

In re MF Global Inc.,  
Case No. 11-02790 (MG) SIPA

# **Presentation to Customers and Creditors**

January 12, 2012

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# Contents

- **Trustee's Role**
- **SIPC's Role**
- **Financial Condition of Estate**
  - **Commodity Customer Property Segregated Pursuant to Section 4d of the Commodity Exchange Act**
  - **Commodity Customer Property Secured Pursuant to 17 C.F.R. Section 30.7**
  - **Securities Accounts**
  - **General Estate**
- **Claims Process**
  - **Bar Dates**
  - **Overview of Claims Filed**
- **Affiliates**
- **Administrative Activity**
- **Trustee's Investigation**
- **Communication Efforts**
  - **Website**
  - **Call Center**
  - **Meet-and-Confer Sessions**
  - **Congressional Testimony**
- **Conclusion**

# Trustee's Role

# Trustee's Role

- The Trustee oversees the Securities Investor Protection Act (SIPA) liquidation of MF Global Inc., and his goal is to fulfill the SIPA mandate to satisfy public customer claims in an orderly and fair process.
- The Trustee is a fiduciary for four pools of property:
  1. Commodity customer property segregated in U.S. depositories pursuant to Section 4d of the Commodity Exchange Act
  2. Commodity customer property secured in foreign depositories pursuant to 17 C.F.R. Section 30.7
  3. Securities customer property reserved under SIPA and the Securities Exchange Act
  4. General estate property

# Trustee's Role

- This is a liquidation proceeding, not a reorganization proceeding.
- The Trustee's primary duties are to:
  - Marshal assets and recover customer property
  - Return property to the appropriate class of customers
  - Determine other claims as in bankruptcy
  - Liquidate the business of MF Global Inc.
  - Investigate MF Global Inc.'s demise and potential causes of action

# SIPC's Role

# Financial Condition of the Estate:

Commodity Customer Property Segregated in U.S. Depositories  
Pursuant to Section 4d of the Commodity Exchange Act

# Financial Condition of the Estate:

## Overview of Commodity Customer Property Segregated in U.S. Depositories Pursuant to Section 4d of the Commodity Exchange Act

**Current Estimate of Total 4d Claims: \$5.9 - 6 billion**

### Summary of Estimated 4d Assets Marshalled and Distributed

Unaudited (in millions)

|                                    |                       |
|------------------------------------|-----------------------|
| <b>Total Assets Marshalled</b>     | <b>\$ 5,283</b>       |
| <b>Assets Distributed</b>          |                       |
| First Bulk Transfer                | (1,519)               |
| Second Bulk Transfer               | (477)                 |
| Third Bulk Transfer                | (1,832)               |
| <b>Total Distributions to Date</b> | <u><u>(3,828)</u></u> |

### Assets Remaining Under Trustee Control

(some of these assets are pending distribution)

\$ 1,455

- There are substantial claims to the funds remaining under the Trustee's control, including those of MF Global Holdings Ltd. and other former affiliate omnibus claims.
- The Trustee must maintain funds for classes of customer property that may ultimately require disparate treatment under the expedited claims procedures, such as physical customer property, those accounts with less than \$1,000 cash that no transferee FCMs will accept, and cleared OTC derivatives.

**Percent of Total Assets Distributed (Bulk Transfers I-III): 72%**

**Percent of Property Remaining After Bulk Transfers: 28%**

The information and data included in this exhibit are derived from sources available to the Trustee and his professionals. This exhibit is based on the information available at this time. All amounts are unaudited and subject to revision.

# Financial Condition of the Estate:

## Status of the Court-Approved Bulk Transfers of Certain Segregated Commodity Customer Property

| Transfer             | Accounts Affected  | Number of Accounts Transferred | Property Amount        |                                  |
|----------------------|--|--------------------------------|------------------------|----------------------------------|
|                      |  |                                | Percentage Transferred | Amount Transferred (in billions) |
| First Bulk Transfer  | Accounts containing open U.S. Commodity contracts and a percentage of the associated margining collateral as of October 31, 2011 | 10,202                         | N/A                    | \$1.519                          |
| Second Bulk Transfer | Accounts containing only cash or cash equivalents as of October 31, 2011   | 15,148                         | 60%                    | \$.477                           |
| Third Bulk Transfer  | Uniformly equalizing <i>pro rata</i> interim distribution to former U.S. commodity futures customers of MF Global Inc.           | 27,905                         | 72%                    | \$1.832                          |
| <b>TOTALS</b>        |  |                                |                        | <b>\$ 3.828</b>                  |

