

MF Global Ltd.  
Form F-1/A  
July 18, 2007  
Table of Contents

As filed with the Securities and Exchange Commission on July 17, 2007

Registration No. 333-144079-01

---

**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

---

**AMENDMENT NO. 1**

**TO**

**FORM F-1**

---

**REGISTRATION STATEMENT**

**UNDER**

**THE SECURITIES ACT OF 1933**

---

**MF GLOBAL FINANCE NORTH  
AMERICA INC.**

(Exact Name of Registrant as Specified in Its Charter)

**Delaware**

(Jurisdiction of Incorporation or Organization)

**6200**

(Primary Standard Industrial Classification Code Number)

**MF GLOBAL LTD.**

(Exact Name of Registrant as Specified in Its Charter)

**Bermuda**

(Jurisdiction of Incorporation or Organization)

**6200**

(Primary Standard Industrial Classification Code Number)

**26-0454444**

*(IRS Employer Identification Number)*

**Not Applicable**

*(IRS Employer Identification Number)*

**Corporation Trust Center**

**1209 Orange Street**

**Wilmington, DE 19801**

**(212) 589-6200**

*(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Registered Office)*

**Clarendon House**

**2 Church Street**

**Hamilton HM 11, Bermuda**

**(441) 296-1274**

*(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Registered Office)*

---

**Howard Schneider, Esq.**

**717 Fifth Avenue**

**New York, NY 10022**

**(212) 589-6200**

*(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)*

---

**Copies to:**

**David B. Harms, Esq.**

**Catherine M. Clarkin, Esq.**

**Sullivan & Cromwell LLP**

**125 Broad Street**

**New York, NY 10004**

**(212) 558-4000**

**Valerie Ford Jacob, Esq.**

**Paul Tropp, Esq.**

**Fried, Frank, Harris, Shriver & Jacobson LLP**

**One New York Plaza**

**New York, NY 10004**

**(212) 859-8000**

**APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:** As promptly as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, please check the following box. "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

## Edgar Filing: MF Global Ltd. - Form F-1/A

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

### CALCULATION OF REGISTRATION FEE

---

<b>Title of Each Class of Securities to be Registered</b>	<b>Amount to be Registered</b>	<b>Proposed Maximum Offering Price Per Security</b>	<b>Proposed Maximum Aggregate Offering Price</b>	<b>Amount of Registration Fee</b>
Senior Notes(1)	\$ 1,200,000,000	100%(2)	\$ 1,200,000,000	\$ 36,840(4)
Guarantees of MF Global Ltd.	N/A	\$ (3)	\$ (3)	\$ (3)

---

(1) Represents the Senior Notes due 2012 and the Senior Notes due 2017.

(2) Estimated solely for the purpose of determining the amount of the registration fee in accordance with Rule 457(o).

(3) No separate consideration will be received for the guarantees. Under Rule 457(n), no fee is payable with respect to the guarantees.

(4) Previously paid.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

---

**Table of Contents**

**The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.**

**Subject to Completion. Dated July 17, 2007.**

**\$**

**MF GLOBAL FINANCE NORTH AMERICA INC.**

**U.S. \$ % Senior Notes due 2012**

**U.S. \$ % Senior Notes due 2017**

**Fully and Unconditionally Guaranteed by**

**MF GLOBAL LTD.**

MF Global Finance North America Inc., or MFG Finance, will issue senior notes in two series: \$ aggregate principal amount that will mature on , 2012, and bear interest at % per annum; and \$ aggregate principal amount that will mature on , 2017, and bear interest at % per annum.

Interest on the notes is payable on and of each year, beginning , 2008. The notes will rank equally with all future unsecured, unsubordinated indebtedness of MFG Finance.

The 2012 notes and 2017 notes may be redeemed at any time at the option of MFG Finance in whole or in part at a make-whole redemption price specified under Description of Notes Optional Redemption , plus accrued and unpaid interest, if any, to the redemption date. Under certain circumstances involving a change of control repurchase event as described under Description of Notes Purchase of Notes upon a Change of Control Repurchase Event , holders may be entitled to require MFG Finance to repurchase the notes of each series in whole or in part at the holder's option at 101% of their principal amount, plus accrued and unpaid interest, if any, to the repurchase date.

Payment of the principal of and interest on the notes is guaranteed by MF Global Ltd., the indirect parent company of MFG Finance.

See Risk Factors beginning on page 14 of this prospectus to read about factors you should consider before buying these notes.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

	Per % Note due 2012	Total	Per % Note due 2017	Total
Public offering price	%	\$	%	\$
Underwriting discount	%	\$	%	\$



**Table of Contents**

**Table of Contents****TABLE OF CONTENTS**

<u>Prospectus Summary</u>	1
<u>Risk Factors</u>	14
<u>Forward-Looking Statements</u>	42
<u>The Reorganization, Separation and Recapitalization Transactions and Our Organizational Structure</u>	44
<u>Use of Proceeds</u>	47
<u>Ratio of Earnings to Fixed Charges</u>	47
<u>Our Capitalization</u>	48
<u>Selected Combined Financial Data</u>	50
<u>Unaudited Pro Forma Combined Financial Information</u>	52
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	58
<u>Our Industry</u>	99
<u>Our Business</u>	111
<u>Management of MF Global</u>	143
<u>Security Ownership of Certain Beneficial Owners and Management</u>	175
<u>Certain Relationships and Related Transactions</u>	177
<u>Bermuda Law and Our By-Laws</u>	187
<u>Description of Notes</u>	195
<u>Book-Entry System</u>	210
<u>Material U.S. Federal Income Tax Considerations</u>	213
<u>Underwriting</u>	216
<u>Validity of the Notes</u>	220
<u>Experts</u>	220
<u>Where You Can Find Additional Information</u>	220
<u>Enforcement of Civil Liabilities</u>	221
<u>Index to Financial Statements</u>	F-1

You should rely only on the information contained in this prospectus. Neither we nor the underwriters have authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not and the underwriters are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

MFG Finance is a wholly owned subsidiary of MF Global. MF Global is incorporated in Bermuda and, prior to the reorganization and separation transactions, all of its common shares were owned by Man Group, a non-U.S. company. Thus, under the rules of the Securities and Exchange Commission, or SEC, MF Global is eligible for treatment as a foreign private issuer until such time as a majority of its outstanding shares are owned by U.S. residents. Nevertheless, following the initial public offering of MF Global's common shares, whether or not MF Global qualifies as a foreign private issuer, MF Global has elected to comply with the information and reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and related SEC rules applicable to domestic U.S. issuers, in respect of fiscal periods ending after the initial public offering. As a result, MF Global will file annual, quarterly and current reports and proxy statements with the SEC consistent with the requirements applicable to a domestic U.S. public company for fiscal periods ending after the consummation of the initial public offering. You can read and copy these reports and proxy statements at the addresses set forth under the heading Where You Can Find Additional Information.

**Table of Contents**

Except as otherwise indicated, or unless the context otherwise requires, the information in this prospectus assumes the completion of (1) the transactions described under **The Reorganization, Separation and Recapitalization Transactions and Our Organizational Structure** and (2) the initial public offering of common shares of MF Global Ltd., which, for purposes of this prospectus, is assumed to have been consummated on [redacted], 2007 and to consist of an offering of 97,379,765 common shares held by Man Group at a per share price of \$37.50, the mid-point of the estimated price range. Unless the context otherwise requires, the terms:

**MFG Finance** refers to MF Global Finance North America Inc., the issuer of the notes.

**MF Global**, **we**, **us** and **our** refer to MF Global Ltd., which is a company incorporated under the laws of Bermuda, and its subsidiaries, including MFG Finance.

**guarantor** means MF Global, not including its subsidiaries.

**Man Financial** refers to the brokerage division of Man Group (as defined below), which historically operated through numerous direct and indirect subsidiaries of Man Group. In connection with the initial public offering of common shares of MF Global, the Man Financial business has been renamed and operates under the brand name **MF Global**.

**Man Group** refers to Man Group plc, a U.K. public limited company, and its subsidiaries (which, following the reorganization and separation, exclude MF Global and its subsidiaries). Prior to the initial public offering of common shares of MF Global, Man Group owned all of the issued and outstanding share capital of MF Global. Following the initial public offering, Man Group owns 19.6% of MF Global's outstanding common shares.

**fiscal 2005**, **fiscal 2006** and **fiscal 2007** mean the 12-month period ended March 31, 2005, 2006 and 2007, respectively, and **fiscal 2008** means the 12-month period ending March 31, 2008.

**notes** refer to, as applicable, either or both of the [redacted] % Senior Notes due 2012, or the [redacted] 2012 notes, and the [redacted] % Senior Notes due 2017, or the [redacted] 2017 notes.



---

**Table of Contents**

**PROSPECTUS SUMMARY**

*This summary highlights information contained elsewhere in this prospectus relating to us and the notes being offered by MFG Finance. This summary does not contain all of the information that you should consider before investing in the notes. You should read this entire prospectus carefully, especially the risks of investing in the notes discussed under Risk Factors . In this prospectus, columns in tables may not add due to rounding.*

**MF GLOBAL**

**Overview**

We are the leading broker of exchange-listed futures and options in the world. We provide execution and clearing services for exchange-traded and over-the-counter, or OTC, derivative products, as well as for non-derivative foreign exchange products and securities in the cash market. We provide our clients with access to many of the largest and fastest growing financial markets throughout the world.

We believe that we are the largest specialty broker operating in our markets. As a specialty broker, we focus on providing brokerage execution and clearing services to our clients. We believe that our clients highly value our focus on client service and the fact that, unlike many of our competitors, we do not engage in non-brokerage businesses, such as investment banking, asset management or principal investment activity, that could conflict with their interests. We believe that the success of our specialty-brokerage strategy is demonstrated by our leading position in most of our markets, particularly exchange-traded derivatives. For the three months ended March 31, 2007, based on data provided by the respective exchanges and based on the volume of executed or cleared transactions, we ranked first on the Chicago Mercantile Exchange, the Chicago Board of Trade, the New York Mercantile Exchange, Commodity Exchange, Inc., a division of the New York Mercantile Exchange, Euronext.Liffe and Eurex. See Our Business Business Overview Primary Products Exchange-Traded Derivatives for further information on our rankings.

We provide our clients with fast, cost-effective trade execution and clearing services for derivative and cash products across a broad range of trading markets, including interest rates, equities, currencies, energy and metals as well as agricultural and other commodities, throughout most of the world's major financial centers. We serve over 130,000 active client accounts, and provide our clients with market access through our brokers, relationships with introducing brokers and online trading platforms. Our clients include institutions, hedge funds and other asset managers, as well as professional traders and private clients. We have offices in New York, London, Chicago, Paris, Mumbai, Singapore, Sydney, Toronto, Tokyo, Hong Kong, Taipei, Dubai, and other locations. Our principal executive offices are in New York, New York and our registered office is in Hamilton, Bermuda.

We execute client trades on both an agency and a matched-principal basis. When we execute a client order on an agency basis, we typically direct the order to an exchange or OTC market where it is matched with a corresponding order for execution. When we execute a client order on a matched-principal basis, we take the other side of the trade for our own account and contemporaneously (often within minutes and generally on the same trading day) enter into an offsetting trade with another party. We engage in matched-principal execution, which generally yields higher profit margins than agency execution, primarily in the OTC markets, but also in certain listed markets outside the United States. While current laws generally do not permit matched-principal execution in the U.S. listed markets, we believe that matched-principal execution will become more prevalent in European listed markets due to pending regulatory changes in that region. We generally do not engage in directional trading, meaning that we do not enter into trades for our own account in order to profit from anticipated price changes. In addition to matched-principal trades for clients, we engage in principal transactions to hedge our corporate exposure to currency and interest rate risk. For information about the portion of our revenues, net of interest and transaction-based expenses, derived from agency and matched-principal transactions, please refer to the chart presented under Our Business Business Overview Primary Services .

## **Table of Contents**

We also act as a clearing firm for clients that execute trades in futures and options on exchanges where we are approved as a clearing member. These include all major derivatives exchanges in the U.S. and European markets. We may act as the clearing firm for clients that use us to execute their orders, as well as for clients that use other executing brokers or execute their orders directly on the exchange. We also provide clearing services for a growing number of transactions executed in the OTC markets.

Our business is based on a diversified yet fully integrated model that allows us to offer a variety of derivative and cash products across a broad range of trading markets through multiple distribution channels. This diversified yet integrated model positions us as a centralized provider of brokerage services across multiple products, trading markets and regions. We believe there is a strong market trend toward diversified trading activities, in which clients seek access to multiple trading alternatives to implement their trading strategies. We believe we are well positioned to profit from this trend because we provide our clients with a central point of entry into a wide range of diverse trading alternatives and enable them to bridge the gaps between complementary products, trading markets and regions. We believe that our ability to provide access to a wide range of trading alternatives, as well as clearing services, distinguishes us from most of our principal competitors, provides diversity and stability to our business and enables us to adapt quickly to changing market conditions and client needs.

We derive revenue from four main sources: commissions from agency execution; commissions from clearing services; markups from principal transactions, primarily consisting of client trades executed on a matched-principal basis; and interest income on cash balances in our clients accounts, most of which are maintained by our clearing clients to meet margin requirements. For fiscal 2007, we generated total revenues of \$5,725.5 million, revenues, net of interest and transaction-based expenses, of \$1,378.7 million, net income of \$188.0 million and adjusted net income of \$147.7 million, compared to \$2,601.6 million, \$946.5 million, \$59.8 million and \$89.1 million, respectively, for the prior fiscal year. For information on how we calculate adjusted net income, see Management's Discussion and Analysis of Financial Condition and Results of Operations Non-GAAP Financial Measures. We have experienced significant growth in our business in recent years. Our volume of exchange-traded futures and options transactions has grown by 48.7% from 1,011.4 million contracts in fiscal 2006 to 1,503.5 million contracts in fiscal 2007.

Man Group has its origins over 200 years ago in a broking business founded by James Man, which focused principally on the physical commodities markets and was a founding member of some of the world's first futures markets. In recent years, we have expanded our business both through organic, or internal, growth and through acquisitions. Since 1989, we successfully completed 17 acquisitions. Our largest acquisitions involved the purchase of GNI, a leading broker of futures and options, foreign exchange and equity derivative products in 2002 and the purchase of client accounts and other assets from regulated subsidiaries of Refco, Inc. in 2005. On August 1, 2007, MF Global Ltd., the guarantor of the notes, completed the initial public offering of its common shares.

### **Our Competitive Strengths**

We have maintained our leadership in the derivatives and cash brokerage industry due to our principal strengths, which include:

#### ***Leading Specialty Broker***

We believe that we are the leading specialty broker in most of the trading markets around the world in which we operate. We believe that our focus on providing superior brokerage execution and clearing services attracts clients and enables us to develop strong, broad relationships with them. As a result, we believe our clients are more inclined to trade through us and to maintain funds on account with us than if we engaged in non-brokerage businesses like many of our competitors.

## **Table of Contents**

### ***Leading Market Positions***

We believe we are the largest broker by volume of executed or cleared transactions in most of our markets. We describe our market position in more detail under [Our Business](#) [Business Overview](#) [Primary Products](#) [Exchange-Traded Derivatives](#) . In recent years, we have maintained our leading market position in our markets and we have benefited from the rapid growth in our industry. We believe that we are well positioned to take advantage of this growth and other industry trends in the future.

### ***Deep Liquidity in Our Markets***

We are the largest executing and/or clearing member by volume on the major derivatives exchanges in the United States and Europe described in [Our Business](#) [Business Overview](#) [Primary Products](#) [Exchange-Traded Derivatives](#) . Because of our strong market position, we receive a large volume of client orders for execution in a number of listed derivatives markets. This high volume of client orders creates liquidity, which means that traders are generally able to open and close their trading positions when they want to without triggering adverse price movements. The diversity of our clients provides us with a broad and deep pool of liquidity, which we believe enables us to provide superior execution services to our clients, particularly for the more complicated and hence more profitable trades and where internal matching of client orders on an agency or a matched-principal basis is permitted. We believe that our liquidity is highly attractive to market participants and that, if trading volumes continue to increase generally, our liquidity will continue to attract additional order flow.

