STATEMENT OF JON S. CORZINE
BEFORE THE UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON AGRICULTURE
DECEMBER 8, 2011

Chairman Lucas, Ranking Member Peterson and Distinguished Members of the Committee:

Recognizing the enormous impact on many peoples' lives resulting from the events surrounding the MF Global bankruptcy, I appear at today's hearing with great sadness. My sadness, of course, pales in comparison to the losses and hardships that customers, employees and investors have suffered as a result of MF Global's bankruptcy. Their plight weighs on my mind every day – every hour. And, as the chief executive officer of MF Global at the time of its bankruptcy, I apologize to all those affected.

Before I address what happened, I must make clear that since my departure from MF Global on November 3, 2011, I have had limited access to many relevant documents, including internal communications and account statements, and even my own notes, all of which are essential to my being able to testify accurately about the chaotic, sleepless nights preceding the declaration of bankruptcy. Furthermore, even when I was at MF Global, my involvement in the firm's clearing, settlement and payment mechanisms, and accounting was limited.

The Members should also understand that the Committee turned down my request to testify voluntarily in January. I had hoped that, by that time, I would have obtained and reviewed relevant records so that I could be more helpful to the Committee.

As a consequence of my situation, not every fact of which I am or may have been aware that may be relevant to your inquiry is contained in this statement. While I intend to be responsive to the best of my ability today, without adequate time and materials to prepare, I may be unable to respond to various questions members might pose. Other questions, given my

specific role in the company, will be questions for which I simply have no personal knowledge. Many of your questions may well be ones I myself have.

Considering the circumstances, many people in my situation would almost certainly invoke their constitutional right to remain silent – a fundamental right that exists for the purpose of protecting the innocent. Nonetheless, as a former United States Senator who recognizes the importance of congressional oversight, and recognizing my position as former chief executive officer in these terrible circumstances, I believe it is appropriate that I attempt to respond to your inquiries.

My Background

I was born in 1947 and raised in the rural community of Taylorville, Illinois. After high school graduation in 1965, I attended the University of Illinois, from which I graduated in 1969. In the summer of 1969, I joined the United States Marine Corps Reserve, in which I served until 1975. In 1970, I enrolled in the University of Chicago Business School. I took classes at night while working at a bank during the day, and I and received my MBA in 1973.

In 1975, after working for a short time for a regional bank in Ohio, I took a job as a bond trader at the investment banking firm Goldman Sachs in New York. I remained at Goldman Sachs until January 1999, rising to the position of Senior Partner.

In 2000, I was elected to serve in the United States Senate representing New Jersey. I served in the Senate until January 2006, when I became the Governor of New Jersey. I was elected to one term as Governor, serving from January 2006 to January 2010.

Approximately three months after I left the governorship, I was recruited to become the chief executive officer of MF Global, whose prior chief executive had resigned abruptly after serving for 17 months. Prior to being approached about this position, I had no involvement with MF Global, and my only financial tie to it was extremely remote – I was an investor in the

private equity fund J.C. Flowers, which had an investment in MF Global and a seat on the board of directors. My connection to J.C. Flowers led to my introduction to MF Global.

MF Global Before I Joined

Before I joined the company in late March 2010, MF Global was primarily a brokerage which provided execution and clearing services for products traded in derivative markets on exchanges around the world. MF Global was primarily a voice-based broker, which means that it took and placed orders largely over the telephone and had not yet made significant use of electronic trading technology. As stated in MF Global's annual Form 10-K filing for the fiscal year ended March 31, 2009, the company's revenues derived principally from commission fees generated from execution and clearing services and from interest income on cash held in customer accounts.[1]

By 2010, however, online brokerages and high-frequency traders had begun exerting downward pressure on commissions. Interest rates were at historic lows and were expected to remain so for an "extended period," according to Federal Reserve policy statements. As a consequence of these developments among others, revenues were in decline. MF Global was accordingly experiencing substantial losses. The firm had reported losses in five consecutive quarters before I arrived, including the final quarter of the fiscal year ended March 31, 2010 (just as I was arriving),[2] and it had lost money in each of the previous three years, including the fiscal year that ended on March 31, 2010, for which the company posted a net loss to common shareholders of $167.7 million.[3] (MF Global's fiscal year ran from April 1 to March 31; the fiscal year ended on March 31, 2010 was MF Global's 2010 fiscal year.)

