lost everything she had."

Hartford said that driver, one of Sanmugam's two fiancées, is another fraud victim.

Police allege Sanmugam used an online dating service to meet some of his victims, including a South Asian doctor in Toronto -- his other fiancée -- and has targeted both her and her parents.

Sanmugam is known to travel across Canada, specifically to Halifax, Montreal and the Vancouver area. Hartford said anyone with information should contact Toronto's Fraud Squad.

Sanmugam is charged with two counts of fraud, failure to comply with an order to

cease online trading and a criminal breach of trust.

He is scheduled to appear in court at College Park on Monday, September 13, 2010, in the afternoon.

One in five Canadian consumers victimized by deceptive marketing: Visa

Canada NewsWire - Sept. 15, 2010

Despite being aware of misleading marketing practices, Canadians still falling prey to deceitful behaviour

Visa, a leading global payments technology company, released a survey today that shows that 20 per cent of credit card holders have been a victim of unauthorized charges on their credit card as a result of an offer they accepted online or over the phone.

In a poll of more than a thousand Canadians on the awareness of deceptive marketing practices*, results show that nearly eight in ten Canadians (78 per cent) are aware that such practices exist, yet instances of fraud still persist.

"Deceptive marketing practices come in many forms," said Gord Jamieson, Head of Payment System Risk, Visa Canada. "While the majority of retailers are honest and legitimate, consumers need to be conscious that there may be fraudsters out there and they should think twice before accepting an offer that sounds too good to be true."

Deceptive marketers ensnare unsuspecting consumers in a number of ways, such as by pre-checking consent boxes, burying the details of the offers in the terms and conditions and making cancellations or returns difficult. Once victimized, consumers can be caught in a cycle of recurring charges for products and services they do not want.

"Consumers can protect themselves by learning to recognize fraud and familiarizing themselves with some simple tips," said Staff Sergeant, Paul Proulx, In Charge of Canadian Anti Fraud Centre (PhoneBusters). "Simple steps like reading and understanding the merchant terms and conditions and carefully reviewing your credit card statement each month can guard consumers from deceptive marketing scams."

Promisingly, the survey showed that over nine in ten (91 per cent) credit card holders stated that they review their credit card statements for unauthorized charges when it arrives. Over three-quarters (77 per cent) of respondents who were online shoppers said that they review a part of the terms and conditions of sale, but only half of this group

(53 per cent) said they find the terms easy to understand.

Visa manages a suite of Global and Domestic market Acceptance Risk strategic policies, monitoring programs, and communications initiatives to protect cardholders, clients, merchants and the Visa brand from the high-risk activities of individual merchants and clients. To combat fraudulent retailers, Visa has enhanced its chargeback monitoring program to identify businesses that have excessive levels of cardholder disputes (a common characteristic of deceptive marketers). Once identified, Visa works with acquirers to deter and eliminate these types of dishonest merchants.

Visa offers consumers the following tips to help become a savvy shopper, and to avoid being a victim of deceptive marketing practices:

- ***Take time to read and understand all merchant terms and conditions*** so a free trial doesn't turn into a costly purchase you didn't intend to make.
- ***Pay particular attention to any pre-checked boxes before you submit your payment card information for an order.*** Failing to un-check the boxes may bind you to terms and conditions you're not interested in.
- ***Review card statements when you get them for any unauthorized charges,*** and notify the card issuer

promptly of any unusual activity or unauthorized charges.

- ***Try to resolve the situation with the merchant.*** If you're unsuccessful, contact your Visa-issuing financial institution immediately to dispute the charge.
- ***Report your experience*** to the Canadian Anti-Fraud Centre by calling 1-888-495-8501 or emailing info@antifraudcentre.ca.

Should fraud occur, Visa cardholders can have peace of mind knowing that under the Visa Zero Liability policy, they will not be liable for unauthorized use of their card if your card is lost, stolen, or if their card number is used fraudulently**.

* This survey of 1,013 Canadians was conducted by Ipsos Reid between July 8, 2010 and July 15, 2010. A survey with an unweighted probability sample of this size and a 100% response rate would have an estimated margin of error of +/-3.1 percentage points 19 times out of 20. All sample surveys and polls may be subject to other sources of error, including, but not limited to coverage error, and measurement error.

