

NEWS

Mistrial declared in U.S. case against London fund manager



By **NATE RAYMOND**

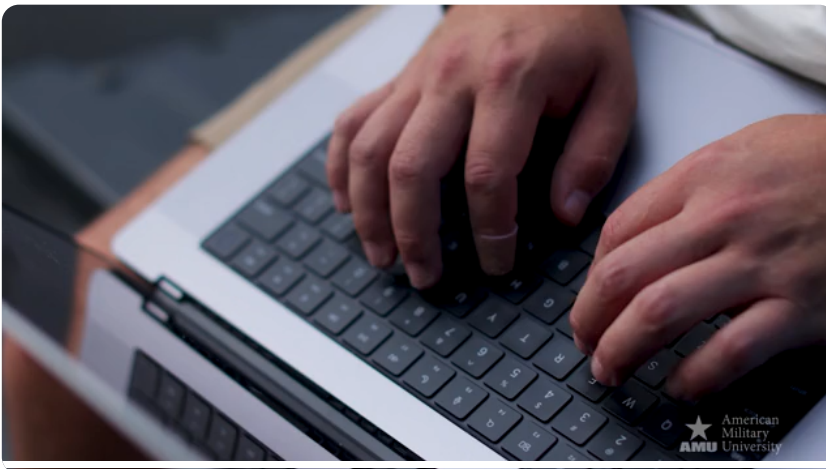
UPDATED: August 24, 2021 at 5:56 PM CST

NEW YORK (Reuters) – A U.S. jury failed to reach a verdict on whether a London-based portfolio manager was criminally responsible for participating in an alleged scheme to overvalue his hedge fund’s assets by \$80 million, resulting in a mistrial.

U.S. District Judge Paul Crotty in Manhattan sent jurors home on Tuesday after they were unable to reach agreement on charges against Michael Balboa, a former portfolio manager at Millennium Global Investments Ltd.

Deliberations had begun on Thursday, after a trial that began about three weeks ago.

“If you can’t reach a verdict unanimously, that is a decision we have to recognize,” Crotty said.



Balboa, 44, had worked at Millennium from December 2006 until October 2008, when the hedge fund he managed collapsed.

The U.S. Department of Justice had accused him of inflating the value of securities tied to Nigerian sovereign debt owned by the fund, and manipulating the valuation process to make the fund look healthier.

It also said Balboa netted \$6.5 million in fees for his work on the fund, which was based in part on the fund's performance. Balboa has maintained his innocence.

Joseph Tacopina, a lawyer for Balboa, said he expected a new trial to begin later this year, but believed prosecutors would still fail to win a conviction.

Tacopina said there was a "very deep split" among jurors, who he met with privately after the mistrial was declared, and said the financial instruments at issue were complex.

"Most people in the market don't understand it, let alone people from various walks of life," he said.

A spokeswoman for Manhattan U.S. Attorney Preet Bharara had no immediate comment. The U.S. Securities and Exchange Commission has filed a related civil lawsuit.

Balboa's case centered on Millennium Global Emerging Credit Fund, which invested in corporate and sovereign debt in emerging markets, and according to the SEC had \$844 million in assets in October 2008.

Prosecutors said the fund's investments included illiquid warrants issued by Nigeria tied to the price of oil, which traded at \$145 to \$258 between January 2007 and October 2008.

Despite those prices, Balboa instructed two co-conspirators who worked at broker-dealers to give inflated prices for the warrants of \$500 to \$3,500 to an independent valuation agent used by Millennium, the indictment said.

Balboa "secretly and fraudulently manipulated this valuation process," prosecutor Jason Cowley told jurors last Wednesday in closing arguments.

The case is U.S. v. Balboa, U.S. District Court, Southern District of New York, No. 12-cr-00196.

(Reporting by Nate Raymond in New York; Editing by Lisa Von Ahn and Tim Dobbyn)

Originally Published: July 2, 2013 at 1:00 AM CST

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