



Written by [Bob Adelman](#) on July 5, 2013

Former MF Global Head Jon Corzine Sued for Theft of Customer Funds

The sanctions sought against Jon Corzine (shown), the former head of MF Global, by the U.S. Commodity Futures Trading Commission (CFTC) in a [lawsuit](#) filed in U.S. Southern District Court in New York on June 27 should end Corzine's career as a Wall Street manipulator and send him into ignominious oblivion.



In the 47-page filing by Steven Ringer, a CFTC attorney, the charges against Corzine (and his co-conspirator, Edith O'Brien, who, as assistant treasurer of his firm, aided and abetted the theft) include violating the sacrosanct rule against using customers' funds for the firm's own purposes. In this case, wrote Ringer:

MF Global ... on the brink of failure and in desperate need of cash to survive, invaded its customer funds and violated these fundamental customer protections on a scale never previously seen in the U.S. futures markets, harming thousands of people....

Jon Corzine, the Chief Executive Officer ... is legally responsible for MF Global's misuse of customer money. Edith O'Brien, MF Global's Assistant Treasurer, is also liable.

After reviewing the timeline of Corzine's attempts to turn a small futures trading company into a rival of his old firm, Goldman Sachs, the filing said:

Corzine bears responsibility for MF Global's unlawful acts. He held and exercised direct or indirect control of MF Global and [its parent company MF Global Holdings] and either did not act in good faith or knowingly induced these violations.

The *Fiscal Times* gave a [brief overview](#) as to what is happening with the MF Global case:

In an agreement with the CFTC that's still subject to court approval, MF Global has agreed to make sure its commodity customers get back the amounts owed to them as of October 31, 2011, when it declared bankruptcy. It has also agreed to pay a \$100 million penalty. The CFTC doesn't have the authority to bring criminal charges against Corzine, but it is looking to ban him from the futures and options industry, a ruling that would be tantamount to ending his Wall Street career.

Of course, the path leading Corzine to charges by the CFTC began long before Corzine became CEO of MF Global in March 2010. In fact, it really began, [according to Suzanne McGee](#), a financial writer and investigator for the *Wall Street Journal*, when he was ousted as CEO at Goldman Sachs (GS) in 1999. Although he was made very rich when GS went public, earning him more than \$400 million in the process, he hungered for more. In 2000, he ran for senator from New Jersey in what was then the costliest campaign in history and served until 2005 when he decided to run for governor. He won that



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election and served until 2010 when he was replaced by Chris Christie.

In March of that year, he was named chairman and CEO of MF Global, a company which, according to McGee, he hoped to turn into a rival of his old firm, Goldman Sachs. He began aggressively soliciting new investors while at the same time making highly leveraged bets, sometimes 30:1 and more, on major anticipated moves in the financial markets. His primary bet at the time was that [he could profit](#) from gains in foreign sovereign debt securities issued by some of Europe's most indebted nations, including Spain, Italy, Portugal, Belgium, and Ireland. Despite protestations from his board of directors, he continued to add to his bets which, at the time of MF Global's filing for bankruptcy in November 2011, exceeded \$6 billion.

In August of that year, the firm began having cash flow problems, stemming from losses on those bets, and began using customer funds to cover them. Things came to a head, however, within days of Moody's downgrade of MF Global on October 24. JP Morgan demanded repayment on some of its inter-day loans to the firm at the same time that the Securities and Exchange Commission (SEC) demanded that Corzine increase his firm's capital base by \$200 million. He ran out of both time and money over the weekend of October 29 and 30 when a suitor, Interactive Brokers, terminated discussions to buy the faltering firm.

By the time the dust had settled, customer accounts were short \$1.6 billion, and Corzine resigned. And for a while it appeared that he would [escape unscathed](#) from the eighth largest bankruptcy filing in the history of the United States, except for some bad publicity.

The CFTC filing last week, however, put an end to any such fantasizing Corzine might have had:

Plaintiff [CFTC] respectfully requests that this Court ... find MF Global ... [and] MF Global Holdings liable ... for [various listed] violations [and] Corzine liable as a controlling person for MF Global's violations [and] enter an order of permanent injunction enjoining Corzine and O'Brien ... from directly or indirectly ... entering into any transactions involving commodity futures, options on commodity futures, commodity options, security futures options, swaps ... and/or foreign currency ... for their own accounts or for any account in which they have a direct or indirect interest.

In addition, the court was petitioned to make Corzine's customers whole and return any and all earnings, salary, commission, payments, or other benefits received from participating in the fraud. It gets worse:

[The court is requested to] enter an order directing [Corzine and O'Brien] to pay a civil monetary penalty in the amount of the higher of (1) triple the monetary gain [earned by Corzine and O'Brien] or (2) \$140,000 for each violation [of CFTC rules].

Assuming the court goes along with these requests (which it should, given the "smoking gun" recordings of telephone conversations and e-mails Ringer and the CFTC possess between Corzine and O'Brien), this will be the last hurrah for the man who would rival his former employer, and built on other people's money without their permission. Corzine will disappear into history and oblivion as the thief who was finally caught and brought to justice for abusing the confidence of his customers for his own benefit.

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