

31 MAYO  
1 JUNIO

HOTEL HILTON  
CARTAGENA

18°

CONGRESO PANAMERICANO  
DE RIESGO DE LAVADO DE ACTIVOS  
Y FINANCIACIÓN DEL TERRORISMO

Visión multidimensional  
del crimen organizado

# Timeless Lessons from the Madoff Scandal

By  
Diana B. Henriques

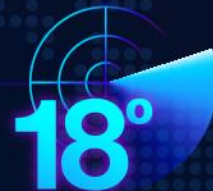
# The Biggest Ponzi Scheme in History:

*Lost “Paper Wealth”*

**\$65,000,000,000**

*Out-of-Pocket Cash*

**\$17,800,000**



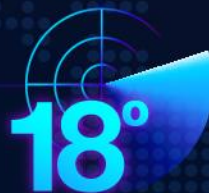
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# *A Long-Running Fraud*

Since **1992**, says Madoff

Since **1978**, says an accomplice

Most likely: **At least 20 years!**



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# The 1st Global Ponzi Scheme

**“Palm Beach to the Persian  
Gulf”**

**South Korea to St. Croix  
Major institutions in Europe,  
the US, Latin America and  
South Asia**



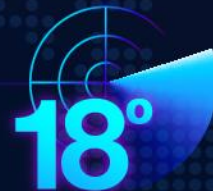
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# ***A SIMPLE CRIME***

**A Trusted  
Liar**



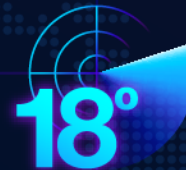
**A Bank  
Account**



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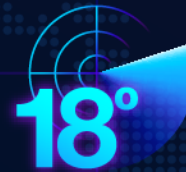
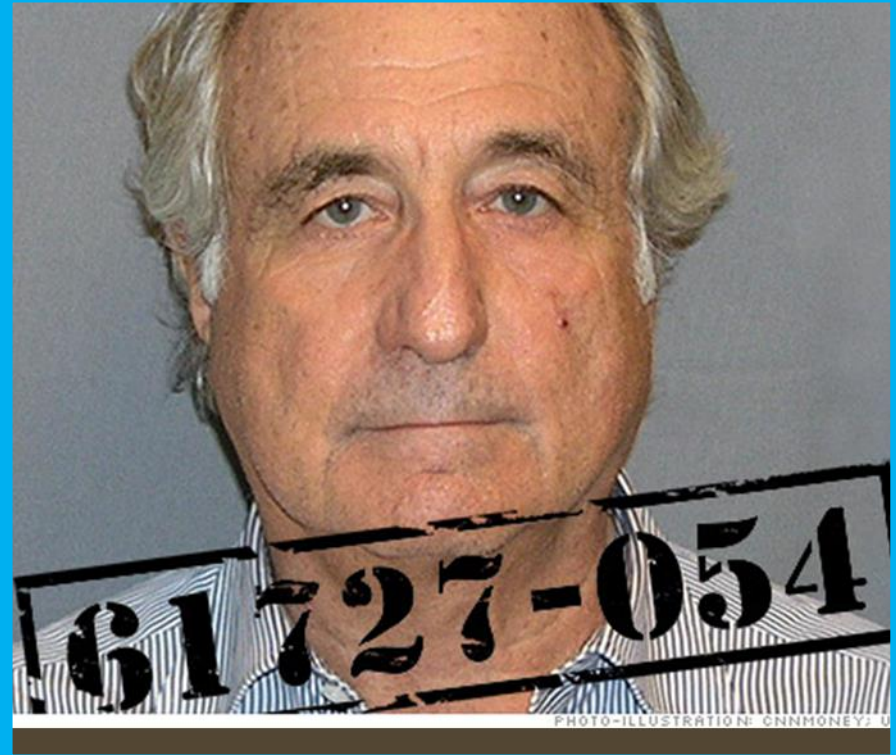
# Outline and Objectives

- ★ **Inside the Madoff Story**
- ★ **How Did Human Nature Help Him?**
- ★ **Who Were His Unwitting Helpers?**
- ★ **What Could Have Stopped Him?**



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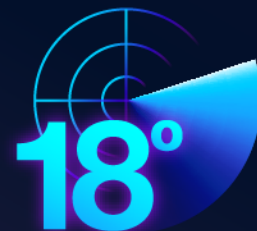
# Who Was Bernie Madoff and What Did He Do?



