

**Statement of Henri J. Steenkamp**  
**Chief Financial Officer of MF Global Holdings Limited**  
**Before the United States Senate Committee on Agriculture, Nutrition and Forestry**  
**December 13, 2011**

Chairwoman Stabenow, Senator Roberts and Distinguished Members of the Committee:

Thank you for the opportunity to make this brief statement. My name is Henri Steenkamp and I am the Chief Financial Officer of MF Global Holdings Limited, a position I have held since April of this year. Let me say at the outset that I am deeply saddened, upset and frustrated that money belonging to MF Global Inc.'s customers has been frozen or is missing. I know, however, that my reactions cannot be compared to those of the people who are suffering with this issue. Along with certain other senior executives of MF Global Holdings Limited, I have remained at my post following the bankruptcy filing and I am working diligently to do what I can to maximize the value of the firm for all interested parties. That said, because of the SIPC trustee's rules and policies, I have unfortunately not been able to participate in the current efforts to find the missing funds.

**My Background**

I was born and raised in Johannesburg, South Africa. I hold a bachelor's degree in accounting and a post-graduate honors degree in finance, both from the University of Johannesburg. I am also a chartered accountant. I started my career in the audit practice of the Johannesburg office of PricewaterhouseCoopers in 1999 before moving to the New York City office in 2003. Throughout my tenure at PricewaterhouseCoopers, I focused on, among other

things, assisting clients with the SEC registration process and listing on exchanges in the United States.

In late 2006, I joined MF Global's predecessor, Man Financial, the brokerage division of Man Group plc, as a Vice President of External Reporting and Accounting Policy and I have been at the company ever since. In July 2007, Man Financial was renamed MF Global. I was promoted, in August 2008, to Senior Vice President, Chief Accounting Officer and Global Controller. My main function in this position was to ensure that the financial accounts of our subsidiaries – which are prepared in accordance with the legal and accounting requirements of their home jurisdictions – were properly consolidated and reported under U.S. generally accepted accounting principles. In April of this year, I was appointed to the position of CFO of MF Global Holdings Limited. My predecessor remained at the company and transitioned to a new senior role as the global head of the retail business.

### **Description of My Role as CFO**

Let me begin by saying again that like everyone involved in the issues surrounding MF Global, I am deeply distressed by the fact that customer monies have not yet been fully accounted for. I unfortunately have limited knowledge of the specific movement of funds at the U.S. broker-dealer subsidiary, MF Global Inc., during the last two or three hectic business days prior to the bankruptcy filing. This is in part because of my global role and in part because, during those days, I was taken up with other very serious matters. Nevertheless, I have done my best to help the trustees at MF Global, and I will endeavor to help this Committee in any way I can.

As the global CFO, I had many different functions, but principal among them was the effort to (1) ensure that the holding company's consolidated financial accounts complied with all U.S. accounting and reporting requirements, and (2) work closely with our investors and the rating agencies. Given MF Global's corporate structure and my role within it, my main objective with respect to MF Global subsidiaries was to build robust and independent financial management teams at our regulated subsidiaries and to assist in the resolution of issues that were brought to my attention through an exception and escalation reporting process.

As its name suggests, MF Global Holdings Limited – my employer – is a global holding company with approximately 50 domestic and foreign subsidiaries. It is based in New York City. Its principal subsidiaries are registered futures commission merchants and broker-dealers (or the foreign equivalents) in the United States and certain foreign jurisdictions including the United Kingdom, Australia, Singapore, India, Hong Kong and Canada. These subsidiaries are members of various commodities, futures, and securities exchanges, and are subject to local regulatory, compliance and accounting requirements in their home jurisdictions. In the United States, the futures commission merchant and broker-dealer was MF Global Inc., an entity headquartered in Chicago. (To avoid confusion, where it is necessary to specifically refer to MF Global Inc., I will call it "MFGI" in my statement.)

Each of the regulated subsidiaries generally had its own or a regional chief executive officer, chief operating officer, chief financial officer, chief risk officer, chief compliance officer, controller, treasurer and other senior officers obligated to independently discharge the customary duties of those offices according to their home jurisdiction's regulatory requirements. Senior

officers of each subsidiary generally reported directly or indirectly to their respective chief executive officers (with the exception of the United States, as the global CEO was in the United States), and with a dual reporting line to their global or regional function heads. For example, a CFO of a subsidiary typically reported to that subsidiary's CEO and to a regional CFO who, in turn, reported to the Head of Legal Entity Reporting – a new position I established upon becoming CFO. Similarly, the treasurer of a subsidiary generally reported to that subsidiary's CEO or CFO, as well as to the Global Treasurer. All of these positions were filled by highly experienced professionals. Both the Global Treasurer and the Head of Legal Entity Reporting ultimately reported to me.