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# Financial Condition of the Estate:

## Treatment and Status of Physical Assets

- At the time that the liquidation commenced, MF Global Inc. held approximately \$100–130 million worth of non-liquid assets in the form of warehouse receipts and other certificates of title for various agricultural commodities and precious metals on behalf of its customers.
- As part of the Court-approved third bulk transfer, the *pro rata* transfer of these customers' accounts, including non-liquid receipts and certificates, is in progress.
- In cooperation with the exchanges, such as the Chicago Mercantile Exchange, the Trustee's professionals have contacted customers about the options available to them to further facilitate the return or liquidation of these non-liquid assets, and have already distributed or delivered the majority of them.

| Physical Asset Statistics                                |                  | Customer Statistics   |     |
|--|------------------|---|-----|
| Total number of domestic receipts/certificates           | 1,616            | Total number of customers holding domestic receipts/certificates          | 151 |
| Receipts/certificates transferred or delivered           | 1,112<br>(68.8%) | Customers who have received receipts/certificates or liquidation proceeds | 37  |
| Receipts/certificates remaining in the Trustee's control | 504<br>(31.2%)   | Customers still to receive a distribution                                 | 114 |

# Financial Condition of the Estate:

Commodity Customer Property Secured in Foreign Depositories  
Pursuant to 17 C.F.R. Section 30.7

# Financial Condition of the Estate:

## Overview of Commodity Customer Property Secured in Foreign Depositories Pursuant to 17 C.F.R. Section 30.7

### Summary of Estimated 30.7 Secured Commodity Customer Property

Unaudited (in millions)

|   |                           |
|---|---------------------------|
| <b>30.7 Customer Obligations as of October 31, 2011</b>                                   | <b>\$ (878.80)</b>        |
| Recovered Amounts   |                           |
| (Recovered from Harris Bank and JPMorgan Chase, and partially disputed by JPMorgan Chase) | 63.55                     |
| <b>Deficit in 30.7 Customer Obligations</b>   | <b><u>\$ (815.25)</u></b> |

| <b>Apparent Locations of Unrecovered 30.7 Secured Commodity Customer Property</b> |                  |
|---|------------------|
| <b>(Subject to Reconciliation)</b>  |                  |
| Bank of Montreal  | \$ 4.02          |
| MF Global U.K. Limited  | 744.24           |
| MF Global Canada Co.  | 91.95            |
| MF Global Canada Limited  | 8.86             |
| <b>TOTAL</b>  | <b>\$ 849.07</b> |

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# Financial Condition of the Estate: Securities Accounts



# Financial Condition of the Estate:

General Estate

# Financial Condition of the Estate:

## Overview of the General Estate

### Summary of General Estate Assets

Unaudited (in millions)

|  |           |               |
|--|-----------|---------------|
| House Cash                                 | \$        | 75.96         |
| House Securities                           |           | 214.47        |
| <b>Total General Estate Assets on Hand</b> | <b>\$</b> | <b>290.43</b> |

### ➤ Categories of Potentially Recoverable General Estate Assets:

- Unwind of transactions
- Recoveries related to avoidance and other potential actions, including certain pending actions
- MF Global Inc.'s exchange shares and memberships
- Further recovery of bank and clearing agency funds and deposits
- Miscellaneous additional recoveries (*e.g.*, prepaid deposits, receivables, various physical property and assets, etc.)

Should the general estate reach a substantial size, some amounts from the general estate may be allocated to customer property at a future date under principles and in amounts that would be established by motion of the Trustee and subject to Court approval.

