Epstein's Hazy Finances Likely to Be Focal Point: [Business/Financial Desk]

Steel, Emily; Goldstein, Matthew; Eder, Steve; Enrich, David

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FULL TEXT

COLUMBUS, Ohio -- The money, tens of millions of dollars of it, would flow among Jeffrey Epstein's dozens of bank accounts, shell companies and, at times, charities linked to high-powered friends.

Where was the money going? What was it for? Who was actually sending and receiving it?

A convicted pedophile and accused sex trafficker who surrounded himself with an elite network of business and political leaders, Mr. Epstein enjoyed the trappings of great wealth: private jets, mansions, his own island. But much remains unknown about the sources of his wealth.

Legions of lawyers, bankers and accountants have been trying in recent weeks to solve that mystery, and their quest is unlikely to end after Mr. Epstein was found dead on Saturday morning. The answers could illuminate how Mr. Epstein allegedly operated a long-running sex-trafficking operation, whether he had help from others and who -- including Mr. Epstein's victims -- will receive any of his remaining assets. It is not known if Mr. Epstein had a will. [Update: Why the Epstein investigation is not over.]

Interviews with people briefed on various investigations into Mr. Epstein's wealth, and legal and financial documents in multiple countries, show that tens of millions of dollars coursed through his offshore companies and foundations in sometimes unusual ways.

In the early 2000s, for example, $88 million appeared in Mr. Epstein's Virgin Islands-registered company that normally was home to only small amounts of money. At another point, an entity once linked to Mr. Epstein sent tens of millions of dollars to the charity of a billionaire retail tycoon, Leslie H. Wexner -- years after Mr. Wexner has said he severed ties with Mr. Epstein.

Executives at the companies with the deepest connections to Mr. Epstein expect that federal prosecutors will intensify their focus on his financial affairs. Geoffrey S. Berman, the United States attorney for Manhattan, said on Saturday that his office's investigation into Mr. Epstein and those around him would continue, despite his death.

Officials at JPMorgan Chase and Deutsche Bank, the two banks that for years served Mr. Epstein, have spent recent weeks poring through their records, belatedly trying to ascertain how they ended up doing business with a sex criminal and what Mr. Epstein was using his bank accounts for, according to people familiar with the internal reviews.

Years before Mr. Epstein's accounts were shut down, compliance officers and other employees at both banks had urged executives to stop serving Mr. Epstein, citing the legal and reputational risks of working with him, according to former Deutsche Bank and JPMorgan employees. At both banks, managers and executives rejected that advice and kept doing business with the lucrative client.

Deutsche Bank, where Mr. Epstein was a client from 2013 until June 2019, has been handing over transaction-by-transaction data to federal prosecutors and other authorities, according to two people familiar with the matter. One of those people, who was briefed on the bank's internal review, said it appeared that Mr. Epstein was using his accounts for sex trafficking and possibly other illegal activity. The banker who initiated the relationship with Mr. Epstein left Deutsche Bank last year, around the time that the company decided to begin shutting down Mr. Epstein's accounts, according to one of the people.

JPMorgan has not been contacted by government authorities, a person familiar with the bank said, but executives

expect they will be asked to provide records about their relationship with Mr. Epstein, which lasted from the late 1990s until 2013.

But the knottiest financial enigma involves Mr. Epstein's relationship with Mr. Wexner, the chief executive of the apparel conglomerate L Brands, who for years entrusted Mr. Epstein with his financial life.

L Brands, a publicly traded company that owns Victoria's Secret and Bath &Body Works, has hired a prominent law firm, Davis Polk &Wardwell, to investigate what role, if any, Mr. Epstein played at the company, according to people briefed on the matter.

Mr. Wexner has said that he had severed ties with Mr. Epstein in late 2007, more than a year after Mr. Epstein was first charged with sexual misconduct with minors. In 2008, Mr. Epstein pleaded guilty in Florida to soliciting prostitution from a minor.

In a letter last week to his family foundation, Mr. Wexner, 81, accused Mr. Epstein of having misappropriated "vast sums."

