

December 13, 2011

Via Electronic Mail

The Honorable Randy Neugebauer
Chairman, Subcommittee on Oversight and Investigations
United States House of Representatives,
Committee on Financial Services
Washington D.C., 20515

RE: Request for Information Regarding Collapse of MF Global

Dear Chairman Neugebauer:

We write in response to your December 5, 2011 letter requesting that CME Group ("CME") provide certain information to help the Subcommittee understand our supervision of MF Global.

With respect to request 1, you have asked us to provide a detailed description of any concerns CME has had over the last five years regarding MF Global's record-keeping, internal controls, risk management, segregation of client funds, the number and performance of compliance staff, or any other compliance-related issue. You also ask for all documents related to those concerns. Providing a comprehensive response to this request, and compiling the related documents, would take considerable time. However, we do want to share with you what we currently know about issues raised during our regular audits of MF Global, as well as significant disciplinary actions against MF Global by CME's Market Regulation Department. CME issued the following audit reports for MF Global: (1) June 27, 2007 (as of December 31, 2006); (2) August 4, 2008 (as of January 31, 2008); (3) June 25, 2009 (as of December 31, 2008); (4) August 2, 2010 (as of January 31, 2010); and (5) August 4, 2011 (as of January 31, 2011). We understand that you will seek to obtain copies of those reports directly from the CFTC. As a result of those audits, CME issued a warning letter in 2007, and fined MF Global \$25,000 in both 2008 and 2009, for violating CME Rule 930.D for allowing customers to trade without maintaining sufficient performance bonds. Following the 2011 audit, CME issued a warning letter to MF Global because certain customer segregated funds were not readily marketable or highly liquid, and other investments were not properly rated. The identified issues had no impact on excess segregated funds or excess net capital, and CME was informed by the firm that they were quickly remedied as required. In addition to the issues raised in the audits, in the last three years CME Group's exchanges took two significant disciplinary actions against MF Global, as a result of investigations by its Market Regulation Department. In December, 2008, CBOT fined MF Global \$400,000 for failing to supervise employees and certain trade practice violations, including pre-execution communications. In December 2009, CBOT fined MF Global \$495,000 for violations of CBOT rules in connection with trading by one of MF Global's associated persons in the CBOT wheat market. The NFA summaries of these disciplinary actions are attached. They are also included along with others we have been able to identify to date in the attached spreadsheet. Information related to these actions can also be found on the NFA website: www.nfa.futures.org.

With respect to requests 2 and 3, we enclose a chronology of matters that occurred during the week of October 24-31 related to MF Global's collapse. Specifically, the chronology represents CME's current timeline of our supervisory and auditing activities of MF Global. The chronology also summarizes communications among CME staff and between CME and the CFTC, SEC, NFA, FINRA and CBOE related to MF Global during the October 24-31 timeframe. Given the number of CME employees involved in this matter and the volume of communications related to MF Global during that busy week, CME's review of documents and collection of information concerning the events of October 24-31 is an ongoing process that we do not expect to be completed for weeks. We are also in the process of providing information and producing non-privileged documents in our position to the governmental authorities that are conducting the investigation of what occurred. We offer the above-referenced chronology, though it is not comprehensive or hour-by-hour because of the volume of information that would have to be processed to do so, in order to provide useful information to the

Subcommittee in advance of its hearing on December 15. We note for the Subcommittee that our understanding of what occurred the week October 24-31 likely will evolve and could change as we continue our review of documents and collection of data.

We look forward to continuing to work with you to help in any way we can with the Subcommittee's examination of the issues surrounding the collapse of MF Global.

Very truly yours,

A handwritten signature in black ink that reads "Kathleen M. Cronin". The signature is written in a cursive, flowing style.

Kathleen M. Cronin

cc: The Honorable Michael Capuano
Terrence A. Duffy
Linda Dallas Rich



Case Summary

MF GLOBAL INC

CBOT CBOT-07-ETI-06-BC

NFA ID: 0266826

Respondent/Effective Date Summary

NFA ID	Respondent	Effective Date
0266826	MF GLOBAL INC	12/12/2008

Rule Summary

NFA ID	Respondent	Rule Type
0266826	MF GLOBAL INC	<ul style="list-style-type: none"> • CBOT9B.13 - TRADING AGAINST CUSTOMER ORDERS AND CROSSING ORDERS • CBOT480.10 - EMPLOYER SUPERVISION OF EMPLOYEES

Committee Summary

NFA ID	Respondent	Committee
0266826	MF GLOBAL INC	• BUSINESS CONDUCT COMMITTEE

Action Summary

NFA ID	Respondent	Action Types
0266826	MF GLOBAL INC	• TRADE PRACTICE

Penalty/Event Summary

NFA ID	Respondent	Penalty/Event	Event Date
0266826	MF GLOBAL INC	<ul style="list-style-type: none"> • OTHER-SEE NARRATIVE OR DESCRIPTION IN NOTICE • CEASE AND DESIST 	

Narrative Summary

Narrative for 0266826 - MF GLOBAL INC

FINDINGS: Pursuant to an offer of settlement in which MF Global, Inc., a clearing member of the Chicago Board of Trade ("CBOT"), neither admitted nor denied the findings, on December 10, 2008, a Panel of the CBOT Business Conduct Committee decided that there was a reasonable basis to support the following findings.

