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Trustee for the SIPA Liquidation of MF Global Inc.

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re

MF GLOBAL INC.,

Debtor.

Case No. 11-2790 (MG) SIPA

**NOTICE OF MOTION OF JAMES W. GIDDENS, SIPA TRUSTEE FOR LIQUIDATION
OF MF GLOBAL INC., TO APPROVE FIRST INTERIM DISTRIBUTION
FOR ALLOWED COMMODITY FUTURES CLAIMS**

PLEASE TAKE NOTICE that on March 15, 2012, James W. Giddens (the “Trustee”), as Trustee for the liquidation of the business of MF Global Inc. (“MFGI” or the “Debtor”), under the Securities Investor Protection Act (“SIPA”) of 1970, as amended 15 U.S.C. § 78aaa *et seq.*,¹ by and through his undersigned counsel, filed a motion (the “Motion”), pursuant to SIPA section 78fff-1(b), sections 105(a) and 766(c) of title 11 of the United States Code (the “Bankruptcy Code”), and 17 C.F.R. §§ 190.01 through 190.10 (the “Part 190 Regulations”), for

1. For convenience, subsequent references to SIPA will omit “15 U.S.C.”

entry of an order (the “Order”) approving the first interim distribution for allowed commodity futures claims.

PLEASE TAKE FURTHER NOTICE that a hearing on the Motion will be held before the Honorable Martin Glenn, United States Bankruptcy Judge, at the United States Bankruptcy Court for the Southern District of New York, Courtroom 501, One Bowling Green, New York, New York, 10004 (the “Bankruptcy Court”), on **April 12, 2012 at 10:00 a.m.** (Prevailing Eastern Time) or as soon thereafter as counsel may be heard (the “Hearing”).

PLEASE TAKE FURTHER NOTICE that responses, if any, to entry of the Order must (i) be in writing; (ii) state the name and address of the objecting party and nature of the claim or interest of such party; (iii) state with particularity the legal and factual bases of such objection; (iv) conform to the Federal Rules of Bankruptcy Procedure and Local Bankruptcy Rules; (v) be filed with the Bankruptcy Court, together with proof of service, electronically, in accordance with General Order M-399, by registered users of the Court’s Electronic Case Filing System, and by all other parties in interest, on a 3.5 inch disk, compact disk, or flash drive, preferably in Portable Document Format (PDF), WordPerfect or any other Windows-based word processing format no later than **March 30, 2012 at 4:00 p.m.** (the “Response Deadline”); and (vi) be served on (a) Hughes Hubbard & Reed LLP, One Battery Park Plaza, New York, New York, 10004, Attn: Christopher K. Kiplok, Esq., Jeffrey S. Margolin, Esq., and Eleni D. Theodosiou-Pisanelli, Esq.; (b) the Securities Investor Protection Corporation, 805 Fifteenth Street, N.W., Suite 800, Washington, D.C., 20005, Attn: Josephine Wang, Esq. and Christopher H. LaRosa, Esq.; and (c) the Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street N.W., Washington, D.C., 20581, Attn: Martin B. White, Esq., with a courtesy

copy to the chambers of the Honorable Martin Glenn, United States Bankruptcy Court,
Courtroom 501, One Bowling Green, New York, New York, 10004.

PLEASE TAKE FURTHER NOTICE that objecting parties are required to
attend the Hearing, and failure to appear may result in relief being granted or denied upon
default.

Dated: New York, New York
March 15, 2012

HUGHES HUBBARD & REED LLP

By: /s/ James B. Kobak, Jr.
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In re

MF GLOBAL INC.,

Debtor.

Case No. 11-2790 (MG) SIPA

**MOTION OF JAMES W. GIDDENS, SIPA TRUSTEE FOR LIQUIDATION
OF MF GLOBAL INC., TO APPROVE FIRST INTERIM DISTRIBUTION
FOR ALLOWED COMMODITY FUTURES CLAIMS**

James W. Giddens (the “Trustee”), as Trustee for the liquidation of the business of MF Global Inc. (“MFGI” or the “Debtor”) under the Securities Investor Protection Act of 1970, as amended (“SIPA”), 15 U.S.C. §§ 78aaa *et seq.*,¹ by and through his undersigned counsel, respectfully makes this motion (the “Motion”), pursuant to SIPA section 78fff-1(b), sections 105(a) and 766(c) of title 11 of the United States Code (the “Bankruptcy Code”), and 17 C.F.R. §§ 190.01 through 190.10 (the “Part 190 Regulations”), for entry of an order approving

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the first interim claims distribution of commodities customer property for allowed customer claims (the “First Interim Claims Distribution” or the “Distribution”). In support of the Motion, the Trustee respectfully states as follows:

PRELIMINARY STATEMENT

1. By this Motion, the Trustee seeks authority from the Court to make additional distributions to former MFGI futures customers who traded on U.S. exchanges as well as to make a distribution, for the first time, to those former MFGI futures customers who traded on foreign exchanges.

