



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
NORTHEAST REGIONAL OFFICE  
3 WORLD FINANCIAL CENTER, ROOM 4300  
NEW YORK, NEW YORK 10281

Personal Privacy

February 10, 2006

**VIA FAX TO (212) 486-8178**  
**AND FIRST CLASS MAIL**

Bernard L. Madoff  
Bernard L. Madoff Investment Securities LLC  
885 Third Avenue  
New York, NY 10022

Re: **Certain Hedge Fund Trading Practices (NY-07563-A)**

Dear Mr. Madoff:

The staff of the Securities and Exchange Commission is conducting an informal investigation in the matter identified above. The staff believes that Bernard L. Madoff Investment Securities LLC may have documents and information that would assist the staff in its investigation. Accordingly, the staff requests that Bernard L. Madoff Investment Securities LLC produce the documents listed in the enclosed Exhibit A.

With the understanding that the production of documents is voluntary, please forward the requested documents to my attention at the above address by **February 24, 2006**. If any document responsive to this request is withheld because of a claim of attorney-client privilege, work product protection, or some other evidentiary privilege, please identify (where applicable) for each such document: (a) the attorney(s) and the client(s) involved; (b) all persons or entities to whom the document was sent or who otherwise received it; (c) all persons or entities to whom the substance of the document, in whole or in part, was communicated; (d) the date of the document; and (e) the subject matter of the document.

This investigation is a non-public, fact-finding inquiry. We are trying to determine whether there have been any violations of the federal securities laws. The investigation and this request do not mean that we have concluded that Bernard L. Madoff Investment Securities LLC or anyone else has broken the law. Also, the investigation does not mean that we have a negative opinion of any person, entity or security.

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MADOFF\_EXHIBITS-04868

Bernard L. Madoff Investment Securities LLC  
Page 2 of 2

Please note that, in any matter in which enforcement action is ultimately deemed to be warranted, the Division of Enforcement will not recommend any settlement to the Commission unless the party wishing to settle certifies, under penalty of perjury, that all documents responsive to Commission subpoenas and formal and informal document requests in this matter have been produced.

Information provided is subject to the Commission's routine uses. A list of those uses and other important information is contained in SEC Form 1661, a copy of which is enclosed. If you have any questions concerning this matter, please contact me at <sup>Personal Privacy</sup> [REDACTED] or Meaghan Cheung at <sup>Personal Privacy</sup> [REDACTED]

Very truly yours,



Simona K. Suh  
Senior Attorney, Division of Enforcement

Enclosures: Exhibit A; SEC Form 1661

ENF\_NY-07563\_SUHS 011805

MADOFF\_EXHIBITS-04869

**Exhibit A**  
**Bernard L. Madoff Investment Securities LLC**  
**February 10, 2006**

**Certain Hedge Fund Trading Practices (NY-07563-A)**

**A. Definitions**

Unless otherwise stated, the terms set forth below are defined as follows:

1. "Documents" shall be synonymous in meaning and equal in scope to the usage of this term in Federal Rule of Civil Procedure 34(a), including, without limitation, electronic or computerized compilations. A draft or non-identical copy is a separate document within the meaning of this term.
2. "Person" shall mean any natural person or any business, legal or governmental entity or association.
3. The connectives "and" and "or" shall be construed either disjunctively or conjunctively as necessary to bring within the scope of the document request all responses and production of documents that might otherwise be construed to be outside of its scope.
4. "All" shall mean each and every.
5. "Any" shall be construed as "any and all."
6. "Concerning" and "relating to" shall mean directly or indirectly, in whole or in part, concerning, relating to, referring to, describing, evidencing or constituting.
7. "BLM" shall mean Bernard L. Madoff Investment Securities LLC and any of its present or former parents, subsidiaries, affiliates, special purpose entities, variable interest entities, off-balance sheet entities, predecessors, successors, officers, directors, employees, agents, accountants, attorneys, general partners, limited partners, and partnerships of any of the foregoing, wherever located worldwide, including, without limitation, Bernard L. Madoff and Madoff Securities International Limited.
8. "BLM Institutional Trading Accounts" shall mean all accounts requested to be identified in Requests 1, 4, 7, 13, 14 and 15 of the document request from the staff of the United States Securities and Exchange Commission to Bernard L. Madoff Investment Securities LLC dated December 29, 2005, set forth in Exhibit A to the letter from Simona K. Suh to Bernard L. Madoff dated December 29, 2005.
9. "Barclays" shall mean Barclays PLC and any of its present or former parents, subsidiaries, affiliates, special purpose entities, variable interest entities, off-balance sheet entities, predecessors, successors, officers, directors, employees,

