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# Signature Bank Sued Over Connection to Ponzi Scheme

By LIZ MOYER FEB. 23, 2016

Signature Bank has been a darling of Wall Street in the 15 years since it opened its first branch in Manhattan.

Sizzling deposit and loan growth has transformed it from a start-up to one of the biggest American banks, with \$33 billion in assets. Last year, profit hit a record \$373 million.

But all of its success — partly a result of its mantra to deliver top-notch service to its small and midsize business clientele — could not shield it from a Ponzi scheme that lost \$66 million of investor money and sent a money manager to federal prison for three and a half years for securities fraud.

In a lawsuit in a Florida state court, the investors are suing Signature, accusing it of helping the money manager pull off his Ponzi scheme by ordering him to shift money around the dozens of accounts he kept at the bank to cover long-term overdrafts.

The cozy relationship Signature had with the money manager and his now-bankrupt investment firm helped advance the scheme, according to the lawsuit.

William Landberg, the money manager at the heart of the scheme, has already completed his sentence after pleading guilty in 2011, but the investors say they still have not recovered their money. Mr. Landberg's firm, West End Financial Advisors, filed for bankruptcy in 2011.

In the complaint, the investors' lawyer, Wes Christian, said that "Signature knew Landberg was operating a house of cards and knew returning checks on overdrawn accounts would make it collapse, so Signature used that threat to force Landberg to transfer funds." The complaint adds, "Signature should have stopped the crime but instead perpetrated it."

A spokeswoman for Signature said the bank "vigorously denies" any accusations of wrongdoing, saying it was also a victim in the fraud and did not benefit from Mr. Landberg's actions.

"Signature Bank itself lost several millions of dollars as a result of Landberg's fraud," the spokeswoman, Susan Lewis, said in a statement. "We understand that plaintiffs' attorneys are looking for any deep pockets and that these types of suits have become all too common."

Mr. Landberg's lawyer declined to comment.

Arguments were recently made in a motion to dismiss the case.

"We look forward to these allegations being determined as false, and the claims denied," the bank said in its statement.

Among those suing Signature is the former television talk show host Richard Bey, a childhood friend of Mr. Landberg's. The two attended Far Rockaway High School in Queens, N.Y., together. (It also happens to be the alma mater of Bernard L. Madoff.) Many of the other investors were also former close friends or associates of Mr. Landberg's.

Mr. Bey, who is 64, kept in touch with Mr. Landberg through the years and started investing through the West End firm in 2002.

A relationship with Signature Bank — to which Mr. Landberg introduced Mr. Bey — was a selling point. Mr. Bey said he was able to refinance a \$500,000 mortgage through Signature even while temporarily unemployed. Later, when he wanted to buy a car, Signature was quick to arrange \$30,000 in funds, he said.

“The convenience of it was incredible while it was working,” Mr. Bey said in a recent interview.

When West End collapsed, Mr. Bey lost nearly \$500,000. Left with just \$203 to his name at that point, he says he was forced to borrow \$30,000 from friends and run up \$60,000 on his credit cards to pay his Manhattan rent and regular expenses. Eventually, he moved to Florida, where he lives in a beach condominium that he and his brothers inherited from their father. “My life has been irrevocably changed by this.”

The lawsuit contends Signature knew Mr. Landberg was running a fraud and failed to stop him.

Signature would not be the first bank caught up in a fraud involving money moving in and out of its doors. Two years ago, JPMorgan Chase paid \$2 billion to settle Bank Secrecy Act violations in connection with its dealings with Mr. Madoff, the perpetrator of an enormous Ponzi scheme that came to light in 2008.

Prosecutors and lawyers for victims had claimed JPMorgan Chase turned a blind eye to what should have been viewed as suspicious activity.

Banks have recently faced heightened scrutiny for their efforts to shore up online security and anti-money-laundering efforts after a string of prominent data breaches.

Mr. Landberg pleaded guilty in 2011 to one count of securities fraud. Prosecutors said he misled his investors into thinking their money was in stable investments when in fact his strategies were failing and he began to misuse investor assets to cover losses.

He eventually persuaded a German bank to lend him \$8.5 million to pay off some investors, maintaining the illusion that his strategies were performing.

He also moved investor money out of an account at Signature that was supposed to be left untouched and used it for unauthorized purposes, including \$1.5 million for himself and his family.

West End Financial Advisors had 37 accounts at Signature, some of them Mr. Landberg's and others for his business and investment funds. As of April 2009, it had 110 investors who thought they held stakes in a variety of private alternative investment funds focused on real estate projects or credit and other fixed-income strategies intended to generate steady returns.

In some cases, Mr. Landberg told investors that their money would be put in "blue chip Fortune 100 companies" and that his objective was "preservation of capital."

Instead, Mr. Landberg was using the money to fund his "exorbitant" lifestyle, the lawsuit said, and to cover unsecured loans from Signature Bank and redemptions from early investors.

Signature needed investors to keep their deposits in the bank so it could cover the accounts that Mr. Landberg habitually overdrew, including accounts holding investor money as well as Mr. Landberg's personal accounts.

From early 2008 to January 2009, more than 70 transfers involving \$10.8 million were made among the Signature accounts, including a \$251,400 transfer to a personal account at another bank.

The lawsuit cites correspondence between Mr. Landberg and Signature executives acknowledging that money should not be transferred from certain accounts because it was investor money and violated the account agreement. Still, money was moved to cover hundreds of thousands of dollars in overdrafts and related charges.

Some of the money made its way from Signature accounts holding West End investor money to Mr. Landberg's personal accounts, used to pay for a driver, garage expenses, charitable and political contributions and personal expenses charged to an American Express account.

West End's investors — many of them older residents of Manhattan who once worked in the psychoanalysis field — are reeling from their losses. Some say privately that they have had to significantly scale back retirement plans or return to work.

Darren Conte, a former information technology employee at Goldman Sachs who now runs his own financial tech start-up, says he invested in one of the firm's funds in early 2009, after years of urging by a friend who worked at West End Financial. According to the lawsuit, he lost \$188,000.

He noticed something was amiss when he got one statement in early 2009 and none after that, and the statement he did get looked like the invoice for landscaping services.

“I felt lied to,” Mr. Conte said. “I had to clear my head and move forward with a giant lesson learned.”

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