

Evidence of a Financial Coup in America

The devastating Lehman Brothers bankruptcy report

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"The ideas of economists... are more powerful than is commonly understood. Indeed, the world is ruled by little else." — [John Maynard Keynes](#)

How much more evidence of a [financial coup](#) and the THEFT of TRILLIONS of DOLLARS do we need before the media and our politicians do something, *anything*, to restore a rule of law in this nation? What is it going to take?

About four months ago, I reached a breaking point and wrote an [angry post calling out the media](#), even Independent online media, for their lack of *intensive coverage* on the THEFT of TRILLIONS of OUR DOLLARS. I just can't understand how this has not been the number one story *every second of every day*?

And now comes the *devastating* Lehman Brothers bankruptcy report/indictment, which, once again, proves the **all-out fraudulent** activities that led to the THEFT of TRILLIONS of OUR DOLLARS. Over the past few days, I have skimmed through the over [2000 page report/indictment](#) of Lehman Brothers, Ernst & Young, the Wall Street elite, Federal Reserve and US government. You would think, *just maybe*, that this report would finally set off major alarm bells within the mainstream media and Washington. Finally, we will get the wall-to-wall coverage this deserves, right? . . . Ah . . . nope! Some coverage, yes, but not nearly enough. It has been only a few days since the report was released and the coverage is already dropping off into the cesspool of "reporting" that masquerades as modern "journalism."

The only thing keeping me sane these days is when I go into my office, close the door and start yelling out loud, to myself: "Are you (politicians and mainstream media) f#@king kidding me! What in the name of God is it going to take?!" Or, as I, a little more calmly, put it on [Max Keiser's TV show recently](#): "Free market capitalism is done! This is a rigged market!... This is straight up criminal activity! This is what the American people really need to understand that they're not getting through their television set: TRILLIONS of DOLLARS in STOLEN MONEY! CRIMINAL ACTIVITY! This is STRAIGHT UP MAFIA RULE!"

I wanted to write an analysis on this revealing Lehman bankruptcy report, but just don't have the time right now. So, here's a roundup of the far too little coverage thus far:

First up, Dylan Ratigan, the [one person on US television](#) that actually reports on this. I couldn't agree with him more, as he puts it: "The bottom line: While many Americans and many in our government would love for you to believe that the financial crisis and the transfer of wealth in this country was an accident, this report comes just short of suggesting this is by no means an accident, but instead one of the greatest crimes ever perpetrated

against a group of people. This crime: an accounting fraud perpetrated by bank CEOs against the American taxpayer and enabled by the US government.”

Lehman bankruptcy report exposes Wall Street criminality

The Lehman report demonstrates that workers’ jobs, homes, wages and life savings, as well as their access to health care, education and even such rudimentary necessities as light and heat, are being sacrificed to pay for the criminality of the financial elite, which has further enriched itself from the catastrophe of its own making.

In the wake of the report’s release, major Wall Street firms such as Goldman Sachs and JPMorgan Chase have expressed shock over the Lehman revelations and averred that they never employed the accounting dodges used by their former competitor. One is reminded of the film *Casablanca*, in which Captain Renault declares his “shock” at discovering gambling in Rick’s casino.

All of the major banks employed intricate schemes, such as “structured investment vehicles,” to shift their losses off of their balance sheets, and made billions by repackaging what they knew to be dubious sub-prime loans and selling them as “collateralized debt obligations.” Lehman’s practices have been exposed only because it was the weakest of the big Wall Street firms and was forced into bankruptcy, in large part because its bigger rivals, smelling blood, took aggressive actions to push their struggling rival over the edge.... The examiner’s report further details the role of the Federal Reserve Bank of New York in allowing Lehman to exchange worthless securities for public funds from March of 2008, when Bear Stearns collapsed and was taken over by JPMorgan Chase in a deal subsidized by the Fed, to September of that year, when Lehman filed for bankruptcy protection. The president of the New York Fed at the time was Timothy Geithner. Obama rewarded Geithner for his services as chief bagman for Wall Street by making him his treasury secretary.

Neither Fuld, whose compensation for 2007 totaled \$22 million, nor any other Lehman executive has been prosecuted for their crimes. Nor has any other top executive on Wall Street.

In response to the greatest social catastrophe since the Great Depression, the Obama administration and the Democratic-led Congress have rejected any serious reform of the financial system. They have held no one accountable for plunging the US and the world into an economic disaster. Instead, they have devoted their efforts to covering the bad debts of the financial oligarchs and enabling them to expand their swindling and increase their wealth.