People briefed on the matter said Mr. Epstein created a complex web of investment vehicles for Mr. Wexner, then collected high fees or withdrew funds for his personal use. Tax records show that many millions of dollars moved from one of Mr. Wexner's charities to a charity that Mr. Epstein controlled.

But Mr. Wexner has not made public evidence showing that Mr. Epstein misappropriated the money, disclosed how much money Mr. Epstein took or said where Mr. Epstein misappropriated the money from. For about 16 years, Mr. Wexner had formally delegated to Mr. Epstein virtually blanket control of his finances -- the authority to sign checks, borrow money, buy and sell real estate and hire workers on his behalf.

Mr. Wexner said he discovered the missing money when he and Mr. Epstein parted ways in 2007. The billionaire never contacted the state and federal authorities who were investigating Mr. Epstein at the time for sex crimes, according to people briefed on the matter. Instead, Mr. Wexner's lawyers worked out a private arrangement in which Mr. Epstein's foundation and business would repay some of the misappropriated money, the people said. They said Mr. Epstein returned about $100 million to Mr. Wexner.

But in 2011 -- four years after Mr. Wexner has said he had severed all ties with Mr. Epstein -- Mr. Wexner's charitable foundation received a $56 million contribution from a trust linked to Mr. Epstein, according to charity records and other financial documents reviewed by The New York Times.

The trust, named "Community Interest," had been listed as being under Mr. Epstein's control in a Swiss bank account, according to financial records included in a leak to the French newspaper Le Monde. The documents were shared with The Times through a collaboration organized by the International Consortium of Investigative Journalists. It is not clear from public records who controlled Community Interest in 2011.

Thomas Davies, a spokesman for Mr. Wexner, said in a statement, "A Charitable Remainder Trust established prior to Mr. Epstein's termination in 2007 matured according to its terms and assets flowed into the charitable fund at the time of its maturity."

Through his spokesman, Mr. Wexner declined repeated interview requests and to answer questions as to why he did not contact the authorities about the claims that Mr. Epstein had misappropriated his money.

The flow of money between the foundations, the apparent mixing of private and charitable funds and the use of a foundation to settle a claim of misappropriation appears problematic, said Ray Madoff, a professor at the Boston College Law School and an expert in rules governing charities.

"It definitely raises questions," Ms. Madoff said. "None of this seems to be engaged in for charitable purposes. It seems it was being engaged in for unwinding their affairs. Using charities for that is not really appropriate."

Tens of millions of dollars were also flowing in and out of a tiny financial advisory company that Mr. Epstein incorporated on St. Thomas, in the United States Virgin Islands.

Sometime between June 2000 and June 2001 -- when Mr. Epstein was serving as a financial adviser to Mr. Wexner -- $88 million suddenly appeared in the company's coffers, according to documents filed in St. Thomas. It was an extraordinary sum for such an offshore company, where a lone shareholder of a private holding company would generally only invest a token amount to keep the company legally solvent.

Then, over the next several years, the money was periodically withdrawn from the company, the filings show. There are no public clues as to where the $88 million came from or where it went. After 2005, the company and its successor had no more than $700,000 in their bank accounts at any one time.

Two of Mr. Epstein's longtime attorneys, Darren Indyke and Jeffrey Schantz, were involved with some of his trusts and other entities in New York and in the Virgin Islands, according to incorporation documents. Neither lawyer responded to requests for comment.

In a sign that the attorneys are bracing for government scrutiny of Mr. Epstein's companies, Mr. Indyke and Mr. Schantz both recently hired criminal defense lawyers.

Credit: By EMILY STEEL, MATTHEW GOLDSTEIN, STEVE EDER and DAVID ENRICH; Emily Steel reported from Columbus, Matthew Goldstein from New York, Steve Eder from Columbus and New York, and David Enrich from New York. Kate Kelly and Jessica Silver-Greenberg contributed reporting from New York. Kitty Bennett, Susan Beachy and Alain Delaquérière contributed research.

Photograph

Much remains unknown about the sources of Jeffrey Epstein's wealth. (PHOTOGRAPH BY UMA SANGHVI/PALM BEACH POST, VIA ASSOCIATED PRESS) (B7)

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