I took the job at MF Global even though the company was in a weak financial position because it had several positive attributes such as memberships on multiple derivative exchanges around the globe, solid market shares on those exchanges, and an extensive set of client

relationships. I saw the possibility of taking part in the transformation of a challenged company by restructuring existing businesses and capturing opportunities available in the post-2008 financial environment.

Upon my arrival at MF Global, management and the board initiated a strategic review of our business. We engaged an outside consultant, the Boston Consulting Group, to help the firm define a business strategy that would lead it to profitability. Management, the board of directors, and the consultant came to the common conclusion that MF Global had to change its business strategy and diversify its revenues.

The new business plan provided, in substance, that MF Global would evolve into a broker-dealer, and ultimately into an investment bank, which would provide broker, dealer, underwriting, advisory and investment management services. The implementation of the plan was expected to take three to five years. This new strategic plan was communicated to the public.[4]

During my tenure as chief executive officer, MF Global made both structural and personnel changes in an effort to implement the strategic plan. One of the first priorities was to reduce the level of compensation as a percentage of MF Global's revenues. The company was paying over 60% of its revenues to its employees, and sought to reduce this figure. Many employment contracts were restructured to increase the amount of pay that was dependent on MF Global's performance. My own pay was structured to include a substantial component determined by MF Global's performance, as discussed below.

Before my tenure at MF Global, Promontory Financial Group ("Promontory"), a prominent financial consulting firm run by Eugene Ludwig, the former United States Comptroller of the Currency, had been retained pursuant to a settlement with the CFTC to review

and assess MF Global's implementation of the settlement.[5] During my tenure, we retained Promontory to review various of MF Global's compliance systems.

I was hopeful about the prospects for the company, and I invested in it personally. Much of my compensation was in the form of options to purchase stock, which would have value only if the company prospered. When the company made a public equity offering in June 2010, I purchased almost $2.5 million worth of stock. In 2011, I bought approximately $500,000 more stock in the company.[6]

MF Global's Leverage

One of the recurrent themes in the media has been that MF Global took on too much risk during my tenure, in particular the amount of leverage that MF Global bore at the time of its bankruptcy. In fact, MF Global reduced leverage. In the quarter ended March 31, 2010, MF Global's leverage was 37.3. During my tenure, it was consistently around 30.[7]

The RTMs

A. Description of RTMs

There has been extensive comment about a series of positions entered into by MF Global that involved "repurchase transactions to maturity," known colloquially as "RTMs." I would like to address those here.

As relevant here, repurchase transactions (also known as "repos") worked roughly as follows: MF Global would purchase a debt security (such as sovereign debt) from a seller and would sell the same security to another party (the "Counterparty"), with an agreement to repurchase the security from the Counterparty at a later date. The agreement between MF Global and the Counterparty to sell and buy back the debt security was the repurchase agreement, and it served, in effect, as a loan from the Counterparty to MF Global. The Counterparty would hold the debt security as collateral for the loan.

An RTM is a particular kind of repurchase transaction in which the purchaser (MF Global) agrees to buy back the underlying debt security on its maturity date.

The economic benefit of RTMs to MF Global was the difference (or "spread") between (a) the interest rate paid by the issuer of the debt security to MF Global, and (b) the repurchase rate (referred to as the "financing rate") paid by MF Global to the Counterparty. It is my understanding – and I do not claim to be an accountant – that under the applicable accounting principles, MF Global was required to recognize its profit immediately in RTMs, and the asset (the debt security) and the liability (the money owed to the Counterparty) must be "de-recognized," i.e., removed from MF Global's balance sheet. I want to note here that I believe that accounting issues with respect to the RTMs would have been reviewed by MF Global's internal auditors, outside auditors (PricewaterhouseCoopers), and its audit committee.

B. Risks Related to RTMs

Financing the purchase of debt with RTMs allowed MF Global to reduce certain kinds of risk. Because RTMs financed MF Global's purchase of the debt security to the security's maturity, the RTMs eliminated the risk (referred to as "financing risk") that at some point during the life of the security MF Global would not be able to find additional financing for the security, and would therefore be forced to sell the security, potentially at a loss. Elimination of the financing risk meant that MF Global's market risk (arising from the fluctuation of the price of the underlying debt security) was significantly reduced.

