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Adverse Media Monitoring Report

2024-06-11

Entity information

Entity ID	Type	Name	Date of birth	Citizenship	Resi
—	**Company**	**Lehman Brothers**	—	**United States**	**—, U**

False Positive

Reviewer Comment

No comment provided.

Batch ID	Transaction ID	Media Provider
f5df95c8-d2f5-4f8e-946e-96daba6caaaa	**fa147198-7e87-4106-92a1-af0c0e5cc0d5**	**Google**

Overview of search results - 10

Enron Scandal and Accounting Fraud: What Happened?

Google • False Positive (Score 0.80) investopedia.com

False positive. Searched name Lehman Brothers is cited in an adverse media article but is not the focal entity.

Reviewed by Auto on June 11, 2024

Enron Scandal and Accounting Fraud: What Happened?

... Kenneth Lay, Enron's founder, and former CEO was convicted on six counts of fraud and conspiracy and four counts of bank fraud. Before sentencing, he died of a
... Enron's collapse was the biggest corporate bankruptcy in the financial world at the time. It has since been surpassed by the bankruptcies of Lehman Brothers, Was
General Motors ...

Ernst & Young in Settlement Over Lehman Brothers (Published 2015)

April 15, 2015 • Google • False Positive (Score 0.61) nytimes.com

Reviewed by on June 11, 2024

Ernst & Young in Settlement Over Lehman Brothers (Published 2015)

... Another loose end stemming from the collapse of Lehman Brothers was wrapped up on Wednesday as Ernst & Young agreed to pay $10 million to settle a four-yea
State authorities ...
... The lawsuit brought by New York State authorities stood as one of the last pending legal actions against Ernst arising from the Lehman bankruptcy ...

Top 5 Accounting Scandals: #3, Lehman Brothers

November 18, 2015 • Google • False Positive (Score 0.56) clarknuber.com

Reviewed by on June 11, 2024

Top 5 Accounting Scandals: #3, Lehman Brothers

... With a rich and varied history, Lehman Brothers began as a small grocery and dry goods shop in Montgomery, Alabama in 1844 and eventually grew to become a
1847, the firm became a member of the New York Stock Exchange and began selling and trading securities. Fast forward 164 years, and Lehman Brothers had becor
and the fourth-largest investment bank in the U.S., with 25,000 employees doing business in areas such as investment banking, equity and fixed-income sales and tra
private equity and private banking ...
... Lehman Brothers would eventually become embroiled in the subprime mortgage crisis in the late 2000s (due to the acquisition of several subprime lenders). In 200
had risen to a seven-year high, as the U.S. was hurtling head-first into a housing market ...

Former Colorado Mortgage Originator, A Subsidiary Of Lehman Brothers, Agrees To Pay $41 Million Related To Its Conduct In Originating And Sellin

August 2, 2018 • Google • False Positive (Score 0.56) justice.gov

Reviewed by on June 11, 2024

Former Colorado Mortgage Originator, A Subsidiary Of Lehman Brothers, Agrees To Pay $41 Million Related To Its Condu Selling Mortgage Loans

... DENVER – Bob Troyer, the United States Attorney for the District of Colorado, announced today a $41 million settlement with Aurora Loan Services, LLC, a subsid
Inc. (“LBHI”), in connection with Aurora Loan Services' conduct in originating and selling residential mortgage loans from 2004 through 2008. Under the resolution an
Services will pay $41 million as a civil penalty under the Financial Institutions Reform, Recovery and Enforcement Act. ...
... Aurora Loan Services was a mortgage company headquartered in Littleton, Colorado. It worked with correspondent lenders, which made mortgage loans to homet
arranged for the sale of these loans to its parent company, Lehman Brothers Bank. Lehman Brothers Bank sold these loans to its parent, LBHI, a major investment ba
residential mortgage-backed securities and sold those securities to investors. ...

Lehman Brothers collapse: where are the key figures now?

September 11, 2018 • Google • False Positive (Score 0.45) theguardian.com

Reviewed by on June 11, 2024

Lehman Brothers collapse: where are the key figures now?

... **Then:** Lehman Brothers chief executive **Now:** runs Matrix Private Capital, which offers investment advice to “high-net-worth” clients ...
... In 2004, as chancellor, Brown lavished praise on Lehman Brothers at the opening of the bank's new headquarters in London. He also advocated “light touch” regul
Lehman went down, Brown ordered a bank rescue that became a model for shoring up financial systems ...

Lehman Brothers Inc.'s 14-Year Liquidation Successfully Concludes

Google • False Positive (Score 0.45) sipc.org

Reviewed by on June 11, 2024

Lehman Brothers Inc.'s 14-Year Liquidation Successfully Concludes

... **New York, NY, September 28, 2022** – Judge Shelley C. Chapman of the U.S. Bankruptcy Court for the Southern District of New York today closed the Lehman Br
... SIPC's President and CEO, Josephine Wang, praised the Trustee and his team for the outcome, saying, “We thank the Trustee, his counsel and consultants for the
The results achieved not only surpassed all expectations, but provided the much-needed relief to investors against the loss of their hard-earned savings.” Ms. Wang a
proceeding is a testament to the success of the SIPA program even under the most dire and challenging of circumstances.” ...

How Lehman Brothers and MF Global's Misuse of Repurchase Agreements Reformed Accounting Standards

August 1, 2016 • Google • False Positive (Score 0.45) cpajournal.com

False positive. Non-adverse media.

Reviewed by Auto on June 11, 2024

How Lehman Brothers and MF Global's Misuse of Repurchase Agreements Reformed Accounting Standards

... Lehman Brothers had been involved in repos for many years and had always accounted for them as secured borrowing arrangements. In 2001, however, to reduce
balance sheet, it designed a new approach to recording repos as sales, allowing it to temporarily obtain cash without recording a liability. Under the conditions of SFA
transaction had to be structured so that the assets were isolated, the transferee had the right to pledge or sell the assets, and there was no agreement to purchase th
... The updated standards responding to the Lehman Brothers and MF Global bankruptcies are now in effect for all companies. While their long-term effects have yet
that they will prevent such massive failures in the future. History shows, though, that if a loophole exists, eventually someone will find and exploit it. Only time will tell
brightlines with more principles-based guidance will solve the underlying problems or merely open the door to new ones ...

[Where former Lehman Brothers employees are today]

September 11, 2018 · Google · False Positive (Score 0.42) cnbc.com

False positive. Non-adverse media.

Reviewed by Auto on June 11, 2024

Where former Lehman Brothers employees are today

... At one point in time, Charles Kwalwasser would have been happy to spend his entire career at Lehman Brothers ...
... "The situation I had at Lehman Brothers no longer existed," she said ...

[Lehman Brothers]

Google · False Positive (Score 0.41) corporatefinanceinstitute.com

False positive. Non-adverse media.

Reviewed by Auto on June 11, 2024

Lehman Brothers

... By the end of 2008, Lehman Brothers Holdings Inc. had vanished from the investment banking landscape, the largest corporate bankruptcy filing (with $619 *billion*
... Thank you for reading CFI's guide to Lehman Brothers. To keep learning and developing your knowledge of financial analysis, we highly recommend the additional

[The Woman Who Brought Down Lehman, Or So You Were Told]

Google · False Positive forbes.com

The Woman Who Brought Down Lehman, Or So You Were Told

Mar 30, 2015 ... ... prison terms" for two women "for their roles in orchestrating a mortgage fraud scheme to defraud Lehman Brothers Bank … of more than $14 millic

Article details

Enron Scandal and Accounting Fraud: What Happened?

Google · False Positive (Score 0.80) investopedia.com

False positive. Searched name Lehman Brothers is cited in an adverse media article but is not the focal entity.

Reviewed by Auto on June 11, 2024

bankruptcy scandal debt collapse lost bubble conspiracy convicted conviction sentence toxic attack conflicts corrupt defraud died illegal insider trading investigating logging misconduct official resigned se victims wire fraud

Enron Scandal and Accounting Fraud: What Happened?

Before its demise, Enron was a large energy, commodities, and services company based in Houston, Texas. Its collapse affected over 20,000 employees and shook ' shares were worth $90.75. When it declared bankruptcy on Dec. 2, 2001, shares traded at $0.26.

Enron's accounting method was revised from a traditional historical cost accounting method to a mark-to-market (MTM) accounting method in 1992.

Enron used special-purpose vehicles to hide its debt and toxic assets from investors and creditors.

The price of Enron's shares went from $90.75 at its peak to $0.26 at bankruptcy.

