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From: Benjamin Wegg-Prosser [mailto:benjamin@wegg-prosser.co.uk]
Sent: Tuesday, March 22, 2011 08:47 PM
To: Peter Mandelson
Subject:

Bank Leumi Wins \$19 Million U.K. Ruling Over Wachner Trades

By Erik Larson - Mar 22, 2011 6:09 PM GMT

[Bank Leumi](#) Le-Israel Ltd., the country's biggest lender, won a U.K. lawsuit against ex-[New York](#) Stock Exchange board member Linda Joy Wachner over 13.4 million euros (\$19 million) she lost in foreign-exchange trades.

Wachner, 65, must repay the bank's U.K. unit what she lost in 2008 through dollar-euro transactions that went "disastrously wrong," Justice Julian Flaux ruled today in the [High Court](#) in London. Flaux rejected Wachner's claim that Bank Leumi irresponsibly classified her as a professional client with direct access to dealers on the lender's U.K. trading floor.

"Despite the somewhat helpless image she now seeks to portray, that was certainly not her self-assessment at the time as to her foreign-exchange experience and expertise," Flaux said in the 88-page ruling. "One suspects that any attempt to reclassify her and restrict her access to the dealing room would have been met by indignation bordering on outrage."

The dispute over losses on so-called reverse knock-in options, both in the form of calls and puts, erupted after Wachner, once one of the highest-paid U.S. executives, accused the Israeli bank's U.K. unit of wrongfully allowing her to make trades she didn't understand. The trades resulted in heavy losses after the collapse of [Lehman Brothers Holdings Inc. \(LEHMQ\)](#) in September 2008.

'Novice'

Wachner, a NYSE director from 1997 to 2000 who had traded foreign exchange with the bank since 2003, portrayed herself in the case as a "novice" who was led into the trades, according to the ruling.

Wachner may take legal action in New York in response to today's ruling, her lawyer [Sue Prevezer](#), with the firm Quinn Emanuel Urquhart & Sullivan LLP in London, said in an e-mailed statement.

"Our client does not view this matter as closed," Prevezer said. "She maintains that she was incorrectly classified by Bank Leumi and treated as a professional trader which exposed her to unjustified levels of risk."

The judge said "that despite warnings which she was given she carried on trading regardless."

“She was substantially at fault for not engaging a professional trader,” Flaux said in the ruling.

Wachner was chief executive officer of New York-based apparel retailer [Warnaco Group Inc. \(WRC\)](#), a maker of branded clothing including Calvin Klein jeans and Speedo swimsuits, before being ousted amid investor criticism of her management decisions and pay.

Wachner and Warnaco auditor PricewaterhouseCoopers LLP in 2004 agreed to pay a combined \$3.7 million to settle U.S. allegations they approved a misleading Warnaco annual report. The company had filed for bankruptcy in 2001 and emerged from court protection two years later.

“We are pleased that the court vindicated our position, rejected Ms. Wachner’s counterclaims and found that the bank properly discharged its regulatory responsibilities in this matter,” Bank Leumi (U.K.) Plc said in a statement.

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