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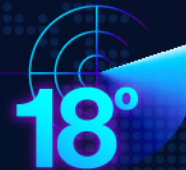
**Charles Ponzi, 1920**



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# Pre-Ponzi “Discretion Scams”

*Victims let a con man use his  
“discretion” to produce profits.*



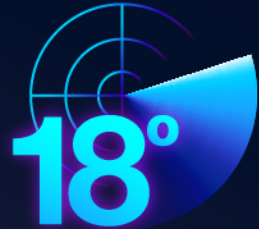
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# Essence of A Ponzi Scheme

**“Robbing Peter to Pay Paul”**



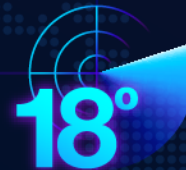
***Cash from today's investors  
is used to pay profits  
to yesterday's investors.***



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# Ponzi's Innovation:

***A complex explanation  
for his fake profits.***



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# The Mind of Madoff

**He always found it easier to live with himself as a **liar** than to live with himself as a **failure**.**

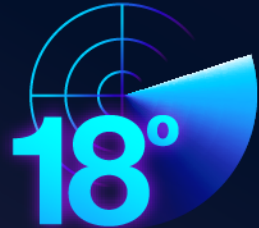


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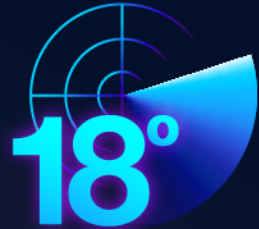
# **A One-Man OTC Stock Trading Firm**

**Bernie Madoff, c. 1960**



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# May 1962: A Market Crisis, A Moral Test for Madoff



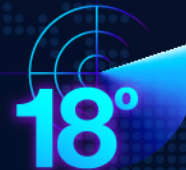
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# When Did The Fraud Start?

Madoff's Answer: **1992**

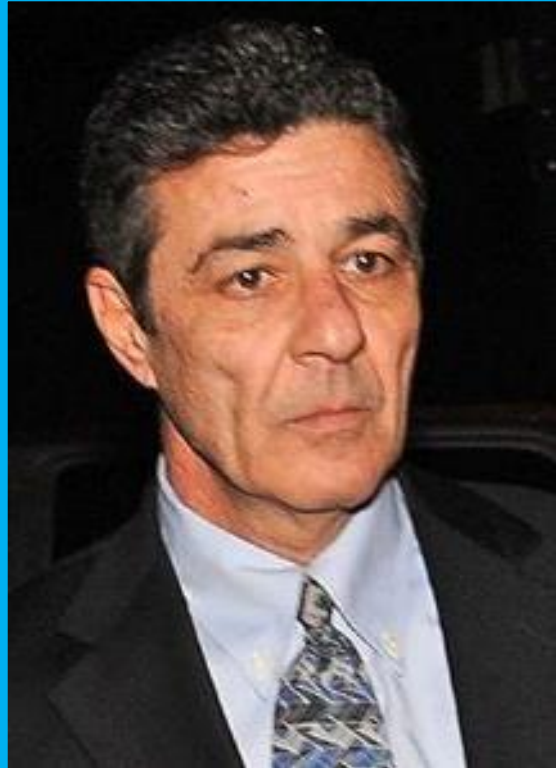
An Accomplice Says: **1978**

Most Likely: **mid-1980s**

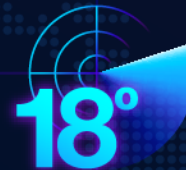


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# Decades of Camouflage



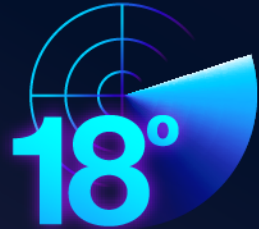
**Frank DiPascali,  
Madoff's  
Stage Manager**



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# Frank's Software Created:

- ★ Fake 'Real-Time' Trades
- ★ Fake DTC Account
- ★ Fake Client Statements



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212 825-3910  
800 221-2242

TWX 710-581-3082  
TELEX 235130

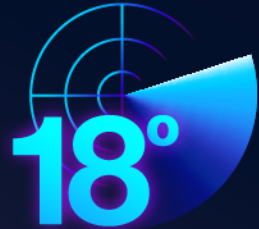
BERNARD L. MADOFF

BERNARD L. MADOFF  
INVESTMENT SECURITIES  
110 WALL STREET, NEW YORK

NAT



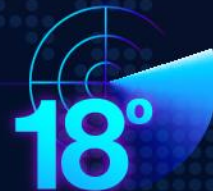
# ...Even Fake Back-Dated Documents



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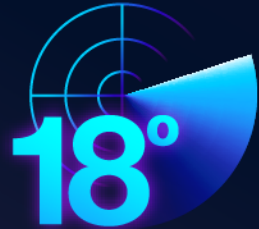
# To Fool a CPA:

