

Congress of the United States
Washington, DC 20515

May 1, 2009

Mary L. Schapiro, Chairman
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-0100

Dear Chairman Schapiro:

We are writing to urge your assistance with the Securities Investor Protection Corporation (SIPC) in clarifying the conflicting public statements that have been made addressing the maximum financial obligation owed by the SIPC in insuring customer accounts involved in the Madoff Ponzi scheme. Our nation is experiencing a severe economic crisis, and it is imperative that the victims of the Madoff Ponzi scheme are provided clear information and are compensated to the full extent possible.

On March 12, Bernie Madoff pleaded guilty to eleven criminal counts for operating a massive Ponzi scheme that defrauded thousands of investors of approximately \$50 billion. For more than a decade, Mr. Madoff lured unknowing investors into his Ponzi scheme that squandered their hard earned savings, and in some cases, entire life savings. Many of these victims are now struggling to make daily payments, including paying utility bills, paying home mortgages or rent, and buying daily necessities.

As you are aware, the SIPC was created to protect investors, and insures customer accounts for up to a maximum of \$500,000 per account for securities and \$100,000 per account for cash.

Recently, conflicting public statements have been released describing the SIPC's obligation to victims involved in the Madoff Ponzi scheme. In one statement, Josephine Wang, the General Counsel for the SIPC, indicated that if investors believed that they owned the securities in the investment statements they were provided by Madoff, then the SIPC has an obligation to buy securities to make the investor whole. This obligation is limited to \$500,000.

However, Irving H. Picard, the trustee appointed by the Bankruptcy Court of the Southern District of New York to oversee the liquidation of the Bernard Madoff Investment Securities LLC, has described a different obligation owed by the SIPC to victims of the Madoff fraud. Trustee Picard has defined the SIPC's obligation to Madoff victims as limited to the money the customer initially invested, minus all withdrawals.

These conflicting statements have caused great confusion for the victims of the Madoff fraud and would result in vastly different outcomes for these victims. In fact, Trustee Picard's interpretation would not only result in substantially less compensation for Madoff victims, but could provide the SIPC with the authority to seek compensation from victims if the victim had withdrawn more than the amount of their initial investment regardless of how long the victim had been "invested" with Madoff. Providing the SIPC with clawback authority would unfairly penalize Madoff victims who had invested with Madoff for many years and had withdrawn more than their initial investment from their accounts to pay their living expenses with the reasonable expectation – supported by account statements from Mr. Madoff – that their investments had grown over time.

We believe victims of the Madoff Ponzi scheme should be compensated to the maximum extent by the SIPC. The amount of compensation provided by the SIPC to Madoff victims should be based on the final statement of securities received by customers in November 2008 up to \$500,000 per account and \$100,000 in cash.

We are sure that the SIPC understands the unique nature of the Madoff fraud, which involves thousands of victims and billions of dollars over many years. Madoff victims instantly lost the finances that they depend upon for daily expenses, causing extreme financial difficulty. Clarifying victim eligibility for SIPC compensation and ensuring that victims can receive the full amount they are eligible for is essential.

Thank you for your prompt attention to this matter.

Sincerely,



Robert Wexler
MEMBER OF CONGRESS



Ron Klein
MEMBER OF CONGRESS

Congress of the United States
Washington, DC 20515

May 1, 2009

Stephen Harback
Securities Investor Protection Corporation
805 15th Street, N.W. Suite 800
Washington, D.C. 20005-2215

Dear Mr. Harback:

We are writing to urge the Securities Investor Protection Corporation (SIPC) to clarify the conflicting public statements that have been made addressing the maximum financial obligation owed by the SIPC in insuring customer accounts involved in the Madoff Ponzi scheme. Our nation is experiencing a severe economic crisis, and it is imperative that the victims of the Madoff Ponzi scheme are provided clear information and are compensated to the full extent possible.

On March 12, Bernie Madoff pleaded guilty to eleven criminal counts for operating a massive Ponzi scheme that defrauded thousands of investors of approximately \$50 billion. For more than a decade, Mr. Madoff lured unknowing investors into his Ponzi scheme that squandered their hard earned savings, and in some cases, entire life savings. Many of these victims are now struggling to make daily payments, including paying utility bills, paying home mortgages or rent, and buying daily necessities.

As you are aware, the SIPC was created to protect investors, and insures customer accounts for up to a maximum of \$500,000 per account for securities and \$100,000 per account for cash.

Recently, conflicting public statements have been released describing the SIPC's obligation to victims involved in the Madoff Ponzi scheme. In one statement, Josephine Wang, the General Counsel for the SIPC, indicated that if investors believed that they owned the securities in the investment statements they were provided by Madoff, then the SIPC has an obligation to buy securities to make the investor whole. This obligation is limited to \$500,000.

However, Irving H. Picard, the trustee appointed by the Bankruptcy Court of the Southern District of New York to oversee the liquidation of the Bernard Madoff Investment Securities LLC, has described a different obligation owed by the SIPC to victims of the Madoff fraud. Trustee Picard has defined the SIPC's obligation to Madoff victims as limited to the money the customer initially invested, minus all withdrawals.

These conflicting statements have caused great confusion for the victims of the Madoff fraud and would result in vastly different outcomes for these victims. In fact, Trustee Picard's interpretation would not only result in substantially less compensation for Madoff victims, but could provide the SIPC with the authority to seek compensation from victims if the victim had withdrawn more than the amount of their initial investment regardless of how long the victim had been "invested" with Madoff. Providing the SIPC with clawback authority would unfairly penalize Madoff victims who had invested with Madoff for many years and had withdrawn more than their initial investment from their accounts to pay their living expenses with the reasonable expectation – supported by account statements from Mr. Madoff – that their investments had grown over time.

We believe victims of the Madoff Ponzi scheme should be compensated to the maximum extent by the SIPC. The amount of compensation provided by the SIPC to Madoff victims should be based on the final statement of securities received by customers in November 2008 up to \$500,000 per account and \$100,000 in cash.

We are sure that the SIPC understands the unique nature of the Madoff fraud, which involves thousands of victims and billions of dollars over many years. Madoff victims instantly lost the finances that they depend upon for daily expenses, causing extreme financial difficulty. Clarifying victim eligibility for SIPC compensation and ensuring that victims can receive the full amount they are eligible for is essential.

Thank you for your prompt attention to this matter.

Sincerely,



Robert Wexler
MEMBER OF CONGRESS



Ron Klein
MEMBER OF CONGRESS