UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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KAY P. TEE, LLC, THOMAS G. MORAN, JOHN ANDREW SZOKOLAY, AND DONALD TRAN

Plaintiffs

vs.

JON S. CORZINE, HENRI J. STEENKAMP, BRADLEY I. ABELOW, MICHAEL G. STOCKMAN, EDITH O'BRIEN, RICHARD W. GILL, LAURIE R. FERBER, CHRISTINE A. SERWINSKI, DENNIS A. KLEJNA, DAVID SIMONS, CME GROUP INC., JP MORGAN CHASE & CO. and JOHN DOES 1-10.

Defendants.

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_____ Civ. _____

JURY TRIAL DEMANDED

CLASS ACTION COMPLAINT

1. This action is brought on behalf of thousands of commodities account customers of MF Global, Inc. who have been the victims of a massive theft and misappropriation. According to a December 14, 2011 letter from Terrence A. Duffy, Executive Chairman, and Craig S. Donohue, Chief Executive Officer, of Defendant CME Group Inc.: "MF Global has put market users in a tragic position, as transfers of customer funds made by MF Global for the benefit of that firm are very serious violations of the Commodity Exchange Act, CFTC regulations and CME Group rules." "The fact is that MF Global broke rules by moving customer segregated funds out of an account over which it had control." Testimony of Terrence A. Duffy, Executive Chairman, CME Group Inc., before the House Committee on Financial Services Subcommittee on Oversight & Investigations, December 15, 2011. Accordingly, Plaintiffs Kay

P. Tee, LLC, Thomas G. Moran, John Andrew Szokolay and Donald Tran (collectively "Plaintiffs") file this class action complaint against Jon S. Corzine ("Corzine"), Henri J. Steenkamp ("Steenkamp"), Bradley I. Abelow ("Abelow"), Michael G. Stockman ("Stockman"), Edith O'Brien ("O'Brien"), Richard W. Gill ("Gill"), Laurie R. Ferber ("Ferber"), Christine A. Serwinski ("Serwinski"), Dennis A. Klejna ("Klejna"), David Simons ("Simons"), CME Group Inc. ("CME Group"), JP Morgan Chase & Co. ("JPMorgan") and John Does 1-10 ("John Does") (collectively "Defendants") to redress these violations. Plaintiffs allege the following upon personal knowledge as to their own acts, and as to all other matters upon information and belief, based upon the investigation made by and through their attorneys.

I. NATURE OF THE ACTION

2. Plaintiffs bring this action to redress Defendants' violations of the Commodity Exchange Act (the "CEA"), 7 U.S.C. §§ 1 *et seq.*, violations of the Racketeer Influenced Corrupt Organizations Act ("RICO"), 18 U.S.C. § 1961, *et seq.*, violations of the New York General Business Law, and violations of common law, including breaches of fiduciary duty, as alleged, with respect to money that was unlawfully taken from the commodities customer accounts of Plaintiffs and members of the proposed Class held at MF Global and/or that Defendants unlawfully failed to segregate, and which have not been returned to them.

3. The proper and efficient functioning of markets for commodities and futures is an important aspect of many industries in the United States such as farming, energy, food processing and investing. Risk control, price stability and predictability in these markets, among other things, can be managed through futures contracts and trading thereof. In the wake of the financial panic that led to the Great Depression and the staggering losses suffered by commodity

account holders and those investing in commodities contracts, Congress enacted the CEA in 1936 to update and replace the Grain Futures Act of 1922.

4. In 1974 Congress established the Commodity Futures Trading Commission ("CFTC"), a federal regulatory agency with jurisdiction over futures trading. The same legislation authorized the creation of "registered futures associations," giving the futures industry the opportunity to create a nationwide self-regulatory organization. The CFTC provides government oversight for the entire industry. Each U.S. futures exchange operates as a self-regulatory organization, governing its floor brokers, traders and member firms. Pursuant to that legislative grant of authority, the futures industry created the National Futures Association ("NFA"), which regulates every firm or individual who conducts futures trading business with public customers.

5. With certain exceptions, all persons and organizations that intend to do business as futures professionals must register under the CEA. In addition, all individuals and firms that wish to conduct futures-related business with the public must apply for NFA Membership or Associate status.

6. The safety of the customer accounts is not insured by the federal government in the way that, for example, the safety of deposits in banks is insured by the Federal Deposit Insurance Corporation. Instead, the CEA ensures the safety of client funds and fosters confidence within the marketplace by mandating that customer funds be segregated and not commingled or used by the firm itself, absent certain stringent restrictions. Indeed, Gary Gensler, Chairman of the CFTC said, in response to the allegations regarding misappropriation of client funds at MFGI, that the segregation of customer funds, a practice initiated in the 1930s for futures trades, is the "heart of our regulatory regime."

7. The essence of the CEA's strict segregation requirement is that when client accounts are properly segregated, there will be no risk of the loss of customer funds even in the event that a commodities firm fails, as MFGI did. As a result, for the past 75 years, commodities account holders (including Plaintiffs and Class Members) have relied on the CEA's regulatory scheme to protect their assets and have not viewed the financial peril of brokerage firms as a risk to the funds in their customers' accounts. According to Executive Chairman Terrence A. Duffy of CME Group, one of MFGI's principal overseers:

> [T]he MFG bankruptcy is unprecedented in that it is the first time (i) there has been a shortfall in customer segregated funds held by one of our clearing members as result of the clearing member's improper handling of customer funds and (ii) our clearing house was unable to transfer all customer positions and property in an FCM bankruptcy due to missing customer funds in a segregated customer account under the control of the FCM. Indeed, ***this is the first time in the industry's history that a customer has suffered a loss as a result of a clearing members' improper handling of customer funds***.

Testimony of Terrence A. Duffy, Executive Chairman, CME Group Inc., before the House Committee on Financial Services Subcommittee on Oversight & Investigations, December 15, 2011 (emphasis added).

A. Overview of the Clearing Model in the Futures Industry, Including the Role And Obligations Of FCMs And Derivatives Clearing Houses.

8. The segregation of customer money from that of commodities brokers, such as MFGI, is integral to the regulation and functioning of the futures market in the United States. All futures trading accounts, including managed futures, have the advantage of specific industry rules that require the segregation of customer funds from the firm's own funds. The practice of segregating customer funds protects investors in the event of default by a Futures Commission Merchant ("FCM") holding their account. ("FCM" is the industry term for futures brokerage firms licensed to trade on futures exchanges in the U.S.).

9. The commodities segregation model differs from the model that governs securities brokerage accounts. In the event a securities broker fails and there is a shortfall of customer funds, the Securities Investor Protection Corp. ("SIPC") will replace for each customer up to $500,000 worth of missing assets, including up to $250,000 in cash. SIPC does not replace futures contracts and a similar system hasn't been set up for accounts regulated by the CFTC. By contrast, many securities firms also purchase insurance to supplement SIPC coverage; no such insurance is believed to have been maintained by MFGI with respect to Plaintiffs' commodities accounts held at MFGI.

10. The CME has represented that stringent daily oversight of customer funds held at FCMs exists. According to the CME Group's statement, "Safeguarding Customers Through Segregated Funds":

> **Investment Risk and Firm Risk**
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> Although first-time managed futures investors might assume they're depositing money directly with the commodity trading advisor (CTA) running the fund, in fact, customers open an account in their own name at an FCM. The CTA is then given the authority to trade per the fund's investment strategy. Segregated funds possess a separate identity from FCM funds in the firm's bank account. Once funds are deposited, the bank signs a written acknowledgement stating it will not use the funds for anyone other than the customer. Also, the FCM is required to use these funds only in certain pre-defined instruments. The end result is that, in the event of a crash or FCM bankruptcy, customer funds can be more easily recovered.
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> **FCM Reporting Requirements**
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> ***Segregated funds are subject to stringent daily, monthly, and annual monitoring by industry regulatory agencies. Every day, FCMs must submit a report to the National Futures Association (NFA) detailing the breakdown of their customer funds. This "Segregated Investment Detail Report" (SIDR) lists the actual and expected segregated funds in the FCM's accounts.*** In addition, every FCM must file monthly financial reports with the Commodity Futures Trading Commission's (CFTC) Division of Clearing and Intermediary Oversight (DCIO) within 17 business days after the end of the month. Finally, the FCM is

subject to a yearly audit by the Joint Audit Committee, a consortium of U.S. futures exchanges and regulatory organizations.

Safeguarding Customers Through Segregated Funds, available http://www.cmegroup.com/managed-futures/Feb2011/safeguarding-customers-through-segregated-funds.html.

11. According to the December 13, 2011, testimony of Jill E. Sommers, Commissioner of the CFTC, before the United States Senate Committee on Agriculture, Nutrition and Forestry:

> ***FCMs are subject to CFTC-approved minimum financial and reporting*** **requirements** ***that are enforced in the first instance by a designated self-regulatory organization ("DSRO"), for example, the Chicago Mercantile Exchange*** or the National Futures Association. DSROs also conduct periodic compliance examinations on a risk-based cycle every 9 to 15 months. The requirements of DSRO examinations are contained in Financial and Segregation Interpretations 4-1 and 4-2, which are specified as application guidance to Core Principle 11 (Financial Integrity) for Designated Contract Markets. The Commission has proposed codifying the essential components of these interpretations into an amended Commission Regulation 1.52.
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> An examination of segregation compliance is mandatory in each examination (certain other components need not be included in every examination). This examination includes a review of the depository acknowledgement letters and the account titles of segregated accounts (unless unchanged from the prior examination); verifying account balances, and ensuring that investment of customer funds is done in accordance with Commission Regulation 1.25.
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> Commission Regulation 1.10 requires FCMs to file monthly unaudited financial reports with the Commission and the DSRO. These reports include the FCM's segregation and net capital schedules, and any "further material information as may be necessary to make the required statements and schedules not misleading." Each financial report must be filed with an oath or attestation, and for a corporation, the oath must be by the CEO or CFO.
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> Commission Regulation 1.16 requires FCMs to file annual certified financial reports with the Commission and the DSRO. The audits require, among other things, that if a new auditor is hired, that new auditor is required to notify the Commission of certain disagreements with statements made in reports prepared by prior auditors. Auditors also must test internal controls to identify, and report to the Commission, any "material inadequacy" that could reasonably be expected to: inhibit a registrant from completing transactions or promptly discharging responsibilities to customers or other creditors; result in material financial loss;

> result in material misstatement of financial statements or schedules; or result in violation of the Commission's segregation, secured amount, recordkeeping or financial reporting requirements.

12. Even though FCMs, such as MFGI, are required to segregate client funds, the CFTC permits them to use the funds to make certain specified ultra-safe investments and keep whatever gains come as a result.

13. On December 13, 2011, Commissioner Sommers testified under oath before the United States Senate Committee on Agriculture, Nutrition and Forestry that MFGI "customers correctly understood the risks associated with trading futures and options, but never anticipated that their segregated accounts were at risk of suffering losses not associated with trading."

14. MFGI failed to segregate the funds of Plaintiffs and the Class and/or improperly and in violation of the law borrowed, pledged, repledged, transferred, hypothecated, rehypothecated,[1] loaned, or invested (including to purchase or sell securities pursuant to repurchase agreements or reverse repurchase agreements) customer funds.

B. Futures Commission Merchants

15. At all relevant times, MFGI was an FCM. An FCM is an individual or organization that, among other things: (i) solicits or accepts orders to buy or sell futures contracts or options on futures contracts; and (ii) accepts money or other assets from customers to support such orders. As such, FCMs are agents or intermediaries for their customers. Among other things, the CEA, the primary statute that governs an FCM's legal obligations, expressly states that all money and other property of any customer received to margin or guarantee a derivative contract cleared through a derivatives clearing organization belongs to the customer and may not be commingled with the FCM's own trading accounts.

[1] Rehypothecation is the use as collateral of customer funds to back trades made by the firm with which the customer funds are deposited.

16. Nearly 65 different FCMs in the United States hold approximately $155 billion in U.S. customer collateral and nearly $40 billion in collateral held for trading on foreign exchanges. As of March 2011, the total amount of customer funds held by the top 30 FCMs was more than $163 billion.

17. In practice, an FCM maintains a number of customer segregated accounts at custodians approved by the CFTC. As a customer establishes positions, the FCM transfers collateral from one of its customer segregated accounts to a customer segregated account maintained and controlled by the clearing house. In many cases, the FCM collects margin from its customers in excess of what is required by the clearing house to support the customer positions cleared through the clearing house; this "excess margin" is held in an account controlled by the FCM for the benefit of its customers.

18. The CEA, as well as the applicable rules and regulations of the CFTC and the CME Group, are designed to ensure that customer collateral received by an FCM is segregated. As such, these rules require that money and other customer property must be separately accounted for and may not be commingled with the funds of the FCM or be used to margin, secure, or guarantee any trades or contracts of any person other than the person for whom the same are held.

19. In her December 13, 2011 Senate committee testimony, Commissioner Sommers explained the duties and obligations of an FCM, such as MFGI, when investing segregated customer funds:

> An FCM is authorized to invest funds that are in customer segregated accounts. This authorization is found in Section 4d of the CEA and in Commission Regulation 1.25 (***). Regulation 1.25 only relates to how an FCM can invest customer funds. Moreover, any losses that may occur as a result of those permissible investments are the responsibility of the FCM, not the customer. Prior to last week, Regulation 1.25 allowed

> an FCM to invest customer funds in highly-rated foreign sovereign debt, but the investment was strictly limited to the amount of that nation's foreign currency a customer posted to the FCM. Regulation 1.25 does not, and has never, had anything to do with investments that an SEC/FINRA-regulated BD makes for its own account.
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> While an FCM is permitted to invest customer funds, it is important to note that if an FCM does so, the value of the customer segregated account must remain intact at all times. In other words, when an FCM invests customer funds, that actual investment, or collateral equal in value to the investment, must remain in the customer segregated account at all times. If customer funds are transferred out of the segregated account to be invested by the FCM, the FCM must make a simultaneous transfer of assets into the segregated account. An FCM cannot take money out of a segregated account, invest it, and then return the money to the segregated account at some later time.

20. The investment of customer funds by an FCM is similar to those made of customer deposits by traditional savings banks, but there are critical safeguards and restrictions placed on FCMs. Section 4d of the CEA and Commission Regulation 1.25 list the only permissible investments an FCM can make with customer funds. The Commission has been, and continues to be, mindful that customer segregated funds must be invested in a manner that minimizes their exposure to credit, liquidity, and market risks both to preserve their availability to customers and DCOs [Derivatives Clearing Organization] and to enable investments to be quickly converted to cash at a predictable value. As such, Regulation 1.25 establishes a general prudential standard by requiring that all permitted investments be "consistent with the objectives of preserving principal and maintaining liquidity."

