STATEMENT OF CHRISTINE SERWINSKI
BEFORE THE UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON FINANCIAL SERVICES
OVERSIGHT AND INVESTIGATIONS SUBCOMMITTEE

MARCH 28, 2012

Chairman Neugebauer, Ranking Member Capuano, and Distinguished Members of the Subcommittee, thank you for the opportunity to testify today. My name is Christine Serwinski. I understand that the Subcommittee is investigating the events leading up to the bankruptcy of MF Global Holdings and its subsidiaries and that this hearing is focusing on the events from October 24, 2011, until the bankruptcy filing on October 31, 2011. Although I was away from the office during most of the last week before MF Global filed for bankruptcy, I hope that my testimony nonetheless will prove helpful to the Subcommittee.

At the time of the events in question, I was the Chief Financial Officer ("CFO") of MF Global Inc., which was the North American broker-dealer and Futures Commission Merchant ("FCM"). I graduated from Northern Illinois University in 1987 and began my career in financial services in 1988 as an auditor at the Chicago Board of Trade. I stayed in that position until 1992, when I joined ConAgra as an auditor. In July 1994, I began work in the regulatory department for a subsidiary of ConAgra, called Geldermann, which, among other things, operated an FCM. Man Financial acquired Geldermann in December 1994, and I became the General Accounting Manager in the combined entity. In 2000, I was promoted to Controller. In July 2007, Man Financial became MF Global following an IPO. In November 2008, I was promoted to CFO of MF Global Inc., which is a subsidiary of MF Global Holdings USA, whose ultimate parent is MF Global Holdings Ltd., the publicly traded company.

At the time of the events in question, I reported to the Global Head of Legal Entity Control, who was based in London. He reported to Henri Steenkamp, who was the Global CFO. Prior to a reorganization in March 2011, I reported to Mr. Steenkamp, whose title then was Chief Accounting Officer of MF Global Holdings Ltd.

In my position as CFO of MF Global Inc., I was responsible for the accounting team, and in that function the Canadian CFO and the North American Controller reported to me. The regulatory accounting group, operating under the Regulatory Capital Controller, also reported to me. In light of the Subcommittee's interest in the events of the week of October 24, it is important to note that Treasury, Treasury Operations, and Securities Operations did not report to me. Treasury reported to the Global Treasurer, Vinay Mahajan. Treasury Operations and Securities Operations reported to David Simons, who was in charge of Global Operations.

Well before the events of October, on June 27, 2011, after nearly twenty years at MF Global and its predecessor firms, I tendered my resignation. I had been working very hard for a very long time, and I decided I wanted to take a new direction in my professional life. In order to ensure a smooth transition, the Company asked me, and I agreed, to stay on for another nine months, with the aim of accomplishing three goals: (1) I was to find and train my replacement; (2) I was to transition day-to-day operations to that replacement; and (3) I was then to work on special projects until my departure. We found a replacement, and he was scheduled to begin work on November 1, 2011.

I am aware that the Subcommittee is particularly interested in the events of the week prior to the October 31 bankruptcy. I will do my best to provide whatever information I can, but I apologize in advance if I am unable to add a great deal of detail. I was away on vacation for the majority of that week and did not return to the office until Sunday evening, October 30. I will do my best to tell you what I know about the events of that week.

On Monday, October 24, Moody's downgraded MF Global's credit rating. An earnings call had been scheduled for Thursday, October 27, but was moved up to Tuesday, October 25, to respond to the downgrade. Moody's downgrade was followed shortly thereafter by a second ratings agency downgrading the Firm to the same level as Moody's.

On Tuesday, October 25, I left Chicago for a previously planned vacation. I was scheduled to return to the office one week later, on Tuesday, November 1, to coincide with my replacement's first day on the job. Prior to my departure, I spoke to several members of my staff and drafted emails to co-workers to ensure all of the functions of my office would continue and be covered. I kept in contact with the office throughout the week, communicating with the Global Head of Product Control, the North American Controller, the Regulatory Capital Controller, the Assistant Treasurer, the Global Head of Legal Entity Control, and others. All these people knew how to -- and did -- reach me as necessary. Despite the negative news from the ratings agencies, I had every reason to believe that the firm was on solid ground prior to my departure and that all functions for which I was responsible would be handled professionally in my absence.

I had daily access to emails via my BlackBerry during my week off. I read emails when I could, which was sporadic, since my activities during the week kept me occupied for long periods of time. I also spoke to people at MF Global on the telephone from time to time throughout the week. All communications with MF Global employees indicated that things were very busy but that there was nothing so pressing as to necessitate cutting short my vacation. In fact, I was reassured that everything was under control, and at no time did anyone ever suggest that I should return to the office.

Indeed, on Tuesday evening, I was informed that the FCM had come through the day well. On Wednesday afternoon, I was told that everything was being handled in the usual course. I received similar communications on the morning of Thursday, October 27.