1. CBOT 06-ETE-08-BC

On a number of occasions in 2006 and 2007, MF Global employees engaged in impermissible pre-execution communications in connection with trades executed on the e-cbot electronic trading platform and withheld customer orders that were executable in the market for the purpose of soliciting and brokering contra-orders. MF Global failed to properly supervise its employees in connection with these trades.

The Panel found that in so doing MF Global violated legacy CBOT Rule 504.00 and Regulations 480.10 and 9B.13.

2. CBOT 07-ETI-06-BC

On a number of occasions in 2006 and 2007, MF Global employees crossed orders on the e-cbot electronic trading platform without allowing for the minimum required exposure period between the entry of the orders.

The Panel found that in so doing MF Global violated legacy CBOT Regulations 480.10 and 9B.13.

3. CBOT 07-73207-BC

On April 17, 2007, MF Global employees entered a customer order on the e-cbot electronic trading platform that involved pre-execution communications.

The Panel found that in so doing MF Global violated legacy CBOT Regulation 9B.13(c).

PENALTY: In accordance with the settlement offer, the Panel:

1. fined MF Global \$400,000;
2. ordered MF Global to cease and desist from engaging in the type of conduct described above as addressed in current CBOT Rules 529, 533, 539 and 432W.
3. ordered MF Global, in consultation with the CME Group Market Regulation staff, to enhance its training program covering trading practices for all employees engaged in the entry of orders for electronic and open outcry execution in all CME Group products. The enhanced training program for employees engaged in the solicitation or entry of orders for electronic execution in CME Group interest rate products must include in-person training regarding relevant CME Group electronic trading rules. MF Global must certify and maintain signed individual acknowledgements that the aforementioned employees have completed the respective program. The training program must be completed no more than six months from the effective date of this decision and must be followed by an annual systematic training program for all employees engaged in the entry of electronic and open outcry orders in all CME Group products, which is verifiable to the Exchange.
4. ordered MF Global to immediately enhance its supervisory procedures that shall include regular on-site reviews of electronic trading practices at its New York and Chicago locations and its affiliate's London location as well as periodic reviews of telephone recordings and electronic communications for a period of two years following the date of this decision. MF Global shall report to Market Regulation the scope and results of such reviews on a quarterly basis.

(The foregoing penalty covered three cases involving MF Global. In addition to this case, the penalty also covers findings against MF Global in case number CBOT-06-ETE-08-BC and CBOT-07-73207-BC. See those case numbers for the particular findings that were made in those respective cases.)



Case Summary

MF GLOBAL INC

CBOT 08-00119-BC

NFA ID: 0266826

Respondent/Effective Date Summary

NFA ID	Respondent	Effective Date
0266826	MF GLOBAL INC	12/10/2009

Rule Summary

NFA ID	Respondent	Rule Type
0266826	MF GLOBAL INC	<ul style="list-style-type: none"> • CBOT576 - IDENTIFICATION OF GLOBEX TERMINAL OPERATORS • CBOT432(Y) - GENERAL OFFENSES • CBOT432(W) - GENERAL OFFENSES

Committee Summary

NFA ID	Respondent	Committee
0266826	MF GLOBAL INC	<ul style="list-style-type: none"> • BUSINESS CONDUCT COMMITTEE

Action Summary

NFA ID	Respondent	Action Types
0266826	MF GLOBAL INC	<ul style="list-style-type: none"> • GENERAL CONDUCT • TRADE PRACTICE • OFFICE RECORDKEEPING

Penalty/Event Summary

NFA ID	Respondent	Penalty/Event	Event Date
0266826	MF GLOBAL INC	<ul style="list-style-type: none"> • FINE \$495000 • CEASE AND DESIST 	

Narrative Summary

Narrative for 0266826 - MF GLOBAL INC

FINDINGS: Pursuant to an offer of settlement in which MF Global Inc., a clearing member of Chicago Board of Trade ("CBOT"), neither admitted nor denied the findings, on December 8, 2009, a Panel of the CBOT Business Conduct Committee found that on February 26-27, 2008, a MF Global associated person in one of its branch offices engaged in undetected overnight trading in wheat futures and other CBOT futures contracts. The associated person accumulated an extremely large short position in the May 2008 CBOT wheat futures contract despite the fact that he entered the trading session with a debit balance in his account. MF Global personnel failed to detect or prevent the associated person's excessive trading. In addition, MF Global failed to provide appropriate supervisory training to its branch office and to adequately enforce its own supervisory and risk management policies and procedures by its branch office supervisors. MF Global's personnel failed to enforce its supervisory and risk management policies and procedures, as well as detect or prevent excessive trading during that time period. Finally, MF Global failed to maintain proper Tag50 registration of Globex terminal operators.

