

Galvin subpoenas Madoff

Secretary of State moves against Wall Street titan accused of \$50 billion Ponzi scheme



William Galvin

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BOSTON – Secretary of State William Galvin has issued subpoenas to disgraced money manager Bernie Madoff's investment firm and a separate company that marketed Madoff's services to learn the full impact of Madoff's alleged Ponzi scheme on Massachusetts investors.

Meanwhile, the Securities and Exchange Commission has launched an internal investigation into the agency's possible mishandling of complaints about Madoff's investment practices.

Madoff, a well-respected Wall Street wizard, was accused by federal authorities last week of orchestrating a Ponzi scheme that could have drained as much as \$50 billion from investors that included some of the world's biggest banks.

Several investors and philanthropic organizations in Massachusetts are among those who were harmed in the alleged scam. One of the investors – the Robert I. Lappin Charitable Foundation, an organization in Salem that funded Jewish educational programs – abruptly closed and laid off its seven-person staff after

Madoff's assets were frozen as part of the court case.

Galvin issued subpoenas on Monday to Bernard L. Madoff Investment Securities in New York and Cohmad Securities Corp., which marketed Madoff's firm to investors.

Galvin is asking for the names of all investors with personal or business addresses in Massachusetts who in-

vested money with Cohmad or Bernard L. Madoff Investment Securities. Galvin also wants a detailed description of Cohmad's relationship with Madoff's firm, including all compensation related to that relationship, and the names of all accountants who audited Madoff's financial statements.

Madoff was arrested on fraud charges last Thursday. A criminal complaint says that for years Madoff paid returns to investors out of money he got from newer clients. That's the way a traditional Ponzi scheme, or pyramid scheme, works – but some experts say this could be the biggest Ponzi scheme in history.

Securities and Exchange Commission Chairman Christopher Cox issued a statement on Tuesday night saying that allegations of Madoff's financial wrongdoing date back to at least 1999 and were repeatedly brought to the attention of the SEC's staff. Cox said he is "gravely concerned" by the failure of SEC staffers to investigate the complaints, and has ordered an internal investigation into the SEC's handling of the complaints.

Of particular concern to Cox is the fact the SEC previously didn't use its subpoena power to investigate Madoff and instead relied on information provided voluntarily by Madoff and his firm.

dled by Madoff are, like him, Jewish, and for many of them, contributing to Jewish causes is a crucial part of their culture. The effect of their losses on the Jewish philanthropic world is being seen as nothing less than catastrophic.

"It's the biggest scandal in philanthropic life in, well, as long as anyone can remember," said Gary Tobin, a leading expert on Jewish philanthropy. "We don't know yet how big it is. There are foundations that have lost major assets, donors that have lost their ability to give, and organizations whose investments have disappeared."

The names of organizations and individuals allegedly affected include: a charity of director Steven Spielberg, a trust tied to real estate magnate and New York Daily News owner Mortimer Zuckerman, Spielberg's Dreamworks partner Jeffrey Katzenberg, and the foundation of Nobel laureate Elie Wiesel. Many family foundations up and down the East Coast have been devastated — among them the Shapiro Family Foundation in Boston, which is said to have lost \$145 million.

Some of the major and local investors involved

- Fairfield Greenwich Group, \$7.5 billion
- Grupo Santander SA, \$3.2 billion
- Rye Investment Management (part of Massachusetts Mutual Life Insurance Co.), \$3.1 billion.
- Bank Medici, \$2.1 billion
- Fortis Bank Nederland, \$1.35 billion
- HSBC Holdings PLC, \$1 billion
- Royal Bank of Scotland Group PLC, owner of Citizens Bank, \$612 million
- Tremont Capital Management (also part of Mass Mutual), \$200 million
- Fairfield (Conn.) Town Employees Board and Police and Fire Board, \$41.9 million
- Robert I. Lappin Charitable Foundation, a Massachusetts-based Jewish education foundation, \$8 million