

THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION

ORIGINAL

In the Matter of: )

) File No. OIG-509

OIG-509 )

WITNESS: Witness #74

PAGES: 1 through 16

PLACE: Securities and Exchange Commission

100 F Street, N.E., Room 10300

Washington, D.C. 20549

DATE: Wednesday, August 5, 2009

The above-entitled matter came on for hearing,

pursuant to notice, at 2:33 p.m.

Diversified Reporting Services, Inc. 202-4  
... inc. 202-

C O N T E N T S

WITNESS:	EXAMINATION
Elisse B. Walter	6

EXHIBITS:	DESCRIPTION	IDENTIFIED
1	Two letters to Ms. Walter	11

1 P R O C E E D I N G S

2 MR. KOTZ: We are on the record at 2:33 p.m. on  
3 August 5, 2009 at the United States Securities and Exchange  
4 Commission.

5 Whereupon,

6 ELISSE B. WALTER

7 was called as a witness and was examined and testified as  
8 follows:

9 MR. KOTZ: Can you state and spell your full name  
10 for the record?

11 THE WITNESS: Elisse, E-l-i-s-s-e, Barbara,  
12 B-a-r-b-a-r-a, Walter, W-a-l-t-e-r.

13 MR. KOTZ: My name is David Kotz and I'm Inspector  
14 General of the United States Securities and Exchange  
15 Commission and this is an investigation by the Office of  
16 Inspector General, case number OIG-509.

17 I'm going to ask you certain questions and you'll  
18 have to provide answers under oath. A court reporter will  
19 record and later transcribe everything that is said.  
20 Please, therefore, provide verbal answers to the questions as  
21 a nod of the head or other non-verbal response won't be  
22 picked up by the court reporter.

23 Also, so the record will be clear, please let me  
24 finish my question before you provide your response and I'll  
25 try to let you finish your response before I ask the next

1 MR. KOTZ: And you have with you, will you  
2 introduce yourself?

3 MR. BROADBENT: Christian Lane Broadbent.

4 MR. KOTZ: And you are serving as counsel?

5 MR. BROADBENT: Yes.

6 EXAMINATION

7 BY MR. KOTZ:

8 Q Okay. We'll ask just some brief questions and then  
9 we'll get into some specifics. In what year did you first  
10 begin working for the SEC?

11 A 1977.

12 Q And what was that first position?

13 A I was a staff attorney in the office of general  
14 counsel.

15 Q And then after that you became associate general  
16 counsel?

17 A I became a special counsel in 1978 and assistant  
18 general counsel in 1979 and associate general counsel in  
19 1984. In 1986 I transferred to the Division of Corporation  
20 Finance as associate director of legal, and later that year I  
21 became the deputy director. That was the position I occupied  
22 until I left the agency in 1994.

23 Q Great. And then where did you go in '94?

24 A I went to the Commodity Futures Trading Commission,  
25 as it's general counsel.

1 Q And then subsequent to that?

2 A In 1996, I went to NASD and I'm afraid my memory is  
3 a little bit hazier as to titles. But I held a variety of  
4 titles there, the most recent being senior executive vice  
5 president for Regulatory Policy and Programs. And I left  
6 NASD in 2008 and was then sworn in as commissioner of the SEC  
7 shortly thereafter.

8 Q So that was approximately July of 2008?

9 A I was sworn in on July 9, 2008.

10 Q And that's the position you have today?

11 A Yes.

12 Q Okay, great. All right, when did you first hear of  
13 Bernard Madoff or Bernard Madoff Investment Securities?

14 A I don't believe that I heard of Bernard Madoff  
15 Investment Securities until the current case against the firm  
16 came up.

17 Q Okay, so until December of 2008?

18 A Correct. I heard of -- actually if the name is the  
19 same I heard of the broker-dealer firm before that.

20 Q Madoff Securities?

21 A Madoff Securities, during my term, during my  
22 employment at NASD. I couldn't be precise as to exactly  
23 when.

24 Q But you don't believe that you heard of Bernard  
25 Madoff while you were at the SEC the first go round?

1 A No, I don't believe so.

2 Q Okay, okay. Have you ever met Bernard Madoff in  
3 person?

4 A Yes, I have.

5 Q And on how many occasions do you think?

6 A I don't think I could quantify them. I will say  
7 that they were in the context of a variety of industry  
8 meetings, for example, an SIA or a SEFMA committee meeting or  
9 industry conferences and industry dinners.

