

# Wintonbury Risk Management

## Investment Strategy Discussions

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### Financial Panics, Scandals and Failures

1. 1621-1622: Ferdinand II of the Holy Roman Empire debases coinage during the Thirty Years War
2. 1634-1637: Tulip bulb crash in Holland
3. 1711-1720: South Sea Bubble
4. 1720: Mississippi Bubble, John Law
5. 1763: North Europe Panic
6. 1785: Post Revolutionary War Depression
7. Bank of the United States, 1791-1811, Alexander Hamilton
8. 1792: William Duer Panic in New York
9. 1808: Napoleon Overthrows Spanish Monarchy; Shipping Marques
10. Second Bank of the United States, 1816-1836, Nicholas Biddle
11. Panic of 1819, Agricultural Prices, Bank Currency, and Western Lands
12. British Banking Crisis, 1825-1826
13. 1837 Bank of England raises rates after crop failures; Spreads to US through cotton brokers and canal speculation finance
14. 1837: US Banking Panic after Andrew Jackson vetoes renewal of 2BUS; eight states default. First Barings crisis. Barings bailed out by Royal Family
15. 1847: Bank of England raises rates after crop failures; British Railway Panic; Spreads to US
16. 1857: Bank of England raises rates after crop failures; US Banking Panic (Ohio Trust), followed by a depression and a Civil War
17. 1860: Stock Market Panic as Lincoln's election approaches
18. 1863: Wall Street Gold Panic
19. 1866, May 10: London financial crisis, Overend, Gurney & Co. fails.
20. 1867-8: Credit Mobilier (Pereire brothers merchant bank) failure in France
21. September 24, 1969: James Fisk and Jay Gould conspiracy to corner the gold market fails in a panic.
22. 1873: US Panic with stock market crash; Similar panics in Austria, Germany and Argentina. Long depression in US.
23. 1878: Bland-Allison Act requires silver coinage; mild inflation
24. 1882: Union Generale failure in France (Bontoux banking pyramid)
25. 1883: US Panic followed by stock market crash in 1884
26. 1889: Stock market slump
27. 1890 Sherman Silver Purchase Act double silver purchases; Inflation
28. 1890: Second Barings crisis; Barings saved by Bank of England
29. US Panic in 1893 followed by stock market crash; Sherman Silver Act repealed
30. 1898: Battleship Maine panic
31. 1901: Northern Pacific Bubble

32. 1903-04: Northern Securities Anti-Trust Case (Morgan, Hill, Harriman, Hanna) and financial panic. (Tesla's Tower of Power)
33. 1907: US Panic followed by stock market crash (Knickerbocker Trust)
34. 1914: Stock market decline in New York as war starts in Europe
35. 1920: Post-war commodity panic
36. 1920: Charles Ponzi scheme
37. 1925, April 28: Churchill returns UK to gold standard at pre-war parity
38. 1926, May 4: General Strike begins in the UK after return to gold standard
39. 1926: Peak of Florida real estate boom. Prices drop 90+% subsequently.
40. 1929: Speculative high in US residential real estate. Some locations (e.g. Beverly, MA) take fifty years to recover to 1929 levels.
41. 1929: US Stock Market Crash followed by Great Depression
42. 1930: US Real Estate and Banking Failures. Fed Tightens to defend gold reserves.
43. 1930: December 11, Bank of the United States Fails (Bankus Corporation)
44. 1930: Smoot-Hawley Tariff passes Congress
45. 1931, May 11: Creditanstalt Bank of Austria bankrupt, start of European gold crisis.
46. 1931, September 21: United Kingdom devalues pound (gold). Gold crisis spreads to US (1932-33) and to Asia (Shanghai, 1934-35, silver)
47. 1931, October 15: France pulls gold out of New York causing a wave of bank failures.
48. March 12, 1932 Suicide of Ivar Kreuger
49. 1932 Collapse of Samuel Insull's Commonwealth Edison
50. 1932: US sharply raises taxes to reduce budget deficit
51. 1934: United States devalues dollar (gold)
52. 1934-35: Shanghai silver crisis.
53. 1937-38: Recession
54. 1940: Surrender of France
55. 1947-48: Postwar recession
56. 1959: First postwar "dollar crisis"
57. 1962: Kennedy-Blough confrontation
58. 1962: Billie Sol Estes cotton and fertilizer fraud (LBJ)
59. 1963: Anthony (Tino) DeAngelis fraud, Allied Crude Vegetable Oil Refining Company; Ira Haupt & Co. fails, NYSE covers investor losses; American Express Warehousing absorbs losses of \$60 million.
60. 1963: Bobby Baker scandal (LBJ, Meyer Lansky, Sam Giancana)
61. 1965: Westec accounting scandal
62. 1966: First postwar financial panic
63. 1967: Yale Express accounting scandal
64. 1968: BarChris accounting scandal
65. 1968: Saul Steinberg takeover of Reliance Insurance Company
66. 1968: Home-Stake Oil scandal
67. 1968: Gerald Tsai sells Manhattan Fund management company to CNA
68. 1969: Continental Vending accounting scandal
69. 1969: Mutual fund "parking" scandal
70. 1969: Steinberg's Leasco Data attempts takeover of Chemical Bank