21. FCM bankruptcies, such as MFGI's, are rare, but not unprecedented. Lehman Brothers and Refco, Inc. are the two most recent and significant FCM bankruptcies. The Lehman Brothers bankruptcy was monumental in scale, and the Refco bankruptcy involved serious fraud at the parent company; however, commodity customers of those firms did not lose funds as a result of a failure to segregate or other misuse of funds. In both instances, commodity customer accounts remained intact, maintaining all open positions and associated segregated collateral. As

a result, all of the funds and property in commodity customer accounts held at Lehman Brothers and Refco were transferred to other FCMs. That is not what happened at MFGI because customer accounts were not left intact as was legally required, but instead customer funds were raided and used for improper purposes in a futile attempt to keep MFGI and MF Global from collapse.

C. Derivatives Clearing Houses and Designated Self-Regulatory Organizations

22. A clearing house acts as the seller to every buyer and buyer to every seller of every cleared contract. Twice daily, clearing houses pay gains and collect losses so that debt is eliminated from the system and systemic risk is minimized. When a firm fails to pay its losses, the clearing house must still pay the firms with profitable positions.

23. Each clearing member contributes assets and agrees to pay an assessment, based on its risk profile, for the sole purpose of covering any loss suffered by the clearing house when it satisfies its commitment to honor its contracts despite the default of another clearing member. This guaranty is designed to protect against systemic risk that could arise if the default of one clearing member leads to the failure of other clearing members.

24. Defendant CME operates CME Clearing, one of the largest central counterparty clearing services in the world. It provides clearing and settlement services for exchange-traded contracts, as well as for over-the-counter ("OTC") derivatives transactions through CME Clearing and CME ClearPort®. As yet another supposed layer of protection to commodity investors, CME Clearing purportedly had rules addressing an FCM's obligations with respect to segregation of customer funds.

25. In addition to providing clearing services through CME Clearing, CME was the designated "Self-regulatory Organization" ("DSRO") for MFGI. As MFGI's DSRO, CME was responsible for, among other things, conducting periodic audits of MF Global's FCM arm and sharing any and all information with the other regulatory bodies of which the firm is a member.

26. CME was required to conduct audits of MFGI pursuant to standards and procedures established by the Joint Audit Committee ("JAC") and to report such results to the CFTC.

27. CME conducted audits of MFGI at least once every 9 to 15 months. The audit date for the last audit that the CME conducted of MFGI was as of the close of business on January 31, 2011. This regulatory audit began subsequent to the audit date and was completed with a report dated August 4, 2011.

28. According to the sworn testimony of Executive Chairman Duffy of CME on December 15, 2011, before the House Committee on Financial Services Subcommittee on Oversight & Investigations:

> Nothing is more important to CME Group than protecting customer funds and this is exactly what our audits are designed to ensure. We reviewed the manner in which segregated funds were invested and required certain modifications which were immediately implemented. All other audit points were relatively minor and were immediately corrected. During this same period, MFG's [MF Global's] accounting and management controls were also reviewed by its CPA, which certified its books and records as of March 31, 2011, and by securities regulators, who required certain accounting treatment changes.

29. Yet, despite the CME's assurances that "protecting customer funds" was of utmost importance, CME's audits were inadequate and failed to detect the massive and ongoing misuse of MFGI's customers' funds.

II. JURISDICTION AND VENUE

30. This Court has jurisdiction over this action pursuant to 28 U.S.C. §§1331 and 1334(b), 7 U.S.C. § 1 *et seq*., and 18 U.S.C. § 1961 *et seq.* This Court also has federal subject matter jurisdiction pursuant to 28 U.S.C. § 1332(d) in that Plaintiffs and Defendants are citizens of different states, at least one member of the Class is a citizen of a state different than any Defendant, and the matter in controversy exceeds the sum of $5,000,000, exclusive of interest and costs.

31. Venue in this District is proper under 28 U.S.C. § 1391 (b), 18 U.S.C. § 1965, 7 U.S.C. § 1, *et seq.*, and 7 U.S.C. § 25(c) because Defendants' unlawful course of conduct occurred in large part in this District and because the alleged conduct included violations of the CEA.

III. THE MF GLOBAL ENTERPRISE

32. The "MF Global Enterprise," at all material times, consisted of approximately forty-five corporations, including, at a minimum, MFGI, MF Global Holdings Ltd., and MF Global Holdings USA, Inc., and other entities associated in fact, organized on a global basis to comprise an Enterprise that consisted of one of the world's largest merchants/brokers in markets for commodities and listed derivatives with access to more than seventy exchanges globally, a broker-dealer in markets for fixed income securities and equities, a broker/dealer/merchant in foreign exchange, and one of twenty primary dealers authorized to trade U.S. government securities with the Federal Reserve Bank of New York. Headquartered in New York, New York, the MF Global Enterprise had global operations, including in the U.S., United Kingdom, Australia, Singapore, India, Canada, Hong Kong, Japan, India, Ireland, Dubai, Switzerland, Hungary and Mauritius. MF Global Inc., MF Global Holdings Ltd, and MF Global Holdings USA, Inc. were subsidiaries or affiliates which were legally obliged to hold customer funds

segregated and free from looting by other MF Global affiliates or subsidiaries; these entities were misused as detailed in this Complaint to loot funds that were required by law to be segregated to satisfy margin calls, and calls for collateral. These entities mailed account statements, e-mailed daily equity reports, and made accounts information available online to Plaintiffs and members of the proposed Class, all of which misrepresented the cash balances in the accounts of Plaintiffs and members of the proposed Class for days, weeks or months prior to the MF Global bankruptcy.

33. MF Global Holdings Ltd. ("MF Global Ltd.") was a holding company. Until its spectacular demise, MF Global Ltd. was one of the world's leading brokers in markets for commodities and listed derivatives. As such, MF Global Ltd. was a leader, by volume, on many of the world's largest derivatives exchanges. MF Global was registered as an FCM with CFTC at all relevant times. In addition to executing client transactions, MF Global Ltd. provided research and market commentary, and clearing and settlement services. The company was also active in providing client financing and securities lending services.

34. MFGI, formerly known as Man Financial, Inc., was a futures commission merchant and broker dealer that maintained offices in Chicago and its principal place of business in New York, New York. MFGI was the U.S. operating subsidiary of MF Global Ltd.

35. On Monday, October 31, at 2:30 a.m., MFGI revealed that an estimated $900 million (subsequently revised to $1.2 billion) in customer money was missing and unaccounted for. Several hours later, MF Global filed for bankruptcy protection pursuant to 11 U.S.C. §§ 101-1330, constituting the eighth largest bankruptcy in U.S. history and the biggest failure of a securities firm since Lehman Brothers.

36. The Securities Investor Protection Corporation ("SIPC") initiated the liquidation of MF Global under the Securities Investor Protection Act ("SIPA"), 15 U.S.C. §78aaa *et seq*. on October 31, 2011, and filed an application with the United States District Court for the Southern District of New York for a declaration that MF Global Ltd.'s customers were in need of the protections available under the SIPA.

37. The Court entered an order granting SIPC's application for issuance of a Protective Decree holding that MF Global Ltd.'s customers are in need of protection afforded by SIPA. James W. Giddens has been appointed as the Trustee responsible for overseeing the liquidation of MF Global Inc.; the Trustee fulfills public duties assigned under SIPA. Former FBI Director Louis Freeh has been appointed as the Trustee responsible for overseeing the liquidation of MF Global Holdings.

38. SIPA does not protect MF Global's commodity customers, such as Plaintiffs in this lawsuit.

IV. PARTIES

39. This action is brought by the following Plaintiffs, on behalf of the Proposed Class:

a. Plaintiff Kay P. Tee, LLC ("Kay P. Tee") is a limited liability corporation organized pursuant to the laws of the state of Nevada. Kay P. Tee was a customer of MFGI, and incurred losses and/or damages as a result of the activities alleged in this Complaint. Kay P. Tee has suffered injury-in-fact for which it is entitled to seek monetary damages and/or equitable relief.

b. Plaintiff Thomas G. Moran ("Moran") is an individual residing in Atlanta, Georgia. Moran and his family members were customers of MFGI, and incurred losses and/or damages as a result of the activities alleged in this Complaint. Moran and his family have

suffered injury-in-fact for which they are entitled to seek monetary damages and/or equitable relief.

c. Plaintiff John Andrew Szokolay ("Szokolay") is an individual residing in Cape Town, South Africa. Szokolay was a customer of MFGI, and incurred losses and/or damages as a result of the activities alleged in this Complaint. Szokolay has suffered injury-in-fact for which he is entitled to seek monetary damages and/or equitable relief.

d. Plaintiff Donald Tran ("Tran") is an individual residing in El Monte, California. Tran was a customer of MFGI, and incurred losses and/or damages as a result of the activities alleged in this Complaint. Tran has suffered injury-in-fact for which he is entitled to seek monetary damages and/or equitable relief.

40. Defendant Jon S. Corzine served as the Chairman of the Board of Directors (the "Board") and Chief Executive Officer ("CEO") of MF Global Holdings, Ltd. since March 23, 2010. Corzine also served as the CEO and a Director of MFGI, the futures commission merchant ("FCM") and broker-dealer ("BD") unit of the MF Global Enterprise, and also served as an operating partner and advisor at J.C. Flowers & Co. LLC, which is an affiliate of one of largest shareholders of MF Global Holdings, Ltd.

41. Defendant Henri J. Steenkamp served as the Chief Financial Officer ("CFO") of MF Global Holdings Ltd. since April 2011. As such, Defendant Steenkamp was responsible for overseeing the financial operations, including treasury, accounting and all global financial control and reporting functions for MF Global Holdings Ltd. Defendant Steenkamp was also responsible for aligning the finance and capital structures of MF Global Holding Ltd. to support the firm's strategy. Prior to becoming CFO, Steenkamp was the Company's Chief Accounting Officer and Global Controller, positions he held since April 2006.

42. Defendant Bradley I. Abelow served as the President of MF Global Holdings Ltd. since March 2011 and as its Chief Operating Officer ("COO") since September 2010. As such, Abelow was responsible for overseeing the day-to-day execution of MF Global's strategy and held direct responsibility for risk, operations, client services, human resources, information technology, procurement and real estate activities for all MF Global entities in 11 countries around the world. Abelow also served as a Director of MFGI. Defendant Abelow, like Defendant Corzine, was a former employee of Goldman Sachs, and Defendant Abelow served as one of Defendant Corzine's top aides during Corzine's tenure as governor of New Jersey.

43. Defendant Michael G. Stockman served as the Chief Risk Officer of MF Global Holdings Ltd. since January 2011. As such, Defendant Stockman oversaw the management of the firm's global risk department, including credit and operational risk.

44. Defendant Edith O'Brien, at all material times, served as MF Global's Treasurer. As such, Defendant O'Brien was responsible for money held in the accounts of commodities customer at MF Global.

45. Defendant Richard W. Gill, at all material times, was Chief Operating Officer of MFGI responsible for all of its operations.

46. Defendant Laurie R. Ferber, at all material times, was General Counsel of MF Global Holdings Ltd. As such, Ferber was responsible for the legal and compliance functions of MF Global Holdings Ltd., had operational and administrative responsibility for its internal audit function, and was responsible for its regulatory relationships and for compliance with CFTC regulatory requirements.

47. Defendant Christine A. Serwinski, at all material times, was the Chief Financial Officer of MFGI. As such, Serwinski was directly responsible for the financial and operational

reporting of MFGI to self-regulatory and regulatory authorities. Defendant Serwinski was also the CFO for the North American Operations of MF Global Holdings. According to the December 8, 2011 testimony of Defendant Corzine before the U.S. House Agriculture Committee, the CFO of North American Operations oversaw the movement of customers' segregated account funds in North America.

48. Defendant Dennis A. Klejna was a Senior Vice President of MF Global Holdings responsible for legal and regulatory compliance. Klejna was the former General Counsel and Executive Vice President of Refco, a large FCM that declared bankruptcy in the wake of a substantial accounting fraud. On December 6, 2007, RH Capital Associates LLC and Pacific Investment Management Company LLC, the institutional investors appointed to serve as Lead Plaintiffs on behalf of investors victimized by the Refco affair, signed a settlement agreement with Klejna pursuant to which Klejna agreed to pay a total settlement amount of $7,600,000 and to cooperate with the Lead Plaintiffs in that case as they pursued the Class's claims against other current (and prospective) defendants in the Refco fraud.

49. Defendant David Simons was a Senior Vice President and Head of Global Operations at MF Global Holdings. According to the prepared testimony presented by Defendant Steenkamp to the U.S. Senate Agriculture Committee on December 13, 2011, the Head of Global Operations had responsibility for handling customer funds.

50. Defendants Corzine, Steenkamp, Stockman, Abelow, O'Brien, Gill, Ferber, Serwinski, Klejna, and Simons are collectively referred to in this Complaint as the "Individual Defendants".

51. Defendant CME Group Inc. is a corporation formed under the laws of the State of Delaware with its principal place of business at 20 South Wacker Drive, Chicago, Illinois. The

CFTC has launched an investigation of the CME, reportedly focused on the propriety and adequacy of the CME's efforts to safeguard the customer assets held by MF Global.

52. Defendant JPMorgan Chase & Co. is a Delaware corporation that provides banking and financial services throughout the United States. JPMorgan maintains offices and regularly transacts business throughout the United States. JPMorgan provided a variety of services to MF Global, including banking services and extended cash and credit to the firm, and underwrote securities offerings by MF Global in February and August of 2011. At all relevant times, JPMorgan also provided escrow services to MF Global's commodities accounts holders.

53. In addition to the Individual Defendants, Plaintiffs allege, upon information and belief, that certain persons whose precise identities are presently unknown, referred to in this Complaint as John Does 1-10, failed to segregate and/or commingled the funds of Plaintiffs and/or members of the Class with the funds of MF Global or the funds of its subsidiaries, affiliates or other unknown persons or entities, in violation of the CEA, 7 U.S.C. §§ 1 *et seq.*, or improperly converted, dissipated, accepted, used, transferred, took possession of, or failed to retain such funds, or improperly borrowed, pledged, repledged, transferred, hypothecated, rehypothecated, loaned, or invested (including to purchase or sell securities pursuant to repurchase agreements or reverse repurchase agreements) such funds in violation of multiple provisions of law as alleged in this Complaint. Plaintiffs are presently unaware of the names and identities of those Defendants identified and sued as John Does 1-10 in this Complaint. Unless otherwise stated, all references to the Defendants collectively in this Complaint include each of the John Does 1-10.

54. The Defendants committed and/or were otherwise complicit in, authorized, failed to prevent, or directed the officers, agents, employees, or representatives of MF Global, and/or John Does 1-10, to carry out some or all of the acts alleged in this Complaint to violate the law.

V. CLASS ACTION ALLEGATIONS

55. Plaintiffs bring this action as a class action pursuant to Federal Rule of Civil Procedure 23(a), 23(b)(1)(B) and/or 23(b)(3) on behalf of all MF Global commodity account holders or customers who held open futures positions and/or cash collateral or cash deposits for future collateral in their MF Global accounts and had not received a return of 100% of their funds as of close of business on November 2, 2011. Excluded from the Class are all Defendants (including John Does 1-10), all members of the immediate families of the Defendants, all other officers, directors, and managing agents of the Defendants, all other officers, directors, and managing agents of the MF Global Enterprise, all members of their immediate families, and all MF Global affiliates and subsidiaries. The four requisites for class certification in Fed. R. Civ. P. 23(a) have been satisfied, as have the requirements of Fed. R. Civ. P. 23(b)(1)(B) and 23(b)(3).

