



January 22, 2010

Mr. Richard P. Dzina  
Senior Vice President  
Federal Reserve Bank of New York  
33 Liberty Street  
New York, NY 10045

Dear Mr. Dzina:

We are pleased to submit Part II to the Application of MF Global Inc., a subsidiary of MF Global Holdings Ltd., to become a primary dealer. We have worked to carefully provide all of the information requested in the form of application as it applies to MF Global Inc. and the consolidated MF Global group. We stand ready to provide any additional information you may require and look forward to the opportunity to discuss our application with you.

For the sake of good order, please note that we are requesting confidential treatment under the Freedom of Information Act.<sup>1</sup>

We hope you will agree that our strengths both are compelling and position MF Global to deliver the quality of sales and trading services that The Federal Reserve Bank of New York requires.

Once again, thank you for your consideration of MF Global for primary dealer status.

Respectfully yours,

signature

Peter J. McCarthy  
Executive Vice President  
Global Head of Fixed Income

<sup>1</sup> We request that the material contained in this letter and the enclosures be afforded confidential treatment pursuant to 5 U.S.C. Section 552(b)(4) and 12 C.F.R. Section 264.15 as information that is exempt from disclosure pursuant to paragraph (a)(4) of 12 C.F.R. Section 261.15 because it contains trade secrets or commercial or financial information that has been furnished in confidence, and which relates to the business and financial affairs of MF Global, as well as personal information relating to our control persons that is being furnished in confidence. The information in this letter and the enclosures contain confidential commercial and/or financial information that is not available to the public and disclosure of such information would place MF Global at a competitive disadvantage. MF Global requests that it be notified in advance in the event that the New York Federal Reserve Bank (or the Board of Governors of the Federal Reserve or any other Federal Reserve Bank) decides to make this information public.

MF Global Holdings Ltd

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## Application to Become a Primary Dealer Part II

### A. Organization and Governance

Business description of the applicant and of the consolidated group to which it belongs, including, among other things: a description of type of entity (U.S. broker dealer, national/state bank, etc.), jurisdiction of formation, number of years of existence, number of employees, a business summary, geographic presence, description of business lines (including types of markets and customers served, and percentage of total revenues and/or operating profits), business strategy, main competitors.

#### COMPANY PROFILE

##### About the Applicant: MF Global Inc.

The applicant is MF Global Inc. (the "Applicant" or MF Global Inc.), a registered broker-dealer. The Applicant was incorporated in Delaware in 2001, although one of its predecessors had been a registered broker-dealer since 1974.<sup>1</sup> Furthermore, the Applicant or its predecessors has been a registered futures commission merchant since 1982.<sup>2</sup> The Applicant is a wholly owned, indirect subsidiary of MF Global Holdings Ltd.

##### About the Consolidated Group: MF Global Holdings Ltd.

MF Global Holdings Ltd., a Delaware corporation, is a public company listed on the New York Stock Exchange (NYSE: MF). MF Global Holdings Ltd. (together with its subsidiaries, "MF Global"), is a world leader in execution and clearing services for exchange-traded and over-the-counter (OTC) derivative products, as well as non-derivative fixed income products, foreign exchange, and equities in the cash market.<sup>3</sup>

We believe that we are one of the largest intermediaries in the global cash and derivatives markets, based on the amount of volume we direct to many of the world's largest derivatives exchanges, the number of clients we serve, the client balances we maintain, and the extent of our global presence.

MF Global helps a wide range of clients—including financial institutions, corporations, hedge funds and other asset managers, and government organizations as well as professional traders

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<sup>1</sup> As of the close of business on December 31, 2007, MF Global merged two of its U.S. subsidiaries, MF Global Inc. ("Old MFGI") and MF Global Securities Inc. (Old MFGI was originally incorporated as "Heinhold, O'Connor & Cloonan Inc." and registered as a broker-dealer in 1974.) From its incorporation in 2001 through December 31, 2002, Old MFGI was registered as both a futures commission merchant ("FCM") and a broker-dealer. Beginning January 1, 2003, and continuing until the merger of Old MFGI and MF Global Securities Inc., the futures and options business was conducted in Old MFGI, and the broker-dealer business was conducted in MF Global Securities Inc. Following the merger of the two companies at the end of 2007, MF Global combined the FCM and broker-dealer businesses into MF Global Securities Inc., which was the surviving entity and was renamed "MF Global Inc."

<sup>2</sup> Our intermediate holding company, MF Global USA Inc., formerly known as Man International Inc., registered as a futures commission merchant on June 30, 1982.

<sup>3</sup> On January 4, 2010, MF Global Ltd. changed its jurisdiction of incorporation from Bermuda to the State of Delaware and changed its legal name to MF Global Holdings Ltd.

and individuals—define and execute trading and hedging strategies and capitalize on market opportunities.

MF Global combines superior execution with excellence in clearing, settlement, and record-keeping. Our sophisticated technology enables accurate and timely clearing and seamless processing.

MF Global had 3,227 employees as of December 31, 2009.

### **Corporate and Financial Strength**

MF Global is a well-capitalized, diversified, and balanced business with a strong, conservatively managed balance sheet. We neither requested TARP loans nor do we have sub-prime mortgage exposure. MF Global seeks to discover and capitalize on market opportunities for clients through our international network of offices and relationships, expansive product offerings, value-added product expertise, and consistent, high-quality service.

- Fiscal 2009 net revenues of \$1.4 billion<sup>4</sup>
- Founding traced to 1783
- Market capitalization of \$889 million<sup>5</sup>
- IPO date of July 2007 (NYSE:MF)

**Strategic Growth:** MF Global's share of U.S. segregated client assets has expanded to 5.9 percent over the last 12 months, more than a 25-percent increase.

**Diversified:** Our extensive offerings give clients unique access to information, regions, markets, and liquidity, enabling them to trade multiple products around the world.

**Liquidity:** MF Global is unencumbered by Level 3 assets, and we have a very strong liquidity position, with \$3.2 billion in total available liquidity.<sup>6</sup>

### **Investment-grade Credit Ratings**

Agency	Rating
Moody's	Baa2
S&P	BBB
Fitch	BBB

<sup>4</sup> As of March 31, 2009; presented on an adjusted basis.

<sup>5</sup> As of December 31, 2009; based on 123.3 million shares outstanding.

<sup>6</sup> As of September 30, 2009.

## Market Leader

MF Global is a leading member of many of the world's futures and options exchanges and consistently ranks among the top firms in execution and clearing of derivative products. Because of the depth of our market knowledge and involvement, MF Global possesses the order flow to provide substantial liquidity and competitive pricing.

### Exchange Rankings by Trade Volume <sup>7</sup>

North America		Europe		Asia Pacific	
CBOT	#1	Liffe	#1	SFE	#1
CME	#1	ICE Futures Europe	#3	SGX	#7
COMEX	#1	Eurex	#8		
NYMEX	#1				

## Significant Global Footprint

MF Global operates in 13 countries on more than 70 exchanges, providing access to some of the largest financial markets in the world. We offer our clients global market access through our broker networks, relationships with introducing brokers (IB), and online trading platforms. As of March 31, 2009, we had more than 137,000 active clients worldwide and offices all over the globe, including Chicago, Dubai, Geneva, Hong Kong, London, Mumbai, New York, Paris, Singapore, Sydney, Taipei, Tokyo, and Toronto. See Appendix 1 for a global footprint map further highlighting our geographic diversity, including countries where MF Global has both offices and IB relationships and countries with IB relationships only.

