

**OCIE HQ**

**First Madoff Document Request**

**Drafts 1-7 and Final Document Request**



**Bernard L. Madoff Securities Investment LLC**

12/19/2003 3:13:49 PM

**From:** Wood, Jacqueline

**To:** Swanson, Eric J. Personal Privacy Donohue, Mark J. Personal Privacy

**Cc:** Walker, Genevieve Personal Privacy

**Attachments:** Document Request Letter.doc

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Attached is a draft document request letter re: the above.

Jackie <<...>>

December \_\_, 2003

**Via Facsimile and U.S. First-Class Mail**

Peter B. Madoff  
Chief Compliance Officer  
Bernard L. Madoff Investment Securities, LLC  
885 Third Avenue  
New York, New York 10022

Dear Mr. Madoff:

Pursuant to Section 17(a)(1) of the Securities and Exchange Act of 1934 and Rule 17a-1 thereunder, the Office of Compliance Inspections and Examinations (“OCIE” or “Staff”) is conducting an examination of Bernard L. Madoff Investment Securities, LLC and its affiliates (referred to herein as “Madoff Securities”). The Staff requests that Madoff Securities provide the following information on or before \_\_\_\_\_.

1. For the time period of January 1, 2001 through the present, provide the following:
  - a. daily profit and loss statements by security (to be provided in Excel format);
  - b. commission revenues generated by security (to be provided in Excel format);
  - c. the names and addresses of all institutional customers of Madoff Securities;
  - d. all commission rates charged to institutional customers, including any changes to, and deviations from, those commission rates;
  - e. the names of all employees of Madoff Securities, including title and a description of the employee’s responsibilities; and
  - f. for each employee, list the private equity investments held by each employee, including, but not limited to, a description of the investment, the amount invested, the date the investment was bought, and the date the investment was sold.
2. Describe in detail the strategy known as “split-strike conversion”.
3. Identify all customers utilizing a split-strike conversion strategy.

Peter B. Madoff  
Page 2  
December \_\_, 2003

4. Identify all securities used as part of a split-strike conversion strategy.
5. Identify all funds used as part of a split-strike conversion strategy.
6. Describe in detail how Madoff Securities executes the split-conversion strategy.
7. Explain how Madoff Securities is compensated for executing trades utilizing a split-conversion strategy.
8. Describe in detail any other market-neutral strategies utilized by Madoff Securities.
9. Identify all hedge funds personally managed by Bernard L. Madoff.
10. Identify all hedge funds wherein Bernard L. Madoff has an ownership interest.

Additional documents and information may be requested if necessary. If you have any questions, please contact me at (202) 942-7493 or Mark Donohue at (202) 942-7397. Thank you for your cooperation.

Sincerely,

Eric J. Swanson  
Assistant Director

**Madoff Document Request**

12/22/2003 12:43:50 PM

**From:** Walker, Genevieve

**To:** Donohue, Mark J. Personal Privacy

**Cc:** Wood, Jacqueline

**Attachments:** Document Request Letter1 to Madoff-edited.doc

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Hello!

Jackie and I have spoken regarding the letter and I have made a few changes/additions. In particular, I used the "Inspection Guide for Hedge Fund/Hedge Fund Management Examinations", to make a few additions, which may be a bit over inclusive for our purposes.

Both you and Jackie have copies of all of the documents that I received from Personal Privacy (accountant in IA/IC), who worked on the hedge fund exams.

-Gen

<<...>>

December \_\_, 2003

**Via Facsimile and U.S. First-Class Mail**

Peter B. Madoff  
Chief Compliance Officer  
Bernard L. Madoff Investment Securities, LLC  
885 Third Avenue  
New York, New York 10022

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  - d. all commission rates charged to institutional customers, including any changes to, and deviations from, those commission rates;
  - e. the names of all employees of Madoff Securities, including their title and a description of the employee’s responsibilities; and
  - f. for each employee, list the private equity investments held by them, including, but not limited to, a description of the investment, the amount invested, the date the investment was bought, and the date the investment was either sold or transferred.
2. Describe in detail the strategy known as “split-strike conversion”.
3. Identify all customers utilizing a split-strike conversion strategy.