56. Each member of the Class has been affected by the Defendants' misconduct in the same way. Under the commodity broker liquidation provisions of the Bankruptcy Code and CFTC rules promulgated thereunder, each class member will receive from the SIPA Trustee only a pro rata share of the customer funds held by MFGI, based upon the net equity in their account on October 31, 2011. The funds distributed by the Trustee will not provide any class member with a 100% recovery and, as a consequence, each class member will share pro rata in the shortfall in customer funds.

57. Members of the Class are so numerous that joinder of all members is impracticable. The size of the Class, which is estimated to consist of over 38,300 individuals and business entities, can only be ascertained through appropriate discovery.

58. Plaintiffs' claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by Defendants' wrongful, illegal conduct.

59. Plaintiffs will fairly and adequately protect the interests of the members of the Class and have retained counsel competent and experienced in class action litigation, and securities and commodities related litigation.

60. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the many questions of law and fact common to the Class are:

a. whether the funds of the members of the Class were improperly commingled with the funds of MFGI;

b. whether MFGI violated the CEA;

c. whether Individual Defendants violated the CEA;

d. whether the cash or cash equivalents of the members of the Class were unlawfully borrowed, pledged, repledged, transferred, hypothecated, rehypothecated, loaned, or invested, or used to purchase or sell securities pursuant to repurchase agreements or reverse repurchase agreements;

e. the amount of money diverted out of segregated accounts by Defendants;

f. the proper measure of damages.

61. The Class should be certified under Fed. R. Civ. P. 23(b)(1)(B). Unless defendants' combined unencumbered assets are equal to the shortfall in the segregated customer

accounts at MFGI, the prosecution of separate actions by individual customers of MFGI would create a risk of adjudications with respect to individual class members that, as a practical matter, would be dispositive of the interests of other customers who are not parties to the individual adjudications, or would substantially impair or impede their ability to protect their interests.

62. The Class should also be certified under Fed. R. Civ. P. 23(b)(3). Questions of law or fact common to class members predominate over any questions affecting only individual members. Additionally, a class action under Fed. R. Civ. P. 23(b)(3) is superior to all other available methods for the fair and efficient adjudication of this controversy. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no unusual difficulty in the management of this action as a class action.

VI. GENERAL ALLEGATIONS

A. MF Global's Origins

63. MF Global's roots trace back to 1783, when James Man founded its predecessor, Man Group, a sugar broker in London. MF Global spent most of its history as a middleman between farmers, traders and companies that hedged or bet on the direction of commodity prices.

64. In October 2002, Man Group claimed to be the world's largest independent futures group. In November 2005, Man Group paid $323 million for the futures brokerage business of Refco. The transaction was announced hours before Refco's chief executive was indicted in this District on eight counts of conspiracy, wire fraud, and other charges. Refco declared bankruptcy in October of 2005.

65. In May 2007, Man Group announced plans to conduct an initial public offering ("IPO") to spin off MF Global. Despite its long and storied history, MF Global was struggling to generate a profit and its future was uncertain following the IPO.

B. Defendant Corzine's Reckless Pursuit of Profitability at MF Global

66. On March 23, 2010, MF Global announced that its Board of Directors had appointed Defendant Jon S. Corzine, former Chairman and CEO of Goldman Sachs and former Governor of and Senator from New Jersey, as its new Chairman and CEO.

67. When Defendant Corzine assumed the leadership of MF Global, its main business consisted of executing and clearing commodities trades for clients of the firm. In effect, the firm aligned buyers and sellers of futures contracts for commodities like wheat or metals, and received a small commission for doing so. Over the last decade, however, MFGI's business had become endangered due, in part, to persistent near zero-percent interest rates and thin commissions. The firm was unprofitable and its operations outmoded.

68. The execution of trades on behalf of commodities customers such as Plaintiffs and the Class, which was traditionally MFGI's primary business, was not the primary means by which it generated profits. Rather, the firm's profits – or ability to profit – traditionally, were largely derived from handling the vast sums of money that flowed through the firm's segregated accounts as customer deposits for margin calls, and other requirements associated with the trades that it executed for customers such as Plaintiffs. Under certain conditions, such segregated funds could be and were invested by MFGI such that income on the investments -- *e.g.*, interest – could be retained by the firm. Because the majority of customer funds that flowed through MFGI were associated with commodities accounts, the firm was required to invest such funds in a narrow and defined class of ultra-safe instruments, such as Treasury Bills issued and backed by the United States Treasury. Traditionally, the risk of default associated with such investments is so

low that they are commonly referred to as "cash-equivalents." The security offered by such investments is at the expense of returns; that is, Treasury Bills pay relatively low interest rates because they carry little risk. Notwithstanding these relatively low interest rates, MFGI had safely used customer funds to generate profits. However, beginning in 2009, interest rates on Treasury Bills and the other "cash-equivalent" investments in which MFGI was permitted to invest commodity customer funds have been persistently near zero. Thus, as interest rates declined sharply in recent years, so did MFGI's net interest income, from $1.8 billion in its fiscal 2007 second quarter to just $113 million four years later. In sum, a period of persistently low interest rates decimated MFGI's ability to generate a profit; if the firm was to survive until interest rates rose substantially, the firm had to change its business model.

69. At the time Defendant Corzine was appointed Chairman and CEO, MFGI had reported net losses for each of the past three fiscal years – and would do so each quarter thereafter until the firm declared bankruptcy in October 2011. Six days before it filed for bankruptcy, MFGI reported its largest quarterly loss ever, $186.6 million in the third quarter of 2011 alone.

70. Immediately following Defendant Corzine's arrival at MF Global, the firm's three primary credit rating agencies, Moody's Investor Services, Standard & Poor's, and Fitch Ratings warned that if MF Global did not generate profits, they would downgrade the firm's debt.

71. In an attempt to transform MFGI into a profitable enterprise, as CEO, Defendant Corzine exposed MFGI to trading risks unprecedented for the firm and aggressively pursued a plan to engage in proprietary trading for the first time in MFGI's history.[2] Such risk taking was

[2] Proprietary trading is generally defined as the trading of stocks, bonds, currencies, commodities, derivatives, or other financial instruments, with a firm's own money as opposed to its customers' money, with the intention of making a profit for the firm that engages in the

not unfamiliar to Defendant Corzine who rose to prominence on Wall Street, becoming a bond trading star at Goldman Sachs, by taking decisive action on risky trades. Defendant Corzine intended to replicate the Goldman Sachs model and rapidly transform MFGI from a staid brokerage house into a full-fledged, highly-leveraged and risk-laden investment bank.

72. The fact that Defendant Corzine's strategic plan to generate profits would expose MFGI to increased risk and potential liquidity problems was well known to the Defendants, including the CME. In its Form 10-K filed with the SEC on May 20, 2011, MF Global Holdings Ltd. acknowledged that its transformation plan was intended to increase the firm's profitability, but would increase the firm's risk profile. MF Global stated that:

> exposure to market, credit and operational risk will increase as [the firm] expand[s its] principal trading activities relating to client facilitation, market-making and proprietary activities. Among other things, these developments may lead to greater uncertainty and volatility in [the firm's] results of operations and require [it] to increase [its] capital.
>
> ***
>
> If our access to capital becomes constrained or the cost or amounts of capital required becomes unreasonably high, whether due to our credit rating, the constraints imposed upon us by our existing creditors or counterparties, prevailing industry conditions or regulatory changes, the volatility of the capital markets, or other factors, then the implementation of our strategic plan could be adversely affected.
>
> ***
>
> If we expand our operations too rapidly or otherwise beyond our ability to manage them effectively, we could encounter serious operational issues and expose ourselves to increased operational and regulatory risk….Organic growth may also impair our ability to manage risk and ensure regulatory compliance, which may result in financial loss, regulatory violations, or reputational harm any

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trading. Firms engaged in proprietary trading can employ a wide variety of strategies such as index arbitrage, statistical arbitrage, merger arbitrage, fundamental analysis, volatility arbitrage or global macro trading. Proprietary trading is generally held to expose a firm to higher risk and to result in more volatile profits and losses.

> of which could adversely affect our business, operating results, or financial condition.

73. During his brief tenure as CEO, Defendant Corzine regularly walked the firm's trading floor, encouraging traders to make ever larger bets. In addition to proprietary trading, Defendant Corzine also introduced new, higher risk businesses and placed increased emphasis on high risk products such as mortgage backed securities and stock-index derivatives.

74. On February 3, 2011, Corzine announced publicly MF Global's "transformation" from its traditional role as a broker to a global investment bank – a plan that he acknowledged could take years:

> The opportunity ahead is significant and the roadmap to achieve our objectives is clear. MF Global has taken the necessary steps to define our future and I believe we have crafted a strategic path forward to transition from a broker, to a broker-dealer, and eventually to a commodities and capital markets focused global investment bank.
>
> By aligning ourselves around client needs, our business model will focus on four main areas – institutional capital markets, retail services, transaction services and asset management. While some of these areas currently exist, others need retooling, and some will be built or acquired over time.
>
> This transformation can fundamentally change our growth trajectory and profitability profile by delivering our clients a more comprehensive package of risk intermediation services. I believe our new model will create a growing and diversified revenue base, which will allow MF Global to deliver stable, double-digit returns to shareholders.

February 3, 2011, Press Release by MF Global Holdings Ltd., available at http://www.sec.gov/Archives/edgar/data/1401106/000119312511022543/dex991.htm.

75. Shortly thereafter, according to its Form 10-K filed with the SEC, MF Global reported that its net deferred taxes were $108.3 million as of March 31, 2011, which represented the amount that MF Global had thought it would save on taxes in the future, assuming it would be profitable. If MF Global was not profitable in the future – if the firm's strategic plan was not

effective – it would have to write down some or all of these net deferred taxes, thereby exacerbating losses.

76. At about the same time, as of March 2011, MF Global and Defendant Corzine had approximately $1 billion available to acquire a commodities asset manager as part of Defendant Corzine's plan to turn MF Global into a full-service investment bank.

77. Despite his plan, however, Defendant Corzine and MFGI could not wait years to achieve profitability. Unable to make MF Global profitable through more traditional and less risky means in a time frame that would appease credit rating agencies and shareholders, Defendant Corzine exposed MF Global to greater risk.

78. For example, on May 20, 2011, MF Global disclosed in its 2011 Form 10-K that it had purchased high-yielding European sovereign debt from Italy, Spain, Belgium, Portugal, and Ireland. At the same time, the Company disclosed that its auditor, Pricewaterhouse Coopers gave MF Global a clean bill of financial health.

79. MF Global's purchases of European bonds were structured as "repurchase to maturity" or "RTM". As such, MF Global could book the profits on the European bond trades up front. However, a "repurchase to maturity" also allowed MF Global to keep its purchase of the European bonds, as well as the loans it used to buy them, off the firm's balance sheet. Although the transactions may have complied with the Financial Accounting Standards Board's rules, the accounting treatment masked the extent of MF Global's leverage and, therefore, its risk of collapse.

80. An MF Global executive has been quoted as saying that the European bet was "a way to answer the…demands [of MF Global's credit rating agencies] while buying time to transform the business." According to individuals reported to have been familiar with Defendant

Corzine's thinking regarding the trades, the European bet instantly boosted revenue while appeasing the rating agencies and shareholders.

81. Meanwhile, according to the congressional testimony of Richard Ketchum, FINRA's Chief Executive, in September 2010, as part of a widespread survey of financial firms, FINRA asked MF Global if it had any exposure to the debt of European countries. In response, MF Global denied that it had any such exposure despite the fact that it had begun placing RTM trades for European bonds in the preceding weeks.

82. FINRA officials were not aware of MF Global's European sovereign debt trades until they were disclosed in the firm's May 2011 Annual Report. By that time, Defendant Corzine had caused MFGI's risky position to grow to more than $6 billion.

83. Defendant Corzine's European bond trades had the intended effect – initially. In the second half of 2010, MF Global realized approximately $39 million in revenue as a result of the trade. That revenue helped to reduce MF Global's 2010 net loss – temporarily alleviating the pressures placed on MF Global by its credit rating agencies and investors.

84. Defendant Corzine's increased risk taking was not, however, without controversy at MF Global. For example, Munir Javeri, a former Soros Fund Management official hired in early 2011 to serve as Defendant Corzine's global head of trading, quickly grew concerned that the European trades had become too important to MF Global's overall results. Despite his role as the firm's global head of trading, a trader who reported to Mr. Javier was called upon by Defendant Corzine to execute many of the European debt trades and Mr. Javier had little influence over the trades. Mr. Javier soon left MF Global.

85. MF Global replaced its chief risk officer, Michael Roseman, after he repeatedly clashed with Defendant Corzine over the firm's purchases of European sovereign debt. Talha

Chaudhry, a senior risk officer at MF Global also questioned Defendant Corzine's European debt trades. Roseman and Chaudhry requested that Defendant Corzine seek approval of the Board of Directors before expanding the trades.

86. In August, some of MF Global's directors questioned Defendant Corzine, asking him to reduce the size of the overall European debt position. Defendant Corzine assured them they had little to fear. "If you want a smaller or different position, maybe you don't have the right guy here," he reportedly told them, according to a person familiar with the matter. Defendant Corzine also reportedly told one senior board member that he would "be willing to step down" if MF Global's Board "had lost confidence in me." The MF Global Board relented.

87. The European trade initiated by Defendant Corzine late in the summer of 2010, grew from $1.5 billion to $6.3 billion.

88. According to Defendant Corzine's December 8, 2011 testimony before the U.S. House Agriculture Committee, he and the board of directors, senior managers and traders of the MF Global Enterprise — which includes the other Individual Defendants, individually and collectively — decided and agreed that the MF Global Enterprise should enter, on a highly leveraged basis (according to Defendant Corzine's Congressional testimony, leveraged 30.7:1), into risky transactions in futures. These included off-balance sheet transactions in derivatives sometimes known as total-return swap-to-maturity and/or repo-to-maturity transactions in Euro-denominated bonds of distressed European countries. The decision and agreement implemented a business plan pursuant to which certain of the Individual Defendants had agreed to transform the MF Global Enterprise from an FCM into a broker-dealer in securities, and ultimately into an investment bank, which would provide broker, dealer, underwriting, advisory and investment management services.

89. These risky transactions included international transactions whereby MF Global "bought," upon information and belief, approximately $11 billion or more of Euro-denominated bonds of European countries in economic distress to be "repurchased" by counterparties at maturity, upon information and belief around December 2012. The transactions were discussed among certain of the Individual Defendants and with senior traders of the MF Global Enterprise and approved by certain of the Individual Defendants.

90. The alleged transactions included billions of dollars of funds being transported, transferred and/or transmitted between the MF Global Enterprise in New York City and persons unknown in other states and/or in other countries and other customers of the MF Global Enterprise.