MF Global retained, however, the risk that the debt securities might default or be restructured. If the debt securities defaulted or were restructured, then MF Global would not be paid in full at their maturity, even though MF Global would still have the obligation to buy back the debt securities from the Counterparty in full (at par).

Also, the clearing house through which the repurchase transaction was executed (typically, the London Clearing House, or "LCH") could demand that MF Global increase its margin. It might do so for at least two reasons: (a) if it determined that MF Global itself was not credit-worthy, or (b) if it determined that the underlying debt security – which was the collateral for the loan from the Counterparty to MF Global – decreased in value. The possibility of such margin calls from LCH meant that MF Global retained liquidity risk.[8]

To mitigate some of the risk of the RTMs, on some occasions MF Global took short positions in the underlying debt securities or in similar securities.[9]

C. The Decision To Engage In RTMs Involving European Sovereign Debt

Even before I joined MF Global, the firm traded European sovereign debt securities. For instance, for the year ending March 31, 2010, the company reported that it was carrying over $9 billion in foreign government securities, including both foreign securities owned outright and those sold to counterparties under repurchase agreements.[10] The company also reported that it had used RTM agreements to purchase some securities, although not specifically foreign government debt.[11]

In the summer of 2010, I met with MF Global's senior traders to discuss ways to improve the company's profitability. One of the ideas discussed was for MF Global to purchase European sovereign debt using RTMs. Such transactions were attractive for the reasons stated above – the reduction of finance risk and market risk – and the spread on the European sovereign debt securities appeared to be favorable. MF Global could engage in RTMs with these securities much as it had already done with other securities. Through these discussions, I became an advocate of purchasing European sovereign debt using RTMs.

At the time that MF Global entered into the transactions, I believed that its investments in short-term European debt securities were prudent. MF Global invested in RTMs with respect to

the debt of Belgium, Italy, Spain, Ireland and Portugal. The first three of these – Italy, Spain and Belgium – were rated AA or better when MF Global invested in them. Even today, they are all at least A rated, and some of them are AA rated.[12] All of the sovereign debt of these three countries that MF Global held in RTMs matured no later than December 2012. Ireland and Portugal were lower rated, but for most of the time that MF Global held these securities they were backed by financing offered through the European Financial Stability Facility (EFSF) and the IMF, which made it highly likely that Ireland and Portugal would be able to roll over their outstanding debt before June 2013, when the funding facility expired. All of the sovereign Irish and Portuguese debt that MF Global held in RTMs matured no later than June 2012. Furthermore, because the European debt instruments that MF Global purchased did not all mature at the same time, there was an additional level of risk mitigation. As time went on and as the instruments matured, MF Global's risk would decrease.

D. Participants In The Decision To Engage In RTMs Involving European Sovereign Debt

MF Global's involvement in RTMs involving European sovereign debt securities was the subject of internal discussions with the company's traders, senior managers, and the board of directors.

The RTM transactions were reported to the board of directors. There were discussions at board meetings, at which the transactions were described, analyzed and debated. Although some people complain that boards of directors are "rubber stamps" for the decisions of company management, MF Global's board was not a rubber stamp. The members of the board of directors were independent and sophisticated, and they asked hard questions and raised concerns about the RTMs. All of the members had been on the board of directors before I joined MF Global. The

board met without management on some occasions, and it is my understanding that the RTM portfolio was a topic of discussion during at least some of those meetings.

The directors approved sovereign risk limits up to which MF Global could invest in the RTM trades. Ultimately, the limits were specified on a country-by-country basis. MF Global attempted to adhere to those limits, and generally did so. On a few occasions, however, the chief risk officer reported that the firm had exceeded its limits with respect to a particular country. I recall, for example, one occasion on which the limit was exceeded because the Euro gained value against the dollar, and the risk limits were set in dollars. On the occasions on which the firm exceeded the country limits, it nonetheless remained within the overall limit and took appropriate steps (such as entering a reverse-RTM or shorting the same security) to bring its level of exposure back within the country limits. At the time of the bankruptcy, MF Global was within the risk limits set by the board of directors.

I accept responsibility for the RTM trades that MF Global engaged in from the time that I arrived at MF Global until my departure, on November 3, 2011, and I strongly advocated the trading strategy that I have described here. It is important to recognize, however, that MF Global's involvement in RTM trades was disclosed to the board of directors, the senior officers of the company, the company's accountants and numerous outsiders.