The Panel found that in so doing MF Global violated CBOT Rules 432.W., 432.Y., and 576.

PENALTY: In determining an appropriate sanction, the Panel took into consideration that MF Global has entered into a settlement agreement with the Commodity Futures Trading Commission ("CFTC") in order to resolve related proceedings against the firm. After considering that and all the issues discussed above, it took the following actions:

1. ordered MF Global to cease and desist from engaging in the type of conduct described above;

2. ordered MF Global to (i) provide CME Group's Market Regulation Department with written policies and procedures for complying with Rule 576 by March 31, 2010, and (ii), in consultation with the Market Regulation Department, enact improved processes and procedures for abiding by the requirements of Rule 576 (a follow up Tag50 audit will be conducted by June 30, 2010);
3. ordered MF Global to satisfy all the "Undertakings" identified in its settlement with the CFTC in matter No. 10-03;
4. file simultaneously with the Market Regulation Department any written reports requested by, and filed with, the CFTC concerning the satisfaction of the "Undertakings" identified in its settlement with the CFTC in Matter No. 10-03; and
5. fined MF Global \$495,000.

EFFECTIVE December 10, 2009

DATE:

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Case Number	Respondent	Sanction	Rules	Summary	Effective	
1	CBOT 06-INV-16	Man Financial, Inc.	\$75,000	9B.06 and 9B.13	Legacy CBOT Floor Governors Committee found that MFG engaged in pre-execution communications and executed cross trades in violation of Reg. 9B.13 (trading against customer orders and crossing orders). Related to 16 transactions not enough exposure; 8 transactions involving pre-execution communication. FGC found that MFG failed to supervise its employees' compliance with Exchange regulations with regard to 9B.06 (e-cbot user IDs).	1/3/2007
2	CBOT 06-RFT-021	MF Global Inc.	\$1,000	332.08	Firm failed to make all trade data submissions in a correct manner	1/22/2007
3	CME 06-27946-CTRA	MF Global Inc.	\$1,000	536.D.	One of MF Global's sub-firm's (XFA) Order Type Indicator exception rate for floor orders exceeded 10% threshold	1/26/2007
4	CME 06-27937-CTRA	MF Global Inc.	\$1,000	536.D.	One of MF Global's sub-firm's (XFA) Order Type Indicator exception rate for floor orders exceeded 10% threshold	1/26/2007
5	CME 07-28018-CTRT	MF Global Inc.	\$5,000	536.A.6	Timestamp exception percentage exceeded the 7% threshold. Third violation in 3 months.	1/29/2007
6	CME 06-27936-CTRA	MF Global Inc.	\$1,000	536.D	Flashed order indicator exception rate exceeded 10% threshold.	2/6/2007
7	CME 07-28135-CTRT	MF Global Inc.	\$10,000	536.A.6	Timestamp exception percentage exceeded 7% threshold. This was its fourth violation in 12 months.	2/26/2007
8	CEI 06-10	MF Global Inc.	\$1,500, C&D	4.97	Failed to properly time stamp its branch order tickets for September 2005 in violation of COMEX Division Rule 104.97 (Written Record of Transactions)	5/2/2007
9	CME 05-25654-BC; CME 05-26105-BC	MF Global Inc.	\$35,000	433.B., 536.A.	Between August and November 2005, MFG failed to accurately timestamp 20 of its Eurodollar options customer orders when received and/or when confirmed, in violation of Rule 536.A.6.a (recordkeeping - customer orders), a minor offense. In failing to follow its own internal review procedures applicable to its order entry and confirmation process, MFG violated Rule 433.B. (uncommercial conduct), a minor offense	8/22/2007
10	CME 07-02409-CTRA	MF Global Inc.	\$1,000	536.D.	Sequenced card pick-up exception rate for floor orders exceeded 20% threshold	12/20/2007
11	CBOT 07-MSR-23B	MF Global Inc.	\$2,500	331.08	Exchange for Related Position that did not have a bona fide cash component	12/21/2007
12	CME 07-02407-CTRA	MF Global Inc.	\$2,000	536.D.	Pick-up exception rate for verbal orders exceeded 20% threshold and order type indicator exception rate exceeded 10% threshold.	12/27/2007
13	CME 07-02413-CTRA	MF Global Inc.	\$1,000	536.D.	Order type indicator exception rate for floor orders exceeded the 10% threshold	12/31/2007
14	CME 07-02551	MF Global Inc.	\$5,000	536.A.6	Timestamp exception rate exceeded 7% threshold	1/7/2008
15	CME 07-02410-CTRA	MF Global Inc.	\$3,500	536.D.	XFA Division of MFG order type indicator exception rate and pick-up exception rate for floor orders exceeded 10% threshold	1/7/2008
16	CME 07-02416-CTRA	MF Global Inc.	\$2,000	536.D.	Hammer Division of MFG pick-up exception rate for sequenced trading cards exceeded the 20% threshold and for floor exception rate exceeded the 10% threshold	1/9/2008
17	CBOT 07-RFT-54	MF Global Inc.	\$2,500	536.F.	Data entry exception rate exceeded 8% threshold	1/31/2008

