



## Montgomery Ouimet Asset Management

Back in the day, when I was a rookie toiling away in an investment firm bullpen (long before I started at my current firm) one of my mates in the bullpen arrived at work and announced with an uncomfortable level of giddiness that \$50,000 had been deposited into his bank account. But it wasn't his. It seems another bank customer's GIC principal payment had been made in error. We all assumed, as he did, that the bank would realize it's error and take the money back. Except they didn't – for a long time! And so this fellow left if there and then dipped into it to the tune of \$9k. And then I don't know what happened. I assume they realized the error and took it back. I hope so, the following year he ended up working for the investment firm owned by that bank.....

But the \$900 million Citigroup error is not that. Citigroup pre-emptively paid the entire loan principle to a group of hedge and distressed-debt funds, some 20 hours before they were to file a lawsuit demanding those very same funds.

As the New York Court of Appeals in this case notes: “When a beneficiary receives money to which it is entitled and has no knowledge that the money was erroneously wired, the beneficiary should not have to wonder whether it may retain the funds; rather, such a beneficiary should be able to consider the transfer of funds as a final and complete transaction, not subject to revocation.”

As usual Matt Levine uses humour along with his legal and financial background to give us a rundown of this whole bizarre affair.

For extra fun go to page 73 of the 105 page NY Court of Appeals ruling, [right here](#) to read the chat between the fund employees when they realize that the funds they received the day before were not simply a principal payback but rather a payment made in error - they realized this because Citi was pleading for the money to come back to them!

- Brian Montgomery

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