In light of the matters of interest to the Committee, it is important to note that I gained responsibility for the firm's treasury functions for the first time when I became the global CFO in April of this year. The handling of customer funds is both a treasury and treasury operations function. In my previous positions at the firm, neither treasury nor treasury operations reported to me. Upon my becoming CFO, treasury operations continued to report to the head of global operations. Direct involvement with operational matters such as bank accounts or fund transfers has never been part of my duties. Where certain functions are part of treasury rather than treasury operations, these functions were handled by local treasurers who reported to me indirectly.

At all times during the events in question, I believed that the finance functions of the firm's subsidiaries were being carried out by highly competent and experienced managers. When I became global CFO, I sought to streamline the organizational structure and bring in

additional talent. For example, when taking on the responsibility for treasury in April of this year, I recruited a new Global Treasurer to strengthen the firm's treasury functions. I also created the Head of Legal Entity Reporting position, which reported to me, as part of a strategy to fortify the firm's financial reporting processes.

As you are aware, MFGI is currently under the jurisdiction of a SIPC trustee, whereas the holding company has a separate trustee who was recently appointed in the Chapter 11 bankruptcy proceedings. Since the bankruptcy filing, my role has changed substantially and I have had virtually no access to books, records or documents in MFGI's possession, and only extremely limited access to MFGI personnel.

### **Segregated Customer Funds**

It is, of course, important to understand the way in which segregation issues were handled at MF Global in the ordinary course of business. Allow me to address that question and then provide the Committee with a brief chronology of the events leading up to my learning of a problem with the segregation calculations on the evening of Sunday, October 30, 2011.

As I explained earlier in this statement, MFGI is the subsidiary that acts as a futures commission merchant, or "FCM." MFGI held all U.S. FCM customer funds required by law to be segregated, and all segregation calculations were performed by experienced MFGI personnel in Chicago overseen by MFGI finance professionals. To my understanding, MFGI's segregation of client funds had been reviewed repeatedly by the firm's outside auditors and regulators over a long period of time. As a general matter, I was not involved with the details of segregated funds in the course of my duties as global CFO, nor with the complex segregation calculations

performed by MFGI in Chicago and reported to regulators on a daily basis. I was not aware of any problems concerning segregated funds or the applicable calculations until Sunday, October 30<sup>th</sup>, when the issue being investigated by this Committee was brought to my attention. For that reason, I do not know why these funds cannot be accounted for, but based on the fact that no shortfalls had been reported to me previously, it appears that any irregularities were likely caused by events that occurred shortly before the bankruptcy filing.

The week prior to the bankruptcy filing saw, among other things, multiple ratings agency downgrades in quick succession, extraordinary liquidity stresses and efforts to sell all or part of the firm. It was a time of constant pressure and little or no sleep, with a significant number of critical issues to resolve. It was natural for me in my role to take on certain primary responsibilities in the week or so leading up to the bankruptcy such as addressing the credit rating downgrades and coordinating due diligence by potential acquirers. As the CFO of the holding company, my attention was appropriately focused on crisis management and strategic issues relating to the sale of the company.

On Monday, October 24<sup>th</sup>, Moodys announced that it was downgrading MF Global's credit rating by one notch, leaving the firm with the lowest possible investment grade rating. From that point onwards, I was engaged continuously with all three rating agencies – Standard and Poor's, Moodys, and Fitch – in an effort to make sure the firm's credit rating was appropriate. The downgrades continued. MF Global announced disappointing quarterly results on October 25<sup>th</sup>, on October 26<sup>th</sup>, Standard and Poor's announced that it was considering cutting our credit rating to "junk" status, and on October 27<sup>th</sup>, Fitch and Moodys downgraded us by

multiple notches to below investment grade. The speed and severity of these downgrades were unprecedented in my experience and placed extraordinary pressure on the firm's liquidity.

In response to the ratings downgrades, the disappointing earnings announcement, and growing strains on liquidity, the firm retained an investment bank to explore a possible sale of the futures commission merchant business. As the situation deteriorated, the sale of the entire firm was ultimately also pursued. In between my dialogue with the rating agencies, I dedicated my time to the daunting task of facilitating the due diligence necessary for an acquisition in an extremely compressed time-frame. I worked on the due diligence and asset sale process almost exclusively in the period commencing on the evening of October 27<sup>th</sup> and ending with the decision to file for bankruptcy on the morning of October 31<sup>st</sup>.

On Sunday night (October 30<sup>th</sup>), 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. As might be expected, given the nature of the news and the limited time to finalize the acquisition, the deal to sell the company fell through and the holding company filed for bankruptcy the next day. I, along with others from MF Global, promptly notified our regulators about the segregation issues.

I understand that the Committee, MFGI's customers and the public have many unanswered questions about customer funds. I share many of these questions and I am personally extremely frustrated and distressed that they remain outstanding and that client funds are missing.

I would be pleased to answer the Committee's questions. Thank you.