

Joint Audit Committee

REGULATORY UPDATE

TO: Chief Financial Officers
Chief Compliance Officers

#11-02

DATE: November 4, 2011

SUBJECT: Balances Held with MF Global Inc. and Affiliated Entities

MF Global Holdings Ltd., the holding company for MF Global, Inc. and other affiliated entities (collectively, "MF Entities"), filed for bankruptcy protection on Monday, October 31, 2011. As a result, effective Friday, November 4, 2011, FCMs will be required to reflect trading balances held with MF Entities at 60% of account balances (net liquidating value plus securities on deposit) for customer segregation and secured 30.7 reporting purposes. In addition, FCM only firms will be required to reflect customer segregated, secured 30.7 and house trading balances at 60% of account balances (net liquidating value plus securities on deposit) for regulatory capital reporting purposes. For dually registered FCM-Broker/Dealers, please contact your DEA or the SEC for regulatory capital reporting requirements. These reporting requirements will be effective for segregation, secured 30.7 and net capital computations prepared for close of business Friday, November 4, 2011.

All other receivable balances with MF Entities, including commission and security deposit receivables, must be reflected as a non-current / non-allowable asset for regulatory capital reporting purposes. The JAC has confirmed this treatment with CFTC staff. This financial treatment is subject to change.

If you have any questions, please contact your DSRO.