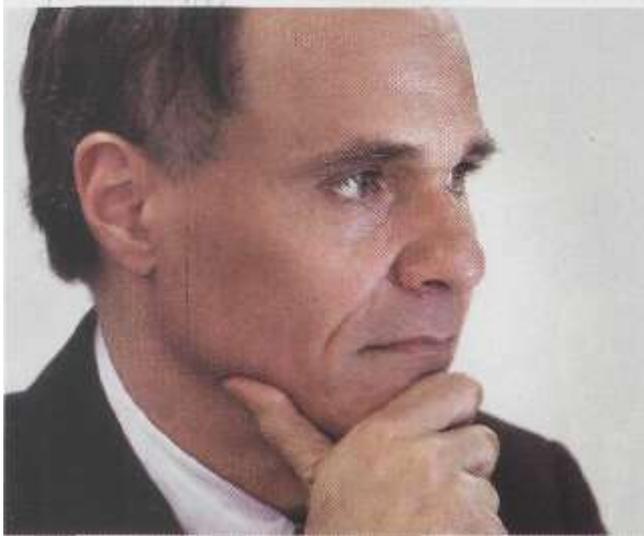


Face value | The quiet Brazilian

Daniel Dantas, a brilliant and controversial banker, is waiting to see if he will go to jail



IT IS three o'clock in the afternoon, and Daniel Dantas has just discovered that \$300m of his bank's money has been frozen by the courts. The morning's papers were filled with stories about Mr Dantas, government spies, wiretapping and money-laundering. His Sao Paulo offices, which have the usual accoutrements of investment-bank meeting rooms—Venetian blinds revealing a commanding view of the city, paper and pencils branded with the bank's name—feel like a fort under siege. Mr Dantas enters the room, places his various mobile phones on a table and removes their batteries. At least one of them has been bugged by Brazil's spy agency, he says, turning it into a listening device.

Mr Dantas is the most controversial businessman in Brazil. The press has tried to connect his name with every big scandal of the past ten years in the wide grey area where business and government meet. But none of the accusations has ever been proven. In July Mr Dantas was taken into custody for a day but was released without charge. Mr Dantas is often portrayed as a kind of dark genius of Brazilian finance: Darth Vader with spreadsheets. He has, he notes in a tone of incredulity that perhaps contains a little pride, appeared on the cover of one of the country's business magazines more often than George Bush.

Teetotal, vegetarian and frugal, Mr Dantas seems an unlikely target for such opprobrium. Even though he has amassed a fortune estimated at \$1 billion, his apartment in Rio de Janeiro is said to be decorated with posters from art galleries, rather than original works. He does not own a beachfront house, a helicopter or a fast car. In this at least, he resembles Warren Buffett, one of his heroes. Mr Dantas works every day from early in the morning until late at night and his personal life appears to be somewhere between uneventful and non-existent.

Before his legal troubles began, Mr Dantas was known primarily for his brains. He grew up in Bahia, in the north-east, in a family patronised by Antonio Carlos de Magalhaes, a political boss who controlled the state at the time. After an undergraduate degree in engineering, he went to Rio to study for a PhD in economics. Mr Dantas was a dedicated student (he even delayed his wedding to attend an academic conference) who went on to do postgraduate work in economics at the Massachusetts Institute of Technology, all the while maintaining commercial interests in

Brazil. Having completed his studies, Mr Dantas spent profitable spells at a couple of banks. One of the funds he managed returned 156% for the year, making him the world's best-performing asset manager for the year in 1993. (George Soros's Quantum Emerging fund only managed fourth place, with a return of 92%.) In 1994 Mr Dantas founded his own bank, Opportunity. Even during the bank's run-ins with the courts, its fund-management arm, run by Dorio Ferman, has continued to perform amazingly well.

The roots of Mr Dantas's current problems lie in 1998, when Brazil's state-owned telecoms industry was privatised. Among the bidders for concessions was a consortium made up of Telecom Italia, Citibank and some large pension funds co-ordinated by Mr Dantas. Mr Dantas pulled off two coups: he persuaded Citibank to invest alongside Opportunity, and two state-run pension funds to give him control of their stakes in the privatised entity, Brasil Telecom. This gave him control of a big company, even though Opportunity owned only 1% of its equity.

Then the trouble began. Opportunity and Telecom Italia fell out, and a power struggle ensued in which Citibank backed Mr Dantas. The dispute rumbled on until 2004, when it emerged that Brasil Telecom had hired Kroll, an American security firm. Reports in the Brazilian press, flatly denied by Kroll, claimed that the company had tried to spy on politicians, journalists and businessmen. Mr Dantas says these reports are nonsense and that Kroll was only hired to track down some money that had gone missing. In the same year, it emerged that Brasil Telecom had made payments to a company owned by the son of President Luiz Inacio Lula da Silva. Telecom Italia eventually sold its stake to Citigroup and the pension funds last year. By then Mr Dantas had fallen out with them, too. In 2005 Citibank fired Opportunity, claiming that Mr Dantas had acted against its interests. It also brought a lawsuit against Opportunity in New York.

Fighting his corner

Mr Dantas says this was a betrayal, and he found it hard to take. He explains that he and his lawyers in New York had to develop a code when discussing the suit, because their opponents often seemed to know their next move. (The suit was resolved in April this year, but details of the settlement were not made public.) Ever since the telecoms privatisations, he says, people in the government have gone after him. At first, he says, this was because he was assumed to have political ties to opposition figures in Bahia, and was therefore deemed to be an unsuitable owner of previously state-owned utilities.

A few years after Lula's election in 2002, Mr Dantas claims, pressure on him increased. This may have had something to do with the downfall of Jose Dirceu, Lula's chief of staff, who is said to have been Mr Dantas's point of contact in the administration. At the root of it all, Mr Dantas alleges, is the need for politicians to siphon off money for election campaigns, and those who refuse to co-operate become targets. The latest accusations made by the federal police against Mr Dantas—which centre on the laundering of public money and the offering of bribes to be excluded from an investigation—are, he says, just a continuation of this campaign. This led to the freezing of funds on September 11th.

If he is right, then the Brazilian press is wrong. But innocent or guilty, it seems increasingly likely that Mr Dantas will avoid conviction, not least because of the irregular way in which the police have conducted their operation. If this happens, it will only add to his reputation for having close shaves with the law. ■