2. Through three Court-approved bulk transfers, in accordance with 17 C.F.R. § 190.06, the Trustee has distributed more than \$3.9 billion of Segregated Funds and other domestically held property for the benefit of MFGI’s former commodity futures customers through transfers to other futures commission merchants (“FCMs”) facilitated by derivative clearing organizations (“DCOs”), such as the Chicago Mercantile Exchange, Inc. (the “CME”) (ECF Nos. 14, 316 and 717).

3. The Trustee now seeks the Court’s approval to effect claims distributions of (i) up to \$600 million of customer property held as segregated by MFGI for its former customers pursuant to section 4d of the Commodity Exchange Act, 7 U.S.C. §§ 1 *et seq.* (the “Segregated Funds”);² (ii) approximately \$50 million of customer property associated with

2. The Trustee also seeks to distribute, on the same pro rata basis as the Segregated Funds, certain customer property held by MFGI as “suspended” property. For example, when a customer deposited funds in a single transaction of more than \$20,000, MFGI would suspend crediting those funds for five days pending the full clearance of that transaction. Therefore, in the case of customers who made such deposits within the five days immediately prior to MFGI’s liquidation, such customers’ accounts did not reflect the credits of their deposits, and they could not benefit from the prior Court-ordered bulk transfers. As the property qualifies as “customer property,” it is still subject to pro rata distribution as customer property.

commodity transactions in foreign markets secured pursuant to 17 C.F.R. § 30.7 (the “Secured Funds”); and (iii) approximately \$35 million of customer property (the “Delivery Funds”) to claimants with allowed claims for property within a domestic delivery class (the “Delivery Class”) to be identified by the Trustee and approved by the Court. With this Court’s approval, the Trustee, in consultation with the Securities Investor Protection Corporation (“SIPC”) and the Commodity Futures Trading Commission (“CFTC”), seeks to make direct distributions—as allowed by SIPA and the Bankruptcy Code—pursuant to 17 C.F.R. § 190.04(e)(2), which governs disbursements to claimants who filed claims as required under 17 C.F.R. § 190.08(d)(4).

4. Since his appointment, the Trustee’s primary goal has been to marshal the assets of MFGI expeditiously and to reconcile the books and records of MFGI as quickly as possible to make as full and as prompt a distribution of customer property to MFGI’s former customers as the circumstances and the law will allow. In the face of the unprecedented circumstances of MFGI’s demise, and an apparent significant shortfall in all classes of customer property, this Motion furthers that goal to the greatest extent possible under the law. The Trustee believes that seeking the authority to make these additional distributions is prudent and appropriate, in part because of the success in collecting and marshaling funds since the start of the MFGI liquidation.

5. By this Motion, the Trustee proposes to distribute, upon approval of the Court, an additional approximately \$600 million of Segregated Funds, approximately \$50 million of Secured Funds, and to establish a Delivery Class and distribute approximately \$35 million of Delivery Funds to claimants with allowed claims from property in that class (as further described below). These funds would be distributed to former futures customer claimants who timely filed claims and have received and agreed to the Trustee’s determination of their

claims (each a “Finalized Claim”), on a rolling basis. As ordered by the Court when approving the Trustee’s Expedited Application to Establish Parallel Customer Claims Processes (the “Claims Process Order,” ECF. 423), all claimants who do not agree with the Trustee’s determination of their claims have the opportunity to object and, to the extent such objections cannot be resolved without judicial intervention, the Claims Process Order includes mechanisms for seeking orderly resolution by this Court.