## Thought-leading Research and Commentary

MF Global is a leader in providing market insight and research. Our research and commentary, delivered across the full breadth of market sectors, range from intra-day analyses of emerging fundamental and technical developments to longer-term strategic research on supply, demand, and inventory trends to analysis of trading strategies.

We have recently hired as our chief economist Jim O'Sullivan, who has a dedicated following due to his excellent macroeconomic analysis and his accurate market calls on the U.S. economy. Our chief economist, our research analysts, and over 100 market commentators regularly feature in media outlets such as CNBC and Bloomberg.

## MF Global's Diversified and Balanced Business Model

Our business model is global and client-driven, allowing us to centrally manage our resources while offering clients an expansive array of products across a broad range of markets and geographies. Accordingly, we operate and manage our business as a single operating segment.<sup>8</sup> Drawing on our origins in a brokerage business founded over 225 years ago—an

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<sup>7</sup> Rankings for the year ended March 31, 2009; see Company 10-K for underlying detail.

<sup>8</sup> MF Global does not report or otherwise generally maintain information regarding percentage of total revenues and/or operating profits by business unit.

establishing member of some of the world's first futures exchanges—we possess the experience and breadth of business to deliver the insights and services clients need.

Markets	Products	Services	Clients	Regions
<ul style="list-style-type: none"> <li>◦ Commodities</li> <li>◦ Equities</li> <li>◦ Fixed income</li> <li>◦ Foreign exchange</li> <li>◦ Interest rate products</li> </ul>	<ul style="list-style-type: none"> <li>◦ Cash securities</li> <li>◦ Exchange-traded derivatives</li> <li>◦ Over-the-counter derivatives</li> <li>◦ Non-derivative foreign exchange</li> </ul>	<ul style="list-style-type: none"> <li>◦ Execution-only</li> <li>◦ Matched-principal execution</li> <li>◦ Clearing</li> </ul>	<ul style="list-style-type: none"> <li>◦ Asset managers</li> <li>◦ Corporations</li> <li>◦ Financial institutions</li> <li>◦ Hedge funds</li> <li>◦ Professional traders</li> <li>◦ Retail clients</li> <li>◦ Government organizations</li> </ul>	<ul style="list-style-type: none"> <li>◦ Asia Pacific</li> <li>◦ Europe</li> <li>◦ North America</li> </ul>

MF Global serves as an intermediary for institutional clients principally for five types of products: fixed income, commodities, foreign exchange, equities, and interest rate products.

- **Fixed Income:** MF Global is a significant provider of fixed income, market-making, clearing, and financing services for institutional clients located in the U.S and Europe. We specialize in U.S. government Treasury and agency securities, European government bonds, investment-grade corporate bonds, high-yield bonds, distressed bonds, emerging market bonds, and mortgage-backed securities and related repurchase agreement transactions.
- **Foreign Exchange:** MF Global provides a broad range of global foreign exchange products and services tailored to the needs of institutions, corporations, and industry professionals.
- **Interest Rate Products:** MF Global is a leading provider of liquidity and global market access for interest rate products, specializing in worldwide futures and options broking for institutional and corporate clients.
- **Commodities:** Building on over 225 years of experience in trading agricultural commodities, MF Global is a leading commodities broker, with worldwide teams providing agriculture futures and options; exchange-listed and OTC-traded energy derivatives; commodities in emerging markets such as nuclear fuel, freight, and the new and voluntary carbon markets; as well as strategies and products in the metals marketplace.
- **Equities:** MF Global provides institutional clients with direct market access and brokerage services for listed equity derivatives products and cash equities as well as offering independent equity research.

In addition to these five institutional businesses, MF Global serves individual clients through a retail products group.

### **Focus on Providing Superior Execution and Clearing Services**

MF Global derives revenues from four main sources: commissions from agency execution; commissions from clearing services; mark-ups from principal transactions, primarily consisting of client trades executed on a matched-principal basis; and net interest income on (i) cash balances in our clients' accounts, most of which are maintained by our clearing clients to meet margin requirements, as well as (ii) interest related to our fixed income and principal transaction activities.

When we execute for a client on an agency basis, we typically direct the order to an exchange or OTC market, where it is matched with a corresponding order for execution.

When we execute a client order on a matched-principal basis, we take the other side of the trade for our own account and relatively quickly (often within minutes and generally on the same trading day) enter into an offsetting trade with another party.

In addition, we act as a clearing firm for clients who execute trades in futures and options on exchanges where we are approved as a clearing member, or where we are not a member but clear through other clearing members. These include all major derivatives exchanges in the U.S. and Europe as well as certain Asia Pacific markets. We may act as the clearing firm for clients who use us to execute their orders, as well as for clients who use other executing brokers or execute their orders directly on the exchange. We also provide clearing services for a growing number of transactions executed in the OTC markets.

We provide our clients access to three primary types of markets: exchange-traded derivatives, OTC derivatives, and cash markets.

#### Exchange-Traded Derivative Markets

We execute client trades in exchange-traded derivatives, both on an agency and, in some markets outside the U.S., on a matched-principal basis. If we are acting as a clearing broker, we then clear the orders for our clients. The principal markets for which we execute and clear exchange-traded derivatives include interest rate products, equities, and commodities.

#### OTC Derivative Markets

We provide execution services on both an agency and a matched-principal basis for a wide array of OTC derivatives, including forwards, options, and swaps. We have the capability to design OTC derivative products tailored to meet our clients' individual investment needs, subject to applicable laws and regulations. The principal OTC markets in which we execute derivative trades include energy and other commodities and equities. We are also currently developing our capabilities in OTC interest rate swaps.

#### Cash Markets

We execute, clear, and finance client transactions across a broad array of cash products, including listed equity securities, debt securities, and foreign exchange products. MF Global will act as agent, matched principal, or principal on these transactions.

## **Business Strategy**

We have established a set of strategic considerations to provide a consistent, clear framework for executing our growth strategy. With any initiative we pursue, we seek to achieve all or a combination of the following objectives:

- Maximize Profitability: We expect to focus on our high-growth, high-margin businesses to maximize profitability.
- Drive Growth: We intend to take selective advantage of opportunities to build our business, either organically or by strategic acquisitions.
- Allocate Capital Effectively: We plan to direct our human and financial capital to those areas that we believe will enhance our operating infrastructure and create more profitable client relationships.
- Deliver Scale: We believe that a flexible and scalable infrastructure provides an improved offering for our clients, more efficient front and back-office systems, and lower overhead costs.
- Balance Risk and Reward: Our stringent enterprise risk management guidelines are designed to ensure that our risk exposure does not outweigh the value of any initiative we may pursue. We continuously manage our risk on a firm-wide basis, which we believe is critical to achieving the profitability we desire.

## **Competitors**

MF Global competes with a significant number of brokers in the U.S. and throughout the world in one or more markets. Although no one competitor operates in all of our markets, one broker, Newedge, which is a large, well-capitalized financial institution with global operations, competes in many of our markets. Other independent brokers and futures commission merchants against whom we compete include Interactive Brokers Group, R.J. O'Brien, and GFI Group.

In addition, affiliates of the largest commercial and investment banks, including Goldman Sachs, JPMorgan, UBS, Citigroup, Bank of America, and Société Générale (through its joint venture, Newedge), compete with us in key areas such as clearing services, which is a significant source of our revenue.

In the institutional fixed income markets, we view Jeffries, Cantor Fitzgerald, Nomura, and Royal Bank of Canada as our nearest competitors.

