



## Madoff falsified books to hide losses, investigators say

NEW YORK (AP) — Investors poring over Bernard Madoff's books have discovered the money manager falsified documents to hide massive losses to investors in a fraud case that could take months to unravel, an official helping to oversee the firm's liquidation said.

Stephen Harbeck, chief executive of nonprofit group Securities Investor Protection Corporation, told The Associated Press that there are different sets of books that investigators are sorting through.

**'MULTIPLE FAILURES':** SEC staff failed to probe Madoff

One set keeps track of the losses at Bernard L. Madoff Investment Securities' investment advisory arm, while the other is what investors were shown.

"It is obvious that the documents that customers see don't reflect the reality of what the brokerage firm had," said Harbeck, whose organization is helping oversee the liquidation. "We've only scratched the surface."

Madoff, 70, was arrested last Thursday in what the Securities and Exchange Commission is calling one of the biggest Ponzi schemes on record. Investors of all sizes — from major banks to small charities — may record losses of more than \$50 billion.

A federal judge has ordered Madoff's investment business to be liquidated under a court-appointed trustee, who is in the process of mailing out paperwork to customers to assess how much assets were given to Madoff.

SIPC, which was created by Congress and funded by the securities industry, can give customers up to \$500,000 if it is determined their money was stolen. Harbeck said SIPC will sort through the claims, with some investors losing into "the hundreds of millions of dollars," and begin making settlements.

It is not known how many customers Madoff's firm had. SIPC has about \$1.6 billion to make payouts, which means that amount could quickly be depleted.

Harbeck, who has been with SIPC for 33 years, said this will most likely become the biggest fraud case that SIPC has handled. He's fielded dozens of calls since Madoff's confessed the scam and was taken into custody, and projects his office will continue to be flooded with questions from investors.

"This is absolutely heartbreaking," he said. "Their faith was abused, and investors who put virtually all of their financial assets

with Madoff are near ruin. The simple fact of the matter is there is no precedent for this."

A variety of investors have been identified as having lost money in the scam, including Spain's Grupo Santander, Britain's HSBC Holdings and New York Mets owner Fred Wilpon. More victims emerged Tuesday, including Rye Investment Management, of Rye, N.Y., which lost \$3.1 billion, almost all of its clients' funds, and Austria's Bank Medici, which had two funds with \$2.1 billion (1.5 billion euros) invested with Madoff.

*Copyright 2008 The Associated Press. All rights reserved. This material may not be published, broadcast, rewritten or redistributed.*

**Find this article at:**

[http://www.usatoday.com/money/markets/2008-12-16-madoff-scandal\\_N.htm](http://www.usatoday.com/money/markets/2008-12-16-madoff-scandal_N.htm)

Check the box to include the list of links referenced in the article.

Copyright 2009 USA TODAY, a division of Gannett Co. Inc.