** Visa cardholders must establish that the transaction is not their responsibility as per all applicable agreements of the issuing financial institution. Visa Purchasing, Visa Corporate, and Visa Commercial cards are excluded from the program.

Police bust \$12-million Calgary mortgage fraud

The Canadian Press - Aug. 05, 2010

Police say they've uncovered mortgage fraud worth \$12-million that involved 22 Calgary homes and eight banks.

Investigators say the scheme involved houses all across the city, and was run using naive 'straw buyers'.

The buyers were allegedly convinced to use their names to obtain mortgages as an investment opportunity, and were told the plan's masterminds would take the mortgages over after six months.

In return, the buyers were allegedly given between \$3,000 and \$5,000.

"Most of (the buyers) were fairly young, as far as residential buyers, with their ages ranging from 20 to 28," said Inspector Kevin Forsen of the Alberta Law Enforcement Response Teams.

The masterminds of the plan then allegedly walked away from the mortgages, gaining a large amount of money and leaving the 'straw buyers' responsible.

Insp. Forsen said that all the duped buyers had a connection to the alleged fraudsters.

“It wasn't that they were going out and recruiting people; these were all people who had some kind of relationship before.”

The money has not been recovered, and where it ended up is still under investigation, Insp. Forsen said.

“Our hope is we can recover as much as possible, but there's a lot of work to do that. This is a very sophisticated operation.”

Ali El-Sayed, 31, is charged with extortion, as well as with 23 counts of fraud over \$5,000. The fraud charges also affect his company, Ramses Holdings Inc.

He has been released on \$12,500 bail and conditions that include 16 no-contact orders.

Christos Fotopoulos, 28, surrendered to police Wednesday and has been charged with three counts of fraud over \$5,000.

Police say an arrest warrant has been issued for Russell Kilba, 34, who is wanted on 10 counts of fraud over \$5,000.

The banks involved include Scotiabank, TD Canada Trust, ATB Financial, First National Financial, CIBC, Merix Financial, Royal Bank and MCAP Financial.

Investigators say they've found no evidence the fraud is connected to an alleged massive mortgage fraud ring involving the Bank of Montreal.

RCMP have confirmed they've launched a formal investigation into that alleged fraud, which civil court documents filed by the bank suggest involved mortgages worth \$70-million.

Calgary police have also charged Mr. El-Sayed in separate mortgage fraud worth \$1.2-million. He faces one count of committing fraud over \$5,000 in that case.

African fraud gang: Could you please send us £102,000? Scottish council: Of course we can

24 September 2010

By Gareth Rose

AN African fraud gang has succeeded in conning a cash-strapped Scottish council out of £102,000.

Strathclyde Police is investigating the con after South Lanarkshire Council admitted an accounts worker had been taken in by the sting.

According to councillors the fraud originated in Africa. In recent years Nigeria, in particular, has grown a reputation for being the source of frauds which involves getting people to hand over bank

details either by e-mail or letter.

The investigation into the fraud in South Lanarkshire has taken on a UK-wide perspective with other local authorities understood to have been targeted in a similar way.

The fraud involved a letter to the council, claiming to be a real contractor informing the local authority of a change in bank details and asking for its details in return.

A council employee approved the change without checking and £102,000 duly went out of the council's account and into the fraudulent one.

Because the crime is classed as an external fraud the council is not covered by its insurance, and it is unlikely it will get the money back as these types of offences are notoriously difficult to trace and bring to justice.

To rub salt in the wounds, the council was conned during a week its trading standards team was warning householders to be on their guard against a new council tax fraud.

People in South Lanarkshire had been written to by people claiming to be the council and informing them that they had been moved into a different council tax band and were entitled to a rebate. They were then asked to respond with their bank details which the con-artists used to extract money.

David Templeton, divisional trading

standards officer, who has been leading the awareness raising campaign, said the request for bank details should immediately set "alarm bells ringing" and anyone taken in would be putting themselves at risk of having "money taken from their bank accounts".

The fraud against the council was discussed in yesterday's meeting of the Risk and Audit Scrutiny Forum.

Graham Horne, chairman of the forum and deputy leader of the council's SNP group, said: "The finance department was sent documents on letter headed paper to tell them to change bank details. It's not something I have ever seen before and it wasn't like an e-mail scam, which many people get sent to their home computers. We are not sure who has done this, but it has been professionally done by a gang in an African country."