## **MF Global's Fixed Income Business**

Our objective is to operate as a leading, independent broker-dealer for major buy-side institutions in a well-managed, risk-controlled environment. To achieve this goal, we are executing a strategy that positions MF Global as a client-centric provider of unbiased market insight, unconflicted market-making, and high-quality service. Our market-making commitment to Treasuries and agencies is comparable to that of most major banks and dealers.

Over the past year, MF Global has significantly enhanced our commitment to our fixed income business—expanding sales and trading across a variety of product classes and pursuing primary dealer status.

Worldwide, our fixed income team, led by Peter McCarthy, is comprised of more than 120 professionals located in New York, Chicago, California, and London. MF Global has hired more than 20 seasoned sales and trading professionals in our rates trading group in the past year. Prior to joining MF Global, the majority of these traders were among the leading market-makers across all maturities at UBS, Citibank, and Barclays.

The core focus of our fixed income business has been to provide institutional clients with tailored financing and clearing solutions. As our business has developed, this focus has expanded to include execution services and market-making for cash fixed income products.

Today, MF Global's fixed income business generates revenue by providing four core services for institutional buy-side organizations: market-making, underwriting, financing, and clearing.

#### Market-making

Our market-making businesses include the most liquid products (U.S. Treasuries, U.S. agencies, agency-backed MBS) and spread products (investment-grade corporates, asset-backed securities, high-yield and distressed, and emerging markets). For the liquid products, our trading desk acts as a liquidity provider, taking on principal risk to facilitate customers' transactions. There are 12 traders (eight across the U.S. Treasury curve, two for U.S. agency, one for agency-backed MBS, and one for OTC interest rate swaps) and 14 dedicated U.S. rates salespeople.

In the spread product sectors, we act as a market-maker for investment-grade corporates and have three traders and seven dedicated salespeople. For the other spread products, we execute on a matched-principal basis. Supporting these businesses are 11 professionals in ABS: six in high-yield and distressed and five in emerging markets. Beyond our core fixed income group, MF Global has 132 financial futures brokers (many with securities registrations, who also assist in cross-selling cash securities to major counterparties).

#### Underwriting

We are an approved underwriter for The Federal Home Loan Bank and Freddie Mac debt. We anticipate a similar status for Fannie Mae in the near future. Two dedicated traders support this effort, and we are in the midst of expanding our U.S. agency sales force.

#### Financing Trading and Sales

According to December 2009 FICC statistics, MF Global ranks fifth in transaction volume among the organization's 82 repo-netting members. Our business model has been to match borrowers with lenders and to capture a spread in doing so. The underlying collateral is almost exclusively in very liquid, FICC-eligible securities. We also have a stock loan/borrow business, where we assist customers in locating securities to cover short positions. Eight traders and five money-market salespeople support this business.

## Clearing

The revenue we generate from our clearing business comes from ticket charges, interest income on deposits, financing income, and other fee income. Our clients include asset managers, broker-dealers, professional traders, hedge funds, investment advisors, and interdealer ECNs. Five marketing and administrative professionals support this business.

## **Risk Management Policies**

MF Global's risk management policies are discussed beginning on page 17. For additional information on our risk management policies, please see the Enterprise Risk Management Overview in Appendix 19, which provides a detailed view of our approach to managing enterprise risk and the steps we have taken to become a leader in "best practice" risk management.

## **Composition of MF Global's Securities Portfolio and Funding Composition and Strategy**

MF Global Inc.'s fixed income securities inventory averages approximately \$10 billion in gross principal amount. These positions are predominantly in U.S. Treasury and agency securities. We also carry inventory in U.S. agency-backed MBS pass-throughs and investment-grade corporate bonds. The Applicant's net financing book averages \$33 billion. This book is comprised mostly of U.S. Treasury and agency securities. It also contains agency-backed MBS, investment-grade corporates, and U.S. equities. In addition to funding the Applicant's long/short inventory positions and investing customers' cash, MF Global Inc.'s fixed income financing desk manages a significant client-driven matched book that consists of general and special issues. For more detail on the composition of MF Global's fixed income securities inventory and matched book as of December 2009, see Appendix 1.

## **Copy of the applicant's original formation documents**

Attached as Appendix 2 are the current certificate of incorporation of MF Global Inc. and the certificate of merger reflecting the merger of MF Global Inc. into MF Global Securities Inc. This certificate also reflects the immediate renaming of MF Global Securities Inc. to MF Global Inc.

Prior to the IPO of MF Global Holdings Ltd., MF Global Securities Inc. (then known as Man Securities Inc.) functioned as the U.S. broker-dealer of Man Group plc ("Man Group"). Following the IPO, Man Securities Inc. was renamed as MF Global Securities Inc. and continued to function as the U.S. broker-dealer of MF Global Holdings Ltd. Effective January 1, 2008, MF Global Securities Inc. merged with MF Global Inc., with MF Global Securities Inc. as the surviving entity. At the time of the merger, MF Global Securities Inc. was renamed MF Global Inc.

**Description of applicant's ownership structure, including beneficial owners and control persons**

MF Global Holdings Ltd. is a public company. As the majority of its shares are held in "street name," it is impractical and perhaps impossible to obtain information on most stockholders of MF Global Holdings Ltd., even those who beneficially own more than 10 percent of the outstanding common stock of MF Global Holdings Ltd. Accordingly, we have not furnished beneficial ownership information. We note, however, that on August 10, 2009, FMR LLC (the parent of Fidelity Management & Research Company) filed a Schedule 13G with the Securities and Exchange Commission that indicated, as of such date, they were a member of a group that beneficially owned 10.11 percent of MF Global. Based on other materials filed with the SEC by FMR's affiliates, we understand that this ownership percentage may have increased or decreased since the filing of the Schedule 13G.

The applicant is an indirect, wholly owned subsidiary of MF Global Holdings Ltd. As discussed above, our business is global, and we operate and manage our business as a single operating segment. Accordingly, included on Appendix 3 is the information regarding control persons of MF Global Holdings Ltd.

**Organizational Chart of the applicant, listing senior management of the applicant and key management of the business areas in the markets relevant to the FRBNY**

Because the MF Global consolidated group is managed globally by product, set forth in Appendix 4 is a chart listing the senior management of MF Global Holdings Ltd. We have also included in Appendix 4 a list of the directors and officers of the Applicant and a list of key management in business areas of the markets relevant to the FRBNY.

**Organizational Chart of the applicant's consolidated group, describing the relationships between each entity, including ownership and control information of every entity**

Attached as Appendix 5 is an organization chart of MF Global Holdings Ltd. and its direct and indirect subsidiaries. Unless otherwise indicated by a percentage adjacent to the name of the subsidiary, all subsidiaries are wholly owned.

**Registration information with minority- or women -owned associations or Small Business Administration (where relevant).**

Not applicable.

## **B. Financial Condition**

**Description of the financial condition of the applicant and the consolidated group to which it belongs, including audited financial reports (with notes), from the last (3) years and the most recent quarterly financial statement.**

**Consolidated Group**

The audited financial statements for the consolidated group are filed with the Securities and Exchange Commission and have been prepared in accordance with U.S. GAAP and the SEC's

rules. Attached as Appendix 6 are those audited financial statements (with notes), as filed with the SEC on Form 8-K, dated August 7, 2009.