E. The Public Disclosures Of The RTMs

The RTM trades were also publicly disclosed, both in the periodic financial statements and in other public statements, including press releases and earnings calls.

MF Global's annual filing (Form 10-K), dated May 20, 2011, for the fiscal year ended March 31, 2011, stated that MF Global invested in the sovereign debt of Italy, Spain, Belgium, Portugal and Ireland, and that the final maturity for any of these securities was no later than December 2012, which, it noted, was "prior to the expiration of the European Financial Stability

Facility."[13] The filing also reported that "[a]t March 31, 2011 securities . . . sold under agreements to repurchase of $14,520,341[,000] at contract value, were de-recognized, of which 52.6% were collateralized with European sovereign debt."[14]

On July 28, 2011, the company announced its results for the first quarter of fiscal year 2012 (which ended on June 30, 2011), and its disclosures about the RTMs were again extensive. Its filing (Form 10-Q) stated that as of June 30, 2011, "securities purchased under agreements to repurchase of $16,548,450[,000] . . . were de-recognized, of which 69.3% . . . were collateralized with European sovereign debt, consisting of Italy, Spain, Belgium, Portugal and Ireland."[15] The Form 10-Q also stated that the net notional value of the Italian, Spanish, Belgian, Irish and Portuguese sovereign debt securities that MF Global held was $6.4 billion.[16] In a conference call that MF Global held on July 28 to announce its results, the RTMs collateralized with European sovereign debt were discussed.[17]

F. The Fate Of The RTMs

As of today, none of the foreign debt securities that MF Global used in the RTM trades has defaulted or been restructured. All of those securities that reached maturity while they were part of the RTM position paid in full.

Communications With Regulators

A. FINRA's Position Regarding The Capital Treatment Of The RTMs Involving European Sovereign Debt Securities

In approximately the first week of August 2011, I recall becoming aware that officials from FINRA were considering whether to require that MF Global modify its capital treatment under SEC Rule 15c3-1 of the RTMs involving European sovereign debt instruments. I believe that FINRA officials may have raised this issue with others at MF Global earlier than August 2011, but to the best of my recollection, I did not focus on the issue until approximately early

August. I had not met with FINRA officials, to the best of my recollection, although I spoke briefly at a meeting at MF Global's offices on or about June 14, 2011, that was attended by officials from the SEC, the CFTC, FINRA and perhaps other regulators. I believe that I spoke about RTMs at that meeting. I believe that other members of the management of MF Global spoke at that meeting about several topics, although I did not attend those others members' presentations.

On or about August 15, 2011, I went with others from MF Global to the SEC in Washington to question FINRA's interpretation of SEC Rule 15c3-1. We met with Michael Macchiaroli, the Associate Director in the Division of Trading and Markets, and others from the SEC, and presented our argument that the capital treatment of the RTMs involving European sovereign debt securities should not be changed in the way that FINRA proposed. Some days after the meeting, MF Global was apprised by FINRA that FINRA would not change its position. I thereafter made a telephone call to Mr. Macchiaroli who told me, in substance, that there was no further appeal and that MF Global had to comply with FINRA's direction. He noted, however, that other companies in similar positions had sent letters of objection to the SEC, although he was clear that such a letter would make no difference to FINRA's or the SEC's position.

Although MF Global disagreed with FINRA's position, the firm promptly complied with the demand that its United States subsidiary increase its net capital. On September 1, 2011, we made a Form 10-Q/A public filing disclosing FINRA's ruling. It stated:

> As previously disclosed, the Company is required to maintain specific minimum levels of regulatory capital in its operating subsidiaries that conduct its futures and securities business, which levels its regulators monitor closely. The Company was recently informed by the Financial Industry Regulatory Authority, or FINRA, that its regulated U.S. operating subsidiary, MF Global Inc., is required to modify its capital treatment of certain repurchase transactions to maturity collateralized with European sovereign debt

> and thus increase its required net capital pursuant to SEC Rule 15c3-1. MF Global Inc. has increased its net capital and currently has net capital sufficient to exceed both the required minimum level and FINRA's early-warning notification level. …[18]

B. My Communications Regarding Proposed CFTC Rules Changes

Sometime in late 2010 or early 2011, the CFTC proposed certain changes in 17 C.F.R. §1.25 ("Rule 1.25"). As far as I understand, roughly speaking, Rule 1.25 outlines the permissible investments and uses for customer funds, as that term is defined in the CFTC Rules and Regulations, held by a Futures Commission Merchant ("FCM").