Case Number	Respondent	Sanction	Rules	Summary	Effective	
18	CME 08-03011-CTRT	MF Global Inc.	\$1,500	536.A.1.	Timestamp exception percentage exceeded the 7% threshold	2/27/2008
19	CME 08-03895-CTRT	MF Global Inc.	\$1,500	536.A.1.	Timestamp exception rate was 8% or greater, which exceeded the allowable level	6/30/2008
20	CME 08-04866-CTRT	MF Global Inc.	\$1,500	536.A.1.	Timestamp exception rate was 8% or greater, which exceeded the allowable level.	10/31/2008
21	CME 08-CH-0803	MF Global Inc.	\$25,000	930.D.	Clearing House Risk found MFG violated 930.D. (acceptance of orders)	11/11/2008
22	CBOT 06-ETI-08-BC; CBOT 07-ETI-06-BC; CBOT 07-73207-BC	MF Global Inc.	\$400,000, C&D, Monitored Supervision and Training	480.10, 9B.13, 504.00	Failure to Supervise, Preexecution Communications, Crossing Orders, Withholding Orders, Disclosing Orders, Acts Detrimental to Welfare of Exchange	12/12/2008
23	CME 09-05365-CTRA	MF Global Inc.	\$2,500	536.F.	Data entry error rate exceeded the 10% threshold on nine dates between July 7, 2008 and September 19, 2008	2/20/2009
24	CME 09-05376-CTRA	MF Global Inc.	\$2,500	536.F.	Violated CTR dat entry error rate on December 11 and 12, 2008, by exceeding the 10% error level.	4/28/2009
25	CBOT 09-03225-CTRA	MF Global Inc.	\$2,500	536.F.	Violated CTR data entry error rate by exceeding the 10% error level. First violation in 24 months.	5/22/2009
26	CEI 09-04	MF Global Inc.	\$15,000, C&D	8.55(A)(23)	Between December 1, 2004 and August 11, 2006, MFG division Pioneer Futures failed to properly supervise a clerk, Jeffrey Rowland (who was separately fined \$120,000), who entered 662 fictional cross-trades and misallocated 28 cross-trades.	8/7/2009
27	CBOT 08-00119-BC	MF Global Inc.	C/D; amend policies and procedures; satisfy undertakings; pay fine \$495,000	432.(W), 432.(Y), 576	Failed to Detect and Prevent AP in Branch Office From Entereing Excessive Trades; Failed to Supervise Branch; Failed to Enforce Risk Management Policies; Failed to Maintain Tag50 Registration	12/10/2009
28	CME 09-CH-0903	MF Global Inc.	\$25,000	930.D. - Performance bond requirements - acceptance of orders	Certain accounts examined that were not maintaining sufficient performance bond or in debit for an unreasonable period of time continued to trade.	11/03/09
29	CME 09-05687-BC	MF Global Inc.	\$5,000	538	MFG reported to the exchange the execution of an EFP where the corresponding cash component was a spot transaction that was not a bona fide transaction.	12/10/09
30	CBOT 10-04957-CTRA	MF Global Inc.	\$5,000	536.F.	Violated CTR data entry error rate on March 17 and 18, 2010, by exceeding the 10% error level. Second violation in 24 months.	3/4/2011
31	CME 10-07243-CTRA	MF Global Inc.	\$5,000	536.F.	Violated CTR data entry error rate on March 17 and 18, 2010, by exceeding the 10% error level. Second violation in 24 months.	3/4/2011

CME
MF Global Chronology¹
Week of October 24-31, 2011

DATE	EVENT
<u>October 24, 2011</u>	Mike Procajlo (“Procajlo”) speaks with Mike Bolan (“Bolan”), MF Global, Inc.’s (“MFGI”) Assistant Controller. Bolan gives Procajlo a heads-up that a downgrade is forthcoming and that the earnings call for MF Global Holdings, Ltd. (“MFGH”), scheduled for Thursday, which is expected to report losses, is being moved up to Tuesday.
	Moody’s downgrades MFGH and MFGI.
<u>October 25, 2011</u>	Procajlo speaks with Bolan via phone; Bolan confirms there has not been a customer run on the bank since the downgrade news.
	CME senior management, including Kim Taylor (“Taylor”), Terry Duffy (“Duffy”), and Craig Donohue (“Donohue”) are in Florida at the Global Financial Leadership Conference. Taylor is advised by an MFGI customer of rumors circulating about problems at MF Global (“MFG” with respect to information not given as specific to a particular entity) stemming from OTC activity.
	11 a.m.: Taylor speaks with Laurie Ferber (“Ferber”), the General Counsel of MFGH, and Steve Monieson, another MFG employee, who tell Taylor that the rumor about problems at MFG stemming from OTC activity is not accurate. Procajlo speaks with Bolan about OTC questions.
	11 a.m.: Taylor, Donohue, and Duffy seek and obtain Jon Corzine’s phone number. They do not recall speaking with Corzine.
	11:54 a.m.: Procajlo emails Grace Vogel at FINRA to see if FINRA has any additional concerns or is imposing any additional requirements in light of the downgrade news.
	1:30 p.m.: Taylor speaks with Ferber again, who informs Taylor that MFG does not have any large losses attributable to OTC activity.
	2 p.m.: CME Audit Department members, including Procajlo and Anne Bagan (“Bagan”), as well as CME Risk Department members, including

¹ All times are approximate based on individuals’ best recollection and/or our ability to reconstruct the events using the available documents that have been reviewed. All times are stated in U.S. Central time.

