

FEBRUARY 3, 2009, 12:34 A.M. ET

A Lonely Lament From a Whistle-Blower

Mr. Markopolos Regrets His Failure to Persuade Investors; Tips for the SEC

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Harry Markopolos, the Boston-based investor-turned-investigator who for years warned regulators that Bernard Madoff was running a huge Ponzi scheme, has received pitches to appear on television shows, make movies and write books elaborating on his experience.

Later this month, he is scheduled to appear before Congress to present recommendations to improve the Securities and Exchange Commission.



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But rather than enjoy a sense of vindication, Mr. Markopolos says he is miserable. He has trouble sleeping and is haunted by the apparent suicide of Thierry Magon de La Villehuchet, a French money manager found dead shortly after Mr. Madoff's Dec. 11 arrest on fraud allegations.

Although a colleague of Mr. de La Villehuchet's says he doesn't know of any warning, Mr. Markopolos says he told Mr. de La Villehuchet as well as investors at other firms that he thought Mr. Madoff was a fraud. He regrets that he couldn't persuade many of them.

Fear of Retribution

Part of the reason he didn't press his warnings: Fear of retribution by Mr. Madoff, says Mr. Markopolos. A lawyer for Mr. Madoff declined to comment. *Jodi Hilton for The Wall Street Journal*

Mr. Markopolos says he admired Mr. de La Villehuchet and wishes they had spoken in the weeks before his death, just before Christmas.

Mr. de La Villehuchet co-founded investment firm Access International Advisors LLC and, after Mr. Madoff's arrest, had been trying to recover about \$1.5 billion that Access raised through a European fund and invested in Mr. Madoff's business.

Mr. Markopolos says he met Mr. de La Villehuchet many years ago through a more junior colleague at Access. Several years ago, Mr. Markopolos says, he warned him of his concerns with Mr. Madoff.

A former colleague of Mr. Markopolos, Frank Casey, says he casually told Mr. de La Villehuchet of hunches about Mr. Madoff. Mr. Casey, who in the early part of this decade worked with Mr. Markopolos at an investment-management firm in Boston, says at the time he thought Mr. Madoff was committing illegal acts, such as front-running trades, though he didn't make that accusation nor did he suspect Mr.



Madoff was perpetrating the kind of Ponzi scheme to which authorities say he has confessed.

Patrick Littaye, Mr. de La Villehuchet's partner, a co-founder of Access and the manager on the firm's Madoff relationship, says he first heard of Mr. Markopolos when the news broke in December of Mr. Markopolos's warnings to the SEC.

Mr. Littaye says many people came to him over past decades dismissing Madoff as a scam, but he says he has no recollection of Mr. Markopolos sounding an alarm ahead of the December debacle.

Still Convincing

Most of the time, he says, it was people who had been turned down by Mr. Madoff, though in one case in 1988 it was someone concerned that Mr. Madoff didn't manage client investments through an independent broker. Even after that alert, Mr. Littaye says, he found Mr. Madoff's idea of bundling fund-management and brokerage operations convincing.

Mr. Littaye says his firm conducted thorough due diligence when selecting outsider fund

For Harry Markopolos, the Madoff fallout has brought on sleeping problems and haunting thoughts over the apparent suicide of a French money manager.

managers. Candidates had to undergo a handwriting test with a graphologist and Access would often hire private investigators to check the background of executives.

The relationship with Mr. Madoff, which for Mr. Littaye dated to the mid-1980s, wasn't subject to the same rigor, in part because of Mr. Madoff's reputation on Wall Street. "Of course we made an exception with Mr. Madoff," says Mr. Littaye. "I can't imagine asking him to pass a handwriting test."

A number of investors did heed Mr. Markopolos's advice. "He showed me the full report he presented to the SEC. He said 'whatever you do, don't invest with Madoff,'" recalls David Henry, a Boston-based investor who at the time — the early part of this decade — invested money for a family foundation.

Improving the SEC

Mr. Markopolos plans to present recommendations to improve the SEC's operations, such as establishing a unit to accept tips from whistle-blowers, much as the Internal Revenue Service has. He also will recommend that the SEC move more of its operations closer to financial centers and away from Washington.

An SEC spokesman said that the agency receives hundreds of thousands of tips each year, and that New York is the SEC's largest office, with 370 people. He adds that the agency is looking for ways to help identify the systemic risks and emerging trends that should be investigated.

Mr. Markopolos hopes his coming testimony will help improve the SEC's efforts but he has higher expectations for his work as a fraud investigator.

He has given speeches about how firms can fend off corporate espionage. His focus is on tips that he says have led to continuing investigations in areas such as medical-billing fraud — cases that he is confident will lead to whistle-blower compensation.

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Printed in The Wall Street Journal, page C3