The proposed rule change was the topic of substantial discussion among regulated entities, industry organizations, associations, committees and even designated self-regulatory organizations. I understand that there were numerous letters received by the CFTC opposing various aspects of the proposed rule change.[19] MF Global submitted a letter, along with Newedge, which was one of the largest FCMs in the United States, opposing the proposed amendments to the rule.

The proposed rule change was also the topic of the conference call in which I took part on July 20, 2011, in which CFTC Chairman Gary Gensler participated. As best as I can recall, there were others from MF Global who took part in the conference call, and the CFTC's own records state that in addition to CFTC Chairman Gensler, four other officials from the CFTC were on the call. According to the CFTC's records, I was not the only representative of the industry that had calls with members of the CFTC, including Chairman Gensler, regarding the proposed changes.

The principal topic of discussion was whether Rule 1.25 should be changed to prevent FCMs from engaging in repurchase transactions with related broker-dealers. As I understood it, the then-current version of Rule 1.25 permitted such transactions but the proposed version would not, or would somehow limit such transactions. Consistent with the letter that we had submitted

with Newedge, I argued, in substance, that such transactions should continue to be permitted because such transactions could be beneficial to the FCMs.

On the same afternoon, I spoke with another CFTC commissioner, Mr. Bart Chilton, to discuss the same matter. Mr. Chilton, who, according to the CFTC's records was accompanied by another CFTC official, listened to the arguments. I was joined on the phone by the general counsel for MF Global.

Later, I came to understand that the CFTC deferred consideration of the new rule.

C. Further Contacts

From the time that I joined MF Global through October 30, 2011, to the best of my recollection, I spoke with Chairman Gensler on only limited occasions. In addition to those contacts set forth above, I had a meeting with him in or about May 5, 2010, and I also met with him in or about December 2010. Those meetings were at the CFTC in Washington, and on those occasions there were other officials from the CFTC present.

In addition, Chairman Gensler and I had a few brief interactions at which there was, to the best of my recollection, no private discussions about the CFTC's regulation or oversight of MF Global. For example:

(a) He was a guest lecturer on government regulation at my class at Princeton on or about November 22, 2010. When he spoke at Princeton, there was another person from the CFTC present, and we did not discuss professional matters, except in the context of the class.

(b) I also attended a conference that was sponsored by the investment firm of Sandler & O'Neill on or about June 9, 2011. Chairman Gensler was there, as were others from the CFTC. I gave a presentation about MF Global at the conference, and Chairman Gensler gave the luncheon speech. I do not recall that I discussed any business with Chairman Gensler other than a question that I put to him before the full audience during a question and answer session

following his presentation. To the best of my recollection, the question was about proposed changes to Rule 1.25.

(c) In addition, on or about September 14, 2011, Chairman Gensler and I attended the wedding celebration of mutual friends. On that occasion, Chairman Gensler was not accompanied by anyone from the CFTC, but, again, we did not discuss business or regulatory matters so far as I recall.

On various occasions during my tenure at MF Global, I met or communicated with others at the CFTC about a variety of issues.

During my tenure at MF Global, to the best of my recollection I never spoke about business with Chairwoman Shapiro of the SEC, another of our regulators, or any other SEC commissioner. (I may have greeted Chairwoman Shapiro at a conference.) During my tenure at MF Global, to the best of my recollection, I never communicated with Secretary of the Treasury, Timothy Geithner.

During my tenure at MF Global, to the best of my recollection, I never spoke with the President of the New York Federal Reserve William Dudley until approximately the week preceding the bankruptcy of MF Global, other than on one occasion (on or about April 13, 2011) when he and I attended a speech at Princeton by Chairman Bernanke of the Federal Reserve. To the best of my recollection, Mr. Dudley and I greeted each other on that occasion, but did not engage in substantive conversation. During my tenure at MF Global, to the best of my recollection, I did not speak with any governor of the Federal Reserve other than to greet Chairman Bernanke after his presentation at Princeton.

The Events Of October 2011

The late summer and fall of 2011 were extraordinarily difficult times in the financial markets for almost all market participants. Like many comparable firms, MF Global was

experiencing poor earnings principally on account of diminished revenues, and highly correlated volatility in many markets.