The company paid its creditors over $21.8 billion from 2004 to 2012.

Gregory Smith / Contributor / Getty Images

Enron was formed in 1985 following a merger between Houston Natural Gas and Omaha, Neb.-based InterNorth. Houston Natural Gas' chief executive officer (CEO) CEO and chair. Deregulation of the energy markets allowed companies to place bets on future prices, and Enron was poised to take advantage. In 1990, Lay created appointed Jeffrey Skilling, to head the new corporation.

Skilling transitioned Enron's accounting from a traditional historical cost accounting method to a mark-to-market (MTM) accounting method, for which the company rec Exchange Commission (SEC) approval in 1992.

MTM measures the fair value of accounts that can change over time, such as assets and liabilities. MTM aims to provide a realistic appraisal of an institution's or com and it is a legitimate and widely used practice. However, in some cases, the method can be manipulated, since MTM is not based on actual cost but on fair value , wh

Investopedia / Source Data: Forbes / Created using Datawrapper

During the 1990s, the dotcom bubble was in full swing, and the Nasdaq hit 5,000. Most investors and regulators accepted spiking share prices as the new normal. En October 1999. It was an electronic trading website that focused on commodities. Enron was the counterparty to every transaction on EOL; it was either the buyer or th reputation, credit, and expertise in the energy sector to entice trading partners.

In July 2000, Enron Broadband Services and Blockbuster partnered to enter the burgeoning video-on-demand market. The VOD market was a sensible pick, but Enro earnings based on the estimated growth of the VOD market, which vastly inflated the numbers.

By mid-2000, EOL was executing nearly $350 billion in trades. When the dot-com bubble began to burst, Enron decided to build high-speed broadband telecom netw 2000, Enron had significant exposure to the most volatile parts of the market. As a result, many trusting investors and creditors found themselves on the losing end of Skilling hid the financial losses of the trading business and other operations using MTM accounting. This technique measures the value of a security based on its curr book value.

The company would build an asset, such as a power plant, and immediately claim the projected profit on its books, even though it didn't reap positive returns. If the re proved less than the projected amount, the company would transfer the asset to an off-the-books corporation instead of taking the loss. The loss would go unreported Enron to write off unprofitable activities without hurting its bottom line .

The MTM practice led to schemes designed to hide the losses and make the company appear profitable. To cope with the mounting liabilities, Andrew Fastow, chief fi developed a deliberate plan to show that the company was in sound financial shape even though many of its subsidiaries were losing money.

Enron orchestrated a scheme to use off-balance-sheet special purpose vehicles (SPVs), also known as special purpose entities (SPEs), to hide Enron's debt and toxi creditors.

Enron would transfer some of its rapidly rising stock to the SPV in exchange for cash or a note. The SPV would subsequently use the stock to hedge an asset listed o would guarantee the SPV's value to reduce apparent counterparty risk.

The SPVs were not illegal but differed from standard debt securitization in several significant—and potentially disastrous—ways. SPVs were capitalized entirely with E compromised the ability of the SPVs to hedge if Enron's share prices fell. Enron also failed to reveal conflicts of interest. While Enron disclosed the SPVs' existence to adequately disclose the non-arm's-length deals between the company and the SPVs.

In addition to CFO Andrew Fastow, a major player in the Enron scandal was Enron's accounting firm, Arthur Andersen LLP, and partner David B. Duncan. As one of t the United States at the time, Andersen had a reputation for high standards and quality risk management. Despite Enron's poor accounting practices, Arthur Anderser reports. By April 2001, many analysts questioned Enron's earnings and transparency .

In 2001, Lay retired in February, turning over the CEO position to Skilling. In August 2001, Skilling resigned as CEO, citing personal reasons. Around the same time, a rating for Enron's stock, and the stock descended to a 52-week low of $39.95. By October 16, the company reported its first quarterly loss and closed its Raptor I SPV of the SEC.

A few days later, Enron changed pension plan administrators, essentially forbidding employees from selling their shares for at least 30 days. Shortly after, the SEC an Enron and the SPVs created by Fastow. Fastow was fired from the company that day. The company also restated earnings back to 1997. Enron had losses of $591 m the end of 2000. Dynegy, a company that previously announced it would merge with Enron, backed out of the deal on November 28. By Dec. 2, 2001, Enron filed for

The amount that shareholders lost in the four years leading up to Enron's bankruptcy.

Enron's Plan of Reorganization was approved by the U.S. Bankruptcy Court, and the new board of directors changed Enron's name to Enron Creditors Recovery. The "to reorganize and liquidate certain of the operations and assets of the pre-bankruptcy Enron for the benefit of creditors." The company paid its creditors over $21.8 bi payout was in May 2011.

In June 2002, Arthur Andersen LLP was found guilty of obstructing justice for shredding Enron's financial documents. The conviction was overturned later on appeal b by the scandal and dwindled into a holding company .

Kenneth Lay, Enron's founder, and former CEO was convicted on six counts of fraud and conspiracy and four counts of bank fraud. Before sentencing, he died of a h

Enron's former CFO, Andrew Fastow, pleaded guilty to two counts of wire fraud and securities fraud for facilitating Enron's corrupt business practices. He ultimately federal authorities, served more than five years in prison, and was released in 2011.

Former CEO Jeffrey Skilling received the harshest sentence. He was convicted of conspiracy, fraud, and insider trading in 2006. Skilling received a 17½-year sentenc in 2013. Skilling was required to give $42 million to the fraud victims to cease challenging his conviction. Skilling was released on Feb. 22, 2019.

Investopedia

Enron's collapse and the financial havoc it wreaked on its shareholders and employees led to new regulations and legislation to promote the accuracy of financial repo In July 2002, then-President George W. Bush signed the Sarbanes–Oxley Act into law. The act heightened the consequences for destroying, altering, or fabricating fi defraud shareholders.

The Enron scandal resulted in other new compliance measures. Additionally, the Financial Accounting Standards Board (FASB) substantially raised its levels of ethic boards of directors became more independent, monitoring the audit companies and quickly replacing poor managers. These new measures are important mechanism companies have used to avoid accountability.

Jim Chanos of Kynikos Associates is a known short-seller . Chanos said his interest in Enron and other energy trading companies was "piqued" in October 2000 after pointed out that many of these firms employed the "gain-on-sale" accounting method for their long-term energy trades. His experience with companies using this acco "earnings" were created out of thin air if management used highly favorable assumptions. Chanos said that this mismatch between Enron's cost of capital and its retu the cornerstone of his bearish view of Enron. His firm shorted Enron's common stock in November 2000 and netted Chanos and his Kynikos firm hundreds of millions

Sherron Watkins, a vice president at Enron, wrote a letter to Lay in August 2001 warning that the company could implode in a wave of accounting scandals; a few mo Watkins' role as a whistleblower in exposing Enron's corporate misconduct led to her being recognized as one of three *Time* "Persons of the Year" in 2002.

Enron no longer exists. It sold its last business, Prisma Energy, in 2006.

Enron's collapse was the biggest corporate bankruptcy in the financial world at the time. It has since been surpassed by the bankruptcies of Lehman Brothers, Washi General Motors. The Enron scandal drew attention to accounting and corporate fraud, as shareholders lost $74 billion in the four years leading up to its bankruptcy, a pension benefits.

Ernst & Young in Settlement Over Lehman Brothers (Published 2015)

April 15, 2015 · Google · False Positive (Score 0.61) nytimes.com

Reviewed by on June 11, 2024

lawsuit bankruptcy settlement authorities collapse settle allegations debt lawsuits litigation manipulate violate wrongdoing class action

Ernst & Young in Settlement Over Lehman Brothers (Published 2015)

Another loose end stemming from the collapse of Lehman Brothers was wrapped up on Wednesday as Ernst & Young agreed to pay $10 million to settle a four-year- State authorities.

The settlement between the big accounting firm and Eric T. Schneiderman , the New York State attorney general, resolves civil allegations that Ernst helped Lehman made the Wall Street firm appear less leveraged than it really was in the months before its September 2008 bankruptcy filing.

The money being paid by Ernst, which will go to both Lehman investors and the state, is considerably less than the roughly $150 million that state officials had hoped filed by Andrew M. Cuomo just as he was leaving the attorney general's office to become governor of New York.

Mr. Schneiderman, in a statement announcing the settlement, said, "Auditors will be held accountable when they violate the law."