6. The Trustee is obligated to distribute customer property to public customers on a pro rata basis, by account class. *See, e.g.*, 17 C.F.R. § 190.07(c). To date, all bulk transfers were based on the unaudited books and records of MFGI with the understanding that each claimant’s Finalized Claim would be the ultimate and final resolution of the estate’s obligation to that customer. Therefore, for example, the 72% bulk transfer distribution of Segregated Funds that a customer received through the bulk transfer process might have been more or less than 72% of his or her Finalized Claim. The proposed First Interim Claims Distribution would provide a ratable distribution, by account class, based on the Finalized Claims, while accounting for the Segregated Funds and Delivery Funds that some former MFGI customers already received in the bulk transfer process.

7. It is not possible at this time to determine the timeframe for start or completion of the First Interim Claims Distribution, nor the precise percentage of each former customer’s Finalized Claim that will have been distributed once the First Interim Claims Distribution is complete. At this point, the Trustee’s best estimates of expected distribution percentages are over 80% of each Finalized Claim for Segregated Funds, over 80% of each Finalized Claim for Delivery Funds, and somewhat less than 10% of each Finalized Claim for Secured Funds. Segregated Funds and Delivery Funds that claimants have already received

through the bulk transfer process would be accounted for, and would be supplemented by the funds distributed through this proposed First Interim Claims Distribution.

8. The Trustee would still maintain proper contingency amounts for each class of customer property, ensuring fair treatment of all of MFGI's futures customers and reserving amounts sufficient to address any claim determinations that may be disputed, as well as the claims of MFGI's former foreign affiliates on behalf of those affiliates' customers, which have not received any distributions to date, through bulk transfers or otherwise. The Trustee expects to maintain approximately \$700 million in Segregated Funds (of which about one-half is claimed by foreign affiliates on behalf of their customers), approximately \$10 million in Delivery Funds, and approximately \$40 million in Secured Funds, in each case, to address potential disputes and, when practicable, make other interim distributions or a final distribution.

9. Because all claimants will be afforded due process with respect to their claims—whether or not those claims are ultimately deemed meritorious—the Trustee must balance his efforts to make a current distribution of as much customer property as possible, as quickly as possible, with the necessity of maintaining a sufficient reserve pending the final resolution of all claims.

10. While the extent of the apparent shortfall of customer property across all classes is not known with certainty at this time, the Trustee has determined that the relief sought herein—including maintaining a reasonable reserve in all classes of customer property—is prudent and consistent with the purpose of SIPA and the regulations of the CFTC to provide prompt, but fair, pro rata treatment of customers to the greatest extent possible.

FACTUAL BACKGROUND

11. On October 31, 2011 (the "Filing Date"), the Honorable Paul A. Engelmayer, United States District Court Judge for the Southern District of New York, entered

an order (the “MFGI Liquidation Order”) commencing the liquidation of MFGI pursuant to the provisions of SIPA in the case captioned *Securities Investor Protection Corp. v. MF Global Inc.*, Case No. 11-CIV-7750 (PAE).

12. The MFGI Liquidation Order, *inter alia*: (i) appointed James W. Giddens as Trustee for the liquidation of the business of MFGI pursuant to SIPA section 78eee(b)(3), and (ii) removed the case to this Court as required for SIPA cases by SIPA section 78eee(b)(4) (the “SIPA Proceeding”).

The Bulk Transfers

13. The first Court-approved bulk transfer of open commodity contracts and a percentage of the associated margining collateral (the “First Bulk Transfer”), required the active participation and cooperation of the CME and other participating DCOs, and the Trustee was, in large part, dependent on their records to transfer property and accounts to new FCMs. To facilitate and achieve the First Bulk Transfer, the Trustee permitted the DCOs, under authority of the Court’s Order entered on November 2, 2011 (ECF No. 14), to use MFGI’s records of open trades on the relevant exchanges to assist in indentifying transferee FCMs and allocating positions and collateral for MFGI’s former customers at their new FCMs. This allocation was complex, and, as it was completed, the DCOs began the process of providing data to the Trustee so that MFGI’s books and records could be updated to reflect the allocations of the First Bulk Transfer of open commodity contracts and associated collateral.

14. The second bulk transfer, authorized by the Court’s November 17, 2011 Order (ECF No. 316) for the benefit of former MFGI commodity futures customers that had only cash or cash equivalents in their accounts as of the Filing Date (the “Second Bulk Transfer”) was effected based upon the books and records of MFGI, in consultation with the DCOs.

