

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 60787 / October 5, 2009**

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 2931 / October 5, 2009**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-13639**

**In the Matter of**

**FRANK DIPASCALI, JR.,**

**Respondent.**

**ORDER INSTITUTING  
ADMINISTRATIVE PROCEEDINGS  
PURSUANT TO SECTION 15(b) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
AND SECTION 203(f) OF THE  
INVESTMENT ADVISERS ACT OF 1940,  
MAKING FINDINGS, AND IMPOSING  
REMEDIAL SANCTIONS**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against Frank DiPascali, Jr. (“DiPascali” or “Respondent”).

**II.**

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, and the findings contained in Sections III.2 and III.4 below, which are admitted, Respondent consents to the entry of this Order Instituting Administrative Proceedings Pursuant to

Section 15(b) of the Securities Exchange Act of 1934 (“Securities Act”) and Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”), Making Findings, and Imposing Remedial Sanctions (“Order”), as set forth below.

### III.

On the basis of this Order and Respondent’s Offer, the Commission finds that:

1. DiPascali, age 52, resides in Bridgewater, New Jersey. DiPascali began working at Bernard L. Madoff Securities LLC (“BMIS”), a registered broker-dealer and registered investment adviser, in 1975 at the age of 19. From 1975 through the mid-1980s, DiPascali worked at BMIS as a research clerk and then a trader. In the mid-1980s, Bernard L. Madoff (“Madoff”), the owner and President of BMIS, put DiPascali in charge of the build-out and computer installation in BMIS’ new office space in the Lipstick Building at 885 Third Avenue in New York City. Later, at Madoff’s direction, DiPascali became involved in, and eventually oversaw, the day-to-day operations of the bulk of BMIS’ multi-billion dollar fraudulent scheme.

2. On August 13, 2009, the District Court entered a Partial Judgment on Consent Imposing Permanent Injunction against DiPascali permanently enjoining him from future violations of Section 17(a) of the Securities Act of 1933; and violations, or aiding and abetting violations, of Section 10(b), 15(c) and 17(a) of the Exchange Act and Rules 10b-3, 10b-5 and 17a-3 thereunder, and Sections 204, 206(1) and 206(2) of the Advisers Act, and Rule 204-2 thereunder, in the civil action entitled Securities and Exchange Commission v. Frank DiPascali, Jr., 09 CV. 7085 (LLS), in the United States District Court for the Southern District of New York.

3. The Commission’s Complaint, filed on August 11, 2009, alleged that for decades, DiPascali helped Madoff conduct a massive securities and advisory fraud at BMIS that victimized thousands of investors before it collapsed, causing more than \$64 billion in investor losses. A BMIS employee since 1975, DiPascali rose to become a key Madoff lieutenant responsible for overseeing the bulk of the day-to-day operations of the unprecedented fraud that was run out of the 17<sup>th</sup> floor at BMIS’ offices. DiPascali oversaw the mechanics of an entirely fictitious investment strategy, known as the “split-strike conversion,” that BMIS claimed to be pursuing on behalf of its clients. DiPascali helped Madoff structure and record non-existent trades that were reflected on millions of pages of customer confirmations and account statements distributed each year. Not one of the trades purportedly executed as part of this strategy ever occurred. DiPascali also played a critical role in helping Madoff avoid detection of his scheme. DiPascali designed, developed and oversaw a wide and varying array of fictitious books and records — all prepared to conceal the scheme from investors, auditors and regulators.

4. Also on August 11, 2009, DiPascali pleaded guilty to ten felony counts contained in a Criminal Information, United States v. DiPascali, 09 Cr. 764 (RJS), filed in the District Court by the United States Attorney’s Office for the Southern District of New York. The Criminal Information against DiPascali contained many of the same factual allegations as those in the Commission’s Complaint. That same day, DiPascali, pleaded guilty to conspiracy, securities fraud, investment adviser fraud, falsifying records of a broker-dealer,

falsifying records of an investment adviser, mail fraud, wire fraud, international money laundering, perjury, and attempting to evade federal income taxes. DiPascali faces a statutory maximum sentence of 125 years in prison. He is also subject to mandatory restitution and faces criminal fines up to twice the gross gain or loss derived from the offense. Additionally, the Criminal Information to which DiPascali pleaded guilty includes forfeiture allegations that would require DiPascali to forfeit the proceeds of the charged crimes, as well as all property involved in the money laundering offenses and all property traceable to such property. The District Court remanded DiPascali and set a sentencing control date for May 15, 2010.

#### IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent DiPascali's Offer.

Accordingly, it is hereby ORDERED:

Pursuant to Section 15(b)(6) of the Exchange Act and Section 203(f) of the Advisers Act, that Respondent DiPascali be, and hereby is, barred from association with any broker, dealer, or investment adviser.

Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

For the Commission, by its Secretary, pursuant to delegated authority.

Elizabeth M. Murphy  
Secretary