Mr. Cuomo filed the lawsuit in December 2010, several months after the court-appointed examiner in the Lehman bankruptcy found that its management used a serie transactions called Repo 105 to manipulate the firm's leverage levels at the end of each quarter. The report by Anton R. Valukas, a former federal prosecutor against adjustments that resulted in temporary shifts of tens of billions of , presented something of a road map for regulators to pursue lawsuitsdebt off the Wall Street firm's b quarter.

But the Securities and Exchange Commission in 2012 closed its investigation into the collapse of Lehman and the Repo 105 balance sheet maneuvers without filing a arbitration panel said it found no basis for a malpractice claim brought by the Lehman bankruptcy estate against Ernst over the firm's collapse and the Repo 105 trans

The lawsuit brought by New York State authorities stood as one of the last pending legal actions against Ernst arising from the Lehman bankruptcy.

"After many years of costly litigation, we are pleased to put this matter behind us, with no findings of wrongdoing by E.Y. or any of its professionals," a spokesman for statement.

In October 2013, Ernst agreed to pay $99 million to settle an investor class-action suit that claimed the audit firm looked the other way at Lehman's use of the Repo 1 of the settlement money that Ernst agreed to pay to state authorities will go toward investor restitution as well.

In the arbitration, a panel that included three former judges ruled that Lehman's management, and not Ernst, was most responsible for the controversial accounting m

Top 5 Accounting Scandals: #3, Lehman Brothers

November 18, 2015 · Google · False Positive (Score 0.56) clarknuber.com

Reviewed by on June 11, 2024

crisis scandals author toxic bankruptcy collapse defaults evidence fraudulent human lawsuit loan fraud prohibited prosecuted prosecution scandal victims

Top 5 Accounting Scandals: #3, Lehman Brothers

November 18, 2015

By Pete Miller, CPA|CFE, and Mike Nurse, CPA|CFE|CGMA

Has cheating and fraud always been a part of human history? According to Andrew Beattie in his article "The Pioneers of Financial Fraud," evidence of fraud stretche when a Greek merchant named Hegestratos orchestrated a loan fraud that ultimately ended in his demise. In modern times, stories of financial fraud and corporate sc daily news feeds, providing a critical call to action for anyone involved in business.

For National Fraud Awareness week, we are highlighting five of the largest accounting scandals in U.S. history. Each day, we will bring you a short description of a pr awareness will ultimately help us to understand and mitigate fraud risk. In doing so, we can help to ensure ethical and sound business practices, which will benefit soc

"Whoever is detected in a shameful fraud is ever after not believed even if they speak the truth." – Phaedrus, Roman fabulist, 15-50 B.C.

With a rich and varied history, Lehman Brothers began as a small grocery and dry goods shop in Montgomery, Alabama in 1844 and eventually grew to become a co 1847, the firm became a member of the New York Stock Exchange and began selling and trading securities. Fast forward 164 years, and Lehman Brothers had beco and the fourth-largest investment bank in the U.S., with 25,000 employees doing business in areas such as investment banking, equity and fixed-income sales and tra private equity and private banking.

Lehman Brothers would eventually become embroiled in the subprime mortgage crisis in the late 2000s (due to the acquisition of several subprime lenders). In 2007, had risen to a seven-year high, as the U.S. was hurtling head-first into a housing market . In late 2008, Lehman Brothers ended up being forced into the largest crisisl some argue triggered the broader collapse and recession. This is when the fraud was uncovered.

Lehman executives were accused of hiding over $50 billion in loans disguised as sales (which were approved by the firm's auditor Ernst & Young). They did this by al Island banks with the understanding that they would be bought back eventually. This transaction created the illusion that Lehman had $50 billion more in cash and $5 than it really did.

Two years later, Richard Fuld, Leman's former CEO, would say that he had "no recollection whatsoever" of the accounting maneuvers resulting in the fraud. To date, faced prosecution for to the series of events related to the mortgage fraud.

Takeaway: A lot of things went wrong in this case. Unfortunately, when things get this tangled it can be difficult to unravel and detect the issues. The staggering real sub-prime lending and Lehman Brothers is at least partially credited, is that the consequences to the people involved were not nearly as dire as the circumstances in themselves. No executives at Lehman Brothers were prosecuted. On a smaller scale, if an executive at a privately held widget manufacturer were to misappropriate $ severe consequences – for instance, termination of employment, civil lawsuit behavior is worth the risk. Are we sending the message here that Lehman Brothers' beh not know until the next major financial , or criminal charges – that sends a message to the people that remain at the company that fraudulentscandal is upon us.

Co-author Mike Nurse is a manager in the Accounting and Consulting Group at Clark Nuber PS. Reach him at mnurse@clarknuber.com.

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Former Colorado Mortgage Originator, A Subsidiary Of Lehman Brothers, Agrees To Pay $41 Million Related To Its Conduc Selling Mortgage Loans

August 2, 2018 • Google • False Positive (Score 0.56) justice.gov

Reviewed by on June 11, 2024

settlement misconduct crisis lost penalty alleged authorizes bankruptcy defaulting deteriorating impose

law enforcement offenses penalties violate attorneys charge

Former Colorado Mortgage Originator, A Subsidiary Of Lehman Brothers Pay $41 Million Related To Its Conduct In Originating And Selling Mortgag

DENVER – Bob Troyer, the United States Attorney for the District of Colorado, announced today a $41 million settlement with Aurora Loan Services, LLC, a subsidiar . ("LBHI"), in connection with Aurora Loan Services' conduct in originating and selling residential mortgage loans from 2004 through 2008. Under the resolution annou will pay $41 million as a civil penalty under the Financial Institutions Reform, Recovery and Enforcement Act.

Aurora Loan Services was a mortgage company headquartered in Littleton, Colorado. It worked with correspondent lenders, which made mortgage loans to homebuy arranged for the sale of these loans to its parent company, Lehman Brothers Bank. Lehman Brothers Bank sold these loans to its parent, LBHI, a major investment ba residential mortgage-backed securities and sold those securities to investors.

The United States alleged the following conduct by Aurora Loan Services. Between 2004 and 2008, Aurora Loan Services represented to potential investors that the underwriting standards. It represented that before the loans were purchased from correspondent lenders, the loans had been scrutinized as part of Aurora Loan Serv review. Investors were also told that the loans went through Aurora Loan Services' "pre-funding fraud detection" review, a review that identified potential "red flags" in In practice, however, Aurora Loan Services knew that these representations were not true for many loans. Aurora Loan Services gave five large correspondent lende Services gave these Platinum lenders better pricing. Aurora Loan Services also allowed the Platinum lenders to underwrite their own loans, and even to make except meet the underwriting standards. In 2005, to save time and money, Aurora Loan Services removed the pre-funding fraud detection for all of its five Platinum lenders. decided to exempt the Platinum lenders from the quality control standards that Aurora Loan Services otherwise imposed on other lenders before their loans were sold tell investors that these five Platinum lenders were exempt from those quality control requirements. The shortcuts and preferential treatment that Aurora Loan Service lenders contributed, among other factors, to the deteriorating quality of some loans purchased from those lenders. Starting in late 2006, the loans purchased from the defaulting at higher rates. Investors who bought LBHI's residential mortgage-backed securities containing those loans suffered losses.

The settlement agreement is neither an admission of liability by Aurora Loan Services nor a concession by the United States that its claims are not well founded.

Aurora Loan Services has minimal assets and no employees, and will be winding down. As part of the settlement, Aurora Loan Services' parent company, Aurora Co represented that it has not resumed, and will not resume, the origination, underwriting, purchase or sale of mortgage loans. Aurora Loan Services has ceased all mo

"Aurora Loan Services' mortgage misconduct hurt people," said United States Attorney for the District of Colorado Bob Troyer. "When the mortgages went into forecl and investors lost their savings. Aurora Loan Services is paying for this misconduct and will never be able to do it again."

Assistant U.S. Attorneys Lila Bateman and Kevin Traskos of the District of Colorado investigated Aurora Loan Services' conduct, with the support of the Federal Hous Inspector General.

"Aurora Loan Services knowingly put investors at risk, and the losses caused by its irresponsible behavior deeply affected not only financial institutions such as the Fe taxpayers, and contributed significantly to the financial crisis," said Special Agent in Charge Catherine Huber of the Federal Housing Finance Agency-Office of Inspec Region. "This settlement illustrates the tireless efforts put forth toward bringing a resolution to this chapter of the financial crisis. FHFA-OIG will continue to work with hold those who have engaged in misconduct accountable for their actions."

