

MADOFF'S FINANCE CHIEF TO PLEAD GUILTY

For those of you complaining that I'm not reporting on 3-year old Sibel Edmonds revelations, here's some news that may offer fresh **new** insight into the sordid world of international crime and power.

Frank DiPascali, the finance chief at Bernard Madoff's investment advisory business who agreed to plead guilty, could help prosecutors build criminal cases against other players in his boss's \$65 billion Ponzi scheme.

DiPascali, 52, is scheduled to enter his plea tomorrow in federal court in Manhattan, U.S. Attorney Lev Dassin told a judge in an Aug. 8 letter that didn't specify the charges. DiPascali would waive indictment and plead guilty, which signals to lawyers that he is cooperating to lessen his prison term.

"I believe he's cooperating," said John J. Fahy, a former federal prosecutor not involved in the case. "He would be very valuable to the government because he has been close to Madoff for so many years and had to have seen some of the fraudulent transactions that went on. From what we know of Madoff, he trusted very few people."

Madoff, of course, has gone off to prison without really telling anyone where the bodies are buried, where the money went, or even who on Wall Street knew and facilitated his scheme.

We won't know for some time how cooperative DiPascali will be, but if he is cooperative, and if he does know where even a few of the bodies are buried, his cooperation might free up information that is otherwise, thus far, successfully buried.

Here's John Taplin, writing in January, about what cracking open the Madoff scandal might reveal.

The Wall Street Journal is very careful with the libel laws, but I am increasingly confident that their reporters are beginning to sense that organized crime sits somewhere in the Bernard Madoff Ponzi scheme. The tipoff come from their classic tabloid use of the "made man's" street name in quotes (like Benjamin "Bugsy" Siegel). The main feeder fund to Madoff was Cohmad Securities.

Cohmad, a conjunction of the last names of investor Maurice "Sonny" Cohn and Mr. Madoff, carried especially tight ties. Cohmad was filled by employees with long-term or family relationships with the Madoffs, and its operations were enmeshed in the main Madoff businesses, interviews and records show.

Maurice "Sonny" Cohn and his associate Alvin "Sonny" Delaire have both been accused of playing fast and loose with securities regulations. As anyone who has watched Godfather II, Meyer Lansky's great dream was to get "legit"—to move dirty money into clean securities. I have already written about how no one has come forward to make a claim on much of the money the flowed to Madoff from South America. If the whole scheme was some vast money laundering operation, then the actual investment return part of it was less important to many of the customers. According to an SEC complaint, Madoff maintained two bank accounts at JPMorganChase and three at Bank of America Mellon. At the end of every reporting period, Madoff's CFO Frank DiPascali, reportedly

converted its holdings to cash equivalents, i.e. treasury bills, to avoid SEC disclosure requirements.

Note, Taplin draws an analogy to something that others have drawn analogies to Edmonds' own revelations: BCCI (given the timing, I've been wondering the same thing myself).

Just about the time that Madoff's scheme started up, the notorious Bank of Credit and Commerce International (BCCI) went out of business.

BCCI became the focus in 1991 of one of the largest scandals in world financial history. Due to the massive fraud and corruption at the heart of the bank, it was described as a "\$20-billion-plus heist".^[3] Regulators in the United States and the United Kingdom found it to be involved in money laundering, bribery, support of terrorism,^[4] arms trafficking, the sale of nuclear technologies, the commission and facilitation of tax evasion, smuggling, illegal immigration, and the illicit purchases of banks and real estate. The bank was found to have at least \$13 billion unaccounted for. The bank's relationship with underworld elements led to the nickname "Bank of Crooks and Criminals International."

With BCCI closed down, maybe Bernie and his partners saw a market opportunity.

If the Madoff Ponzi was a big money-laundering venture for Colombian and Russian mobsters, as many have suggested, and DiPascali knew it and

details of the scheme, then things might get interesting.

I do hope the Feds are watching out for DiPascali's safety...