### ***Integrated, Diversified Business Model***

Our business model allows us to provide our diverse client base with integrated access to multiple services across multiple products and trading markets, on major exchanges worldwide, as well as in the OTC markets. We operate a diversified business in terms of clients, products, trading markets and regions. We provide our clients with access to a broader range of trading alternatives than any single exchange or, we believe, most other brokers, and we can offer these alternatives in combinations tailored to meet our clients' specific needs. Our business model affords us the resources and flexibility to respond quickly to changing client demands and market conditions, and to serve multiple types of clients. Our diversified operations also promote balanced and stable performance for our business.

### ***Well Established Reputation***

With a history spanning over 200 years through our parent company, Man Group, a FTSE® 100 company, we believe we have established a reputation for trust and integrity with our clients. We believe that our market reputation within the financial community is among our most valuable assets. We have also benefited from an experienced and talented employee base that we believe to be stable and loyal.

### ***Disciplined Approach to Risk***

We actively manage risk on a global basis with a centralized, hands-on approach. Our senior executives play a leading role in managing our risk exposure on a day-to-day basis. We monitor our clients' open positions which represent our principal risk exposure and margin levels on a real-time basis, with both sophisticated technical systems as well as personal oversight from our highly experienced risk managers. Equally important, we believe that effective risk-management requires a willingness to be selective about our clients, in particular in terms of credit and risk analysis, and in some cases to limit our clients' trading activities. We also believe that our focus on brokerage services and standardized products, and the fact that our trading markets tend to be

## **Table of Contents**

relatively liquid with readily available pricing information, enable us to effectively evaluate and manage the risks posed by our clients' positions. In each of our last four fiscal years, our losses due to trading errors and client defaults have represented less than 2.0% of our revenues, net of interest and transaction-based expenses, with losses due solely to client defaults representing less than 0.5%.

### ***Acquisition and Integration Expertise***

We have demonstrated an ability to expand our business and increase our earnings over a number of years by making selective acquisitions and integrating them efficiently into our operations. We have successfully completed and integrated 17 important acquisitions since 1989, including our purchases of GNI and the Refco assets. We have made acquisitions to advance our strategic development, by extending our presence into markets we have not previously served, and to achieve earnings growth through economies of scale, by adding clients and business in markets we already serve. In particular, we have been able to use expertise we acquired or developed for one type of product, trading market or region by applying it across multiple products, trading markets or regions, thus significantly enhancing the value of the acquisition. We have also been able to successfully recruit, integrate and retain teams of professionals from the operations we have acquired as well as from other industry participants.

### ***Access to Advanced Technology Platform***

Our advanced execution and clearing systems enable our clients to trade rapidly, efficiently and reliably across major global markets, which enables us to compete effectively in multiple trading markets around the world. We license the technology in our core systems from leading independent vendors such as Rolfe & Nolan Systems Ltd. and SunGard Inc., which gives us access to advanced and reliable technology that we can upgrade quickly with limited capital expenditures. Our technology platform is scalable, which means that we can expand its capacity incrementally with limited cost. Our platform also benefits from a degree of system redundancy that we believe reduces the potential for disruption from system failure and is an important part of our disaster recovery capability. To date, we have not experienced a major system-related disruption.

### ***Entrepreneurial Culture***

We organize our sales and trading personnel into relatively small teams that focus on a particular type of client or market. We believe our organizational structure fosters a strong commitment to client service and a strong sense of ownership of our business. Unlike many of our competitors, we compensate our broker teams according to a formula based on the operating profits rather than the revenue that the particular team generates. We believe this compensation structure incentivizes our brokers to identify and pursue potential profit opportunities while controlling costs. Many of our employees have extensive industry and product experience. We believe that our culture fosters loyalty and strengthens our relationships with our employees, which in turn has given rise to high employee retention rates.

### ***Experienced Management Team***

Our management team has led our business through a sustained period of growth and we expect them to remain with us after our separation from Man Group. Although we recently separated from Man Group, we are an established company with seasoned management and a long history of strong performance as a division of a publicly held company. The members of our executive management committee have an average continuous tenure of approximately 15 years with Man Group (or an entity acquired by Man Group), and an average industry experience of approximately 26 years.

## **Table of Contents**

### **Our Growth Strategy**

We believe we have significant opportunities to expand our business in future years. We intend to take advantage of these opportunities and build upon our competitive strengths by pursuing the following strategies:

#### ***Benefit from Continued Industry Growth***

The global derivatives sector of our industry has experienced rapid growth in recent years based on the volume of exchange-traded derivatives and the outstanding notional amount of OTC derivatives. According to the Bank for International Settlements, global turnover, or trading volume, in exchange-traded derivative contracts increased from approximately 4.5 billion for the 12-month period ended December 31, 2001 to approximately 11.9 billion for the 12-month period ended December 31, 2006, representing a compound annual growth rate of 21.6%. We believe that the trends driving this growth—such as globalization, the migration to electronic markets, increased asset allocations to derivative products by institutions, hedge funds and other asset managers, the move to commercially oriented business practices at exchanges and market convergence—are continuing and provide us with opportunities to increase our revenue from execution services. We also expect that, if exchange trading volumes rise, demand for clearing services will also grow. As a major clearing firm in our trading markets, we believe we are well positioned to meet rising demand for these services.

#### ***Continue to Provide Value-Added Brokerage Services***

In recent years, many of the world's major exchanges have aggressively sought to build trading volume by providing market participants greater access to their trading facilities. The execution process has become simpler, more direct and less costly. In some cases, this trend has led to the disintermediation of passive brokers who focus primarily on voice execution—simply receiving client orders by telephone and routing them to an exchange for a fee—and clients have begun to bypass these brokers and execute their trades online.

We believe that these developments provide opportunities for brokers like us that can offer their clients more value-added services than passive brokers and the exchanges do. We offer our clients efficient access, both electronically and telephonically, to more products, trading markets and regions than any one exchange, coupled with deep internal liquidity in many of our trading markets. Moreover, because we provide both execution and clearing services, we are less vulnerable to competitive pressures affecting the market for execution services alone. We believe that, because of our competitive strengths, we can benefit from growing trading volumes and can gain market share from brokers that do not offer clients the value-added services we do.

#### ***Capitalize on Market Convergence***

We believe that the current trend in our industry toward market convergence—that is, an increasing demand for diversified trading across complementary markets, such as listed and OTC derivatives and non-derivative cash products—when coupled with the current growth in trading volumes in listed derivatives, provides a significant opportunity to expand our operations in markets that are complementary to our markets for listed futures and options. As a specialty broker focused on both the listed and OTC derivatives markets, as well as cash markets, around the world, we believe that we are well positioned to help our clients bridge the gap between complementary markets and diversify their trading activities, particularly by executing complex correlated trades in multiple markets.

#### ***Continue to Diversify Our Service Offerings***

We will continue to diversify our client base, the services we offer to clients and the trading markets and geographic regions in which we provide services. We intend to expand our business and the markets in which we operate by introducing new products, becoming a member of additional exchanges and offering new combinations of our existing products to enable our clients to execute more sophisticated trading strategies in related asset classes.

## **Table of Contents**

### ***Pursue Opportunities for Enhanced Operating Margins***

We intend to pursue opportunities for enhanced operating margins by increasing the volume of trades we execute or clear and expanding our business model to include additional products, trading markets and regions, both through internal growth and acquisitions, and thereby benefit from economies of scale. We also believe we can increase our profitability by offering more sophisticated and complex product combinations, particularly in the OTC derivatives markets where trades typically are more complex and yield higher execution profit margins than trades involving exchange-listed products.

### ***Expand in New Geographic Regions***

We operate our business on a global basis and are committed to participating in developing markets, such as those in the Asia/Pacific region. Our goals in developing regions are two-fold: to give local clients access to global markets and to give our global clients access to the local markets in those developing regions. For example, we have established operations in Australia, India, Singapore, Hong Kong and Dubai through which we provide clients in Asia with access to derivative and other products globally. Our presence in those areas also enables us to provide our clients in Europe and North America with access to local markets in those areas.

We believe there will be substantial additional growth opportunities in several countries in the Asia/Pacific region if local regulations are eased, although we do not know whether or how quickly that may occur in any particular country. In China, for example, access to the domestic markets is restricted and outflows of investment capital are not widely permitted. Our Asia/Pacific operations accounted for approximately 8.6% of our revenues, net of interest and transaction-based expenses, for fiscal 2007 and we anticipate that this percentage will rise over the long term.

### ***Pursue Acquisitions***

While we have successfully expanded our business organically, by applying our specialty brokerage expertise to an expanding range of trading alternatives, we have also achieved substantial growth through acquisitions. We have taken a selective approach to acquisitions. We intend to continue to expand our client base and brokerage capabilities by pursuing acquisitions in a disciplined and flexible way both to broaden the range of trading alternatives we offer and to achieve cost-effective earnings growth. We believe our status as a public company and our ability to offer our securities as consideration will enhance our ability to make acquisitions in the future.

### **Evolution of Our Relationship with Man Group**

We have our origins over 200 years ago in a broking business founded by James Man, which focused on the physical commodities markets and was a founding member of some of the world's first futures exchanges. Prior to the initial public offering of our common shares, we were a division of Man Group and were known as Man Financial. Man Group is listed on the London Stock Exchange and is a constituent of the FTSE 100 Index. Man Group also has an asset management division known as Man Investments, a global leader in the alternative investments industry.

The determination by Man Group's board of directors, after a thorough review in conjunction with their financial advisers, that Man Financial and Man Investments would be best positioned to maximize future returns and growth opportunities by pursuing focused independent strategies and having appropriate individual capital structures, resulted in the Reorganization and Separation transactions and the initial public offering of our common shares. As a result, following these transactions, we conduct our business independently of Man Group, under the name MF Global, and as a public company with our shares listed on the New York Stock Exchange. We refer to the various transactions that were implemented in preparation for the initial public offering of our common shares as the Reorganization, Separation and Recapitalization.

## **Table of Contents**

### ***Transitional Services Agreements***

Historically, Man Group has provided financial and administrative support to us. In connection with the Reorganization and Separation transactions and following the initial public offering of our common shares, we began to provide most of these services ourselves, with our own personnel. However, we will continue to rely on Man Group for some of these services for a limited transitional period. Thus, we have entered into several transitional services agreements with Man Group pursuant to which Man Group has agreed to continue to provide us with administrative support for several corporate functions, such as limited tax administration and insurance management, for a limited period. These services and agreements are described under [Certain Relationships and Related Transactions](#) .

### ***Other Matters Relating to the Separation***

Our executive officers did not receive any additional compensation or remuneration as a result of the separation from Man Group and the related transactions. However, certain existing Man Group awards held by some executive officers and other employees may have been forfeited or vesting of such awards may have been accelerated in connection with the initial public offering of our common shares. We made an initial grant of share-based awards to a broad group of employees, including our executive officers, upon completion of the initial public offering of our common shares that took into account the forfeiture or other loss of outstanding Man Group awards. For information about the Man Group awards held by our executive officers and how these awards are being treated, see [Management of MF Global Compensation Discussion and Analysis](#) [Transition Policies](#) [Treatment of Man Group Awards](#) and [Compensation Tables](#) [Outstanding Equity Awards at Fiscal Year End](#) .

### ***Benefits from Separation***

We expect the initial public offering of our common shares and our separation from Man Group to emphasize our commitment to specialty brokerage and enhance our position as the largest specialty broker in our markets. We also believe that having a public trading market for our shares will enable us to offer more attractive consideration to potential acquisition targets and to compensate our employees in a way that more closely aligns their interests with our business.

### ***Selected Risk Factors***

We face risks in operating our business, including risks that may prevent us from achieving our business objectives or that may adversely affect our business, financial condition and operating results. See [Risk Factors](#) for a discussion of the factors you should consider before investing in our securities. Some of the more significant challenges and risks include the following:

***Dependence on Trading Volumes and Prevailing Interest Rates.*** Our revenues are dependent on client trading volumes and prevailing interest rates, which are directly affected by a number of U.S. and international market factors beyond our control. Any market factor that reduces trading volumes or affects interest rates could significantly harm our business and operating results. Moreover, in recent years, we have benefited from significant growth in trading volumes, which may not continue.

***Competition.*** The derivatives and cash brokerage industry is fragmented and highly competitive, and we expect that competition will intensify in the future. Many of our competitors have greater resources than we do, are better capitalized than we are and may be more competitive than we are in various markets, including developing regions. Our business depends on our ability to compete successfully.

***Broker Disintermediation.*** The current industry trend toward electronic trade execution has diminished the role of some brokers in the execution process, which is known as [broker disintermediation](#) . We must continue to offer attractive, value-added services to keep pace with this trend and other industry changes.

## **Table of Contents**

***Client Retention and Development.*** Our business could be adversely affected if we are unable to retain our existing clients or to attract new ones.

***Capital Requirements.*** We are subject to strict regulatory capital requirements in a number of jurisdictions, as well as additional capital requirements under our internal risk-management guidelines, and we must maintain substantial amounts of capital to conduct and grow our business. Our ability to provide clearing services in particular depends heavily on our ability to obtain capital. In addition, the amount of capital we maintain determines our creditworthiness, which is an essential factor in our ability to attract clients and to borrow funds. We also need ready access to funds to run our business. If we do not have access to a substantial, readily available source of funds, our ability to grow could be constrained and, if we faced a serious funding shortage, our ability to conduct our business operations could be impaired.

***Separation from Man Group.*** Our separation from Man Group could adversely affect our ability to obtain capital. We are borrowing substantial amounts from third-party lenders. In addition, as a result of our separation from Man Group and the initial public offering of our common shares, we need to make significant changes in order to function as an independent company, and we will need to do so in a timely and cost-effective manner.

***Regulation and Litigation.*** We operate in a heavily regulated environment that imposes significant compliance requirements and costs on us. Any failure to comply with these requirements could subject us to sanctions and adversely affect our business. In addition, we are subject to significant litigation risks, including several matters currently pending against us, which could adversely affect our results of operations.

***Client Defaults.*** Our clearing operations expose us to significant client and counterparty default risks, and a significant default by any of our clients or clearing counterparties could adversely affect our business. In addition, derivative transactions are subject to unique risks, which may increase the risk of defaults and thus our exposure to financial loss.

***Technology Failure.*** If we experience systems interruptions, failures or capacity constraints, our ability to conduct our operations would be materially harmed. Additionally, we rely on third parties for software and systems we use to provide our brokerage services, and any interruption, degradation or cessation of service by these third parties could harm our business.

### **MFG Finance North America Inc.**

MFG Finance, the issuer of the notes, is a newly formed Delaware corporation and a wholly owned subsidiary of MF Global Ltd. MFG Finance has no assets and does not conduct any operations. MF Global Ltd. will guarantee the notes.

### **Corporate Information**

You may contact MF Global Ltd. and MFG Finance at their principal executive offices, located at 717 Fifth Avenue, New York, N.Y. 10022, or by telephone at (212) 589-6200. MFG Finance, the issuer of the notes, is incorporated in Delaware and its registered office is located at Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801. MF Global Ltd., the guarantor of the notes, is incorporated in Bermuda and its registered office is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. You may contact the registered office of MF Global Ltd. by telephone at (441) 296-1274. You may also find MF Global on the Internet at [www.mfglobal.com](http://www.mfglobal.com). Information contained on our website does not constitute part of this prospectus. We have included our website address only as an inactive textual reference and do not intend it to be an active link to our website.





