

Dow Jones Private Equity & Venture Capital

User Name

Password

Submit

Forgot Password?

 Remember Me**DOWJONES** Bankruptcy & Debt

HOME

DAILY BANKRUPTCY REVIEW

DBR SMALL CAP

DBR HIGH YIELD

This full article is brought to you by

DOWJONES | Daily Bankruptcy Review**Hunt for Missing Keydata Money Turns to N.Y. Court**

Peg Brickley June 26, 2012

(c) 2012 Dow Jones & Company, Inc.

An international hunt for millions of dollars lost in a U.K. "death-bond" investment scheme has turned to New York with the filing of a Chapter 15 case for SLS Capital SA.

Maitre Yann Baden, overseer of a Luxembourg liquidation proceeding for the company, launched the bankruptcy case "to investigate the disappearance of SLS's assets," according to papers filed Monday in the U.S. Bankruptcy Court in Manhattan.

SLS provided product--second-hand U.S. life-insurance policies--to Keydata Investment Services Ltd., which collapsed in 2009, wiping out the savings of thousands of British retirees.

Money is believed to have gone missing at SLS, and Mr. Baden suspects the cash, which was mostly in New York, was "unlawfully transferred directly or indirectly to third parties." Suspicions that SLS chief David Elias, a former British barrister, is on the run with some of the money began circulating a few years after he was officially declared dead in Singapore, in 2009.

Monday's court filing refers to Mr. Elias as "purportedly deceased."

Bankruptcy-court papers said insurance policies with a face value of at least \$280 million were sold in 2008, a year before SLS was ordered liquidated. At the start of the year, SLS owned insurance policies with a face value of either \$377 million or \$496 million, depending on whether the company or the bank that held the assets is correct. In any event, Mr. Baden said in this week's filing that he doesn't know what happened to the missing policies.

The Times of London reported last year that the U.K.'s Serious Fraud Office has been looking for the money and the policies, not to mention Mr. Elias, alive.

Besides money, Mr. Baden will also be looking for "culpable third parties" to face suits over their connections to SLS, a company that tapped some big names to set itself up in business.

CRT Capital Group LLC of Connecticut, KPMG LLP and HSBC Bank USA all were involved in SLS's operations, court papers said. None of the firms returned calls for comment Tuesday.

KPMG is said in court documents to have been directed by CRT to prepare a protocol for the purchase of U.S. life-insurance policies. The life-settlement business counts on buying the right to collect insurance at a discount, then profiting when the insured person dies. It has problems, including people not dying as expected, and is prone to allegations of fraud.

Court documents said HSBC's work for SLS included verifying that policies met eligibility requirements. HSBC also held the life-settlement assets, purchased life-insurance policies, until "at least" the middle of 2008, including the period during which most of the them were sold, court papers said.

Both HSBC and KPMG complained that SLS used their names in marketing materials for the life-settlement investments without authorization, court papers said.

Chapter 15 of the U.S. Bankruptcy Code is designed to make it easy for those conducting insolvency proceedings elsewhere to deal with U.S. assets. In many cases, it operates to prevent creditors from moving against assets located in the U.S. In SLS Capital's case, Mr. Baden appears to be using the Chapter 15 bankruptcy as a platform to pursue the long-missing funds.

Keydata's collapse spurred the U.K.'s Financial Services Authority to ban trading in life-settlement policies. The business is based on buying and bundling life-insurance policies, taking over premium payments at prices that are supposed to produce a profit.

However, firms that manage the bundled life-insurance assets are often pressed for cash and turn to money from new investors to make good on promises to existing investors. That is what is sometimes known as a Ponzi scheme.

Write to Peg Brickley at peg.brickley@dowjones.com.

Get unparalleled analysis of which companies are headed toward distress as well as exclusive news and updates directly from the Wilmington courthouse.

Learn More**Related Content**

Top Lehman Officials Say Managers Can't Block Insurance Access

Board Aims To Proceed With Litigation Against Majestic Capital

Jefferson County Seeks To Keep Hold On Bond Insurer Lawsuit

Operator Of Small Smiles Chain Files For Chapter 11 Protection

Bankruptcy Judge Approves Ener1's Chapter 11 Exit Plan

Ambac Says Accounting On \$700M In Tax Refunds Was Proper

Environmental Groups Protest RG Steel's Bankruptcy Case

Victims' Estates: Pinnacle Is Trying to 'Strong Arm' Us

Kodak Officers, Directors Seek to Tap \$25M Insurance

Trustee Renews Bid for Houghton Mifflin Venue Change

To read more stories like this login at the top right or **try the Product**

Document DJFDBR0020120626e86qopmao