

**FW: Article from Institutional Investor**

5/23/2005 10:56:01 AM

From: Lamore, Peter

To: Nee, John [Personal Privacy]; Ostrow, William D [Personal Privacy]

Attachments: pic31673.gif

Interesting that this article was forwarded.

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

From: PMadoff@madoff.com [mailto:PMadoff@madoff.com]

Sent: Tuesday, June 22, 2004 12:59 PM

To: andrew.madoff@madoff.com

Cc: SMadoff@madoff.com; [Personal Privacy]

Subject: Re: Article from Institutional Investor

key issue here is the statement regarding the status of Foreign affiliates

Andy Madoff

To: Shana Madoff/Madoff@Madoff, Peter Madoff/Madoff@Madoff

06/22/2004 12:41 cc:

PM Subject: Article from Institutional Investor

June 22, 2004

NYSE Launches Inspections Of Overseas B/D Branches  
--Grant Catton

(Embedded image moved to file: pic31673.gif)The New York Stock Exchange has started sending examiners to inspect overseas branches of U.S.-based broker/dealers. "Regardless where the location is, the NYSE will conduct examinations if necessary," said Michael Rufino, v.p. of member firm regulation at the NYSE. Rufino declined to comment further.



An NYSE official said the regulator has sent letters to its member firms with foreign branches to alert them that the exchange will send examiners anywhere in the world to inspect their branches. The official said the exchange has decided to conduct the examinations because of the increased amount of business being transacted overseas and because of a large case involving misappropriation of customer funds at a foreign branch of a member firm. He would not disclose the location of the firm, but said the investigation is still underway. The official said foreign locations are within the NYSE's regulatory reach, and that some firms thought that would not be the case.

The official said the examinations will only be conducted at foreign branches of U.S.-based member firms, and not foreign affiliates of those firms. Affiliates are separate companies and the NYSE has no jurisdiction over them. The official said there are over 70 foreign branch office locations of NYSE member firms throughout the world, and the exchange has been gathering information from those branches in order to determine which ones merit an examination. The regulation department of the exchange is in the latter stages of developing a risk matrix on which each foreign branch is ranked according to information such as the number of registered representatives at the branch, numbers of customer complaints and the type of business being conducted. The official said the higher risk firms will be inspected first.

The official said there is currently one such examination under way in France, where two examiners have been deployed. The official declined to name the firm, but said the exchange is working closely with U.S. and French regulators to make sure there is no duplication of examination efforts. The official said the exchange will evaluate whether or not additional examination staff will be needed and that it has hired 15 new examiners this year, but not necessarily to assist in its foreign examination efforts.

A chief compliance officer for a large firm in New York with international branches said the NYSE's international examination program will not greatly alter the way his firm conducts regulatory policy. He said his firm examines and audits its foreign offices using the same procedures as it does its U.S. offices, and since those procedures work at home, there is no reason to feel they will not work for the firm's foreign branches. A compliance officer from another firm in New York said it is a real departure from the way the exchange has conducted business in the past. "The exchange has never traveled before," she said.