

PLANNING MEMORANDUM

To: Mary Ann Gadziala
John McCarthy
Helen Moore

From: Tina Barry

Re: Special Purpose Inspection of Bernard L. Madoff

Date: October 20, 1999

I. Introduction

Staff from the Office of Compliance Inspections and Examinations ("Staff") will conduct an on-site examination of Bernard L. Madoff's ("MADF") compliance with the Display Rule on November 8, 1999 through November 10, 1999. The Staff has transmitted one document request letter¹ to MADF requesting all customer limit orders in selected listed securities as well as general information regarding the firm's order routing and execution procedures.

II. Background

Over the past year, the Staff has inspected each self-regulatory organization and has examined several over-the-counter wholesale dealers in order to assess compliance with the Display Rule. In order for the Staff to make a comprehensive assessment of how the industry is complying with the Display Rule, the Staff believes it is necessary to examine a third market making firm. Third market makers make markets and trade listed securities over-the-counter. MADF is one of the largest and most well known third market makers. Accordingly, the Staff believes that an on-site inspection of MADF is necessary to properly evaluate this market segment's compliance with the Display Rule, as well as to complete an industry-wide evaluation of Display Rule compliance and oversight.

III. Inspection Scope

For review in this inspection, the Staff will select 400 customer limit orders in listed securities (40 orders in 10 securities) received by MADF on trade dates October 11 and 12, 1999. This represents approximately 1% of the total volume of customer limit orders in listed securities received by the firm during this time period. The Staff will review these orders to assess the firm's overall effectiveness in complying with the Display Rule.

¹ See Appendix B.

IV. Appendices

- Appendix A: Travel Itinerary
- Appendix B: MADF Document Request Letter
- Appendix C: Inspection Report from 1993 Examination of Bernard L. Madoff
- Appendix D: Inspection Report from 1997 Third Market Review
- Appendix E: Entrance Interview Outline (to be developed)
- Appendix F: Sample Order Review Sheet

TRAVEL ITINERARY

Dates of Examination: November 8-10, 1999

Site of Examination: Bernard L. Madoff
885 Third Avenue
New York, NY 10022

Contact: Shana Skoller
212-230-2424

Examination Team: Tina Barry

Personal Privacy

Hotel Accommodations: Barbizon Hotel and Towers
140 East 63rd Street
New York, NY 10021

Confirmations:

Tina Barry

Personal Privacy

6808832

3782910

184936

Pages 4 through 7 redacted for the following reasons:

Examination Material, Deliberative Process