

**R.J. O'Brien CEO Corcoran Testifies on Behalf of RJO and Commodity Markets Council at House Agriculture Committee Hearing on MF Global Bankruptcy
Offers Ideas for Consideration on Strengthening Financial Safeguards**

R.J. O'Brien
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WASHINGTON, DC, December 8, 2011 – The U.S. House Committee on Agriculture is convening a hearing this morning at 9:30 a.m. ET on the Examination of the MF Global Bankruptcy. Gerald F. Corcoran, Chairman and Chief Executive Officer of R.J. O'Brien & Associates (RJO), offered testimony today on behalf of the Commodity Markets Council (CMC) and RJO. He put forth ideas for consideration and discussion on possible improvements to the futures industry's financial safeguard system.

Headquartered in Chicago, RJO is the nation's oldest and largest independent futures brokerage and clearing firm. RJO is a member of Washington-based CMC, a trade association which brings together commodity exchanges with their industry counterparts. For the full text of Corcoran's oral testimony, please visit http://www.rjobrien.com/docs/oral_testimony.pdf. For the text of Corcoran's written testimony, please visit http://www.rjobrien.com/docs/written_testimony.pdf. Live audio of the proceedings is available at <http://agriculture.house.gov/hearings/>.

Corcoran emphasized in his testimony that trust in the system has been "severely impaired" and that it is in the best interest of the industry and its customers for quick, but thoughtful action to restore that confidence. He said: "...while the investigation continues into the causes of the MF Global bankruptcy and the whereabouts of segregated assets, I am certain, very certain of this: we CANNOT let this event destroy the long-term trust and confidence upon which market participants rely. This is an industry that is vitally important not only to the interests of the agricultural community, but to the world."

Speaking on behalf of RJO and CMC, Corcoran offered ideas on improving the industry's customer collateral management process by ensuring the adequate maintenance of customer collateral levels. He said: "While this point does not directly relate to the MF Global situation, it is worth considering in the context of the financial stability of FCMs. Significant losses by a customer of an FCM can also result in catastrophic losses to the FCM itself....An idea we offer for deliberation is to require accounts which exceed certain margin thresholds on an intra-day basis to fund their account through direct wire transfer, thereby ensuring intra-day margin calls are met."

He also suggested ways to improve the FCM's net capital treatment, including evaluating the "double counting" of funds to satisfy capital requirements by entities dually registered as FCMs and broker-dealers.

In addition, RJO and CMC suggested a possible modification that would place a portion of an FCM's funds in a customer-segregated funds account designated for capital protection. Said Corcoran: "By requiring an FCM to place its capital in a customer-segregated funds account, funds will then also be afforded the protections that Commodity Futures Trading Commission (CFTC) Rule 1.25, as amended, would provide."

Corcoran also urged regulators to look at enhancing monitoring and reporting requirements with respect to FCM customer segregation practices. FCMs are already required to prepare customer segregation reports on a daily basis but do not share them with regulators that often. He suggested that regulatory agencies can require the submission of these daily reports to the CFTC, National Futures Association or other Designated Self-Regulatory Organization (DSRO).

Corcoran put forth a proposal, speaking solely on behalf of RJO, in which all futures commission merchants (FCMs) would adopt the same "agency" only model as RJO, which does not engage in proprietary trading. Corcoran said: "Although proprietary trading by FCMs may contribute to the liquidity of the futures markets, it should not be at the expense of customer protection. Therefore, we at RJO

suggest that those FCMs who want to conduct proprietary trading utilize other FCMs or create a separately capitalized special purpose FCM for this activity. Doing so will require the same oversight afforded to customer accounts, including proper margining at all times. Simply put, an FCM that is restricted from trading for its own account would not place its customers at risk due to losses from proprietary trading.”

Describing the impact of MF Global's bankruptcy filing and default on RJO, Corcoran said that the firm worked closely with CME Group and other domestic exchanges to provide a home for a substantial number of MF Global accounts and brokers: “In a matter of a few days, we assumed a bulk transfer of 20,000 accounts without incident, and our shareholders provided an infusion of approximately \$50 million of capital to ensure that we would be sufficiently capitalized for this unexpected event. At the same time, we worked very hard to ensure that our long-standing clients continued to receive the outstanding service to which they are accustomed. Our management and staff worked literally around the clock for 25 days straight in a massive effort that involved coordination of systems, processes and people, and sometimes working with incomplete data and rapidly changing circumstances. We fully recognized that the clients of MF Global had just experienced a traumatic event, and we did everything we could to provide vehicles for addressing their questions and providing reassurances as soon as we had answers.”

About R.J. O'Brien

Founded in 1914, RJO is the largest independent futures brokerage firm in the United States. The firm offers state-of-the-art electronic trading technology and 24-hour trade execution on every futures exchange worldwide. Clearing more than 100,000 client accounts, RJO services a global network of more than 400 introducing brokers and many of the world's largest financial, industrial and agricultural institutions. For more information, please visit www.rjobrien.com.

About the Commodity Markets Council

The Commodity Markets Council is a trade association bringing together commodity exchanges with their industry counterparts. The activities of its members represent the complete spectrum of commercial users of all futures markets including agriculture. Specifically, their industry member firms are regular users of CME Group markets, including the Chicago Board of Trade, Chicago Mercantile Exchange and New York Mercantile Exchange, ICE Futures U.S., the Kansas City Board of Trade and the Minneapolis Grain Exchange.

CONTACT:

For RJO:
Ellen G. Resnick
Crystal Clear Communications
773/929-9292; 312/399-9295 (cell)
eresnick@crystalclearPR.com

For CMC:
Erin Kelly Ball, or
Sanjeev Joshipura
202/842-0400
erin.kellyball@commoditymks.org
sanjeev.joshipura@commoditymks.org