In connection with the Federal Reserve's review of our financial reports, we respectfully note two matters:

- **Technical restatement of certain financial statements:** On April 1, 2009, MF Global adopted two new accounting standards, each of which required retrospective application to prior periods, resulting in an adjustment to previously reported financial statements. Even though the changes were not significant in nature or amount, we re-filed our financial statements in a Form 8-K in August 2009. The information included in the Form 8-K is limited to the restated financial statements and footnotes, and therefore should be read in conjunction with company's full annual disclosures filed on Form 10-K in June 2009.
- **Combined financial statements for fiscal year ending 2007 and part of fiscal year ending 2008:** Before July 2007, MF Global (i.e., the consolidated group) was essentially the brokerage business of Man Group and was known as Man Financial. MF Global completed an initial public offering of its common shares on July 23, 2007, and, as part of the initial public offering, Man Group spun off its brokerage business from its asset-management business.

Accordingly, prior to July 1, 2007, MF Global's financial statements were prepared on a combined basis as if MF Global had existed on a stand-alone basis and in conformity with U.S. GAAP. These combined financial statements from Man Group may not necessarily reflect the results of operations, financial position, and cash flows as if MF Global actually had existed on a stand-alone basis during the periods presented. For example, these combined financial statements include MF Global's direct expenses as well as allocations of expenses arising from shared services and infrastructure provided by Man Group.

### The Applicant

We have provided in Appendix 7 the audited financial statements for the Applicant for the years ending March 31, 2009, March 31, 2008, and March 31, 2007, and recent unaudited financial statements for the six months ended September 30, 2009.

(As previously noted, before January 1, 2008, our FCM and broker-dealer businesses were conducted in two separate legal entities that merged on December 31, 2007, with MF Global Securities Inc. as the surviving entity, with its name changed to MF Global Inc. Accordingly, we have provided audited financial statements for the years ending March 31, 2009, and March 31, 2008, and unaudited financial statements for the six months ended September 30, 2009, for the merged entity, MF Global Inc. For the year ending March 31, 2007, we have provided audited financial statements for the separate predecessor broker-dealer and FCM entities.)

### **Copies of applicant's W-9 tax forms from the last (3) three years**

MF Global Inc. (formerly known as MF Global Securities Inc.) is a U.S. corporation for income tax purposes and has been since its incorporation in 2001. See Forms W-9 attached as Appendix 8.

## C. Regulation

Description of the regulation of the applicant and other entities within the consolidated corporate family (e.g., the primary regulator of the applicant, the other entities)

### The Applicant

Historically and currently, the predominant business of MF Global and its many affiliates has been and continues to be the execution and clearing of exchange-listed futures and option contracts. Accordingly, MF Global Inc.'s primary regulator in the U.S. is the U.S. Commodity Futures Trading Commission ("CFTC"), with which we are registered as a futures commission merchant. With respect to our now-growing securities business, MF Global Inc. or one of our predecessor companies has been registered as a broker-dealer with the Securities and Exchange Commission since 1974. As a broker-dealer, MF Global Inc. is also subject to the rules of the Financial Industry Regulatory Authority ("FINRA"), a securities self-regulatory organization ("SRO"). As an FCM, MF Global Inc. is subject to the rules of the National Futures Association ("NFA"), a futures-industry SRO.

Under the comprehensive regulatory regime for FCMs and broker-dealers, an exchange is designated as our self-regulatory organization ("DSRO") for activities in each of the futures and securities industries. MF Global Inc. is a clearing member of all principal U.S. futures exchanges, including the Chicago Mercantile Exchange ("CME"), which is our DSRO for futures. We are also a clearing member of the Chicago Board Options Exchange, which is our DSRO for securities. Accordingly, MF Global Inc. is subject to yearly financial, sales practice, and operational examinations by the CME for our futures business and by the CBOE for our securities business.

In addition to the CME and CBOE, MF Global Inc. is a clearing member of all other U.S. futures exchanges, as well as several additional futures and securities exchanges and clearing houses, and are subject to the rules of each.

### Other Entities within the Corporate Family

The applicant is one of several affiliates within the MF Global corporate family engaged in securities, futures, or other derivatives businesses around the world. These affiliates are subject to various regulatory authorities. The following is a list of the MF Global affiliates and the respective regulators with which each is registered.

- MF Global UK Limited ("MFGUK") is authorized and regulated by the U.K.'s Financial Services Authority. MFGUK has branch offices in the Netherlands and France, which are authorized under the European Union's "passport" system. It has a representative office in Switzerland, which is licensed by the Swiss Financial Market Supervisory Authority. MFGUK is registered as a foreign company (overseas) with the Australian Securities & Investments Commission.
- MF Global Canada Co. is registered with the Investment Industry Regulatory Organization of Canada ("IIROC") and with each provincial/territorial securities commission.

- MF Global Singapore Pte. Limited is licensed by the Monetary Authority of Singapore, and its Taiwan branch is licensed by the Financial Supervisory Commission, Executive Yuan, Republic of China and registered with the Chinese National Futures Association.
- MF Global Australia Limited (“MFGA”) and MF Global Securities Australia Limited are registered with the Australian Securities and Investment Commission (“ASIC”). MFGA also is authorized by the New Zealand Securities Commission. BrokerOne Pty Limited is registered with ASIC.
- MF Global Hong Kong Limited is licensed by the Securities and Futures Commission.
- MF Global Futures Trust Co Ltd. and Polaris MF Global Futures Co. Limited are licensed by the Financial Supervisory Commission, Executive Yuan, Republic of China.
- MF Global FXA Securities Ltd. is registered with the Financial Supervisory Agency, the Japan Securities Dealers Association, the Kanto Local Finance Bureau, the Financial Futures Association of Japan, and the Securities and Exchange Surveillance Commission.
- MF Global Sify Securities India Private Limited is registered with the Securities and Exchange Board of India (“SIBI”). MF Global Commodities India Pvt. Ltd. is registered with the Forward Markets Commission.
- MF Global Middle East DMCC is registered with the Emirates Securities and Commodities Authority.

To the extent permissible under the applicable regulatory regime, the applicant shall seek consent from its regulator(s) in order for such applicant to provide the FRBNY with copies of the (3) three most recent examination reports

Neither CME nor CBOE are in the practice of providing reports at the conclusion of their examinations that fully describe the details of the topics that were examined. Each regulatory organization does, however, provide letters indicating if there were any adverse findings and, if so, a narrative description of any specific findings that require remediation or that may result in a referral for further disciplinary action. We have received letters from CME and CBOE from three of their last four regulatory examinations which we attach in Appendix 9. (NB: CBOE communicated its findings in its 2008 examination in two letters.) We note that we have just received the CBOE 2009 examination letter, dated January 22, 2010 (which is also included in Appendix 9). Although findings were noted, in stark contrast to the three prior years, none rose to the level warranting a disciplinary action or fine.<sup>9</sup>

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<sup>9</sup> We did want to point out that CBOE staff determined that a staff interview was warranted for our failure to file our annual FBAR by the June 30, 2009 deadline, although the I.R.S. had extended the deadline for certain filers until September 23, 2009. We filed our FBAR within the extended timeframe on the mistaken belief that the extended deadline applied to us.

**Financial and Operational Combined Uniform Single (FOCUS) reports for the applicant for the fiscal year end month for the past (3) three years and the most recent month of the current year**

See Appendix 10 for MF Global Inc.'s FOCUS reports for the fiscal years ending March 31, 2009, and March 31, 2008, and the report for the period ending November 30, 2009. For the period March 31, 2007, we have provided the filings for the separate broker-dealer, which at the time was MF Global Securities Inc., as well as the FCM entity, which then was MF Global Inc. (before it was merged into MF Global Securities Inc. effective close of business on December 31, 2007).