## Edgar Filing: MF Global Ltd. - Form F-1/A

MFG Finance may redeem the notes of either series, in whole or in part, at any time at its option at redemption prices determined as set forth under the heading "Description of Notes - Optional Redemption".

**Table of Contents**

<b>Change of control repurchase event</b>	Upon the occurrence of a change of control repurchase event , as defined under Description of Notes Purchase of Notes upon a Change of Control Repurchase Event , we will be required to make an offer to purchase the notes at a price equal to 101% of their principal amount, plus accrued and unpaid interest to, but not including, the date of purchase.
<b>Certain covenants</b>	<p>The indenture governing the notes contains covenants limiting our ability and our subsidiaries ability to:</p> <p style="padding-left: 40px;">create certain liens; and</p> <p style="padding-left: 40px;">consolidate, amalgamate or merge with, or convey, transfer or lease all or substantially all of our assets to, another person.</p> <p>However, each of these covenants is subject to a number of significant exceptions. You should read Description of Notes Certain Covenants for a description of these covenants.</p>
<b>Further issuances</b>	MFG Finance may create and issue additional notes, from time to time, ranking equally with the notes of each series initially offered in this offering and otherwise similar in all respects (other than the issue date, public offering price and, if applicable, the payment of interest accruing prior to the issue date of such additional notes and the first payment of interest following the issue date of such additional notes). Any additional notes would be consolidated and form a single series with the notes of the relevant series.
<b>Use of proceeds</b>	We intend to use all of the net proceeds of this offering to repay outstanding borrowings under our 364-day unsecured revolving credit facility, referred to as the bridge loan.
<b>Absence of public market for the notes</b>	The notes are a new issue of securities and there is currently no established trading market for the notes. We do not intend to apply for a listing of the notes on any securities exchange or an automated dealer quotation system. Accordingly, there can be no assurance as to the development or liquidity of any market for the notes. The underwriters have advised us that they currently intend to make a market in the notes. However, they are not obligated to do so, and any market making with respect to the notes may be discontinued at any time without notice.
<b>Form and denominations</b>	<p>MFG Finance will issue the notes in fully registered form in denominations of \$2,000 and integral multiples of \$1,000 in excess thereof. Each of the notes will be represented by one or more global securities registered in the name of a nominee of The Depository Trust Company, or DTC.</p> <p>You will hold beneficial interests in the notes through DTC, and DTC and its direct and indirect participants will record your beneficial interest in their books. Except under limited circumstances, MFG Finance will not issue certificated notes.</p>

**Governing law**

New York.

**Table of Contents**

**CONCURRENT OFFERING OF JUNIOR SUBORDINATED DEBENTURES**

Concurrently with this offering, MFG Finance intends to offer up to \$ \_\_\_\_\_ million principal amount of fixed-to-floating rate junior subordinated debentures guaranteed on a subordinated basis by MF Global Ltd. See Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Long-Term Debt . We intend to use the net proceeds of the offering of fixed-to-floating rate junior subordinated debentures to repay borrowings under the bridge loan. The offering of the notes and the offering of fixed-to-floating rate junior subordinated debentures are not conditioned upon one another and may not be consummated at the same time. Our decision to proceed with the offering of the fixed-to-floating rate junior subordinated debentures will be made independently, subject to market conditions, from our decision to proceed with this offering.

**Table of Contents****SUMMARY COMBINED FINANCIAL AND OPERATING DATA**

The following tables summarize certain combined financial data and operating data for our business. These tables should be read in conjunction with our combined financial statements and related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus.

We derived the summary combined statement of operations for fiscal 2007, fiscal 2006 and fiscal 2005 and our combined balance sheet data as of March 31, 2007 and 2006 from our audited combined financial statements that are included elsewhere in this prospectus. We derived the summary combined balance sheet data as of March 31, 2005 from our fiscal 2005 audited combined financial statements, which are not included in this prospectus. We derived the summary combined statement of operations and balance sheet data for fiscal 2004 from our unaudited combined financial statements, which are not included in this prospectus. Our combined financial statements were prepared in accordance with generally accepted accounting principles in the United States of America, or U.S. GAAP. Our historical financial data are not necessarily indicative of our results for any future period. In management's opinion, the unaudited financial information set forth below has been prepared on substantially the same basis as the audited combined financial statements appearing elsewhere in this prospectus and includes all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the unaudited combined data.

	2007	Year Ended March 31, 2006      2005		2004
		(in millions)		
<b>Combined Statement of Operations</b>				
<b>Revenues:</b>				
Execution-only commissions	\$ 386.5	\$ 261.8	\$ 237.7	\$ 234.8
Cleared commissions	1,280.0	865.6	687.0	685.7
Principal transactions	245.7	151.1	142.9	121.4
Interest income	3,775.4	1,294.0	583.0	358.7
Other	37.8	29.2	24.1	18.4
<b>Total revenues</b>	<b>5,725.5</b>	<b>2,601.6</b>	<b>1,674.7</b>	<b>1,419.1</b>
<b>Interest and transaction-based expenses:</b>				
Interest expense	3,370.4	1,071.9	450.8	258.0
Execution and clearing fees	700.4	463.4	396.3	389.1
Sales commissions	275.9	119.8	105.8	120.6
<b>Total interest and transaction-based expenses</b>	<b>4,346.7</b>	<b>1,655.1</b>	<b>952.9</b>	<b>767.7</b>
<b>Revenues, net of interest and transaction-based expenses</b>	<b>1,378.7</b>	<b>946.5</b>	<b>721.8</b>	<b>651.4</b>
<b>Expenses:</b>				
Employee compensation and benefits	834.7	595.7	415.3	381.8
Communications and technology	102.2	72.2	62.2	58.9
Occupancy and equipment costs	29.8	24.5	14.9	20.1
Depreciation and amortization	46.8	28.2	23.3	25.4
Professional fees	50.1	26.7	19.8	17.0
General and other	77.3	46.4	50.5	41.7
IPO-related costs	33.5			
Refco integration costs	19.4	66.8		
<b>Total other expenses</b>	<b>1,193.9</b>	<b>860.5</b>	<b>586.1</b>	<b>544.9</b>
Gains on exchange seats and shares	126.7	33.5	5.8	2.8
Net gain on settlement of legal proceeding	21.9			
Interest on borrowings	43.8	31.5	17.7	6.3
<b>Income before provision for income taxes</b>	<b>289.7</b>	<b>88.0</b>	<b>123.8</b>	<b>103.0</b>
Provision for income taxes	100.0	28.2	39.5	34.8
Minority interest in income of combined companies (net of tax)	1.7	0.3		
Equity in earnings of uncombined companies (net of tax)	0.1	0.3		

Edgar Filing: MF Global Ltd. - Form F-1/A

<b>Net income</b>	\$	188.0	\$	59.8	\$	84.2	\$	68.2
<b>Non-GAAP Financial Measure:</b>								
Adjusted net income(1)	\$	147.7	\$	89.1	\$	80.4		

**Table of Contents**

	2007	At March 31, 2006 2005		2004
		(in millions)		
<b>Combined Balance Sheet Data</b>				
Cash and cash equivalents	\$ 1,733.1	\$ 1,413.5	\$ 1,111.7	\$ 941.4
Total assets	51,670.3	34,314.6	21,910.7	14,621.5
Total borrowings	676.6	673.5	570.6	210.6
Equity	537.8	374.1	323.4	294.8

	2007	Year Ended March 31, 2006 2005		2004
		(in millions except headcount)		
<b>Operating Data</b>				
Exchange-Traded Futures and Options Contract Volumes(2):				
Execution-only(3)		438.4	337.6	274.0
Cleared(4)		1,065.1	673.8	487.9
Total		1,503.5	1,011.4	761.9
Client funds (end of period)(5)	\$ 15,756	\$ 15,437	\$ 8,804	\$ 7,484
Employee headcount (end of period)	3,271	2,980	1,650	1,695

	Year Ended March 31, 2007 2006 2005		
<b>Total Revenues, Net of Interest and Transaction-Based Expenses,</b>			
<b>by Region</b>			
North America	41.5%	40.0%	31.5%
Europe	49.9%	54.5%	62.9%
Rest of World	8.6%	5.5%	5.6%

- (1) Adjusted net income is a financial measure that has not been prepared in accordance with U.S. GAAP, because it excludes certain significant items that are required to be included in net income, the corresponding U.S. GAAP measure. A reconciliation of net income to adjusted net income for each of the periods presented is as follows (assuming a 35% tax rate):

	Year Ended March 31, 2007 2006 2005		
	(in millions)		
Net income (unadjusted)	\$ 188.0	\$ 59.8	\$ 84.2
Add: Refco integration costs	12.6	43.4	
Add: Refco loss		7.7	
Add: IPO-related costs	21.8		
Add: U.S. pension plan termination costs	18.3		
Add: Legal settlements	(10.6)		
Less: Exchange memberships gains	82.4	21.8	3.8
Adjusted net income	\$ 147.7	\$ 89.1	\$ 80.4

For more information relating to these non-GAAP measures, see Management's Discussion and Analysis of Financial Condition and Results of Operations Non-GAAP Financial Measures .

(2)



## Edgar Filing: MF Global Ltd. - Form F-1/A

Includes exchange-traded futures and options contract volumes as derived from our management reporting systems, as adjusted (1) to include volumes attributable to the Refco assets from the date of the Refco acquisition until the date Refco's systems were integrated into ours, (2) to include futures and options volumes in Australia, India, Hong Kong and Canada and U.S.-based equity options and certain execution-only businesses captured by data sources not yet integrated in our management systems and (3) to exclude intercompany volumes.

(3) Execution-only volumes consist of trades we execute on an agency basis for clients that clear through another brokerage firm.

(4) Cleared volumes consist of trades we clear or execute and clear for clients.

(5) Represents amounts payable to customers.

See adjustment described in Note 3 to our combined financial statements.

---

**Table of Contents**

**RISK FACTORS**

*An investment in the notes is subject to the risks described below. Before making an investment in the notes, you should carefully consider the following risks, as well as all of the other information contained in this prospectus. Any of these risks could significantly and adversely affect our business, prospects, financial condition or results of operations.*

**Risks Related to Our Industry and Business**

*Changes in U.S. and international market factors that reduce trading volumes or interest rates could significantly harm our business.*

We generate revenues primarily from transaction fees we earn from executing and clearing client trades and from interest income we earn on cash balances in our clients' accounts. In fiscal 2007, we derived approximately 29.1% of our total revenues, and approximately 50.0% of our revenues, net of interest and transaction-based expenses, from executing and clearing client trades. Similarly, we derived approximately 65.9% of our total revenues, and approximately 29.4% of our revenues, net of interest and transaction-based expenses, in fiscal 2007 from net interest income. These revenue sources are substantially dependent on client trading volumes and prevailing interest rates.

*Reduced trading volumes could hurt our business.*

Our clients' trading volumes are particularly dependent on their demand for exchange-traded and over-the-counter, or OTC, derivative products, which relate to interest rates, equities, foreign exchange and commodities. Demand for these products, in turn, is driven by a number of factors, one of the most significant being the volatility of the market prices of the underlying assets—that is, the extent to which and how rapidly those prices change during a given period. In general, demand for derivative products tends to rise when the volatility of the underlying assets is high and to decline when it is low. In recent years, volatility in the principal markets in which we operate has contributed to rising client trading volumes and thus rising revenues. Were we to enter a period of lower volatility in any of our principal markets in the future, our trading volumes and revenues may grow more slowly or even decline. Moreover, declines in trading volume could also make the markets less liquid—meaning that market participants could find it harder to sell or otherwise close out their trading positions when they want to—which would discourage active trading and further depress trading volumes. Diminished volatility could occur, for example, if interest rates were to remain unchanged or equity prices were to remain relatively flat for an extended period.

Trading volumes have also increased in recent years due to the growth and enhanced sophistication of significant market participants such as hedge funds. To the extent these trends do not continue, or to the extent that they reverse, demand for our services in many areas of our business would suffer. Trading volumes generated by significant market participants could decline for a variety of reasons. Market conditions in general could deteriorate, affecting many participants' trading activities. Alternatively, one or more large market participants could suffer substantial losses that in turn could create a systemic financial risk and prompt other participants to curtail their trading. The latter type of "shock" events have occurred from time to time involving prominent hedge funds, such as Long Term Capital Management in 1998 and Amaranth in 2006.

Our trading volumes could also be adversely affected when the current bull markets in commodities and equities begin to recede or come to an end. In the past three years, prices in these markets have risen substantially, in some cases, such as oil and gas, to unprecedented levels. These bull markets have stimulated increasing demand for derivative products, and our trading volumes and revenues could be adversely affected as and when the current bull markets come to an end.

*Changes in interest rates could hurt our business.*

In most cases, our interest income is directly affected by the spread between the short-term interest rates we pay our clients on their balances and the short-term rates we earn from re-investing their cash. While these

**Table of Contents**

spreads have remained within a relatively constant range over time, they can widen or narrow when interest rate trends change. In addition, a portion of our interest income relates to client balances on which we do not pay interest and thus is directly affected by the absolute level of short-term interest rates. As a result, a portion of our interest income will decline if interest rates fall, regardless of the spreads that determine most of our interest income. Overall, interest rates have risen since 2004, which has helped us to manage our interest rate spreads effectively and has increased our interest income on non-interest bearing client balances, and thus has had a generally positive impact on our revenues. However, interest rate trends change periodically and, if spreads begin to narrow or rates begin to decline, our revenues could be adversely affected. Short-term interest rates are highly sensitive to factors that are beyond our control, including general economic conditions and the policies of various governmental and regulatory authorities.

***Trading volumes and interest rates could be affected by many factors.***

The volume of transactions our clients conduct with us and the rates at which we earn interest income on our clients' balances are directly affected by a number of U.S. and international market factors that are beyond our control, including:

economic, political and market conditions;

broad trends in the brokerage and finance industry;

changes in levels of trading activity in the broader marketplace;

supply and demand for commodities;

financial strength of market participants;

price levels and price volatility in the derivatives, interest rate, equity, foreign exchange and commodity markets;

legislative and regulatory changes;

the actions of our competitors;

consolidation among exchanges;

the introduction of new products;

changes in cost and fee structures;

changes in government monetary policies;

the level and volatility of foreign exchange rates;

disruptions in markets due to terrorism, war or extreme weather events; and

inflation.

Any one or more of the factors listed above, or other factors, may contribute to a decline in trading volumes or fluctuation in interest rates. Any significant decline in trading volume in the financial markets generally, or the derivatives, interest rate, equity, foreign exchange or commodity markets in particular, or any significant change in short-term interest rate spreads or overall levels could have a material adverse effect on our business and operating results.

***We face intense competition from other companies, and if we are not able to compete successfully with them, our business may be harmed.***

The derivatives and cash brokerage industry is fragmented and competitive, and we expect that competition will continue to intensify in the future. We compete with numerous U.S. and non-U.S. brokers in one or more markets. Although no one competitor operates in all of our markets, two brokers (The Fimat Group and Calyon

## **Table of Contents**

Financial) compete in many of our markets, and both firms are subsidiaries of large, well capitalized financial institutions with global operations (Société Générale and Calyon, respectively). These two firms recently announced that they are engaged in exclusive discussions regarding a possible merger. In addition, affiliates of the largest commercial and investment banks, including Citi, Goldman Sachs, JPMorgan, Merrill Lynch, Morgan Stanley and UBS compete with us in key areas such as clearing services, which is a significant source of our revenues. We also compete with a large number of independent brokerage firms, such as R.J. O'Brien, as well as regional brokers in particular markets around the world.