Asked if the someone should be sacked for the error, he said: "If the person involved took all the appropriate action then they shouldn't be sacked.

"We will need to investigate if the person did follow the correct procedures.

‘America's Most Wanted’ targets

Canadian accused of conning seniors

Toronto Star - Sep 23 2010

Police in Toronto are hoping Saturday's episode of *America's Most Wanted* will help flush out a man accused of fleecing the elderly.

Richard Earl Rupert is alleged to have stolen thousands of dollars from seniors, ranging from 78 to 95 after befriending them in their retirement homes.

Police allege Rupert, 54, presents himself as a distant relative, usually a nephew, and then convinces his victims to provide him with money for travel, car repairs or rent.

A Canada-wide warrant has been issued for Rupert alleging geriatric victims in other Ontario communities such as Ottawa, Thunder Bay, Waterloo and St. Catharines, as well as Vancouver, Calgary and Winnipeg.

Police say Rupert, a native of Windsor, eluded Winnipeg police last month after he was spotted by a bank employee.

Toronto Det. John Dunlop says Rupert faces several counts of robbery, break-and-enter, fraud under \$5,000, attempted fraud under \$5,000 and theft under \$5,000.

"He preys on the most vulnerable of society," Dunlop said.

America's Most Wanted producer Jon Lieberman said the segment on Rupert will air in prime time across Canada and the United States.

"I never like to predict, but this is a guy we have so many images of that I think somebody out there will recognize him and then do the right thing by turning him in," said Lieberman.

Charities named in tax fraud scheme

Toronto Star – September 15, 2010

A Markham tax preparer who helped his clients make false claims for nearly \$2 million in charitable donations has pleaded guilty to tax fraud.

A Canada Revenue Agency investigation found that Faiz Khan prepared 118 false tax returns from 2004 to 2008. All but two were written by hand and traced back to Khan.

Khan pleaded guilty in Ontario Court of Justice on Tuesday to fraud over \$5,000 and could face 14 years in jail.

"He benefited from the fraud as well as all of the people that were his clients," said CRA spokesman Andy Meredith.

Khan took a 16 per cent cut of the fraudulent tax refunds, Meredith said.

His clients understated the amount of federal taxes they owed by \$576,000 and accepted large tax refunds to which they were not entitled.

“Any amount of that they received that they were not eligible for will have to be paid,” Meredith said.

Four of the five organizations named on false donation claims have since had their charitable statuses revoked by the CRA.

City Chapel Ministries International, Destiny Ministries International Christian Mission, Ave Development Foundation and Pan African Canadian Multicultural Centre are no longer registered Canadian charities.

Faith Full Gospel Tabernacle was also named on the false donation claims, but still retains its charitable status. The CRA could not say why that organization’s status was not revoked because registered charities are protected by confidentiality legislation.

Khan, who is in his 60s, also filed fraudulent tax returns for himself from 2004 to 2007, according to the CRA. During that period he failed to report \$1 million in income from his business, thereby evading close to \$250,000 in taxes.

Khan’s sentencing date is set for Oct. 26.

More charges expected in online dating fraud case

Toronto Star - Sep 14, 2010

More charges are pending against a man accused of wooing single women through an online dating service and defrauding them of \$1.5 million, police said Tuesday.

“My phone keeps ringing,” said Toronto police Det. Tom Hartford, adding that five people called his office between 7 a.m. and 8 a.m. Tuesday with more than a dozen additional complaints of fraud involving Arvind Kumar Sanmugam.

The 49-year-old man, who lives in the Bathurst St. and Lawrence Ave. area, is already facing two counts of fraud over \$5,000, among other charges.

Police say Sanmugam targeted single women and senior citizens, two of whom were widows, by portraying himself as a venture capitalist and prominent businessman.

He claimed he was the president and CEO of a coffee company and the chairman of the “World Police Academy,” which Hartford said he is still investigating although “I don’t believe it exists.”

Police say Sanmugam used eHarmony.com, an online dating website, to meet women. He would then gain the trust of family members, they say, by impressing them with various business successes, though he had none. He offered great returns on investments if they gave him their money.

Investigators said they found two women who said they were engaged to the man.

Hartford said since news of Sanmugam’s alleged con went public through the media, additional complaints have been streaming forward.

“This is exactly what I was hoping for,” he said.