10 Q Okay, would you say more than ten times?

11 A Ten times is probably a good ballpark figure, more  
12 or less.

13 Q Okay, great. Have you ever had a one-on-one  
14 meeting with Bernard Madoff?

15 A No, I have not.

16 Q Any social activities, lunch or dinner or anything  
17 like that?

18 A Not in a small setting, only in the context of  
19 larger settings.

20 Q And that larger setting was at some kind of  
21 industry conference. It wasn't a social large setting.

22 A No, that is correct. You are correct.

23 Q What about other members of the Madoff family?  
24 Have you ever met them?

25 A I have met Peter Madoff and have had similar

1 interactions with him. I have met Shana Madoff and had  
2 similar interactions with her. I also know Mark Madoff. My  
3 interactions with him were somewhat different because during  
4 my tenure at NASD and FINRA, he served on at least two, that  
5 I can recall, committees; the market regulation committee,  
6 which I interacted with occasionally and the National  
7 Adjudicatory Counsel, which is NASD's appellate adjudicate  
8 body with which I interacted not regularly, but more than  
9 occasionally.

10 Q So all of these interactions with Bernard Madoff  
11 and Bernard Madoff's family were industry-type events while  
12 you were at the NASD.

13 A Yes, that is correct.

14 Q Were you ever asked at any point from a member of  
15 the Madoff family for assistance with a particular matter?

16 A No.

17 Q Have you ever invested with Bernard Madoff?

18 A No.

19 Q Have any of your family members invested with  
20 Bernard Madoff?

21 A No.

22 Q And just to be clear, you weren't aware -- were you  
23 aware that Bernard Madoff had an investment side to his  
24 businesses prior to December 2008?

25 A No, I was not.

1           Q     Okay.  Were you aware prior to December 2008 that  
2     the enforcement division had received numerous referrals  
3     questioning the legitimacy of Bernard Madoff's claimed  
4     returns?

5           A     No, I was not.

6           Q     Were you aware prior to December 2008 that Harry  
7     Markopolos had referred a matter alleging that Madoff was  
8     running a Ponzi scheme to the enforcement division of the  
9     SEC?

10          A     No, I was not aware of that.

11          Q     Had you heard the name Harry Markopolos prior to  
12     December of 2008?

13          A     Not to the best of my recollection.

14          Q     Were you aware prior to December of 2008 that the  
15     SEC's OCIE had performed examinations of Madoff?

16          A     No, not specifically, I was not aware of that.

17          Q     And just to be clear for the record, did you play  
18     any role at all in the enforcement investigation or OCIE  
19     examinations as commissioner or in previous roles at the SEC,  
20     relating to Bernard Madoff?

21          A     No, I have had no such role.

22          Q     Were you aware or are you aware of any pressure  
23     placed on enforcement lawyers or OCIE personnel with regard  
24     to their investigations or examinations of Madoff?

25          A     No.



1 Q Were you aware or are you aware of any  
2 congressional interest in Madoff or the Madoff investigations  
3 or examinations?

4 A Only subsequent to December of 2008.

5 Q Okay. I'm going to show you these two letters.

6 We're going to mark them together as Exhibit No. 1.

7 (Exhibit No. 1 marked for  
8 identification.)

9 The first letter is handwritten and starts, "Dear Elisse,  
10 Sincerely, Bernie." The second is a typed letter from Peter  
11 B. Madoff dated July 15, 2008. I'm going to put them in as  
12 Exhibit No. 1. Are you familiar with these letters?

13 A Yes, I am.

14 Q And it is correct that you or your staff as  
15 directed by you, searched your correspondence records to see  
16 if there were any records related to Bernard Madoff and Peter  
17 Madoff and these are the two records that were located?

18 A Yes, that is correct.

19 Q So you're not aware of any other similar letters?

20 A No. And we did look and found no others.

21 Q Did you ever have a conversation with either  
22 Bernard or Peter Madoff subsequent to this letter?

23 A No, I did not.

24 Q How would you characterize these letters? Were  
25 they somewhat routine in terms of the fact that you became a

1 commissioner of the SEC?

2 A Absolutely, I received quite a large number of  
3 letters from people I had known professionally as well as  
4 some people I knew personally. And the Madoff's were not in  
5 the latter category. They were in the professional category.  
6 I have a note saying, congratulations on being appointed as  
7 the commissioner.

8 Q Okay. So there were numerous letters, as well,  
9 that you received that were kind of almost, somewhat of a  
10 routine thing. You had become a commissioner and people are  
11 congratulating.

12 A Yes.

13 Q Okay. Let me tell you what Bernard Madoff said  
14 about you and I'll have you react.

15 A Oh, my.

16 Q He stated that he knows you pretty well and he  
17 characterized you as a terrific lady, which you know,  
18 depending on who it comes from may be good or bad. What is  
19 your reaction? Would you say that's accurate that he knows  
20 you pretty well?

21 A I knew him in a professional sense and had  
22 occasional perfectly cordial interactions with him. I would  
23 not say that I know him pretty well, nor would I have said  
24 that prior to December 2008.

25 Q You certainly wouldn't consider him a friend.