**Description of material past or pending legal or regulatory matters involving or affecting the applicant, its subsidiary or affiliates, its beneficial owners or control persons within the last (10) ten years**

MF Global has our origins in a brokerage business founded over 225 years ago by James Man. During a portion of the past 10 years, we have operated as a division of Man Group, a *Financial Times* 500 company, engaging in alternative investments (hedge fund) operations (known as Man Investments) and commodity brokerage operations (known as Man Financial). During that period, Man Financial expanded rapidly by both internal growth and by acquisitions. (See page 121 of our initial public offering prospectus, included in Appendix 11, which contains a list of our acquisitions. Most significantly, we acquired the regulated assets of Refco, Inc., out of bankruptcy in November 2005.)

As previously noted, in July 2007, Man Group spun out all the companies that constituted its brokerage division (Man Financial) and sold the resultant company, then renamed MF Global, a Bermuda corporation, in an initial public offering dated July 17, 2007.

During this entire 10-year period, we conducted operations through significant operating companies in the U.S. and U.K., along with important, but less significant, operating companies in Asia and Canada.

Until our IPO, we were controlled by Man Group. At the time of the IPO, Man Group retained an 18.6 percent interest in our company, which it sold on August 13, 2009.

See Appendix 12 for a description of all of our material legal proceedings during the past 10 years (both current and historical). All are matters that involve either our U.S. or U.K. operations, most of which are not atypical of companies with substantial commodities and securities brokerage operations with retail and institutional customer bases.

## **D. Compliance Regime**

**Organization chart of the applicant's compliance function, including number of employees in compliance function, years of service in their roles, descriptions of their role and responsibilities in implementing the applicant's compliance program and biographies for top (3) three compliance officers**

The Compliance Department at MF Global consists of a Global Director of Compliance, Tracy Whille, who reports to the General Counsel of the firm, Laurie Ferber. Tracy has been with MF

Global for 18 months and, before that, worked at various major broker-dealers for a combination of over 20 years.

Reporting to Tracy in the U.S. is Tom Cohen, the U.S. Chief Compliance Officer, responsible for all compliance activities in the U.S. Tom has been with MF Global for 15 months and, prior to that, in the industry in excess of 25 years. Tom has eight direct reports, each of whom has particular expertise in a compliance function or multiple compliance functions.

The U.S. Compliance structure consists of Anti-Money Laundering and New Accounts Due Diligence, headed by John Brand; Advisory Compliance, including trade surveillance aligned by business product and headed by various compliance experts in those product lines; Compliance Risk and Assurances, headed by Terry Clarke; Central Compliance, headed by Tracey Straub; and Regulatory Inquiries, headed by Joan Ackerman.

There are currently 38 people in our U.S. Compliance Department and 10 additional positions in the process of being filled. The average industry experience for people in the U.S. Compliance Department is 17 years, and their average experience at MF Global is four years.

An organization chart of MF Global's U.S. Compliance Department and the biographies of the top five compliance officers are included as Appendix 13.

#### Copy of applicant's compliance policies and procedures

MF Global's policies and procedures are aligned by business area, and we have therefore included the following manuals in the appendices:

- Futures Compliance and Supervisory Procedures Manual (Appendix 14)
- Securities Compliance and Supervisory Procedures Manual (Appendix 15)

Global firm compliance policies, such as employee trading, gifts, and entertainment, are incorporated into these manuals so that all policies applicable to a business are readily available to its employees and supervisors.

Documentation on the applicant's Anti-Money Laundering (AML) Program, including AML Program, Know Your Customer (KYC) policies and procedures (including Customer Identification Program; Customer Due-Diligence and Enhanced Due Diligence), Risk Assessment Methodology as well as a copy of the results of such assessments, Transaction Monitoring Policies and Procedures (including Suspicious Activity Reporting processes and samples of SAR's filed by the applicant), Sample of AML-related MIS reports issued by the firm, AML Training Program, AML Independent Testing policies and procedures, and Policies and procedures as they relate to the USA PATRIOT Act (specifically Sections 311, 312, 313(a) and (b), 314 (a) and (b), 319 (a) and (b)).

MF Global's Anti-Money Laundering Policies and Procedures are designed to cover all products and entities in the U.S. (see Anti-Money Laundering Compliance Manual in Appendix 16). The manual establishes governing principles and standards to protect MF Global and its businesses from being used as a conduit to conduct illegal activity, terrorist financing, money laundering, or any other activity that would appear "suspicious." The manual and policies outlined therein define firm procedures that were designed to satisfy requirements of the Bank Secrecy Act ("BSA"), as amended by the USA PATRIOT Act ("PATRIOT Act"), as well as obligations promulgated by the Office of Foreign Assets Control of the U.S. Treasury Department ("OFAC").

MF Global's Anti-Money Laundering Policies and Procedures are administered using a tiered risk-management approach. Inherently high-risk relationships undergo enhanced due diligence. MF Global assesses inherent risk using two methods concurrently: jurisdiction-based risk and the nature of business and domiciled account type. Accounts originating from jurisdictions rated as higher risk and clients that engage in business activities or operate in industries that are susceptible to money laundering activities are subject to additional scrutiny. Examples of these account types include money exchange houses, foreign banks, bearer-share entities, correspondent accounts, politically exposed persons, and senior foreign political officials. MF Global's Anti-Money Laundering Policies and Procedures manual details generally our risk assessment methodology and provides specific guidance for assessing risk associated with these account types.

MF Global's automated surveillance tools provide rules-based monitoring of customer cash activities for unusual and/or suspicious activity (see the AML Monitoring Process Manual in Appendix 16). Further, the MF Global Anti-Money Laundering Compliance Manual provides procedures for elevating and reporting suspicious transactions and activities that suggest possible money laundering and other suspected criminal activity. Attached in Appendix 17 are sample redacted SAR-SF filings submitted in 2009 (certain information has been redacted for privacy concerns). A snapshot of the online AML MIS report is attached in Appendix 16. The daily reports are viewed and managed through a system interface.

MF Global conducts firm-wide training of our employees on various topics required or otherwise important for financial institutions, including the subjects of preventing money laundering, customer identification procedures, and "know-your-customer" procedures.

MF Global delivers an annual AML training program. The AML training program is directed at topics including the PATRIOT Act, the Bank Secrecy Act, and other applicable law, as well as company rules and procedures. AML training is intended to educate employees and heighten their awareness on a number of AML subjects including, but not limited to, the following:

- How to identify red flags and signs of money laundering
- Dealing with potential customers from high-risk jurisdictions and businesses or business structures including money exchangers, companies formed with bearer shares, foreign-based personal investment companies, foreign shell banks, domestic and foreign companies conducting business in cash, and politically exposed persons
- Suspicious activity reporting
- Compliance with the OFAC and OFAC sanctions programs
- A highlight of recent developments in anti-money laundering laws
- Techniques or money laundering trends identified by various government agencies such as FinCEN and FATF, as well as the CFTC, SEC, and SROs
- Procedures to follow once a risk has been identified

- The respective roles in the firm's compliance efforts held by firm employees, including APs and RRs, as well as by employees of the GIBs of MF Global
- The disciplinary consequences (including civil and criminal penalties) for non-compliance with the PATRIOT Act

In addition, MF Global also includes various AML, customer identification, and know-your-customer topics through in-person training conducted annually, including education for new employees and compliance training delivered annually to securities and futures sales and trading employees and other support-group employees. Managers and supervisors also receive specialized training, a portion of which relates to AML topics.

