

Ponzi Schemes

High Profile, High Stakes Investigations

FTI Consulting has unparalleled experience with the investigative, complex data analysis, asset tracing and forensic accounting needs of court-appointed Receivers, Examiners and Trustees in the wake of some of the most high-profile Ponzi schemes. Our professionals have not only supported the work of Receivers, Examiners and Trustees, but we have also been appointed to work in that capacity. We understand the time-critical nature of implementing a plan of action, communicating with multiple constituencies, and managing the inherent complexity of such appointments. We also offer a complete range of sophisticated tools that identify, collect, preserve and review relevant information to empower rapid analysis.

Investigation, Forensic Accounting and Data Analysis

We are routinely retained to recover and analyze enterprise-wide data, independently investigate, gather and document relevant facts, clarify or reconstruct complex financial transactions, apply forensic accounting techniques, and quantify damages in a variety of Ponzi-related receiverships, bankruptcies, wind-downs or involuntary liquidations. Our forensic fact finding has supported the legal determination of a Ponzi scheme.

We have extensive experience investigating related party transactions and inter-company transfers for evidence of self-dealing or other indicia of fraud, reconstructing financial and electronic records, uncovering and marshalling hidden assets, and preserving accounting books and records for review by various stakeholders – Receivers, Examiners, Trustees, Debtors and Creditors. We analyze the flow of funds and determine the appropriate netting or aggregation of accounts to assist with the determination of claw backs, specifically identifying net winners and losers.

We design and deploy technology enabled solutions, facilitating claim-related workflows and reconciliation processes in a fully audited and multi-user environment, to ensure that claim intake, adjudication, reconciliation, and resolution are performed with the utmost accuracy.

We also assist with any ensuing litigation, including those made in an effort for third party recoveries such as litigation against banks for aiding and abetting. We ensure the chain of custody of recovered forensic accounting and computer forensic evidence is preserved, and can provide expert testimony at trial.

In matters in which corporate assets have been misappropriated and moved abroad, we leverage our global platform to conduct investigations throughout North America, South America, Europe, Africa, the Middle East and Asia. Our professionals understand that successful asset searches begin with comprehensive financial analysis to identify all potentially recoverable assets. Once identified, our teams efficiently locate the assets by seamlessly combining high-level analytical, fact-gathering, financial forensics and computer forensic technology. We then apply our understanding of local process in jurisdictions around the world to assist legal counsel with the attachment of assets, preventing further unwanted transfers.

Our collective experience in supporting the stakeholders in their work enables our team to quickly assess a situation, apply the lessons of our past experience, and design an appropriately scaled investigation to be performed in a phased and cost-effective manner.

Representative Experience

Bernard L. Madoff Investment Securities Investigation

In the largest reported Ponzi scheme in U.S. history, FTI Consulting has been retained by the court-appointed trustee under the Securities Investor Protection Act (SIPA) in the liquidation of Bernard L. Madoff Investment Securities (BLMIS). FTI Consulting is providing the Trustee with forensic accounting, complex financial and enterprise data analytics, document management, econometric analysis, and expert witness services. Our multidisciplinary team, including experts in electronic evidence, data analysis, forensic accounting, security trading, and fraud investigations continue to assist the Trustee’s counsel with requests related to a myriad of litigation and forensic activities provided by the Trustee, counsel to the Trustee, the Securities Investor Protection Corporation (SIPC) and various international entities such as the Liquidator in the UK.

The complexity and size of the fraud required the analysis of a massive amount of information and data. FTI Consulting performed the extraction, transformation and loading of multiple data sources in order to develop complex financial analyses with user-friendly reporting capabilities (including both database management and document storage management solutions). FTI Consulting developed and executed numerous complex analyses to support the investigation and legal actions brought by the Trustee. FTI Consulting developed a systematic process and model to trace funds through the web of related accounts within the BLMIS customer population in order to generate the Trustee’s calculation of each individual customer account’s “Net Equity” balance. In addition, FTI Consulting’s Data & Analytics practice analyzed the BLMIS computer systems, reviewed system code and reconstructed certain system functionality.

Michael Kenwood Investigation

In February 2011, FTI Consulting was retained by the SEC Receiver to serve as the financial advisor in the seizure of the Michael Kenwood Group, a group of offshore hedge funds located in Stamford, CT. Shortly after our appointment, the principal of the hedge funds pled guilty to multiple counts of securities and wire fraud. The hedge funds were actually a Ponzi scheme of nearly \$1 billion. Our work encompassed a detailed forensic accounting reconstruction of more than 10,000 transactions without any accounting records, the electronic capture and storage of over 50 million pages of documents, conducting over 1,000 due diligence background investigations, and the wind-down of business operations. We have provided expert testimony in the matter and have served as experts in a series of related “clawback” litigations.

Stanford Financial Investigation and Receivership

Stanford Financial Group, an international private banking institution, was raided and placed in receivership by the SEC under charges of an alleged Ponzi scheme and other fraudulent activity. This engagement began under extremely challenging circumstances that required FTI Consulting to deploy dozens of professionals to identify and gain an immediate understanding of a vast network of assets, cash flow processes, personnel, and all of their underlying electronic data systems. The most significant requirements included the immediate identification of all liquid cash assets and their consolidation under the receivership (via treasury payment system), all customer-related electronic data systems for immediate forensic extraction (via interviews and investigation of company networks), and identification of all key employees able to assist the Receiver, as well as the immediate response to information requests on behalf of a variety of government entities and the court. The engagement involved technical and financial analysis related to the freeze/release of customer assets, asset recovery litigation and international litigation.

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