



*Network for Investor
Action and Protection*

November 16, 2010

Mr. Stephen P. Harbeck
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Washington, DC 20005-2215

Mr. Orlan Johnson
Chairman
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Dear Mr. Harbeck and Mr. Johnson:

Thank you for your prompt response to our letter of October 18, 2010. We would like to follow up on our initial request, and further request your response to the following specific issue.

It has now become known that the monies in Madoff's 703 account in JP Morgan Chase were invested in and earned interest from short term instruments. In his recent Second Circuit brief the Trustee said "Balances in the account at the end of each business day were transferred to affiliated overnight investment accounts at Chase to purchase Treasuries or other short-term paper until additional monies were needed to fund additional withdrawal requests by customers, capital needs of the broker-dealer operation of BLMIS, or Madoff's (and other insiders') personal needs." Previously, an indictment now filed by the U.S. Attorney against Daniel Bonventre, Jerome O'Hara and George Perez made exactly the same point, and said monies were also invested in "brokerage accounts at a variety of financial institutions," where the monies were "generally invested in U.S. Government-issued securities such as U.S. Treasury bills."

Certainly you will appreciate the interest of victims in ensuring that their accounts are fully credited with income derived from all sources. The earnings from the short term instruments relate to the propriety of SIPC using cash-in/cash-out on the repeatedly asserted ground that all earnings were fictitious. They also relate to the propriety of the execution of cash-in/cash-out by SIPC and the Trustee, since earnings from short term instruments in which funds were "parked" should be credited to investors just as at honest hedge funds and mutual funds. NIAP therefore would greatly appreciate being informed of how much in total was earned on short term instruments in which the monies in the 703 account (or in its predecessors or in other relevant accounts) were invested during the period of fraud running from January 1992 until December 2010.

Again, NIAP would be grateful for your attention, and response, to this request for critical aggregate information whose necessary existence has only recently been revealed in papers filed by the Trustee and the U.S. Attorney that disclosed the existence of profits from short-term instruments. We also appreciate Chairman Johnson's offer to seek to enhance transparency in response to Congressman Garrett's request.

Sincerely,

Ron Stein, Pres.