91. The Individual Defendants had a plan and purpose – which included generating revenues through highly leveraged futures transactions that exceeded the enterprise's resources to carry them – to be continued into the future to contrast the enterprise's prior years of declining earnings (declining since 2007). The plan would last at least from some time prior to August 2011 through at least December 2012, and would continue and be renewed as long as possible so as to generate continuing, significant reportable earnings for the MF Global Enterprise.

92. The MF Global Enterprise lacked the capacity to carry the transactions with the enterprise's own resources. For example, as explained in a November 10, 2011 Thomson Reuters article, "MF Global Slayed By the Grim Repo," the enormous leverage used by MF Global created a risk exposure that exceeded many times over the asset base of the MF Global Enterprise, including transaction costs for carrying transactions with such high leverage. Defendants knew this. For example, Defendant Corzine and the other Members of the MF Global Board of Directors were even warned from about September 2010 and thereafter that the MF

Global Enterprise lacked the necessary cash. They discussed this at the highest levels of the company, including with their chief risk officer, according to a December 6, 2011 report in the *Wall Street Journal*.

93. The firm's new risk officer, Defendant Stockman, took over the European debt position in early 2011 with one significant difference: unlike his predecessor, he was not allowed to weigh in on the broader implications the trades might have on the firm, including whether they might undermine investor confidence.

94. In fact, Defendant Corzine, speaking at the Sandler O'Neill Financial Services Conference in June 2011, told the audience, "I consider one of my most important jobs to be chief risk officer of our firm." Yet soon after joining MF Global, Defendant Corzine terminated an effort to build a new risk management system, reportedly a much-needed overhaul, according to former employees.

95. Following the collapse of MF Global, Defendant Corzine acknowledged under oath that "As the chief executive officer of MF Global, I ultimately had overall responsibility for the firm." As the CEO, Defendant Corzine acknowledged that it was his responsibility to make sure that measures were in place to prevent the commingling of funds: "The buck stops here on that score," Corzine testified.

96. In a section entitled, "Risk Management," Defendants Corzine and Steenkamp represented and acknowledged in MF Global's Form 10-K dated May 20, 2011, signed by them:

> We believe that effective risk management is critical to the success of our business and is the responsibility of all of our employees. All of our employees are risk managers. Employees are expected and encouraged to escalate incidents and any matters of concern to management and to our compliance and risk departments in order to effectively manage risk. Consequently, we have established—and continue to evolve and improve—a global enterprise wide risk management framework that is intended to manage all aspects of our risks. The risk-management framework is designed to establish a global, robust risk-

management environment through a strong governance structure that (i) defines roles and responsibilities, (ii) delegates authority for risk control and risk taking to specific businesses and risk managers, and (iii) documents approved methodologies for the identification, measurement, control and mitigation of risk.

We seek to identify, assess, measure, monitor and limit market, credit and operational risks across our businesses. Business areas, pursuant to delegated authority, have primary responsibility for risk management by balancing our ability to profit from our revenue-generating activities with our exposure to potential losses. Working with the business areas, the Risk department serves as an advisor and facilitates operation within established risk tolerances while seeking to provide acceptable risk-adjusted returns in a controlled manner. Risk-department teams also regularly communicate with our regional officers and to local decision-making bodies to allow us to react rapidly to address any developing risks.

Our Chief Risk Officer [Stockman], who reports to our President and Chief Operating Officer [Abelow], leads the risk department and monitors and reports on our risk matters, including regular reports to our Board of Directors [including Corzine] and Audit and Risk Committee. The Chief Risk Officer promotes company-wide adherence to MF Global's enterprise risk management framework and has global responsibility for monitoring and facilitating control of market, credit and operational risks.

Senior management takes an active role in the risk management process and expects employees to understand and comply with their delegated risk responsibilities, relevant risk policies, and compliance requirements. Additionally, employees are expected and encouraged to escalate risk incidents and any matters of concern to management in accordance with our internal escalation policy to promote timely risk-mitigation action by the appropriate personnel.

Reports detail global risk exposures and escalate risks that exceed defined thresholds. Our risk reporting process is designed to enable us to assess the levels of risk present throughout our operating environment and to take any necessary remedial action in a timely manner. As part of this reporting process, risk reports detailing global risk exposures and escalating risks that exceed defined thresholds are regularly generated.

97. As further represented and acknowledged in MF Global's Schedule 14A Proxy Statement, dated July 7, 2011, under a section entitled "Board Role in Risk Oversight":

The Board has responsibility for providing direction and oversight for management of the Company's business and affairs, establishing the Company's long-term objectives and strategy while overseeing the Company's business performance and management, including risk management. The Company's

> enterprise risk management approach flows from the Board, which determines the Company's risk appetite, and permeates through the Company via a culture that expects all employees to function as risk managers. This approach involves a strong governance structure that clearly defines responsibilities, delegated authorities for risk control as well as risk-taking and documented policies designed to identify, measure, control and mitigate risk.
>
> The Company's risk appetite, as defined by the Board, recognizes the need for purposeful and appropriate risk-taking in the Company's efforts to execute its strategy and subsequently achieve its objectives. The risk appetite translates to defined risk tolerances and, subsequently, delegations of authority and concomitant controls designed to ensure Company operation within those risk tolerances.
>
> While the Audit and Risk Committee maintains primary risk management oversight, the full Board has retained responsibility for general oversight and reviews full reports from the Chairman of the Audit and Risk Committee regarding the committee's considerations and actions. The full Board has responsibility for reviewing and approving the Company's enterprise risk management policy, based on a recommendation from the Audit and Risk Committee, and also receives regular reports directly from officers responsible for oversight of particular risks within the Company, including the Company's Chief Risk Officer. Audit and Risk Committee meeting agendas include review and discussion of quarterly reports prepared by the Chief Risk Officer, the Company's enterprise risk management framework and governance model, enterprise risk management policy and related processes, the enterprise risk management committee charter, and risk management resources and training programs. Senior management reviews and discusses the Company's risk issues at meetings of the enterprise risk management committee, which is chaired by the Chief Risk Officer.

98. That Proxy Statement also made clear that each of the firm's employees, including the Individual Defendants, was responsible for controlling risk:

> The Company's risk management framework is an integral part of our control structure. Our risk management approach emphasizes compliance with our risk management policies and practices and each employee's responsibility to function as a risk manager. Moreover, a culture of compliance is emphasized top-down. Management has communicated to every employee the importance of upholding the firm's core values, including their individual obligation to demonstrate and support a strong compliance culture, and to be sensitive to reputational risk issues and act in accordance with the highest ethical standards.

99. Each Individual Defendant knew that he or she had an individual obligation and was expected to ensure the highest level of compliance with all applicable laws, regulations, and standards that safeguarded and protected the MF Global Enterprise's commodities customers' segregated accounts. Each Individual Defendant knew that the money and property in those accounts could not be risked for the benefit of the MF Global Enterprise. Each Individual Defendant knew that he or she had an obligation to act if such accounts were placed at risk by anyone within the MF Global Enterprise. This knowledge was possessed by each of the Individual Defendants, including all John Doe defendants.

100. Each Defendant knowingly abrogated his or her obligations to assure the highest level of compliance with all applicable laws, regulations, standards and ethical obligations that safeguarded and protected the MF Global Enterprise's commodities customers' segregated accounts. As a result of those failures, each Individual Defendant violated the applicable law, and caused enormous damage to the Plaintiffs and proposed Class as commodities customers of the MF Global Enterprise, as well as damage to the market for futures worldwide.

101. Although unknown to the public, as a result of MF Global's May 2011 disclosure of its European sovereign debt trades, between June and August 2011 regulators at FINRA ordered the firm to increase its capital to safeguard against its exposure to European sovereign debt.

102. Despite the directives of MF Global's auditors, Corzine attempted to reverse the order and to circumvent FINRA by traveling to Washington, D.C. to appeal directly to officials from the SEC. Despite Corzine's efforts, as well as more than a dozen meetings and calls with regulators, by August of 2011, MF Global reportedly increased its capital, albeit insufficiently, in response to FINRA's requirement.

103. On September 1, 2011, MF Global disclosed that FINRA had directed the firm to raise more capital in light of the risks to which Defendant Corzine's European debt trades exposed it. The disclosure also revealed that MF Global had amassed a net long position of $6.3 billion in its short-duration European sovereign debt portfolio. This amount was five times the company's tangible common equity, according to Moody's. Defendant Corzine's $6.3 billion bet on European debt, a wager big enough to wipe out the firm five times over if it went bad, was made despite concerns from other executives and board members. However, MF Global's disclosure of the bet had little, if any, immediate negative impact on MF Global's stock price and, by the time of the announcement, MF Global had already had complied with the order.

104. By mid-October, rumors of a potential downgrade of MF Global's credit rating surfaced. Rumors of a downgrade also sparked rumors of substantial customer withdrawals (i.e., a "customer run") and/or liquidity issues at MF Global. In response, senior CME officials contacted MF Global management, including but not limited to, at various times, Defendants Ferber, Steenkamp, Serwinski, Corzine, and Klejna, to address such issues.

105. On October 24, 2011, Moody's downgraded both MF Global Holdings Ltd. and MF Global Inc. Moody's lowered MF Global's credit rating to one notch above junk status (Baa3), citing the Company's significant risk exposure to European debt. Following the downgrade, and in an attempt to lessen the market's reaction, the Company issued a statement in which it claimed that the Company's exposure to European debt was "sound and well-structured." The Company also claimed that Defendant Corzine had bolstered MF Global's risk-management practices when he became CEO in March 2010.

106. In the wake of Moody's downgrade of MF Global, on October 25, 2011, the CME undertook to determine whether there had been a "customer run"; it was foreseeable that a

customer run on MF Global would lead to liquidity issues and, ultimately, bankruptcy. A customer run, in the case of MF Global, is equivalent to a "bank run" which can occur when a large number of bank customers withdraw their deposits because they believe the bank is, or might become, insolvent. Typically, as a bank run progresses, it generates its own momentum; as more customers withdraw their deposits, the likelihood of default increases, thereby encouraging further withdrawals which, together, can destabilize the bank to the point where it faces bankruptcy. Throughout the day, CME officials continued to inquire about the liquidity resources of MF Global Holdings Ltd.

107. On October 25, 2011, under pressure from the SEC and Wall Street, MF Global announced its second quarter results, two days ahead of schedule. Despite net revenue of just $205.9 million and a GAAP net loss to shareholders of $191.6 million, Defendant Corzine noted that: "We were particularly pleased with the repositioning of our mortgage, credit and foreign exchange businesses; the performance of our commodities group; and the common alignment of our brand to strategy. These efforts reflect positively on our ability to execute and deliver competitive returns to shareholders in the quarters ahead."

108. On October 25, 2011, MF Global also revealed that it wrote down entirely the entire amount of net deferred taxes that the firm previously disclosed it had as of March 31, 2011. Thus, in less than a year, MF Global had conceded that it could not devise a way to make the firm profitable and that it had no reasonable expectation that interest rates would increase substantially in the near term. As a result, on October 25, 2011, the day MF released its quarterly results, its stock fell 48 percent to $1.86. The majority of MF Global's loss in the third quarter of 2011 was attributable to the write down, *i.e.*, accounting loss, of deferred-tax assets. The deferred-tax assets that MF Global wrote down represented money that it once believed it would

save on taxes in the future – assuming the firm would become profitable. MF Global did not become profitable. Despite Corzine's assurances, MF Global's share price fell 67% over the course of the week.

109. The downgrade sent MF Global into free fall on October 25. As MF Global's stock price plunged, trading partners and lenders demanded more capital to continue doing business with the firm. Despite Defendant Corzine's assurances to employees, the firm had just two options: sell itself or sell its assets. In response, Defendant Corzine organized two teams: Defendant Abelow began searching for a buyer for the firm; Defendant Corzine assumed responsibility for selling MF Global's assets.

110. By 7:00 p.m. on October 25, 2011, the CME took, at a minimum, the following steps to monitor the situation at MF Global: (1) kept MF Global Inc. on daily financial reporting; (2) monitored MF Global Inc.'s positions, exposure, and customer transfer/segregated funds balance changes for signs of a significant loss of customer confidence; (3) drafted a "good standing" press release to have ready if necessary; (4) established a process to ensure that customers, such as Plaintiffs and the Class, who may have been looking for information about the situation could obtain answers to their questions; (5) established an industry call process to help ensure information flowed to other affected clearing houses and regulators; and (6) considered whether additional financial measures were required.

111. According to *The Wall Street Journal*, as of October 26, 2011, MF Global's Board of Directors voted to explore strategic options and the firm hired investment bank Evercore Partners Inc. and at least one other bank (Blackrock) to help determine whether it should sell itself to another company, pursue mergers, or pursue other strategic options such as

asset sales. During the trading day on October 26, 2011, the ratings agency S&P threatened to reduce the Company's credit-rating to junk status.

112. According to documents made public by Defendant CME, on the evening of October 26, 2011, senior CME officials reiterated that MF Global "clients' continued protection is paramount."

113. On October 27, 2011, Moody's again lowered MF Global's credit rating, this time to "junk" status (Ba2). Moody's analyst Al Bush said the latest downgrade "reflects our view that MF Global's weak core profitability contributed to it taking on substantial risk in the form of its exposure to European sovereign debt in peripheral countries." That same day, Fitch also downgraded MF Global's credit-rating to junk status. A statement released by Fitch explained, in part, that: "In addition, [MF Global's] increase in principal and, to a lesser extent, proprietary trading activities has elevated the firm's traditional risk profile. These increased risk taking activities have resulted in sizeable concentrated positions relative to the firm's capital base, leaving MF vulnerable to potential credit deterioration and/or significant margin calls. While Fitch notes that the firm has made some progress in rationalizing its capital structure, the firm's persistently weak earnings and leverage are no longer consistent with an investment grade financial institution."

114. On the morning of October 27, 2011, members of the CME's Audit Department, Dale Michaels and Suzanne Sprague, meet with members of MF Global Inc. in New York, as they had planned to do earlier in the week, to conduct a "risk review", the purpose of which was to address the firm's "liquidity and assess the situation." At that time, according to the CME, the "CME [was] starting to have concerns that MF Global's liquidity was drying up." According to the CME itself, the meeting between members of the CME's Audit Department and MF Global

Inc., including Defendants Klejna, Stockman, O'Brien, and Steenkamp, failed to assuage the CME's concerns about the firm's "liquidity and the ability of the company to continue normal operations without a sale of all or part of the business, notwithstanding [MF Global Inc.'s] assurances." Following the meeting, CME officials requested a copy of MF Global Inc.'s liquidity analysis; according to the CME, MF Global never provided a copy of the requested liquidity analysis.

115. Later on October 27th, CME officials send members of its Audit Department to MF Global Inc.'s offices in Chicago. The CME officials requested documentation to confirm MF Global Inc.'s Daily Statement of Segregation Requirement and Funds In Segregation for Customers trading on U.S. Commodities Exchanges. Cognizant of the increasing severity of MF Global's circumstances, the CME further recognized that it was necessary to have their personnel in MF Global's offices in the event that they needed to obtain information quickly.