Hartford said the number of alleged victims and the amount of money allegedly defrauded from them is likely to double in the coming days.

A bail hearing scheduled for Tuesday may be postponed pending the new charges.

Sanmugam’s lawyer, Nadir Sachak, said he was still discussing the matter with his client.

The investigation began when a Vancouver woman complained she had been defrauded of her life savings. Since then, all alleged victims have been from the Greater Toronto Area, Hartford said.

Former IBM executive sentenced to 6 months

Extra-marital affair with hedge fund trader led Moffat into major insider trading probe

Toronto Star - Sep 13, 2010

NEW YORK — Robert Moffat, a former IBM Corp senior executive whose extra-marital affair with a trader ensnared him in the Galleon hedge fund insider trading probe, was sentenced Monday to six months imprisonment and a \$50,000 fine.

Moffat pleaded guilty in March to securities fraud and conspiracy in connection with tips he passed on about IBM's business dealings to Danielle Chiesi of New Castle hedge funds.

Manhattan federal court judge Deborah Batts, in imposing the sentence on Moffat, said he had committed "an outstanding breach of fiduciary duty" to IBM by tipping Chiesi.

Batts told a tearful Moffat, who was accompanied by his lawyers, wife, children and friends, that "white collar crime is just

as destructive to the social fabric as drugs and violence."

She also ordered him to serve two years of supervised release at the end of his prison term.

Moffat did not trade on information and did not make any money, his lawyers said.

Moffat's more than three-decade-long career at IBM was left in ruins after his arrest in October 2009 for what U.S. prosecutors said was a minor role in the purported scheme. He was once considered a candidate to become IBM's chief executive.

He had an affair with Chiesi and gave her tips in August and September 2008, according to court records. The information involved IBM's licensing of a deal involving Advanced Micro Devices Inc, details of IBM server sales and also earnings information about Lenovo Group Ltd while he was a nonvoting board member.

Chiesi has pleaded not guilty to charges related to insider trading and is scheduled to stand trial with Galleon founder Raj Rajaratnam in January.

Rajaratnam has also pleaded not guilty in a case U.S. prosecutors describe as the biggest probe of insider trading at hedge funds in the United States.

"I made terrible mistakes in judgment that will haunt me for the rest of my life," Moffat said in court on Monday.

The judge ordered him to begin serving his prison sentence on June 30, 2011.

Of the 21 defendants criminally or civilly charged following arrests on Oct. 16 and Nov. 5 2009, 12 have pleaded guilty, eight not guilty, and one is at large.

Goldman Sachs fined \$27M by U.K. regulator

Toronto Star - Sep 9, 2010

LONDON—Britain's financial regulator hit Goldman Sachs International with a 17.5 million pounds (\$27 million U.S.) fine on Thursday for failing to notify U.K. authorities about an investigation in the United States.

It was the second-largest fine ever imposed by the Financial Services Authority, eclipsed only by the 33.32 million-pound fine announced in June against J.P. Morgan Securities Ltd. for mishandling clients' funds.

The British agency's investigation began in April after the U.S. Securities and Exchange Commission filed civil fraud charges against Goldman Sachs for allegedly misleading buyers of complex mortgage-related investments in 2007. Goldman settled the charges in mid-July by agreeing to pay \$550

million — the largest penalty against a Wall Street firm in the SEC’s history.

“This penalty should send a message particularly to the senior management of large institutions of the need to have their firm’s U.K. reporting obligations at the forefront of their minds,” said Margaret Cole, the FSA’s managing director of enforcement and financial crime.

The mortgage securities at issue in the SEC case cost two European banks that bought them nearly \$1 billion while allegedly helping Goldman client Paulson & Co., a hedge fund, capitalize on the housing bust by betting on them to fail.

Goldman failed to tell the FSA that the SEC had issued a Wells Notice, formally notifying the company and London-based executive Fabrice Tourre that they were under investigation for allegedly orchestrating the mortgage-linked securities deal, the British agency said.

Tourre was promoted and moved to the company’s London office to become executive director of Goldman Sachs International in late 2008. He has denied any wrongdoing and has asked a federal court to throw out the SEC case.

The FSA granted Goldman a 30 per cent discount from the maximum fine because it co-operated fully and agreed to settle at an early stage.

