



## U.S. COMMODITY FUTURES TRADING COMMISSION

Three Lafayette Centre  
1155 21st Street, NW, Washington, DC 20581  
Telephone: (202) 418-5000

November 16, 2011

James W. Giddens  
Hughes Hubbard & Reed LLP  
One Battery Park Plaza  
New York, NY 10004-1482

Re: Request for Authorization to Transfer Accounts

Dear Mr. Giddens:

This is in response to your letter dated November 15, 2011, in which you request action by the Commodity Futures Trading Commission (the "Commission") authorizing the transfer of accounts that are not routinely eligible for transfer under section 764(b) of the Bankruptcy Code by reason of Commission Regulation 190.06(e), as part of the liquidation of the business of MF Global, Inc. ("MFG") (Case No. 11-2790) (Bankr. S.D.N.Y.) (the "MFG Case"). MFG is a registered futures commission merchant ("FCM") and is being liquidated pursuant to the Securities Investor Protection Act of 1970.<sup>1</sup> You request the authority to transfer the accounts to a variety of qualified FCMs that have agreed to accept such accounts for the benefit of MFG's commodity futures customers.

Based on your letter, prior correspondence and discussions, and pleadings and Orders filed in connection with the MFG Case, we understand the following: MFG will transfer customer accounts of MFG (the "Cash-Only Customer Accounts") which accounts did not benefit from transfers of collateral pursuant to the November 2, 2011 Order of the Bankruptcy Court in the MFG Case (the "November 2 Bulk Transfer Order."). The November 2 Bulk Transfer Order authorized bulk transfers of commodity futures positions of MFG customers, along with a portion of the collateral associated with such positions, held at various derivatives clearing organizations of which MFG was a member. You now intend to transfer accounts holding, in each case, sixty percent of the cash held for the Cash-Only Customer Accounts (in each case, as reflected in the books and records of MFG) to qualified FCMs (the "Transferees") that have agreed to accept such Cash-Only Customer Accounts for the benefit of MFG's commodities futures customers. Such accounts will be "[a]ccounts which contain no open commodity contracts" within the meaning of Regulation 190.06(e)(1)(iv).<sup>2</sup>

<sup>1</sup> MFG is also a broker-dealer registered with the Securities and Exchange Commission.

<sup>2</sup> 17 C.F.R. §§190.06(e)(1)(iv). Commission regulations referred to in this letter are found at 17 C.F.R. Ch. I (2011).

Regulation 190.06(e)(1) provides that, “[s]ubject to the requirements of paragraph (e)(2) ... all accounts are eligible for transfer after the filing date pursuant to Section 764(b) of the Bankruptcy Code, except ... (iv) [a]ccounts which contain no open commodity contracts.” Moreover, Regulation 190.06(e)(2) prohibits the transfer, in respect of any eligible account, of property whose value “would exceed the funded balance of such account based on available information as of the close of business on the business day immediately preceding transfer” less the value of prior transfers.

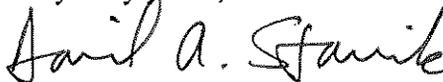
You are requesting relief for transfers of accounts that are ineligible for transfer pursuant to Regulation 190.06(e)(1)(iv). You state that you “believe[] that the proposed distribution of approximately sixty percent [of the value of each Cash-Only Customer Account] is prudent and will not result in over-payments.” You note that the Chicago Mercantile Exchange Group, Inc. has agreed to provide a \$250,000,000 guarantee to the estate to provide security against the nonrecovery of potential overpayments (should it ultimately be determined that these transfers lead to any customers receiving more than their pro rata share of the customer funds, which overpayments are not recovered).<sup>3</sup> You also note that you “will, as promptly as is practicable and prudent, true up any difference as between the net equity of” accounts that did benefit from transfers of collateral as part of the Bulk Transfer Order (taking into account the amounts transferred as part of the that Order) and the amounts to be transferred to the Cash-Only Customer Accounts.<sup>4</sup>

The fact that an account is not eligible for transfer pursuant to Regulation 190.06(e)(1) does not mean that the transfer of such an account may not be authorized. Regulation 190.06(h)(2) empowers the Commission, “[n]otwithstanding any other provision of” Regulation 190.06, to, “in appropriate cases and to protect the public interest ... [p]ermit transfers of accounts which do not comply with the requirements of” Regulation 190.06.

The above-described transfer of the Cash-Only Customer Accounts would result in the orderly and prompt return of substantial property to customers within a few weeks of the commencement of this liquidation proceeding. The Commission concludes, in these circumstances, that this transfer of accounts that are not “eligible” within the meaning of Regulation 190.06(e)(1)(iv) is both appropriate and in the public interest, and therefore is authorized pursuant to Regulation 190.06(h)(2).

If you have any questions concerning this correspondence, please contact Robert B. Wasserman, Chief Counsel, Division of Clearing and Risk, at (202) 418-5092.

Very truly yours,



David Stawick  
Secretary of the Commission

---

<sup>3</sup> See. Regulation 190.08(d)(5) (plan of distribution must require “adequate security to the debtor’s estate for the nonrecovery of any overpayments by the trustee”)

<sup>4</sup> See *id.* (plan must distribute an equal percentage of net equity to all public customers).