### ***Our competitors may have greater resources than we do.***

Many of our competitors and potential competitors have larger client bases, more established name recognition and greater financial, marketing, technological and personnel resources than we do. These resources may enable them, among other things, to:

develop products and services that are similar to ours, or that are more attractive to clients than ours, in one or more of our markets;

provide products and services we do not offer or in more markets than we do;

provide execution and clearing services that are more rapid, reliable or comprehensive, or less expensive than ours;

offer products and services at prices below ours to gain market share and to promote other businesses, such as prime brokerage, in which we engage to only a limited extent;

offer better, faster and more reliable technology;

outbid us for desirable acquisition targets;

market, promote and sell their products and services more effectively; and

develop stronger relationships with clients.

### ***Our competitors may be better capitalized than we are.***

In particular, our competitors, especially the largest commercial and investment banking firms, may have access to capital in greater amounts and at lower costs than we do. As we describe further below in this section, access to capital is critical to our business to satisfy regulatory obligations and liquidity requirements. Among other things, access to capital determines our creditworthiness, which if perceived negatively in the market could materially impair our ability to provide clearing services and attract client assets, both of which are important sources of revenues. Access to capital also determines the degree to which we can expand our operations. Thus, if we are unable to maintain or increase our capital on competitive terms, we could be at a significant competitive disadvantage, and our ability to maintain or increase our revenues and earnings could be materially impaired. We are highly focused on risk-management in part because we do not enjoy the same access to capital as some of our competitors. As a consequence, we frequently require additional collateral protection from our clients beyond legally mandated levels. This practice has at times, and may continue to, place us at a competitive disadvantage. Moreover, as described further below, we have historically relied on Man Group to provide us with the capital we need. However, following our separation from Man Group, we need to develop new sources of capital and liquidity. These new sources may prove to be more costly and less reliable than the sources we have relied upon to date, and we may find it harder to compete with larger financial institutions than in the past.

### ***We may not be competitive in developing regions.***

## Edgar Filing: MF Global Ltd. - Form F-1/A

We regard emerging international markets, particularly in the Asia/Pacific region, as an important area of potential growth for our business. Due to cultural, regulatory and other factors relevant to those markets, however, we may be at a competitive disadvantage in those regions relative to local firms or to international

---

**Table of Contents**

firms that have a well established local presence. In some regions, we may need to acquire local capacity or enter into joint ventures with local firms in order to gain a presence, and we may face intense competition from other international firms over relatively scarce opportunities for market entry. This competition could make it difficult for us to expand our business as planned.

New or existing competitors could make it difficult for us to maintain our current market share or increase it in desirable markets. Even if they do not significantly erode or limit our market share, they may offer their services at lower prices, and we may be required to reduce our fees significantly to remain competitive. A fee reduction without a commensurate reduction in expenses would decrease our profitability.

***The current trend toward electronic trade execution has diminished the role of some brokers in the execution process. We must continue to offer attractive, value-added services to keep pace with this trend and other industry changes.***

While clients have traditionally relied on brokers to execute orders by receiving them by telephone and routing them to exchanges, a growing number of exchanges have developed systems that permit orders to be routed through brokers electronically, thereby enabling clients to avoid more costly voice-execution services and pressuring brokers to lower their execution commission rates. In a number of cases, exchanges provide large clients with direct electronic access, enabling them to bypass brokers in the trade-execution process altogether, which is known as broker disintermediation. For example, some of our largest institutional clients are now able to execute orders on some exchanges directly by electronic means and, as a result, the portion of the fees we earn from these clients for execution services has, in some cases, declined relative to the portion we earn from providing clearing services for these trades. Although we believe that we are less vulnerable to this trend than other brokers, we expect to face increasing pressure to enhance the value-added execution services we can offer and to expand our role as a provider of clearing services in order to retain or expand our market share, as exchanges are devoting substantial resources to developing more efficient ways for clients to execute orders with reduced broker involvement. To the extent we are unsuccessful, our revenues and profitability will suffer. Additionally, market structure and practices in our industry could change significantly in other ways, including some we may not foresee and we may not be able to adapt to these changes on a timely and cost-effective basis. To the extent that we do not adapt as rapidly or efficiently to industry changes as our competitors do, our business will suffer.

***Our business could be adversely affected if we are unable to retain our existing clients or attract new clients.***

The success of our business depends on our ability to maintain and increase our client base. Our clients are particularly sensitive to the diversity and flexibility of the services, products, trading markets and regions that we make available and the quality, speed and reliability of our order execution and clearing services, as well as the costs of using our services. Because the financial services industry in general, and the futures brokerage industry in particular, are subject to rapid innovation in products and services, and particularly with regard to technological development, we face intense competitive pressure to continue enhancing our product and service offerings in order to maintain and increase our client base. To do so, we must continue to offer the breadth of trading options, the quality, speed and reliability of brokerage services and the pricing that clients desire. This will require not only continuing to perform at current levels but also finding ways to improve and diversify our client service on a regular basis. In particular, advanced, fast and reliable systems technology with global reach has been a critical aspect of client service, and we must be able to keep pace with the important innovations in our industry, which can be costly and present operational and other risks. We may also face more difficulties in attracting new clients if we fail to offer as broad a range of services as those of our competitors, such as investment banks, that also engage in non-brokerage businesses. Further, if our reputation for quality, speed and reliability is impaired, or if we fail to create new products and services or enter into new markets and regions, we may not be able to attract new clients, which may inhibit our growth.

Our clients are not obligated to use our services and can easily and quickly switch providers of execution and clearing services, transfer their positions or decrease their trading activity conducted through us at any time. This is particularly true for our institutional clients, who are sophisticated users of brokerage services, often have

## **Table of Contents**

relationships with a number of competing brokers and generate a disproportionately large share of our client trading volume. As a result, we are vulnerable to potentially significant and sudden loss of revenues from our institutional client base. Similarly, while private clients in the past have generally been less likely to change brokers, their demand for brokerage services has generally been sensitive to broader market trends, so that a significant downturn or unusually heightened volatility in the derivatives or cash markets could lead to a substantial decline in revenues from our private client base. Many of our clients have longstanding relationships with individuals or teams within our company. To the extent any of those individuals or teams seek alternative employment, we may be in jeopardy of losing those clients.

***We receive a significant amount of our private client business through our network of introducing brokers. Failure to maintain these relationships could adversely affect our business.***

We have relationships with introducing brokers who assist us in establishing new client relationships and provide marketing and other services for a significant number of our clients for whom we execute and clear trades. We compensate these introducing brokers for introducing clients to us. Many of our relationships with introducing brokers are non-exclusive or may be terminated by the brokers on relatively short notice. In addition, our introducing brokers have no obligation to provide us with new client relationships or minimum levels of transaction volume. Our failure to maintain our relationships with these introducing brokers or the failure of these introducing brokers to establish and maintain client relationships would result in a loss of revenues, which could adversely affect our business. To the extent any of our competitors offers more favorable compensation to one of our introducing brokers, we could lose the broker's services or have to increase the compensation we pay to retain the broker. Our relationships with our introducing brokers also may expose us to significant reputational and other risks. See Risks Related to Regulation and Litigation We could be harmed by employee or introducing broker misconduct or errors that are difficult to detect and deter .

***If we fail to attract or retain highly skilled management and other employees, our business may be harmed.***

Our future success depends in large part on our management team, who possess extensive knowledge and managerial skill with respect to the critical aspects of our business, including our ability to operate globally across multiple markets and to manage our risk. We rely in particular on Kevin R. Davis, our Chief Executive Officer, as well as other members of our management team. Failure to retain Mr. Davis or one or more members of our management team could adversely affect our ability to manage our business effectively and execute our business strategy.

Our business is also dependent on highly skilled employees who provide specialized brokerage services to our clients and oversee our compliance and technology functions. Many of these employees have extensive knowledge and experience in highly technical and complex areas of the derivatives and cash brokerage industry. Because of the complexity and risks associated with the futures brokerage business and the specialized knowledge required to conduct this business effectively, and because the growth in our industry has increased demand for qualified personnel, many of our employees could readily find employment at other firms if they chose to do so, particularly if we fail to continue to provide competitive levels of compensation. Many of our employees also have extensive institutional knowledge of our services, products, trading markets and client base. As many of them have long-standing relationships with particular clients, the departure of any such employees could adversely impact our relationships with those clients. If we fail to retain our current employees, it would be difficult and costly to identify, recruit and train replacements needed to continue conducting our business. In addition, if we fail to attract highly qualified personnel going forward, we may have difficulty expanding our business and our competitiveness may suffer. In particular, failure to retain and attract qualified compliance and systems personnel could result in execution errors or regulatory infractions.

Consequently, failure to retain and attract highly skilled employees both management and non-management could have a significant adverse effect on our business, financial condition and results of operations. Our ability to retain and attract these personnel will depend heavily on the amount of compensation we offer. Compensation levels in the brokerage industry are highly competitive and can fluctuate significantly from year to year. Consequently, our profitability could decline as we compete for personnel.



## **Table of Contents**

*Our acquisition and growth strategy involves significant risks, and if we are unable to manage them effectively, our business will be materially harmed.*

In the past, we have significantly expanded our business both organically and through acquisitions. We have made acquisitions to advance our strategic development, by extending our presence into markets we have previously not served, and to achieve earnings growth through economies of scale, by adding clients and business in markets we already serve. We have generally consummated acquisitions either by purchasing client accounts from other brokers or by acquiring entire brokerage units or businesses. In some cases, we have recruited other brokers' client personnel.

In order to continue our growth, we expect to continue to acquire other companies, personnel or assets. Acquisitions entail numerous risks, including the following:

difficulties in the integration and retention of acquired client accounts or personnel and, in cases where we acquire an entire company or unit, the integration and effective deployment of operations or technologies. For example, the timely transfer of client accounts is key to the success of our acquisitions and a failure to quickly integrate our software systems with those of an acquired company could result in errors or service disruptions, which would adversely impact our ability to maintain an ongoing relationship with any affected clients;

strain on our operational, information technology, compliance and financial systems and managerial controls and procedures, and the need to modify our systems or to add management resources;

unforeseen difficulties in the acquired operations and disruption of our ongoing business;

failure to achieve cost savings or other financial or operating objectives with respect to an acquisition;

amortization of acquired intangible assets, which would reduce future reported earnings;

possible adverse short-term effects on our cash flows or operating results;

increased regulatory oversight and obligations, including higher capital requirements;

diversion of management's attention from other business concerns;

assumption of unknown material liabilities or regulatory non-compliance issues; and

failure to obtain necessary regulatory approvals in the event of a change in control or otherwise.

For example, when we acquired the Refco assets, we incurred substantial severance and other acquisition costs that reduced our net income and will continue to do so for a period of time. In addition, by rapidly expanding our futures and securities brokerage operations through recent acquisitions, our compliance and supervisory functions have had to assume greater responsibility, which could undermine their effectiveness, and we have had to devote additional resources to these functions.

## Edgar Filing: MF Global Ltd. - Form F-1/A

Competition for suitable acquisition targets is intense. Many of our largest competitors have substantially greater financial resources than we do and are able to outbid us on the most desirable targets. We may lack the financial resources necessary to consummate acquisitions in the future or may be unable to secure financing on favorable terms. We may not be able to identify suitable acquisition targets, or to complete any transactions we identify on sufficiently favorable terms, to meet our strategic goals. We also may be unable to obtain regulatory or other governmental approvals that may be necessary to complete acquisitions. In addition, any future acquisitions may entail significant transaction costs and risks associated with entry into new markets. Even when we complete an acquisition, we may not realize the benefits we expected to attain.

Organic growth presents risks similar to those associated with acquisitions. In particular, if we expand our operations too rapidly or otherwise beyond our ability to manage them effectively, we could encounter serious operational issues. Among other things, our ability to manage risk and ensure regulatory compliance could be impaired and result in financial loss or regulatory violations, any of which could adversely affect our business and financial performance.

---

**Table of Contents**

Failure to manage these acquisition and other growth risks could have a material adverse effect on our business, financial condition and operating results. If we continue to make acquisitions with similar or greater frequency, these risks could be magnified and our personnel and other resources could become subject to additional strain.

*We do not have and cannot provide reliable historical financial information for the Refco assets we purchased.*

In October 2005, Refco announced that it had discovered accounting fraud at the company implicating members of its senior management. The announcement prompted Refco clients to withdraw substantial amounts of assets from their accounts, which ultimately caused several Refco entities to file for bankruptcy. In November 2005, we purchased client brokerage accounts and other assets from regulated subsidiaries of Refco for \$304.9 million. While the Refco clients whose accounts we purchased withdrew many of their assets prior to our purchase, we have worked since the acquisition to re-build the asset levels in the accounts we purchased. Thus, the Refco assets have become an important part of our business. During fiscal 2007, they accounted for approximately 11.3% of our total revenues, approximately 18.8% of our revenues, net of interest and transaction-based expenses, and approximately 12.3% of our income before provision for income taxes. These assets accounted for approximately 7.8% of our total assets at the end of fiscal 2007. In addition, we have sought to attract a number of former Refco clients who closed their accounts before the acquisition, and a substantial number of them have opened new accounts with us since the acquisition. (We did not purchase these new accounts and they are not part of the Refco assets.) See Management's Discussion and Analysis of Financial Condition and Results of Operations Acquisition of Refco Assets. The trustee for one of the Refco entities has notified us of its position that approximately \$57 million (calculated as of the closing date of the acquisition) of the Refco assets we acquired, which consist mainly of shares in the Chicago Mercantile Exchange, should not have been transferred to us as part of the acquisition. See Our Business Legal Proceedings Refco LLC Exchange Seats.

Because we acquired the Refco assets primarily in asset transactions, separate historical financial statements for the specific assets we purchased do not exist, and we have no right of access to the accounting records of the Refco entities that sold these assets to us. Moreover, because the amount of assets in the client accounts that we purchased shrank dramatically between Refco's October 2005 fraud acknowledgment and our purchase of those accounts in November 2005, we believe that any Refco financial statements relating to pre-acquisition periods would not contain meaningful information for investors. As a result, this prospectus does not include historical financial statements for the Refco assets for periods prior to the acquisition in November 2005 or pro forma financial statements showing the impact of the acquisition on our results of operations and financial condition prior to the acquisition.

Although our combined financial statements included in this prospectus reflect the performance of the Refco assets during the 16 months following the acquisition, this post-acquisition information does not necessarily indicate how the Refco assets performed historically prior to the acquisition.

The Refco acquisition is the largest acquisition we have made to date, and the Refco assets are an important part of our business. However, because we are unable to provide financial statements reflecting the performance of these assets prior to the acquisition, it may be more difficult for you to evaluate the possible future performance of these assets and their impact on our business than would otherwise be the case.

*Our international operations present special challenges that we may not be able to meet and this could adversely affect our financial results.*

We currently conduct business internationally and plan to expand our international operations. Our most significant international markets are in Europe, and expanding our business in emerging markets in the Asia/Pacific region is an important part of our growth strategy. During fiscal 2007, we generated approximately 58.5%

## Table of Contents

of our revenues, net of interest and transaction-based expenses, outside North America and 8.6% outside North America and Europe. We face significant risks in doing business in international markets, particularly in developing regions. These risks include:

less developed technological infrastructure and higher costs, which could make our products and services less attractive or accessible in emerging markets;

difficulty in complying with the diverse regulatory requirements of multiple jurisdictions, which may be more burdensome, not clearly defined and subject to unexpected change, potentially exposing us to significant compliance costs and regulatory penalties;

inability to enforce contracts in some jurisdictions;

difficulties and costs associated with staffing and managing foreign operations, including reliance on newly hired local experts;

fluctuations in foreign currency exchange rates;

tariffs and other trade barriers;

currency and tax laws that may prevent or restrict the transfer of capital and profits among our various operations around the world; and

time zone, language and cultural differences among personnel in different areas of the world.