**Documentation on the applicant's OFAC Program, including OFAC policies and procedures (including details on OFAC transaction monitoring, filtering and reporting, blocking funds, annual OFAC reporting, updating the OFAC list, and the applicant's OFAC risk assessment), and OFAC Training Program**

MF Global's OFAC Policies and Procedures, which are incorporated within the Anti-Money Laundering Compliance Manual, are designed to cover all products and entities in the U.S. (See Appendix 16 for further details.)

MF Global's OFAC transaction monitoring, risk assessment and reporting are incorporated to the AML monitoring process. (See Appendix 16 for further details.)

MF Global's OFAC training program is incorporated to the AML training program. (See Appendix 18 for further details.)

## E. Internal Controls

### Description of applicant's corporate governance policies

MF Global's extensive corporate governance structure is based on governance models deployed throughout our organization on a global basis. The integration of governance policies provides the control framework for the development of process and procedures throughout the organization and allows for the transparency necessary to conduct proper management oversight into business and operational decision-making.

MF Global's governance structure is built on the following elements:

- **Delegation of Authority:** Sets the delegation of authority to approve levels of expenditures, to contractually obligate MF Global, and to transact other significant business by respective levels of management. The delegation of authority was specifically determined and approved by our Board of Directors.
- **Enterprise Risk Management Framework:** High-level policies, principles, and responsibilities in relation to the management of financial, operational, and other risks undertaken by MF Global. The Enterprise Risk Policy, Risk Appetite Statement, and Enterprise Risk Management Escalation Policy articulate the framework and parameters within which MF Global's operating subsidiaries can manage the levels of risk throughout their business operations.

- **Corporate Committee Structure:** A charter or terms of reference for each Board or governing committee established within MF Global. The structure differentiates Board committees established by our Board of Directors, governing committees established by the Office of the CEO that maintain formal charters, and Level 3 committees established to support the governing committees.
- **Organizational Structure:** MF Global maintains a matrixed organization with established global management for product and functional areas. As members of the Office of the CEO, regional heads aid the CEO in setting the strategic direction of MF Global and leading necessary organizational structures required by regulatory agencies.
- **Project Management:** The Global Process and Technology Committee, made up of a cross functional team of senior management, has oversight responsibility for all critical projects and ensures alignment of human and capital resources with the strategic priorities of MF Global.

Description of applicant's internal control environment, including related policies and procedures; copies of the (3) three most recent Internal Audit Reports conducted by the applicant's Internal Audit Group, and copy of the Internal Audit policies and procedures

#### Internal Controls

MF Global's internal control environment has three levels of assurance. Assurance is defined as the confirmation that standards, principles, limits, authorities, and other controls outlined in policies are being adhered to. The three levels of assurance are:

1. Line management's supervision: The heads of the business areas are responsible for ensuring that the day-to-day controls are being executed as appropriate and that any issues are escalated in a timely manner
2. Ongoing Assurance Functions: Risk, Compliance, and Sarbanes-Oxley ("SOX") are all ongoing assurance functions that oversee the effectiveness of the identified controls on an ongoing basis through activities such as automated monitoring, triggers or other measured performance indicators, and periodic reminders to management of their supervisory responsibilities.
3. Internal Audit: Internal Audit's role is to provide independent, objective assurance and consulting activities designed to add value and improve the company's operations. Internal Audit provides a system-wide, disciplined approach to evaluate and improve the effectiveness of the control environment through planned and ad hoc reviews of the control environment. Please see the Internal Audit section for further information.

#### Risk Management

We believe that risk management is not just the responsibility of the risk department but is also the responsibility of all individuals, regardless of role within the company. As such, all employees are expected to fully understand the risk responsibilities delegated to them and be aware of the relevant risk policy and compliance requirements for their function. Individuals whose roles involve risk-taking are expected to fully comply with, and take responsibility for, all

risk control policies and risk processing requirements applicable to their business. Regardless of role, all employees at MF Global are expected to escalate matters of concern or incidents arising in accordance with the Enterprise Risk Management Escalation Policy (see Appendix 21).

The risk department is led by our Chief Risk Officer (“CRO”), who is in charge of all risk control areas of the company and reports directly our Chief Executive Officer (“CEO”). The CRO has a number of direct reports who have defined responsibilities for the various risk functions, such as: Chief Credit Officer, Global Head of Market Risk, Global Head of Operational Risk, Regional Heads of Risk (Americas, Europe, APAC), and the Head of Insurance Risk.

On a day-to-day basis, the risk officers are responsible for managing and overseeing specialist teams that monitor our exposures around the world. When exchanges are open, client, counterparty, and house account positions are monitored against limits 24 hours a day. These teams communicate their findings to our regional officers and to local decision-making bodies to allow us to react rapidly and to address any developing risks.

Our risk officers are responsible for periodically reporting to the Enterprise Risk Management Committee (ERMC) and to the Board of Directors on global risk exposure and instances when our risk limits are exceeded. These reports cover a wide range of comparative measurements across all risk types and bring transparency to relation of our risks to the risk appetite set by the Board of Directors. The risk reporting process is designed to enable us to assess the levels of risk present throughout our operating environment on a near real-time basis and to take any necessary remedial action in a timely manner.

### Operational Risk

MF Global defines Operational Risk as the risk of loss or other adverse consequence resulting from inadequate or failed internal processes, people, and systems or from external events. Operational Risk includes a broad range of circumstances. Consistent with our competitors, Operational Risk may be found throughout the organization in all business areas, including revenue-generating, support, and control functions. To mitigate risks, MF Global has established an independent Operational Risk Department led by the Global Head of Operational Risk. The mission of the Operational Risk Department is to implement a globally consistent Operational Risk Management (“ORM”) framework that provides a holistic view of MF Global’s operational risks, requires transparency and accountability, and demonstrates sound operational risk management. The core components of the ORM strategic framework include Governance, Incidents, Assessments, Indicators, and Reporting. The ORM framework provides a continuous and collaborative process to identify, assess, manage, mitigate, and report risk. This framework combines both qualitative and quantitative techniques for assessing risk and will continue to evolve with maturity, awareness, and experience; it is a continuous, ongoing process that results in the acceptance, mitigation, or avoidance of risk.

As noted, Operational Risk is inherent in each of MF Global’s revenue-generating, support, and control functions; therefore, the primary day-to-day responsibility for managing operational risk resides within these areas. Each area has established processes, systems, and controls to manage operational risk. Additionally, the heads of the business areas are responsible for reporting incidents, issues, and indicators to the Operational Risk Department as per the ORM framework programs. The Operational Risk Department consolidates and analyzes the ORM framework results and reports as appropriate.

## Sarbanes-Oxley

MF Global has been compliant with the internal control requirements of the Sarbanes-Oxley Act of 2002 ("SOX") since March 31, 2009. Management conducted an assessment of the effectiveness of the MF Global's internal controls over financial reporting based on the COSO Framework and in accordance with the requirements of SOX. Based on this assessment, management has determined that the Company's internal controls over financial reporting, as of March 31, 2009, were effective, and that there were no material weaknesses in the Company's internal controls over financial reporting as of that date.

