

1
2
3
4
5
6
7
8

**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING
whether there has been a violation of the
Securities Act of Washington by:

BERNARD L. MADOFF; BERNARD L.
MADOFF INVESTMENT SECURITIES
LLC,

Respondents.

Order Number S-08-429-09-FO01

ENTRY OF FINDINGS OF FACT AND
CONCLUSIONS OF LAW AND FINAL
ORDER TO REVOKE REGISTRATION

9 THE STATE OF WASHINGTON TO:

Bernard L. Madoff (CRD #316687)
Bernard L. Madoff Investment Securities LLC
(CRD #2625)

11
12

STATEMENT OF CHARGES

13 On December 30, 2008, the Securities Administrator of the State of Washington issued Summary
14 Order Suspending Securities Salesperson and Broker-Dealer Registration and Notice of Intent to Revoke
15 Registration S-08-429-09-TO01, hereinafter referred to as "Summary Order," against Bernard L. Madoff
16 and Bernard L. Madoff Investment Securities LLC.

17 The Summary Order, together with a Notice of Opportunity to Defend and Opportunity for Hearing,
18 hereinafter referred to as "Notice of Opportunity for Hearing," and an Application for Adjudicative
19 Hearing, hereinafter referred to as "Application for Hearing," were served on Bernard L. Madoff on
20 January 24, 2009, and on the receiver for Bernard L. Madoff Investment Securities LLC on January 26,
21 2009.

22 The Notice of Opportunity for Hearing advised Bernard L. Madoff and Bernard L. Madoff
23 Investment Securities LLC that a written application for an administrative hearing on the Statement of

ENTRY OF FINDINGS OF FACT AND CONCLUSIONS OF
LAW AND FINAL ORDER TO REVOKE REGISTRATION

1

DEPARTMENT OF FINANCIAL INSTITUTIONS
Securities Division
PO Box 9033
Olympia, WA 98507-9033
360-902-8760

25

1 Charges must be received within twenty days from the date of receipt of the notice. Bernard L. Madoff
2 and Bernard L. Madoff Investment Securities LLC, and its receiver, each failed to request an
3 administrative hearing within 20 days of receipt of the Summary Order and Notice of Opportunity for
4 Hearing, either on the Application for Hearing provided or otherwise.

5 The Securities Administrator will therefore adopt as final the findings of fact and conclusions of
6 law as set forth in the Summary Order.

7 The Securities Administrator finds as follows:

8 **FINDINGS OF FACT**

9 Respondents

10 1. Bernard L. Madoff (“Madoff”) is an individual and resident of New York. Since 1960,
11 Madoff has been sole member and principal of Bernard L. Madoff Investment Securities LLC, a broker-
12 dealer and investment adviser. Madoff has been registered as a securities salesperson with the Washington
13 State Securities Division from June 11, 1997 to present.

14 2. Bernard L. Madoff Investment Securities LLC (“Madoff Investment Securities”) is a broker-
15 dealer and investment adviser based in New York, New York. Madoff Investment Securities has been
16 registered with the U.S. Securities and Exchange Commission as a broker-dealer since 1960, and as an
17 investment adviser since 2006. Madoff Investment Securities has been registered as a broker-dealer with the
18 Washington State Securities Division from January 15, 1997 to present.

19 Nature of the Conduct

20 3. Madoff and Madoff Investment Securities provided investment advisory services to select
21 customers, including charities, banks, hedge funds, and individuals. The accounts invested under Madoff’s
22

1 management purportedly received an average return of 1% per month for more than fifteen years. At least
2 \$17.1 billion was invested with Madoff.

3 4. By early December 2008, Madoff had requests for redemptions from his investment advisory
4 clients which totaled \$7 billion.

5 5. On or about December 10, 2008, Madoff informed high-ranking employees at Madoff
6 Investment Securities that the advisory business was a “big lie” and he had been running a “giant ponzi
7 scheme.” In a ponzi scheme, earlier investors are repaid with funds received from newer investors, rather
8 than being repaid with actual profits or investment returns. Madoff told the high-ranking employees that the
9 investment advisory business had been insolvent for years and he estimated there had been \$50 billion in
10 losses. He informed the employees that he had \$200 to \$300 million left with which he intended to make
11 payments to selected friends, family, and employees prior to turning himself into authorities.

12 6. On or about December 11, 2008, Madoff informed law enforcement officers that he had
13 personally traded and lost money for investors, and that investors were repaid with money that “wasn’t
14 there.” Madoff informed the officers that he was insolvent.

15 7. On December 11, 2008, Madoff was charged with securities fraud by the U.S. Attorney’s
16 Office in the Southern District of New York. Madoff was subsequently arrested.

17 8. On December 15, 2008, a federal judge signed an order placing Madoff Investment Securities
18 in receivership.

19 Based upon the Tentative Findings of Fact, the following Conclusions of Law are made:

20 CONCLUSIONS OF LAW

21 1. Bernard L. Madoff, as described above, engaged in one or more dishonest or unethical
22 practices in the securities business, as defined by WAC 460-22B-090, by running an insolvent investment

1 advisory business in which he used a scheme or artifice to defraud investors out of billions of dollars. Such
2 practice is an independent ground for the suspension or revocation of his securities salesperson registration
3 pursuant to RCW 21.20.110(1)(g).

4 2. Bernard L. Madoff Investment Securities LLC failed to supervise its registered securities
5 salesperson Bernard L. Madoff, who as described above, engaged in dishonest and unethical practices by
6 running a fraudulent investment scheme for years through Bernard L. Madoff Investment Securities LLC's
7 advisory business. Failure to supervise is an independent ground for the suspension or revocation of broker-
8 dealer registration pursuant to RCW 21.20.110(1)(j).

9 3. Bernard L. Madoff Investment Securities LLC is insolvent and has been placed in
10 receivership, which is an independent ground for the suspension or revocation of broker-dealer registration
11 pursuant to RCW 21.20.110(1)(h).

12 **FINAL ORDER**

13 Based on the foregoing and finding it in the public interest,

14 It is hereby ORDERED that the securities salesperson registration for Bernard L. Madoff is
15 revoked.

16 It is further ORDERED that the broker-dealer registration of Bernard L. Madoff Investment
17 Securities LLC is revoked. The registration revocation shall not be applicable when Bernard L. Madoff
18 Investment Securities LLC is acting under the supervision and authority of the federal district court.

19 **AUTHORITY AND PROCEDURE**

20 This Final Order is entered pursuant to the provisions of RCW 21.20.110(1) and is subject to the
21 provisions of RCW 21.20.120 and Chapter 34.05 RCW. Respondents each have the right to petition the
22

1 superior court for judicial review of this agency action under the provisions of chapter 34.05 RCW. For
2 the requirements for filing a Petition for Judicial Review, see RCW 34.050.510 and sections following.

3 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

4
5 DATED and ENTERED this 5th day of March, 2009.

6
7 

8
9
10 MICHAEL E. STEVENSON
11 Securities Administrator

12 Approved by:

13
14
15 

16
17
18
19
20
21
22
23 SUZANNE E. SARASON
24 Chief of Enforcement

Presented by:

25


JILL M. VALLELY
Enforcement Attorney