THE BLOG

Madoff: More Money Laundering than Ponzi

Madoff is more than just a sociopath. Too much of this story doesn't hang together and he was too functional in other aspects of his existence.

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Bernie, the man who MadeOff with Billions, will never get out of jail because his sentence ends in 2159, when he would be 221 years of age. This severity is as it should be.

victims commit suicide, lose their health, have their lives destroyed, become unable to support dependents, suffer family breakdown or are put under unjust strain. Victims, which are charities or foundations, are bankrupted or damaged.

But Madoff is more than just a sociopath. Too much of this story doesn't hang together and he was too functional in other aspects of his existence.

The Real Deal

That's why I think this may be more about money laundering and tax evasion than about fraud. Most don't realize that he pleaded guilty to money laundering too.

If so, then some Madoff "victims" may be perpetrators.

Here's my thinking:

It is bothersome that investigators have been unable to find records of any trading for years. If there had been trading, and massive losses, then it would be arguable that he started off legit then got into trouble and was forced to begin his Ponzi.

But the fictitious nature of this long-term scam may mean it was money laundering combined with a Ponzi.

Here's how money laundering would have worked: Unsavory people, from drug cartels to gangsters or greedy tax evaders, are forced to keep their ill-gotten gains hidden from police or tax authorities in dirty money havens. In order to get out their money, so they can spend it, they hire people like Mr. Madoff to "clean" their cash.

are transferred to Madoff so he can pay the crooks in a taxable jurisdiction.

In other words, the crooks pretend to give him millions to invest. He pretends to invest it. And he collects big fees for transferred to them 10% every year of their hidden capital.

Laundering money is not for the faint of heart, by the way. These people are often very dangerous and may explain why some of Madoff's biggest feeder-intermediaries are known to police and another one actually disappeared from Vienna immediately after the gig was up.

This speculation is not to say that there aren't thousands of legitimate victims such as Holocaust survivor Elie Wiesel and many worthwhile charities.

So Here's My Theory:

Word of Mr. Madoff's 10 percent returns spread like wildfire, and everyone wanted to be an investor. A few years back an acquaintance of mine in New York City, plus others she knows, approached him but were refused by Madoff himself.

"Trust me, you don't want to be part of this," he reportedly said.

Unfortunately, this is now an open and shut-tight case. The truth shall never come out because my bet is that Mr. Madoff will take it to the grave. Or has been told, by some investors, he has to.

Diane Francis

http://network.nationalpost.com/np/blogs/francis/default.aspx/blogs at Financial Post and has written three books on white collar crime.

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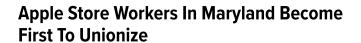
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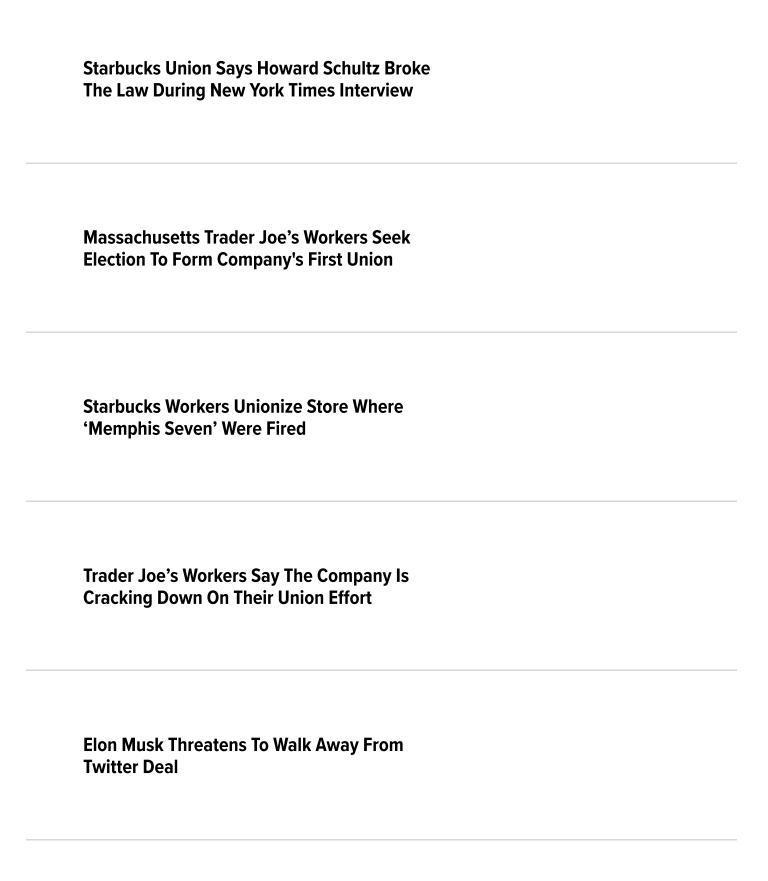
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