1. A Hot Stack of Paper
2. An Office Refrigerator
3. A Fake Trade Ledger



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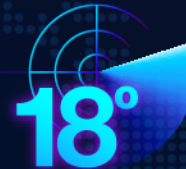
# **The Madoff Lesson About Ponzi Schemes: Most of What We Think We Know Is **Wrong!****



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# **Ponzi Stereotype:** **“Life of the Party”**

**Bernie Madoff:**  
**Quiet and Reserved**



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**Ponzi Stereotype:**  
**Always Seeking Fresh Cash**

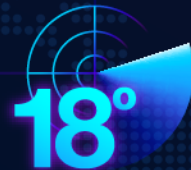
**Bernie Madoff:**  
**Turned Clients Away**



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**Ponzi Stereotype: “I’m the  
Smartest in the Room”**

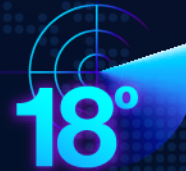
**Bernie Madoff:  
YOU are the  
Smartest in the Room**



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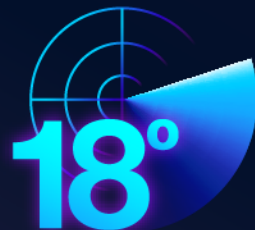
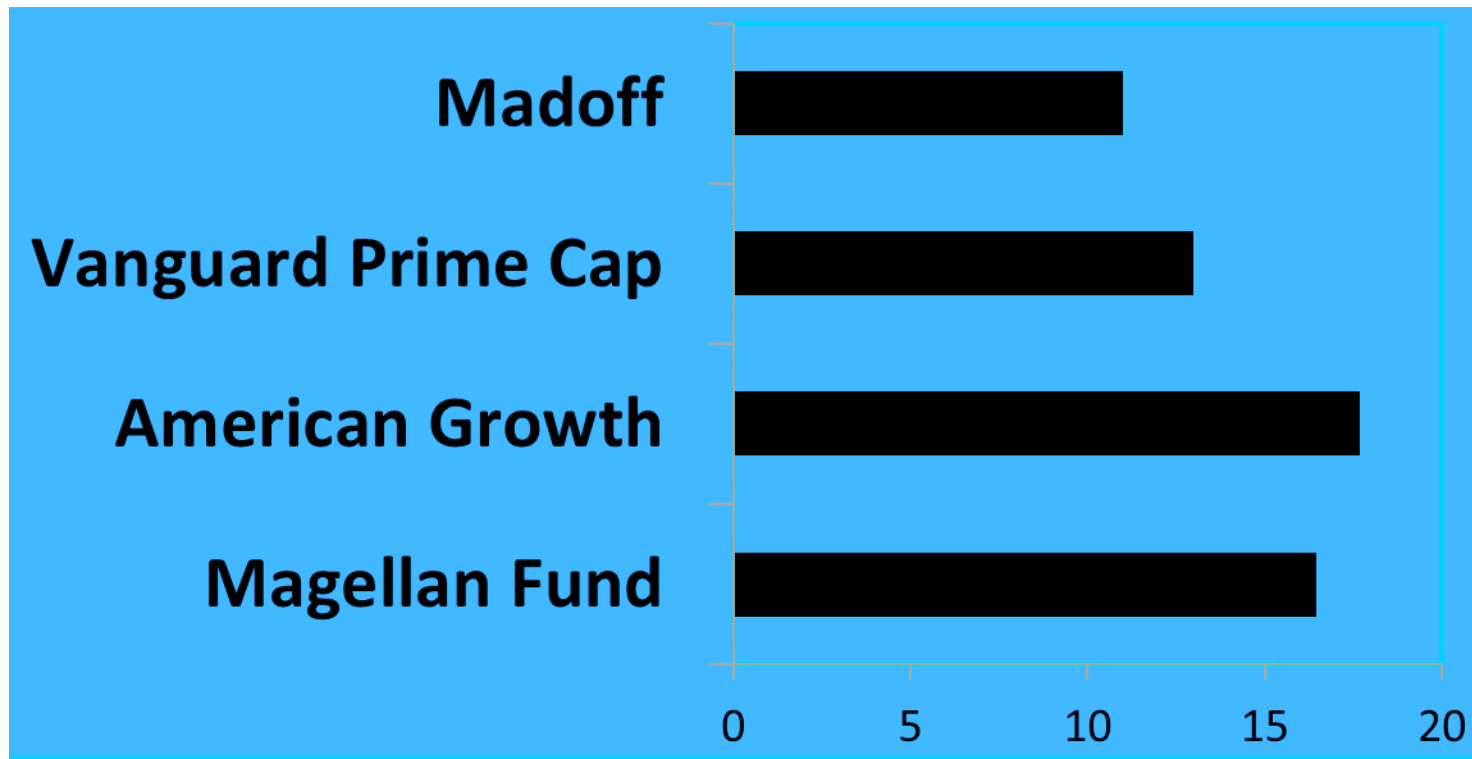
**Ponzi Stereotype: Sounds  
Too Good To Be True!**