The Lehman story is not an aberration. Corruption, fraud, criminality are not simply the results of a few “bad apples,” or merely the expression of the subjectively determined depravity of certain executives. The collusion of all official institutions—the White House, Congress, the regulatory agencies, the media—testifies to the systemic character of financial gangsterism. [[read more](#)]

Max Keiser and Stacey Herbert: The Truth About Rigged Market Capitalism

We talk about so called free market capitalism in reality is rigged market capitalism; Hank Paulson and Dick Fuld, Lehmans and Barclays. [[Listen Here](#)]

How Lehman, With The Fed's Complicity, Created Another Illegal Precedent In Abusing The Primary Dealer Credit Facility

Five months ago, Zero Hedge observed the nuances of the Federal Reserve's Primary Dealer Credit Facility (PDCF) and concluded that this artificial liquidity boosting construct was nothing more than yet another scam to allow banks to extract ever more money from taxpayers, with the complicit blessing of the Federal Reserve Board Of New York (as the original piece also provided an in-depth discussion of the triparty repo market which is now a parallel to the buzzword of the day in the form of Lehman's "Repo 105" off balance sheet contraption, it should serve as a useful refresher course to anyone who wishes to understand why while Repo 105 with its \$50 billion in liability contingency may have been an issue, the true Repo market, with over \$3 trillion of likely just as toxic assets, is where the real pain in the future will come from). The PDCF would allow assets of declining and even inexistent value to be pledged as collateral, thus making sure that taxpayer cash was funneled into sham institutions holding predominantly toxic assets, and whose viability was and is limited, yet still is backed by the Fed, which to this day continues to pour our money into them. Today, with a tip from the NYT's Eric Dash, we demonstrate just how grossly negligent the Federal Reserve was when it came to Lehman's abuse of the PDCF, and how the trail of slime of Lehman's increasingly obvious manipulation of its books goes to the very top of the Federal Reserve Bank of New York, and its then governor – a very much complicit Tim Geithner. [\[read more\]](#)

Frank Partnoy: Lehman Examiner Punted on Valuation

The buzz on the Lehman bankruptcy examiner's report has focused on Repo 105, for good reason. That scheme is one powerful example of how the balance sheets of major Wall Street banks are fiction. It also shows why Congress must include real accounting reform in its financial legislation, or risk another collapse.

But an even more troubling section of the Lehman report is not Volume 3 on Repo 105. It is Volume 2, on Valuation. The Valuation section is 500 pages of utterly terrifying reading. It shows that, even eighteen months after Lehman's collapse, no one – not the bankruptcy examiner, not Lehman's internal valuation experts, not Ernst and Young, and certainly not the regulators – could figure out what many of Lehman's assets and liabilities were worth. It shows Lehman was too complex to do anything but fail.

The report cites extensive evidence of valuation problems. Check out page 577, where the report concludes that Lehman's high credit default swap valuations were reasonable because Citigroup's marks were ONLY 8% lower than Lehman's. 8%? And since when are Citigroup's valuations the objective benchmark? [\[read more\]](#)

NY Fed Under Geithner Implicated in Lehman Accounting Fraud Allegation

Hank Paulson's recent book mentions repeatedly that Lehman's valuations were phony as if it were no big deal.

Well, it is folks, as a newly-released examiner's report by Anton Valukas in connection with the Lehman bankruptcy makes clear. The unraveling isn't merely implicating Fuld and his recent succession of CFOs, or its accounting firm, Ernst & Young, as might be expected. It also emerges that the NY Fed, and thus Timothy Geithner, were at a minimum massively derelict in the performance of their duties, and may well be culpable in aiding and abetting

Lehman in accounting fraud and Sarbox violations.

We need to demand an immediate release of the e-mails, phone records, and meeting notes from the NY Fed and key Lehman principals regarding the NY Fed's review of Lehman's solvency. If, as things appear now, Lehman was allowed by the Fed's inaction to remain in business, when the Fed should have insisted on a wind-down (and the failed Barclay's said this was not infeasible: even an orderly bankruptcy would have been preferable, as Harvey Miller, who handled the Lehman BK filing has made clear; a good bank/bad bank structure, with a Fed backstop of the bad bank, would have been an option if the Fed's justification for inaction was systemic risk), the NY Fed at a minimum helped perpetuate a fraud on investors and counterparties. [[read more](#)]

Lehman Brothers, Fraud and the New York Fed

- This Calls for a Wider Investigation, writes Tyler Durden at Zero Hedge: "There should be an immediate investigation into how many other banks are currently taking advantage of this artificial scheme to manipulate and misrepresent their cap ratio, and just why the New York Fed can claim it had no idea of this very critical component of the Shadow Economy."

- It's Time to Wake Up, writes Matthew Yglesias at Think Progress: "There's a theory out there about why the free market ought to produce sound accounting and ratings agencies, but the empirical evidence says otherwise. And it's ultimately going to be important to address these issues. It's more polite to talk about an impersonal crisis, but it's clear that on both the micro scale (getting individuals to take out mortgages) and the macro scale (distorting the real quantities of leverage banks were carrying) that a lot of fraud and deception was in the room when this all went down."

