

INSPECTION SCOPE MEMORANDUM

TO: Mary Ann Gadziala

FROM: John McCarthy
Helen Moore
Tina Barry

DATE: October 20, 1999

RE: Special Purpose Inspection of Bernard L. Madoff

Dates of Inspection: On site inspection: November 8-10, 1999
Case write-ups due: December 20, 1999
First Draft Due to Branch Chief: January 20, 1999

Staff Assignments: Supervisors: John McCarthy
Helen Moore
Lead: Tina Barry
Team members: Personal Privacy

Purpose of Inspection:

To conduct a narrowly focused inspection of Bernard L. Madoff's ("MADF" or "firm") compliance with SEC Rule 11Ac1-4 ("Display Rule").

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.

Scope of Inspection:

This inspection will examine the systems, policies, and procedures that MADF has implemented in order to comply with the Display Rule.

On-Site Locations: Bernard L. Madoff
885 Third Avenue
New York, NY 10022

Contact Person: Shana Skoller (212) 230-2424
Director of Compliance