

The Ponzi king

by *The Milwaukee Journal Sentinel*

There has never been anybody quite like Bernard Madoff, and with luck and far better oversight by the Securities and Exchange Commission, there never will be again.

Madoff, 70, admitted in court Thursday that for years he ran a massive Ponzi scheme that bilked investors out of billions of dollars. Madoff is headed to jail for life for his crimes.

But long after Madoff is gone, his victims will continue suffering. They can never be repaid, because the money they thought they had in their accounts was a mirage. The opportunity to invest it legitimately is gone forever. Madoff used much of his clients' money to pay redemptions to earlier investors and to buck up his other businesses. The government says Madoff didn't make a trade for at least the past 13 years.

Madoff's damage to the reputation of government regulators will be deservedly long-lasting. The SEC repeatedly was warned. Boston investor Harry Markopolos, who testified before Congress last month, blew the whistle for years. At one point, Markopolos submitted a document detailing a number of things that didn't add up in Madoff's operations, even suggesting Madoff was running a Ponzi scheme. But it wasn't until December, when Madoff's own family turned him in, that the government acted.

The SEC says it is writing a series of regulatory changes to plug the gaps in its oversight. SEC Chairwoman Mary Schapiro told a congressional committee this week that the changes would focus on custody of customer assets and auditing investments advisers. The agency also should ask Congress to enhance incentives for whistle-blowers. And the SEC needs to listen when they feed the agency tips.

Prosecutors should keep digging. It seems inconceivable that Madoff could have pulled off his fraud for so long by himself. His brother and his sons worked at the firm; his wife did work for it at times as well. Furious victims were critical of the government for not charging Madoff as part of a conspiracy. Prosecutors said they were continuing to investigate.

In federal court in Manhattan, Madoff expressed remorse and said he knew he would be caught. "As the years went by, I realized my risk, and this day would inevitably come."

Too bad for his victims that it didn't come years ago.

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