



*Network for Investor
Action and Protection*

October 18, 2010

Mr. Stephen P. Harbeck
President
Securities Investor Protection Corp.
805 Fifteenth Street, NW, Suite 800
Washington, DC 20005-2215

Mr. Orlan Johnson
Chairman
Securities Investor Protection Corp.
805 Fifteenth Street, NW, Suite 800
Washington, DC 20005-2215

Dear Mr. Harbeck and Mr. Johnson:

On behalf of the members of the Network for Investor Action and Protection (NIAP), I am writing to request that you work with victims of recent Ponzi schemes to enhance transparency in matters related to ongoing liquidation proceedings. NIAP was formed approximately one year ago to educate the public about, and seek protection against, fraud and misconduct in the securities industry. With nearly 1,000 members, NIAP is dedicated to helping all victims of securities fraud realize the promises of the Securities Investor Protection Act and the other components of the investor protection safety net.

On September 23, 2010 the House Financial Services Subcommittee on Capital Markets, GSEs and Insurance held a hearing on the future of SIPC. As I'm sure you are aware, the Members of Congress in attendance – on a bipartisan basis – spent a majority of the hearing delving into concerns related to the Madoff Ponzi scheme and current disposition of the victims.

In his opening remarks, Congressman Scott Garrett (R-NJ), the ranking member of the subcommittee raised concerns about restricting from victims access to key records and information. To quote Ranking Member Garrett:

“...I'm also concerned that, while these court cases are underway, the SIPC trustee has denied access to Madoff's records for the victims and their attorney. So access to these records is important for several key aspects of the case, including whether or not, at all, transactions reported by Madoff, over the years, were actually fraudulent transactions. If some of them weren't, then the trustee's net equity formulation would completely be called into question.

Inequitable access to these records results in a fundamental imbalance of the scales of justice in this case, and also calls into question whether ultimately there will be fair trial at the end of the day in this case.”

Later in the hearing Congressman Garrett reiterated to Mr. Johnson his concerns with the lack of transparency for victims. Mr. Johnson responded to Congressman Garrett:

“I’m not sure if we have the authorization to make that [information] available, but that’s something that we can take a look at, and if we have the authorization to do so, we will”

Given that “lack of authorization” was never cited as a reason for denying victims discovery, it is our hope and expectation that you will make good on the commitment offered to the Subcommittee Members and expeditiously arrange a mechanism for allowing victims to access fully the records associated with the Madoff affair – particularly those accounts held by Bernard Madoff himself – including the deposit of customer funds into accounts in Mr. Madoff’s name (or the name of family members) and the purchase of real securities with customer funds going back to inception of BLMIS.

We look forward to your prompt response to our request.

Most sincerely,

Ron Stein, President.
Network for Investor Action and Protection

Cc: Congressman Barney Frank, Chairman, House Committee on Financial Services
Congressman Spencer Bachus, Ranking Member, House Committee on Financial Services
Congressman Paul Kanjorski, Chairman, Subcommittee on Capital Markets, GSE’s and Insurance
Congressman Scott Garrett, Ranking Member, Subcommittee on Capital Markets, GSE’s and Insurance