	<p>Dale Michaels (“Michaels”), Amy McCormick (“McCormick”) and Bryan McBlaine (“McBlaine”), speak with Bolan about MFGH’s earnings release and Moody’s downgrade. MFGH’s net losses reported were \$192M. The CME employees ask about MFGH’s liquidity resources. Bolan confirms that any further downgrades will only trigger covenants related to interest rates. Bolan also confirms the firm is well-capitalized and states that MFGI has not seen customers looking to transfer.</p>
	<p>7 p.m.: At this point, CME is taking the following steps to monitor the situation:</p> <p>(1) keeping MFGI on daily financial reporting; (2) monitoring MFGI’s positions, exposure, and customer transfer/segregated funds balance changes for signs of a significant loss of customer confidence; (3) drafting a “good standing” press release to have ready if necessary; (4) establishing a process to ensure customers looking for information get answers to their questions; (5) establishing an industry call process to ensure information flows to other affected clearing houses and regulators; and (6) considering whether other financial measures are in order, in coordination with other regulatory bodies.</p>
<u>October 26, 2011</u>	<p>4 p.m.: CME arranges an industry call regarding the MFG situation.</p>
	<p>6 p.m.: Taylor, Bagan, Tim Doar (“Doar”) and possibly other CME personnel participate in a conference call with Ferber and Henri Steenkamp (“Steenkamp”), the CFO of MFGH. Ferber and Steenkamp give Taylor and Doar the sense that MFGI is actively engaged in conversations with their customers in an attempt to preserve the business.</p>
	<p>7:45 p.m.: Taylor emails Ferber regarding CME helping “to ensure a good outcome for MF and your customers. You and your clients are important to us, and the clients’ continued protection is paramount.”</p>
<u>October 27, 2011</u>	<p>MFGI and MFGH are downgraded to junk this day.</p>
	<p>Members of CME’s Risk Department – Michaels and Suzanne Sprague (“Sprague”) – as well as Scott Malcolm (“Malcolm”) from CME’s Audit Department – meet with MFGI in New York (planned earlier in the week) to do a risk review, the purpose of which is to talk with the firm about their liquidity and assess the situation. At the time, CME is starting to have concerns that MFGI’s liquidity is drying up.</p> <p>Michaels, Sprague, and Malcolm meet with a number of individuals from MFGI, including Stephen Hood (“Hood”), MFGI’s Market Risk Manager, Dennis Klejna, MFGI’s Compliance Officer, the CRO Michael Stockman,</p>

	<p>and the CFO (Steenkamp). Edith O'Brien ("O'Brien"), MFGI's treasurer, may have been on the phone.</p> <p>At the conclusion of the meeting, CME continued to have concerns regarding MFGI's liquidity and the ability of the company to continue normal operations without a sale of all or part of the business, notwithstanding MFGI's assurances.</p>
	<p>10 a.m.: Procajlo emails Bolan, who is at MFGI in New York, for a copy of the liquidity analysis being prepared by MFGI's broker-dealer side. Bolan responds saying the analysis will be ready later that day. Procajlo never receives the analysis.</p>
	<p>1 p.m.: CME decides to send members of the Audit Department out to MFGI in Chicago. Silmar Ramirez ("Ramirez") and Jason Guch ("Guch") arrive at MFGI and request documents to tie out the Daily Statement of Segregation Requirement and Funds in Segregation for Customers Trading on U.S. Commodity Exchanges ("seg. statement") for the close of business as of 10/26. They start working on tying out the 10/26 seg. statement, which shows excess segregated funds of \$116,164,132.</p> <p>In addition to tying out the 10/26 seg. statement, another purpose of their presence is to have CME people at MFGI to assist in obtaining information quickly if necessary.</p>
	<p>The CFTC – Melissa Hendrickson ("Hendrickson"), Lisa Marlow ("Marlow"), and Tamara Durvin (phonetic) ("Durvin") – is already present on site at MFGI when CME arrives.</p>
	<p>CME begins making contingency plans for transferring MFG customer accounts to other FCMs.</p>
	<p>2 p.m.: Individuals from MFGH and CME communicate via email to set up a conference call to discuss a number of items including:</p> <p>(1) MFGI's liquidity; (2) repo counterparties update; (3) any issues with transfers of customers to other FCMs; (4) margin calls resulting from downgrades; (5) amount of segregated assets not currently pledged to a DCO; (6) contingency plans.</p>
	<p>2:50 pm: Taylor communicates with Ananda Radhakrishnan ("Radhakrishnan"), Director, Division of Clearing and Risk, at the CFTC regarding an FCM that has the capacity to take on some portion of MF Global's business. CME President Phupinder Gill ("Gill") also communicates with Radhakrishnan via email throughout the day.</p>