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# Claims Process

# Claims Process:

## Bar Dates

Claims of commodity futures customers must be received by the Trustee on or before:

January 31, 2012

Claims of securities customers seeking the maximum protection under SIPA must be received by the Trustee on or before:

January 31, 2012

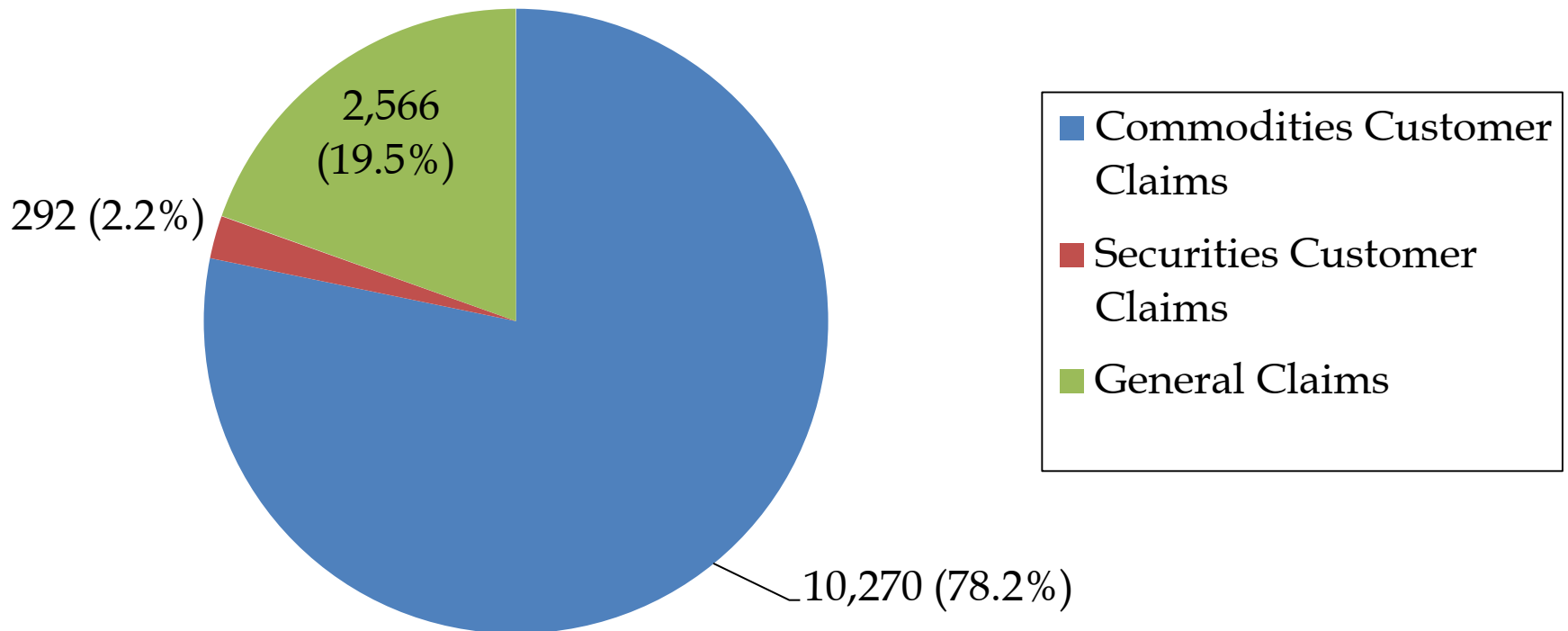
All other claims must be received by the Trustee on or before:

June 2, 2012

# Claims Process: Overview of Claims Filed

## Claims Filed

(total of 13,128 as of January 11, 2012)



# Affiliates

# Affiliates

- The Trustee immediately established professional lines of communication with all MF Global Inc. affiliates in insolvency proceedings around the world.
  
- **MF Global Holdings Limited**
  - The MF Global Holdings Ltd. Chapter 11 proceeding is separate from the SIPA liquidation of MF Global Inc., and each proceeding is administered by its own separate trustee.
  - Although the SIPA Trustee has waived all applicable legal privileges for pre-filing date documents, MF Global Holdings Ltd. and the Chapter 11 Trustee have not done so.
  
