

Joint Audit Committee

REGULATORY UPDATE

TO: Chief Financial Officers
Chief Compliance Officers

#11-05

DATE: December 27, 2011

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

The Joint Audit Committee issued JAC Update #11-02 on November 4, 2011 and JAC Update #11-04 on November 29, 2011 regarding balances held with MF Global Inc. and affiliated entities ("MF Entities"). This JAC Update is intended to further update requirements for regulatory treatment of balances held with MF Entities.

Effective December 31, 2011, account balances (net liquidating value plus securities on deposit) held with MF Entities should have no value for customer segregation and secured 30.7 reporting purposes. In addition, customer segregated, secured 30.7 and house account balances along with other receivable balances, including commission and security deposit receivables, held with MF Entities must be reflected as a non-current or non-allowable asset for regulatory capital reporting purposes.

The JAC has confirmed this treatment with CFTC staff.

If you have any questions, please contact your DSRO.