

Convicted Ponzi schemer Madoff accuses US government of stonewalling on bank prosecutions

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Bernard Madoff, who admitted in 2009 to running a multibillion-dollar Ponzi scheme, told media outlets this week that the government-appointed trustee for his firm's investors is refusing to act on evidence showing the complicity of major banks in his activities.

"Although I have offered the bankruptcy trustee the information that I possessed that would demonstrate in detail the complicit behavior of banks like JPMorgan, Bank of NY, HSBC, Citicorp and other, the trustee seems unwilling to act on my offer," Madoff said in an email to Fox Business and MarketWatch.

"Therefore, I am offering this information to the appropriate governmental committees in the hope that this information will prove helpful in future regulation of the appropriate institutions," he added.

Madoff pleaded guilty in March 2009 to 11 felonies, for which he was sentenced to 150 years in jail. From the late 1980s or early 1990s, Madoff turned his investment firm into the largest Ponzi scheme in history. When the fraud collapsed in December 2008, it wiped out \$61 billion in investments.

Madoff's charge of government stonewalling in relation to Wall Street criminality is merely the latest in a series of episodes exposing the Obama administration's refusal to prosecute the big banks or their top executives. It comes only two weeks after the Senate Permanent Subcommittee on Investigations issued a 300-page report documenting fraudulent activities by JPMorgan Chase and its CEO, Jamie Dimon, related to the bank's \$6.2 billion trading loss in 2012, and the collusion of the bank's chief federal regulator, the Office of the Comptroller of the Currency.

JPMorgan is the largest US bank and the biggest dealer in derivatives in the world.

The Madoff charge also follows Senate testimony earlier this month in which Attorney General Eric Holder

acknowledged that the Obama administration considers major US banks to be too big and powerful to prosecute. "The size of some of these institutions becomes so large that it does become difficult for us to prosecute them," Holder said, in effect admitting that the government deems Wall Street and the financial oligarchy to be above the law.

In December of 2010, Irving H. Picard, the trustee for the investors who were defrauded by Madoff, filed a lawsuit against JPMorgan Chase, alleging that the bank knew that Madoff's transactions were fraudulent but continued doing business with him.

The trustee's office and its parent organization, the Securities Investor Protection Corporation (SIPC), responded to Madoff's claims by attacking his credibility. "As the perpetrator of the largest Ponzi scheme in history, Madoff's credibility is highly suspect and has no substantive value," said Amanda Remus, spokeswoman for the trustee, in an email.

"Frankly, it is my view that Madoff has not been helpful in this regard or in any regard in this case," said Stephen P. Harbeck, president and chief executive officer of the SIPC in a telephone interview with this reporter on Thursday.

The trustee's lawsuit alleges that JPMorgan made \$1 billion in fees and profits from its role as Madoff's main banker. The trustee is seeking to recover \$5.4 billion in damages.

When the trustee's suit was filed, attorney David J. Sheehan noted that JPMorgan "was BLMIS' [Bernard L. Madoff Investment Securities'] primary banker for more than 20 years and was responsible for knowing the business of its customers—in this case, a very large customer."

He added, "Madoff would not have been able to commit

this massive Ponzi scheme without this bank. [JPMorgan] should pay the price for its central role in enabling Madoff's fraud."

Cited in the lawsuit was an internal JPMorgan email sent over a year before Madoff's arrest in which an employee said an executive "just told me that there is a well known cloud over the head of Madoff and that his returns are speculated to be part of a Ponzi scheme."

For over a decade, Madoff ran his Ponzi scheme out of a bank account at JPMorgan. Instead of making trades with the money he received from investors, Madoff simply deposited the funds in an account at the bank, from which he paid dividends.

The bank account in which Madoff held investors' funds nearly hit zero several times in 2008, a fact that JPMorgan could not have failed to notice, considering that the account had previously held billions.

The same day that FOX Business reported being contacted by Madoff, the *New York Times* ran an article noting that federal prosecutors are investigating JPMorgan in connection with its dealings with Madoff. The *Times* article noted that JPMorgan is currently under investigation by at least eight government agencies, including the Federal Deposit Insurance Corporation, the Commodity Futures Trading Commission and the Securities and Exchange Commission, as well as federal prosecutors and the FBI. The crimes under investigation include mortgage fraud, manipulation of the London Interbank Offered Rate (Libor), and money laundering.

The Senate Permanent Subcommittee on Investigations report released March 14 concluded that JPMorgan's derivatives losses, incurred by the bank's London-based Chief Investment Office and a trader dubbed the "London whale," were concealed from regulators and the public by the bank's top management, including CEO Dimon. Withholding information from government regulators and misinforming investors are criminal acts in violation of federal securities laws.

The Senate report also documented the collusion of federal regulators, particularly the Office of the Comptroller of the Currency, in allowing JPMorgan to withhold information and deceive investors and the public.

"Jamie and other executives feel terrible that the bank's self-inflicted mistakes have put regulators in an awkward position," Joe Evangelisti, a JPMorgan spokesman, told the *New York Times* this week. The "awkward position" to which Evangelisti refers is having the regulatory agencies' corrupt relations with JPMorgan and other

major banks exposed to the public.

All of the government lawsuits and investigations into the big banks' activities have been exercises in damage control and cover-up. They have either been dropped or concluded with cash settlements allowing the banks to escape without admitting any wrongdoing. This amounts to a wink and a nod from the government to the Wall Street mafia, assuring the financiers that they can continue their daily fraud and swindling without fear of serious retribution. The banks treat the fines as part of the cost of doing business.

To this day, not a single high-level executive at a US bank has been prosecuted, let alone jailed, as a result of the 2008 financial crisis. To put this in perspective, over 1,000 bankers went to jail in the aftermath of the savings and loan crisis of the late 1980s. Nearly a third of these were top executives.

Despite the mountain of evidence that JPMorgan's top executives, including CEO Dimon, are guilty of fraud, no prominent politicians in Washington have called for their indictment. Following the release of its report on JPMorgan, the Senate Permanent Subcommittee on Investigations did not even call Dimon to testify at a hearing it held on the scandal.

Only days after news broke of the bank's multibillion-dollar trading loss last year, President Obama offered a personal testimonial on behalf of Dimon and JPMorgan. He declared, "JPMorgan is one of the best-managed banks there is. Jamie Dimon, the head of it, is one of the smartest bankers we got."

JPMorgan is not an exception; it is the rule on Wall Street and in banking capitals around the world.

The US government's defense of the banking oligarchy exposes the fiction that the government—from the White House to the courts, Congress and the regulatory agencies—is in any way independent of Wall Street. The government is completely dominated by the banks and dedicated to serving their interests.



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