

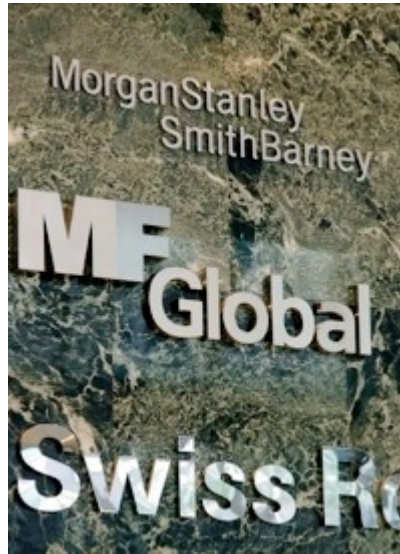


Written by [Bob Adelman](#) on November 22, 2011

Is Collapse of MF Global the Start of the Run on America?

One, a commodity trading advisor who wishes to remain anonymous, [described her experience](#) when she first learned that MF Global was in trouble:

At first, as I heard, I was quite relaxed because I thought we've been through this a number of times in the industry. Usually the client has the opportunity to move [her] accounts — it just gets moved. [But] I knew on Monday something was fishy when they turned off my terminal.... Later in the day when [my] funds were frozen — that had never happened before. And then I knew that we were in trouble, because things were not happening in the way they were supposed to happen.... This was unprecedented.



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Not only did she lose \$100,000 of her own money, she lost her business as well, with three of her major European clients telling her that they never want to do business in the United States again because of MF Global.

Cathy Cuthbert was a homeschooling mom until her kids grew up and then she started trading her own commodity futures account through MF Global. She [wrote](#):

I had a modest account that was supplying me with a modest livelihood, when suddenly one Monday afternoon [October 31] my account was frozen, my livelihood was essentially gone and four years' worth of trading profits vanished into cyber space.

In a letter to the MF Global bankruptcy trustee Cuthbert vented her frustration, and pin-pointed the impact the bankruptcy is having in confidence in the financial markets:

The key factor in any financial market is the belief of all the participants that the market is mostly fair ... what everybody needs to know is that nobody is going to clean out our accounts. We need to be assured that flagrant grand theft is simply out of the question.

If the idea were to become credible that anyone's account — or, as in this case, everyone's account — can be stolen with impunity and with no recourse for the aggrieved, nobody in his right mind would be in the futures market.

Gerald Celente, founder of Trends Research, [had his cash account frozen](#) and when he got a margin call for his gold futures account, he couldn't meet it. Lawrence Leopard, [writing in ZeroHedge](#), said,

Personally, I have \$90,000 at MF Global and I would like to have my honestly earned money returned. Unfortunately, the odds of that happening any time soon seem slim. In part because



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when MF Global entered bankruptcy the judge appointed a Trustee whose law firm has done substantial work for JP Morgan, a deeply interested party....

This whole mess stinks to high heaven.... If the largest commodity broker in America can go bankrupt and nothing is done, then where can you put your money and expect it to be safe?

Ann Barnhardt announced the closing of her commodity brokerage business, Barnhardt Capital Management, in an open letter to her clients [on her website](#), giving her reasons:

I could no longer tell my clients that their monies and positions were safe in the futures and options markets — because they are not.... The entire system has been utterly destroyed by the MF Global collapse.

The futures markets are very highly-leveraged and thus require an exceptionally firm base upon which to function. That base was the sacrosanct segregation of customer funds from clearing firm capital, with additional emergency financial backing provided by the exchanges themselves. Up until a few weeks ago, that base existed, and had worked flawlessly....

Everything changed just a few short weeks ago. A firm, led by a crony of the Obama regime, stole all of the non-margined cash held by customers of his firm. Let's not sugar-coat this or make this crime seem "complex" and "abstract" by drowning ourselves in six-dollar words and uber-technical jargon. Jon Corzine STOLE the customer cash at MF Global. Knowing Jon Corzine, and knowing the abject lawlessness and contempt for humanity of the Marxist Obama regime and its cronies, this is not really a surprise. What was a surprise was the reaction of the exchanges and regulators. Their reaction has been to take a bad situation and make it orders of magnitude worse. Specifically, they froze customers out of their accounts WHILE THE MARKETS CONTINUED TO TRADE, refusing to even allow them to liquidate. This is unfathomable. The risk exposure precedent that has been set is completely intolerable and has destroyed the entire industry paradigm. No informed person can continue to engage these markets, and no moral person can continue to broker or facilitate customer engagement in what is now a massive game of Russian Roulette....

I now suspect that the reason the Chicago Mercantile Exchange did not immediately step in to backstop the MFG implosion was because they knew and know that if they backstopped MFG, they would then be expected to backstop all of the other firms in the system when the failures began to cascade — and there simply isn't that much money in the entire system. In short, the problem is a SYSTEMIC problem, not merely isolated to one firm...

I will not, under any circumstance, consider reforming and re-opening Barnhardt Capital Management, or any other iteration of a brokerage business, until Barack Obama has been removed from office AND the government of the United States has been sufficiently reformed and repopulated so as to engender my total and complete confidence in the government, its adherence to and enforcement of the rule of law, and in its competent and just regulatory oversight of any commodities markets that may reform. So long as the government remains criminal, it would serve no purpose whatsoever to attempt to rebuild the futures industry or my firm, because in a lawless environment, the same thievery and fraud would simply happen again, and the criminals would go unpunished, sheltered by the criminal oligarchy.

The rotting away of the moral basis of capitalism is now visible to those with eyes to see. The transference of wealth from those who earned it to those who didn't, whether through taxation,



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inflation, or outright taking as with MF Global, is properly called "[grand theft](#)."

In the case of MF Global, the grand theft was aided and abetted by agencies entrusted to enforce the law. The duplicity makes the theft more villainous. It also heightens the risk to the continuing proper and efficient functioning of the country's financial markets.



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