On October 17, 2011, the *Wall Street Journal* published an article that described the FINRA ruling that MF Global had disclosed on September 1. Other news stories followed, and some of MF Global's counterparties decided to reduce their exposure to the company, requiring some adjustment in our financing. MF Global's stock began to perform relatively poorly.

On or about October 21 and 22, 2011 – in anticipation of a disappointing earnings announcement, and concerned that the ratings agencies would downgrade MF Global – I and several of my colleagues made presentations to the ratings agencies to put the earnings announcement in context. The firm customarily made presentations to the ratings agencies shortly before the firm's quarterly earnings announcements.

On Monday, October 24, 2011, Moody's cut MF Global's rating from Baa2 to Baa3, followed by another downgrade to Ba2, on October 27. Fitch followed suit, cutting the company's rating from BBB to BB+. On October 26, S&P placed MF Global on its "credit watch negative" list, although it did not downgrade its rating below investment grade.

MF Global announced its quarterly earnings on October 25, 2011. The announcement was made two days ahead of schedule so that the firm could get full information to the public in light of Moody's downgrade. The announcement revealed that MF Global had lost $191.6 million in the quarter that ended September 30, 2011.

In light of the attention that has been given to RTMs, and the press reports that attributed MF Global's loss to RTMs involving European debt securities, it is important to make clear here that the loss was *not* related to those positions. The lion's share of the quarterly loss was a write-off of approximately $119.4 million that reflected a valuation adjustment against a deferred tax

asset. That asset had been created by years of (non-RTM) tax losses cumulated (mostly before I arrived at MF Global) in the firm's United States and Japanese subsidiaries, which had allowed MF Global to recognize as an asset potential tax benefits – equal to $119.4 million – in future years. Under applicable accounting rules, by the second quarter of MF Global's 2011 fiscal year (i.e., the quarter ending September 30, 2011) the firm was no longer permitted to recognize those tax benefits as assets, and therefore, with the advice and knowledge of its external auditor, it recognized a loss in that amount.

In addition, approximately $16.1 million of the quarterly loss resulted from the retirement of debt arising out of MF Global's purchase of certain of its 9% senior notes due 2038. Another approximately $10.0 million was for "restructuring charges," which included the closure of our Japanese securities business. The remainder was miscellaneous matters including reserves for litigation, much of it arising out of events before I arrived at MF Global. Approximately $18 million was operating losses (again, not related to the RTMs).

Shortly following the earnings announcement and the ratings downgrades, some clients and counterparties withdrew their business from the firm; others required increased margins. The firm's stock traded at sharply higher volumes and lower prices.

During the week of October 24-28, 2011, MF Global undertook extraordinary steps to ensure that it was able to honor customers' requests to withdraw funds or collateral. To the best of my recollection, during that week the firm unwound hundreds of millions of dollars worth of RTMs, and sold the underlying sovereign debt instruments; it also sought to draw down its revolver loans from a consortium of banks led by J.P. Morgan. On October 27, MF Global sold, to the best of my recollection, $1.3 billion in commercial paper instruments for same-day settlement, and over $300 million in corporate securities, also for same-day settlement. The next

day, I believe that MF Global sold approximately $4.5 billion in United States agency securities. Over the course of the week, MF Global reduced the size of its match book by, to the best of my recollection, approximately $10 billion. Despite our best efforts to sell assets and generate liquidity, the marketplace lost confidence in the firm.

The firm was in regular contact with its regulators, including the CFTC, the Federal Reserve Bank of New York, the SEC and the U.K's Financial Services Authority, and the Chicago Mercantile Exchange (CME), the firm's designated self-regulatory organization.

The firm was also engaged in efforts to sell the FCM part of its business. It had been contemplating, for some time prior to the week of October 24, a strategic partnership involving the FCM business. On or about Tuesday, October 25, the firm retained an investment bank, Evercore, to explore selling that business. By the next day, MF Global instructed Evercore also to explore selling the entire firm. MF Global was in negotiations to sell the firm through the weekend of October 29-30. The sale did not take place when it was discovered that customer accounts could not be reconciled at that time.

The Unreconciled Accounts

Obviously on the forefront of everyone's mind – including mine – are the varying reports that customer accounts have not been reconciled. I was stunned when I was told on Sunday, October 30, 2011, that MF Global could not account for many hundreds of millions of dollars of client money. I remain deeply concerned about the impact that the unreconciled and frozen funds have had on MF Global's customers and others.