Nonetheless, late in the day on Thursday I decided to come back to Chicago a day early, on Sunday rather than Monday. I was not alarmed, but I believed it would be better to return early, given the level and unusual nature of activity at the firm. Among other things, I had by then learned that there were serious efforts underway to sell all or a substantial portion of MF Global Inc.'s business. Earlier on Thursday, I also learned that the segregation report for Wednesday showed a substantial deficit in what was called the "firm invested in excess segregated and secured funds." This figure represented the amount that the firm contributed to the segregated and secured accounts. This amount was over and above all customer funds and served as a buffer to ensure customer funds were safe. Though the firm could remain in full regulatory compliance even if the "firm invested" amount went negative, I had stated clearly and repeatedly that the firm should maintain a positive "firm invested" balance every day in its segregated and secured report. To me, even though the regulations would allow it, I was not comfortable with the firm putting customer funds at risk even just overnight in that manner.

When I inquired as to the reason for Wednesday's "firm invested" deficit, I learned that the broker-dealer unit of the firm had borrowed money from the FCM on an intraday basis and had missed the wire deadline to pay it back. The inter-departmental lending on an intraday basis was not unusual, but the loan should have been paid back before Wednesday's close of business. I communicated with my office and was assured that the matter was under control and being addressed and that the funds would be returned on Thursday. Indeed, Friday's segregation report, reflecting figures for Thursday, showed that the "firm invested in excess segregated and secured" funds had returned to expected positive levels, which I believed at the time reflected the return of the borrowed funds, as promised.

On Saturday, I was told initially that the segregation and secured statement for Friday showed the firm to be under-segregated. However, Treasury assured my department that the apparent under-segregation reflected reconciliation errors and that the firm was not really under-segregated. As the day wore on, I was told that the segregation and secured statement was looking good and that Treasury was working on the reconciliations. On Sunday morning, as I headed to the airport to return to Chicago, I believed that matters at the firm, while hectic, were under control.

Just before boarding my flight on Sunday, I heard from our Global Head of Product Control that there was, indeed, a problem with the FCM segregated and secured funds. He told me that we were under-segregated by almost $1 billion. At the time, I did not believe this was possible. I thought that such a huge number could only be the result of an accounting error. When I landed in Chicago, I learned that, upon further review and analysis, the firm apparently had excess segregated and secured funds. I was relieved to hear that news but felt I needed to go into the office Sunday night anyway to assess the situation, assist in any possible sale of the company (for which I understood there were serious negotiations underway), and make sure we were ready for business on Monday morning. As it turned out, once I arrived at the office Sunday night, I did not leave again until Monday evening.

Upon arriving at the office, I spoke with the North American Controller and the Regulatory Controller. They told me that, in fact, there appeared to be a segregation and secured deficit of $900 million. I dove into the accounting with my team, checking every number and verifying all of the various elements that go into the segregation and secured funds report. I was still operating under the belief that there must have been an accounting error because such a large deficit was simply inconceivable to me.

Early Monday morning, after hours of looking for this error, the Assistant Treasurer handed me a piece of paper that identified three categories of transactions that, according to her calculations, accounted for the shortfall in the FCM's segregated accounts. Upon seeing this information, I realized that the deficit in the segregated and secured funds was real and not an accounting error. We informed a representative of the Chicago Mercantile Exchange, our Designated Self Regulatory Organization, who was on site at the time, and my focus immediately shifted to identifying all available funds within MF Global that might be transferred into the segregated/secured environment as early as possible on Monday.

We worked relentlessly throughout the early morning hours and, indeed, throughout the day on October 31, to try to bring the segregated and secured accounts back to the appropriate levels. I even requested my colleagues to ask the Federal Reserve to open its wire facility early on Monday morning to begin transfers, but we were unsuccessful. Although we were able to move some funds into the FCM's segregated and secured accounts, a number of submitted transfers were not executed by the banks, and we were unable to move sufficient funds to make up for the shortfall.

I have seen reports suggesting that staff of the Securities and Exchange Commission ("SEC") may have told the Subcommittee's staff that they expressed concern to MF Global regarding the firm's calculation of excess funds in the broker-dealer customer reserve account and cautioned against transferring those funds. I did not hear, directly or indirectly, of any such communication from the SEC staff. I can assure the Subcommittee that if I had learned that any of our regulators had communicated a concern about proceeding with any of the transfers we were considering on the 31st, I would not have proceeded with an effort to transfer the funds in question. My sole goal was to try to find firm funds that properly could be transferred to the segregated and secured environment to meet the firm's obligations to customers.

During the morning of October 31, I learned that MF Global had filed for bankruptcy. I was told that we were under Securities Investor Protection Corporation ("SIPC") protection sometime during the day on Monday. Eventually, I was informed by SIPC that the Firm could no longer engage in any further financial transactions.

Shortly thereafter, the SIPC Trustee asked me to stay on at MF Global until February 15 to assist in the wind-down of the business, which I agreed to do.

Thank you. I look forward to addressing to the best of my knowledge and ability any questions the Subcommittee may have.

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.

1. Name:	2. Organization or organizations you are representing:
Christine Serwinski	Self
3. Business Address and telephone number:	
N/A	
4. Have you 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?	**5. Have any of the organizations you are representing 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?**
☐ Yes ☑ No	☐ Yes ☑ No
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.	
7. Signature:	
Christine Serwinski	

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