4. Identify all securities used as part of a split-strike conversion strategy.
5. Describe in detail how Madoff Securities executes the split-strike conversion strategy.
6. Explain how Madoff Securities is compensated for executing trades utilizing a split-strike conversion strategy.
7. Describe in detail any other market-neutral trading strategies utilized by Madoff Securities.
8. Identify all hedge funds personally managed by Bernard L. Madoff. Please include the following information concerning those funds:
  - a. Number of hedge funds managed;
  - b. Type of funds;
  - c. Investment objectives;
  - d. Current size;
  - e. Number and characteristics of fund owners;
  - f. Lock-up/Redeemability features of each fund; and
  - g. Notice Requirements to redeem.
9. Identify all hedge funds wherein Bernard L. Madoff has an ownership interest.
10. Information about disclosures the hedge funds and Madoff have made in offering documents regarding affiliated transactions, conflicts of interest, brokerage arrangements, use of soft dollars, allocations of trades, allocations of IPOs, personal trading restrictions, and ownership interests in hedge funds by Madoff.
11. If hedge funds are part of a fund of funds structure, what information is provided to top tier funds about composition of portfolio, valuation procedures, periodic valuations, etc; what are new purchase and redemption procedures followed by top tier funds;
12. For top tier funds in a fund of hedge funds structure, what information does Madoff receive from underlying hedge funds regarding portfolio composition, valuation procedures of hedge fund assets, and periodic valuations.
13. Identify all funds in a fund of hedge funds structure that are used as part of a split-strike conversion strategy.

Peter B. Madoff  
Page 3  
December \_\_, 2003

Additional documents and information may be requested if necessary. If you  
have any questions, please contact me at (202) 942-7493 or Mark Donohue at [REDACTED]  
Thank you for your cooperation.

Sincerely,

Eric J. Swanson  
Assistant Director

**Madoff**

12/24/2003 4:03:26 PM

**From:** Donohue, Mark J.  
**To:** McCarthy, John A. [Personal Privacy] Swanson, Eric J. [Personal Privacy]  
**Cc:** Wood, Jacqueline [Personal Privacy] Walker, Genevieve [Personal Privacy]  
**Attachments:** Madoff Doc Req.doc

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Attached is the latest version of the Madoff document request letter. As you guys know, I'm gone until the 6th. Both Gen and Jackie worked on the letter and would be nothing but thrilled to handle any comments or edits and sending the thing out.

Enjoy.

<<...>>

**Mark J. Donohue**  
*Office of Compliance Inspections and Examinations*  
*Securities and Exchange Commission*  
[Personal Privacy]

December \_\_, 2003

***Via Facsimile to (212) 468-8178  
and U.S. First-Class Mail***

Peter B. Madoff  
Chief Compliance Officer  
Bernard L. Madoff Investment Securities, LLC  
885 Third Avenue  
New York, New York 10022

Dear Mr. Madoff:

Pursuant to Section 17(a)(1) of the Securities Exchange Act of 1934 and Rule 17a-4 thereunder, the Office of Compliance Inspections and Examinations (“OCIE” or “Staff”) is conducting an examination of Bernard L. Madoff Investment Securities, LLC and its affiliates (referred to herein as “Madoff Securities”). The Staff requests that Madoff Securities provide the following information on or before

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1. For the time period of January 1, 2001 through the present, provide the following:
  - a. daily profit and loss statements by security (to be provided in an Excel spreadsheet);
  - b. daily commission revenues segregated by customer and by security (to be provided in an Excel spreadsheet);
  - c. identify all institutional customers of Madoff Securities, including each customer’s name, address, primary contacts, any numbers or labels used by Madoff Securities to identify the customer, and all accounts held with Madoff Securities;
  - d. all commission rates charged to institutional customers, including any changes to, and deviations from, those commission rates and the customers who are charged those rates;
  - e. a detailed organizational chart of Madoff Securities and any changes thereto;
  - f. identify all employees of Madoff Securities, including each person’s name, title, job description, any numbers or labels used by Madoff Securities to identify the employee, and any changes thereto; and