In addition, in order to be competitive in these local markets, or in some cases because of restrictions on the ability of foreign firms to do business locally, we may seek to operate through joint ventures with local firms as, for example, in India, where we own a 70.2% interest in Man Financial-SIFY Securities India Private Ltd., and in Taiwan, where we own a 20% interest in Polaris Man Financial Futures Co. Ltd, which is a publicly traded company. Doing business through joint ventures may limit our ability to control the conduct of the business and could expose us to reputational and perhaps greater operational risks. Given the intense competition from other international brokers that are also seeking to enter these fast-growing markets, we may have difficulty finding suitable local firms willing to enter into the kinds of relationships with us that we may need to gain access to these markets.

Further, we and our subsidiaries are organized in a number of jurisdictions, which could have adverse tax consequences for our business. For example, withholding taxes may apply on payments of interest and dividends from our subsidiaries to us or among our subsidiaries, which could limit our operating flexibility and adversely affect our earnings, unless such withholding is reduced or eliminated by an applicable treaty among the relevant jurisdictions. In some cases there are no such treaties and in others where treaties exist, treaty eligibility may depend on the residency of the holders of our common shares. Because our common shares are now publicly traded, there can be no assurance that the necessary proportion of our common shares will be held by residents of the requisite jurisdiction, as provided by the relevant treaty. In addition, the pricing of our intercompany transactions may, from time to time, be subject to review by the relevant tax authorities. A challenge to our intercompany pricing policies could have an adverse effect on our business.

### ***Regulatory liberalization may not continue in developing regions.***

We have benefited from recent regulatory liberalization in several emerging markets in developing regions, such as India, which has enabled us to increase our presence in those markets. Our ability to continue to expand our presence in the Asia/Pacific region, however, will depend to an important extent upon continued evolution of the regulatory environment in several markets, and there is no assurance that the favorable regulatory trends of recent years will continue. Moreover, we currently have only a limited presence in a number of significant Asian markets and may not be able to gain a significant presence there unless and until regulatory barriers to international firms in certain of those markets,

particularly China, are modified. Consequently, we cannot assure you that our recent success in the Asia/Pacific region, such as in India, will continue or that we will be able to develop our business in emerging markets as we currently plan.

---

## **Table of Contents**

### ***Some developing regions may be unstable.***

Our operations in some emerging markets may be subject to the political, legal and economic risks associated with politically unstable and less economically developed regions of the world, including the risks of war, insurgency, terrorism and government appropriation. For example, we do business in countries whose currencies may be less stable than those in our primary markets. Currency instability or government imposition of currency restrictions in these countries could impede our operations in the foreign exchange markets in these countries and our ability to realize the value of collateral held in local currencies. In addition, emerging markets may be subject to exceptionally volatile and unpredictable price movements that can expose clients and brokers to sudden and significant financial loss. Trading in these markets may be less liquid, market participants may be less well capitalized and market oversight may be less extensive, all of which can increase trading risk, particularly in markets for derivatives, commodities and currencies. Substantial trading losses by clients or client or counterparty defaults, or the prospect of them, in turn, can drive down trading volumes and brokerage revenues in these markets.

### ***Fluctuations in currency exchange rates could reduce our earnings.***

While our revenues and expenses are denominated primarily in U.S. dollars, British pounds and euros, the largest percentage of our revenues is denominated in U.S. dollars while the largest percentage of our non-U.S. expenses is denominated in British pounds and euros. As a result, our earnings can be affected by changes in the U.S. dollar/British pound and U.S. dollar/euro exchange rate. For example, a decline in the value of the U.S. dollar relative to the value of the British pound or euro can cause our expenses to rise faster than our revenues and thus reduce our earnings, and a rise in the value of the U.S. dollar relative to the British pound or euro can have the opposite effect. Such changes have occurred and placed downward or upward pressure on our earnings in recent years. While we seek to mitigate our exposure to currency exchange rates through hedging transactions, these efforts are not always successful. Thus we realized net currency translation losses totaling \$1.0 million for fiscal 2007 and \$10.8 million for fiscal 2005, and net currency translation gains of \$11.3 million for fiscal 2006. See Management's Discussion and Analysis of Financial Condition and Results of Operations Risk Management Market Risk . Adverse trends in currency exchange rates could have an adverse effect on our earnings, and while we have realized net currency translation gains in the most recent periods, we could incur significant currency translation losses again in the future. Moreover, changes in currency exchange rates from one period to the next could make period-to-period comparisons of our performance historically as well as in the future more difficult.

### ***Our operating results are subject to significant fluctuations due to seasonality and, as a result, our operating results in any particular period may not be a reliable indicator of our future or annual performance.***

In the past, our business has experienced seasonal fluctuations, reflecting reduced trading activity during summer months, particularly in August. We also generally experience reduced trading activity in December due to seasonal holidays. In addition, trading in some commodity derivatives, such as energy, is affected by the supply of, and demand for, the underlying commodity, which is seasonal and may change significantly. We also may experience reduced revenues in a quarter due to a decrease in the number of business days in that quarter. As a result of these seasonal fluctuations, our operating results in any particular period may not be a reliable indicator of our future or annual performance.

## **Risks Related to Our Capital Needs and Financial Position**

### ***We must maintain substantial amounts of capital and liquidity to conduct and grow our business.***

Our ability to provide clearing services, which is a critical part of our business, depends heavily on our ability to obtain capital. In order to serve as a clearing broker, we must maintain capital at or above specified minimum levels required by various regulators throughout the world, and our failure to do so could expose us to significant penalties and sanctions as we describe under Risks Related to Regulation and Litigation We are required to

---

**Table of Contents**

maintain high levels of capital, which could constrain our growth and subject us to regulatory sanctions. In order to protect ourselves against the risk of default by our clearing clients, we must also maintain capital at levels determined in accordance with our internal risk-management guidelines, which in many cases are more stringent than the capital requirements of our regulators. Thus, as a clearing broker, we must maintain capital not only to comply with applicable laws and regulations but to manage the risks inherent in our clearing operations in accordance with guidelines that we believe to be appropriate. Moreover, the level of capital that we maintain determines the extent to which we may expand our clearing operations; if we increase our capital, our clearing operations can grow, but if our capital is reduced due to financial loss, our clearing operations may decline.

The amount of capital we maintain also determines our creditworthiness and, therefore, the way we are perceived by clients and our ability to attract client assets. Liquidity, or ready access to these funds, is also essential to our operations and to our clients' willingness to clear their transactions through us. Clients will clear their trades and clearinghouses and other clearing firms will deal only with firms that are regarded as well capitalized and having sufficient liquid assets, and that maintain acceptable credit ratings from the independent rating agencies such as Fitch, Moody's and S&P. In addition, our clearing contracts for investment products managed by Man Investments, as well as a number of our bilateral contracts in the OTC markets, include ratings maintenance requirements. Thus, if we are unable to maintain capital at levels that the rating agencies or the market generally consider appropriate for our business, if we experience actual or perceived liquidity issues, or if for any other reason the market loses confidence in our financial condition, we will be unable to provide competitive clearing services, which are a major part of our business, and our clients will withdraw assets from their accounts, which would impair a substantial source of our interest income. Any announcement by a rating agency that our credit rating is being downgraded, or even that we are being placed on creditwatch with potential negative implications, for example, could have a serious adverse impact on our results of operations and perhaps our financial condition. Moreover, concerns about our credit rating may limit our ability to pursue acquisitions and, to the extent we pursue acquisitions that affect our credit rating, our business may suffer. To avoid a situation where our credit rating is at risk, we may need to limit the growth of our business or even to reduce our operations or sell assets. We could also be compelled to raise additional capital on unfavorable terms, which in the case of debt capital could result in substantial additional interest expense and lower earnings and in the case of equity capital could result in substantial dilution to our shareholders.

For these reasons, we must maintain continuous access to adequate and sufficiently liquid sources of capital on acceptable terms. Failure to do so could have severe consequences from a regulatory, risk-management or credit perspective. Even a less severe outcome, such as retaining the ability to obtain capital but only at a higher cost, could significantly increase our interest expense and impair our earnings.

***Our separation from Man Group could adversely affect our ability to obtain capital.***

Until recently, we operated as a division of Man Group. Because of Man Group's substantial resources, we were able to obtain capital when needed and benefited from Man Group's consolidated credit rating. As a result of our separation from Man Group, we need to develop and maintain our own sources of capital and to establish and maintain credit ratings on a stand-alone basis. Our objective is to do so in a manner that will enable us to continue to conduct and expand our business as we have in the past. However, we cannot assure you that, on a stand-alone basis, our credit rating will be as favorable, or that we will be able to manage our cost of capital as effectively, as in the past.

***The Recapitalization will require us to obtain additional financing in the near future.***

Through one of our U.S. finance subsidiaries, MF Global Finance USA Inc., we recently borrowed approximately \$1.4 billion in a short-term bridge loan from several financial institutions, including affiliates of several of the underwriters in this offering. MF Global has guaranteed the repayment of these borrowings under the bridge loan. We used a portion of the net proceeds from the bridge loan to repay our outstanding borrowings owed to Man Group and third parties, which substantially increased the portion of our indebtedness owed to unaffiliated third parties.

---

## **Table of Contents**

Under the terms of the bridge loan, we must repay the outstanding principal within one year after the loan is made. If we do not ultimately repay the principal by the due date, the lenders will be entitled to declare a default. The bridge loan also subjects us to some covenants that could restrict our operating flexibility, including our ability to incur additional debt, grant liens on our assets and sell assets or merge. The terms of the bridge loan are described in Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources .

We intend to use the proceeds of this offering of notes and the proceeds of our concurrent offering of fixed-to-floating rate junior subordinated debentures, to replace the bridge loan. The two offerings are not conditioned on one another and may not be consummated at the same time. Our decision to proceed with the offering of the junior subordinated debentures will be made independently, subject to market conditions, from our decision to proceed with this offering. We cannot assure you that we will be able to raise sufficient funds to repay the bridge loan in its entirety. Our ability to fully replace the bridge loan will depend on market conditions as well as our financial performance and credit ratings, factors that we do not entirely control. If we are unable to replace the bridge loan within a relatively short period of time, our financial condition could be impaired.

Even if we are able to fully replace our bridge loan as currently planned, we expect that our capital needs going forward will be greater than they were prior to our separation from Man Group. For example, because of pending changes in U.K. regulations, the amount of regulatory capital we are required to maintain to support our current operations will increase substantially on January 1, 2008. We will also need to increase our regulatory capital as well as the capital required under our internal risk-management guidelines in order to expand our operations and make acquisitions in the future as we currently intend to do. See Risks Related to Regulation and Litigation . Thus, we may need to incur additional debt or sell additional equity in the future in order to expand or even to maintain our business. If our debt increases in the future, our earnings, our credit ratings and our business could be adversely affected. We cannot assure you that our clients, the rating agencies, our lenders or our regulators will regard our capital position or financial strength going forward as favorably as they have in the past, that we will be able to obtain the additional capital we will need to sustain and grow our business on favorable terms or that our separation from Man Group will not have a material adverse effect on our access to capital and thus on our business.

### ***Our clearing operations expose us to significant client and counterparty default risks.***

When we clear transactions for our clients, either on an exchange or in the OTC markets, we are responsible for their performance to the other party to the transaction, which exposes us to the risk of default by our clients. Clients may default on their payment or delivery obligations for any number of reasons, including insolvency or lack of liquidity and operational failure. They may also claim error in the execution process and refuse to perform. In these situations, clients are generally obligated to maintain margin cash or other liquid collateral in amounts sufficient to secure their obligations to perform at all times while they maintain open positions. However, we may fail to monitor their positions and evaluate their risk exposures accurately, and thus fail to require that they post adequate margin initially or fail to increase their margin when necessary to keep pace with market movements that may increase their obligations from time to time. Additionally, we may extend credit to a limited number of corporate and institutional clients and within specified limits may waive or fund the margin requirements applicable to them. These actions could increase our losses from any potential default. If a default occurs, we may be unable to realize proceeds from the sale of the collateral sufficient to cover our exposure, perhaps because we are unable to act quickly enough to avoid a substantial decline in the value of the collateral or because market conditions may make it difficult to liquidate a defaulting client's position quickly. This could be the case in times of market stress, which are precisely the times when defaults may be most likely to occur. For example, the collapse of Enron in 2001 and, more recently, sharp price declines in the Indian equities markets in the spring of 2006, led to substantial stress and defaults in some of our markets, and while we did not incur any significant losses in those situations, we cannot assure you that we will be able to avoid significant losses when periods of market stress and defaults occur in the future. Among other things, our risk-management models may not accurately anticipate the impact from market stress.



---

## **Table of Contents**

In particular, systemic shocks could result from highly leveraged market participants, such as one or more large hedge funds, defaulting on their obligations to their brokers, who in turn could default on their obligations to counterparties. We may not be adequately prepared to handle such events, which may disrupt the financial markets and result in financial losses in the near term and reduced trading activity and profitability in the longer term.

Moreover, when we act as a clearing broker, we are also responsible to our clearing clients for performance by the other party to the transaction. While the other party is often a clearinghouse (through novation or substitution), in some OTC trades it may be another clearing broker or even a counterparty and, unless the other side is a counterparty, we generally do not receive collateral to secure its obligations. In addition, if a clearing member defaults on its obligations to a clearinghouse in an amount larger than its margin and clearing fund deposits, the shortfall is absorbed pro rata from the deposits of other clearing members. Such a default by a clearing member of a clearinghouse of which we are also a clearing member could result in losses to us, including losses resulting from the defaults of other market participants. Thus, we are exposed to the risks of clearinghouse, clearing broker and counterparty default and, in the case of clearinghouses and clearing brokers, without collateral to offset these risks.

Although we regularly review our credit exposures to specific clients to address our credit concerns, default risk may arise from events or circumstances that are difficult to detect, foresee or evaluate. In addition, concerns about, or a default by, one large participant in a particular market could lead to significant liquidity problems for other participants in that or related markets, leading in turn to losses or defaults by the other participants, which may include our clients and clearing counterparties, that could expose us to significant loss. We may be materially and adversely affected in the event of a significant default by any of our clients and clearing counterparties.

We also rely on the efficient functioning of settlement systems operated by third parties to conduct our operations, and any failure of these systems could result in substantial losses to us from failed trades and client or counterparty defaults. We also maintain large cash deposits and liquid investments at various banks and thus could lose substantial assets if these banks encountered financial difficulty. In addition, we deal extensively with non-clearing members of various exchanges, which have more limited financial resources than members that are authorized by exchanges to provide clearing services. Similarly, we engage in stock lending and repurchase agreements with various clients, and we could incur substantial losses in the event that these third parties fail to perform their obligations to deliver or repurchase securities, whether because of financial difficulty, inability to locate securities due to market conditions or any other reason.

For an analysis of our credit risk that is, the possibility that we may suffer losses from the failure of clients, counterparties and borrowers to meet their financial obligations to us please refer to Management's Discussion and Analysis of Financial Condition and Results of Operations Risk Management Credit Risk , which includes information about default losses we have incurred and an analysis of our credit exposure based on our internal rating categories. The amount of default losses in prior periods is not necessarily indicative of the amount of losses we may suffer in any future period; losses in future periods could be substantial.

***Derivative transactions are subject to unique risks, which may increase the risk of client default and thus our exposure to financial loss.***

Unlike cash products, derivative transactions involve a significant degree of leverage, meaning that potential gains or losses from these trades could be substantially greater than the amount invested. As a result, our clients who trade in derivative products have greater exposure to loss from movements in market prices. This, in turn, increases the risk of default by our clients and thus our potential for financial loss. In addition, derivative trades in OTC markets are often effected without the benefit of a clearinghouse, which exposes us to counterparty credit risk when we act as a clearing broker for our clients. Moreover, derivative transactions generally involve longer settlement periods than cash trades that is, the parties' obligations to make payments or deliveries extend over longer periods of time and may involve multiple payments or deliveries. As a result, derivative transactions frequently involve credit and market risks for longer periods of time and are often accompanied by hedging and

---

## **Table of Contents**

collateral arrangements. The longer settlement periods, as well as the related hedging and collateral arrangements, make derivative transactions and the parties' performance of their obligations more complex and may result in mismatches or delays in the timing of cash flows due from one party to the other, thus increasing the parties' need for cash to fund potential timing shortfalls and, ultimately, the risk of losses due to default, human error, system failure or other shortcomings in our risk-management function.