“GSI did not set out to hide anything, but its defective systems and controls meant that the level and quality of its communications with the FSA fell far below what we expect of an authorized firm,” Cole said.

“The fact that senior business people at GSI in London knew about Mr. Tourre’s Wells Notice, but did not consider the obvious regulatory implications for GSI is very disappointing.”

The SEC charges were the most significant legal action related to the mortgage meltdown that plunged the United States into recession.

Goldman neither admitted nor denied legal wrongdoing in agreeing to the settlement with the SEC. However, it acknowledged that its marketing materials for the investment deal at the centre of the charges omitted key information for buyers.

Alleged Madoff Fraud Has Worldwide Exposure

Dec 15, 2008
AP Business Writers

The list of investors who say they were duped in one of Wall Street's biggest Ponzi schemes is growing, snaring some of the world's biggest

banking institutions and hedge funds, the super rich and the famous, pensioners and charities.

The alleged victims who sunk cash into veteran Wall Street money manager Bernard Madoff’s investment pool include real estate magnate Mortimer Zuckerman, the foundation of Nobel laureate Elie Wiesel, and a charity of movie director Steven Spielberg, according to The Wall Street Journal.

Among the world's biggest banking institutions, Britain's HSBC Holdings PLC, Royal Bank of Scotland Group PLC and Man Group PLC, Spain's Grupo Santander SA, France's BNP Paribas and Japan's Nomura Holdings all reported that they had fallen victim to Madoff's alleged \$50 billion Ponzi, or pyramid, scheme.

The 70-year-old Madoff (MAY-doff), well respected in the investment community after serving as chairman of the Nasdaq Stock Market, was arrested Thursday in what prosecutors say was a \$50 billion scheme to defraud investors. Some investors claim they've been wiped out, while others are still likely to come forward.

"There were a lot of very sophisticated people who were duped, and that happens a great deal when you've had somebody decide to be unscrupulous," said Harvey Pitt, a former chairman of the Securities and Exchange Commission, a regulatory agency in charge of monitoring investment funds like the one Madoff operated.

The extent of the potential damage prompted a leading fund manager in London to lash out at U.S. regulators for failing to detect the fraud earlier.

"I think now it is very difficult for people to invest in things that are meant to be regulated in America, because they haven't fallen down in the job," Nicola Horlick, the manager of Bramdean Alternatives, which has 9 percent of its funds invested in Madoff's scheme, told the British Broadcasting Corp.

"All through the credit crunch this has been apparent," Horlick added. "This is the biggest financial scandal, probably, in the history of the markets."

Among U.S. investors, the Boston-based Robert I. Lappin Charitable Foundation, a charity that financed trips for Jewish youth to Israel, let go of its staff after revealing that the money for its operations was invested with Madoff.

New Jersey Sen. Frank Lautenberg, one of the wealthiest members of the Senate, entrusted his family's charitable foundation to Madoff. Lautenberg's attorney, Michael Griffinger, said they weren't yet sure the extent of the foundation's losses, but that the bulk of its investments had been handled by Madoff.

Lautenberg's foundation handed out more than \$765,000 to at least 100 recipients in 2006, according to the most recent listing on Guidestar, which tracks charitable organization filings.

The foundation helps support a variety of religious, educational, civic and arts organizations in New Jersey and elsewhere, and its contributions range from a gift of more than \$300,000 to the United Jewish Communities of MetroWest New Jersey to a \$2,000 donation to a children's program at the Hackensack Medical Center.

Reports from Florida to Minnesota included profiles of ordinary investors who gave Madoff their money. Some had been friends with him for decades, others were able to invest because they were a friend of a friend. They told stories of losing everything from \$40,000 to an entire nest egg worth well over \$1 million.

They join a list of more powerful investors that have come forward, all worried about the extent of their losses. The roster of names includes former Philadelphia Eagles owner Norman Braman, New York Mets owner Fred Wilpon and J. Ezra Merkin, the chairman of GMAC Financial Services, among others.

The Wall Street Journal, citing a person familiar with the matter, said Mortimer Zuckerman, the chairman of real estate firm Boston Properties and owner of the New York Daily News and U.S. News & World Report, had significant exposure through a fund that invested substantially all of its assets with Madoff.