agents, accountants, attorneys, general partners, limited partners, and partnerships of any of the foregoing, wherever located worldwide.

10. The "Relevant Period" shall mean January 1, 2005, through and including the present date of this request.

**B. Documents Requested**

Please produce the following documents:

1. Documents sufficient to identify all accounts through which BLM executed, cleared or settled any trades, including any option trades, for BLM Institutional Trading Accounts during the Relevant Period, including any accounts held at Barclays; including, for each such account:
  - (a) the name, address and telephone number of the financial institution at which the account was held;
  - (b) the account name and number.
2. Documents sufficient to identify all brokers or dealers through which BLM executed any trades, including any option trades, for BLM Institutional Trading Accounts during the Relevant Period, including, for each such broker or dealer:
  - (a) the name, address and telephone number of the broker or the dealer;
  - (b) the name and number of every BLM account with the broker or the dealer used to execute any trades, including any option trades, for BLM Institutional Trading Accounts during the Relevant Period.
3. All documents concerning all actual, proposed or contemplated alterations, modifications or destruction of any document responsive to Requests 1 and 2 above, including, without limitation, pursuant to any court order or BLM policy, practice or procedure related to the maintenance, preservation, modification, recycling or destruction of documents.

**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**Supplemental Information for Regulated Entities\* Directed to Supply Information  
Other Than Pursuant to a Commission Subpoena**

**A. Freedom of Information Act**

The Freedom of Information Act, 5 U.S.C. 552 (the "FOIA"), generally provides for disclosure of information to the public. Rule 83 of the Commission's Rules on Information and Requests, 17 CFR 200.83, provides a procedure by which a person can make a written request that information submitted to the Commission not be disclosed under the FOIA. That rule states that no determination as to the validity of such a request will be made until a request for disclosure of the information under the FOIA is received. Accordingly, no response to a request that information not be disclosed under the FOIA is necessary or will be given until a request for disclosure under the FOIA is received. If you desire an acknowledgement of receipt of your written request that information not be disclosed under the FOIA, please provide a duplicate request, together with a stamped, self-addressed envelope.

**B. Authority for Solicitation of the Information**

1. *Mandatory Information.* All records of registered broker-dealers, transfer agents and other entities identified in Section 17(a)(1) of the Securities Exchange Act of 1934, and investment advisors, including but not limited to required records, must be made available for examination by representatives of the Commission. See Sections 17(a) and (b) of the Securities Exchange Act of 1934 and rules thereunder and Section 204 of the Investment Adviser Act of 1940 and rules thereunder. Records required to be maintained and preserved pursuant to Section 31 of the Investment Company Act of 1940 and the rules thereunder must be made available for examination by representatives of the Commission.
2. *Other Information.* The production of information other than the records and documents described in paragraph B.1 above is voluntary.