**Bernie Madoff: Steady,  
But NOT Sky-High Profits**



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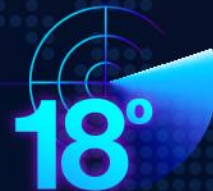
# ***Which Is The Ponzi Scheme?***



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**“If it sounds too good  
to be true,  
you’re dealing  
with an amateur.”**

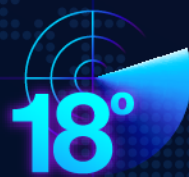
-- Fraud Analyst Pat Huddleston



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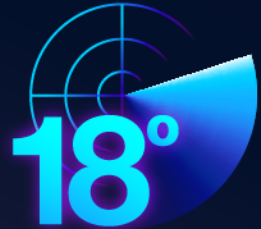
# His Essential Talent:

# Winning and Keeping Your Trust!



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# **Human Nature and Bernie Madoff**

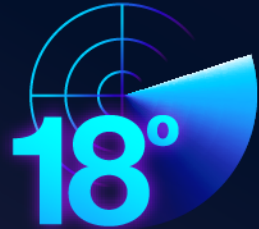


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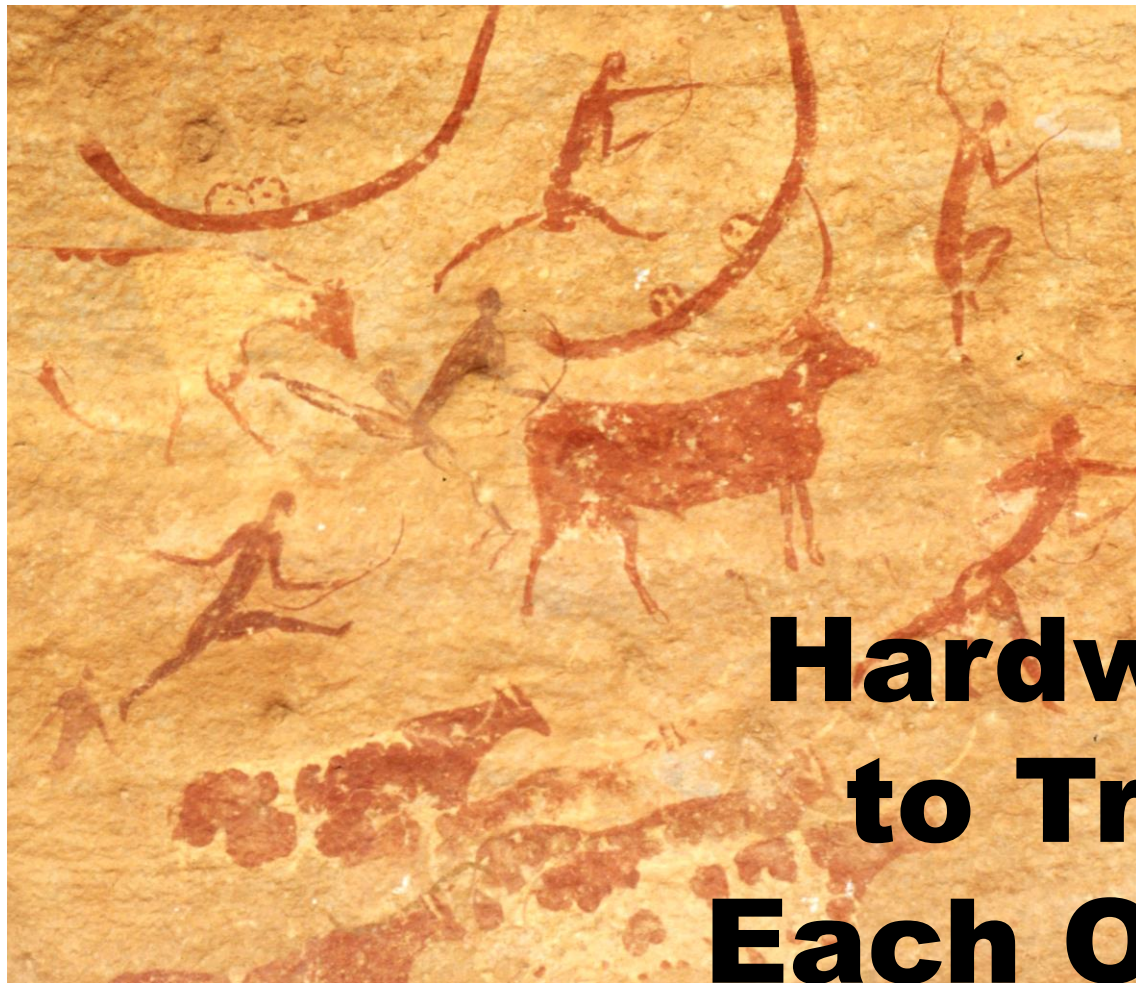
**All Con Men Are Liars.**