Because derivative transactions can involve greater market, credit, liquidity and operational risks than cash trades, we also face a greater risk that our clients may seek to hold us responsible when they suffer financial losses on their trades, on the ground that these trades were not suitable for them or that the risks were not fully disclosed or were misrepresented to them. In addition, clients may claim that we breached a fiduciary duty allegedly owed to them. These risks are likely to be greatest with regard to our private clients but may exist across all client groups. The relatively complex nature of derivative transactions also makes it more difficult to monitor, evaluate and manage the risks associated with these trades, and thus makes us more vulnerable to the risk of client default.

***While we take positions for our own account primarily to facilitate client trades on a matched-principal basis, our principal transactions nevertheless expose us to market risk.***

When we take positions for our own account, we do so primarily to execute client orders and not for directional purposes i.e., not for the purpose of profiting from anticipated changes in market prices. Moreover, when we execute client orders in this manner we do so on a matched-principal basis, by entering into the requested trade for our own account and contemporaneously entering into an offsetting trade with another party. However, executing client orders on this basis exposes us to market risks for brief periods that is, to the risk that market prices will change before we are able to enter into an offsetting trade that eliminates our exposure to loss from changes in market prices. We believe this risk is limited by the fact that we are generally able to find an offsetting trade relatively quickly, often within minutes and generally on the same trading day, but we are not able to do so in all cases. In addition, the offsetting trades may not always be perfectly matched in terms of their duration or other aspects, and thus may not eliminate our exposure to market risk entirely.

In addition, we take positions for our own account in order to hedge our exposure to changes in foreign currency exchange rates and interest rates risks that are inherent in the international character and financial focus of our operations. Because of the limitations and uncertainties inherent in hedging strategies, however, our exposure to market risk from these transactions is not fully offset and may not always be fully known.

Overall, we believe that our exposure to market risk is substantially lower than it would be if we took positions for our own account primarily for directional purposes rather than primarily to facilitate client trades on a matched basis and to hedge and manage our corporate assets. However, for the reasons noted above, our trading practices do not eliminate market risk entirely, and we may incur trading losses from time to time. We cannot assure you that we will not incur significant losses at any time in the future, particularly in the event of severe market stress. See Management's Discussion and Analysis of Financial Condition and Results of Operations Risk Management Market Risk .

***Our risk-management methods might not be effective, which could negatively impact our business.***

For us to manage the significant risks inherent in our business, we must maintain effective policies, procedures and systems that enable us to identify, monitor and control our exposure to market, credit, operational, legal and reputational risks. While we believe that our disciplined approach to risk management, and the diversified nature of our client risk exposures, help us to manage the risks in our business, our efforts to do so may not be effective. For a description of our risk-management systems, see Our Business Risk Management . Our risk-management methods focus on monitoring each client's potential exposure at default that is, our potential exposure to loss in the event that the client defaults and adjusting that client's margin requirements accordingly in an effort to ensure that their collateral is sufficient to secure their performance obligations on their open positions. This function requires, among other things, that we properly record and verify hundreds of thousands of transactions and events

---

## **Table of Contents**

each day, and that we continuously monitor and evaluate the size and nature of our clients' positions and the associated risks. We must rely upon our analysis of information regarding markets, personnel, clients or other matters that are publicly available or otherwise accessible by us. That information may not in all cases be accurate, complete, up-to-date or properly analyzed. Further, we rely on a combination of technical and human controls and supervision that are subject to error and potential failure, the challenges of which are exacerbated by the 24-hour-a-day, global nature of our business. Our risk-management methods are based on internally developed controls, observed historical market behavior and what we believe to be industry practices. However, our methods may not adequately prevent future losses, particularly as they may relate to extreme market movements for which there is little historical precedent. Thus, our risk-management methods may prove to be ineffective because of their design, their implementation or the lack of adequate, accurate or timely information. If our risk-management efforts are ineffective, we could suffer losses that could have a material adverse effect on our financial condition or operating results. Additionally, we could be subject to litigation, particularly from our clients, and sanctions or fines from regulators.

### **Risks Related to Regulation and Litigation**

#### ***We operate in a heavily regulated environment that imposes significant compliance requirements and costs on us.***

We are extensively regulated by governmental bodies and self-regulatory organizations worldwide. Many of the regulations we are governed by are intended to protect the public, our clients and the integrity of the markets, and not necessarily our shareholders. Substantially all of our operations involving the execution and clearing of transactions in derivative and cash products are conducted through subsidiaries that are regulated by governmental bodies or self-regulatory organizations. In the United Kingdom, we are principally regulated by the Financial Services Authority. In the United States, we are principally regulated in the futures markets by the Commodity Futures Trading Commission and the Chicago Mercantile Exchange, and in the securities markets by the Securities and Exchange Commission and the National Association of Securities Dealers. We are also regulated in all regions by local regulatory authorities and the various exchanges of which we are members. For example, we are regulated by the Monetary Authority of Singapore, the Securities and Exchange Board of India, the Australian Securities and Investment Commission and the Investment Dealers Association of Canada, among others. These regulators and self-regulatory organizations regulate the conduct of our business in many ways and conduct regular examinations of our business to monitor our compliance with these regulations. For example the Financial Services Authority has required us to retain an independent third party to review and report on our anti-money laundering compliance function relating to our U.K. operations. See [Our Business Regulation and Exchange Memberships](#). Among other things, we are subject to regulation with regard to:

our sales practices, including our interaction with and solicitation of clients and our marketing activities;

the custody, control and safeguarding of our clients' assets;

account statements, record keeping and retention;

maintaining specified minimum amounts of capital and limiting withdrawals of funds from our regulated operating subsidiaries;

making regular financial and other reports to regulators;

anti-money laundering and other reporting practices;

licensing for our operating subsidiaries and our employees;

the conduct of our directors, officers, employees and affiliates; and

supervision of our business.

---

**Table of Contents**

***Our failure to comply with regulatory requirements could subject us to sanctions and adversely affect our business.***

Many of the laws and regulations by which we are governed grant regulators broad powers to investigate and enforce compliance with their rules and regulations and to impose penalties and other sanctions for non-compliance. For example, the Commodity Futures Trading Commission recently fined us \$120,000 for failing to supervise a former employee who fraudulently solicited customers and ordered us to pay approximately \$196,900 in restitution to customers. See *Our Business Legal Proceedings* . If a regulator finds that we have failed to comply with its rules and regulations, we may be subject to fines or other sanctions, which could adversely affect our reputation and operations. In particular, certain of the requirements that we must comply with are focused on protecting our private clients. If we fail to comply with applicable laws, rules or regulations, we may be subject to censure, fines, cease-and-desist orders, suspension of our business, removal of personnel, civil litigation or other sanctions, including, in some cases, increased reporting requirements or other undertakings, revocation of our operating licenses or criminal conviction. In addition, if we fail to comply with applicable laws, rules or regulations, we may also be subject to the loss of clients, negative publicity and litigation, particularly from our retail clients. Our ability to comply with all applicable laws and regulations is dependent in large part on our internal compliance function as well as our ability to attract and retain qualified compliance personnel. Non-compliance with applicable laws or regulations could adversely affect our reputation, prospects, revenues and earnings.

***The regulatory environment in which we operate is subject to continual change.***

The legislative and regulatory environment in which we operate has undergone significant changes in the recent past and there may be future regulatory changes in our industry. The financial services industry in general has been subject to increasing regulatory oversight in recent years. The governmental bodies and self-regulatory organizations that regulate our business may propose and consider additional legislative and regulatory initiatives and may adopt new or revised laws and regulations. As a result, in the future, we may become subject to new regulations that may affect the way in which we conduct our business and may make our business less profitable. Changes in the interpretation or enforcement of existing laws and regulations by those entities may also adversely affect our business.

In addition, the regulatory enforcement environment has created uncertainty with respect to certain practices or types of transactions that in the past were considered permissible and appropriate among financial services firms, but that later have been called into question or with respect to which additional regulatory requirements have been imposed. Legal or regulatory uncertainty and additional regulatory requirements could result in a loss of business. In Europe, regulators recently adopted the Markets in Financial Instruments Directive, known as MiFID, which will take effect on November 1, 2007. This directive extends the coverage of the existing Investment Services Directive and introduces new and more extensive requirements for most firms engaged in financial services relating to the conduct of their business and internal organization. As a result of MiFID, we will be required to establish policies for monitoring best execution of client trades and managing business conflicts of interest. Additionally, we will face enhanced record-keeping and know your customer obligations. We expect that the changes resulting from the implementation of this directive will require us to make additional investments in our information technology systems and compliance efforts. In addition, we will also be subject to the new Capital Requirements Directive, effective January 1, 2008, which sets forth requirements with respect to the minimum levels of regulatory capital we must hold. As discussed above, new and changing regulatory requirements may make it more difficult or less profitable for us to operate our business.

***Requirements of the U.S. Office of Foreign Assets Control and the USA PATRIOT Act and similar laws may expose us to significant costs or penalties.***

As participants in the financial services industry, our business is subject to laws and regulations, including the USA PATRIOT Act of 2001, or the PATRIOT Act, which requires us to know certain information about our clients and to monitor their transactions for suspicious financial activities. In addition, the U.S. Office of Foreign Assets Control, or OFAC, has issued regulations requiring that we refrain from doing business, or allowing our

---

**Table of Contents**

clients to do business through us, in certain countries or with certain organizations or individuals on a prohibited list maintained by the U.S. government. The United Kingdom, the European Union and other jurisdictions maintain similar laws and regulations. The cost of complying with the regulations of the U.S. Office of Foreign Assets Control and the PATRIOT Act and similar laws is significant. In particular, since we operate globally, we face significant difficulties in identifying our international clients, gathering the required information about them and monitoring their account activities. U.S. and other governmental agencies are highly focused on compliance with these laws. We face risks that our policies, procedures, technology and personnel directed toward complying with the regulations of the U.S. Office of Foreign Assets Control and the PATRIOT Act and similar laws are insufficient and that we could be subject to significant criminal and civil penalties due to non-compliance. These penalties could have a material adverse effect on our business, financial condition and operating results. For a discussion of these matters, including a pending review of our anti-money laundering policies and procedures that the Financial Services Authority has required us to undertake, see [Our Business Regulation and Exchange Memberships](#).

***We are required to maintain high levels of capital, which could constrain our growth and subject us to regulatory sanctions.***

The Financial Services Authority, Commodity Futures Trading Commission, SEC and other U.S. and non-U.S. regulators have stringent rules requiring that we maintain specific minimum levels of regulatory capital in our operating subsidiaries that conduct our futures and securities business. As of March 31, 2007, on a separate company basis, we would have been required to maintain approximately \$1.5 billion minimum capital (including \$294 million in respect of goodwill and other intangible assets) in the aggregate across all jurisdictions, representing a 15.7% increase from our minimum regulatory capital requirement at March 31, 2006. Regulators in different jurisdictions require different amounts of regulatory capital to be met by shareholders' equity. Approximately \$1.1 billion of shareholder's equity was required to meet the minimum regulatory capital requirements at March 31, 2007. (We, in fact, generally maintain total risk capital well in excess of this level in order to meet our internal risk-management guidelines and, as a result, our capital costs are substantially higher than those attributable solely to applicable regulatory or self-regulatory requirements.) Regulators continue to evaluate and modify regulatory capital requirements from time to time in response to market events and to improve the stability of the international financial system. For example, we are in the process of implementing the new European Union Capital Requirements Directive, effective January 1, 2008, which will increase our required minimum levels of regulatory capital. We expect the revised capital adequacy framework, in combination with our recent separation from Man Group, to increase our regulatory capital requirements by approximately \$600 million as of January 1, 2008. This increase largely results from revised regulatory capital requirements for operational risk, exchange-traded derivatives and certain intercompany exposures. We currently believe that our capital levels should be sufficient to cover this increase in our regulatory capital as of January 1, 2008. However, additional revisions to this framework or new capital adequacy rules applicable to us may be proposed and ultimately adopted, which could further increase our minimum capital requirements in the future.

Even if regulators do not change existing regulations or adopt new ones, our minimum capital requirements will generally increase in proportion to the size of our business conducted by our regulated subsidiaries. As a result, we will need to increase our regulatory capital in order to expand our operations and increase our revenues, and our inability to increase our capital on a cost-efficient basis could constrain our growth. In addition, in many cases, we are not permitted to withdraw regulatory capital maintained by our subsidiaries without prior regulatory approval or notice, which could constrain our ability to allocate our capital resources most efficiently throughout our global operations. In particular, these restrictions could limit our ability to pay dividends or make other distributions on our shares and, in some cases, could adversely affect our ability to withdraw funds needed to satisfy our ongoing operating expenses, debt service and other cash needs.

Regulators monitor our levels of capital closely. We are required to report the amount of regulatory capital we maintain to our regulators on a regular basis, and we must report any deficiencies or material declines promptly. While we expect that our current amount of regulatory capital will be sufficient to meet anticipated

---

**Table of Contents**

short-term increases in requirements, including the effects of the European Union's Capital Requirements Directive, any failure to maintain the required levels of regulatory capital, or to report any capital deficiencies or material declines in capital could result in severe sanctions, including fines, censure, restrictions on our ability to conduct business and revocation of our registrations. The imposition of one or more of these sanctions could ultimately lead to our liquidation, or the liquidation of one or more of our subsidiaries. See Our Business Regulation and Exchange Memberships for more information on the minimum regulatory capital requirements for our futures and securities brokerage subsidiaries.

***We could be harmed by employee or introducing broker misconduct or errors that are difficult to detect and deter.***

There have been a number of highly publicized cases involving fraud or other misconduct by employees of financial services firms in recent years. Unlike other firms that have incurred significant, well publicized losses of this kind in recent years, when we take positions for our own account, we do so primarily to execute client orders and not for directional purposes i.e., not for the purpose of profiting from anticipated changes in market prices. We also take positions for our own account, when hedging our exposure in foreign currency and interest rates. We believe that limiting trades for our own account to matched-principal and hedging trades reduces the risk that our employees may execute trades for our account in excess of our exposure limits. Nevertheless, we are exposed to other risks relating to employee misconduct. Among other things, our employees could execute unauthorized transactions for our clients or for their own or any of our accounts, use client assets improperly or without authorization, carry out improper activities on behalf of clients or use confidential client or company information for personal or other improper purposes, as well as misrecord or otherwise try to hide improper activities from us. For example, we are currently subject to litigation and a regulatory investigation involving allegations of employee misconduct. See Our Business Legal Proceedings. Such exposures could be heightened in the case of private clients accounts for which our brokers, in limited circumstances, exercise discretionary authority.

In addition, employee errors, including mistakes in executing, recording or reporting transactions for clients, have in the past caused us to enter into transactions that clients disavowed and refused to settle, which could also occur in the future. Employee errors expose us to the risk of material losses until the errors are detected and the transactions are unwound or reversed. The risk of employee error or miscommunication may be greater for products that are new or have non-standardized terms. Further, such errors may be more likely to occur in the aftermath of any acquisitions during the integration of or migration from technological systems.

Misconduct by employees of our clients can also expose us to claims for financial losses or regulatory proceedings when it is alleged we or our employees knew or should have known that an employee of our client was not authorized to undertake certain transactions. Dissatisfied clients can make claims against us, including claims for negligence, fraud, unauthorized trading, failure to supervise, breach of fiduciary duty, employee errors, intentional misconduct, unauthorized transactions by associated persons and failures in the processing of transactions.

