

Conflicts multiply in Madoff probe

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WASHINGTON — The fraud investigation of Wall Street money manager Bernard L. Madoff took unusual twists Wednesday as the U.S. attorney general removed himself from the criminal probe and the Securities and Exchange Commission looked into the relationship between Madoff's niece and a former SEC attorney who reviewed Madoff's business.

The developments reflect growing criticism that Wall Street and regulators in Washington have grown too close. Madoff himself has boasted of his ties to the SEC. The question of Madoff's connection to regulators goes to the heart of the investigation of the alleged \$50 billion fraud, SEC Chairman Christopher Cox told reporters.

On Thursday, President-elect Barack Obama is expected to name his choice to replace Cox as head of the embattled commission: former SEC member Mary Schapiro, Democratic officials said Wednesday.

Congress jumped into the Madoff scandal, too. The chairman of the House capital markets subcommittee, Rep. Paul Kanjorski, D-Pa., announced an inquiry that will begin early next month into what may be the biggest Ponzi scheme of all time and how the government failed to detect it.

In New York, Madoff showed up at the federal courthouse to sign some papers in his case, wearing a baseball cap and walking silently past a reporter who asked Madoff whether he had anything to say to his alleged victims. Free on \$10 million bail, Madoff now has a curfew and an ankle-bracelet to monitor his movements.

U.S. Attorney General Michael Mukasey recused himself from the Madoff probe because his son, Marc Mukasey, is representing Frank DiPascali, a top financial officer at Madoff's investment firm.

Massachusetts Secretary of State William Galvin's office said he subpoenaed Madoff's brother, Peter Madoff, who is the chief compliance officer of Madoff's company, and Marcia Beth Cohn, chief compliance officer of Cohmad Securities Corp. Galvin is trying to determine the relationship between Madoff's firm and Cohmad Securities, as well as the names and numbers of all Massachusetts investors with both companies.



AP PHOTO

Bernard Madoff, chairman of Madoff Investment Securities, returns to his Manhattan apartment after making a court appearance Wednesday in New York.

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