**C. Effect of Not Supplying Information**

1. *Mandatory Information.*
  - (a) A willful failure to permit inspection by authorized Commission personnel of the records and documents described in paragraph B.1 may result in legal proceedings the penalty for which, upon conviction, is a fine of not more than \$1,000,000 or imprisonment for not more than 10 years, or both. When the person failing to permit inspection is a person other than a natural person, a fine not exceeding \$2,500,000 may be imposed.
  - (b) Failure to produce the records and documents described in paragraph B.1 for inspection, and/or aiding or abetting someone in such failure may have the following consequences: (i) regulated persons may be censured or their registration and/or exchange or association status may be suspended, revoked, or subject to various other sanctions; (ii) members of national securities exchanges may be censured, suspended or expelled from membership; and (iii) members of a registered securities association may be censured, suspended or expelled from membership in a registered association, or subject to various other sanctions. Employees of and persons associated with the foregoing may be suspended or barred from association with regulated entities and/or they may be censured or subject to various other sanctions.
  - (c) If there is a failure to permit inspection of the records and documents described in paragraph B.1, the Commission may seek an injunction against, among other things, continuing to fail to permit an inspection. The continuance of such failure thereafter may result in civil and/or criminal sanctions for contempt of court.

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\* The term "Regulated Entities" means entities subject to registration with, and/or regulation and inspection by, the Commission, including: national securities exchanges; brokers or dealers; municipal securities dealers; national securities associations; investment advisers; investment companies; transfer agents; and clearing agencies.

2. *Other Information.* There are no direct sanctions and thus no direct effects for failure to provide all or any part of the information requested to be supplied on a voluntary basis.

#### D. False Statements and Documents

Section 1001 of Title 18 of the United States Code provides as follows:

Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both.

#### E. Submissions and Settlements

Rule 5(c) of the Commission's Rules on Informal and Other Procedures, 17 CFR 202.5(c), states:

Persons who become involved in . . . investigations may, on their own initiative, submit a written statement to the Commission setting forth their interests and position in regard to the subject matter of the investigation. Upon request, the staff, in its discretion, may advise such persons of the general nature of the investigation, including the indicated violations as they pertain to them, and the amount of time that may be available for preparing and submitting a statement prior to the presentation of a staff recommendation to the Commission for the commencement of an administrative or injunction proceeding. Submissions by interested persons should be forwarded to the appropriate Division Director, Regional Director, or District Administrator with a copy to the staff members conducting the investigation and should be clearly referenced to the specific investigation to which they relate. In the event a recommendation for the commencement of an enforcement proceeding is presented by the staff, any submissions by interested persons will be forwarded to the Commission in conjunction with the staff memorandum.

The staff of the Commission routinely seeks to introduce submissions made pursuant to Rule 5(c) as evidence in Commission enforcement proceedings, when the staff deems appropriate.

Rule 5(f) of the Commission's Rules on Informal and Other Procedures, 17 CFR 202.5(f), states:

In the course of the Commission's investigations, civil lawsuits, and administrative proceedings, the staff, with appropriate authorization, may discuss with persons involved the disposition of such matters by consent, by settlement, or in some other manner. It is the policy of the Commission, however, that the disposition of any such matter may not, expressly or impliedly, extend to any criminal charges that have been, or may be, brought against any such person or any recommendation with respect thereto. Accordingly, any person involved in an enforcement matter before the Commission who consents, or agrees to consent, to any judgment or order does so solely for the purpose of resolving the claims against him in that investigative, civil, or administrative matter and not for the purpose of resolving any criminal charges that have been, or might be, brought against him. This policy reflects the fact that neither the Commission nor its staff has the authority or responsibility for instituting, conducting, settling, or otherwise disposing of criminal proceedings. That authority and responsibility are vested in the Attorney General and representatives of the Department of Justice.

#### F. Principal Uses of Information

The Commission's principal purpose in soliciting the information is to gather facts in order to determine whether any person has violated, is violating, or is about to violate any provision of the federal securities laws or rules for which the Commission has enforcement authority, such as rules of securities exchanges and the rules of the Municipal Securities Rulemaking Board. Facts developed may, however, constitute violations of other laws or rules. Information provided may be used in Commission and other agency enforcement proceedings. Unless the Commission or its staff explicitly agrees to the contrary in writing, you should not assume that the Commission or its staff acquiesces in, accedes to, or concurs or agrees with, any position, condition, request, reservation of right, understanding, or any other statement that purports, or may be deemed, to be or to reflect a limitation upon the Commission's receipt, use, disposition, transfer, or retention, in accordance with applicable law, of information provided.