- Geithner Must Resign, insists Yves Smith at Naked Capitalism: "Lehman was allowed by the Fed's inaction to remain in business, when the Fed should have insisted on a wind-down...The Fed, which by its charter is tasked to promote the safety and soundness of the banking system, instead, via its collusion with Lehman management, operated to protect particular actors to the detriment of the public at large... The NY Fed, and likely Geithner himself, undermined, perhaps even violated, laws designed to protect investors and markets. It is time for Geithner to go. He is not fit to serve as Treasury secretary." [[read more](#)]

Repo 105: Lehman's 'Accounting Gimmick' Explained

The big Lehman post-mortem released yesterday spills a lot of ink on a complicated accounting trick with an awesome name: Repo 105. Here's the story.

As the financial crisis grew in 2007 and 2008, Lehman knew it needed to reduce its reliance on borrowed money. But it was a bad time to sell stuff off and pay back debts. So Lehman made special use of something called the repo market.

Investment banks use the repo market all the time. It's basically a way for banks to borrow money from big companies that have extra cash sitting around.

To make the loan safer for the big company, the bank "sells" the company some asset — like a bond. That way, if the bank goes bankrupt before it repays the loan, the big company can sell the bond and get its money back.

As part of the deal, the bank agrees to buy back the bond at the end of the loan, minus some small amount that the company gets to keep as interest. ("Repo is short for "repurchase.") [[read more](#)]

What killed Lehman is alive and kicking

The most alarming element of the report may not be what it says about Lehman, but what it reveals about the rottenness and risks that still endanger the financial services industry and the global economy.

Lehman couldn't have been the only one borrowing from Peter to show Paul that its debts were manageable. According to Gary Gorton, a professor at Yale School of Management, \$12 trillion in loans was circulating in the repo market on any given day before the financial crisis.

From 2001, no American accounting firm or legal practice would certify Lehman's quarterly reports so long as they relied so heavily on the repo market, but auditors in London welcomed their business. This unevenness in accounting standards still provides incentive for banks to seek the weakest regulatory link.

There remains little oversight of repurchase markets, whether in the US, Europe or elsewhere. What's worse, the spirit of co-operation that emerged at the height of the financial crisis is unravelling. On developing uniform regulations for executive compensation, derivatives markets and hedge funds, the EU and the United States are farther apart than at any time since Lehman collapsed. [[read more](#)]

JPMorgan, Citigroup helped trigger Lehman collapse, report argues

Among Mr Valukas's findings – which are designed to help the court and the bank's trustees establish where there may be legal grounds for future claims – he asserts that the evidence "may support the existence of a . . . [valid] claim that JP Morgan breached the implied covenant of good faith and fair dealing by making excessive collateral requests" to Lehman.

"The demands for collateral by Lehman's lenders had direct impact on Lehman's liquidity pool," he says. [[read more](#)]

CSI Lehman-Barclays: Who Really Killed the September 2008 Deal?

The U.S. bankruptcy-court examiner's report into the collapse of Lehman Brothers Holdings may have kicked off a Transatlantic kerfuffle over whether an attempt to buy Lehman Brothers by Britain's Barclays was torpedoed by U.K. regulators.

Buried within the report is a submission from the Financial Services Authority that contradicts the account of the September weekend when Lehman went down given in former Treasury Secretary Hank Paulson's new book, "On the Brink: Inside the Race to Stop the Collapse of the Global Financial System." [[read more](#)]

Lehman as Enron 2.0

If you have a society where it becomes foolish not to steal, then only fools don't steal, and that society has not much of a future. The bankruptcy examiner's report on Lehman reveals the fraud behind too much that goes for business on Wall Street. The fact is nothing really is

new, many of the transactions were exactly what Enron “innovated”, validated by a major accounting firm with the active collusion of Tim Geithner’s NY Fed.

The only question, when is someone going to jail? Begging the question, when is our government going to do something? Of course, when you have a Congress that has been bought and sold five times over, one shouldn’t hold their breath. Talk of financial reform out of the Congress makes health care reform look like Public Citizen good government. How can you have any take on financial reform when you have no idea about what occurred, well if you’re in Congress you let Wall Street write the laws, then you don’t have to know. [[read more](#)]

Further Lehman’s revelations blocked by Barclays

Further damaging revelations about the collapse of Lehman Brothers are being held up in the US courts by Barclays... Legal sources say there is more to come with the publication of the millions of pages of Lehman e-mails, internal company files and documentary evidence from third parties that formed the basis of the report.

A court hearing will take place soon, possibly as soon as April 1, in which the examiner’s team is expected to argue for the release of these “underlying documents”.

“All of the parties have agreed to allow those documents given to [the examiner] under confidentiality agreements to be made public, with two limited exceptions that we are working out,” a person familiar with the matter said.

The objectors include Barclays, which is concerned that some of the information on Lehman extracted from its databanks by Mr Valukas’ team of 70 lawyers may also contain commercially sensitive proprietary data that the bank does not want released because it involves clients. [[read more](#)]

Lehman Report: BNN speaks to Yves Smith, Editor of Naked Capitalism

[[Watch Here](#)]

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