15. To effect the third bulk transfer (the “Third Bulk Transfer”), the Trustee relied on reconciliation data provided by the DCOs to determine what additional amounts of Segregated Funds were required to distribute equalizing pro rata shares of Segregated Funds—ultimately 72% of the net liquidating value of each reconciled domestic account. The Trustee was also authorized to distribute, via bulk transfer, non-liquid assets, such as warehouse receipts, precious metal certificates, shipping certificates, and other certificates of title for commodities held by MFGI for its customers (“Physical Customer Property”) in the same 72% pro rata share, by deferring an ultimate determination of whether or not any of the Physical Customer Property was in a separate customer class from Segregated Funds. The vast majority of customers received their transferred funds within weeks of the Court’s December 12, 2011 Order approving the Third Bulk Transfer (ECF No. 717), although a few distributions and corrective transfers are still in progress.

JURISDICTION AND VENUE

16. Following removal to this Court, this Court has “all of the jurisdiction, powers, and duties conferred by [SIPA] upon the court to which the application for the issuance of the protective decree was made.” SIPA § 78eee(b)(4).

17. Venue is proper in this Court pursuant to SIPA § 78eee(a)(3) and 15 U.S.C. § 78aa.

RELIEF REQUESTED

18. By this Motion, the Trustee respectfully seeks an Order of the Court, in the form attached hereto as Exhibit A, approving the relief requested herein, in the following manner, under SIPA section 78fff-1(b), Bankruptcy Code sections 105(a) and 766(c), and the Part 190 Regulations of the CFTC applicable to this SIPA Proceeding.

19. The proposed First Interim Claims Distribution would continue to allow the Trustee to return as much customer property as practicable as quickly as possible. The previous bulk transfers, effected pursuant to the Part 190 Regulations as incorporated by SIPA and the Bankruptcy Code, were made in reliance on the unaudited books and records of MFGI, and not based on claims filed by customers. The Trustee now seeks the authority to: (i) distribute up to approximately \$600 million of Segregated Funds; (ii) distribute up to approximately \$50 million of Secured Funds; and (iii) to establish a Delivery Class and distribute up to approximately \$35 million of Delivery Funds to claimants with allowed claims for property within the Delivery Class. If approved by the Court, the First Interim Claims Distribution would be made, on a rolling basis, to those public customers who filed claims and have agreed with the Trustee's determination of their claims, including the amounts and the classes of customer property underlying their claims. Distributions would begin when a significant number of claim determinations have become final and after documentation from former customers with allowed claims is received. Customers who object to any aspect of the Trustee's determination of their claims would still be afforded their due process rights to have this Court hear their objections where the dispute cannot be resolved by mutual agreement without judicial intervention. Ultimately, upon final resolution of a disputed claim, either by judicial order or negotiation, the claimant will still be entitled to receive his or her pro rata share under this First Interim Claims Distribution and any subsequent interim or final distributions.

The Proposed First Interim Claims Distribution

20. The proposed First Interim Claims Distribution seeks to distribute customer property to MFGI's former public customers for multiple account classes:

- Segregated Funds (including suspended funds)—the class of assets used to support domestic futures trading;
- Secured Funds—the class of assets used to support foreign futures trading; and
- Delivery Funds—the class of assets comprising a separate Delivery Class.

21. The Segregated Funds are from the same pool of customer property that nearly exclusively made up the funds transferred for the benefit of customers through the bulk transfer process. Only a small portion of the Secured Funds have been recovered thus far, and no transfers or distributions from this pool of assets have been authorized to date. The Delivery Class was not yet identified at the time of the bulk transfers, and Physical Customer Property was distributed on the same pro rata basis as Segregated Funds, pending a determination of whether and to what extent such property was part of a separate class.

The Delivery Class

22. As the Trustee stated in his submission to the Court regarding the legal principles and framework for the allocation and distribution of customer property (ECF No. 726), the Part 190 Regulations identify six potential account classes: futures accounts, foreign futures accounts, leverage accounts, commodity option accounts, delivery accounts, and cleared OTC derivatives accounts. *See* ECF No. 726 at ¶ 22; 17 C.F.R. § 190.01(a). The Trustee set forth the legal principles governing the separate delivery class, and noted that “[w]hether a claimant’s property potentially falling within the ‘delivery account’ class ... meets the [] criteria in the regulations will be determined in the claims process.” ECF No. 726 at ¶ 24. The Trustee is now in a position to identify the Delivery Class, and, as such, make a separate distribution to

claimants with allowed claims for property within this class.³ Claimants are still free—as part of their individual claims determination and resolution process—to object to the Trustee’s classification of their property, along with all other rights, but if claimants agree to the Trustee’s determinations, the Trustee has identified the separate pool of Delivery Funds from which to make distributions on Final Claims for property within the Delivery Class.

