



Opalesque Exclusive: Hedge Fund Appraisal on SEC`s closet full of bodies

The U.S. SEC, under pressure to step up its procedures since the Madoff affair in Dec-08, is busier than ever as everyday brings in the uncovering of a new fraud or Ponzi scheme - this is frequently the case in times of crisis, when investors want to retrieve their investments and dishonest managers cannot issue redemptions.

Gabriel Kurland, founder of Geneva-based Hedge Fund Appraisal (a provider of due diligence services to hedge fund investors) addressed this issue in his latest newsletter by drawing up a table of all the frauds for Q1-2009:

"The U.S. Securities and Exchange Commission has brought 140 new civil lawsuits in federal court since the beginning of the year," he says in his newsletter. "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, had been running since 1996. The biggest potential loss for investors could be as high as \$8bn.

"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 newsletter's table summarizes the commission's hunting trophies for the first quarter 2009:

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