



U.S. COMMODITY FUTURES TRADING COMMISSION
ENSURING THE INTEGRITY OF THE FUTURES & OPTIONS MARKETS

RELEASE: PR6626-13

June 27, 2013

CFTC Charges MF Global Inc., MF Global Holdings Ltd., Former CEO Jon S. Corzine, and Former Employee Edith O'Brien for MF Global's Unlawful Misuse of Nearly One Billion Dollars of Customer Funds and Related Violations



Settlement of charges against MF Global, subject to court approval, directs payment of all funds still owed to commodity customers and imposes a \$100 million penalty against the company

Washington, DC - The U.S. Commodity Futures Trading Commission (CFTC) today filed an enforcement action in the United States District Court for the Southern District of New York against **MF Global Inc.** (MF Global), a registered futures commission merchant (FCM), **MF Global Holdings Ltd.** (Holdings), former Chief Executive Officer of MF Global and Holdings **Jon S. Corzine**, and former Assistant Treasurer of MF Global **Edith O'Brien** based on, among other violations, MF Global's unlawful use of customer funds that harmed thousands of customers and violated fundamental customer protection laws on an unprecedented scale.

MF Global has agreed to settle all charges against it on terms set forth in a proposed order that is subject to court approval and includes 100% restitution of the approximately \$1 billion lost by all commodity customers when the firm failed on October 31, 2011. Commissioner Jill Sommers stated, "I am pleased that the MF Global Trustee has agreed to settle the charges against the company. There is nothing more important than doing everything possible to make full restitution to all commodity customers. I am also proud of the members of the Division of Enforcement team, who have worked so hard on this case to bring us to where we are today."

According to the Complaint, Corzine, a former U.S. Senator and New Jersey Governor with more than twenty years of Wall Street experience, joined MF Global as CEO in March 2010 with a plan to transform the firm from a futures broker into a major investment bank. Corzine's strategy called for making increasingly risky and larger investments of the firm's money. In the summer and fall of 2011, as MF Global's need for cash was rising and its sources of cash were diminishing, Corzine knew that the firm was relying more and more on proprietary funds that it held alongside customer funds in FCM customer accounts. During this time, Corzine did not enhance MF Global's deficient systems and controls sufficiently to ensure that the firm's increasing reliance on FCM cash did not result in unlawful uses of customer money. Ultimately, these failures contributed to the massive customer losses.

As alleged, during October 2011, MF Global was on the brink of failure and in desperate need of cash to survive. As Holdings' Treasurer told Holdings' CFO at that time, in one of many recorded phone calls obtained by the CFTC, the firm was "*skating on the edge,*" without "*much ice left.*" Corzine was warned about the firm's liquidity stresses, and he knew that the firm violated its own policy that had been designed to protect customer funds. Holdings' Treasurer recommended to Holdings' CFO in a recorded call, "*we have to tell Jon that enough is enough. We need to take the keys away from him.*"

In the last week of October 2011, with virtually no other sources of immediate cash to turn to, the firm repeatedly and unlawfully used customer funds for firm needs, ultimately leaving it nearly \$1 billion short of customer funds. In that last week, Corzine is alleged to have been aware of the firm's true low cash balance, even as he directed the firm to continue paying large obligations without inquiring how the firm could come up with the money to do so. Corzine is charged for the firm's violations as an MF Global "control person" who, among other things, did not act in good faith and is also charged with violating his legal obligations to diligently supervise.

David Meister, the CFTC's Enforcement Director, said, "Turning a profit is not the only job of the person at the top of a CFTC-regulated firm. Particularly in times of crisis, the person in control, like the CEO here, must do what's necessary to prevent unlawful uses of customer money, so that customers' money is still there if and when the music stops. The allegations in our Complaint serve as a stark reminder that we will enforce the law against responsible individuals at all levels of a firm to ensure that customer funds are properly

safeguarded every minute of every day.”

O'Brien, MF Global's Assistant Treasurer, is charged with aiding and abetting the firm's misuse of customer funds. According to the Complaint, she directed, approved, and/or caused improper transfers of hundreds of millions of dollars from customer accounts to help meet the firm's needs during the final days of October 2011, while knowing that MF Global did not have sufficient proprietary funds available in those customer accounts for those transfers. The Complaint alleges that O'Brien remarked in a recorded telephone conversation that it “*could be game over*” from a regulatory perspective if funds were not returned to customer accounts on Friday, October 28, 2011, MF Global's final business day.

With respect to the company defendants, in addition to the misuse of customer funds described above, the Complaint charges that MF Global (i) unlawfully failed to notify the CFTC immediately when it knew or should have known of the deficiencies in its customer accounts; (ii) filed false reports with the CFTC that failed to show the deficits in the customer accounts; and (iii) used customer funds for impermissible investments in securities that were not considered readily marketable or highly liquid in violation of CFTC regulation; and that Holdings controlled the operations of MF Global and is therefore liable as a principal for MF Global's violations of the Commodity Exchange Act and CFTC regulations.

If approved by the United States District Court and the United States Bankruptcy Court, the proposed settlement of all charges against MF Global will require 100% restitution of all remaining commodity customer claims. The proposed order also includes the imposition of a \$100 million penalty, which can be paid to the extent MF Global has not fully exhausted all available funds and assets paying customers and then other creditors entitled to priority under bankruptcy law.

The CFTC also seeks full restitution and penalties against Holdings, Corzine, and O'Brien, in addition to trading and registration bans and injunctions against Corzine and O'Brien.

The CFTC appreciates the assistance of the U.S. Attorneys' Offices for the Southern District of New York and the Northern District of Illinois, the Federal Bureau of Investigation, the Securities and Exchange Commission, and the Financial Conduct Authority in the United Kingdom.

CFTC Division of Enforcement staff members responsible for this case are Candice Aloisi, Elizabeth Brennan, Patryk Chudy, Christopher Giglio, Sheila Marhamati, David W. Oakland, Joseph Rosenberg, Michael Berlowitz, Karin Roth, Chad Silverman, K. Brent Tomer, Douglas K. Yatter, Steven Ringer, Lenel Hickson, Stephen J. Obie, and Vincent McGonagle. Jeremy Christianson from the CFTC's Office of Data and Technology also assisted in this matter, along with staff from the CFTC's Division of Swap Dealer and Intermediary Oversight and Division of Clearing and Risk.

Last Updated: June 27, 2013