

Some highlight of my 2 hour discussion with Bernie

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I explained to Bernie that we don't have a sufficient understanding of the firm's technology systems to complete our exam. I noted that we wanted more information about MISS, Robo, and the Technology Group's responsibilities in general. I suggested to sit down with Liz Weintraub and he suggested Peter Madoff. Bernie then proceeded to tell me everything he could about MISS, Robo, the Technology Group...Before he got on a roll, I encouraged him to wait until William arrived. However, once he started, he couldn't stop....

Robo is essentially an automated market-maker. It is tied into the MISS system, as are client systems, Madoff Prop Traders, and Madoff market-makers. Robo has existed for approximately 10 years and is constantly being enhanced by Personal Privacy group. Eventually, Robo could replace all human traders. When I asked more detail about Robo, Bernie went into a longwinded explanation (that he offered to repeat for William.) One interesting point that Bernie made was "Robo was built on artificial intelligence that we won't share with anyone, even you guys."

FYI: He started to bash the SEC exam program for not having a full understanding of time slicing, automated market-making trading (robo), spending time reviewing e-mails... I defended the program by explaining our mission. Anyway, I look forward to speaking to him regarding the hedge fund issue which he has oportunistically failed to mention to us.

