

## Timeline of events: CFTC and MF Global bankruptcy

- Several CFTC financial analysts based in Chicago sought to obtain segregated funds numbers from MF Global from October 26-28. They were trying to ascertain whether the firm could continue meeting its obligations to customers of the FCM. Because of ongoing concerns, the CFTC coordinated with other federal financial regulators as well as CFTC registered exchanges over the weekend of October 29-30. As time went on and the sale of the business became less foreseeable, agency staff encouraged MF Global to transfer their customer accounts to a stable FCM. MF Global was working with Interactive Brokers (“IB”) on an arrangement to transfer customer accounts as part of a deal involving DIP financing. We, along with SEC and FSA, worked with MF Global on approval of a bulk transfer arrangement without the required customer notice.
- During the weekend, it appeared that an arrangement had been struck, and we worked on meeting the regulatory goals of the agencies and, in the case of CFTC, a no-action letter facilitating the arrangement.
- Monday, October 31 at 2:30 AM, we were informed that MF Global had a shortfall in segregated funds of approximately \$900 million. IB had ceased negotiations. Further discussion yielded the conclusion that there was no alternative to having MF Global placed into an insolvency proceeding which, because MG Global Inc. was a BD/FCM, would be a SIPC proceeding. The CFTC is unable to initiate a bankruptcy proceeding for a registered FCM.
- SEC notified SIPC at approximately 5:30 AM that MF Global would need to be put into a SIPC proceeding.
- SIPC decided to nominate James Giddens Trustee, and his law firm, Hughes, Hubbard and Reed as counsel. This was the same trustee and firm used in the Lehman proceeding.
- We worked with SIPC to ensure that the order instituting proceedings included protections for DCOs, so that DCOs were not prohibited from taking necessary steps to protect themselves. We appeared along with SIPC before the District Court to have MF Global, Inc. placed into a SIPC Proceeding. Upon entry of that order, the matter was transferred to the Bankruptcy Court.
- On Tuesday, November 1, we sent the Trustee a letter setting out his most important responsibilities under Part 190, in particular, to use his best efforts to transfer customer accounts. We also worked with CME (MF Global’s DSRO, and the DCO at which the bulk of its customer positions were cleared) and other DCOs to establish a plan for transferring customer positions to willing transferees, along with collateral.
- We worked with CME to achieve a transfer arrangement we could accept under Reg. 190.06(g), and with the Trustee’s counsel to draft his motion to the Bankruptcy Court to approve those transfer procedures, and our Statement in Support of that motion.
- On Wednesday, November 2, we appeared in Bankruptcy Court along with the Trustee and SIPC, filed our Statement in Support, and obtained an Order approving the transfer procedures.

- We worked with the Trustee to implement the transfer procedures, and addressed questions concerning interpretations of Part 190.
- From November 4-6 we worked to review and support specific transfer arrangements.
- According to the Trustee, he has, in coordination with the CFTC, SIPC, and the CME and other exchanges, as of November 7, 2011, been able to transfer approximately 17,000 customer accounts with open commodities positions, along with approximately \$1.55 billion in collateral, which is approximately 60% of the collateral that had been associated with these positions at the time of the bankruptcy. This Court-authorized bulk transfer was the maximum relief available under the law and the circumstances, and it averted mandatory liquidation of the transferred positions under governing CFTC rules.
- We have been in regular contact with the Trustee and counsel addressing questions under Part 190 and continue to work on supporting an expedited claims procedure, including design of a Proof of Claim form.
- The Trustee proposed, and we encouraged, the development of an extremely expedited claims procedure for commodity customers, and presentation to the Bankruptcy Court for approval as soon as this week. We are continuing to work with the Trustee to accomplish this.