71. 1970: Bernie Cornfeld (Investors Overseas Services)
72. 1970: Banking Regulation Q crisis
73. 1970: Enterprise Fund letter stock scandal (Fred Carr)
74. 1970: National Student Marketing (Cortes Randell)
75. 1970: Penn Central bankruptcy; Arthur Burns returns from Tokyo
76. 1971: Nixon New Economic Policy; crash of Bretton Woods
77. 1972-1974: US stock market decline: -48% to trough (all major countries similar)
78. 1973 Stirling Homex (Stirling brothers of Rochester)
79. 1973: Kassuba Properties apartment developer default
80. 1973: Four Seasons Nursing Homes accounting scandal
81. 1973: Equity Funding Corporation (Stanley Goldblum)
82. 1973: Financial Accounting Standards Board established after eight years of accounting scandals
83. 1973: Robert Vesco (IOS)
84. 1973: REIT problems, construction & development REITs
85. 1974: Herstatt Bank (June 26) international settlement crisis
86. 1974: United California Bank, Swiss cocoa futures scandal
87. 1974: Franklin National Bank (October), Michele Sindona
88. 1975: Eli Black of United Brands commits suicide
89. 1975: New York City financial crisis (Abraham Beame)
90. 1977: Credit Suisse branch in Chiasso, Italy, money laundering
91. 1979: Dollar Crisis, Volcker replaces Miller
92. 1979-1980: Climax of the Hunt Brothers silver speculation; Gold hits record price above DJIA
93. 1980: O.P.M. Leasing scandal
94. 1980-82: Texas and California S&L real estate speculation
95. 1980-1982: US stock market decline: -23%
96. 1982: Drysdale Securities (May 17), Chase Manhattan repo abuse
97. 1982: Roberto Calvi, Banco Ambrosiano chairman, hanged from Blackfriars
98. 1982-1989: Paul Casimir Cardinal Marcinkus investigated, Vatican Bank
99. 1982: Penn Square Bank fails (July), energy speculation
100. 1982-1990: Mexican default (August, 1982) and Latin American (Brazilian) Crisis
101. 1983: Greenspan social security commission reports in January. Congress then amends the social security law.
102. 1984: Empire S&L fails (March) amid Texas land flip scandal
103. 1984: Continental Illinois crisis (May 9-17); FDIC: "Too big to fail"
104. 1984: Saul Steinberg obtains "Greenmail" from Disney
105. 1985: ESM Government Securities fails (March 4)
106. 1985: Ohio (March) and Maryland (May) state chartered S&Ls fail
107. 1985: Dennis Levine of Drexel Burnham charged with insider trading
108. 1985: Plaza Accord to reduce overvaluation of dollar. \$ declines 30% over next two years.
109. 1986: Second Plaza Accord
110. 1986-1988: Andrew Krieger options trades, Bankers Trust
111. 1986: Ivan Boesky charged with insider trading, implicates many others.