The $41 million civil monetary penalty resolves claims under the Financial Institutions Reform, Recovery and Enforcement Act, which authorizes the federal governme financial institutions that violate various predicate offenses, including wire and mail fraud. The settlement covers not only Aurora Loan Services but two other entities Aurora Commercial Corporation, and Lehman Brothers Bancorp, Inc., the holding company of Aurora Commercial Corporation. The settlement does not provide any Brothers Holding Inc., which is in bankruptcy. The settlement also does not release any individuals from potential criminal or civil liability.

To report fraud, go to: http://www.stopfraud.gov .

Lehman Brothers collapse: where are the key figures now?

September 11, 2018 · Google · False Positive (Score 0.45) theguardian.com

Reviewed by on June 11, 2024

collapse crisis bankruptcy collapsed officials attack bond bonds concerns death fear laws mislead
panic authority

Lehman Brothers collapse: where are the key figures now?

T en years ago this weekend Lehman Brothers crashed into bankruptcy – the biggest corporate failure in history – and sent the world's financial system reeling close
policymakers on both sides of the Atlantic. The US government was forced into a $700bn (£540bn) bailout of the banking sector, while in the UK, Lloyds Bank rescue
then forced to rescue Lloyds and Royal Bank of Scotland .

A decade on, what has happened to the key players involved in the financial crisis and its aftermath?

Then: Lehman Brothers chief executive **Now:** runs Matrix Private Capital, which offers investment advice to "high-net-worth" clients

Fuld ran Lehman for 14 years before the bank collapsed "the gorilla" has repeatedly blamed the government, regulators and unfounded rumours for Lehman's and wa
eight years of that period. The man nicknameddeath while admitting few mistakes. The bank's staff, however, blamed the Gorilla and in a grilling on Capitol Hill a con
villain".

In 2009 Fuld sold an apartment in Manhattan for $25m and a collection of art for $13.5m

In 2009 he sold an apartment in Manhattan for $25m and a collection of art for $13.5m but he still has a number of luxury properties dotted around the US. Now aged
as the head of New York-based Matrix Private Capital, and the "key wealth centres" of Los Angeles and Palm Beach in Florida. In a rare public appearance in 2015 h
ride. No regrets."

Erin Callan

Then: ousted Lehman chief financial officer **Now:** retired

A former lawyer, Callan had a meteoric Wall Street career, joining the bank in 1995 and becoming its finance chief in late 2007. For a while her super-positive style he
fired her two months before the bankruptcy . Callan was widely criticised in the aftermath of the collapse for being underqualified to run the finances of a major investr
even basic accounting qualificiations. She was slammed in a bankruptcy court report for ignoring "ample red flags" and using misleading gimmicks to bolster Lehman'
Callan worked briefly for Credit Suisse before going on leave and not returning. In her self-published 2016 memoir, Full Circle, Callan revealed she took an overdose
2008. In the book she said she regretted putting her career before personal relationships. Aged 52, she now lives in New York and Florida with her retired firefighter h

THE US OFFICIALS

Ben Bernanke

Then: chairman of the US Federal Reserve **Now:** adviser to the vast Pimco investment business and the $30bn Citadel hedge fund – and a visiting fellow at the Broo

Ben Bernanke acted decisively after the collapse of Lehman Brothers in 2008. Photograph: Jonathan Ernst/Reuters

Bernanke missed the warning signs of the looming financial crisis but, a student of the Great Depression, he acted decisively after Lehman's failure. He led the Fed ir
in concert with other central banks, launched quantitative easing to pump electronic money into the economy in a bid to prevent the worst recession of the postwar era
depression.

Since leaving the Fed in 2014 Bernanke has been a visiting fellowat the Brookings Institution thinktank. Now 64, he is also an adviser to Pimco, the giant US bond fur
appointments he has acknowledged raise concerns about the revolving door between the Fed and the financial sector.

Henry "Hank" Paulson

Then: US Treasury secretary **Now:** chairman of University of Chicago's Paulson Institute

As Lehman descended towards bankruptcy, Paulson was adamant the bank should not be rescued. Stung by criticism of the Treasury's support for other failing financ
did not want to be seen as "Mr Bailout" .

Paulson, the former boss of Goldman Sachs, was already wealthy when he became a public servant. After leaving the Treasury in 2009 he founded the Paulson Instit
growth and US-China investment, and the Aspen Economic Strategy Group, a forum for luminaries to discuss the US economy.

Paulson has been a severe critic of Trump

Paulson has been a severe critic of Trump. Before the 2016 US election he penned an excoriating attack for the Washington Post, saying Trump represented "a bran
prejudice, fear and isolationism". He also questioned Trump's business acumen and accused the billionaire of flaunting and exaggerating his wealth.

In July, at an event with Bernanke and Tim Geithner, Paulson also warned of the dangers of watering down new laws designed to prevent another banking crisis – no
after the financial crisis to tighten regulation on big "sytemically-important" banks. "It is important that people focus on the lessons," Paulson said. "We are not sure pe
need to remember."

Tim Geithner

Then: president of the New York Federal Reserve **Now:** president of private equity firm Warburg Pincus

As boss of the New York Fed, Geithner was another of the officials who decided to let Lehman collapse, although he has since criticised Paulson for revealing the pla
When Barack Obama was elected in November 2008 Geithner was appointed Treasury secretary. In four years at the Treasury Geithner was criticised for being too c
targeting deficit reduction over cutting unemployment . Geithner, 57, now holds an array of top jobs, including president of the private equity firm Warburg Pincus, visi
board member of International Rescue Committee, the humanitarian relief organisation.

THE UK POLITICIANS

Gordon Brown

Then: prime minister **Now:** UN special envoy for global eductation
How Gordon Brown reacted to Lehman Brothers' collapse became a model for shoring up financial systems. Photograph: Dan Kitwood/Getty Images
In 2004, as chancellor, Brown lavished praise on Lehman Brothers at the opening of the bank's new headquarters in London. He also advocated "light touch" regulati
Lehman went down, Brown ordered a bank rescue that became a model for shoring up financial systems.

Now 67, Brown is the UN's special envoy for global education and campaigns on child poverty. Like Bernanke he is an adviser to Pimco but Brown says he makes no
using it to pay for his staff, with the rest going to charity. He occasionally steps into UK politics, campaigning against Scottish independence in 2014 and calling for an
controversy .

Alistair Darling

Then: chancellor of the exchequer **Now:** director of Morgan Stanley

Darling vetoed Barclays' attempt to buy Lehman just before it went bust – although he denies telling Paulson he was "not going to import your cancer".

Now 64, has said the scariest moment of the crisis was when Royal Bank of Scotland's chairman told him the bank was about to run out of money . After standing do
became a life peer and joined the board of Morgan Stanley, the US investment bank. He led the campaign against Scottish independence in 2014, a decision critics s
He is also a president of the Chatham House thinktank.

Shriti Vadera

Then: business minister **Now:** chair of Santander UK
Could Shriti Vadera be a future governor of the Bank of England? Photograph: Tolga Akmen/AFP/Getty Images
Vadera, one of Gordon Brown's closest advisers, helped push through the post-Lehman banking bailout. Reflecting on that time, the life peer has said Lehman set off
uncontrollable. Since leaving the government she has become one of the most powerful women in the City. As well as chairing Santander's UK business she is a dire
Billiton and AstraZeneca and has other advisory roles. Vadera, who is 56, has been mentioned as a possible successor to Mark Carney as governor of the Bank of Er
weigh against her.

THE BANK GOVERNOR

Mervyn King

Then: Bank of England governor **Now:** academic and adviser to Citigroup

King was accused of reacting slowly to the financial crisis at first but Lehman changed all that. After supporting the October 2008 UK bank bailout the Bank under Kin
zero and was part of a coordinated response to introduce quantitative easing to shore up the economy.

King, now 70, retired from the Bank in 2013 and became a life peer. The Aston Villa fan had a two-month stint on the football club's board in 2016. King is a professor
Economics and New York University and a trustee of the National Gallery. Surprisingly for a fierce critic of banks, he is also an adviser to Citigroup. He has been relat
week said the government's preparations were incompetent .

THE MAN WHO MADE $1bn

Steve Eisman

Then: fund manager at FrontPoint Partners **Now:** fund manager at Neuberger Berman

When Lehman collapsed it sparked the market rout Eisman had been waiting for – and betting on. The maverick investor made $1bn betting against the banks, includ
mortgage bonds on their balance sheets. His story was turned into a book, The Big Short, and then a film of the same name in which his character was played by Ste
repeated his spectacular success but his views continue to attract attention. Recently he has warned that cryptocurrencies have no purpose and has placed bets agai
US car loans and Tesla, the electric carmaker.