**Not All Liars Are  
Con Men!**

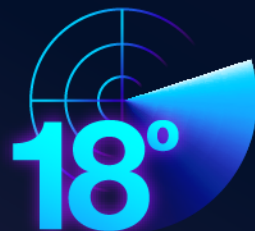
**Con Men Lie Without  
Getting Caught!**



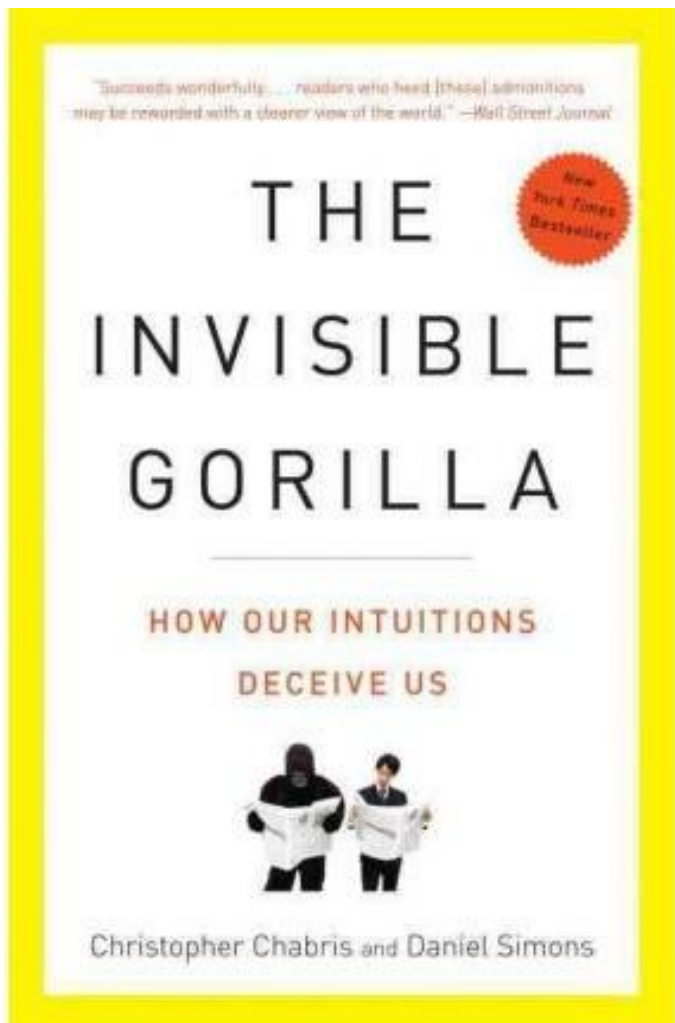
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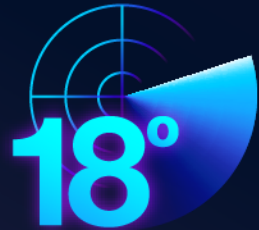
# Hardwired to Trust Each Other?



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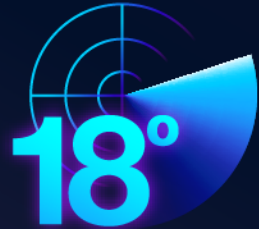


We Can't  
Trust Our Gut  
To Warn Us  
a Trusted  
Advisor  
Is Actually  
a Con Man.



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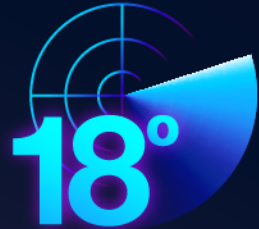
# Putting “Wizards” on a Pedastal?