23. Pursuant to 17 C.F.R. § 190.01(a), an “[a]ccount class means each of the following types of customer accounts which must be recognized as a separate class of account by the trustee: futures accounts, foreign futures accounts, leverage accounts, commodity option accounts, **delivery accounts as defined in [17 C.F.R.] §190.05(a)(2) . . .**” (emphasis added). Under 17 C.F.R. § 190.05(a)(2), a “[d]elivery account shall mean any account prominently designated as such in the records of the debtor which contains only the specifically identifiable property associated with delivery set forth in § 190.01(kk)(3), (4), and (5), except that with respect to § 190.01(kk)(4) and (5), delivery need not be made or taken and exercise need not be effected for such property to be included in a delivery account.”⁴

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3. There does not yet appear to be sufficient factual information to determine if separately identifiable leverage, commodity option, and cleared OTC derivative classes exist.
 4. 17 C.F.R. § 190.01(kk)(3), (4) and (5) define specifically identifiable property and read as follows:
 - (3) With respect to warehouse receipts, bills of lading or other documents of title, or physical commodities received, acquired, or held by or for the account of the debtor for the purpose of making or taking delivery or exercise from or for the account of a customer, any such document of title or commodity which as of the entry of the order for relief can be identified on the books and records of the debtor as received from or for the account of a particular customer as held specifically for the purpose of delivery or exercise.
 - (4) Any cash or other property deposited prior to the entry of the order for relief to pay for the taking of physical delivery on a long futures contract or for payment of the strike price upon exercise of a short put or a long call option contract on a physical commodity, which cannot be settled in cash, in excess of the amount necessary to margin such commodity contract prior to the notice date or exercise date, which cash or other property is identified on the books and records of the debtor as received from or for the account of a particular customer on or after three business days before the first notice date or three business days

(Footnote continued on next page)

24. All Physical Customer Property was, in fact, prominently designated in the records of MFGI as associated with an “F/D” portion of the account. Additionally, in the ordinary course, when a customer sought to deliver Physical Customer Property to fulfill a contractual obligation to sell, the proceeds of such sale (once cleared and posted to MFGI) were ultimately recorded in the “F/D” portion of the account. Indeed, some customers had pre-existing “F/D” credits as of the Filing Date (“Delivery Credits”)—the result of previous proceeds from making delivery. Significantly, the funds associated with such Delivery Credits were not required to be segregated under section 4d of the Commodity Exchange Act, and, in fact, were not so segregated. Additionally, the proceeds of delivery transactions that were processed in the days immediately around the Filing Date were generally suspended due to MFGI’s liquidation and held at the DCOs as “Frozen Proceeds.” Had MFGI not entered into liquidation, such Frozen Proceeds would have been credited to “F/D” portions of customers’ accounts (and would have appeared as Delivery Credits). If a customer had taken delivery of Physical Customer Property without sufficient funds (which happened in a handful of cases), the debit created by such a transaction was also recorded in the “F/D” portion of the account (“Delivery Debits”).

(Footnote continued from previous page)

before the exercise date specifically for the purpose of payment of the notice price upon taking delivery or the strike price upon exercise, respectively, and such customer takes delivery or exercises the option in accordance with the applicable contract market rules.

- (5) The cash price tendered for any property deposited prior to the entry of the order for relief to make physical delivery on a short futures contract or for exercise of a long put or a short call option contract on a physical commodity, which cannot be settled in cash, to the extent it exceeds the amount necessary to margin such contract prior to the notice date or exercise date, which property is identified on the books and records of the debtor as received from or for the account of a particular customer on or after three business days before the first notice date or three business days before the exercise date specifically for the purpose of a delivery or exercise, respectively, and such customer makes delivery or exercises the option in accordance with the applicable contract market rules.

