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# TRADER DAILY

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## Niederhoffer: Don't Blame Me for Refco Mess

Victor Niederhoffer denies that his 1997 dealings with Refco started the fire that has burned it to the ground

**Issue:** [October 2005](#)

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In the midst of Refco's stunningly rapid descent into chaos, rumors recently began circulating that traced the entire debacle back to losses sustained by the commodities broker in connection with the October 1997 blowup of Victor Niederhoffer's fund.

Niederhoffer's roughly \$100 million fund did blow up, and Refco was his clearing broker. But Niederhoffer and his web site moved assertively to squash the scuttlebutt: "The rumors concerning me seem to have been a case of the wish is father to the thought."

However, speculation remains that when Refco -- specifically the now-disgraced former CEO Phil Bennett, then CFO -- folded Niederhoffer's positions, he did so selectively, liquidating S&P 500 puts but holding long Asian currency positions in a fictitious client account hoping to ride them out of the hole. If this were true, legal implications aside, this would have flown in the face of Refco's business model: the firm did not trade its own book, instead preaching a client order-driven, "matched book" riskless model.

When those Asian currency positions went further south during the 1998 emerging markets crisis that blew up Long Term Capital Management, losses compounded. CEO Bennett, the theory goes, creatively arranged for these losses to be switched from the customer account side of the house into receivables, and the rest is history.

"I possess no information on how Refco treated its transactions with me or the settlements we gave each other," Niederhoffer wrote. "I have heard rumors that Refco made substantial profits on the transaction, and now that it created losses... I find it highly improbable that, among all the transactions and activities that Refco had during the eight years since our settlement, the handling of its transactions with me in 1997 was a link in the chain that seems to have recently broken."

Bennett's attorney, Gary Naftalis, did not return calls.

### 2 Comments:

• Posted by [smann@day-trades.com](mailto:smann@day-trades.com) - Oct 20 2005 @ 3:47 PM

#### **Refco**

What a gross display of leadership. I can not believe that after all the time it has taken commodities to shed the old cowboy days, the biggest name goes out and makes sure they ruin that.

• Posted by [Russell J. Fuhrman](#) - Oct 19 2005 @ 9:48 PM

#### **Refco**

Maybe Refco's downfall all started in '79 when they arranged, I mean handled, Hillary's brilliant cattle futures' spectacularly profitable venture into the market! No doubt when Congressional hearings are held she'll want to testify even though her prowess and expertise might embarrass one of her supporters, the amateur trader George Soros!

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