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## Santander applauded 'impeccable' Madoff weeks before scandal

- A report last autumn said the financier had ability to 'benefit' investors
- Clients of Spanish bank face losses of €2.3bn

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Spanish banking giant Santander reportedly praised Bernard Madoff for his "impeccable" timing just weeks before the disgraced financier was accused of the biggest fraud in corporate history.

According to the Financial Times, Optimal, Santander's fund-management arm, told its institutional investors in a report last autumn that Madoff had an ability "to find great entry and exit points to benefit investors".

US regulators now believe, though, that Madoff may never have made a single trade. He is accused of running a massive pyramid scheme, using cash from new investors to fund payments to earlier clients.

Clients of Santander are thought to be some of the biggest victims of Madoff's alleged \$50bn (£37bn) fraud. With lawyers on both sides of the Atlantic already considering legal action, the bank faces the prospect of being sued by investors who have lost money.

A Santander spokesman declined to comment this morning, other than to state that the bank is not involved in any legal action over Madoff.

While Santander faces losses of just €17m (£16m), its clients face total losses of €2.3bn. Spain's top anti-corruption investigator has already launched an investigation into how such a large exposure could have been built up without triggering Santander's risk controls, and Spanish legal firm Cremades & Calvo-Sotelo has teamed up with America's Labaton Sucharow to represent victims.

Labaton Sucharow has cited Optimal as one of the "feeder funds" who channelled funds into Madoff Securities in return for what it calls "lucrative commissions".

"Labaton Sucharow is investigating whether these feeder funds conducted adequate due diligence before investing in Madoff in light of the multiple red flags that are now known to have been evident, including the absence of a serious or reputable auditor, the absence of an outside clearing agent, and the overly consistent returns," it said last month.

Many other financial institutions have also reported being exposed to Madoff Securities, including Man Group – which is considering legal action of its own.

Reports from Spain have shown that many small investors were also encouraged to put their savings into Madoff Securities via Optimal, including a retired school teacher who put half her savings in the fund, and a street vendor who invested more than \$400,000 in lottery winnings in the fund. And in Philadelphia, a widow who thought she had more than \$7m invested with Madoff has now taken up cleaning work.

Bernard Madoff himself is still on bail in New York, and wore a bullet-proof vest on his last court appearance.

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