	3:53 pm: Procaljo emails a letter to Christine Serwinski (“Serwinski”), the CFO of MFGI, Ferber and Bolan stating “Effective immediately, any equity withdrawals from MF Global Inc. must be approved in writing by CME Group’s Audit Department.”
	4 p.m.: CME arranges an industry call regarding the MF Global situation.
	5:30 p.m.: Ramirez and Guch leave MFGI for the night, having completed work on documents and information supplied by MFGI as of that time.
	<p>Evening: Procaljo, Taylor, Doar, Gill and others participate in a call with Ferber and Steenkamp, who are in New York. Ferber and Steenkamp provide assurances that MFGI has appropriate liquidity and also that MFGI is taking steps to reduce its securities inventory (not on the FCM side).</p> <p>Additionally, CME encourages MFG to pursue a strategic solution for the company. Ferber provides comfort that MFG is aggressively pursuing a transaction.</p>
<u>October 28, 2011</u>	7:30 a.m.: Ramirez and Guch arrive at MFGI and continue trying to tie out the 10/26 seg. statement. They still have not received all of the documents they requested from MFGI and that they need to complete their tie out. They are also working on tying out the Daily Statement of Secured Amounts and Funds Held in Separate Accounts for Foreign Futures and Foreign Options Customers Pursuant to Commission Regulation 30.7 (“secured statement”). CME and CFTC are in communication throughout the day about MFGI’s 30.7 secured computations and MFGI topping up the 30.7 secured assets.
	The CFTC – Hendrickson, Marlow, and Durvin – is again present on site at MFGI in Chicago and appears to also be working on tying out MFGI’s seg. statement.
	Morning: Duffy receives a call from Radhakrishnan and Gensler. Radhakrishnan and Gensler tell Duffy that the CFTC has concerns about MFG and ask him about CME’s thoughts with respect to MFG. Duffy tells them that he does not have the information they seek, and suggests they speak with CME Clearing House personnel. Radhakrishnan speaks with Gill later that day.
	<p>Procaljo and senior management at CME have another call with MFGH, including Steenkamp and Ferber, who assure CME that they have drawn down all or substantially all of their line of credit – which has a limit of approximately \$1.2 billion – but are not yet using the money.</p> <p>They confirm that MFGH believes finding a buyer is the best option at this</p>

	point.
	3:54 p.m.: MFGI submits its 10/27 seg. statement showing excess segregated funds of \$200,178,912.
	4 p.m.: CME arranges an industry call regarding the MF Global situation.
	6 p.m.: Ramirez and Guch leave MFGI, expecting to come back Monday and finish tying out the 10/26 seg. statement. At this time, Ramirez and Guch do not yet have all of the documents necessary to tie out the 10/26 seg. statement. Based on their review of the documents they have received, they have no reason to believe that the segregated account is out of compliance as of 10/26 close of business.
	8:25 p.m.: Taylor emails Radhakrishnan at the CFTC to relay information she received from Ferber. MFGI has a “very motivated buyer” and needs to obtain approvals from the SEC, FINRA, and CFTC.
<u>October 29, 2011</u>	Procajlo is in communication with Hendrickson of the CFTC via phone about a potential sale of MFGI’s FCM business.
	2:30 p.m.: Taylor speaks with Radhakrishnan regarding a potential asset sale of MFGI’s assets. The CFTC is concerned with a transfer because of the CFTC’s rules on bulk transfers, though note that they will waive the rule if an asset sale works out.
	3:40 p.m.: Taylor forwards to Radhakrishnan a Bloomberg News report stating that MFGH’s Board of Directors will be meeting later that day regarding options to sell the company.
	4:30 p.m.: Taylor speaks with Radhakrishnan, who states that the SEC told him the FSA in the UK may be starting to panic. Radhakrishnan says he is going to call the FSA to share insights into his thinking and learn FSA’s thinking. Taylor and Radhakrishnan also discuss additional details regarding a potential sale.
	7:50 p.m.: Radhakrishnan forwards to Taylor an email chain between Ferber and Radhakrishnan regarding a meeting of MFGH’s Board.
	11 p.m.: Interactive Brokers (“IB”) is the leading candidate, looking to buy either the entire business, or possibly just the FCM.
<u>October 30, 2011</u>	8:30 a.m.: Taylor speaks with Paul Brody (“Brody”) at IB regarding details of the potential transaction.
	8:45 a.m.: CME is making contingency plans in case the proposed sale falls