25. The identifiable Delivery Class, therefore, is comprised of all Physical Customer Property accounts, including Physical Customer Property that has been or will be reduced to cash in any manner, either before or after the Filing Date. The Delivery Class includes pre-existing Delivery Credits as well as Frozen Proceeds and funds obtained post-Filing Date when Physical Customer Property was either (i) delivered against a customer's obligation to deliver via restricted delivery; (ii) transferred to customers to effect the 72% distribution of the combined value of their Physical Customer Property and other domestic assets (including cash deposits posted by some customers to enable them to receive Physical Customer Property with an aggregate value above the 72% pro rata distribution to which they were entitled); or (iii) otherwise liquidated. The Delivery Class has its own shortfall, primarily because pre-existing Delivery Credits—which were not required to be segregated—were in fact not segregated and are among the missing MFGI customer funds. Subject to further reconciliation, it appears that the shortfall in Delivery Funds will likely be somewhat smaller than the shortfall in Segregated Funds.

26. The identification of the Delivery Class will not affect a customer's rights to object to or contest the Trustee's determination of the customer's claim on the grounds that the property was incorrectly classified by MFGI or for any other reason.

27. SIPC has authorized the undersigned to state that SIPC approves the relief requested in this Motion.

BASIS FOR RELIEF REQUESTED

28. Where, as here, an FCM is liquidated under SIPA, SIPA imposes all of the duties of a trustee under the commodity broker liquidation provisions of chapter 7 of the

Bankruptcy Code,⁵ to the extent consistent with SIPA, except for the duty to liquidate securities positions held in the debtor's estate. SIPA § 78fff-1(b). The Commodity Exchange Act and the regulations promulgated by the CFTC thereunder set forth different segregation requirements based on the type of trading that a customer was undertaking through the commodity broker (e.g., trading futures and options on futures on U.S. contract markets versus trading futures and options on futures on foreign contract markets); a trustee under the Bankruptcy Code's commodity broker liquidation provisions has a duty to allocate and distribute customer property under these rules. 17 C.F.R. § 190.08. Pursuant to the Part 190 Regulations, and consistent with SIPA, a trustee liquidating a commodity broker has a duty to seek and to effect the transfer of open customer contracts and equity. 17 C.F.R. § 190.02(e)(1); *see also* 1 Collier on Bankruptcy ¶¶ 12.02[2] and 12.06[2] (16th ed. 2011). Where, as here, the Trustee has sought and effected transfers of open customer contracts and equity (through three separate Court-approved bulk transfers), the Trustee must next turn to the orderly determination of creditors' proofs of claim, and distributions to customers may be made only to those customers who filed a proof of claim. *See* 17 C.F.R. § 190.08(d)(4). Pursuant to 17 C.F.R. § 190.04(e)(2), however, a disbursement such as the one proposed herein requires this Court's approval.

29. The First Interim Claims Distribution proposed in this Motion may be considered a partial pro rata distribution, pursuant to the plan set forth herein, made in accordance with 17 C.F.R. § 190.08(d)(5).

30. The Court is empowered to grant this Motion, under SIPA section 78fff-1(b), and section 105(a) of the Bankruptcy Code, which authorizes the Court to "issue any order,

5. The Bankruptcy Code's commodity broker liquidation provisions are found in 11 U.S.C. §§ 761-767.

process, or judgment that is necessary or appropriate to carry out the provisions of this title.” 11 U.S.C. § 105(a). In practice, section 105(a) of the Bankruptcy Code grants bankruptcy courts broad statutory authority to enforce the Bankruptcy Code’s provisions either under the specific statutory language of the Bankruptcy Code or under equitable common law doctrines. *See Momentum Mfg. Corp. v. Employee Creditors Comm. (In re Momentum Mfg. Corp.)*, 25 F.3d 1132, 1136 (2d Cir. 1994).

31. Thus, SIPA, the Bankruptcy Code, and the Part 190 Regulations recognize that, in appropriate cases such as this one, the Trustee may be given approval to effect the interim distribution of customer property to claimants who have received their claim determinations and have agreed to a Final Claim, while protecting the public interest as a whole and without preferring any of MFGI’s former customers at the expense of any others. The ongoing cooperation of SIPC and the CFTC will continue to play a pivotal role in implementing the relief requested.

32. In conjunction with the First, Second, and Third Bulk Transfers, the relief sought in this Motion will result in the orderly and immediate return of substantial amounts of customer property to MFGI’s former futures customers within weeks of the January 31, 2012 bar date for commodity customer claims in one of the largest liquidation proceedings in history.