THE BRITISH BANK BOSSES

Fred Goodwin

Then: chief executive of Royal Bank of Scotland **Now:** retired
Fred Goodwin receives a £350,000-a-year pension from RBS. Photograph: Danny Lawson/PA
The government spent £45bn rescuing RBS after Lehman's bankruptcy and Goodwin became a symbol of all that was wrong in banking. In 2012 he was stripped of h
adviser to a firm of architects came to an end less than a year after his appointment. Goodwin, however, kept his multimillion-pound bonuses from RBS and receives
the bank. Aged 60, he continues to circulate among sections of Edinburgh's elite.

Eric Daniels

Then: chief executive of Lloyds TSB **Now:** director of Funding Circle

When Lloyds rescued HBOS after the Lehman collapse, Daniels, a US banker, presented the deal as a unique chance for Lloyds to dominate retail banking. In the ev
expected from the HBOS deal were a huge underestimate.

He left Lloyds in 2011 with a £5m pension pot and won a case against Lloyds, reclaiming a withheld bonus of up to £1.4m. Now 67, Daniels has racked up an array of
including at Funding Circle, a platform that links those with money to lend to small business needing to borrow. Last week it announced plans to float on the London s
business could be worth some £3m.

Andy Hornby

Then: chief executive of HBOS **Now:** joint chief operating officer of GVC Holdings

Hornby was a whiz-kid of British business who was a high-flyer at Asda before becoming a senior executive at the Halifax aged only 32. By the time he was 39 he wa
two years later, after the Lehman collapse, the bank had to be rescued by Lloyds. In 2013 the Banking Standards Commission judged that Hornby, along with two oth
of a "colossal failure of management".

> Only a year after the HBOS crisis Hornby was back in business

Only a year after the HBOS crisis, however, Hornby was back in business, as the £1m-a-year chief executive of health and beauty business Alliance Boots, and in 20
Coral, the bookmaker. Coral is now owned by publicly traded GVC but Hornby is not on the main board and stays out of the limelight. He is also chairman of an online
Now 51, Hornby, could still face action by the Financial Conduct Authority – the financial industry watchdog – over the bank's failure.

Lehman Brothers Inc.'s 14-Year Liquidation Successfully Concludes

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Reviewed by on June 11, 2024

liquidation collapses liquidating bankruptcy crisis liquid litigation precedents protection settlements authority

Lehman Brothers Inc.'s 14-Year Liquidation Successfully Concludes

More than $115 Billion Returned to Customers and Creditors

New York, NY, September 28, 2022 – Judge Shelley C. Chapman of the U.S. Bankruptcy Court for the Southern District of New York today closed the Lehman Broth proceeding under the Securities Investor Protection Act (SIPA), the largest securities brokerage liquidation in U.S. history.

Commenced in 2008 in the midst of the worst financial crisis since the Great Depression, the 14-year LBI liquidation conducted by Trustee James W. Giddens resulte billion to LBI customers and creditors without the use of funds from the Government or the Securities Investor Protection Corporation (SIPC).

Customers received $106 billion, fully satisfying the 111,000 customer claims. Most customer claims were satisfied within weeks of the liquidation.

Secured, priority and administrative creditors with allowed claims also received 100 percent distributions.

Distributions to unsecured general creditors with allowed claims totaled over $9.372 billion, representing a 41.2841 percent recovery.

With the creation of a novel liquidating trust construct established in June 2022, certain unsecured general creditors with allowed claims have the potential to receive f Liquidating Trust.

This outcome was unfathomable at the outset of the liquidation. As Trustee Giddens noted, "The pre-negotiated sale of substantially all of LBI's U.S. brokerage assets significant portion of LBI's customers to transfer to a new, solvent broker-dealer and offered the prospect of continued employment to several thousand former Lehma and the pre-liquidation transfer of LBI's valuable subsidiaries to its holding company left LBI with no liquid assets at the commencement of the liquidation against ultim Giddens added, "Given these incredible obstacles to start the liquidation, these recoveries to customers and creditors were unimaginable and a testament to the SIPA SIPC."

The liquidation of LBI began on Friday, September 19, 2008, in the United States District Court for the Southern District of New York. Its breadth and scope were unpr addressed numerous complex issues – many that established key precedents for future SIPA proceedings. With 76 parallel affiliate proceedings involving hundreds o around the world, as well as settlements with Lehman affiliates, the recoveries achieved by the Trustee and his team exceeded $100 billion. The liquidation proceedir of more than 15,000 general creditor claims asserted against LBI, many of which required contested litigation and appeals.

Mr. Giddens, who was appointed Trustee by the Court at the outset of the proceeding in 2008, further noted that "the extraordinary results of the past 14 years were n involvement of SIPC, the Securities and Exchange Commission (SEC), the Commodity Futures Trading Commission (CFTC), the Financial Industry Regulatory Autho Bank of New York and other regulators that provided substantial support and guidance, and of course, the judicious oversight of the United States Bankruptcy Court."

"The LBI case ultimately taught us that a failure of a large financial institution should be avoided, but history tells us that it is inevitable. While the exact cause of that fa no law will prevent all causes of future financial institution collapses," Mr. Giddens said. "It is therefore important to preserve SIPC resources and expertise to respond institution collapses."

SIPC's President and CEO, Josephine Wang, praised the Trustee and his team for the outcome, saying, "We thank the Trustee, his counsel and consultants for their The results achieved not only surpassed all expectations, but provided the much-needed relief to investors against the loss of their hard-earned savings." Ms. Wang a proceeding is a testament to the success of the SIPA program even under the most dire and challenging of circumstances."

The Trustee has been represented by Hughes Hubbard & Reed LLP. SIPC has been represented by Kenneth J. Caputo and Hemant Sharma.

How Lehman Brothers and MF Global's Misuse of Repurchase Agreements Reformed Accounting Standards

August 1, 2016 · Google · False Positive (Score 0.45) cpajournal.com

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Reviewed by Auto on June 11, 2024

bankruptcy default settled debt manipulated settlement collapse liquidity problems violated disclosures

bankrupt bankruptcies bonds concerning crisis defaults disclosure fears misappropriation misleading prohibi

How Lehman Brothers and MF Global's Misuse of Repurchase Agreement Accounting Standards

Repurchase agreements, or repos, have existed since 1917 and play an important role in the short-term liquidity markets. Although the purpose of a typical repo is to two parties, accounting standards have permitted the transaction to be recorded as a sale under certain circumstances. Repos became headline news in 2008 when MF Global. This article describes how Lehman Brothers and MF Global , shedding a light on their particular accounting methods for these transactions. Three years la was blamed for the collapsemanipulated and exploited the sale accounting method for repo agreements and the subsequent revisions to accounting standards.

Repos are arrangements wherein one party transfers securities to another for a specified price, along with an agreement to repurchase the securities at a fixed date a
arrangements are short-term, and many are settled within a day. Because the terms are so brief, there is little risk involved, which results in lower interest rates than c
depicts a standard repo arrangement.

For most repos, the economic substance of the transaction is similar to a secured loan. The cash received for the securities is less than the fair value of the asset and
loan. The difference between the fair value of the asset transferred and the cash received is referred to as the “haircut” in repo transactions. The securities transferred
paid to repurchase the securities represents payment of the principal plus interest at the agreed-upon rate. If the transferor defaults and does not repur-chase the sec
them to satisfy the obligation.

There are, however, several important differences between repos and traditional secured loans. First, the transferee actually acquires title to the securities on the trad
or pledge the assets to another party during the term of the agreement. In addition, if the fair value of the asset declines, the agreement may give the transferee the ri
Finally, the assets returned to the transferor at the settlement date do not have to be the same assets that were originally transferred.

Although the business purpose of most repo transactions is for companies to borrow and lend money, Statement of Financial Accounting Standards (SFAS) 125, issu
transactions to be recorded as sales or as loans depending on whether the transferor maintained control of the asset. There were many implementation problems witl
date was delayed until 1998. FASB subsequently revised and replaced the standard in 2000 with SFAS 140, although most of the provisions in SFAS 125 were carrie
SFAS 140 was in effect when Lehman Brothers developed its sale accounting method.

In order for a repo transaction to be considered a sale, the transferor must have relinquished control. According to SFAS 140, paragraph 9, the transferor would not ha
conditions were met:

The transferred assets were isolated from the transferor.

The transferee had the right to pledge or sell the asset.

