



U.S: Securities and Exchange Commission: A Closet full of bodies

The U.S. Securities and Exchange Commission has brought 140 new civil lawsuits in federal court since the beginning of the year. This represents a 50% increase from the same period last year. Among those new litigations, 16 are concerning fraud cases performed by investment managers registered or not with the commission.

The majority of fraud cases, brought against investment managers, had as victims U.S. individual investors. The oldest case uncovered by the SEC, this year, was running since 1996. The biggest potential loss for investors could be as high as \$8bl.

The failure of the SEC to detect the Madoff fraud has put a lot of pressure on the commission to show results to demonstrate its efficiency as the main regulator of the financial markets in the U.S.

The table below summarizes the commission's hunting trophies for the first quarter 2009.

Date	SEC Nb.	Defendants	Case Description	Est. Loss
31.3.09	20981	Dime Financial Group LLC, John H. Min	The SEC alleges that Min misled some investors into believing their money would support Third World charitable causes while in fact spending the funds on his lavish lifestyle and on failed high-risk investments	Over \$5.4 million
26.3.09	20974	Millenium Bank, United Trust of Switzerland S.A., UT of S LLC, Millenium Financial Group, William J. Wise, Kristi M. Hoegel	The SEC alleges that the scheme targeted U.S. investors and misled them into believing they were putting their money in supposedly safe and secure Certificates of Deposit (CDs) that purportedly offered returns that were up to 321 percent higher than legitimate bank-issued CDs.	\$68 million
25.3.09	20972	The Nutmeg Group LLC, Randall Goulding, David Goulding	According to the SEC's complaint, Nutmeg serves as the general partner or investment adviser to 15 unregistered investment pools and claims to have assets under management of more than \$32 million. Nutmeg and the Gouldings misappropriated more than \$4 million in client assets by transferring them to third parties, and did not fully document the fund's investments	More than \$4 million
11.3.09	20943	Equity Investment Management and Trading, Inc., Anthony Vassallo, Kenneth Kenitzer	According to the SEC's complaint, Vassallo and Kenitzer raised more than \$40 million from about 150 investors from approximately May 2004 to November 2008. The SEC alleges that they used investors' money for unauthorized purposes, including a variety of other schemes never disclosed to investors.	More than \$40 million

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09.3.09	20936	Locke Capital Management Inc., Leila Jenkins	The SEC's complaint alleges that Jenkins made up so-called "confidential" client accounts, purportedly based in Switzerland, and repeatedly claimed the accounts contained more than \$1bn in assets that she managed. The complaint also includes misrepresentation of Locke's performance for years in which Locke had no clients and deceiving clients about the makeup of the firm, including the number, identity and role of its employees.	Unknown
25.2.09	20913	North Hills Management LLC, Mark Bloom	The SEC alleges that Bloom raised approximately \$30 million from 40-50 investors between 2001 and 2007 by representing that the assets would be invested in a single fund which itself turned out to be fraudulent. Instead, Bloom misappropriated more than \$13.2 million on investor funds	\$30 million
25.2.09	20912	WG trading Investors LP, WG Trading Company LP, Westridge Capital Management Inc., Paul Greenwood, Stephen Walsh	Greenwood and Walsh promise investors that their money would be invested in a stock index arbitrage strategy. Instead, they misappropriated as much as \$554 million of the \$667 million that Westridge clients invested in WGTI. The fraudulent scheme was running from at least 1996.	\$554 million
25.2.09	20911	Westgate Capital Management LLC, James M. Nicholson	The SEC's complaint alleges that since at least January 2008 Nicholson and Westgate defrauded current and prospective investors in 11 hedge funds they managed by misrepresenting the value of the hedge funds to investors and soliciting new investors with sales materials that claimed a nearly impossible record of investment success.	Unknown
19.2.09	20906	Billion Coupons, Inc., Marvin R. Cooper	Cooper raised \$4.4 million from 125 investors since at least September 2007 by, among other things, holding investment seminars at Deaf community centers. Cooper misappropriated as least \$1.4 million in investor funds.	\$2 million

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17.2.09	20901	Stanford International Bank, Stanford Group company, Stanford Capital Management, Robert Allen Stanford, James Davies, Laura Pendergest-Holt	Stanford companies sold approximately \$8 billion of so-called "certificates of deposit" to investors by promising improbable and unsubstantiated high interest rates. \$1.2 billion were also raised to be invested in a mutual fund wrap program called Stanford Allocation Strategy. The defendants have lied to investors in regards to the strategies used, the returns, the level of assets, the number and experience of the investment professional involved.	Several billion
21.1.09	20858	Scoop Capital LLC, Scoop Management Inc., Arthur Nadel	According to the SEC's Complaint, Nadel provided false and misleading information for dissemination to investors about six hedge funds' historical returns and falsely overstated the value of investments in the funds by approximately \$300 million. The complaint also alleges that Nadel transferred at least \$1.25 million in January from two of the funds to secret bank accounts that he controlled	Unknown
15.1.09	20853	CRE Capital Corporation, James G. Ossie	According to the SEC's complaint, CRE and Ossie fraudulently obtained at least \$25 million from investors during 2008 by representing that it would use their money to engage in a currency trading program. In fact, CRE's currency trading was not profitable and returns were paid out of principal and money invested by later investors.	Unknown
08.1.09	20847	Joseph Forte LP., Joseph Forte	Forte fraudulently obtained an estimated \$50 million from as much as 80 investors through the sale of securities in his firm, Joseph Forte L.P. The SEC alleges that Forte told investors that he would invest the funds in an account that would trade in securities futures contracts. Forte consistently lost money in the limited trading that he did, withdrew millions of dollars in so-called fees for his personal use based on the falsely inflated value of Forte L.P., and used investor funds to repay other investors	\$50ml

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