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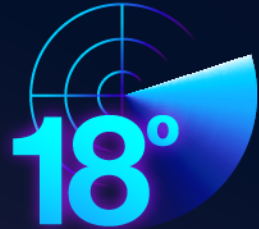
# **The Madoff Lesson About Human Nature:**

**Our Systems Must  
Protect Us  
from Ourselves!**



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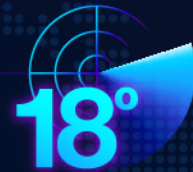
# **Who Are Madoff's Unwitting Accomplices?**



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# Regulators:

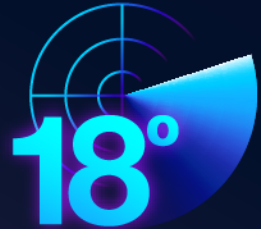
- \* Faulty View of Ponzi Schemes**
- \* Failed to Verify Assets**
- \* Still Don't Require 3rd-Party Custody!**



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# Bankers:

**Every Single  
Ponzi Schemer  
Had a Bank  
Account!**



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# **A U.S. Scourge of Ponzi Schemes**

**329 in 2002-11**

**79 in 2012**

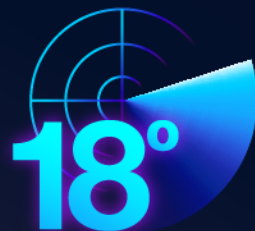
**67 in 2013**

**70 in 2014**

**61 in 2015**

**59 in 2016**

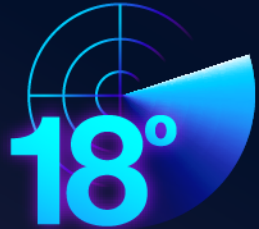
Data from: [PonziTracker.com](http://PonziTracker.com)



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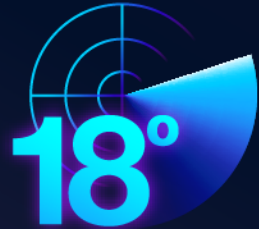
**On Average,  
A Fresh  
Ponzi Scheme  
Will Surface  
Every FIVE Days!**

Data from: [PonziTracker.com](https://ponzitracker.com)



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**Right Now,  
An estimated 65  
Ponzi Schemers Are  
Valued Bank  
Customers  
Somewhere.**



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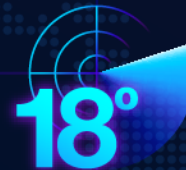
# ***Madoff-Levy Transactions***

**1998 - \$10 Billion**

**1999 - \$15 Billion**

**2000 - \$23 Billion**

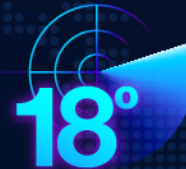
**2001 - \$35 Billion**



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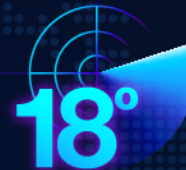
# **DFJ Italia, A Los Angeles Ponzi Scheme: Duffle Bags of Cash Toted Out of The Bank.**



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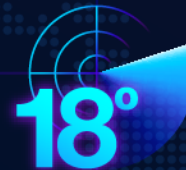
**1999: Cosmo jailed  
21 months for fraud.**

**2003: Cosmo sets up  
Agape accounts  
at Bank of America.**



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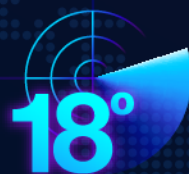
**2009: Cosmo is jailed  
again for running a  
\$413 million  
Ponzi scheme.**



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# **The Madoff Lessons On Blowing the Whistle**

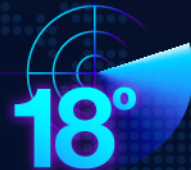
**Some people **trusted** Madoff  
and invested with him.**



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# **The Madoff Lessons On Blowing the Whistle**

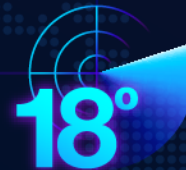
**Some **didn't trust** him  
but invested with  
him anyway.**