	through.
	12:30 p.m.: Taylor receives email correspondence from Radhakrishnan indicating that the CFTC is concerned about having a contingency plan for MFGI if the IB deal falls through.
	1 p.m.: Conference call between CME and IB regarding operations issues in the event the sale is completed.
	Approx. 1 p.m. - 2 p.m.: Taylor participates in a conference call with the CFTC, SEC, and MF Global.
	Approx. 2 p.m.: Taylor, Procajlo and others arrive at CME offices to work on matters that need to be addressed to facilitate the MFGI transaction.
	Approx. 2 p.m.: Hendrickson, who is present at MFGI in Chicago, calls Procajlo and tells him that she has seen a draft of the 10/28 seg. statement and it shows a deficiency in the segregated funds.
	After 2 p.m.: Ramirez and Guch are sent to MFGI's Chicago office. Malcolm is sent to MFGI's New York office.
	4 p.m.: CME arranges an industry call regarding the MFG situation.
	4:18 p.m.: Bolan responds to an email from Procajlo, in which Procajlo had indicated that Malcolm is on his way to MFGI's office in New York, by stating that MFGI has been working with Hendrickson at the CFTC and that he will update Procajlo later.
	Late afternoon or evening: Taylor briefs the CME Emergency Financial Committee concerning MFGI's status. The CME Emergency Financial Committee is composed of Donohue, Duffy, Taylor, Gill, and CME Clearing House Risk Committee Co-Chairs James Oliff and Howard Siegel.
	6 p.m.: MFGI forwards to CME a draft press release announcing deal with IB.
	<p>Approx. 6 p.m. and into the evening: Procajlo and Taylor engage in a series of phone calls with Ferber, Bolan and/or O'Brien. Initially, Ferber and Bolan explain that there is an apparent deficiency, which they believe is an accounting error. At some point, MFG representatives state that they believe they found the error and it is on the liability side.</p> <p>Procajlo calls Ramirez and Guch, who are at MFGI's offices in Chicago, to confirm that the accounting error has been identified. Ramirez and Guch inform Procajlo that MFGI has not found the error.</p>

	<p>Procajlo asks Bolan to explain what the error is in an in-person meeting with Malcolm (CME) and Jerry Nudge (CFTC), who are in MFGI's New York office.</p> <p>30 minutes or so later, Malcolm calls Procajlo and tells him that Bolan says the accounting error is based on a \$450M mis-posting. The error Bolan described to Malcolm is not on the liability side.</p> <p>Procajlo again calls Ramirez and Guch to confirm that the accounting error has been identified. Ramirez and Guch again inform Procajlo that they are with MFGI individuals working on the reconciliation, and they are not aware of anyone having found the error.</p> <p>Taylor and others at CME have calls with O'Brien regarding the potential error.</p>
	<p>Approx. 6 p.m. - 7 p.m.: O'Brien, MFGI's treasurer, calls a meeting with the CFTC, CME, and MFGI employees present at MFGI's Chicago office and confirms that MFGI has a potentially huge deficiency in the segregated account due to what MFGI states is an unidentified accounting mistake, such as a mis-booking.</p>
	<p>Later that evening, while at MFGI, CFTC's Marlow gives Guch and Ramirez a disc containing documents the CFTC received from MFGI supporting the 10/26 seg. statement. At this time, however, Ramirez and Guch are assisting with trying to locate the accounting error and therefore do not look at the documents to tie out the rest of the 10/26 seg. statement at this time.</p>
	<p>8:30 p.m.: Radhakrishnan talks to Gill.</p>
	<p>8:40 p.m.: Procajlo sends an email to Bagan and Debbie Kokal ("Kokal") stating that MFGI's "explanation of the \$900 million shortfall proved to be unsubstantiated."</p>
	<p>8 p.m. - 9 p.m.: Procajlo arrives at MFGI. He speaks to CFTC's Hendrickson and gets a status update.</p>
	<p>Christine Serwinski arrives at MFGI.</p>
	<p>9 p.m. - 10 p.m.: Procajlo speaks with Serwinski and O'Brien, who repeat the explanation that the deficiency must be an accounting error and make statements to the effect that it is too big to be anything else.</p>
	<p>10 p.m.: Procajlo meets with Serwinski and O'Brien again and asks if</p>