## G. Routine Uses of Information

The Commission often makes its files available to other governmental agencies, particularly United States Attorneys and state prosecutors. There is a likelihood that information supplied by you will be made available to such agencies where appropriate. Whether or not the Commission makes its files available to other governmental agencies is, in general, a confidential matter between the Commission and such other governmental agencies.

Set forth below is a list of the routine uses which may be made of the information furnished.

1. To coordinate law enforcement activities between the SEC and other federal, state, local or foreign law enforcement agencies, securities self-regulatory organizations, and foreign securities authorities.
2. By SEC personnel for purposes of investigating possible violations of, or to conduct investigations authorized by, the federal securities laws.
3. Where there is an indication of a violation or potential violation of law, whether civil, criminal or regulatory in nature, and whether arising by general statute or particular program statute, or by regulation, rule or order issued pursuant thereto, the relevant records in the system of records may be referred to the appropriate agency, whether federal, state, or local, a foreign governmental authority or foreign securities authority, or a securities self-regulatory organization charged with the responsibility of investigating or prosecuting such violation or charged with enforcing or implementing the statute or rule, regulation or order issued pursuant thereto.
4. In any proceeding where the federal securities laws are in issue or in which the Commission, or past or present members of its staff, is a party or otherwise involved in an official capacity.
5. To a federal, state, local or foreign governmental authority or foreign securities authority maintaining civil, criminal or other relevant enforcement information or other pertinent information, such as current licenses, if necessary to obtain information relevant to an agency decision concerning the hiring or retention of an employee, the issuance of a security clearance, the letting of a contract, or the issuance of a license, grant or other benefit.
6. To a federal, state, local or foreign governmental authority or foreign securities authority, in response to its request, in connection with the hiring or retention of an employee, the issuance of a security clearance, the reporting of an investigation of an employee, the letting of a contract, or the issuance of a license, grant or other benefit by the requesting agency, to the extent that the information is relevant and necessary to the requesting agency's decision on the matter.
7. In connection with proceedings by the Commission pursuant to Rule 102(e) of its Rules of Practice, 17 CFR 201.102(e).
8. When considered appropriate, records in this system may be disclosed to a bar association, the American Institute of Certified Public Accountants, a state accountancy board or other federal, state, local or foreign licensing or oversight authority, foreign securities authority, or professional association or self-regulatory authority performing similar functions, for possible disciplinary or other action.
9. In connection with investigations or disciplinary proceedings by a state securities regulatory authority, a foreign securities authority, or by a self-regulatory organization involving one or more of its members.
10. As a data source for management information for production of summary descriptive statistics and analytical studies in support of the function for which the records are collected and maintained or for related personnel management functions or manpower studies, and to respond to general requests for statistical information (without personal identification of individuals) under the Freedom of Information Act or to locate specific individuals for personnel research or other personnel management functions.
11. In connection with their regulatory and enforcement responsibilities mandated by the federal securities laws (as defined in Section 3(a)(47) of the Securities Exchange Act of 1934, 15 U.S.C. 78c(a)(47)), or state or foreign laws regulating securities or other related matters, records may be disclosed to national securities associations that are registered with the Commission, the Municipal Securities Rulemaking Board, the Securities Investor Protection Corporation, the federal banking authorities, including but not limited to, the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, and the Federal Deposit Insurance Corporation, state securities

regulatory or law enforcement agencies or organizations, or regulatory law enforcement agencies of a foreign government, or foreign securities authority.

12. To any trustee, receiver, master, special counsel, or other individual or entity that is appointed by a court of competent jurisdiction or as a result of an agreement between the parties in connection with litigation or administrative proceedings involving allegations of violations of the federal securities laws (as defined in Section 3(a)(47) of the Securities Exchange Act of 1934, 15 U.S.C. 78c(a)(47)) or the Commission's Rules of Practice, 17 CFR 201.100 - 900, or otherwise, where such trustee, receiver, master, special counsel or other individual or entity is specifically designated to perform particular functions with respect to, or as a result of, the pending action or proceeding or in connection with the administration and enforcement by the Commission of the federal securities laws or the Commission's Rules of Practice.