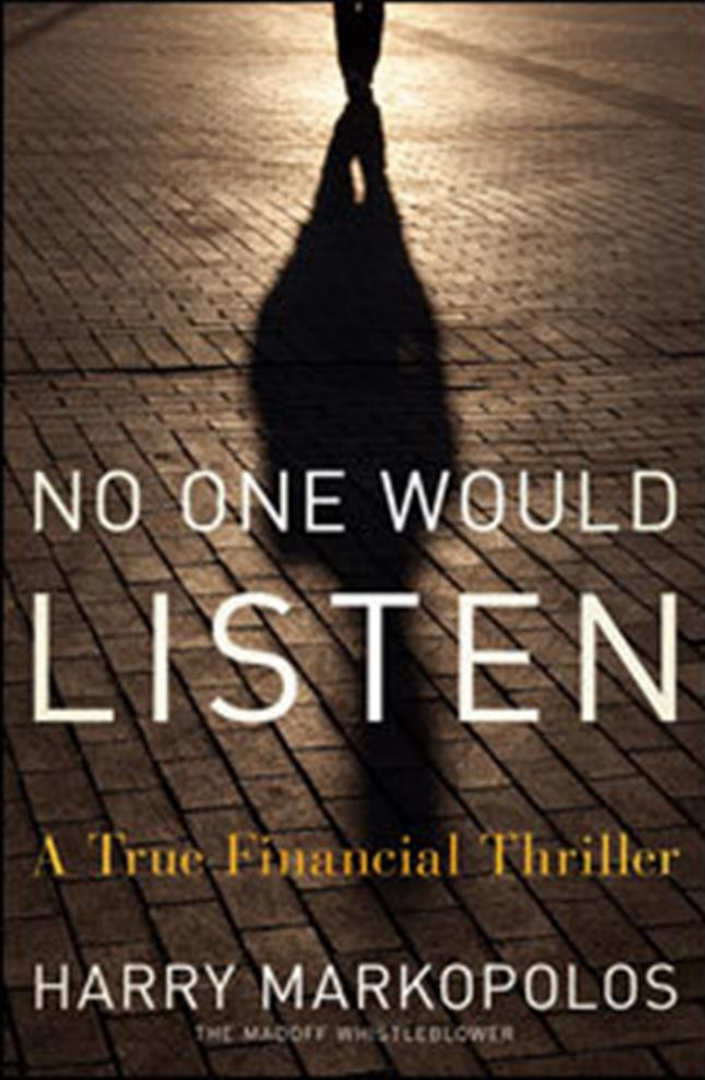
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# **The Madoff Lessons On Blowing the Whistle**

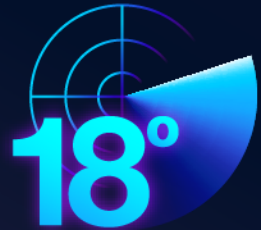
**Some **didn't trust** him or  
invest with him, but **didn't  
report him.****



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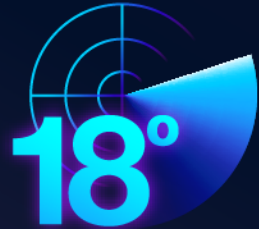
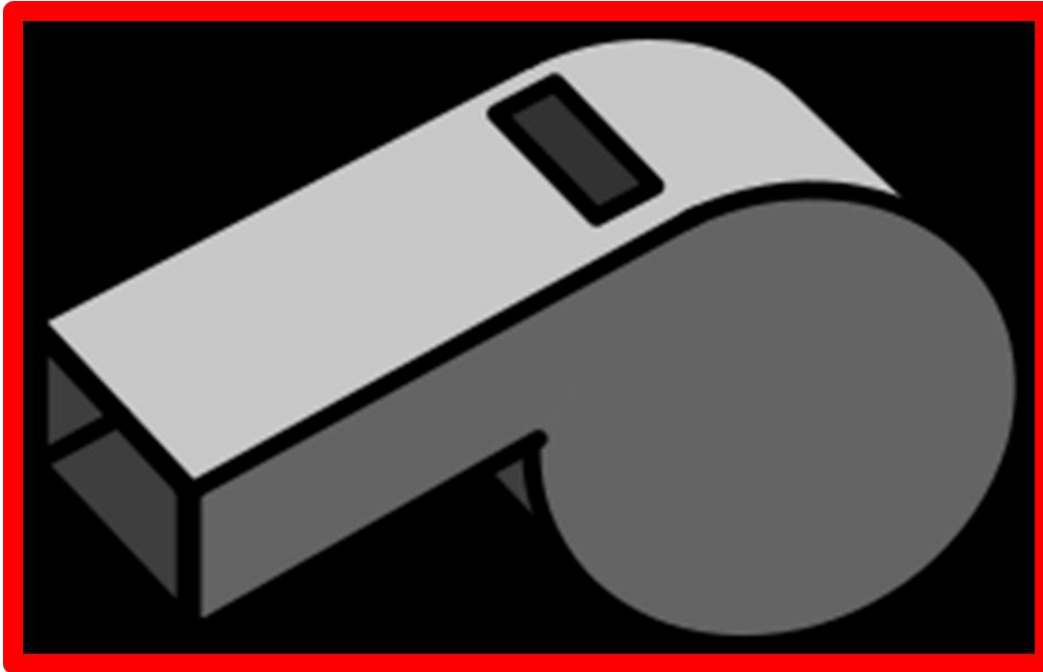


