



ACH Notice

Date: 15 May, 2008

Key topics

1. MF Global Australia Limited.

Reading List

Client Advisers
Compliance Managers
ASTC Participants
Operations Managers (back office)
Share Registries
ACH Participants

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ACH PARTICIPANT NOTICE

DISCIPLINARY MATTERS

The ACH Disciplinary Tribunal ("the Tribunal") has determined the following:

MF Global Australia Limited ("MF Global") has been censured for contravening ACH Clearing Rule 5.1.1 by failing to comply with the Risk Based Capital Requirements contained in S1.2.4(6) of Schedule 1 to the ACH Clearing Rules, in that, on 28 February 2007 MF Global repaid an Approved Subordinated Debt without prior approval from the Australian Clearing house Pty Ltd ("ACH").

MF Global did not contest the contravention before the Tribunal.

The Circumstances of the matter are as follows:

At any time prior to Bankruptcy, a Participant is required to obtain prior approval from the ACH before repaying an amount owed under an approved subordination agreement.

MF Global had an Approved Subordinate Debt ("ASD") registered with the ACH for \$16,000,000.00 with Man Financial Services. The deed relating to this debt was entered into on 15 October 2007. This debt was recorded in the Capital Liquidity Return ("CLR") lodged by MF Global in January 2007.

On 22 March 2007, ASX Prudential Risk Management ("PRM") completed a review of the CLR lodged by MF Global for February 2007. The CLR for February 2007 reported a Nil balance for the ASD.

On 22 March 2007, PRM made enquiries with MF Global about the ASD balance. On 22 March 2007 MF Global confirmed that due to an oversight on 28 February 2007 the \$16,000,000.00 ASD balance had been repaid without ACH's approval.

The subordinated debt repayment was made following the restructuring of MF Global's clearing obligations. MF Global had transferred all of its clearing business into a related entity's name and the ASD was repaid in the transition period.

In determining an appropriate sanction the Tribunal took into consideration:

1. The circumstances of the matter;
2. At no time did MF Global breach its liquidity requirements;
3. The contravention relates to a one-off occurrence which was caused by an oversight;
4. No other Market Participant was at risk due to the contravention; and
5. MF Global has since implemented control measures to prevent re-occurrence whereby any proposed subordinated repayments are first submitted to the Exchange for approval prior to any repayment being made.