116. Between 1:00 p.m. and 2:00 p.m. on October 27th, the CME recognized the need to transfer MF Global customer accounts, such as those of Plaintiffs and the Class, to other more stable FCMs and began making contingency plans to do so. By 2:00 p.m. on that day, the CME worked to establish a conference call regarding: (1) the liquidity of MF Global Holdings; (2) repo counterparties update; (3) issues with transfers of MF Global customers, such as Plaintiffs and the Class, to other FCMs; (4) margin calls resulting from downgrades; (5) the amount of segregated assets not currently pledged to a Derivatives Clearing Organization; and (6) contingency plans.

117. In a letter sent to Defendants Serwinski and Ferber, at 3:53 p.m. on October 27th, the CME, as MF Global's auditor and regulator, ordered that: "Effective immediately, any equity

withdrawals from MF Global Inc. must be approved in writing by CME Group's Audit Department."

118. As early as 6:30 a.m. on Friday, October 28, 2011, MF Global's outside counsel, Andrew Dietderich of Sullivan & Cromwell, concluded MF Global would not survive the weekend. Mr. Dietderich contacted Ken Ziman, a bankruptcy attorney at Skadden, Arps, Slate, Meagher & Flom. That morning, Skadden lawyers began drafting documents for a bankruptcy filing.

119. On the morning of October 28th, officials from the CFTC contacted Terrence A. Duffy, Executive Chairman, CME Group Inc. to request his thoughts with respect to MF Global. Despite Mr. Duffy's position as the Chairman of the CME, MF Global's auditor and regulator, "Duffy [told the CFTC] that he does not have the information [the CFTC] seek[s], and suggest[ed] they speak with CME Clearing House personnel," according to Kathleen M. Cronin, Managing Director, General Counsel and Corporate Secretary of the CME.

120. Later that same day, Defendants Ferber and Steenkamp informed the CME that MF Global had drawn down all or substantially all of its line of credit, but was not yet using the funds.

121. By 6:00 p.m. on October 28th, CME Audit Department officials still did not have the documentation necessary to confirm MF Global Inc.'s "Daily Statement of Segregation Requirement and Funds In Segregation for Customers trading on U.S. Commodities Exchanges," as requested before 1:00 p.m. on October 27th. However, defendant CME took no further action, as of that time, to secure or otherwise protect customer funds.

122. Pursuant to CME Rule 974, Suspension of Member Firm Privileges, the CME had the power to suspend the privileges of MF Global at least as early as the evening of October 28th,

and possibly earlier, for MF Global's failure to provide documentation to support the firm's October 26th segregation report and liquidity analysis. For example, Rule 974 states: "If, in the opinion of the Audit Department, a clearing member … neglects to promptly furnish a statement upon request, a recommendation may be made to the Clearing House Risk Committee to suspend the privileges of the clearing member." Had the CME enforced its rules and suspended MF Global, the outflow of customer funds may well have been stanched, if not prevented entirely.

123. On Friday evening, October 28th, regulators and top executives, including Mary L. Schapiro, chairwoman of the S.E.C., participated in a conference call in which Defendant Corzine expressed confidence that a deal would be reached with one of the firm's potential buyers, which included Interactive Brokers, JPMorgan Chase, the Jefferies Group and the Macquarie Group. Such a deal became crucial as trading partners and lenders placed increasing demands on MF Global. For example, at that time, Clearnet, the firm responsible for clearing the vast majority of MF Global's European sovereign debt trades, was also demanding $200 million to maintain those positions, atop $100 million it had claimed from MF Global earlier in the week.

124. According to news reports from people close to the investigation of MF Global, as the firm rushed to pay off creditors, MF Global dipped again and again into customer funds to meet the demands. Defendant Corzine also tried, unsuccessfully, to sell all of the firm's remaining bond positions, including its $6.3 billion European sovereign debt portfolio. Ultimately, MF Global shrunk its assets by almost half in a desperate attempt to save itself.

125. Meanwhile, a due diligence team from Jeffries Group, a brokerage firm, arrived at MF Global's headquarters on Friday the 28th, leaving Saturday, October 29th. The purpose of their visit was to review documents and MF Global's operations in connection with a possible

acquisition of the firm. The Jeffries Group employees concluded that they required additional time to complete their review. Meanwhile, another due diligence group from Interactive Brokers had also arrived at MF Global and was attempting to make a similar evaluation.

126. As early as October 27, 2011, regulators from Chicago and New York had arrived at MF Global's New York headquarters. Auditors from the CFTC demanded documentation regarding the firm's customer funds.

127. CFTC Chairman Gensler reportedly developed concerns that MF Global had not kept company funds segregated from customer accounts as required by the CEA. On October 29, 2011, Gensler contacted H. Rodgin Cohen, a partner a Cromwell & Sullivan, counsel to MF Global, regarding the possible failure to segregate. Cohen reportedly told Gensler that additional documents were needed; thereafter, a "scramble" for documentation ensued.

128. Meanwhile, MF Global's prospective buyers, including Blackrock, were raising concerns about bookkeeping. Thomas Peterffy, CEO of Interactive Brokers, has since been quoted as saying that MF Global's "records were in a shambles." Reportedly, because MF Global's books were so poorly kept, potential buyers of MF Global "couldn't get a good sense of what was on the balance sheet." Routine information about assets and positions that should have been accessible instantly took hours, or longer, to produce.

129. As bidders dropped out one by one, only Interactive Brokers was left as of Sunday, October 30th when Defendant Corzine informed regulators at 2:00 p.m., saying a sale looked likely to go through.

130. Despite the apparent efforts of the CME, at approximately 3:00 p.m. on October 30th – approximately one hour after Defendant Corzine's representations – the CFTC informed the CME that a draft of MF Global's ***October 28, 2011*** "Daily Statement of Segregation

Requirement and Funds In Segregation for Customers trading on U.S. Commodities Exchanges" showed a deficiency in the segregated funds of members of the Class.

131. According to the CME, between 6:00 and 7:00 p.m. on October 30th, Defendant O'Brien "confirm[ed] that [MF Global Inc.] has a potentially huge deficiency in the segregated account due to what [MF Global Inc.] states is an unidentified accounting mistake." At this time or shortly thereafter, according to defendant CME, it learned that the shortfall could be as large as $900 million. Again, despite its status as MF Global's auditor and regulator, defendant CME took no additional action to protect the funds of Plaintiffs and the Class, despite Defendant O'Brien's admission.

132. Later that evening, despite being given documents which MF Global Inc. claims support the October 26, 2011, "Daily Statement of Segregation Requirement and Funds In Segregation for Customers trading on U.S. Commodities Exchanges," CME Auditors did not examine the documents.

133. Finally, at 10:50 p.m., far too late for Plaintiffs and the Class, according to the CME, it requested that "MF not add any further exposure to your house account." However, according to the CME, the CME did not request that MF Global "liquidate the positions that [MF Global Inc.] has in place, but [only] that you not add to them as this point."

134. During the evening of October 30th, Interactive Brokers learned of the apparent shortfall in customer funds and the potential transaction to save or sell MF Global collapsed in the ensuing hours.

135. Between 1:00 a.m. and 2:00 a.m., despite their role as MF Global's auditor and regulator, despite repeated interactions with the Individual Defendants and other material personnel, and despite the involvement and presence of CME Audit Department personnel in MF

Global's offices – who were informed of a potential shortfall days before – defendant CME claims to have only learned for the first time, from Defendants O'Brien and Serwinski, that the massive shortfall in customer funds was "real". In response, the CME simply "stops its efforts to look for the accounting error" that MF Global initially claimed, according to the CME, would explain the seemingly massive shortfall.

C. MF Global Client Funds Go Missing and MF Global Disappears

136. During the period from October 26-28, 2011, several CFTC financial analysts based in Chicago sought to obtain segregated funds information from MF Global. CFTC officials were attempting to determine whether MF Global could continue to meet its obligations to customers of the FCM. Because of ongoing concerns, the CFTC coordinated with other federal financial regulators as well as CFTC registered exchanges over the weekend of October 29-30. As time went on and the sale of the business became less foreseeable, regulators encouraged, but did not initially require, MF Global to transfer its customer accounts to a stable FCM.

137. During this time, MF Global was working with Interactive Brokers ("IB") on an arrangement to transfer customer accounts as part of a deal involving Debtor-In-Possession financing.

138. Defendant Steenkamp testified that he was aware of the shortfall in MF Global customer funds on October 30, 2011:

> On Sunday night (October 30th), when a deal for the acquisition of all or part of the company appeared to be close at hand, I first learned of a serious issue with MFGI's segregated fund calculations. (I was told earlier that day there appeared to be a deficit in the segregation calculation and then shortly thereafter was told it had been resolved). For the next two hours or so, there was a collective effort to reconcile the unexplained deficit in the segregation calculation – a complex calculation requiring expertise to generate and reconcile. This reconciliation effort included assistance from both the investment bank assisting in the sale process and the remaining potential purchaser. (My subsequent understanding is that the regulators were also assisting in this reconciliation earlier in the day.) Unfortunately, as the Committee is aware, the efforts to reconcile the segregation

> calculation were not successful. Around midnight, with time to complete a deal having run out, a conference call with many participants was conducted in which the potential purchaser was formally told that the calculations showed a large under-segregation of customer funds.

Testimony of Henri J. Steenkamp, Chief Financial Officer of MF Global Holdings Ltd., before the United States Senate Committee on Agriculture, Nutrition and Forestry, December 13, 2011.

139. According to the CFTC, on Monday, October 31 at 2:30 AM, it was informed that MF Global had a shortfall in segregated funds of approximately $900 million. Ultimately MF Global's Daily Statements of Segregation Requirement and Funds In Segregation for Customers trading on U.S. Commodities Exchanges for October 26, 27, and 28, 2011 reflected substantial segregation deficiencies. The October 28 report alone shows a deficiency of $891,465,650.

140. On or about October 31st, Interactive Brokers terminated negotiations with MF Global after having learned that MF Global customer funds were missing.

141. According to defendant CME, a CME official, Michael Procajlo, participated in a phone call with senior MFG employees in the early hours of October 31st wherein an employee of MF Global indicated that Defendant Corzine knew about "loans" that had been made from the customer segregated accounts.

142. Further discussion between MF Global and the CFTC yielded the conclusion that there was no alternative to placing MF Global into an insolvency proceeding which, because MF Global Inc. was a BD/FCM, would be a SIPC-initiated bankruptcy proceeding. The CFTC is unable to initiate a bankruptcy proceeding for a registered FCM.

143. At approximately 5:00 a.m. on October 31st, the Board of Directors of MF Global voted to seek bankruptcy protection.

144. Not until 7:30 a.m. on October 31st, did defendant CME, according to the CME, attempt to make transfers of funds back into segregation.

145. Approximately ninety minutes after defendant CME first attempted, according to the CME, to transfer the funds of the Class back into segregation, MF Global filed for Chapter 11 protection in the United States Bankruptcy Court for the Southern District of New York, making it the 8th largest bankruptcy in U.S. history.

146. On October 31st, the United States District Court for the Southern District of New York appointed a trustee (the "Trustee") for the liquidation of affiliate MF Global Inc. ("MF Global"), under the Securities Investor Protection Act of 1970 ("SIPA"). MF Global is currently being wound down and will not be conducting business or undergoing reorganization. The SIPA proceeding of MF Global (the "SIPA Case") is separate and distinct from the Chapter 11 case for MF Global, and different claims and distribution schemes will be established in each case. With respect to its business as an FCM, MF Global is subject to Subchapter IV of Chapter 7 of the Bankruptcy Code which governs the liquidation of a commodity broker. The majority of MF Global customers maintained commodities accounts that are not eligible for SIPA insurance.

147. On November 1, 2011, the NYSE suspended trading in the Company's shares and moved to de-list the Company altogether.

148. One day following its historic bankruptcy filing, an MF Global executive reportedly admitted what many Federal regulators and MF Global customers, including the Class, were just beginning to learn: hundreds of millions of dollars were missing from customer accounts.

149. That same day, November 1, 2011, Craig Donohue, CEO of defendant CME confirmed that MF Global had "violated rules requiring it to keep clients' money in separate accounts" and was "not in compliance" with CME and CFTC requirements.

150. The CME elaborated on November 2, stating that MF Global appeared to transfer client money sometime during the week of October 26 "in a manner that may have been designed to avoid detection."

151. The Trustee, in coordination with the CFTC, SIPC, and the CME, obtained emergency Bankruptcy Court approval for a bulk transfer of approximately 17,000 customers' commodities accounts with open commodities positions, including $1.55 billion in collateral. The CFTC had estimated that, at the close of business on November 1, 2011, MF Global had a shortfall in customer segregated funds of approximately $633 million, or approximately 11.6% of the funds required to be segregated. Section 4d(a)(2) of the CEA required that MF Global segregate all customer property, including cash and securities, apart from its own assets. While MF Global was permitted to commingle customer property in a single account, the CEA prohibited MF Global from using the assets of one customer to margin the positions of another customer to carry its own investment positions.

152. On November 4, 2011, Defendant Corzine resigned as CEO and Chair of MF Global.

153. On November 16, 2011, the CFTC issued a statement that "The last number we have [for the shortfall in MF Global segregated funds] is something on the order of $600 million."

154. On November 21, 2011, MF Global's trustee shocked former MF Global customer account holders when he issued a statement revealing that "even if [The Trustee] recovers everything that is at U.S. depositories, the apparent shortfall in what MF Global management should have segregated at U.S. depositories may be as much as $1.2 billion or more."

155. The Trustee for the liquidation of MF Global has confirmed that there is a "shortfall" in customer segregated funds. As the Trustee continued to investigate the missing customer funds, he further stated that "Ultimate distributions [of customer funds] are, of course dependent upon assets available and there is no assurance of a 100% return." Following over two months of investigation, the funds of the Plaintiffs and the Class have yet to be found. Although the exact amount of such funds is presently unknown, it is believed to be as much as $1.2 billion; the Trustee has acknowledged that "[t]he amount is still not known with certainty, but there is no disagreement that it is significant."

156. According to Bart Chilton, regarding MF Global customer funds, "[t]he money is not where it should be. I think something nefarious has happened, potentially something illegal." Commissioner Chilton has stated that MF Global officials have not been cooperative in efforts to identify the missing funds and that efforts to get information have been "difficult and disappointing."

157. Asked during his congressional testimony whether he authorized the transfer of customer funds from their segregated accounts, Defendant Corzine only stated: "I never intended to break any rules."

D. MF Global's Malfeasance: Illegal Transfers

158. The credit rating downgrades of MF Global "sparked an increase in margin calls" that were "threatening overall liquidity" of the firm according to Defendant Abelow, MF Global's president and chief operating officer, in MF Global's October 31, 2011 bankruptcy filing.

159. The bet on European sovereign debt is not thought to be directly connected to the missing client funds. However, fears about the firm's exposure to Europe caused panic in the market and led to a run on MF Global that regulators suspect and Plaintiffs believe led the firm

to improperly use segregated customer money in its effort to avoid its own failure. Defendant Corzine has admitted that MF Global was leveraged over 30:1; MF Global faced liquidity demands that created stress resulting from its rating downgrades, poor earnings and regulatory demands; and MF Global needed to raise capital as a result of disclosure of the magnitude of its positions in foreign sovereign debt, *i.e.*, the collateral used in the repurchase to maturity transactions.