The Journal also said the Steven Spielberg charity, the Wunderkinder Foundation, in the past appears to have invested a significant portion of its assets with Madoff. It said the Elie Wiesel Foundation for Humanity, founded by the famed Holocaust survivor and writer, was hard hit by losses, citing two people familiar with the organization's investments.

Messages were left with the Zuckerman fund and Wunderkinder foundation. The Wiesel foundation said it was looking into the matter.

The Journal also reported potential investors and firms exposed to the alleged fraud included: Carl Shapiro, founder and former chairman of women's apparel company Kay Windsor Inc.; Bed Bath & Beyond Inc. co-founder Leonard

Feinstein; Yeshiva University; EIM Group; UBS AG; Fairfield Greenwich Advisors; Tremont Capital Management; Maxam Capital Management and Ascot Partners.

Among those overseas confirming exposure on Monday, Banco Santander, the largest bank in the euro zone by market capitalization, said its clients have 2.33 billion euros (\$3.07 billion) in exposure with Madoff, mostly through a fund called Optimal Strategic US Equity.

HSBC, Britain's largest bank, said a "small number" of its institutional clients had exposure totaling some \$1 billion in Madoff funds.

It added that it has custody clients who have invested with Madoff, but it did not believe those "custodial arrangements should be a source of exposure to the group."

Royal Bank of Scotland—Britain's second-largest bank, which is now 58 percent owned by the British government—said it could lose around 400 million euros pounds through exposure in trading and collateralized lending to funds of hedge funds invested with Bernard L. Madoff Investment Securities LLC.

Man Group, the world's largest publicly traded fund manager that reported exposure of around \$360 million on Monday, said "it appears that a systematic and comprehensive fraud may have been committed, evading a range of structural controls."

Japan's Nomura Holdings said it has 27.5 billion yen (\$306 million) in exposure, but added that any losses were likely to be limited compared to its capital base.

French banks foresee nearly 1 billion euros in potential losses as indirect victims of the alleged fraud.

Natixis, France's fourth-largest bank, set its maximum indirect exposure at about 450 million euros. A statement by the investment bank said it made no direct investments in hedge funds managed by Madoff. However, it said that some of its clients' money was invested in funds managed by "first class custodians," which in turn entrusted those securities to Madoff's investment securities company.

Both Societe Generale and Credit Agricole said they had "negligible" exposure of below 10 million euros each. However, the euro zone's largest bank, BNP Paribas, has estimated its risk exposure to hedge funds managed by Madoff at up to 350 million euros.

In a statement Sunday, BNP Paribas said it has no investment of its own in Madoff's hedge funds, but "does have risk exposure to these funds through its trading business and collateralized lending to funds of hedge funds."

Swiss bank Union Bancaire Privee indicated it had hundreds of millions of dollars in client assets invested under the management of Madoff. The Geneva bank, one of Switzerland's largest, did not disclose a total amount invested, but did say the exposure of its clients "represents less than 1 percent of the total assets under management of the bank."

UBP's announcement Monday followed weekend disclosures by Swiss banks Reichmuth & Co. of Lucerne, Benedict Hentsch of Geneva and Neue Privat Bank of Zurich that they had millions of dollars worth of client assets at risk in the case.

Unicredit, Italy's largest bank, said its exposure to Madoff's company is about 75 million euros, representing amounts the bank invested directly and not funds belonging to its clients, said spokesman Andrea Moreschi. Unicredit has a separate, indirect exposure through Pioneer Investment, its asset management division.

In Germany, Deutsche Bank AG, Dresdner Bank AG and Commerzbank AG declined to comment on the matter.

On Friday, representatives from major U.S. banks—Bank of America Corp., Citigroup Inc., PNC Financial Services Group Inc. and Merrill Lynch & Co.—declined to comment on whether they had exposure to Madoff's company. Both BlackRock Inc. and Goldman Sachs Group Inc. said they had no exposure.

Morgan Stanley, Wells Fargo & Co., Comerica Inc. and U.S. Bancorp did not return calls seeking comment.

French Trader Bet On A Massive Scale

The Associated Press - January 25, 2008

The rogue futures trader who cost French bank Société Générale 4.9 billion euros (\$7.14 billion U.S.) had been betting on a scale of tens of billions of euros, the bank said Friday.

France's No. 2 bank apologized to shareholders after announcing what appears to be the biggest trading fraud ever carried out by a single person.

The news Thursday rattled an already jittery banking sector at a time of global market uncertainty.