The SOX processes and controls are documented in detail through process flowcharts for each key business area. These processes clearly define the requirements by the business to maintain a strong internal controls environment. Processes are reviewed and updated through walkthroughs and tested annually. Management regularly undergoes quarterly attestations to ensure the controls continue to operate as expected for each of the quarterly reports, and that any changes to processes are reviewed and implemented with the required controls. The quarterly certifications have been completed without any items to report up to and including the current date.

All of these SOX-related procedures are clearly documented and defined in the FY2010 SOX Strategy document (see Appendix 20).

## Internal Audit

Internal Audit's mission is to provide independent evaluation and reporting on control effectiveness for all of MF Global's corporate functions/business units, including Joint Ventures where MF Global has a controlling interest. The audit universe is anchored to a business process model defined, where applicable, by product grouping/location. Internal Audit's primary service delivery is the standard audit, which is driven by the risks mapped to each audit universe entity and which are consistent with the Board approved risk appetite and delegations of authority. They include Capital, Liquidity, Credit, Market, Operational, and Reporting risk factors. The standard audit is executed in accordance with the "Internal Audit Policies and Procedures" Audit Execution Guidance Notes" included as Appendix 23. Internal Audit produces exception-based audit reports for distinct pieces of assurance work to summarize the results of control evaluation and testing of the scoped control environment. Reporting is at a detailed and summary level, with distribution to process owners and the executive/non-executive layers.

The head of the Internal Audit reports to the Chairman of the Audit Committee of MF Global's Board of Directors, as well as the General Counsel.

Attached as Appendix 24 are two of the most current and relevant Internal Audit reports for the MF Global Inc. business lines as well as the most recent audit report for the fixed income business. Two of these audits were conducted using the Standard Audit Methodology, which tests all key controls for in scope processes. One was a Control Operating Effectiveness Review (COER), which is limited to testing only controls in place for risks rated as "very high." All audits beginning in FY 2010 are conducted using the Standard Audit Methodology. Also attached as Appendix 22 is our FY 2010 Internal Audit Plan.

**Business Continuity plan or description of the contingency arrangements with respect to the business areas in the markets relevant to the FRBNY**

### Overview of Business Continuity and Disaster Recovery

MF Global has implemented strategies, aligned resources, and regularly tests actions necessary to resume our vital business functions in the event of an unplanned disaster, loss of facility, or business interruption. In doing so, MF Global has assured it will more effectively protect the life and safety of its personnel while maintaining the highest level of service to our clients.

MF Global is committed to ensuring an effective Business Continuity Management (“BCM”) program is in place, tested, and constantly improved. BCM is a holistic management process to identify potential impacts that threaten an organization and provide a framework for building resilience and the capability for an effective response that safeguards the interests of key stakeholders, reputation, brand, and value-creating activities. The program captures the nature and scale of business in each MF Global location and is regularly tested to ensure ongoing appropriateness and compliance with all relevant regulatory requirements. MF Global has established a global program wherein BCM is an integral part of MF Global’s strategic and day-to-day operational management.

Our Disaster Recovery (“DR”) objectives are achieved through the implementation of cohesive IT solutions to bring about a synergy of business goals, continuity, and technology in order to maximize our return on expenditures and our alignment with the business objectives derived from the BCM program.

MF Global has implemented layered DR business and technology services, based on current business operations and associated technologies and systems within our existing global infrastructure. These services are designed to achieve the level of service both in production and, if necessary, at one of multiple disaster recovery sites that will provide continued operation with like quality, functionality, and assurances to continue critical business operations.

For a comprehensive review of our Business Continuity and Disaster Recovery plan, see Appendix 25, which sets out the procedures to be followed if an event at our New York headquarters (the primary site of staff and systems for primary dealer-related activities) makes the location unusable or inaccessible.

## **F. Customer Base**

**Description of the applicant’s customer base and distribution network, including types of customers served and geographic distribution of customers**

Our business model is global and product-driven, which allows us to offer customized solutions to our diverse client base across a vast array of products, markets, and geographic regions and through multiple distribution channels. We centrally manage our businesses as a global organization and offer clients the ease of trading multiple products through a single intermediary with a worldwide presence.

## **Institutional Clients**

As our business has expanded into new markets, we have broadened our client base both through internal development of execution and clearing services targeted at different clients and through acquisitions. We do not manage our business according to specific types of clients but characterize them broadly as institutional clients and retail clients. We regard our client base as a whole and seek to provide them with access to a wide variety of derivatives and cash markets. We believe that receiving order flow from a diverse client base helps us provide efficient execution across a broad range of products, markets, and regions.

### Corporations

Major industrial and financial companies rely on us to provide them with access to an array of markets. They look to us for the risk management support we provide as they seek to hedge positions they may have in commodities, foreign exchange, or financial products. This category of clients has grown in recent years, driven, in part, by a growth in the number of companies that have increased their focus on their own risk management.

### Broker-Dealers

Institutional clients also include other intermediaries who use us to provide clearing services. These clients may take a view on market movements with the hope of achieving attractive investment returns. With the consolidation of industry participants, we believe broker-dealers seek counterparties like us that are both diverse and have strong balance sheets and capital positions.

### Asset Managers and Hedge Funds

Our asset manager clients include managers of large mutual funds, commodity trading advisors (“CTAs”), commodity pool operators (“CPOs”), and other investment advisors. Our hedge fund clients include a range of alternative investment companies. The number and influence of hedge funds and other asset managers in the derivatives and cash brokerage industry have grown significantly in recent years, and we believe they will continue to be a major force in driving demand for increasingly sophisticated risk-management products. We have a dedicated global network of specialists who understand the unique needs of these clients, execute and clear orders, assist in arranging financing, and provide personalized account management and administrative support.

### Professional Traders

Individual professional traders are either local floor traders or professional electronic traders. Local floor traders are individual members of derivatives exchanges who trade for their own account on the floors of exchanges. Professional electronic traders are individual clients trading electronically from dedicated facilities built to service their needs. Locals serve an important role in the market as liquidity providers for the exchanges of which they are members by providing order flow. As floor-based trading has migrated to electronic platforms, local traders have also transitioned to the use of electronic platforms. Professional traders are typically high-volume clients who require an operating platform that provides them rapid execution at a low cost, which results in our earning lower transaction fees. We have strong relationships with a number of local trading groups in North America, Europe, and the Asia Pacific region. We believe we

play a leading role in providing professional traders in these regions with online access to equities, interest rates, commodities, and foreign exchange markets around the world.

### Government Organizations

Government organization clients include central banks, government-sponsored agencies, sovereigns, provinces, states, and local governments. This institutional investor group is an important client base for our U.S. Treasuries and agencies franchise. We have recently hired a dedicated Central Bank sales team.

Please note that MF Global also covers other institutional client types including insurance companies, pensions, bank portfolios, and thrifts.

### **Retail Clients**

#### Private Clients

Private clients are typically individual investors with individual or joint trading and investment accounts for speculation and hedging, individuals setting up trading corporations, and high-net-worth individuals. Private clients also include any of the above accounts managed by a third party. Through internal initiatives and a series of acquisitions, we have in recent years developed a significant private client business. We have extensive private client teams in North America, Europe, and Asia Pacific—a truly global footprint to meet our clients' needs. Some of our private client business is generated through a network of introducing brokers, who direct futures and options order flows from private clients to MF Global for execution and clearing.

### **Geographic Regions**

We execute trades for clients located principally in three geographic regions: North America, Europe, and the Asia Pacific region. Our operations in each region are organized to service the institutional and retail clients located in that region. In most regions in which we operate, we execute trades involving a wide range of products on a number of markets.