There was no agreement that required the transferor to repurchase the assets before their maturity or permitted the transferee to require the transferor to return speci

Although the business purpose of most repo transactions is for companies to borrow and lend money, Statement of Financial Accounting Standards (SFAS) 125 perm
recorded as sales or as loans.

SFAS 140, paragraph 47, defined an agreement as one that met all of the following conditions:

The assets to be repurchased were substantially the same as those that were transferred.

The transferor was able to repurchase them on substantially the agreed terms.

The agreement was at a fixed or determinable price.

The agreement was entered into concurrently with the transfer.

If any of the conditions in paragraph 9 were not met, effective control would not be considered surrendered by the transferor, and the transaction would be recorded a
date of the agreement. The following journal entries provide such an example:

Transferor		
Cash	**98**	
Repurchase Liability		**98**
Transferee		
Repurchase Receivable	**98**	
Cash		**98**

Note: Assumes that securities with a fair value of $100 were transferred to the lender. The transferor receives cash for 98% of the fair value, representing a haircut of
be reported by the transferor although classified separately from other assets. The liability would be repaid at the settlement date, along with interest at the agreed-up

If all of the conditions in paragraph 9 were met, the transaction would be recorded as a sale with a forward repurchase/resale agreement between the two parties. The
the transferor and recorded at fair value by the transferee, as shown in the following journal entries:

Transferor	
Cash	**98**
Forward Repurchase Commitment	**2**
Securities	
Gain on Sale of Securities	
Transferee	
Securities	**100**
Cash	
Forward Resale Commitment	

Note: Assumes that securities with a book value of $95 and fair value of $100 were sold to the transferee. The gain is the difference between the book value of the as price). The transferor receives cash for 98% of the fair value, representing a haircut of 2%. The difference between the fair value of the asset and the cash received/pa /resale agreement. Because the underlying purpose of most repurchase agreements is to borrow or lend money, recording the transaction as a sale historically allowe by the transferee.

Lehman Brothers had been involved in repos for many years and had always accounted for them as secured borrowing arrangements. In 2001, however, to reduce its balance sheet, it designed a new approach to recording repos as sales, allowing it to temporarily obtain cash without recording a liability. Under the conditions of SFA transaction had to be structured so that the assets were isolated, the transferee had the right to pledge or sell the assets, and there was no agreement to purchase th Lehman used this brief, but very specific, guidance to create agreements that would fall outside of FASB's bright-line guidance for "substantially all" and therefore cou Although the accounting standards did not specifically require a legal opinion that a repo agreement was a sale in legal terms, companies usually obtained one to sati isolated from the transferor and its creditors in the event of bankruptcy. No American law firm would provide Lehman with such a statement; instead, it had to employ stated that the transaction represented a true sale *only under English law* . Therefore, the transactions had to be executed by Lehman Brothers International in Europ transfer-ees. The consolidated financial statements of Lehman Brothers Holdings Inc. that included these transactions were, however, filed in the United States.

Demonstrating that there was no agreement to repurchase the assets was another complication, Lehman focused on the provision requiring the transferor to be able t agreed terms." This required the transferor to have obtained cash or other collateral sufficient to fund substantially all of the cost of purchasing other assets. FASB ha explanation for the phrase "substantially all." The implementation guidance in SFAS 140, paragraph 218, however, stated in part:

Judgment is needed to interpret the term *substantially all* and other aspects of the criterion that the terms of a repurchase agreement do not maintain effective control However, arrangements to repur-chase or lend readily obtainable securities, typically with as much as 98 percent collateralization (for entities agreeing to repurchase) overcollateralization (for securities lenders), valued daily and adjusted up or down frequently for changes in the market price of the security transferred and with clear quickly in the event of default, typically fall clearly within that guideline. The Board believes that other collateral arrangements typically fall well outside that guideline.

Lehman used this brief, but very specific, guidance to create agreements that would fall outside of FASB's bright-line guidance for "substantially all" and therefore cou designing them so that the value of the assets transferred was 105% of the cash received for fixed income securities and 108% for equity securities. These became k 105 and Repo 108.

During the housing boom, Lehman had acquired several mortgage lenders. When the housing market began to collapse in 2007, Lehman and other similar firms reco subprime mortgages. At the same time, investment banks, including Lehman, were advised to reduce their leverage to avoid ratings downgrades. Instead of selling as down its debt made both difficult and costly—Lehman increased its use of Repo 105 and 108 transactions. It would enter into transactions near the end of each quarte borrowed money—at the beginning of the next period, usually within seven to ten days. The assets would be removed from the books and the cash used to pay down growing financial crisisdebt, reducing its leverage ratio on quarterly and annual reports. Upon repayment, the assets and liabilities would be put back onto the books, a increase to the pre-transaction levels. The trades ranged from $39 billion to over $50 billion from the end of 2007 through the second quarter of 2008.

These transactions were material and should have been disclosed in the notes to the financial statements. Instead, Lehman not only failed to disclose the transaction agreements were accounted for as secured borrowing arrangements. It also failed to disclose any off–balance sheet arrangements in its management's discussion ar quarterly and annual reports.

The housing market continued to decline, and in the second quarter of 2008 Lehman reported its first loss since going public in 1994. Banks refused to extend lines o was unable to continue operating and filed for bankruptcy examiner, stated in his 2010 report that it was clear that the executives engaged in these transactions for th balance sheet and leverage ratios. Lehman's own executives referred to these transactions as a "gimmick" and a "lazy way of managing the balance sheet." Lehman 2008. The Repo 105 and 108 transactions were not the sole cause of the bankruptcy; however, they helped disguise the actual financial position of the company for c court-appointed bankruptcyviolated the letter of the accounting standards, but it definitely violated their intent by materially misleading financial statement users.

In June 2009, FASB issued SFAS 166, *Accounting for Transfers of Financial Assets* , which was codified as Accounting Standards Codification (ASC) Topic 860, "Tra standard modified some of the language in paragraph 9 of SFAS 140 to include all entities in the transferor's financial statements as part of the analysis of effective co eliminated the concept of a qualifying special-purpose entity and modified the financial-components approach of SFAS 140. The revisions did not, however, specifical (subsequently ASC 860-10-40-24b). It also did not eliminate paragraph 218 (subsequently ASC 860-10-55-37); in fact, the codification provided a link to it, stating in p for implementation guidance related to the term substantially all." The focus of the new standard was the criteria that had permitted companies to keep entire entities o the type of repo transactions created by Lehman. It did add significant disclosure requirements lacking in SFAS 140.

In April 2011, FASB issued ASU 2011-03, *Transfers and Servicing (Topic 860): Reconsideration of Effective Control for Repurchase Agreements* , to deal with the Re criterion of whether the transferor can repurchase the assets on the agreed-upon terms from the assessment of effective control. This also eliminated the related guid cash to redeem substantially all of the securities in the initial agreement, as well as the "substantially all" bright-line definition used by Lehman. The remaining criteria These revisions dealt with agreements that settled before the maturity of the securities. The changes made it more difficult for companies to construct transactions as not really been transferred to the other party, but did not apply to repurchase agreements that settled at maturity, leaving an opening for further abuse.

When Jon Corzine became CEO of MF Global in 2010—after losing his reelection bid for New Jersey governor—the company had not shown a profit in over four year steps above junk status. Rating agencies told Corzine that the company needed to increase revenues by at least $200 million or face further downgrades. MF Global from interest income, and when the Federal Reserve dramatically cut interest rates in 2008, that revenue dropped sharply. Since interest rates were not expected to in began to initiate trades on sovereign debt issued by European countries experiencing financial difficulties, believing that the market overestimated the countries' risk o therefore undervalued. Because revenue needed to be generated quickly, the trades were structured as repo-to-maturity (RTM) agreements.

It does not appear that MF Global misused or manipulated accounting standards when record ing RTM transactions.

In an RTM, the timing of the settlement matches the maturity of the security, allowing the transferee to either return the security to the transferor or redeem it from the a net cash payment on the maturity date. Because the transferor does not reacquire the asset, accounting standards deem control to be surrendered, and therefore a trade is initiated. Profit is recorded on the date of the sale, and the security is removed from the transferor's accounting records, eliminating subsequent income stater market values. Because the securities MF Global bought were issued by countries experiencing financial distress, there was a higher risk of future declines in market types of securities, and derecognizing the securities eliminated the risk of recording any future losses.

