

From: Suh, Simona
Sent: Wednesday, April 12, 2006 4:18 PM
To: Anthony, Vance H.
Subject: RE: Certain Hedge Fund Trading Practices, NY-07563-A

Van, Meaghan Cheung, Peter Lamore and I spoke to you and Bill Dale about this case in February. Have you had a chance to take a closer look at it?

Thank you and best regards,

Simona

From: Suh, Simona
Sent: Monday, February 06, 2006 4:21 PM
To: Anthony, Vance H.
Cc: Cheung, Meaghan S.; Lamore, Peter
Subject: Certain Hedge Fund Trading Practices, NY-07563-A

As we discussed earlier today, attached are the 2004-2005 account statements for the four accounts of Fairfield Sentry Limited, a hedge fund, at Bernard L. Madoff Investment Securities LLC ("BLM"), a registered broker-dealer in New York. The first two accounts, 1FN012 and 1FN045, are equities trading accounts; the other two accounts, 1FN069 and 1FN070, are options trading accounts. We would like to confirm, on a sample basis, that the trading reflected in these account statements generates the returns that Fairfield Sentry reports to its investors.

Fairfield Sentry allocates at least 95% of its assets to the trading accounts at BLM. In these accounts, BLM executes a trading strategy known as split strike conversion. An "independent fraud investigator" contacted our office in November, claiming that Fairfield Sentry's reported returns were too good to be true and could not have been generated by this strategy. Similar allegations had also been made in the financial press- specifically, in an article in Barron's in 2001, which is attached. Although neither the "informant" nor the Barron's article provided any specific evidence of fraud, due to the high amounts at issue, we undertook a preliminary inquiry into BLM. As a result, we discovered that BLM's principal, Bernard Madoff, misled NERO examination staff earlier this year about the nature of his trading strategy. Specifically, he told the examination staff that BLM no longer traded options as part of the strategy. The attached account statements show that that is not the case. Additionally, Madoff did not disclose to the examination staff some of the accounts in which he implemented this trading strategy. Because of these misrepresentations, and also because of the high amounts at issue, we would like to obtain some independent verification of the reported returns.

In addition to the account statements and the Barron's article, I am attaching to this email Fairfield Sentry's reports on returns generated during the first half of 2005, the most recent time period for which we have complete data.

We would greatly appreciate an opportunity to discuss with you and/or your colleagues what calculations, if any, from the data in the account statements can help advance our inquiry.

Thank you and best regards,

Simona K. Suh
U.S. Securities and Exchange Commission
Northeast Regional Office, Division of Enforcement
3 World Financial Center, Room 4300
New York, NY 10281

Personal Privacy



<< File: 1FN045_30_FAIRFIELD_SENTRY_LTD.TXT >> << File: 1FN012_30
_FAIRFIELD_SENTRY_LTD.TXT >> << File: 1FN070_40
_FAIRFIELD_SENTRY_LTD.TXT >> << File: 1FN069_40
_FAIRFIELD_SENTRY_LTD.TXT >>

<< File: barron's 5.7.01.htm >>

<< File: FSL 8.1.05 Semi-Annual Update.pdf >> << File: FSL 1.05 to 6.05 Monthly Strategy
Reviews.pdf >> << File: FSL 1.05 to 6.05 Tear Sheets.pdf >> << File: FSL 6.30.05
Financials.pdf >>