160. MF Global improperly transferred funds belonging to the proposed class, i.e., MF Global commodity account holders, to unwind large positions in its risky proprietary trading portfolio, using such funds to cover losses when it sold corporate debt and commercial paper holdings.

161. Upon information and belief, MF Global utilized funds from customer accounts as early as October 21, 2011. Such use may be permitted under CFTC regulations only where the firm maintains sufficient collateral in lieu of customer cash. Before October 27th, MF Global had depleted the necessary collateral and began moving money from the commodities side of its business to the securities side, potentially to settle the firm's securities trades, without furnishing sufficient collateral to protect the customer accounts.

162. Almost exactly one year earlier, on October 22, 2010, Defendant O'Brien, representing MF Global, attended the CFTC's Staff Roundtable on the discussion Individual Customer Collateral Protection:

> I think that a number of individuals from this table don't have the benefit of the extensive experience of the FCM structure, and I've heard two hours of dialogue about seg[regated] customer movements between the clearinghouses and the exchanges, and as the conversations continued, it appears that this is extraordinarily myopic view of the current safeguard structure that operates in America and has effectively worked to the best of my knowledge for years. This safeguard structure in this financial framework is not just about customer seg[regated] money moving from FCMs to exchanges, it is based on layers of

> partners and components across banking institutions who are approved to be exchange settlement banks, exchanges approved participating FCMs. FCMs do credit reviews of clients. It's layered.
>
> Everybody has a role, some of the roles cross over. There's segregation rules, there's segregation calculation. There's now capital rules. There's now capital calculations. There's rule of 15(c)(3) about what can be done of the firm while FCMs are holding them. So, as we continue the conversation this afternoon, I want everyone to consider the fact that there's a greater framework at hand here, one that has actually worked extremely well.

Available at http://www.cftc.gov/ucm/groups/public/@swaps/documents/dfsubmission/dfsubmission6_102210-transcrip.pdf (pp. 103:10 - 104:15) (last visited January 10, 2012).

163. If, as Defendant O'Brien argued, the regulatory system designed to protect segregated funds, such as those of the Plaintiffs and the proposed Class, has "effectively worked for years" and has "worked extremely well", the only way in which the segregation system and the cash of Plaintiffs and the proposed Class could have been subverted, compromising as much as $1.2 billion in cash that should have been segregated, is if Defendant O'Brien and the other Defendants deliberately subverted it.

164. According to federal authorities investigating the demise of MF Global, it is believed that MF Global began improperly moving customer money to a middleman, the Depository Trust Clearing Corp. ("DTCC") on October 27th. The transfers, a misuse of client funds, were undertaken by MF Global in its frantic effort to wind down risky trades in order to shore up its own balance sheet and stave off bankruptcy without regard to the safety of the segregated funds and the welfare of its customers.

165. As MF Global transferred funds to the DTCC, regulators raised concerns about the security of customer money after a routine inquiry. In the firm's final week, senior officials at the CFTC reportedly asked MF Global employees to identify the whereabouts of the money. In response, MF Global reportedly provided a document that highlighted specific MF Global units.

One of the units identified by MF Global in response, MF Securities, was not listed on the firm's broader organizational chart.

166. The Firm's broker-dealer unit used to be called MF Securities, and people in the company often referred to it by that name. However, regulators at the CFTC pushed for assurances that the money was safe. MF Global asked for more time, but failed to explain the transfers.

167. Three days later, on October 30th, MF Global alerted federal authorities to the shortfall. The following day, MF Global declared bankruptcy.

168. The majority of the improper transfers of customer monies to MF Global may have been related to a common transaction on Wall Street known as repurchase and reverse repurchase agreements. In these arrangements, MF Global exchanged securities and short-term cash with investors like hedge funds or banks and promised to return the money and securities at a later date.

169. As MF Global started to deteriorate, it attempted to unwind these transactions to reclaim money posted to support the agreements, an amount of capital thought to be in the hundreds of millions of dollars. The transactions largely took place through the DTCC.

170. Trading partners and clearinghouses, dealing with a large amount of transactions and concerned about the welfare of MF Global, did not immediately return the cash to the brokerage firm. Without the capital necessary to unwind the transactions, MF Global improperly utilized customer funds to continue unwinding its portfolio.

171. At the same time, the DTCC ordered MF Global to supply additional cash against its remaining trades, as part of a margin call. Although the amount of money MF Global was

required to post is unknown, it is believed that MF Global's brokerage unit improperly used customer cash to meet those new demands.

172. The Federal Reserve Bank of New York, which did not have direct regulatory oversight over MF Global but which had designated it as a primary dealer in US Government debt, also issued the firm a margin call on October 28, 2011, demanding more money from MF Global to continue trading with it. Though the size of the margin call on MF Global's $950 million position has not been specified, the New York Federal Reserve used the cash to pay off $3 million in trading fees. The remainder of the money has been turned over to the trustee overseeing the liquidation of MF Global's brokerage unit.

E. JP Morgan Transfers

173. Law enforcement authorities have found that MF Global used roughly $200 million of client funds to replenish an overdrawn account at JPMorgan Chase in London on October 28th, the last business day before the firm filed for bankruptcy.

174. Upon information and belief, at the direction of officials at MF Global, on October 28th, Defendant O'Brien caused MF Global to transfer approximately $200 million to JPMorgan. According to media reports, those briefed on the investigation have said that the money transferred by MF Global to JP Morgan belonged to MF Global customers.

175. The testimony of Defendant Corzine to an oversight panel of the House Financial Services Committee, given in the wake of MF Global's collapse, reveals that the systemic failure brought on by his risk-taking led to the illegal transfer of customer funds: "At that time, I was trying to sell billions of dollars of securities to JPMorgan Chase in order to reduce our balance sheet and generate liquidity." Defendant Corzine also testified that "JPMorgan Chase told me that they would not engage in those transactions until overdrafts in London were cleaned up."

176. After the $200 million transfer, JPMorgan, one of MF Global's main banks, questioned Mr. Corzine about the source of the money and inquired whether it had been sourced from MF Global's customers. Defendant Corzine testified that Defendant O'Brien represented that the transfers were appropriate. However, such transfers of customer funds violated not only MF Global's contracts with Plaintiffs and the Class, but violated the law as well.

177. Despite Defendant Corzine's assurances, JP Morgan reiterated its request for assurances that the transfer of funds was appropriate and requested confirmation in writing. MF Global, Defendant Corzine and MF Global's chief legal officer, Laurie Ferber, refused to provide such assurances. Yet JP Morgan has failed to return the funds to the Trustee.

178. At times not yet known, the Defendants as part of the plan and its purpose decided, agreed and caused, in combination and conspiracy with one another, the MF Global Enterprise to take wrongfully from customers' segregated accounts in the U.S. and elsewhere hundreds of millions of dollars or more of cash and other assets and to use those customers' assets as margin, capital, etc., for the asset sale transactions upon which the Defendants had decided and agreed as alleged hereinabove, and in connection therewith caused the Enterprise to transport, transfer and transmit those assets (including cash and T-Bills) across state and national borders in interstate and international transactions.

179. These acts included moving hundreds of millions of dollars or more of cash and other assets out of the segregated-accounts of commodities customers of the MF Global Enterprise's FCM unit into the MF Global Enterprise's "own" accounts in its broker-dealer unit;

180. When causing commodities customers' segregated account assets to be moved from the segregated accounts of the MF Global Enterprise's FCM commodities customers, the Defendants failed to cause the segregated account assets to be replaced with collateral as

required by CFTC regulations, or replaced them with inadequate or worthless and inappropriate collateral in violation of those regulations. This is shown by the fact that as of January 9, 2011, the funds that should have been in the commodities customers' segregated accounts had not been found, despite the preceding months of investigations by the MF Global Inc., SIPA Liquidation Trustee's staff and forensic accountants, the CFTC and its investigators, the SEC and its investigators, the self-regulatory organization CME Group and its auditors, the FBI and others.

181. Additionally, the Defendants caused hundreds of millions of dollars or more of U.S. customers' funds to be transferred around the world to meet various financial obligations of the MF Global Enterprise.

182. The wrongful takings of the Class's money and property were caused to be done by the Defendants in secret and the dates, times and amounts corresponding to them are presently unknown to Plaintiffs but, as the Defendants caused them to be committed, are known or knowable to the Defendants and their representatives.

183. The Defendants caused the MF Global Enterprise to conceal from the customers the taking of assets. The concealment included, among other things, the MF Global Enterprise's continually listing on customer-accessible, password-protected, digital account displays that the Enterprise electronically provided to customers twenty-four hours a day, seven days a week, putatively current and "accurate" customer account information (colloquially, "24/7" and "live"). The Enterprise's digital displays falsely depicted the customers' segregated accounts' assets as being untouched, although they had been looted, as alleged, and hundreds of millions of dollars, of customer funds therein were, and are, "missing."

184. Daily Account Statements sent by e-mail over the Internet and via interstate electronic communications to MF Global commodity clients using interstate wires and the

facilities of interstate commerce, were misstated beginning at least as early as the week of October 24, 2011.

185. The concealment included, among other things, the MF Global Enterprise's filing (a) with its Designated Self-Regulatory Organization, the CME Group, and/or the National Futures Association "Daily Segregation Reports," (b) monthly and material-change "Segregated Investment Detail Reports," and (c) monthly SEC FOCUS and/or CFTC Form 1-FR-FCM reports and the accompanying Statements of Segregation Requirements and Funds in Segregation, that in each instance falsely reported that none of the MF Global Enterprise's FCM customer's segregated accounts had shortfalls when in fact they were deficient in the aggregate by hundreds of millions of dollars, from at least $600 million to $1.2 billion or more.

F. Defendant CME Was Aware of and Failed to Disclose and Prevent the Misuse of Customer Funds by MF Global

186. MF Global Holdings Ltd. used hundreds of millions of dollars of customer funds to "meet liquidity issues" in the days prior to its bankruptcy, according to defendant CME, which had auditing authority over MF Global.

187. During the week of October 24, 2011, MF Global announced losses and suffered credit rating downgrades, which sparked rumors of its efforts to sell its brokerage business. On Thursday, October 27th, two CME auditors made an unannounced appearance at MF Global's Chicago offices to review the daily segregation report for the close of business on October 26th.

188. As of October 27th, CME officers detected "immaterial discrepancies."

189. CME auditors returned to MF Global on Sunday, October 30th because the CME had learned from the CFTC that MF Global's draft segregation report for Friday, October 28th, which had been provided to the CFTC that day, showed a $900 million dollar shortfall in segregation.

190. CME auditors, working with the CFTC, attempted to identify the shortfall. However, no "error" could be found by the CME or the CFTC. Instead, at about 2:00 am on Monday, October 31, MF Global informed the CFTC and CME that customer money had been transferred out of segregation and into firm accounts.

191. According to Defendant CME, which had auditing authority over MF Global, MF Global Holdings Ltd. used approximately $700 million of customer funds to "meet liquidity issues" in the days prior to its October 31, 2011 bankruptcy filing. Documents released by Defendant CME reveal that Defendant Serwinski, chief financial officer for North America at MF Global, and Defendant O'Brien told Mike Procajlo, a CME auditor, at approximately 1:00 a.m. on October 31, 2011, that the MF Global customer funds had been transferred on October 27th and October 28th and possibly October 26th, according to a timeline made public by Defendant CME. Specifically, Defendants Serwinski and O'Brien told Procajlo hours before MF Global filed for bankruptcy that: "About $700 million was moved to the broker-dealer side of the business to meet liquidity issues in a series of transactions on Thursday [October 27, 2011], Friday [October 28, 2011] and possibly Wednesday [October 26, 2011]."

192. MF Global customer funds were also used to make a $175 million loan to MF Global's U.K. subsidiary. Upon information and belief, MF Global intentionally and improperly used such customer funds to cover margin payments on the European government bond trades that led to the firm's demise.

193. A revised MF Global customer segregation report was reportedly sent to defendant CME on October 31 that showed $891.5 million in missing customer money as of October 28th, as defendant CME reported.

194. Although MF Global was taken over by a SIPC Trustee on October 31, before the SIPC Trustee stepped in Monday, the segregation report for Thursday, October 27th, which had reportedly shown not only full segregation compliance but also $200 million in excess segregated funds, was "corrected" by MF Global to show a deficiency of $200 million in segregated funds. Based on MF Global's segregation reports, transfers out of segregation must have occurred on Friday, October 28th, and before.

195. Following MF Holdings' bankruptcy filing and the entry of the MF Global Liquidation Order, at approximately 7:18 p.m. (EST) on October 31, 2011, Defendant Laurie Ferber, General Counsel for MF Global, sent an e-mail to the SEC, the CFTC, and the CME stating:

> This is to inform you that MF Global, Inc. has discovered a significant shortfall in its segregated funds account. The company is continuing to review the circumstances of the shortfall.

196. According to defendant CME:

> At the time it was placed into bankruptcy, MFG should have had about $5.5 billion in customer segregated money, securities and property, but only held $5 billion. Approximately $2.7 billion of the $5 billion had been transferred to clearing houses in the form of collateral necessary to support positions held by MFG customers. Approximately $2.3 billion of the $5 billion in customer segregated funds was subject to MFG's sole control because those funds were not needed to collateralize open positions on any exchange or clearing house. Approximately $2.5 billion was securely-held by CME Clearing. Of that amount, CME Clearing held nearly $1 billion of so-called excess collateral on behalf of MFG customers. The information available suggests that there might be a shortfall in segregated funds, which currently could be between 13% and 19% of segregated funds, if the information proves correct.

197. MF Global's failure marks the first time a futures broker's bankruptcy has led to the loss of customer funds, according to Terrence Duffy, CME Group's executive chairman.

G. Efforts to Recover and Return MF Global Customer Funds

198. Under SIPA section 78fff-1(b), 15 U.S.C., § 78fff-1(b), when, as here, a FCM is liquidated, the SIPA trustee has all of the duties imposed under the commodity broker liquidation provisions of chapter 7 of the Bankruptcy Code. Under section 766(h) of the Bankruptcy Code, 11 U.S.C. § 766(h), a trustee in a commodity broker liquidation is required to distribute customer property held by the debtor ratably to its commodity customers on the basis and to the extent of each customer's net equity in their accounts.

199. Pursuant to CFTC rules, and consistent with SIPA, a trustee liquidating a commodity broker also has a duty to make immediate and best efforts to effect the transfer of open customer positions. 17 C.F.R. § 190.02(e)(l); 17 C.F.R. § 190.6(e) and (f).

200. A substantial majority of MF Global's commodity customers and transactions were cleared through the CME. Almost immediately upon entry of the MF Global Liquidation Order, the SIPA Trustee and the CME began the task of attempting to identify and transfer to other FCMs approximately 14,500 MF Global customer accounts with open commodity positions. At that time there were more than 3 million open positions in these accounts with a notional value of $100 billion.

201. On or after November 7, 2011, the SIPA Trustee, in conjunction with the CME, was able to transfer approximately 14,500 MF Global customer accounts with open positions, plus approximately $1.5 billion in customer funds, to new FCMs.