13. To any persons during the course of any inquiry or investigation conducted by the Commission's staff, or in connection with civil litigation, if the staff has reason to believe that the person to whom the record is disclosed may have further information about the matters related therein, and those matters appeared to be relevant at the time to the subject matter of the inquiry.

14. To any person with whom the Commission contracts to reproduce, by typing, photocopy or other means, any record within this system for use by the Commission and its staff in connection with their official duties or to any person who is utilized by the Commission to perform clerical or stenographic functions relating to the official business of the Commission.

15. Inclusion in reports published by the Commission pursuant to authority granted in the federal securities laws (as defined in Section 3(a)(47) of the Securities Exchange Act of 1934, 15 U.S.C. 78c(a)(47)).

16. To members of advisory committees that are created by the Commission or by the Congress to render advice and recommendations to the Commission or to the Congress, to be used solely in connection with their official designated functions.

17. To any person who is or has agreed to be subject to the Commission's Rules of Conduct, 17 CFR 200.735-1 to 735-18, and who assists in the investigation by the Commission of possible violations of federal securities laws (as defined in Section 3(a)(47) of the Securities Exchange Act of 1934, 15 U.S.C. 78c(a)(47)), in the preparation or conduct of enforcement actions brought by the Commission for such violations, or otherwise in connection with the Commission's enforcement or regulatory functions under the federal securities laws.

18. Disclosure may be made to a Congressional office from the record of an individual in response to an inquiry from the Congressional office made at the request of that individual.

19. To respond to inquiries from Members of Congress, the press and the public which relate to specific matters that the Commission has investigated and to matters under the Commission's jurisdiction.

20. To prepare and publish information relating to violations of the federal securities laws as provided in 15 U.S.C. 78u(a), as amended.

21. To respond to subpoenas in any litigation or other proceeding.

22. To a trustee in bankruptcy.

23. To any governmental agency, governmental or private collection agent, consumer reporting agency or commercial reporting agency, governmental or private employer of a debtor, or any other person, for collection, including collection by administrative offset, federal salary offset, tax refund offset, or administrative wage garnishment, of amounts owed as a result of Commission civil or administrative proceedings.

*Small Business Owners:* The SEC always welcomes comments on how it can better assist small businesses. If you have comments about the SEC's enforcement of the securities laws, please contact the Office of Chief Counsel in the SEC's Division of Enforcement at 202-942-4530 or the SEC's Small Business Ombudsman at 202-942-2950. If you would prefer to comment to someone outside of the SEC, you can contact the Small Business Regulatory Enforcement Ombudsman at <http://www.sba.gov/ombudsman> or toll free at 888-REG-FAIR. The Ombudsman's office receives comments from small businesses and annually evaluates federal agency enforcement activities for their responsiveness to the special needs of small business.



**U.S. SECURITIES  
AND EXCHANGE  
COMMISSION**

*"Wears the investor's advocate"*  
William O. Douglas  
SEC Chairman, 1937-1939

**DIVISION OF ENFORCEMENT**

**FACSIMILE TRANSMISSION**

Date: *2/10/05* Time:

TO: *Bernard L. Madoff*

Telephone Number:

Facsimile Number:

*212-486-8178*

FROM:

*Simona K. Sutt*

Telephone Number:

Personal Privacy

Facsimile Number:

Personal Privacy

TOTAL NUMBER OF PAGES: *9*

REMARKS:

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The main fax number for the Division of Enforcement is 202-942-9637.

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U.S. SECURITIES  
AND EXCHANGE  
COMMISSION

William D. Coughlin  
SEC Chairman, 1977-1989

DIVISION OF ENFORCEMENT

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Date: 2/10/05 Time:

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