- **MF Global U.K. Limited and Other Former Foreign Affiliates**
  - The Special Administrators for MF Global U.K. Ltd. have preliminarily objected (in the context of calculating voting rights at their initial creditors' meeting held on January 9, 2012) to the classification of a significant percentage of funds held by MF Global U.K. Ltd. pursuant to 17 C.F.R. Section 30.7 as being either client money or client assets under relevant Financial Services Authority (FSA) client money rules.
  - The Trustee maintains that all such funds held by MF Global U.K. Ltd. should be returned in their entirety, and is in active and urgent discussion with the Special Administrators to resolve this issue.
  - The Trustee actively sought and secured a seat as a client representative on the creditors' committee of MF Global U.K. Ltd. The Trustee understands that he holds the largest creditor claim and the largest client claim in the U.K. proceeding.
  - The Special Administrators have asserted claims against MF Global Inc., including an omnibus claim on behalf of MF Global U.K. Ltd. customers, of over \$200 million.
  - A similar range of issues exists with other foreign affiliates, the most significant of which involves the Canadian affiliate.

# Administrative Activity

# Administrative Activity

## ➤ Real Estate

- The Trustee has rejected, assigned, or surrendered leases for MF Global Inc. office space in New York, Chicago, Washington, D.C., San Francisco, Boston, Dallas, Coral Gables, and Kansas City, and has secured these premises and made arrangements for the preservation of important data systems.

## ➤ Staffing

- The Trustee terminated all approximately 1,100 MF Global Inc. employees.
- The Trustee has retained expert consultants and forensic accountants from Deloitte and Ernst & Young to assist in the liquidation and investigation process.
- The Trustee has also retained a skeleton staff of former MF Global Inc. employees on a temporary basis to assist primarily in claims processing.
- Staff will continue to be reduced as progress is made in the liquidation.
- The Trustee has retained U.K. and conflicts counsel, as well as his principal counsel Hughes Hubbard & Reed LLP. All professionals have agreed to public interest discounts.

# Trustee's Investigation

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## ➤ Overview

- The Trustee's office is working exhaustively to investigate the extent of and reasons for the shortfall as part of the Trustee's statutorily-mandated duty to identify possible causes of action and prepare a thorough and independent report.
- At this time, the Trustee's office does not know with certainty the extent of the potential segregation and compliance shortfalls, but our best estimate is that the figure could be \$1.2 billion or more across all funds that should have been secured or segregated for commodities or securities customers both in the U.S. and abroad.
- The full amount of any shortfall will not be known with certainty until the claims process is completed, but the probable size of the shortfall is significant and will substantially affect the Trustee's ability to make a 100% distribution to former MF Global Inc. customers.

## ➤ Cooperation with Other Investigators

- The Trustee's investigation is focused on recovering assets for customers, but is coordinated with investigations being conducted by the Department of Justice, the Commodity Futures Trading Commission (CFTC), the Securities and Exchange Commission (SEC), and others.

# Trustee's Investigation

## ➤ Collection and Preservation of Information

- The Trustee has preserved secure access to thousands of boxes of hard copy documents, imaged over 800 computer drives, and is maintaining over 100 terabytes of data that, if printed, would yield a stack of paper over 950 miles high.
- The Bankruptcy Court has confirmed Trustee subpoena power to conduct an independent investigation. This authority has yielded substantial cooperation to date, including:
  - Over 50 witness interviews
  - Over 50 preservation agreements
  - One dozen document requests and document production already in progress

## ➤ Investigation into Potential Actions to Recover Customer Property

- The Trustee, with the assistance of his professionals, is analyzing his ability to obtain recoveries, by litigation or negotiation, against certain financial institutions, MF Global Inc. affiliates, and others to recover customer property.
- Potential claims include:
  - Claims to recover customer property arising from applicable provisions of SIPA, the CFTC Regulations, and the Bankruptcy Code
  - Claims to avoid pre-petition transfers of customer property, including preference actions and fraudulent transfer actions
  - Other potential state law and common law claims

# Communication Efforts

# Communication Efforts

- Website ([www.mfglobaltrustee.com](http://www.mfglobaltrustee.com))
- Call Center (1-888-236-0808)
- Meet-and-Confer Sessions
- Congressional Testimony

# Conclusion

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- The Trustee's primary duties are to:
  - Marshal assets and recover customer property
  - Return property to the appropriate class of customers
  - Determine other claims as in bankruptcy
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