

Washington, DC -- Following a Congressional hearing into the Bernard Madoff investment scandal, U.S. Representatives Michael A. Arcuri (D-Utica) and Daniel Maffei (D-DeWitt) sent a letter to the chairman of the U.S. Securities and Exchange Commission (SEC), Mary L. Schapiro, demanding top-down restructuring at the SEC to prevent investment schemes such as those overseen by Bernard L. Madoff Investment Securities, Inc, which resulted in pension losses incurred by several local labor unions and businesses in Upstate New York.

“As members of the House of Representatives, we strongly urge your immediate focus towards transparent agency-wide restructuring of both SEC personnel and practices from the top level down,” **wrote Arcuri and Maffei**. “It is now glaringly apparent that the organization which you have inherited is not fit to meet the demands of our financial system, and requires widespread reform in order to lift the nation out of its current depression. We trust that you will rightfully look to Congress and the Administration, and engage the public, as you commit to and advance these vital efforts.”

During an investigative hearing of the House Financial Services Committee Subcommittee on Capital Markets last week, both Arcuri and Maffei questioned federal and private securities regulators about their unsatisfactory role in detecting and preventing the Madoff scheme.

Linda Thomsen, Director of the SEC Division of Enforcement, evaded and refused to answer Arcuri’s closing line of questioning regarding the SEC’s failure to step in and stop Madoff despite several obvious “red flag” warnings. Thomsen stepped down last night from her post at the SEC.

In January, several local labor unions and businesses in Central New York discovered that employee pension plans were seriously jeopardized by fraudulent investments made with Bernard L. Madoff Investment Securities, Inc.

The text of the letter Arcuri and Maffei sent to Chairman Schapiro is included below.

February 10, 2009

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

Dear Ms. Schapiro:

Congratulations on your recent confirmation as Chairman to the Securities and Exchange Commission (SEC). As you are well aware, your appointment comes at a time when our nation suffers one of the deepest recessions in recent history and our markets struggle to provide investors with the liquidity and access to credit needed to improve their everyday lives. Most critically, our government is now weighed down by the heavy task of regaining American trust in the competence and safety of our entire financial system.

We write to you immediately following the House Subcommittee on Capital Markets, Insurance, and Government-Sponsored Enterprises hearing on the \$50 billion investment fraud engineered by Mr. Bernard L. Madoff, which took place on February 4, 2009. We participated in this hearing in order to demand answers, on behalf of thousands of our constituents who have worked their entire lives and have lost their hard-earned pension benefits, as to how the SEC could have brought no action against Mr. Madoff for years following credible, extensive, and pervasive tips of wrongdoing.

In the weeks since the Madoff scheme was revealed, we have been approached by a number of Upstate New York labor unions that have been victimized by Mr. Madoff as a result of investment with his fraudulent securities firm. These unions jointly have committed hundreds of millions of dollars to Mr. Madoff and must now scramble to find ways to recoup these staggering losses. As this scandal has taught us, particularly as it arrives on the heels of major federal initiatives to rescue our banks and save our states from financial ruin, the actions of a wealthy few are far from insulated but rather can permeate into every level of industry, into every bank or account, and even into every household in America.

As members of the House of Representatives, we strongly urge your immediate focus towards transparent agency-wide restructuring of both SEC personnel and practices from the top level down. Congress created the SEC after the Great Depression to ensure that this country has a

competent and functioning watchdog in place to certify the quality and validity of securities trades and investments. It is now glaringly apparent that the organization which you have inherited is not fit to meet the demands of our financial system, and requires widespread reform in order to lift the nation out of its current depression. We trust that you will rightfully look to Congress and the Administration, and engage the public, as you commit to and advance these vital efforts. We look forward to hearing your thoughts on these matters and would appreciate a reply to our letter.

Sincerely,

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Michael A. Arcuri  
Member of Congress

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Daniel B. Maffei  
Member of Congress

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