As the chief executive officer of MF Global, I ultimately had overall responsibility for the firm. I did not, however, generally involve myself in the mechanics of the clearing and settlement of trades, or in the movement of cash and collateral. Nor was I an expert on the complicated rules and regulations governing the various different operating businesses that

comprised MF Global. I had little expertise or experience in those operational aspects of the business.

Again, I want to emphasize that, since my resignation from MF Global on November 3, 2011, I have not had access to the information that I would need to understand what happened. It is extremely difficult for me to reconstruct the events that occurred during the chaotic days and the last hours leading up to the bankruptcy filing.

I simply do not know where the money is, or why the accounts have not been reconciled to date. I do not know which accounts are unreconciled or whether the unreconciled accounts were or were not subject to the segregation rules. Moreover, there were an extraordinary number of transactions during MF Global's last few days, and I do not know, for example, whether there were operational errors at MF Global or elsewhere, or whether banks and counterparties have held onto funds that should rightfully have been returned to MF Global. I am sure that the trustee in bankruptcy, the SIPC receiver, and the regulators are working to answer these questions and to understand precisely what happened during the firm's last days and hours.

As the chief executive officer of MF Global, I tried to exercise my best judgment on behalf of MF Global's customers, employees and shareholders. Once again, let me go back to where I started: I sincerely apologize, both personally and on behalf of the company, to our customers, our employees and our investors, who are bearing the brunt of the impact of the firm's bankruptcy.

That concludes my prepared statement. I am willing to answer the Committee's questions.

[1] See FY 2009 Form 10-K (for fiscal year ended March 31, 2009) (filed on June 10, 2009), at pp. 3-4 ("Description of Business").

[2]

Quarter	Profit/(Loss)	Source
4Q 2010	($96.5 million)	News Release, "MF Global Reports Fourth Quarter and Fiscal Year 2010 Results," May 20, 2010, at p. 1 (filed with Form 8-K on May 20, 2010)
3Q 2010	($22.3 million)	News Release, "MF Global Reports Third Quarter 2010 Results," Feb. 4, 2010, at p. 1 (filed with Form 8-K on Feb. 4, 2010).
2Q 2010	($16.0 million)	News Release, "MF Global Reports Second Quarter 2010 Results," Nov. 5, 2009, at p. 1 (filed with Form 8-K on Nov. 5, 2009).
1Q 2010	($32.8 million)	News Release, "MF Global Reports First Quarter 2010 Results," Aug. 6, 2009, at p. 1 (filed with Form 8-K on Aug. 6, 2009).
4Q 2009	($119.4 million)	News Release, "MF Global Reports Fourth Quarter and Fiscal Year 2009 Results," May 21, 2009, at p. 7 (Consolidated & Combined Statements of Operations) (filed with Form 8-K on May 21, 2009).

[3]

Quarter	Profit/(Loss)	Source
FY 2010	($167.7 million)	News Release, "MF Global Reports Fourth Quarter and Fiscal Year 2010 Results," May 20, 2010, at p. 1 (filed with Form 8-K on May 20, 2010).
FY 2009	($69.2 million)	News Release, "MF Global Reports Fourth Quarter and Fiscal Year 2009 Results," May 21, 2009, at p. 7 (Consolidated & Combined Statements of Operations) (filed with Form 8-K on May 21, 2009).
FY 2008	($71.1 million)	News Release, "MF Global Reports Record Fourth Quarter and Fiscal Year 2008 Results," May 20, 2008, at p. 1 (filed with Form 8-K on May 20, 2008)

[4] See, e.g., FY 2011 Form 10-K filing (for fiscal year ended March 31, 2011) (filed May 20, 2011), at p. 6 ("Growth Strategy"); id. at 15.

[5] In February 2008, MF Global suffered a loss of $141.0 million, following an unauthorized trading incident involving wheat futures ("Dooley Trading Incident"). Criminal charges were brought against the trader, Evan Dooley. MF Global, among other things, entered into a settlement with the CFTC, under which the company agreed to specific undertakings relating to risk management, including the engagement of an independent outside consultant (Promontory). See FY 2010 Form 10-K (for fiscal year ended Mar. 31, 2010) (filed May 28, 2010), at p. 35.