The scale of the alleged fraud grew clearer Friday, when a bank official said 31-year-old Jerome Kerviel's positions had reached "several tens of billions of euros" – a staggering sum for a bank whose market capitalization is 35.9 billion euros (\$52.6 billion U.S.). The official spoke on condition of anonymity.

In a baffling twist, the bank said Kerviel appears to have netted no personal gain.

The bank's CEO took out full-page newspaper advertisements Friday begging shareholders to accept his "apologies and deep regrets." "I understand your disappointment, your anger," Daniel Bouton wrote. "This situation is perfectly unacceptable."

Société Generale shares, which have lost nearly half their value over the past six months, were suspended on the Paris bourse Thursday morning. When trading resumed, the stock fell about 4 per cent amid analyst downgrades.

Undetected by the bank's multilayered security systems, Kerviel had for over a year been fraudulently using the company's funds to bet on European stock markets, Société Générale said.

The bank said it learned of the fraud last weekend. With markets in turmoil, Société Générale was forced to sell the contracts built up by the rogue trader just as stocks were plunging. It took three days to unload them.

President Nicolas Sarkozy said during a visit to India that the bank's problem "is an internal

fraud that had consequences on Société Générale's results but . . . has not affected the solidity and reliability of the French financial system."

Sarkozy said he plans to make proposals Tuesday at a dinner with other European leaders in London on the "moral improvement of financial capitalism."

With questions swirling over how a 4.9 billion-euro loss could have been the work of a single man, the governor of the Bank of France insisted Friday the sum had "nothing to do with the subprime crisis, with the difficulties of the financial market in general."

However, Christian Noyer said, "If there hadn't been a collapse in the markets early in the week, the size of the loss would have been much smaller."

Société Générale filed a legal complaint Thursday accusing the trader of fraudulent falsification of banking records, misuse of such records and computer fraud.

Elisabeth Meyer, Kerviel's lawyer, said he is "available for judicial authorities," without specifying where he is.

Many questions remain as to how and why Kerviel perpetrated what the bank described as fraud "exceptional in its size and nature."

It remains unclear whether he was acting out of malevolence, ambition or some other reason. Union officials representing Societe Generale employees said managers told them Kerviel had "family problems."

Employed by Societe General since 2000, Kerviel worked his way up from a supporting role in an office that monitors trades to a job on the more glamorous futures desk where he invested the bank's money by hedging on European equity market indexes, placing bets on how the markets would perform.

Thierry Mavic, mayor of the western French town of Pont-L'Abbe where Kerviel grew up, described him as "someone with his head on his shoulders, thoughtful, a young man with no issues."

Kerviel shocked and impressed executives with the complexity and scale of his trades. Using his knowledge of Societe Generale's control systems, gleaned in his former monitoring role, he escaped detection. Most of his positions went unnoticed by colleagues and superiors as Kerviel covered his tracks.

The trader was compared to Nick Leeson, who in 1995 bankrupted British bank Barings. Barings collapsed after more than 230 years in business when Leeson, its Singapore manager of futures trading, lost 860 million pounds – then worth \$1.38 billion (U.S.) – on Asian futures markets, wiping out the bank's cash reserves.

Though Société Générale's loss is greater than Barings', Bouton insisted that the bank is still sound.

The company expects to report a net profit of 600 million to 800 million euros for 2007 even after the fraud and another 2.05 billion euros lost in the subprime mortgage crisis.

Founded in 1864, Société Générale is active in 77 countries and employs 120,000 people.

Sec Says Canadian Involved In Fraud Scheme

The Globe & Mail - January 5, 2008

U.S. Securities and Exchange Commission has filed a complaint against James Jeffery of Belleville, Ont., alleging he is part of a scheme to fraudulently raise \$30-million (U.S.) from investors. The SEC alleges Mr. Jeffery and Thomas Repke, who lives in Utah, were involved in running several investment funds named Coadum and Mansell, which promised principal protection and large monthly returns.

The SEC alleges funds were transferred to offshore investments that have yet to provide any return, while related companies have also borrowed more than \$3-million. An additional \$5-million has been disbursed to apparently related parties, the SEC said. The civil complaint, filed Thursday in district court in Atlanta, seeks restraining orders and injunctions, an interim asset freeze, disgorgement of funds and civil penalties.