202. The SIPA Trustee, working in conjunction with the CME, was also able to identify an additional 23,300 customer accounts which, as of October 31, 2011, were holding cash only in their accounts. On or after November 18, 2011, the SIPA Trustee distributed approximately $520 million to the "cash only" account holders.

203. The SIPA Trustee distributed an additional $2.1 billion in customer funds to MF Global's commodity customers. This distribution included a substantial portion of the U.S.-based customer property then under the Trustee's control. With this third distribution, each of MF Global's commodity customers will have received only about two-thirds of the net equity in their MF Global accounts as of October 31, 2011. Therefore, approximately one-third of MF Global customers' cash remains missing as a result of defendants' misappropriation thereof from the segregated accounts of Plaintiffs and the proposed Class.

204. Despite the distributions made and proposed to be made by the SIPA Trustee to date, the Trustee has acknowledged that there will be a shortfall in the funds and other property available for distribution to MF Global's commodity customers. As a result MF Global's customers will not receive 100% of their property. Although the amount of the shortfall has not been determined, the Trustee has stated that it could be as much as $1.2 billion or more.

205. Further, although it has been more than two months since the MF Global Liquidation Order was entered, neither the SIPA Trustee, the CFTC, the SEC, nor the CME has been able to determine definitively what happened to the missing funds.

VII. CLAIMS FOR RELIEF

COUNT I

Violation of 7 U.S.C. § 6b(a)(2)(A), (B) and (C)
(Fraud in Connection with Commodity Futures Contracts)

206. Plaintiffs incorporate and re-allege each of their previous allegations as though fully set forth herein.

207. This claim is asserted against Defendants Corzine, Abelow, Steenkamp, Stockman, O'Brien, Gill, Ferber, Serwinski, Klejna, Simons, and John Does 1-10.

208. 7 U.S.C. § 6b(a)(2) makes it unlawful:

> [F]or any person, in or in connection with any order to make, or the making of, any contract of sale of any commodity for future delivery, or other agreement, contract, or transaction subject to paragraphs (1) and (2) of section 7a (g) of this title, that is made, or to be made, for or on behalf of, or with, any other person, other than on or subject to the rules of a designated contract market -- (A) to cheat or defraud or attempt to cheat or defraud the other person; (B) willfully to make or cause to be made to the other person any false report or statement or willfully to enter or cause to be entered for the other person any false record; (C) willfully to deceive or attempt to deceive the other person by any means whatsoever in regard to any order or contract or the disposition or execution of any order or contract, or in regard to any act of agency performed, with respect to any order or contract for or, in the case of paragraph (2), with the other person....

209. Each of the Defendants, individually and/or in concert, in or in connection with commodity futures contracts made, or to be made, for or on behalf of other persons, cheated or defrauded, or attempted to cheat or defraud, customers and willfully deceived or attempted to deceive customers by, among other things, knowingly making transfers of customer segregated funds in a manner designed to avoid detection, improperly diverting customers' cash and commingling it with MF Global's own funds, willfully making or causing to be made false reports or statements or willfully entering or causing to be entered false records, and converting customers funds for its own use in violation of 7 U.S.C. § 6b(a)(2)(A), (B), and (C).

210. Each of the Individual Defendants was a senior officer and controlling person of MF Global and had direct involvement in its day-to-day operations.

211. As a direct and proximate result of the wrongful conduct of the Defendants named in this Count, Plaintiffs and the other proposed Class members suffered substantial damages.

COUNT II

Violation of 7 U.S.C. § 6d
(Failure to Separately Maintain Customer Accounts)

212. Plaintiffs incorporate and re-allege each of their previous allegations as though fully set forth herein.

213. This claim is asserted against Defendants Corzine, Abelow, Steenkamp, Stockman, O'Brien, Gill, Ferber, Serwinski, Klejna, Simons, and John Does 1-10.

214. Section 6d provides that one customer's funds shall not be used to margin or guarantee the trades or extend the credit of any other customer or person.

215. Each of the Defendants, individually and/or in concert, failed to separately maintain and account for customer funds in violation of section 6d.

216. Each of the Individual Defendants was a top officer and controlling person of MF Global and had direct involvement in its day-to-day operations.

217. Defendants had actual knowledge of the facts alleged herein or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were readily available to them. Defendants' acts were done knowingly or recklessly and for the purpose and effect of concealing MF Global's financial condition from its customers.

218. As a direct and proximate result of the wrongful conduct of the Defendants named in this Count, Plaintiffs and the other proposed Class members suffered substantial damages.

COUNT III

Violation of 18 U.S.C. § 1962(c) (RICO)
(Conducting or Participating in the Affairs of a "Legitimate" RICO Enterprise through a Pattern of Racketeering Activity)

219. Plaintiffs incorporate and re-allege each of their previous allegations as though fully set forth herein.

220. This claim is asserted against Defendants Corzine, Abelow, Steenkamp, Stockman, O'Brien, Gill, Ferber, Serwinski, Klejna, Simons, and John Does 1-10.

221. The "MF Global Enterprise," at all material times, consisted of approximately forty-five corporations, including, at a minimum, MFGI, MF Global Holdings Ltd., and MF Global Holdings USA, Inc., and other entities associated in fact, organized on a global basis to comprise an Enterprise that consisted of one of the world's largest merchants/brokers in markets for commodities and listed derivatives, with access to more than seventy exchanges globally, a broker-dealer in markets for fixed income securities and equities, a broker/dealer/merchant in foreign exchange, and one of twenty primary dealers authorized to trade U.S. government securities with the Federal Reserve Bank of New York. Headquartered in New York, New York, the MF Global Enterprise had global operations, including in the U.S., United Kingdom, Australia, Singapore, India, Canada, Hong Kong, Japan, India, Ireland, Dubai, Switzerland, Hungary and Mauritius. The Enterprise included MF Global Inc., MF Global Holdings Ltd, and MF Global Holdings USA, Inc., MF Global subsidiaries or affiliates which were legally obliged to hold customer funds segregated and free from looting by other MF Global affiliates or subsidiaries; these entities were misused as detailed in this Complaint to loot funds that should have been legally segregated to satisfy margin calls, and calls for collateral. These entities sent daily equity reports to Plaintiffs and members of the proposed Class and made their accounts

available online, misrepresenting the cash balances in the accounts of Plaintiffs and members of the proposed Class for days, weeks or months prior to the MF Global bankruptcy.

222. The Defendants have engaged in a pattern of racketeering activity within the meaning of 18 U.S.C. § 1961(1), including:

a. Acts indictable under 18 U.S.C. § 1341 (mail fraud) including: Devising and/or intending to devise a scheme or artifice to defraud, the object of which included that the MF Global Enterprise would loot customers' accounts of, among other things, cash and financial instruments (including cash and financial instruments belonging to Plaintiffs) and secretly use these assets for the Enterprise's transactions as alleged while concealing their activities from Plaintiffs and the proposed Class members through false account reports and statements. For the purpose of executing such scheme or artifice or attempting so to do, the Defendants placed and/or caused false account statements and information to be placed in one or more post offices or authorized depositories for mail matter to be sent or delivered by the Postal Service, and/or deposited or caused to be deposited same to be sent or delivered by private or commercial interstate carrier, and/or knowingly caused to be delivered by mail or such carrier according to the direction thereon.

b. Acts indictable under 18 U.S.C. § 1343 (wire fraud) including: Devising and/or intending to devise a scheme or artifice to defraud, the object of which included that the MF Global Enterprise would unlawfully take from customers' accounts, among other things, cash and financial instruments belonging to Plaintiffs and the Class and use such assets for the Enterprise's transactions as alleged. For the purpose of executing such scheme or artifice or attempting so to do, the Defendants transmitted or caused to be transmitted by means of wire, radio, or television communication in interstate or foreign commerce, writings, signs, signals,

pictures, and/or sounds for the purpose of executing such scheme or artifice. The aforesaid writings, signs, signals, pictures, and/or sounds included:

i. false digital online account information that was provided to the affected customers (including Plaintiffs) via the Internet, which being live 24/7, transmitted myriad signals likely numbering in the millions;

ii. the MF Global Enterprise transmitted false account information via digital online means via a system known as MF Global Connect which provided Plaintiffs and the Class with online versions of their account statements, based on the end of the previous trading day and reflected all of a respective customer's positions, both in U.S. and foreign markets, using a multi-currency format;

iii. the MF Global Enterprise also transmitted false account information by transmitting (false) daily customer account statements over interstate and foreign wires via e-mail;

iv. the electronic transfers by which the assets of Plaintiffs and the Class were transported, transferred and/or transmitted from the accounts of the affected customers of the MF Global Enterprise to others when and as the Defendants caused them to be so directed (the details of which Defendants kept secret such that they are not presently known to Plaintiffs, but are or should be known to the Defendants);

v. MF Global Enterprise's electronically-filed false Daily Segregation Reports, monthly and material-change "Segregated Investment Detail Reports," and monthly SEC FOCUS and/or CFTC Form 1-FR-FCM reports and the

accompanying Statements of Segregation Requirements and Funds in Segregation for its FCM unit; and

vi. the other online communications described in this complaint.

c. Acts indictable under 18 U.S.C. § 1956 (laundering of monetary instruments) including:

i. conducting and/or attempting to conduct transactions with property involving some form of unlawful activity as alleged, which involved the proceeds of specified unlawful activity, with the intent to promote the carrying on the specified unlawful activity, including acts indictable under 18 U.S.C. § 1961(1) as alleged in subparagraphs a and b.

ii. transporting, transmitting and/or transferring, and/or attempting to transport, transmit, or transfer a monetary instrument or funds from a place in the United States to or through a place outside the United States or to a place in the United States from or through a place outside the United States with the intent to promote the carrying on of specified unlawful activity, including acts indictable under 18 U.S.C. § 1961(1) as alleged in subparagraphs a and b.

d. Acts indictable under 18 U.S.C. § 1957 (engaging in monetary transactions in property derived from specified unlawful activity) including: in the United States knowingly engaging or attempting to engage in a monetary transaction in criminally derived property of a value greater than $10,000 (meaning property constituting, or derived from, proceeds obtained from a criminal offense, including Plaintiffs' funds, as alleged) that is derived from specified unlawful activity, including acts indictable under 18 U.S.C. § 1961(1) as alleged in subparagraphs a, b and c.

e. Acts indictable under 18 U.S.C. § 2314 (interstate transportation of stolen goods, securities, moneys, fraudulent state tax stamps, or articles used in counterfeiting) including transporting, transmitting and/or transferring in interstate or foreign commerce securities and/or money of the value of $5,000 or more knowing the same to have been stolen, converted and/or taken by fraud, including the cash and cash equivalents of Plaintiffs and the Class, as alleged.

f. Acts indictable under 18 U.S.C. § 2315 (sale or receipt of stolen goods, moneys, or fraudulent state tax stamps) including receiving, possessing, concealing, storing, bartering, selling or disposing of goods, wares, or merchandise, securities, or money of the value of $5,000 or more, and/or pledging or accepting as security for a loan goods, wares, or merchandise, or securities, of the value of $500 or more, which have crossed a State or United States boundary after being stolen, unlawfully converted, or taken, knowing the same to have been stolen, unlawfully converted, or taken, including the cash of Plaintiffs and the Class, as alleged.

223. The alleged predicates were a regular way of conducting certain of Defendants' ongoing legitimate business (in that the MF Global Enterprise is not a business that existed for criminal purposes) and were a regular way of conducting or participating in the MF Global Enterprise, which was an ongoing RICO "Enterprise", as alleged. The Enterprise included MF Global Inc., MF Global Holdings Ltd, and MF Global Holdings USA, Inc., MF Global subsidiaries or affiliates which were legally obliged to hold customer funds segregated and free from looting by other MF Global affiliates or subsidiaries; these entities were misused as detailed in this Complaint to loot funds that should have been legally segregated to satisfy margin calls, calls for collateral, and other MF Global creditors. These entities sent daily equity reports to

Plaintiffs and members of the proposed Class and made their accounts available online, misrepresenting the cash balances in the accounts of Plaintiffs and members of the proposed Class for days, weeks or months prior to the MF Global bankruptcy.

224. As alleged, the Defendants had a purpose that would continue from sometime prior to August 2011, through at least about December 2012, and which would be continuing and renewed as long as could be to generate years of significant reportable earnings for the Enterprise and for those associated with the Enterprise, and longevity sufficient to permit these associates to pursue the Enterprise's purpose.

225. Beginning at a time not yet known to Plaintiffs, Defendants devised a scheme and artifice to defraud Plaintiffs and the proposed Class by means of false and fraudulent representations, pretenses and promises, including false promises on their website and elsewhere about maintaining account safety and widespread dissemination of false and fraudulent account statements and online reports intended to conceal Defendants' ongoing unlawful use of customer funds.

226. As alleged, the Defendants, all of whom were employed by and/or associated with the MF Global Enterprise, jointly and severally, conducted or participated, directly or indirectly, in the conduct of the affairs of the MF Global Enterprise, through a pattern of racketeering activity as alleged, indictable under 18 U.S.C. § 1962(c).

227. As alleged, Plaintiffs and members of the proposed Class have been injured in their business or property by reason of a violation of 18 U.S.C. § 1962(c).

228. Plaintiffs and members of the proposed Class are entitled to recover threefold the damages they sustain or have sustained and the costs of the suit, including reasonable attorneys' fees.

COUNT IV

Violation of 18 U.S.C. § 1962(d)
(Civil RICO Conspiracy)

229. Plaintiffs incorporate and re-allege each of their previous allegations as though fully set forth herein.

230. This claim is asserted against Defendants Corzine, Abelow, Steenkamp, Stockman, O'Brien, Gill, Ferber, Serwinski, Klejna, Simons, and John Does 1-10.

231. As alleged, the Defendants conspired to violate 18 U.S.C. § 1962(c), indictable pursuant to 18 U.S.C. § 1962(d).

232. As alleged, Plaintiffs and members of the proposed Class have been injured in their business or property by reason of a violation(s) of 18 U.S.C. § 1962(d).

233. Plaintiffs and members of the proposed Class are entitled to recover threefold the damages they sustain or have sustained and the costs of the suit, including reasonable attorneys' fees.

COUNT V

Breach of Fiduciary Duty

234. Plaintiffs incorporate and re-allege each of their previous allegations as though fully set forth herein.

235. This claim is asserted against Defendants Corzine, Abelow, Steenkamp, Stockman, O'Brien, Gill, Ferber, Serwinski, Klejna, Simons, and John Does 1-10.

236. Each of the Individual Defendants exercised the power to direct the use commodity customers' money, securities, or other property which had been deposited with and entrusted to MF Global to allow such customers to trade commodity futures contracts through MF Global.

237. As senior officer and/or directors of MF Global, each of the Individual Defendants promised the firm's customers that they would preserve the safety and security of the property of Plaintiffs and members of the proposed Class by adopting and adhering to internal safeguard policies designed to ensure the preservation of customer property. As senior officer and/or directors of MF Global, each of the Individual Defendants also promised that, in order to ensure the integrity of its customers' funds, they would follow stringent rules to separate its customers' assets from those used to fulfill MF Global's own obligations and liabilities, and would hold its commodity customers assets in a separate account that would be legally and physically distinct from MF Global's own accounts, and subject to rigorous accounting processes as well as regulatory reporting and auditing.

