

April 8, 2003

**VIA FACSIMILE AND MAIL**  
**(212) 486-8178**

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

Dear Mr. Madoff:

Pursuant to Section 17(a) of the Securities and Exchange Act of 1934, the Office of Compliance Inspections and Examinations ("OCIE" or "Staff") is conducting an inspection of Bernard L. Madoff Investment Securities, LLC's ("Madoff") execution practices for retail-sized orders in the Nasdaq 100 Index Exchange Traded Fund ("QQQ").

Please forward the following information and documents by April 22, 2003:

1. For the period January 6-10, 2003, provide all order and execution data for QQQ. Please include for each order:
  - a. The date & time of receipt;
  - b. The number of shares;
  - c. Order type (*e.g.*, Buy, Sell, Short Sell, etc.);
  - d. Order designation (*e.g.*, market order, limit order, stop order, stop limit order, or other type of order);
  - e. The time and price of execution;
  - f. The number of shares executed;
  - g. If the order was not executed, the resolution of the order (*e.g.*, cancelled, expired, routed, etc.);
  - h. Identity of the parties to the transaction; and,

- i. Any and all other order data for QQQ recorded or saved by Madoff that is not specifically requested above.
2. Please describe in detail Madoff's methodology for executing orders, including but not limited to the following:
  - a. Policies and Procedures regarding the handling of customer orders;
  - b. Policies and Procedures for the automatic execution of orders;
  - c. Policies and Procedures for the manual execution of customer orders;
  - d. Policies and Procedures regarding the execution of orders when the market for a security is locked or crossed; and,
  - e. Both standardized and specific agreements with customers regarding the internalization and automatic execution of orders.

Please note that additional documents and information may be requested. If you have any questions, please contact me at [REDACTED] Personal Privacy or Matt Daugherty at [REDACTED] Personal Privacy. Thank you for your cooperation.

Sincerely,

Eric J. Swanson  
Assistant Director