	MFGI has tried to locate funds MFGI can transfer into segregation first thing in the morning as a contingency in the event that they cannot locate the accounting error.
	10:50 p.m.: CME requests via email that “MF not add any further exposure to your house account.” CME does not request MFGI to “liquidate the positions that you have in place, but that you not add to them at this point.”
	11:30 p.m.: The CFTC leaves MFGI’s Chicago offices.
	<p>11:40 p.m.: Procajlo emails Bagan and Kokal, stating that he is now at MFGI’s offices and the shortfall, of approximately \$950 million in segregation, is still a “huge issue.” No one has found the error, but the belief is still that there is an error. Serwinski is looking into coming up with additional funds to transfer into segregation as a contingency in the event that they cannot locate the accounting error.</p> <p>Procajlo also states that he understands IB is now aware of the potential shortfall.</p>
<u>October 31, 2011</u>	12 a.m.: Ferber emails Taylor, stating only: “we may have it.”
	<p>Approx. 12:30 a.m.: At this time:</p> <p>(1) The IB deal is ready to go – apparently including regulatory signoffs; (2) there is still a \$900M apparent segregation shortfall and MFGI says it is an accounting error; (3) the transfer cannot happen until it is clear there is no segregation shortfall; (4) MFGI is starting to identify sources of funds available to top up segregation – and the latest report from MFGI is that they may have sufficient funds; (5) IB and MFGI have spoken to CME and both seem aligned on the importance of the transfer occurring promptly, and state they are open to the suggestion of having MFGI top up segregation and IB making corresponding adjustments to the deal economics.</p>
	Approx. 1 a.m. – 2 a.m.: CME learns the deficiency is real: Serwinski and O’Brien call Procajlo into Serwinski’s office and tell him there is an actual shortfall; about \$700M was moved to the broker-dealer side of the business to meet liquidity issues in a series of transactions on Thursday, Friday, and possibly Wednesday. Additionally, Procajlo is told there was a loan of \$175M of segregated funds to MF UK.
	CME stops its efforts to look for the accounting error. CME understands that MFGI is attempting to find available funds and get Fedwire to open early so they can start transferring money into the segregated account.
	2 a.m.: Taylor emails the FSA and CFTC to let them know that IB has gone

	home to get some sleep, but may still be interested in the transaction.
	2 a.m.: Procajlo communicates via email with Thelma Diaz from the CFTC Washington D.C. office, who is on a regulatory call at the time, and discusses whether Fedwire can open early so MFGI can start transferring funds into segregation.
	3 a.m.: Ramirez and Guch leave MFGI for the night. Procajlo stays until 8 p.m. the following day.
	During the night, Procajlo also participated in a phone call with senior MFG employees wherein one employee indicated that Corzine knew about loans that had been made from the customer segregated accounts. CME Group has provided information about this call and related conversations, and the names of the individuals who participated, to the Department of Justice and the CFTC who are investigating these matters.
	4 a.m.: Taylor and Gill participate in a call with MF Global and the regulators.
	4:37 a.m.: Procajlo emails others at CME with a list of potential assets MFGI has identified that it could move into segregation.
	The deal with IB to buy MFGI collapses.
	6:45 a.m.: Taylor emails CME senior management to inform them that the deal has collapsed, the shortfall is real, and there will likely be a bankruptcy.
	7:30 a.m.: Procajlo, Ramirez and Guch are on site at MFGI while MFGI attempts to make transfers of funds back into segregation. The CFTC is also present.
	8:30 a.m.: Taylor and Radhakrishnan communicate via email regarding MFGI bulk transfers.
	9 a.m.: MFGH files for bankruptcy.
	10 a.m.: Taylor and Radhakrishnan communicate via email regarding the amount of shortfall.
	10:30 a.m.: CME's Emergency Financial Committee orders that all trading of MFGI and its customers be for liquidation only. Taylor's assistant emails a letter from Taylor to Dennis Klejna ("Klejna"), Assistant General Counsel of MFGI, stating the Committee's order. The letter further states that CME will no longer permit floor trading to be guaranteed by MF Global, and that

	CME will process account transfers at the Friday settlement price but that customers will need to re-margin transferred positions.
	Moody's further downgrades MFGI.
	S&P and Fitch downgrade MFGH to default following MFGH's filing for bankruptcy protection.
	11 a.m.: A SIPA proceeding is filed for the liquidation of MFGI and a SIPC Trustee is appointed.
	12:15 p.m.: CME's Emergency Financial Committee orders that MFGI liquidate its house proprietary positions. Taylor's assistant subsequently emails a letter to this effect to Klejna and Serwinski. The Committee also authorizes CME to liquidate securities held as house and customer collateral under the control of the Clearing House to cash.
	Throughout the day, Ramirez and CME staff – Guch, Jared Jarvis ("Jarvis"), Procajlo, and Mudassir Arby ("Arby") – attempt to tie out the 10/28 seg. statement.
	7 p.m.: CME's Emergency Financial Committee approves a rule change releasing members qualified by MFGI, such that those members could become qualified and guaranteed by another clearing member in order to resume trading.
	7:46 p.m.: CME receives the amended MFGI seg. statement for 10/27 showing a segregation deficiency of \$213,062,967.
	7:55 p.m.: CME's Emergency Financial Committee (i) authorizes the Clearing House to conduct an auction of MFGI's house positions in order to transfer the positions to another clearing member, and (ii) authorizes the Clearing House to accept certain deliveries from MFGI customers through Friday November 4 in order to minimize disruption to the markets.
	8 p.m.: CME notifies MFGI that it is suspended as a clearing member on all CME Group exchanges. Taylor's assistant subsequently emails a letter from Taylor to Klejna and Serwinski confirming the suspension.
	8:06 p.m.: CME receives MFGI's seg. statement for 10/28 showing a segregation deficiency of \$891,465,650.