

## **Statement of Bradley Abelow**

### **United States House of Representatives Committee on Financial Services, Subcommittee on Oversight and Investigations**

**December 15, 2011**

The bankruptcy of MF Global was a tragedy for our customers, our employees and our shareholders. For many of our customers, including many of your constituents who have still been unable to retrieve funds that are rightfully theirs, it has imposed extreme financial hardship. More than 2,500 employees have either already lost or will soon lose their jobs through no fault of their own. Shareholders have seen the value of their investments reduced to almost nothing overnight.

As the President and Chief Operating Officer of MF Global Holdings, I am deeply sorry for the hardship they have all endured. While I know nothing I say can ease their pain, I hope that through my testimony today, I can help this committee understand what happened at MF Global and how we are attempting to unwind the company in a manner that provides maximum value for all parties.

I joined MF Global in September 2010 as COO. I was given the additional title of President in March 2011 and served in that capacity through the bankruptcy filing this October. After the filing, the firm's board asked me to remain in my position to work with the various trustees and administrators to close the firm's operations, which I have attempted to do over the last six weeks.

From my perspective, based on what I was able to observe at the time, there were a number of factors that led to MF Global's demise. First, it appeared that by

mid-October of this year the market had become increasingly concerned with the firm's exposure to European sovereign debt. Second, beginning in late October, the ratings agencies rapidly and repeatedly downgraded the firm's credit rating. Third, the company reported disappointing earnings on October 25. The combination of those three events – increased concern about exposure to European sovereign debt, a series of ratings downgrades, and disappointing earnings – created an extremely negative perception in the market resulting in a large number of the firm's trading and financing counterparts pulling away from MF, which dramatically reduced the firm's liquidity. That reduction in liquidity – a classic run on the bank – led MF Global to attempt to sell all or part of the firm in order to provide liquidity and protect the interests of our employees, shareholders, creditors and customers. When those efforts failed, MF Global filed for bankruptcy on October 31.

I know this committee is interested in finding out what amount of segregated client funds went missing in the final days, how it happened, where those funds are, and what might eventually be returned to the firm's clients. I am deeply troubled by the fact that customer funds are missing, and I can assure you that I share your interest, and the public's interest, in finding out exactly what happened. At this time, however, I do not know the answers to those questions. They are being investigated by the trustees, who have taken over management of MF Global and have control over its records and accounts, and a host of regulatory and investigative agencies. While I do not know what they have found, I do know that all of the parties are working hard to find answers, and I hope they are able to get to the bottom of the issue as soon as possible.

Since the company filed for bankruptcy, I have focused every day on minimizing the effect on customers and employees. There is no way to turn back time and undo all of the damage caused by the collapse of MF Global, but in the last six weeks, I have worked day and night to reduce costs and maximize the remaining value in the business.

Because MF Global was a global firm, with operations on exchanges in more than 70 countries, there are separate entities with separate systems and books around the world, and I have worked to foster cooperation and communication among those entities. There are a number of different parties now responsible for unwinding the firm's operations and it has been an enormous effort to coordinate with them to generate the maximum possible recovery of assets.

And while it is only a small measure given the number of people who have lost their jobs, I am doing whatever I can to help former employees find new employment.


I believe it is important to examine the issues that led to MF Global's demise, and the firm has attempted to be as open and transparent as possible. I hope I can provide some assistance to the committee in its investigation today.

As I said, there is no way to undo the damage that has been done by MF Global's bankruptcy. But it is my hope that efforts such as this one to gather facts and provide a clear picture of what occurred will assist policymakers, regulators and participants in the financial services industry in avoiding such tragic events in the future. I look forward to answering your questions.

United States House of Representatives  
Committee on Financial Services

"TRUTH IN TESTIMONY" DISCLOSURE FORM

Clause 2(g) of rule XI of the Rules of the House of Representatives and the Rules of the Committee on Financial Services require the disclosure of the following information. A copy of this form should be attached to your written testimony.

<b>1. Name:</b>  BRADLEY ABELOW	<b>2. Organization or organizations you are representing:</b>  INDIVIDUAL CAPACITY
<b>3. Business Address and telephone number:</b> 	
<b>4. Have <u>you</u> received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify?</b>  <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<b>5. Have any of the <u>organizations you are representing</u> received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify?</b>  <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>6. If you answered .yes. to either item 4 or 5, please list the source and amount of each grant or contract, and indicate whether the recipient of such grant was you or the organization(s) you are representing. You may list additional grants or contracts on additional sheets.</b>          	
<b>7. Signature:</b>  Bradley Abelow	

Please attach a copy of this form to your written testimony.