We could also be held responsible for improper conduct by our introducing brokers, even though we do not control their activities. Introducing brokers are futures brokers that maintain client relationships and delegate to us the responsibilities associated with trade execution, and back office operations. If an introducing broker effects trades through us that are unlawful, our regulators could hold us responsible if they were to conclude that we knew or should have known that the trades were unlawful. Moreover, a substantial number of our introducing brokers in the United States are guaranteed introducing brokers, meaning that we have agreed to use our capital to effectively guarantee their capital in exchange for their agreement to effect client trades exclusively through us. Under the Commodity Exchange Act, we are financially responsible for the obligations of our guaranteed introducing brokers, and we are also effectively responsible for their obligation to comply with the Commodity Exchange Act and the rules and regulations of the Commodity Futures Trading Commission.

---

## **Table of Contents**

Employee or introducing broker misconduct could subject us to financial losses or regulatory sanctions and seriously harm our reputation. We have an active program for monitoring and verifying that our employees and introducing brokers comply with specified procedures; however, it is not always possible to deter or detect employee or introducing broker misconduct, and the precautions we take to prevent and detect this activity may not be effective in all cases. Our employees or introducing brokers may also commit good faith errors that could subject us to financial claims for negligence or otherwise, as well as regulatory actions.

***We are subject to significant litigation risk, which could adversely affect our business.***

Many aspects of our business involve risks that expose us to substantial liability under U.S. federal and state laws and court decisions, as well as the rules and enforcement efforts of our regulators and self-regulatory organizations worldwide. These risks include, among others, disputes with clients and other market participants over terms of a trade, client losses resulting from system delay or failure and client claims that we or our employees executed unauthorized transactions, recommended unsuitable trades, made materially false or misleading statements or lost or diverted client assets in our custody. We may also be subject to regulatory investigation and enforcement actions seeking to impose significant fines or other sanctions, which in turn could trigger civil litigation.

For example, we are currently involved in pending lawsuits and arbitrations in which parties have made claims for substantial damages against us. The largest of these claims, which relates to the Philadelphia Alternative Asset Fund ( PAAF ), is for damages in an estimated amount of at least \$175 million (with the plaintiff claiming that these damages should be tripled under applicable law). We describe these proceedings under Our Business Legal Proceedings . We are not being indemnified by Man Group with respect to any litigation exposures related to periods prior to or after this offering, except to a limited extent with respect to the PAAF claim. For a further description of our indemnification agreement with Man Group and the conditions to which the indemnification agreement is subject, see Certain Relationships and Related Transactions . If our existing insurance and indemnity are unavailable or insufficient, an unfavorable judgment in some of these legal proceedings may have an adverse effect on our results of operations.

The volume of claims and the amount of damages and fines claimed in litigation and regulatory proceedings against financial intermediaries has been increasing, particularly in the post-Enron environment. The large amounts involved in the trades we execute, together with rapid price movements in our markets, can result in potentially large damage claims in any litigation resulting from such trades. Dissatisfied clients, particularly private clients, frequently make claims against their brokers, including us, regarding the quality of trade execution, improperly settled trades, mismanagement or even fraud, and these claims may increase as our business expands. For example, as our order flow for exchange-traded derivatives grows and we are able to execute more client orders internally without sending them to an exchange, we may become subject to an increasing number of claims of our clients that we failed to execute their orders on the most favorable terms.

Litigation may also arise from disputes over the exercise of our rights with respect to client accounts and collateral. Although our client agreements generally provide that we may exercise such rights with respect to client accounts and collateral as we deem reasonably necessary for our protection, our exercise of these rights has at times led to claims by clients that we have exercised these rights improperly.

Even if we prevail in any litigation or enforcement proceedings against us, we could incur significant legal expenses defending against the claims, even those without merit. Moreover, because even meritless claims can damage our reputation or raise concerns among our clients, we may feel compelled to settle claims at significant cost. An adverse resolution of any claims or proceedings against us could have a material adverse effect on our reputation, financial condition or operating results. See Our Business Legal Proceedings .



---

## **Table of Contents**

### ***Our business may be adversely affected if our reputation is harmed.***

In addition to litigation risks, our business is subject to significant reputational risks. If we fail, or appear to fail, to deal with various issues that may affect our reputation, our clients and our business and prospects could be seriously harmed. This could be the case not only in situations involving legal violations but also in those where no laws have been violated. Our reputation could be harmed in many different ways, including as a result of regulatory, governance, risk-management, technological or other failures, employee misconduct, adverse publicity, perceived or actual conflict of interests or ethical issues, money laundering, privacy concerns and sales and trading practices viewed as unfair to our clients. In recent years, there have been a number of highly publicized incidents in which financial services firms have suffered significant damage to their reputations that in turn resulted in sudden and in some cases irreparable harm to their business.

### **Risks Related to Our Separation from Man Group**

#### ***As a result of our separation from Man Group and the initial public offering of our common shares, we need to make significant changes in order to operate as an independent company, and we will need to do so in a timely and cost-effective manner.***

Prior to our separation from Man Group and the initial public offering of our common shares, we operated as a division of Man Group, which provided financial and administrative support to us. Following the initial public offering of our common shares, Man Group no longer has an obligation to provide any support to us other than the limited services that it has agreed to provide pursuant to transitional services agreements described in **Certain Relationships and Related Transactions** . Under these agreements, Man Group has agreed to continue to provide us with corporate oversight and/or consultation services with respect to certain functions, such as limited tax administration, insurance management, company secretarial and global-risk management for a limited transition period. We did not, however, enter into transitional agreements with Man Group regarding other services, such as external financial reporting, external communications and investor relations or treasury services. In addition, we intend to manage our global risk-management activities on a stand-alone basis with our own personnel using the global risk-management systems used by Man Group, which has granted us a license for the software we need to operate the systems ourselves. While Man Group has agreed to provide us with limited risk-management support and consulting services, we will be fully responsible for overseeing and managing our risk-management operations on a global basis.

As a result, for the first time, we are independently responsible for these financial and administrative support functions. In addition to risk management, we provide our own external financial reporting, external communications and investor relations, treasury services and most other corporate and administrative services. Although we have retained additional personnel to assist us in these areas, we expect to continue to evaluate our staffing needs and to hire additional personnel as necessary. Several individuals in financial reporting, external communications and treasury services roles are new to our company and are just beginning to work together as a team or work at MF Global. In addition, aside from risk management services that Man Group provides to us pursuant to a transitional services agreement, we are now responsible for providing our own capital and credit support, which we believe is our most significant challenge, as we describe above under the heading **Risks Related to Our Capital Needs and Financial Position** .

We may incur significantly greater costs than we did as a division of Man Group. While we have estimated these costs in our pro forma financial statements included elsewhere in this prospectus, our estimates may not be accurate and we may not have anticipated all of the additional costs that we may incur. As a result, our pro forma financial statements may not accurately indicate the costs we may incur as an independent company.

In addition, the tax indemnities that we receive from Man Group are limited in scope and there can be no assurance that we will not incur additional tax liabilities (either as a result of our Reorganization, Separation and Recapitalization or as a result of our past or future business operations) that will not be covered by those

## Table of Contents

indemnities. For a discussion of our tax indemnities refer to [Certain Relationships and Related Transactions](#) and [Management's Discussion and Analysis of Financial Condition and Results of Operations](#) [Results of Operations](#) [Provision for Income Taxes](#) .

Moreover, while our management team includes personnel with significant experience operating a business within a combined group owned by a public company, they do not have experience managing our business on a stand-alone basis. Additionally, some of our senior executives own interests in Man Group that may be material to them. For more information about the ownership interests of some of our senior executives and directors in our company, please refer to [Management of MF Global](#) .

If we are unable to manage and operate our company as an independent public entity, our business and results of operations will be adversely affected.

***The terms of our service arrangements with Man Group may later prove to be more favorable than those we will be able to obtain from unaffiliated service providers after these arrangements expire.***

As discussed above, we recently entered into several transitional services agreements with Man Group. These services and agreements are described in detail under the heading [Certain Relationships and Related Transactions](#) . We contracted with Man Group to provide these services, however, for only limited transitional periods of generally between 12 months and three years after the completion of the initial public offering of our common shares, depending on the nature of the service. After these periods, we expect to have developed the internal resources needed to provide these services ourselves. If our internal resources prove insufficient or have not been fully developed, we will need to obtain these services from unaffiliated third parties, which may be on terms more or less favorable than those we have negotiated with Man Group, or we will need to renegotiate and renew the terms of the services that Man Group was providing to us.

While we believe these agreements we negotiated with Man Group contain commercially reasonable terms that could have been negotiated with an independent third party, the terms of these agreements may later prove to be more or less favorable than any arrangements we may make to provide these services internally or to obtain them from unaffiliated service providers in the future. We cannot assure you that when these agreements expire we will be able to provide these services ourselves or obtain them from other sources on comparable terms. As a result, we may need to incur substantial additional costs in order to provide or obtain replacement services after these agreements expire, and we may not be able to operate as effectively if the quality of the replacement services is inferior. Our pro forma financial statements included elsewhere in this prospectus reflect only the estimated cost of obtaining these services under the agreements with Man Group, and may not provide a good indication of the actual cost we will incur for these services or the resulting impact on our earnings once the agreements expire.

***We derive a portion of our revenues and earnings from clearing contracts with investment funds served by Man Group and may not be able to renew these contracts on acceptable terms when they expire after the offering.***

We have for many years provided clearing services, under various arrangements, for a number of independent investment products managed by Man Investments Limited, which is a part of the asset management division of Man Group and will remain part of Man Group. We have also provided execution services for these investment products. These brokerage services are an important source of revenue for us, accounting for approximately 2.8% of our revenues, net of interest and transaction-based expenses, for fiscal 2007. These brokerage services, together with the brokerage services we provide to several investment products managed by entities that are partially owned by Man Group referenced below, represent a substantially greater percentage, which we estimate to be approximately 10-15%, of our adjusted income before taxes. We have recently entered into new clearing agreements with regard to the relevant investment products. These new clearing agreements relate only to investment products that are currently in existence, that make allocations to Man Investments' managed futures program and for which clearing brokerage accounts have already been opened with us. These agreements provide for limited exclusivity, and do not provide for clearing services relating to investment products that may be created in the future. The new agreements do not relate to execution services.

---

**Table of Contents**

The new clearing agreements generally provide for a term of 36 months (taking into account fixed term and notice periods) from the date of the Separation, subject to cancellation by the relevant fund at any time if we fail to perform our obligations adequately or upon certain other early termination events, including a downgrade in our credit rating by a rating agency below BBB (Standard & Poor's or the equivalent). In the case of each investment product, renewal upon expiration will require a determination by the independent directors who oversee the investment product that the quality of our services and the terms of our agreement are competitive and favorable with regard to the investment product. As a result, we cannot assure you that, when these new clearing agreements expire in 2010, the independent directors for the investment products will choose to renew them or, if they choose to renew, that they will renew them on terms that are acceptable to us. It is possible, therefore, that some or all of these new clearing agreements will expire without being renewed, will be renewed on terms that are less profitable for us or will be terminated early, any of which could have a material adverse effect on our revenues and profitability. In addition, our ability to generate revenue from the services we provide with respect to the investment products managed by Man Investments Limited will depend on the level and mix of trading activity relating to these products, factors that we do not control. Moreover, because these clearing agreements relate to activities that are subject to extensive regulation, it is possible that our ability to enforce these agreements could be impaired by applicable regulation or action by regulatory authorities. As a result, there is no assurance that we will continue to derive revenue from these arrangements to the same extent that we have in the past. We described the new clearing agreements under *Certain Relationships and Related Transactions* Ongoing Commercial Relationship with Man Group .

We may segregate up to an aggregate amount of \$800 million of unrealized profits from trading in the OTC markets by certain investment products managed by Man Investments. In addition, as we often do in the ordinary course of our dealings with substantial clients, we may provide financing of these investment products' initial margin requirements from time to time, in this case in an aggregate amount up to \$500 million at any time outstanding. Although we have made no commitment in this regard, providing this financing could reduce the amount of our funds available to meet our own liquidity requirements and would, to the extent used, be taken into account for the purpose of determining our regulatory capital requirements.

We also provide brokerage services with respect to several investment products managed by entities that are partially owned by Man Group. Under their current agreements with Man Group, these entities have agreed to use us to provide brokerage services for these investment products. The brokerage services we provided for these investment products accounted for approximately 1.1% of our revenues, net of interest and transaction-based expenses, in fiscal 2007. We are not a party to any agreements between Man Group and these entities. As a result, if there were to be a change in the business relationship between Man Group and these entities, these agreements could be amended or terminated without our consent. Any such amendment or termination could result in the termination of these entities' commitment to obtain clearing services from us for these investment products, which could have an adverse effect on our revenues.

***Our existing and potential clients, industry vendors, recruiting candidates and investors may not recognize our new brand name, which may hurt our revenue and earnings.***

In 2007, we introduced our new brand name, MF Global. In connection with the initial public offering of our common shares, we officially changed our name from Man Financial to MF Global and began marketing our business under this new name. We have entered into a trademark agreement with Man Group, which grants us a license to use the *Man* trademark and the *Man Financial* trademark as part of a strapline for a period of six months following the completion of the initial public offering of our common shares. The license also includes the right of MF Global to use *Man* and/or *Man Financial* for two years following the completion of the initial public offering of our common shares in certain domain names solely for the purpose of re-directing website users to the home page of an appropriate MF Global website. In addition, our subsidiaries have the right to continue to use the *Man* trademark as part of our legal and trade names for a period of six months following the completion of the initial public offering of our common shares. Upon expiration of these periods, we will no longer be able to use the names *Man* or *Man Financial* in any way.

---

## **Table of Contents**

Because we have previously marketed our business under the name Man Financial, certain existing and potential clients, industry vendors and market participants generally may not recognize our new brand, and this may make it harder for us to maintain and develop our client base, at least during an initial transition period. Our name change also may affect our ability to recruit qualified personnel. We cannot predict the impact of this change on our business. If we fail to build strong new brand recognition, our revenue and profitability may decline and our business prospects may suffer. In addition, we expect to incur additional marketing costs associated with developing our brand, which will be in excess of our historical marketing expenditures.

***Our historical financial results as a part of Man Group may not reflect what our results would have been or what our future results might be as a separate, independent entity.***

The combined financial information included in this prospectus may not reflect our results of operations, financial condition and cash flows had we actually been an independent company during the periods presented. Because we did not operate, and Man Group did not account for us, as a separate, independent entity for the historical periods presented, our historical financial statements are based on estimates about the portion of certain Man Group consolidated expenses that is attributable to our business. Man Group has estimated and allocated to us expenses arising from shared services and infrastructure provided by Man Group, such as employee compensation and benefits, the use of office facilities and services related to certain corporate functions.

Accordingly, those estimated amounts expensed in our historical financial information may not be reflective of our results of operations, financial condition and cash flows had we been an independent company during the periods presented, and the historical financial information may not be a reliable indicator of what our results of operations, financial condition and cash flows will be in the future.

***The pro forma financial information in this prospectus is based on estimates and assumptions that may prove to be materially different from our actual experience as a separate, independent company.***

In preparing the pro forma financial information included elsewhere in this prospectus, we have made adjustments to the historical financial information based upon currently available information and upon estimates and assumptions that our management believes are reasonable in order to reflect, on a pro forma basis, the impact of the transactions contemplated by our separation from Man Group. However, these estimates are predicated on assumptions, judgments and other information which are inherently uncertain. For example, our estimated employee share compensation expense was calculated using assumptions with respect to the expected volatility of our common shares, the risk-free interest rate and the average expected life of our grants; and our estimated debt expense was calculated using assumptions regarding expected interest rates over the relevant period.

