



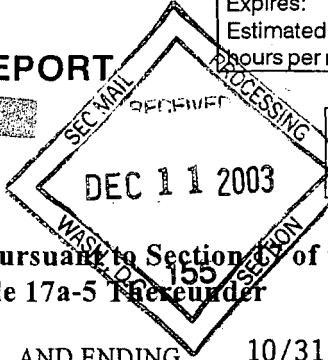
SECURITIES AND COMMISSION  
Washington, D.C. 20549

03052896

AT 12-16-2003

OMB APPROVAL  
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**ANNUAL AUDITED REPORT**  
**FORM X-17A-5**  
**PART III**



SEC FILE NUMBER  
8132

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17a-5 of the Securities Exchange Act of 1934 and Rule 17a-5 thereunder

REPORT FOR THE PERIOD BEGINNING 11/01/02 AND ENDING 10/31/03  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:  
BERNARD L. MADOFF INVESTMENT SECURITIES LLC  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
885 Third Avenue

OFFICIAL USE ONLY  
FIRM I.D. NO.

(No. and Street)  
New York New York 10022  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Enrica Cotellessa-Pitz 212-230-2424 Ext. 2429  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Friehling & Horowitz, CPA's P.C.

(Name - if individual, state last, first, middle name)

Four High Tor Road New City New York 10956  
(Address) (City) (State) (Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

PROCESSED  
DEC 23 2003

**FOR OFFICIAL USE ONLY**  
THOMSON FINANCIAL

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

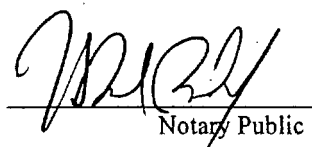
DR 12-18

OATH OR AFFIRMATION

I, Bernard L. Madoff, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Bernard L. Madoff Investment Securities LLC, as of October 31, 2003, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

  
Signature

Sole Member  
Title

  
Notary Public

H. DAVID BERKOWITZ  
NOTARY PUBLIC, State of New York  
No. 60-4963036  
Qualified in Westchester County  
Commission Expires February 26, 2006

This report \*\* contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of ~~Income (Loss)~~ Operations.
- (d) Statement of ~~Changes in Financial Condition~~ Cash Flows.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- \*  (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- \*\*  (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- \*\*\*  (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- (o) Independent Auditors' Report on Internal Accounting Control.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

- \* See Note 3 Supplementary Information
- \*\* See Note 1 Supplementary Information
- \*\*\* See Note 2 Supplementary Information

BERNARD L. MADOFF INVESTMENT SECURITIES LLC

STATEMENT OF FINANCIAL CONDITION

OCTOBER 31, 2003



FRIEHLING & HOROWITZ  
CERTIFIED PUBLIC ACCOUNTANTS

FRIEHLING & HOROWITZ, CPA'S, P.C.

FOUR HIGH TOR ROAD  
NEW CITY, NEW YORK 10956

845-634-1254

FAX: 845-634-2310

Bernard L. Madoff Investment Securities LLC  
885 Third Avenue  
New York, New York 10022

**INDEPENDENT AUDITORS' REPORT**

Gentlemen:

We have audited the accompanying statement of financial condition of Bernard L. Madoff Investment Securities LLC (the "Company") as of October 31, 2003. The financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by the Company's management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition presents fairly, in all material respects, the financial position of Bernard L. Madoff Investment Securities LLC at October 31, 2003 in conformity with accounting principles generally accepted in the United States of America.