33. This proposed First Interim Claims Distribution is in the best interests of MFGI’s former commodity customers. It will allow those former customer claimants with allowed, undisputed claims to receive as much of their claimed property as may be prudently distributed, even as additional claims are determined and finalized.

CONCLUSION

WHEREFORE, the Trustee respectfully requests that this Court enter an Order, in the form attached hereto as Exhibit A, and grant the Trustee such other and further relief as is just and proper.

Dated: New York, New York
March 15, 2012

HUGHES HUBBARD & REED LLP

By: /s/ James B. Kobak, Jr.
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Attorneys for James W. Giddens, Trustee for
the SIPA Liquidation of MF Global Inc.

EXHIBIT A

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re

MF GLOBAL INC.,

Debtor.

Case No. 11-2790 (MG) SIPA

**[PROPOSED] ORDER GRANTING MOTION OF JAMES W. GIDDENS, SIPA
TRUSTEE FOR LIQUIDATION OF MF GLOBAL INC., TO APPROVE
FIRST INTERIM DISTRIBUTION FOR ALLOWED
COMMODITY FUTURES CLAIMS**

Upon consideration of the Motion¹ dated March 15, 2012, of James W. Giddens (the “Trustee”), as Trustee for the liquidation of the business of MF Global Inc. (“MFGI” or the “Debtor”) under the Securities Investor Protection Act (“SIPA”), pursuant to SIPA section 78fff-1(b), sections 105(a) and 766(c) of title 11 of the United States Code (the “Bankruptcy Code”), and 17 C.F.R. sections 190.01 through 190.10 (the “Part 190 Regulations”), for entry of an order approving the First Interim Claims Distribution of MFGI’s former commodity futures customers’ property to customer claimants who have received and agreed to the final determination of their claim; and the Court having jurisdiction to consider the Motion and relief requested therein pursuant to SIPA section 78eee(b)(4); and it appearing that due and proper notice of the Motion and the relief requested therein having been given, and no other further notice needing to be given; and SIPC supporting and approving the distributions as described in the Motion; and the Court having reviewed the Motion and determined that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein, to wit, that the distributions described in

1. Capitalized terms not otherwise defined herein shall have the meanings given to them in the Motion.

the Motion and set forth below will effectuate the terms and purpose of the Order of the District Court entered on October 31, 2011 commencing this liquidation of MFGI (the “MFGI Liquidation Order”), and are appropriate exercises of the Trustee’s authority pursuant to the MFGI Liquidation Order, SIPA section 78fff-1(b), Bankruptcy Code sections 105(a) and 766(c), and the Part 190 Regulations; and after due deliberation and sufficient cause appearing therefore, it is hereby

ORDERED that the Motion is granted in all respects; and it is further

ORDERED that, under SIPA section 78fff-1(b), Bankruptcy Code section 766(c), and the Part 190 Regulations, the Trustee is authorized and shall use his best efforts to effect distributions of up to approximately \$600 million of Segregated Funds, approximately \$50 million of Secured Funds, and to establish a Delivery Class and distribute approximately \$35 million of Delivery Funds to claimants with allowed claims for property within the Delivery Class (the Segregated Funds, Secured Funds, and Delivery Funds each comprising a separate “Class” of customer property, and collectively, the “Classes”), while maintaining an appropriate reserve in each of the Classes; and it is further

ORDERED that the First Interim Claims Distribution is a necessary step to implement the MFGI Liquidation Order and the purposes of this SIPA Proceeding as described at the time of execution of the MFGI Liquidation Order; and it is further

ORDERED that the Trustee is authorized to execute, deliver, implement and fully perform any and all obligations, instruments, documents, and papers, and to take any and all actions reasonably necessary to consummate the distributions contemplated by this Order; and it is further

ORDERED that the Court shall retain exclusive jurisdiction to implement and enforce the provisions of this Order, including all disputes related to the distributions; and it is further

ORDERED that the failure to specifically include any particular provision in this Order shall not diminish or impair the effectiveness of such provision, it being the intent of the Court that the Trustee's implementation of the distributions be approved in their entirety; and it is further

ORDERED that any stay of this Order provided by the Bankruptcy Rules or other applicable law shall not be applicable to this Order, and this Order shall be effective and enforceable immediately upon entry.

Dated: April __, 2012
New York, New York

HONORABLE MARTIN GLENN
UNITED STATES BANKRUPTCY JUDGE