MF Global purchased the securities at a discounted price through its U.K. subsidiary, MFGUK, then repoed them back to MFGUK, which then initiated another repo tr Clearing House (LCH). This latter transaction was also treated as an RTM, although the actual term was for two days shorter than the maturity date of the bonds, as L on the maturity date. Accounting standards did not define "before maturity," but stated that an agreement would not be considered a redemption before maturity if the prohibit the transferor from selling the financial asset again (ASC 860-10-55-51). In addition, there was no requirement in the accounting standards to record an allowa Therefore, MF Global recorded a gain on the date of the latter RTM as the difference between the original discounted purchase price by MF Global and the RTM sale By early October 2011, these RTMs had produced $124 million in upfront gains. MF Global was still responsible, however, for covering the margins for any declines in securities. As fears of default increased, the required margins also increased, and MF Global had to find additional sources of cash to meet them. This need for cash misappropriation of millions of dollars from customer accounts, and the company filed for bankruptcy on October 31, 2011.

It does not appear that MF Global misused or manipulated accounting standards when recording these transactions. Instead, by allowing profits to be recorded upfror incentive for MF Global to engage in risky RTMs. In March 2012, FASB therefore announced plans to revise the repo agreement standards. It found that users did not maturity and RTMs to be substantively different instruments. Users also indicated a need for additional disclosures related to the liquidity risk profile of the transferor. *Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures* , was issued in June 2014. A detailed discussion of the new gu Accounting for Repurchase Agreements" on page 50 of this issue.

The updated standards responding to the Lehman Brothers and MF Global bankruptcies are now in effect for all companies. While their long-term effects have yet to l
that they will prevent such massive failures in the future. History shows, though, that if a loophole exists, eventually someone will find and exploit it. Only time will tell v
brightlines with more principles-based guidance will solve the underlying problems or merely open the door to new ones.

Where former Lehman Brothers employees are today

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False positive. Non-adverse media.

Reviewed by Auto on June 11, 2024

bankruptcy bankrupt lost crisis human officially poisonous

Where former Lehman Brothers employees are today

A woman who gave up her stable, prestigious position as a managing director at HSBC to move to Lehman Brothers just one year before the investment bank would
A lawyer who now works at a start-up and misses the exciting atmosphere of the bank — but doesn't miss having to wear a suit to work. You'll find the general counse
days.
An executive assistant who worked at the bank for a decade and has not been able to find another full-time job since. He bounces around from company to company
in uncertainty.
Lehman Brothers' failure in 2008 upended the lives of these and thousands of other former employees, and triggered a financial crisis so dark and huge people were
had a future. The world's fourth-largest investment bank, which had been around since 1850 , had grown into one of the country's main underwriters of the poisonous
mortgages. By Sept. 15, 2008, it went bankrupt with its more than $600 billion in assets. It remains the largest filing in the nation's history.
Some 25,000 employees were left asking: Now what?
To try and answer that question, CNBC reached out to the company's former workers. Here are a few of their stories.
"I was no longer going to a set place," Berkshire said, "and it wasn't my choice."
Jayson Berkshire
Years at Lehman: 1998-2008
One Friday in March 2008, Jayson Berkshire, a former executive assistant at Lehman Brothers, was monitoring his boss' emails when he spotted his name. "Who is g
supervisor wrote. That's how he learned that he was about to lose his job of 10 years. "There was a sense of betrayal," Berkshire, now 48, said.
Berkshire had developed very close ties at the investment bank, where he spent more than 50 hours each week. He booked elaborate events, arranged people's app
lunches. "I like taking care of people," he said.
That weekend, he quietly cleaned out his files. On Monday, he was officially let go by a chief administrative officer and a person in human resources. "I don't know tha
with me," Berkshire said. Another assistant came up to him, sobbing. "It was like she couldn't speak," he said. "She was so hurt and devastated that I was one of the p

> There was a sense of betrayal.

Depression engulfed him. "I was bed-bound and disoriented and dazed," he said, about the months after his layoff. "I was no longer going to a set place, and it wasn't
He hasn't been able to find a similar position since. While he earned $85,000 a year at Lehman Brothers a decade ago, he estimates that he makes around $70,000 a
does find is temporary. A year at this bank, a year at that one. Often, he's told the job could develop into a full-time position, but it never does.
"I found the culture has really changed," Berkshire said. "Having an assistant is becoming a rare thing."
"Companies think they're saving money by not giving assistants to their executives, and what they don't understand is here's someone who you're paying a lot of mon
doing administrative tasks," he said. "It's penny-wise and pound-foolish."
Lisa Roitman
Years at Lehman: 2007-2008
On Sept. 15, 2008, Lisa Roitman, a managing director at Lehman Brothers, was enjoying herself at a block party with her family in Greenwich, Connecticut, when a ne
Sachs approached her. "I heard you were filing today," he said. She was blindsided.
Roitman had come over to the investment bank from HSBC just one year earlier. During the interviewing process at Lehman, she said she was convinced of the comp
work on fund derivatives, and said she was paid around $1 million a year to do so. She converted all the employee stock she'd accumulated since the 1990s into Leh
Some troubling signs soon appeared. The mortgage traders who sat on the same floor as her were disappearing. "It was hard to tell if people were quitting or if people
it was fewer and fewer people."

> If I could lose this job, what else could I lose?

Then, she was rattled by the failure of another investment bank, Bear Stearns. "There are so many risk and credit controls within these institutions," Roitman, now 50,
something wrong, how does something like that happen?"
The demise of the company cost her around $1 million in savings, she said.
She remembers thinking, "Now I have to start all over again." Suddenly, she was worried about paying for her children's college and if she'd have enough to retire. Sh
Lehman fund manager, and they took a hit, too. She was insecure about the future and wondered, "If I could lose this job, what else could I lose?"
In the aftermath of the bankruptcy, she stayed on to finish out her clients' deals. Since, she's worked as a lawyer at a handful of smaller financial companies, where sh
she made at Lehman. "I've never recovered," she said.
Yet the financial loss, she said, was not the hardest one.
"What I lost was my identity," she said. "Our business was done."
Charles Kwalwasser was a lawyer at Lehman Brothers for four years.
Charles Kwalwasser
Years at Lehman: 2004-2008
At one point in time, Charles Kwalwasser would have been happy to spend his entire career at Lehman Brothers.
When he was first hired as an intellectual property attorney at the investment bank in 2004, it was an exciting milestone. "I always thought of them as one of the big pl
He went on to build the bank's patent portfolio. He never considered that his job could be in jeopardy. "Lehman was huge," he said. "I don't think anyone thought the c
."
However, when it did, Kwalwasser lost around $200,000, he estimates, since his compensation was partially invested in Lehman stock.

I don't think companies invest in their people like they used to.

The rest of his career has been marked by twists and turns.

First, he moved over to Barclay 's, which bought Lehman's core businesses after its bankruptcy. Then he moved on to a start-up of community-based inventions, but t bankruptcy . Now, he works as general counsel at another start-up called Bark , a dog products company.

He thinks about how different his working life has been from his father's. As a child, Kwalwasser watched his dad spend his entire career at just two major institutions: and the Securities and Exchange Commission.

At only 41, he himself has already worked for five different employers and wouldn't be surprised if that number doubles before he retires. "I don't think companies inve to," Kwalwasser said.

On the other hand, he said, employees have become more focused on themselves.

He hopes to one day return to a buried passion for real estate and architecture. And while his uniform at Lehman Brother's was a suit and tie, nowadays he saunters i on a vacation.

"It's not that important," he said, wearing sneakers and a T-shirt stamped "Pizza."

Renee Spero was an assistant vice president at Lehman Brothers for five years.

Renee Spero

Years at Lehman: 2003-2008

When Lehman Brothers filed for bankruptcy, Renee Spero, an assistant vice president there, was 10 weeks pregnant.

That tumultuous weekend, she couldn't peel her eyes away from the television screen. "I remember sitting at the end of my seat, watching the news," Spero, 38, said. on Monday?"

Spero had started at the investment bank five years earlier as a financial analyst and worked her way up to assistant vice president. She had met her husband at the spending her entire career at the bank. "I thought I'd retire there," Spero said.

She moved over to Barclay's very briefly after the investment bank failed, but found her job was redundant there. She tried to land a similar job at another bank, to no intense, as many other people were thrown into unemployment and looking for work at the same time.

"The situation I had at Lehman Brothers no longer existed," she said.

I no longer have nearly the earning power I had then.

The salaries being offered her would barely cover the cost of child care for her son and daughter.

She decided to stop looking for jobs at banks and now is a stay-at-home mother. However, she puts in a few hours a week at a local nursery school in New Jersey wh meanwhile, still works in finance.