- g. identify each private equity investment of each employee, including, but not limited to, a description of the investment, the amount invested, the date of the investment, the date the investment was either sold or transferred, and any relationship between the investment vehicle and its affiliates and Madoff Securities.
2. Describe in detail the hedging model or investment strategy identified as "split-strike forward conversion" in the telephone conversation between Lori Richards, John McCarthy, and Bernie Madoff on *December 19, 2003??*.
3. Identify the four hedge funds discussed in the telephone conversation between Lori Richards, John McCarthy, and Bernard Madoff on *December 19, 2003??*; include the identification of all advisers and managers of the funds, all affiliated entities of the funds, and all investors or owners of the funds since January 1, 2001.
4. Provide copies of all communications and disclosures from the funds identified in question 3 to the investors or owners, including any prospective investors or owners, of the funds since January 1, 2001.
5. Identify all entities using the strategy discussed in question 2.
6. Identify all securities used as part of the strategy discussed in question 2.
7. Describe in detail how Madoff Securities executes the strategy discussed in question 2.
8. Explain how Madoff Securities is compensated for executing trades for the strategy discussed in question 2.
9. Describe in detail any other market-neutral trading strategies utilized by Madoff Securities.
10. Identify all hedge funds managed or advised by Madoff Securities or any of its employees or related entities, and include the name of each fund, the identification of all advisers and managers of each fund, all affiliated entities of each fund, the investment objective and strategy of each fund, and all investors or owners of each fund since January 1, 2001.
11. Identify all hedge funds in which Bernard Madoff has an ownership interest.

Peter B. Madoff  
Page 3  
December \_\_, 2003

Additional documents and information may be requested if necessary. **If you**  
have any questions, please contact me at (202) 942-7493 or Mark Donohue at  
Thank you for your cooperation.

Personal  
Privacy

Personal Privacy

Sincerely,

Eric J. Swanson  
Assistant Director

Cc: SEC Form 1661

**FW: Madoff**

1/6/2004 1:31:32 PM

**From:** Donohue, Mark J.  
**To:** Swanson, Eric J. Personal Privacy  
**Attachments:** Madoff Doc Req.doc

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the latest madoff letter

-----Original Message-----

**From:** Donohue, Mark J.  
**Sent:** Wednesday, December 24, 2003 3:03 PM  
**To:** McCarthy, John A.; Swanson, Eric J.  
**Cc:** Wood, Jacqueline; Walker, Genevieve  
**Subject:** Madoff

Attached is the latest version of the Madoff document request letter. As you guys know, I'm gone until the 6th. Both Gen and Jackie worked on the letter and would be nothing but thrilled to handle any comments or edits and sending the thing out.

Enjoy.

<<...>>

**Mark J. Donohue**  
*Office of Compliance Inspections and Examinations*  
*Securities and Exchange Commission*  
Personal Privacy

December \_\_, 2003

***Via Facsimile to (212) 468-8178  
and U.S. First-Class Mail***

Peter B. Madoff  
Chief Compliance Officer  
Bernard L. Madoff Investment Securities, LLC  
885 Third Avenue  
New York, New York 10022

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  - b. daily commission revenues segregated by customer and by security (to be provided in an Excel spreadsheet);
  - c. identify all institutional customers of Madoff Securities, including each customer’s name, address, primary contacts, any numbers or labels used by Madoff Securities to identify the customer, and all accounts held with Madoff Securities;
  - d. all commission rates charged to institutional customers, including any changes to, and deviations from, those commission rates and the customers who are charged those rates;
  - e. a detailed organizational chart of Madoff Securities and any changes thereto;
  - f. identify all employees of Madoff Securities, including each person’s name, title, job description, any numbers or labels used by Madoff Securities to identify the employee, and any changes thereto; and

- g. identify each private equity investment of each employee, including, but not limited to, a description of the investment, the amount invested, the date of the investment, the date the investment was either sold or transferred, and any relationship between the investment vehicle and its affiliates and Madoff Securities.
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Peter B. Madoff  
Page 3  
December \_\_, 2003

Additional documents and information may be requested if necessary. If you  
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Personal Privacy Thank you for your cooperation.

Sincerely,

Eric J. Swanson  
Assistant Director

Cc: SEC Form 1661

**Madoff**

1/6/2004 4:53:47 PM

**From:** Donohue, Mark J.  
**To:** McCarthy, John A. [Personal Privacy]; Swanson, Eric J. [Personal Privacy]  
**Cc:** Walker, Genevieve [Personal Privacy]; Wood, Jacqueline [Personal Privacy]  
**Attachments:** Madoff Doc req.uoc

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John and Eric: Attached is the document request with the revisions we just discussed.