[6] My Equity Acquisitions in MF Global

04/07/2010	Granted 2,500,000 stock options (granted as part of my initial compensation)
06/03/2010	Bought 352,100 common shares at $7.10, in a public offering
05/20/2011	Granted 1,600,000 stock options (granted at the time of my contract extension)
06/09-11/2011	Bought 36,100 common shares at between $6.85 and $6.92, on the market
08/08/2011	Bought 33,960 common shares at $5.71 and $5.91, on the market
08/10/2011	Bought 1,000 common shares at $5.41, on the market
08/18/2011	Bought 18,800 common shares at $5.25, on the market

I never sold any shares or options.

[7] Leverage is calculated by dividing (a) the reported total assets, by the sum of (b) total equity and (c) preferred shares. The relevant data can be found in MF Global's consolidated balance sheets, which are contained in the firm's quarterly (Form 10-Q) or annual (Form 10-K) financial statements.

[8] These risks were described in, for example, MF Global's Form 10-Q for the period ending June 30, 2011 (filed August 3, 2011), at p. 76:

> Under the Company's repurchase agreements, including those repurchase agreements accounted for as sales, its counterparties may require the Company to post additional margin at any time, as a means for securing its ability to repurchase the underlying collateral during the term of the repurchase agreement. Accordingly, repurchase agreements create liquidity risk for the Company because if the value of the collateral underlying the repurchase agreement decreases, whether because of market conditions or because there are issuer-specific concerns with respect to the collateral, the Company will be required to post additional margin, which the Company may not readily have. If the value of the collateral were permanently impaired (for example, if the issuer of the collateral defaults on its obligations), the Company would be required to repurchase the collateral at the contracted-for purchase price upon the expiration of the repurchase agreement, causing the Company to recognize a loss. Also, margin funds that are posted by the Company cannot be used by it for other purposes, which may limit the Company's ability to deploy its capital in an optimal manner or to effectively implement its growth strategy. For information about these exposures and forward purchase commitments, see "—Off Balance Sheet Arrangements and Risk" and "Item 3. Quantitative and Qualitative Disclosures about Market Risk—Disclosures about Market Risk—Risk Management."

[9] See, e.g., FY 2011 Form 10-K, at p. 78 ("From time to time, and in addition to short positions in our non-trading book, we also take short positions in our trading book to mitigate our issuer credit risk further.").

[10] See Notes 5 & 7 to Consolidated & Combined Financial Statements, FY 2010 Form 10-K, at p. 112-13.

[11] See id. at pp. 100, 112 (describing accounting treatment of RTMs).

[12] The current ratings are as follows:

Belgium:	AA negative (S&P)	AA+ negative (Fitch)	Aa1possible downgrade (Moody's)
Italy:	A negative (S&P)	A+ negative (Fitch)	A2 negative (Moody's)
Spain:	AA- negative (S&P)	AA- negative (Fitch)	A1 negative (Moody's).

The credit ratings above were obtained from the websites of the three major credit rating agencies on December 6, 2011. See http://www.standardandpoors.com/ratings/en/us/; www.fitchratings.com; www.moodys.com.

[13] FY 2011 Form 10-K, at pp. 77-78; see also id. at pp. 99-100.

[14] Id. at p. 100.

[15] Note 3, to Consolidated & Combined Financial Statements, 1Q FY 2012 Form 10-Q, at pp. 13-14 (filed Aug. 3, 2011).

[16] Id. at p. 90 (table).

[17] Earnings call, "MF Global Holdings' CEO Discusses F1Q2012 Results," July 28, 2011, at p. 4.

[18] "Additional Information," Q1 FY 2012 Form 10-Q/A, at p. 2.

[19] The CFTC received over 30 comment letters related to topics covered by the proposed changes. Many of these letters commented on the same proposed changes on which MF Global commented. As examples, both the CME and the Futures Industry Association ("FIA") in conjunction with the International Swaps and Derivatives Association ("ISDA"), Inc. challenged, among other things, the proposed amendments regarding permissible investments and internal repurchase transactions. The comments provided by the CME, FIA and ISDA advocated that an FCM should be permitted to invest in certain types of foreign sovereign debt and also advocated that FCMs should be able to engage in repurchase transactions and reverse repurchase transactions with affiliates and to engage in in-house transactions. Both JP Morgan Futures, Inc. and Morgan Stanley took similar positions.