



London
Stock Exchange

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**For the attention of the
chairman/senior partner/compliance officer,
all member firms**

N32/09

STOCK EXCHANGE NOTICE

Madoff Securities International Limited – In Default – Data reconciliation and net amount certification process – Next steps

1. This Stock Exchange Notice sets out the data reconciliation and net amount certification processes for relevant principal contracts that the London Stock Exchange (“the Exchange”) proposes to apply in relation to the default of Madoff Securities International Limited (“Madoff Securities”). The default was declared at 16:00 hours on 20 May 2009 and was announced in Stock Exchange Notice N25/09 (issued on the same date).

Process

2. The Exchange intends to adopt a consistent approach to the data reconciliation and net amount certification processes for the default of Madoff Securities as it has applied in the default proceedings of Lehman Brothers International (Europe) Limited and Teathers Limited. The approach is set out in the attachment to this Notice. The default of Madoff Securities is likely to involve only a very small number of trades. The Exchange understands that Madoff Securities traded on the Exchange in a principal capacity only, so the process for issuing Default Settlement Directions (“read letters”) for unsettled on Exchange agency trades will not be required.

Initial determinations

3. Following data reconciliation, the Exchange will issue an initial determination to Madoff Securities (represented by its joint provisional administrators at Grant Thornton) and each of its counterparties in the form of a spreadsheet. This spreadsheet will identify those trades the Exchange has initially determined as being on Exchange and unsettled at the time the default was declared, and which it would propose including in a net amount certificate (“NAC”). Some of these trades may not have been submitted by Madoff Securities or its counterparties but trade reports and/or CREST records demonstrate the existence of an unsettled on Exchange trade.

4. The initial determination will also separately identify any trades that have been determined by the Exchange not to be both on Exchange and unsettled.
5. Each initial determination will include a draft net sum calculation representing the Exchange's provisional view of the counterparty's position in relation to Madoff Securities. This draft net sum calculation may be subject to change in light of any further evidence received by the Exchange regarding the eligibility of trades to be included within the default process.
6. It is anticipated that the Exchange will begin issuing initial determinations to Madoff Securities and its counterparties in late June 2009.

Assessment of further evidence, confirmation of net amounts and certification

7. Madoff Securities and its counterparties will be asked to advise the Exchange whether they agree or disagree with the initial determination within three weeks of its receipt. If Madoff Securities and/or its counterparty do not agree with the Exchange's initial determination, they should provide further evidence in support of their position. The Exchange will assess this further evidence carefully to help it reach a final determination on which trades should be included in the relevant NACs before they are issued.
8. In instances where Madoff Securities and the relevant counterparty agree with the Exchange's initial determination, the Exchange will be in a position to issue the NAC as part of Stage 4 of the data reconciliation and net amount certification process.
9. Any queries should be addressed to:

Tim Rowe, Trading Services, telephone +44 (0)20 7797 3468 (STX 33468) or email: trowe@londonstockexchange.com.

Nick Bayley
Head of Trading Services

This Stock Exchange Notice will be available on the website at <http://www.londonstockexchange.com/en-gb/products/membershiptrading/rulesreg/stockexnoticesnew/>

Calls to London Stock Exchange plc may be recorded to enable the Exchange to carry out its regulatory responsibilities.