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MF Global CEO Resigns after Bankruptcy

Jon Corzine, the Chairman and CEO of MF Global has submitted his resignation, barely 20 months after being appointed to head the futures brokerage firm. Corzine's task was to turn the brokerage firm into an investment bank. He drew a salary of almost \$4 million over his tenure and does not plan to seek severance pay. Corzine was the former co-chief executive of Goldman Sachs Group Inc. and former governor of New Jersey.

Corzine said in a statement, "I have voluntarily offered my resignation to the Board of Directors of MF Global. This was a difficult decision, but one that I believe is best for the firm and its stakeholders."

On his resignation, Corzine added, "I feel great sadness for what has transpired at MF Global and the impact it has had on the firm's clients, employees and many others," and confirmed his commitment to cooperating with regulatory investigations and the "disposition of the firm's assets".

Four days prior to Corzine's resignation, MF Global filed for bankruptcy amid investigations into financial irregularities. The Commodity Futures Trading Commission is investigating \$633 million in customer accounts that is unaccounted for. The regulator sent a subpoena to MF Global's auditor, PriceWaterhouseCoopers LLP, asking for information on the missing accounts. In addition, the trustee authorized to liquidate MF Global was tasked with questioning directors, officers, lenders, affiliates and investors on this matter.

Although Corzine resigned of his own accord, he was requested to do so by the board after efforts to sell the company did not succeed.

Corzine increased the MF Global's risk and used its money to invest in sovereign debt from European countries like Spain, Italy, Portugal, Belgium and Ireland. The company has \$6.3 billion worth of these debts. With the worsening European economic crisis came credit downgrades, margin calls and demands from regulators to boost capital that prompted the firm's bankruptcy filing.

The Securities and Exchange Commission had questioned MF Global in March on its Repo-to-Maturity transactions. Jennifer Monick, an SEC senior staff accountant asked the firm to disclose how the accounting treatment affected its financial metrics and ratios.

MF Global filed its response saying the Repo-to-Maturity transactions had increased its revenue by \$2 million and that the underlying collateral was US Treasury securities.

In June, the Financial Industry Regulatory Authority objected to similar Repo-to-Maturity transactions when it noticed the collaterals used were European sovereign debts and promptly instructed the MF Global to boost its capital position.

Records show that as at March 31, MF Global had \$7.6 billion Repo-to-Maturity transactions with European sovereign debt as collateral. This increased to \$11.5 billion by June 30, according to a quarterly filing.

According to the Commodity Futures Trading Commission, MF Global's customer funds have a shortfall of \$633 million out of a segregated fund requirement of about \$5.4 billion. Investigations continue.