Jackie and Gen: Please review the letter (and give me any comments or edits) and prepare the letter to be faxed and mailed today.

thanks

<<...>>

**Mark J. Donohue**  
*Office of Compliance Inspections and Examinations*  
*Securities and Exchange Commission*  
[Personal Privacy]

January 6, 2004

***Via Facsimile to (212) 468-8178  
and U.S. First-Class Mail***

Peter B. Madoff  
Chief Compliance Officer  
Bernard L. Madoff Investment Securities, LLC  
885 Third Avenue  
New York, New York 10022

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  - d. all commission rates charged to institutional customers, including any changes to those commission rates, the customers charged those rates, and the monthly totals of commissions paid by customer;
  - e. a detailed organizational chart of Madoff Securities; and
  - f. identify each private equity investment of Madoff Securities and all persons affiliated with Madoff Securities, including, but not limited to, a description of the investment vehicle (including whether or not the entity is a hedge fund), the amount invested, the ownership interest of

Peter B. Madoff  
Page 2  
January 6, 2004

the investment, the date of the investment, the date the investment was either sold or transferred, and any relationship between the investment vehicle or its affiliates and Madoff Securities.

2. Describe the hedging model or investment strategy identified as "split-strike forward conversion" and used by some customers of Madoff Securities, list the customers using that strategy, list all securities traded as part of that strategy, and explain how Madoff Securities is compensated for executing that strategy. Provide copies of all communications and disclosures from the customers using the strategy to the investors or owners, or any prospective investors or owners, of the funds since January 1, 2001.
3. Identify all hedge funds managed or advised by any affiliated with Madoff Securities, and include the name of each fund, the identification of all advisers and managers of each fund, all affiliated entities of each fund, the investment objective and strategy of each fund, and all investors or owners of each fund since January 1, 2001.

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Sincerely,

Eric J. Swanson  
Assistant Director

Cc: SEC Form 1661

**Madoff**

1/6/2004 6:33:43 PM

**From:** Donohue, Mark J. [Personal Privacy]  
**To:** Wood, Jacqueline [Personal Privacy]; Walker, Genevieve [Personal Privacy]  
**Attachments:** Madoff Doc Req 1.6.04.doc

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for your records

<<...>>

**Mark J. Donohue**  
*Office of Compliance Inspections and Examinations*  
*Securities and Exchange Commission*

[Personal Privacy]

January 6, 2004

***Via Facsimile to (212) 468-8178  
and U.S. First-Class Mail***

Peter B. Madoff  
Chief Compliance Officer  
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885 Third Avenue  
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Peter B. Madoff  
Page 2  
January 6, 2004

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Personal Privacy Thank you for your cooperation.

Sincerely,

Eric J. Swanson  
Assistant Director

Cc: SEC Form 1661

**RE: Madoff**

1/6/2004 7:16:32 PM

**From:** Donohue, Mark J.  
**To:** Wood, Jacqueline [Personal Privacy]; Walker, Genevieve [Personal Privacy]  
**Attachments:** Madoff Doc Req 1.6.04.doc

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this doc has the correct fax number

<<...>>

-----Original Message-----

**From:** Donohue, Mark J.  
**Sent:** Tuesday, January 06, 2004 5:34 PM  
**To:** Wood, Jacqueline; Walker, Genevieve  
**Subject:** madoff

for your records

<< File: Madoff Doc Req 1.6.04.doc >>

**Mark J. Donohue**  
*Office of Compliance Inspections and Examinations*  
*Securities and Exchange Commission*

Personal Privacy

January 6, 2004

***Via Facsimile to (212) 486-8178  
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Peter B. Madoff  
Page 2  
January 6, 2004

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Sincerely,

Eric J. Swanson  
Assistant Director

Cc: SEC Form 1661



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

OFFICE OF COMPLIANCE  
INSPECTIONS AND  
EXAMINATIONS

January 6, 2004

*Via Facsimile to (212) 486-8178  
and U.S. First-Class Mail*

Peter B. Madoff  
Chief Compliance Officer  
Bernard L. Madoff Investment Securities, LLC  
885 Third Avenue  
New York, New York 10022

Dear Mr. Madoff:

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Peter B. Madoff  
Page 2  
January 6, 2004

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Personal Privacy Thank you for your cooperation.

Sincerely,



Eric J. Swanson  
Assistant Director

Cc: SEC Form 1661