New City, New York  
December 10, 2003

*Friehling & Horowitz, CPA's P.C.*

BERNARD L. MADOFF INVESTMENT SECURITIES LLC  
STATEMENT OF FINANCIAL CONDITION  
AS OF OCTOBER 31, 2003

ASSETS

Cash and cash equivalents	\$149,278,000
Cash segregated in compliance with federal and other regulations	1,476,000
Securities borrowed	245,055,000
Receivable from brokers, dealers and others	32,982,000
U.S. government and federal agency obligations owned, at market value	89,046,000
Other securities owned, at market value	375,525,000
Furniture, fixtures, equipment and leasehold improvements (net of accumulated depreciation)	8,720,000
Membership in exchange	<u>2,293,000</u>
 <u>TOTAL ASSETS</u>	 <u>\$904,375,000</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENT

FRIEHLING & HOROWITZ  
CERTIFIED PUBLIC ACCOUNTANTS

BERNARD L. MADOFF INVESTMENT SECURITIES LLC  
STATEMENT OF FINANCIAL CONDITION  
AS OF OCTOBER 31, 2003

LIABILITIES AND MEMBER'S EQUITY

Payable to brokers, dealers and others	\$ 11,063,000
Securities sold, but not yet purchased, at market value	407,856,000
Accounts payable, accrued expenses, taxes and other liabilities	<u>7,456,000</u>
 TOTAL LIABILITIES	 \$426,375,000
 MEMBER'S EQUITY	 <u>478,000,000</u>
 <u>TOTAL LIABILITIES AND MEMBER'S EQUITY</u>	 <u>\$904,375,000</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENT

FRIEHLING & HOROWITZ  
CERTIFIED PUBLIC ACCOUNTANTS

BERNARD L. MADOFF INVESTMENT SECURITIES LLC  
NOTES TO STATEMENT OF FINANCIAL CONDITION  
OCTOBER 31, 2003

Our audited Statement of Financial Condition filed pursuant to S.E.C. rule 17a-5, dated October 31, 2003, is available for examination and copying at our office and at the Securities and Exchange Commission in New York, New York.

NOTE 1 -- NATURE OF BUSINESS AND ORGANIZATION

Bernard L. Madoff Investment Securities LLC (the "Company") is a registered broker/dealer with the Securities and Exchange Commission and a member of the National Association of Securities Dealers, Inc. The Company has been executing securities transactions since 1960.

NOTE 2 -- SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents consist of cash and highly liquid investments not held for resale with maturities, when purchased, of three months or less.

Securities borrowed and securities loaned are recorded at the amount of cash collateral advanced or received in connection with the transactions. Securities borrowed transactions require the Company to provide the counterparty with cash collateral whereas the Company receives cash collateral in securities loaned transactions. The amount of cash collateral required to be deposited is an amount in excess of the market value of the securities borrowed or loaned. It is the Company's policy to monitor the market value of the securities on a daily basis with additional collateral obtained or refunded as necessary.

Assets, liabilities, and income statement accounts denominated in foreign currencies are translated at fiscal year-end rates of exchange. Gains or losses resulting from foreign currency transactions are included in net income.

Proprietary securities transactions in regular-way trades are recorded on the trade date, as if they had settled. Profit and loss arising from all securities transactions entered into for the account and risk of the Company are recorded on a trade date basis. Customers' securities transactions are reported on a settlement date basis with related commission income and expenses reported on a trade date basis. Securities owned or sold but not yet purchased are stated at quoted market values, with resulting unrealized gains and losses included in results of operations.

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

The Company is engaged in various trading and brokerage activities whose counterparties primarily include broker-dealers, banks and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

Furniture and equipment are stated at cost, less accumulated depreciation. Depreciation is provided on the MACRS method over the estimated useful life of the asset, generally five or seven years.

Membership in exchange is recorded at cost.

#### NOTE 3 -- REGULATORY REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital rule 15c3-1. The Company has elected to compute its Net Capital requirement under the Alternative Method. At October 31, 2003, under this method, the Company's Net Capital was \$376,327,000. The required Net Capital was \$1,000,000 thereby leaving capital in excess of all requirements of \$375,327,000.

#### NOTE 4 -- COMMITMENTS AND CONTINGENT LIABILITIES

The Company leases certain office space under non-cancelable operating leases which expire in 2007. The aggregate lease and rental commitment payable for the entire term of the lease is \$12,037,000.

The Company has no pending lawsuits against it.