112. 1987: Junk bond activity peaks
113. 1987: Wedtech defense contract scandal
114. 1987: Louvre Accord: G-6 agrees to stop decline of dollar
115. 1987: US stock market decline -34%
116. 1987-1989: Keating Five scandal, American Continental, Lincoln Savings & Loan (Charles Keating, Jr.)
117. 1988: July 30, failing First Republic Bank of Texas merged, with government assistance, with NCNB Corporation.
118. 1988: First Basle Agreement, bank capital rules
119. 1988: October, Grant Street National Bank created as the "bad bank" problem asset recovery vehicle for Mellon Bank, N.A. of Pittsburgh
120. 1988-1991: Bank of Credit and Commerce International scandals
121. 1989: Columbia S&L (Tom Spiegel) and other Milken connected S&Ls
122. 1989: Resolution Trust Corporation created to deal with insolvent Savings and Loan companies
123. 1989: Barry Minkow, ZZZZ Best
124. 1990: Drexel Burnham Lambert bankruptcy
125. 1990: Michael Milken sentenced to prison for "securities manipulation"
126. 1990: Japanese stock market, real estate, economic crisis begins. House prices on average fall 43% to trough
127. 1990: Colonial Realty Co. (Benjamin Sisti, Jonathan Googel, Frank Shuch)
128. 1990: Scandinavian Crisis (Norway, Sweden, Finland). Every bank in Sweden fails. Severe recession.
129. 1991: Failure of Executive Life, First Executive Corp. (Fred Carr)
130. 1991: Enstar, Montgomery, AL (Perry Mendel & Richard Greengrass) American S&L of Miami, Kinder-Care, Sylvan Learning Centers, Pioneer Western Insurance
131. 1992-1997: Japanese Bank Crisis.
132. 1992: Sterling Crisis (September 16) Soros; European Monetary System Crisis
133. 1993: Polly Peck (Asil Nadir, England)
134. 1993: Metallgesellschaft Handel & Beteiligungen AG liquidity crisis (MGRM New York oil speculation)
135. 1993-1994: Chinese Renminbi Yuan devalued
136. 1994: Bankers Trust Derivatives Case (Gibson Greetings, APD, EK, PG)
137. 1994: Kidder Peabody collapse (Joe Jett trades)
138. 1994: Mexican Peso Crisis. T-bill rates rise from 3.7% to 7.2% during year
139. 1994, December 6: Orange County derivatives bankruptcy; repo leverage, Merrill Lynch (Bob Citron)
140. 1995: Kobe earthquake (Jan 17)
141. 1995: Barings Failure (Nick Leeson)
142. 1995: Daiwa Bank conceals trading losses from the Federal Reserve (Toshihide Iguchi)
143. 1996: Sumitomo Trading copper losses (Yasuo Hamanaka)
144. 1996: Counterfeit Russian bond scandal (June)

145. 1996: Deutsche Morgan Grenfell European funds scandal (Peter Young)
146. 1997 (March 19) Bre-X geologist Michael De Guzman “falls” from Indonesian Army helicopter.
147. 1997: The Asian Crisis
148. 1998: Russian devaluation and default; Brazil bailout by IMF
149. 1998: Brazil import restrictions against Mercosur partners
150. 1998: Long Term Capital Management fails
151. 1998: Ellington Capital Management (Michael Vranos)
152. 1999: Princeton Economics scandal (Martin Armstrong)
153. 1999: Martin Frankel, Connecticut insurance fraud
154. 2000: Failure of Reliance Group (Saul Steinberg)
155. 2000-2002: Dot com crash: Price drop up to 100%
156. 2000-2002: Stock markets decline: -44% in industrialized countries.
157. 2001-2002: Argentine Crisis. Real GDP drops 11%.
158. 2001: Global recession
159. 2002: Exposure and collapse of bubble frauds: WorldCom, Enron, etc.
160. 2002: Allied Irish Banks Baltimore-based trader, John Rusnak, hides \$691 million in trading losses accumulated over several years.
161. 2005: Canadian hedge fund, Portus Alternative Asset Management, fails (Boaz Manor).
162. 2005: Florida hedge fund, KL Financial Group (Won Sok Lee and Yung Bae Kim)
163. 2005: Bayou Securities (Samuel Israel and Daniel Marino)
164. 2005: Wood River Hedge Fund (John Whittier)
165. 2005: Refco (Phillip Bennett, Liberty Corner, Austrian Bank BAWAG)
166. 2005: Chinese copper trading scandal (Liu Qibing)
167. 2006: Amaranth Advisors natural gas trading (Brian Hunter, now moved to Solengo Capital Advisors)
168. 2007: US Subprime Mortgage Crisis spreads to global derivatives markets
169. 2007: June 20, Bear Stearns funds’ assets seized.
170. 2007: August 8, Asset Backed Commercial Paper Outstanding Peaks
171. 2007, August 9, BNP suspends withdrawals from money market funds
172. 2007: Goldman Sachs fund faces large drawdown
173. 2007: German secondary bank problems: IKB Bank loses badly with US commercial paper speculation by Rhinebridge affiliate.
174. 2007: BNP money market fund suspends redemptions
175. 2007: Cheyne Capital SIVs under stress
176. 2007: Coventree of Canada is an early SIV casualty, causing chaos in Canadian commercial paper market
177. 2007: Northern Rock liquidity crisis and bank run after abusing short-term borrowings.
178. 2007: Hedge funds using structured investment vehicles (SIVs) or SIV-Lites begin to fail as investors realize that an S&L by another name is just as unstable: Canada, US, Australia, etc.
179. 2007: Bond insurers come under stress: ACA, Natixis, Ambac, MBIA, SCA, FGA