Now that she's been out of the field for a decade, she questions how easy it would be to re-enter it.

Her life seems to have permanently changed course with the fall of Lehman. "I no longer have nearly the earning power I had then," she said.

She went on: "I miss having the status of being someone full-time in finance in New York City. Sometimes I just want to wear a shirt that says: 'I used to have a big job

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Lehman Brothers

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False positive. Non-adverse media.

Reviewed by Auto on June 11, 2024

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Lehman Brothers

The rise and fall of the US investment bank

Over 1.8 million professionals use CFI to learn accounting, financial analysis, modeling and more. Start with a free account to explore 20+ always-free courses and hu cheat sheets. Start Free

Lehman Brothers' stock was selling at $86 a share in February 2007, giving the company a market capitalization of nearly $60 billion. For the year, the company repo income, over $4 billion. In January 2008, Lehman Brothers was the fourth-largest investment bank in the U.S.

In March, immediately after Bear Stearns (the second-largest holder of mortgage-backed securities , right behind Lehman Brothers) almost collapsed, Lehman stock the company reported a quarterly loss of $2.8 billion, its first quarterly loss since being spun off from American Express way back in 1994.

By the end of 2008, Lehman Brothers Holdings Inc. had vanished from the investment banking landscape, the largest corporate bankruptcy filing (with $619 *billion* in

Lehman Brothers began in the mid-19 th century – 1844, to be precise – as a general store. Henry Lehman was responsible for the first incarnation of the b and Emanuel) joined the business in 1850, laying the groundwork for what would become a financial industry powerhouse.

The 1990s were a time of great power and financial success for Lehman Brothers; the repeal of the Glass-Steagall Act allowed the company to engage in b banking services, a move that would ultimately lead to its downfall.

Lehman's ultimate end came as a result of being utterly overwhelmed by mortgage-backed securities (MBS) that were mostly backed with subprime loans default.

The Beginnings of Lehman Brothers

Lehman Brothers began in the mid-nineteenth century, 1844 to be exact. It was started in Montgomery, Alabama by Henry Lehman, an immigrant from Germany. Fro
store, Henry's brothers – Mayer and Emanuel – joined him, giving birth to Lehman Brothers in 1850. During the 1850s, Lehman began to become a major commoditie
the key cotton market.

The company's shift from commodity trading to investment banking began in 1906 when it partnered with Goldman Sachs on an IPO. Between 1906 and 1926, Lehm
nearly a hundred new equity issues, including those of such notable companies as F.W. Woolworth, Studebaker, and Macy's department stores.

The history of Lehman Brothers mirrors how investment banking's changed and developed in the United States' economy. The company managed to pursue and eve
upheavals such as the Civil War, both world wars, and the stock market crash of 1929 and the resulting Great Depression . Going through a myriad of changes, spin-
developed into a commodities brokerage and ultimately into one of the largest investment banks in the world.

Success in the 1990s

Lehman Brothers was acquired by Shearson/American Express in 1984 for a reported $360 million. American Express owned Lehman Brothers from 1984 to 1994, a
off via an initial public offering (IPO), which attracted more than $3 billion in new capital. The repeal of the Glass-Steagall Act – which previously prevented banks fron
investment and commercial banking business – enabled Lehman Brothers to expand greatly by offering both services.

Lehman Brothers prevailed after the horrors of 9/11 and continued as a dominant force in the investment banking industry. By 2007, Lehman had grown to become th
banking firm in the country. Much of its growth and profitability came from huge investments in mortgage-backed securities (MBS). Ironically, those very same investm
s downfall.

The Housing Market and Subprime Loans

Lehman Brothers was deeply invested in mortgage-backed securities (MBSs) by the time the mid-2000s rolled around. The housing boom led to an overabundance o
obligations (CDOs) being created and, by 2007, Lehman was the largest holder of MBS.

The icing on the cake for Lehman Brothers was its deep dive into loan origination in 2003. The company acquired a number of lenders, several of whom focused on p
the U.S. government had been pushing since the turn of the century. Their huge investments in MBS, many of which were teeming with subprime mortgage loans, is
Lehman Brothers.

The Housing Market Crash

The incredibly risky and haphazardly structured subprime loan bundles were overwhelming the market by 2007 and into 2008. In reality, the earliest stages of the cras
took was a slowdown in the housing market for defaults on mortgage loans to grow in numbers. The massive number of subprime mortgages simply could not be sus
However, Lehman Brothers continued to deepen their investment in the housing market and mortgages, buying up a massive piece of the real estate marketplace, wi
$100 billion in mortgage-backed securities and assets.

Competition and Failure

Lehman Brothers' biggest competitor – Bear Stearns – went down in flames first. A Federal Reserve-backed deal enabled J.P. Morgan Chase to buy out the company
Lehman's future uncertain.

Lehman was already in a weakened state after depending on repos for daily funding. The company sought to boost market confidence through equity fundraising in th
However, the move proved less reassuring when, in September, Lehman reported an anticipated third-quarter loss of nearly $4 billion. On top of this, it reported a $5.
downs.

The End of Lehman Brothers

Lehman's stock plummeted some 77% in the first seven days of September 2008. Richard Fuld – the CEO at the time – attempted to save face in front of investors ar
multiple tactics, including a spin-off of the company's commercial real estate assets.

Investors saw Lehman for what it was: a sinking ship. The clear signal that investors were running came with the swelling of credit default swaps on Lehman's debt, a
major hedge fund investors.

The final straw dropped by September 15 when, after attempted buyout rescue deals by both Bank of America and Barclays fell through. Lehman Brothers was force
sent the company's stock plummeting a final 93%. When it was all over, Lehman Brothers – with its $619 billion in debts – was the largest corporate bankruptcy filing
Following the bankruptcy filing, Barclays and Nomura Holdings eventually acquired the bulk of Lehman's investment banking and trading operations. Barclays additio
York headquarters building.

Lehman's collapse was a major contributor to the domino effect of multiple financial disasters that eventually became the Global Financial Crisis of 2008 . Many in the
was allowed to fail, rather than being rescued by the U.S. federal government like so many other banks were. One reason often put forward is simply the massive size
inability of its assets to begin to cover it.

Other Resources

Thank you for reading CFI's guide to Lehman Brothers. To keep learning and developing your knowledge of financial analysis, we highly recommend the additional C

The Woman Who Brought Down Lehman, Or So You Were Told

Google · False Positive forbes.com

defraud

The Woman Who Brought Down Lehman, Or So You Were Told

Mar 30, 2015 ... ... prison terms" for two women "for their roles in orchestrating a mortgage fraud scheme to defraud Lehman Brothers Bank … of more than $14 millic

Appendix - search request details

Google API

Entity ID	Type	Name	Date of birth	Citizenship	Resi
—	**Company**	**Lehman Brothers**	—	**United States**	—, U

High-risk countries

Russian Federation · NK

Keywords

ACCUSE · ARREST · BRIBE · CONVICT · CORRUPT · COUNTERFEIT · CRIME · EMBEZZLEMENT · FRAUD · GUILT · INVESTIGATION · KICKBACK · MONEY LAUNDERING · NARCOTIC · PENALTY · SANCTION · SENTENCED · EVASION · TEI · TRAFFICKING · VIOLATION

Article Language(s)

Any

Search time period

10 Years

Report Explanation

Case Status: the recommendation based on the analyst''s findings. Possible values are Further investigation needed, True positive or False Positive. Th
name.

High-Risk Countries: shows flagged countries which were found within the article(s). Note that additional countries that were not found within the article
screening.

Keywords: shows keywords found within the article(s) that are commonly associated with a True Positive alert. Note that additional keywords that were n
may have been used in the screening.

Article Title: the name of the article returned by the search parameters. Clicking the name of the article title in the Summary section will navigate you to t
article details section.

Article Status: a risk-based category assigned to an article. Possible values are “Needs Investigation”, “False Positive”, "True Positive". Articles that wer
Positive" by the model are automatically assigned "Needs Investigation" unless a human team member changes the status during the review process.

Score: a model-based assessment that determines the relevance of the entity and a risky activity and/or crime. It is given on a 0.00 to 1.00 scale, with 1.

Reviewer: the name and ID of the final analyst who reviewed the article and updated its status and/or comment. Possible values are the name and ID of
or "Auto" if it was processed automatically by the digital worker Evelyn. It is possible for different articles to be reviewed by different analysts within the sa

Comment: articles are first analyzed by the machine learning model. If the model dispositioned the article as False Positive, you''ll see the reasoning liste
comments made by analysts during their manual review in this section.