

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of:)
) File No. OIG-509
OIG-509)

 ORIGINAL

WITNESS: Number 17
PAGES: 1 through 77
PLACE: McCarter & English
 265 Franklin Street
 Boston, MA 02110
DATE: Tuesday, March 31, 2009

The above-entitled matter came on for hearing, pursuant to notice, at 3:06 p.m.

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1 APPEARANCES:

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3 On behalf of the Securities and Exchange Commission:

4 DAVID B. WITHERSPOON

5 JAMES D. FIELDER

6 Securities and Exchange Commission

7 Office of Inspector General

8 100 F Street, N.E.

9 Washington, D.C. 20549

10 (202) 552-4445

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12 On behalf of the Witness:

13 GAYTRI D. KACHROO, ESQ.

14 McCarter & English

15 265 Franklin Street

16 Boston, MA 02110

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P R O C E E D I N G S

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2 MR. WITHERSPOON: We are on the record at 3:06 p.m.
3 on Tuesday, March 31, 2009, at the law firm of McCarter &
4 English, 265 Franklin Street, Boston, Massachusetts.

5 Would you please raise your right hand.
6 Whereupon,

7 FRANK R. CASEY

8 was called as a witness and, having been first duly sworn,
9 was examined and testified as follows:

10 EXAMINATION

11 BY MR. WITHERSPOON:

12 Q Thank you. Would you please state and spell your
13 full name at this time.

14 A Sure. Frank R. Casey, F-r-a-n-k, space, R, space,
15 C-a-s-e-y.

16 Q Thank you. Good afternoon, Mr. Casey.

17 A Good afternoon.

18 Q My name is David Witherspoon and I am an attorney
19 in the Office of Inspector General of the United States
20 Securities and Exchange Commission. With me today is David
21 Fielder, assistant inspector general at the United States
22 Securities and Exchange Commission.

23 This is an investigation by the Office of Inspector
24 General, Case Number OIG-509, regarding Madoff Securities and
25 Bernard L. Madoff. I'm going to ask you certain questions,

1 really wasn't a consultancy.

2 It was a sector rotating model where I was
3 basically beating the S&P's return by rotating among various
4 sectors of the marketplace using no-load mutual funds and
5 both free-standing and also embedded within variable
6 annuities.

7 Q And so what is the status, I guess, now of --

8 A Those things I shut down -- my clients all made
9 money; I didn't. And I was understaffed and overwhelmed, so
10 I shut them down in 1995, in late '95, and I joined Smith
11 Barney. And I was beginning to build a business, essentially
12 dealing with high net worth individuals again going back to
13 the future, and I really started raising money or attempting
14 to raise money for institutional investment managers,
15 registered investment managers, of which Rampart was one of
16 them, and they used to direct commissions to me for my
17 efforts.

18 And then they hired me away in February of '08 --
19 of '98, and I worked at Rampart securities -- Rampart
20 Investment Management. I was a registered investment advisor
21 with an options specialization. It was all institutional
22 money. We ran about \$9 billion in options overlay business.
23 My job was VP of marketing and I was also charged with some
24 product development. And I worked with Harry Markopolos and
25 Neil Chelo there.

1 but you're dealing with one of the most powerful people on
2 the street and, you know, I've been known to be mouthy at
3 times but I'm not that stupid to mouth off against a guy that
4 powerful.

5 And so we were -- plus you're subject to libel. I
6 mean, you really don't have anything. There's no smoking gun
7 here. There's just a whole bunch of suppositions of what it
8 can't be. And so I get Mike to write the article, and he
9 writes it on May 1 of 2001. Well, we figured the SEC was
10 going to come charging in. Nothing for a week.

11 And then Barron's came out with it that following
12 weekend, like the 6th or the 7th of May of '01, and I -- I
13 thought she had plagiarized it but she says -- she's a woman
14 that apparently said she was doing a parallel investigation
15 or whatever. She referenced a lot of Mike's work.

16 We surely felt after the Barron's article they were
17 coming in. Nothing happened. Then we really got nervous,
18 because if they didn't see those two signs, they weren't
19 going to see anything else and -- or there was a cover-up and
20 this guy was much more powerful than, you know -- or
21 dangerous perhaps.

22 And then Harry was taking the front position. I
23 mean, we were always in the background, just kind of -- as I
24 say, he was carrying the sand bags to Washington or to New
25 York and to Boston SEC. And Neil Chelo and I and Mike Ocrant