180. 2007: December 12, Centro of Australia comes under stress after buying large US shopping center REITs with short-term funds. CMBS market shuts down.
181. 2008: Société Générale trader Jérôme Kerviel causes a \$7.2 loss after hiding trading losses.
182. 2008: January 11, Bank of America agrees to buy Countrywide
183. 2008: March 7, Thornburg Mortgage and Carlyle Capital face liquidation after margin calls.
184. 2008: March 14, Bear Stearns fails a confidence run and is forced into JP Morgan Chase.
185. 2008: March 17, Court supervised restructuring proposed for Canadian ABCP
186. 2008: March 19, Merrill Lynch sues Security Capital Assurance unit of XL Capital Ltd. to enforce credit default swaps valued at \$3 billion.
187. 2008: June 26, Fitch withdraws ratings on MBIA and AMBAC.
188. 2008: July 6, Share prices of FNM and FRE collapse.
189. 2008: July 10, MTG bonds downgraded to Baa1; PMI to A3
190. 2008: July 11, IndyMac Bancorp (IMB) seized by the Office of Thrift Supervision after critical public comments by Senator Schumer lead to a bank run.
191. 2008: July, SEC, ignoring history, proposes to weaken Rule 2a-7 which restricts money market fund investments.
192. 2008: September 8, Fannie Mae and Freddie Mac placed under conservatorship by the US Treasury.
193. 2008: September 14, International Swaps and Derivatives Association holds netting session in anticipation of Lehman failure.
194. 2008: September 14, Lehman Brothers holding company files for bankruptcy after failing to receive bids from Barclays or Bank of America; Merrill Lynch sold to Bank of America. Short seller focus shifts to Washington Mutual and American International Group. Federal Reserve broadens acceptable collateral list. Ten leading financial institutions pledge \$70 billion rescue fund.
195. 2008: September 16, American International Group “saved” from bankruptcy by Federal Reserve penalty rate bridge loan of \$85 billion, with warrants to purchase 79.9% of the company. Management replaced.
196. 2008: September 16, Reserve Primary Fund breaks the buck in the face of a \$40 billion outflow.
197. 2008: September 17, Market pressure shifts to Morgan Stanley and Goldman Sachs. Putnam and BNY-Mellon money market funds stressed. HBOS PLC to merge into Lloyds TSB.
198. 2008: September 18, Treasury, Fed, and SEC announce forthcoming emergency actions.
199. 2008: September 19, SEC suspends short sales, forcing a short covering rally.
200. 2008: September 19, Supreme Court of Canada upholds commercial paper restructuring plan.
201. 2008: September 21, Bradford & Bingley being shopped by FSA?

202. 2008: September 25, Washington Mutual seized by the FDIC and the thrift deposits and some assets sold to JP Morgan Chase. Unanticipated consequence of the destruction of the holding company is a sharp sell-off of Wachovia.
203. 2008: September 29, Glitnir Bank rescue; Hypo Real Estate first rescue; first Fortis rescue; ICICI Bank run.
204. 2008: September 29, Wachovia dismantled by FDIC and initially placed with Citibank; Speaker Pelosi disrupts House vote on rescue bill.
205. 2008: October 1, Senator Harry Reid triggers sharp sell-off of insurance stocks by indicating unnamed one is facing bankruptcy.
206. 2008: October 3, Wachovia acquired (?) by Wells Fargo, Citibank objects.
207. 2008: October 3-5, Iceland bank crisis; Bradford & Bingley dismantled; Second German Hypo bank rescue attempt; second Fortis rescue attempt; Unicredit SpA concerns in Germany, Italy, and Eastern Europe. Germany, Austria, and Denmark guarantee all retail deposits. Korean bank concerns.
208. 2008: October 9, New City Residence Investment Corp. (Tokyo REIT) files for bankruptcy.
209. 2008: October 10, Yamato Life files for court protection after alternative investments fail.
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