

WASHINGTON - Congressman Spencer Bachus (AL-6), Ranking Member of the House Financial Services Committee, urged Chairman Barney Frank in a letter today to convene hearings on the alleged \$50 billion Ponzi scheme committed by Bernard Madoff, a former Chairman of the Board of the NASDAQ Stock Market.

Ranking Member Bachus said, "Obviously there was a failure of regulatory oversight. Every day brings more news as to the devastating impact of this fraud on charities, private foundations, and government entities as well as individual and corporate investors."

Ranking Member Bachus' letter requests Committee hearings to "thoroughly investigate Mr. Madoff's conduct and the broader implications for securities market oversight and enforcement."

On December 11, 2008, the Federal Bureau of Investigation arrested Mr. Madoff and the Securities and Exchange Commission (SEC) charged him and his investment firm, Bernard L. Madoff Investment Securities LLC, for allegedly perpetrating a massive securities fraud on advisory clients of his firm. Among the allegations in the complaint are that Mr. Madoff "had for years been paying returns to certain investors out of the principal received from other, different, investors," and engaged in an elaborate pattern of

deception to keep his scheme from investors, the public, and regulators. On December 16th, SEC Chairman Christopher Cox announced an investigation by the SEC's Inspector General into the agency's handling of the Madoff case, which he described as being characterized by "apparent multiple failures over at least a decade to adequately pursue these allegations or at any point to notify the Commission of them."

Text of the letter follows.

December 17, 2008

The Honorable Barney Frank

Chairman

Committee on Financial Services

U.S. House of Representatives

2129 Rayburn House Office Building

Washington, DC 20515

Dear Chairman Frank:

Last week's startling revelations about the alleged \$50 billion "giant Ponzi scheme" orchestrated by Bernard Madoff, a prominent member of the securities industry for more than 45 years, exposes serious shortcomings in securities regulation and oversight that require the Committee's immediate attention.

The Securities and Exchange Commission (SEC) and the Financial Industry

Regulatory Authority (FINRA) were reportedly unaware of Mr. Madoff's deceptions, which only came to light after Mr. Madoff revealed the scheme to two of his senior employees last week. This episode raises serious questions about the SEC's ability to fulfill its mission to protect investors and abide by its motto to be the "investor's advocate," and prompts concerns about the capabilities of self-regulatory organizations to supplement government oversight. Every day brings more news of the devastating impact of this alleged fraud on charities, private foundations, banks, broker-dealers and government entities as well as individual and corporate investors.

Accordingly, I am writing to request that the Committee hold hearings, as soon as practicable in the 111<sup>th</sup> Congress, to thoroughly investigate Mr. Madoff's conduct and the broader implications for securities market oversight and enforcement. These hearings should specifically examine the adequacy of the SEC's and FINRA's examination programs, as well as the compliance program at Mr. Madoff's firm, and should include testimony from Mr. Madoff, the SEC, FINRA, the Securities Investor Protection Corporation, Mr. Madoff's accounting firm and his victims.

Thank you for the consideration of my request.

Sincerely,

Spencer Bachus

Ranking Member