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Victims of New York Ponzi Scheme Recover Over $1 Billion Following CFTC Enforcement Action

September 11, 2020

Washington, D.C. — The Commodity Futures Trading Commission today announced that, pursuant an order entered on Monday, August 24, 2020 by the U.S. District Court for the Southern District of New York, the court-appointed receiver has completed a final distribution to victims in a $1.3 billion Ponzi scheme case brought by the CFTC in 2009. [See CFTC Press Release No. 5621-09] Specifically, the distribution pertains to customers in a commodity pool operated by defendants **Paul Greenwood** and **Stephen Walsh,** who, among other defendants, were charged in the case. The court-appointed receiver for this matter is Robb Evans & Associates LLC.

This final distribution brings the total amount of funds returned to investors to over $1 billion, constituting 100% of all approved investor claims. The order follows the entry of final judgments against Walsh and Greenwood on November 13, 2019, and November 19, 2019, respectively. The assets marshalled in this case include over $88 million in funds clawed back from fully redeemed customers, a $14 million horse farm in North Salem, NY, a collection of antique teddy bears sold at auction at Christie's for over $3.7 million, and an estate in Sands Point, NY.

"With all distributions now complete, we have returned more than $1 billion to victims, constituting 100% of all approved claims," said CFTC Division of Enforcement Director James McDonald. "This case serves as yet another example of the value of working with our law enforcement and regulatory partners to preserve the integrity of our markets and protect customers. After the discovery of this fraudulent scheme, the civil agencies moved expeditiously to file civil cases, seek an asset freeze, and obtain the appointment of a receiver. Meanwhile, the criminal authorities also moved quickly, which led to the criminal convictions of those responsible. The receiver was able to responsibly marshal the assets that were frozen, and to recover significant additional assets. In the end, these funds were enough to make the victims whole."

"This final distribution is a demonstration of the SEC's resolute commitment to protecting investors and seeking justice for victims of fraud," added SEC Enforcement Director Stephanie Avakian. "We are proud to join with our colleagues at the CFTC to announce this full return of investors' net principal investments."

Case Background

The CFTC complaint, filed in the U.S. District Court for the Southern District of New York on February 25, 2009, charged Greenwood and Walsh, both residents of New York state, with operating a Ponzi scheme that misappropriated at least $553 million from commodity pool participants in connection with entities that they owned and controlled, such as Westridge Capital Management, Inc., WG Trading Investors, LP, and WGIA, LLC. The Securities and Exchange Commission (SEC) also filed a civil action in a related matter. [See SEC v. WG Trading Investors, L.P., et al., No. 09-cv-1750 (S.D.N.Y.)]

A prior order entered by the court approved a pro rata distribution plan recommended by both the CFTC and SEC, and proposed by the receiver. Under the court-approved plan, the receiver made an initial distribution of approximately $792 million to customers, mostly institutions, such as state and county pension funds, private pension funds and university foundations. Three additional court-approved partial distributions have since taken place, and this final distribution completes the process by which the victims of the fraudulent scheme have obtained a return of all their approved claims.

Both Greenwood and Walsh eventually pleaded guilty to criminal violations in the related criminal action [See United States v. Greenwood et al., No. 1:09-cr-722 (S.D.N.Y.)], agreed to consent forfeiture judgments of approximately $85 million and $50 million, respectively, and served approximately five years and four years in federal prison, respectively. In the civil proceedings filed by the CFTC and SEC, both Greenwood and Walsh ultimately agreed to consent orders of permanent injunction that enjoined them from any ongoing violations, and further imposed permanent trading and registration bans.

As a general matter, the CFTC cautions that orders requiring repayment of funds to victims may not always result in the recovery of lost money because the wrongdoers may not have sufficient funds or assets.

The CFTC appreciates the assistance of the National Futures Association, the office of the U.S. Attorney for the Southern District of New York, the Federal Bureau of Investigation, and the SEC.

The Division of Enforcement staff members responsible for this matter are Patricia Gomersall, Kyong J. Koh, JonMarc P. Buffa, Peter M. Haas, Joan Manley, and Paul G. Hayeck.

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