There are a number of countries in which we do not currently maintain offices but conduct a significant amount of business. For example, based on information gathered by our management with respect to participants in that industry, we believe that, despite the fact that we do not have an office in China, we are a leading provider of financial risk management products to the Chinese metals industry. We service these clients through our offices in London, Hong Kong, and Sydney.

Our global and product-driven model allows us to provide each of our clients with services that encompass any and all combinations of our products and markets. For example, we are focused on increasing the number of clients in the Asia Pacific region—for whom we can execute and clear trades in Europe or North America as well as the Asia Pacific region—and providing our clients in Europe and North America with increased access to the exchanges in the Asia Pacific region. Our global presence, combined with our expertise in a wide variety of products, enables us to meet the diverse needs of our clients.

### **Electronic Trading Platforms**

MF Global is a liquidity provider on various electronic trading platforms, including Bloomberg Bond Trader (U.S. Treasuries and agencies), Bloomberg's Boom (ADNs), and MarketAxess

(investment-grade corporates, U.S. agencies, high yield, and emerging markets). MF Global also posts its market levels on its single dealer page under the acronym "MANE." We anticipate that, with Primary Dealer status, we will become a liquidity provider on Tradeweb.

In addition, MF Global provides clients with access to markets through multiple online trading platforms. These platforms include MTrade, MTrade FX, MTrade ep, MTrade Securities, MTrade CFD, GNI touch, MTrade Pro, MF Global FX Click, MF Global FX Clear, MF Global Dealing Room, and MF Global Xpress (Order Express). Our MTrade and MTrade ep online trading platforms provide clients access to the U.S. futures markets, whether electronically or by open outcry, from any location where clients are able to access the Internet. Our MTrade, MTrade Pro, MTrade CFD, and GNI touch online trading platforms enable our clients to enter into complex options and equities transactions online and manage multiple accounts with one user identification. Our clients also have access to multiple online trading platforms for foreign exchange, through MTrade FX, MF Global FX Click, MF Global FX Clear, MF Global Dealing Room, FXA Securities Ltd., and MFGtrader. A number of these trading platforms deliver web-enabled account opening and private access to client statements detailing positions, funds, and margin requirements. For clients who choose not to use our online trading platforms, we support all major third-party order entry systems independently contracted by clients.

**Highlight the percentage of customers that operate in High Risk industries (as defined in the AML Program) and the percentage of revenues derived from such customers**

MF Global Anti-Money Laundering procedures and surveillance are administered using a tiered risk-management approach. High-risk relationships undergo enhanced due diligence at account opening and through ongoing monitoring processes. The MF Global Anti-Money Laundering Policies and Procedures manual provides specific guidance for assessing high-risk relationships. However, we do not track customers by industry and therefore cannot provide the percentage of revenues derived from such customers.

The following are a highlight of MF Global's enhanced due diligence methodologies employed for certain types of accounts:

- **Private Investment Companies (U.S. and non-U.S.):** In the case of accounts for private investment companies ("PICs") or similar investment vehicles for purposes of verification, MF Global will obtain formation documents, such as a certificate of incorporation, operating agreements, or similar documents. In addition, MF Global will obtain identifying information for all principals or entities authorized to trade for the account and require verification, where appropriate. The Accounts Department will also obtain the same customer identification information for all beneficial owner(s) of the PIC, as it requires for individual account.
- **Accounts Originating from Non-Cooperative Countries and Territories:** MF Global will not open accounts for customers that are located in Non-Cooperative Countries and Territories, as identified by FATF.
- **Bearer-share Companies:** As a general practice, MF Global will offer bearer-share company clients two options for dealing with the risks associated with bearer shares: (i) registration of bearer shares memorialized by a corporate resolution or other similar documented corporate action, or (ii) immobilization of physical shares with a pre-approved custodian.

- **Money Service Business (“MSB”):** Applications received for all MSBs should be opened only with the permission of the relevant AML Compliance Officer, in consultation with the Chief Compliance counsel or supervisory personnel.
- **Senior Foreign Government Officials:** Such accounts will be opened only with the permission of the relevant AML Compliance Officer, in consultation with the Chief Compliance counsel or supervisory personnel.
- **Other High-Risk Business:** This enhanced due diligence may include requesting additional beneficial ownership documentation, expanded name screening efforts via use of name screening vendors, purchase of business information reports (Dunn & Bradstreet), detailed information searches via use of Internet search engines (i.e., Google, Yahoo, and Dogpile) and more detailed background reviews of key management figures, principals, and senior management. The following business types are subject to additional scrutiny during the account on boarding reviews:
  - Casinos
  - Offshore corporations and banks located in tax and secrecy havens (i.e., Panama, Switzerland, Cayman Islands, etc.)
  - Leather-goods stores
  - Car, boat, and airplane dealerships
  - Used car or truck dealers and machine parts manufacturers
  - Travel agencies
  - Securities broker-dealers
  - Jewel, gem, and precious metal dealers
  - Import/export companies
  - Auctioneers
  - Deposit brokers
  - Pawn brokers
  - Ship, bus, and plane operators
  - Cash-intensive businesses such as restaurants, retail stores, and parking garages
  - Telemarketers

**Highlight the percentage of the customers that operate in High Risk jurisdictions (as defined in the AML Program)**

As of January 12, 2009, the portion of customer accounts that operate in high-risk jurisdictions (as defined in the AML Program) is approximately 2.5 percent.

## **G. Other**

**Helpful (but not required information), if available, including Rating Agency Reports and Investment Analyst Reports written about the firm**

MF Global maintains an investment-grade rating from all three of the major rating agencies. The current ratings issued are as follows: Standard and Poor’s (BBB), Moody’s (Baa2), and Fitch (BBB).

As evidenced in the full-year rating agency reports provided in Appendix 26, MF Global's investment-grade rating from each of the rating agencies is supported by its global and diversified business model, highly liquid balance sheet, strong liquidity and capital, improved risk management, and experienced senior management leadership.

MF Global Holdings Ltd. is also followed by the equity analysts listed below:<sup>10</sup>

<u>Firm</u>	<u>Analyst</u>
Barclays Capital	Roger A. Freeman
BMO Capital Markets	Michael T. Vinciguerra
Calyon Securities	Robert C. Rutschow
Citigroup	Donald Fandetti
Credit Suisse	Howard H. Chen
Deutsche Bank	Michael Carrier
Fox-Pitt Kelton	Edward Ditmire
JPMorgan	Kenneth B. Worthington
Keefe, Bruyette & Woods, Inc.	Niamh Alexander
Pali Capital	Avi Ghosh
Raymond James & Associates	Patrick O'Shaughnessy
Sandler O'Neill & Partners LLP	Richard H. Repetto

A sampling of equity analyst reports on MF Global is included in Appendix 27.

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<sup>10</sup> Please note that any opinions, estimates, or forecasts regarding MF Global's performance made by these analysts are theirs alone and do not represent opinions, forecasts, or predictions of MF Global or its management. MF Global does not, by its distribution of this information, imply its endorsement of or concurrence with such information, conclusions, or recommendations. MF Global undertakes no obligation to update this list and does not distribute information or reports prepared by analysts.

**Primary Dealer  
Application Appendix**



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  - D). Deutsche Bank Investment Analyst Report
  - E). Pali Investment Analyst Report
  - F). Sandler O'Neill Investment Analyst Report