238. As such, the Individual Defendants and MF Global owed MF Global's commodity customers, including Plaintiffs and the members of the class, a fiduciary duty to preserve and protect their assets, to act solely in their customer's best interests in connection with its custody and control of their assets, and to avoid any self-dealing.

239. The Individual Defendants and MF Global knowingly breached their fiduciary duties to Plaintiffs and the members of the class by, among other things:

a. failing to preserve the safety and security of their assets;

b. failing to adopt and adhere to internal safeguard policies designed to preserve their property;

c. commingling customer assets with those used to fulfill MF Global's own obligations and liabilities;

d. failing to maintain the customer assets in separates account that were legally and physically distinct from MF Global's own accounts;

e. failing to subject its segregated customer funds account to rigorous accounting processes which would insure the integrity of the funds in such account; and

f. allowing Plaintiffs' and class members' money and property to be used for improper and illegal purposes.

240. As the direct and proximate consequence of the conduct of the Individual Defendants and/or that of CME, described above, Plaintiffs and the members of the proposed Class have lost a substantial portion of the money, securities, or other property they deposited with MF Global to trade commodity futures contracts, have been denied the use of their property, and have been substantially damaged as a result.

COUNT VI

Aiding And Abetting Breach Of Fiduciary Duty

241. Plaintiffs incorporate and re-allege each of their previous allegations as though fully set forth herein.

242. This claim is asserted against Defendants Corzine, Abelow, Steenkamp, Stockman, O'Brien, Gill, Ferber, Serwinski, Klejna, Simons, CME Group, and John Does 1-10.

243. Individual Defendants and MF Global exercised complete dominion and control over its commodity customers' money, securities, or other property which had been deposited with and entrusted to MF Global to allow such customers to trade commodity futures contracts through MF Global.

244. MF Global promised its customers that it would preserve the safety and security of their property by adopting internal safeguard policies designed to ensure the preservation of such property. MF Global also promised that, in order to ensure the integrity of its customers' funds, it would follow stringent rules to separate its customers' assets from those used to fulfill

MF Global's own obligations and liabilities, and would hold its commodity customers assets in a separate account that would be legally and physically distinct from MF Global's own accounts, and subject to rigorous accounting processes as well as regulatory reporting and auditing.

245. As such, MF Global owed its commodity customers, including Plaintiffs and the members of the class, a fiduciary duty to preserve and protect their assets, to act solely in their customer's best interests in connection with its custody and control of their assets, and to avoid any self-dealing.

246. MF Global knowingly breached its fiduciary duty to Plaintiffs and the members of the class by, among other things:

a. failing to preserve the safety and security of their assets;

b. failing to adopt and adhere to internal safeguard policies designed to preserve their property;

c. commingling customer assets with those used to fulfill MF Global's own obligations and liabilities;

d. failing to maintain customer assets in a separate account that was legally and physically distinct from MF Global's own accounts;

e. failing to subject its segregated customer funds account to rigorous accounting processes which would insure the integrity of the funds in such account; and

f. allowing Plaintiffs' and Class members' property to be used for improper and illegal purposes.

247. The Individual Defendants, who were responsible for ensuring MF Global's compliance with its own internal policies and procedures and the performance of its fiduciary duties to its customers, aided and abetted MF Global's breach of its fiduciary duties to Plaintiffs

and the members of the class because they substantially assisted and knowingly induced and/or participated in the alleged breaches by, among other things:

a. failing to properly supervise MF Global to ensure that it was preserving the safety and security of its customers' assets;

b. failing to require MF Global to adopt and/or adhere to internal safeguard policies designed to preserve its customers' property;

c. failing to require MF Global to separate its customers' assets from those used to fulfill MFGI's and MF Holdings' obligations and liabilities;

d. failing to require MF Global to maintain its customers assets in separate accounts that were legally and physically distinct from MF Global's own accounts;

e. failing to subject MF Global's segregated customer funds account to rigorous accounting processes which would insure the integrity of the funds in such account; and

f. authorizing and allowing MF Global's customer funds to be used for improper or illegal purposes.

248. Defendant CME was or assumed responsibility for ensuring MF Global Inc.'s compliance with its own internal policies and procedures and the performance of its fiduciary duties to its customers as they related to the segregation and/or lawful use of customer funds, aided and abetted the breach of fiduciary duty by MF Global and/or the Individual Defendants to Plaintiffs and the members of the proposed Class by, among other things:

a. failing ensure that MF Global ensured the safety and security of its customers' assets;

b. failing to require MF Global to adhere to policies, procedures, rules and/or regulations relating to the lawful segregation and/or use, including the preservation, of customer funds;

c. failing to require MF Global to separate its customers' assets from those used to fulfill the obligations and liabilities of MF Global's and MF Holdings;

d. failing to require MF Global to maintain the assets of Plaintiffs and the proposed Class in a separate accounts that were legally and physically distinct from the accounts of MF Global;

e. failing to subject MF Global's segregated customer funds account to rigorous accounting processes which would have insured the integrity of the funds in such accounts; and

f. authorizing and/or allowing the funds that were to have been held in the customer accounts of MF Global's to be used for improper or illegal purposes.

249. As the direct and proximate consequence of the Defendants' conduct described above, Plaintiffs and the members of the proposed Class have lost a substantial portion of the money, securities, or other property they deposited with MF Global to trade commodity futures contracts, have been denied the use of their property, and have been substantially damaged as a result.

COUNT VII

Unjust Enrichment

250. Plaintiffs incorporate and re-allege each of their previous allegations as though fully set forth herein.

251. This claim is asserted against JPMorgan.

252. On or about October 28, 2011, MF Global and/or one or more of the Defendants to this action or other persons whose identities are presently unknown, wrongfully caused approximately $200 million in segregated cash (and/or assets) that lawfully belongs to Plaintiffs and/or members of the proposed Class to be transferred to Defendant JP Morgan (the "October 28, 2011Transfer").

253. There now exists a substantial controversy between JPMorgan on the one hand and Plaintiffs and the proposed Class on the other hand as to the ownership of the $200 million constituting the October 28, 2011 Transfer and/or as to any other cash (and/or assets) in the possession of JPMorgan that lawfully belongs to Plaintiffs and members of the proposed Class, in an amount not yet ascertained and transferred at a time or times not presently known to Plaintiffs.

254. By reason of the October 28, 2011 Transfer and/or the receipt by JPMorgan of other amounts not yet ascertained at some other time relevant to the allegations in this complaint that lawfully belongs to Plaintiffs and/or members of the proposed Class, JPMorgan has received a significant pecuniary benefit at the expense of Plaintiffs and members of the proposed Class.

255. JPMorgan has been unjustly enriched by the receipt of approximately $200 million in cash (and/or assets) and/or other amounts not yet ascertained that lawfully belongs to Plaintiffs and/or members of the proposed Class.

256. MF Global and/or one or more of the Defendants to this action or other persons whose identities are presently unknown, delivered to JPMorgan cash (and/or assets) that lawfully belongs to Plaintiffs and/or members of the proposed Class, and consequently, JPMorgan has a lawful or equitable duty to return such funds.

257. JPMorgan has a lawful and/or equitable duty to return to Plaintiffs and members of the proposed Class the $200 million constituting the October 28, 2011 Transfer and/or any other amounts not yet ascertained that lawfully belongs to Plaintiffs and/or members of the proposed Class.

258. JPMorgan has failed and refused to return to Plaintiffs and members of the proposed Class the cash (and/or assets) that lawfully belongs to them.

259. It is unlawful and against equity and good conscience to permit JPMorgan to retain the $200 million in cash (and/or assets) and/or other amounts not yet ascertained that lawfully belongs to Plaintiffs and/or members of the proposed Class.

260. As a direct and proximate result of the actions of JPMorgan, MF Global and/or one or more of the Defendants to this action or other persons whose identities are presently unknown, Plaintiffs and members of the proposed Class have suffered actual and substantial damages in an amount to be determined at trial.

261. Plaintiffs demand the return of all cash (and/or assets) received by JPMorgan that lawfully belongs to Plaintiffs and members of the proposed Class.

COUNT VIII

Theft, Conversion and Misappropriation

262. Plaintiffs incorporate and re-allege each of their previous allegations as though fully set forth herein.

263. This claim is asserted against Defendants Corzine, Abelow, Steenkamp, Stockman, O'Brien, Gill, Ferber, Serwinski, Klejna, Simons, and John Does 1-10.

264. Plaintiffs had the right to possess their accounts with the MF Global Enterprise and the funds in them.

265. Defendants jointly and severally interfered intentionally with Plaintiffs' possession of their accounts with the MF Global Enterprise and the funds in them.

266. Defendants' interference deprived Plaintiffs of possession and/or use of their accounts with the MF Global Enterprise and the funds in them.

267. Defendants' interference caused substantial damage to Plaintiffs and members of the proposed Class.

268. Defendants, jointly and severally, stole, converted, and/or misappropriated portions of Plaintiffs' accounts (and those of members of the proposed Class), including their cash as alleged.

269. Defendants' tortious misconduct has substantially diminished the marketplace for futures and commodities in the United States and throughout the world. Defendants' misconduct is outrageous, a conscious and deliberate disregard of Plaintiffs' rights, a conscious and deliberate disregard of the rights of customers with cash and/or other items of value on deposit in their accounts and a fraud on the public generally. Punitive damages are required and appropriate to deter such misconduct.

COUNT IX

Interference with Contract Rights

270. Plaintiffs incorporate and re-allege each of their previous allegations as though fully set forth herein.

271. This claim is asserted against Defendants Corzine, Abelow, Steenkamp, Stockman, O'Brien, Gill, Ferber, Serwinski, Klejna, Simons, and John Does 1-10.

272. Plaintiffs and the Class had deposited money in their accounts pursuant to a written agreement to secure, margin and/or guarantee trades and/or contract of Plaintiffs and the Class. Plaintiffs and Class members had contract rights with MFGI stemming from the CEA and

industry regulations that MFGI would treat and deal with Plaintiffs' money in their accounts as belonging to Plaintiffs. Plaintiffs and the Class had contract rights that the money in their accounts would be separately accounted for and not commingled with or be used to margin or guarantee the trades or contracts of, or to secure or extend the credit of, any person other than Plaintiffs and Class Members.

273. Defendants, jointly and severally, intentionally interfered with Plaintiffs' and Class Members' contract rights, directly and proximately causing damage to Plaintiffs and the Class.

274. Defendants' tortious interference with contract rights as aforesaid is outrageous and a conscious and deliberate disregard of the rights of Plaintiffs and the Class. Defendants, jointly and severally, likewise interfered with the contract rights of others who had similar contracts with MF Global, Inc.

275. Defendants' tortious misconduct has substantially diminished the marketplace for futures and commodities in the United States and throughout the world. Defendants' misconduct is outrageous, a conscious and deliberate disregard of Plaintiffs' rights, a conscious and deliberate disregard of the rights of customers with cash and/or other items of value on deposit in their accounts and a fraud on the public generally. Punitive damages are required for such misconduct.

COUNT X

Violation of N.Y.G.B.L. § 349

276. Plaintiffs incorporate and re-allege each of their previous allegations as though fully set forth herein.

277. This claim is asserted against Defendants Corzine, Abelow, Steenkamp, Stockman, O'Brien, Gill, Ferber, Serwinski, Klejna, Simons, and John Does 1-10.

278. As alleged above, Defendants engaged in deceptive acts or practices in the conduct of business, trade and/or commerce and/or in the furnishing of a service the State of New York, willfully and/or knowingly violating Section 349 of the New York General Business Law. Plaintiffs and members of the Class were consumers of services provided by MF Global and the Defendants including, but not limited to, the maintenance of commodities accounts, segregating client funds, and executing futures transactions.

279. Defendants' misconduct has substantially diminished the marketplace for futures and commodities in the United States and throughout the world, constituting a public wrong with broad impact on consumers at large. Defendants' misconduct is outrageous, a conscious and deliberate disregard of Plaintiffs' rights, a conscious and deliberate disregard of the rights of customers with cash and/or other items of value on deposit in their accounts and a fraud on the public generally.

280. Plaintiffs have been injured by reason of the violation of Section 349 and are entitled to recover their actual damages plus reasonable attorneys' fees.

COUNT XI

Aiding and Abetting Tortious Conduct

281. Plaintiffs incorporate and re-allege each of their previous allegations as though fully set forth herein.

282. This claim is asserted against Defendants Corzine, Abelow, Steenkamp, Stockman, O'Brien, Gill, Ferber, Serwinski, Klejna, Simons, CME Group, and John Does 1-10.

283. Additionally, the MF Global Enterprise, and in particular MFGI as FCM, stood in a fiduciary relationship with Plaintiffs. This status imposed on the MF Global Enterprise, and MFGI in particular, an affirmative duty of utmost good faith, and full and fair disclosure of all material facts. MFGI breached this fiduciary duty.

284. If and to the extent that a Defendant did not commit a tort as principal, such Defendant caused harm to Plaintiffs resulting from the tortious conduct of each other, MF Global Holdings, Ltd. and/or MF Global, Inc., as alleged, and each Defendant aided and abetted such tortious conduct and is subject to liability because such Defendant:

a. did a tortious act in concert with other Defendants and/or pursuant to a common design with them;

b. knew and/or recklessly ignored that each other's, MF Global Holdings, Ltd.'s and/or MF Global, Inc.'s conduct constituted a breach of duty and/or gave substantial assistance or encouragement to the other so to conduct himself; and/or

c. gave substantial assistance to each other, MF Global Holdings, Ltd. and/or MF Global, Inc. in accomplishing a tortious result and such defendant's own conduct, separately considered, constituted a breach of duty to Plaintiffs; among other things, each Defendant approved and facilitated the aforesaid unlawful conduct and had he or she properly performed his or her legal responsibilities he, she or it could and would have prevented the unlawful conduct alleged and each of them owed a fiduciary duty to Plaintiffs which he, she or it breached as alleged.

VIII. PRAYER FOR RELIEF

WHEREFORE, Plaintiffs demand judgment:

(a) ordering that this action proceed as a class action as to all claims previously alleged;

(b) awarding money damages, including prejudgment interest, on each claim in an amount to be established at trial;

(c) for threefold damages;

(d) for punitive damages nine-fold the compensatory damages or in such other amount as shall be just and proper;

(e) awarding statutory attorneys' fees and costs, and other relief;

(f) impressing a constructive trust on the ill-gotten gains of MF Global and/or the Defendants in the ultimate res of which each Class member shall have an undivided interest;

(g) directing further proceedings to determine the distribution of the trust among Class members, inter se, and award attorneys' fees and expenses to Plaintiffs' counsel; and

(h) granting such other relief as to this Court may seem just and proper.

DEMAND FOR JURY TRIAL

Plaintiffs hereby demand a trial by jury, pursuant to Rule 38(b) of the Federal Rules of Civil Procedure, of all issues so triable.

Dated: January 10, 2012

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