**He Tried  
To Blow  
the Whistle.  
The SEC  
Ignored Him.  
Repeatedly.**



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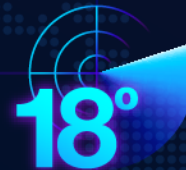
# Wall Street's Whistleblower Problem



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Y FINANCIACIÓN DEL TERRORISMO

**Before the NEXT Bernie Madoff  
Hits:**

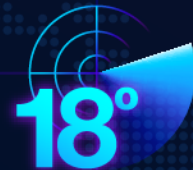
**We CAN Get Better  
at Spotting  
Ponzi Schemes.**



CONGRESO PANAMERICANO  
DE RIESGO DE LAVADO DE ACTIVOS  
Y FINANCIACIÓN DEL TERRORISMO

**Before the NEXT Bernie Madoff  
Hits:**

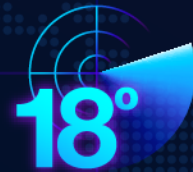
**We CAN Build Compliance  
Systems for Real-World  
Human Beings.**



CONGRESO PANAMERICANO  
DE RIESGO DE LAVADO DE ACTIVOS  
Y FINANCIACIÓN DEL TERRORISMO

**Before the NEXT Bernie Madoff Hits:**

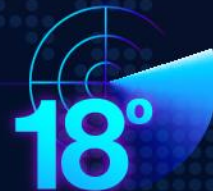
**We CAN run and regulate banking systems that block Ponzi Schemers.**



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Y FINANCIACIÓN DEL TERRORISMO

**“In a world of lies, the most dangerous ones are those we tell ourselves.”**

Diana B. Henriques in “The Wizard of Lies”



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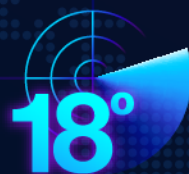
# Questions or Comments?

**Email via My Website:**

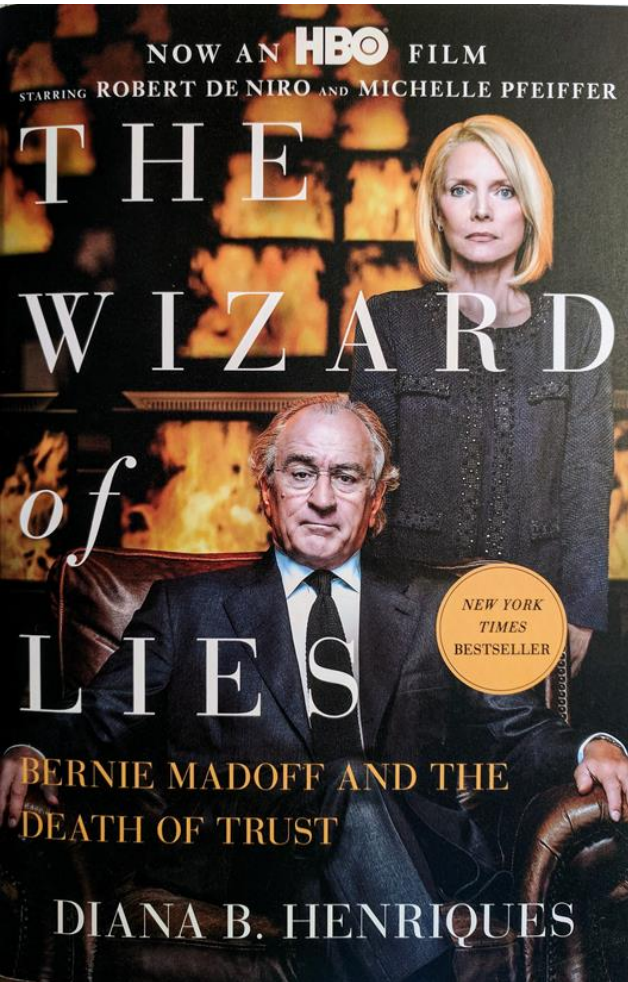
**[www.DianaBHenriques.com](http://www.DianaBHenriques.com)**

**Or via Twitter: @dianabhenriques**

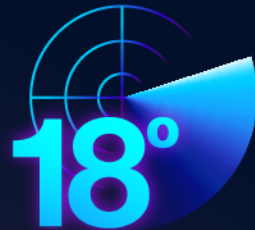
**Or on LinkedIn!**



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*Thank  
You!*



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