These estimates and assumptions used in the preparation of the pro forma financial information in this prospectus may be materially different from our actual experience as a separate, independent company. The pro forma financial information included elsewhere in this prospectus does not purport to represent what our results of operations would actually have been had we operated as a separate, independent company during the periods presented, nor do the pro forma data give effect to any events other than those discussed in the unaudited pro forma financial statements and related notes. See Unaudited Pro Forma Combined Financial Information .

***Our non-competition and non-solicitation agreements with Man Group will restrict our ability to engage in asset management activities and may not sufficiently restrict Man Group from competing with us.***

In connection with the Reorganization, Separation and Recapitalization transactions, we have entered into a master separation agreement with Man Group that governs the principal terms of the separation of our business from Man Group. As part of this agreement, we and Man Group have agreed to non-competition and non-solicitation agreements that are intended to prevent us from competing against one another for a period of three years following the Separation. The non-competition agreement, with certain exceptions, prohibits us from engaging during this period in various hedge fund asset management activities and from selling certain hedge

---

**Table of Contents**

fund products to third parties for distribution to retail investors. Similarly, with certain exceptions, Man Group is prohibited during this period from providing any third party with brokerage, execution or clearing services for exchange-listed futures or options, cash equities or bonds, OTC derivatives related to equities, fixed income and commodities (including contracts for differences and spread-trading) or foreign exchange. In addition, we and Man Group have agreed that we will not solicit for a period of three years any employees of the other party or its subsidiaries.

The non-competition provisions limit the scope of our business activities, which could limit our future growth opportunities. While Man Group has agreed to refrain from competing with us, this agreement may not be effective in preventing Man Group from competing with us in important markets, particularly following its expiration, or be broad enough to cover activities in which we may engage in the future. If the agreement limits our future growth or is not effective in preventing Man Group from competing with us, directly or indirectly, our business and results of operations may suffer. For more information on the terms of these non-competition and non-solicitation provisions, see *Certain Relationships and Related Transactions* Master Separation Agreement .

***We are required by Section 404 of the Sarbanes-Oxley Act to evaluate the effectiveness of our internal controls by the end of fiscal 2009 and we cannot predict the outcome of that effort.***

As a U.S.-listed public company, we are required to comply with Section 404 of the Sarbanes-Oxley Act by March 31, 2009. Section 404 requires that we evaluate our internal control over financial reporting to enable management to report on, and our independent auditors to audit, the effectiveness of those controls. While we have begun the lengthy process of evaluating our internal controls, we are in the early phases of our review and will not complete our review until well after this offering is completed. We cannot predict the outcome of our review at this time. During the course of our review, we may identify control deficiencies of varying degrees of severity, and we may incur significant costs to remediate those deficiencies or otherwise improve our internal controls. As a public company, we will be required to report control deficiencies that constitute a material weakness in our internal control over financial reporting. We will also be required to obtain an audit report from our independent auditors regarding the effectiveness of our internal controls over financial reporting. If we fail to implement the requirements of Section 404 in a timely manner, we may be subject to sanctions or investigation by regulatory authorities, including the SEC or the New York Stock Exchange. Furthermore, if we discover a material weakness or our auditor does not provide an unqualified audit report, our share price could decline and our ability to raise capital could be impaired.

***Being a public company will increase our administrative expenses and workload.***

As a public company with shares listed on a U.S. exchange, we need to comply with an extensive body of regulations that did not apply to us prior to our separation from Man Group and the initial public offering of our common shares, including provisions of the Sarbanes-Oxley Act, regulations of the SEC and requirements of the NYSE. Compliance will require a significant amount of the time of our board of directors and management and will increase our costs and expenses. We will need to:

review and evaluate our internal control over financial reporting as required by Section 404 of the Sarbanes-Oxley Act and related SEC rules;

prepare and disseminate periodic financial reports in compliance with SEC and exchange rules, including requirements that we prepare our financial reports in accordance with U.S. GAAP, and make them available to the public on a quarterly basis;

establish internal policies and procedures to comply with SEC requirements for public companies;

enhance our investor relations, marketing and corporate communications functions; and

maintain directors and officers liability insurance.

## **Table of Contents**

In addition, our being a public company in the U.S. market may subject our directors and officers to greater scrutiny and exposure to liability. This may make it more difficult for us to attract and retain qualified members of our board of directors and management.

### **Risks Related to Our Operations and Technology**

*If we experience systems interruptions, failures or capacity constraints, our ability to conduct our operations would be materially harmed.*

We are heavily dependent on the capacity and reliability of the computer and communications systems supporting our operations, whether owned and operated by us or by third parties. We receive and process a large portion of our trade orders through electronic means, including public and private communications networks. Rapid, reliable processing of orders is critical to our clients, since any delay or disruption can cause them significant financial losses. If our clients become concerned about the reliability of our systems, they could quickly take their business to our competitors. Further, any upgrades or expansions may require significant expenditures of funds and may also increase the probability that we will suffer system degradations and failures.

Our computer and communications systems could slow down, malfunction or fail for a variety of reasons, including loss of power, vendor or network failure, acts of war or terrorism, human error, natural disasters, fire, sabotage, hardware or software malfunctions or defects, computer viruses, heavy stress placed on our systems during peak trading times, intentional acts of vandalism, client error or misuse, lack of proper maintenance or monitoring and similar events. For example, during the terrorist attacks on the World Trade Center on September 11, 2001, we lost access to a significant portion of our communications and computer networks in New York and had to rely on our backup systems. Our systems could also fail in the event of a sudden, unpredicted surge in trading volume, such as could occur in times of severe market stress. Many of these risks are beyond our control.

If events of the kind described above were to occur in the future, they could cause material disruption or failure of our computer and communications systems, with any number of severe consequences, including:

unanticipated disruptions in service to our clients;

slower response times;

delays in our clients' trade execution;

failed settlement of trades; and

incomplete or inaccurate recording, reporting or processing of trades.

While we monitor system loads and performance and implement system upgrades to handle predicted increases in trading volume, we cannot assure you that we will be able to accurately predict future volume increases or that our systems will be able to accommodate these volume increases without failure or degradation. In addition, while we have developed backup technology and disaster-recovery plans to help us mitigate some of these risks, these precautions may not be effective and, even if they work as intended, may not prevent service disruptions entirely. The same may be true for our third-party service providers.

Delay, disruption or failure of our communications and computer systems may lead to financial losses, litigation or arbitration claims by our clients as well as investigations and sanctions by our regulators around the world, which require us to maintain trade execution and communications systems able to handle anticipated present and future peak trading volumes. Our reputation could also be harmed, causing us to lose existing clients and making it more difficult for us to attract new clients. Further, any resulting financial losses could be magnified by price movements of contracts involved in trades that are delayed or fail due to these events, and we may be unable to take corrective action to mitigate these losses.



## **Table of Contents**

### ***Our networks and those of our third-party service providers may be vulnerable to security risks.***

The secure transmission of confidential information over public and private communications networks is a critical element of our operations. We process many thousands of client orders and accounts on a daily basis. The networks we use, including our online trading platforms and those of our third-party service providers, as well as the networks of the exchanges and other market participants with whom we interact, may be vulnerable to unauthorized access, computer viruses and other security problems, including the inadvertent dissemination of non-public information. Any such problems or security breaches could result in our having liability to one or more third parties. Persons who circumvent security measures or gain access to client information could wrongfully use our or our clients' information, or cause interruptions or malfunctions in our operations, any of which could have a material adverse effect on our business, financial condition and operating results. While we rely in part on security services and software provided by outside vendors to reduce this risk, we may nonetheless be subject to serious security breaches and other disruptions.

If an actual, threatened or perceived breach of our or our service providers' security measures were to occur, or if we were to release confidential client information inadvertently, our reputation could be impaired and the market perception of the effectiveness of our security measures could be harmed. As a result, clients may reduce or stop their use of our services, including our online trading platforms. We or our service providers may be required to expend significant resources to protect against the threat of security breaches or to alleviate problems caused by any breaches. The security measures we rely on may prove to be inadequate and could cause incidental system failures and delays, and thus could lower trading volumes and adversely affect our reputation, business, financial condition and operating results.

### ***We must regularly maintain and upgrade our computer and communications systems in response to technological change and client and regulatory demands in order to remain competitive, which is costly.***

The markets in which we compete are characterized by rapidly changing technology, evolving client demand and the emergence of new industry standards and practices that could render our existing technology and systems inadequate or obsolete. Our future success will depend in part on our ability to respond to demand for new services, products and technologies on a timely and cost-effective basis, and to adapt to technological advancements and changing standards, so as to address the increasingly sophisticated and varied needs of our clients and prospective clients. We cannot assure you that we will be successful in developing, introducing or marketing new services, products and technologies. We may experience difficulties that could delay or prevent us from doing so and any new service, product or technology we develop may not be accepted by the market. Any failure on our part to anticipate or respond adequately to technological advancements, client requirements or changing industry standards, or any significant delays in our doing so, could have a material adverse effect on our business, financial condition and operating results. We must also devote resources to the regular maintenance of our systems, which together with any necessary upgrades or expansions, could require significant expenditures of funds.

We depend on outside vendors to provide the principal computerized systems we use to execute and clear client trades. While we have adapted these systems to meet our needs in some important respects, our ability to modify them is limited. As a result, as our markets expand and our clients' trading and investment needs evolve, we may need to develop our own proprietary systems to supplement or even replace our existing systems. That process would require a very significant capital investment and could involve difficult transition periods when service is interrupted or fails. While we currently have no plans to develop our own systems or to replace our existing systems, we will continue to evaluate this issue in the future.

If and when we decide, or are required, to upgrade or expand our systems (or to develop our own proprietary systems), we may not have the funds necessary and the changes we make or undertake to make may not be successful or accepted by our clients. Our failure to maintain our systems as necessary or to upgrade and expand them in response to evolving client demands or emerging industry standards would have a material adverse effect on our business and results of operations.



---

## **Table of Contents**

*We rely on third parties for the software and systems we use to provide our brokerage services, and any interruption, degradation or cessation of service by these third parties could harm our business.*

We depend upon third-party vendors to provide the principal computerized systems we use to execute and clear client trades. We rely primarily on two independent electronic platforms to process trades: a platform developed by Rolfe & Nolan and used primarily in Europe and Asia, and the GMI platform developed by SunGard and used primarily in the United States. While using two platforms that operate compatibly but independently provides some redundancy in the event of a system-provider failure on one platform, it does not eliminate this risk. In addition, we may be unable to renew our licensing agreements with these system-providers for the continued use of their technology upon expiration (April 1, 2016 for Rolfe & Nolan and December 31, 2012 for SunGard). If either or both vendors fail to provide their technology and services as agreed, our operations could be disrupted and our business could be harmed. In addition, if we are unable to renew these licensing agreements when they expire, we would need to obtain alternative system technology and services from other vendors, which may prove to be less effective or reliable and more costly. Changing systems could also result in service interruptions or failures during an initial transition period, which could subject us to loss, including loss of client business, and make us less competitive over the longer term. We could also incur substantial transition costs and have to pay higher fees over the life of the new contracts, which could negatively affect our earnings.

We rely on Rolfe & Nolan, SunGard and other third parties to enhance their current products, develop new products on a timely and cost-effective basis and respond to emerging industry standards and other technological changes. If, in the future, enhancements or upgrades of third-party software and systems cannot be integrated with our technologies or if the technologies on which we rely fail to respond to industry standards or technological changes, we may be required to design our own proprietary systems. Software products may contain defects or errors, especially when first introduced or when new versions or enhancements are released. The inability of third parties to supply us with software or systems on a reliable, timely basis could harm relationships with our clients and our ability to achieve our growth targets.

### **Risks Related to Our Status as a Bermuda Company**

*Our exemption from certain Bermuda taxes is effective until March 28, 2016, and if it is not extended our results of operations and your investment could be adversely affected.*

The Bermuda Minister of Finance, under the Exempted Undertakings Tax Protection Act 1966 of Bermuda, has given us an assurance that if any legislation is enacted in Bermuda that would impose tax computed on profits or income, or computed on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, then the imposition of any such tax will not be applicable to us or any of our operations, shares, debentures or other obligations, except insofar as such tax applies to persons ordinarily resident in Bermuda or to any taxes payable by us in respect of real property leased by us in Bermuda. This assurance by the Bermuda Minister of Finance expires on March 28, 2016. There is no guarantee that we will receive a renewed assurance from the Bermuda Minister of Finance, or that the Bermuda Government will not take action to impose taxes on our business. If the Bermuda Government imposed significant taxes on our business, our earnings could decline significantly.

*We are incorporated in Bermuda, and we expect several of our directors and a significant portion of their and our assets will be located outside the United States. As a result, it may not be possible for security holders to enforce civil liability provisions of the U.S. federal or state securities laws.*

We are incorporated under the laws of Bermuda and a significant portion of our assets are located outside the United States. In addition, we expect that some of our directors will not be citizens or residents of the United States and that a significant portion of and the assets of our non-U.S. directors will be located outside the United States. Consequently, it may be difficult to serve legal process within the United States upon any of our

---

**Table of Contents**

non-U.S. directors. In addition, it may not be possible to enforce court judgments obtained in the United States against us in Bermuda or against our non-U.S. directors in their home countries, or in countries other than the United States where we or they have assets, particularly if the judgments are based on the civil liability provisions of the federal or state securities laws of the United States. There is some doubt as to whether the courts of Bermuda and other countries would recognize or enforce judgments of U.S. courts obtained against us or our directors or officers based on the civil liabilities provisions of the federal or state securities laws of the United States or would hear actions against us or those persons based on those laws. We have been advised by our legal advisors in Bermuda that the United States and Bermuda do not currently have a treaty providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any federal or state court in the United States based on civil liability, whether or not based solely on U.S. federal or state securities laws, would not automatically be enforceable in Bermuda. Similarly, those judgments may not be enforceable in countries, other than the United States, where we or our non-U.S. directors have assets.

**Risks Related to the Notes**

*Factors that adversely affect the business, operations or financial condition of MF Global could also adversely affect an investment in the notes.*

The rating agencies that provide the credit rating assigned to the notes could withdraw or lower their ratings or could place us on credit watch with negative implications. If that were to occur, the market value of the notes could fall. In addition, the number of potential investors who might be willing to purchase the notes, even at a lower price, could decrease, thereby impairing your ability to sell the notes in any trading market for the notes that may develop.

The cash available to MF Global or MFG Finance to pay their debt, including the notes, could be adversely affected. This could occur, for example, if our revenues declined or our expenses increased relative to our revenues. In addition, we may be unable to raise the funds needed to pay our obligations if our ability to borrow in the credit markets were impaired, either because of a general disruption in those markets or because of a decline in our credit rating due to events affecting our financial position in particular or our industry generally. Similarly, our available cash could be adversely affected if we were unable to sell securities or other assets we hold as needed or if MF Global were unable to obtain sufficient funds from its subsidiaries because of regulatory restrictions or financial problems affecting them. A significant and sustained reduction in the cash available to MF Global or MFG Finance could adversely affect their ability to meet their payment obligations on their debt, including the notes, in a timely manner.

*There may not be a public market for the notes. If a trading market were to develop, the notes might trade at higher or lower prices than their respective principal amount or purchase price, depending on many factors, including prevailing interest rates, the market for similar notes and our financial performance.*

The notes constitute a new issue of securities with no established trading market. No market for the notes may develop, and any market that does develop may not last. If the notes are traded, they may trade at a discount from their offering price, depending on prevailing interest rates, the market for similar securities, our performance and other factors. To the extent an active trading market does not develop, you may not be able to resell your notes at their fair market value or at all.

We understand that certain of the underwriters presently intend to make a market in the notes. However, they are not obligated to do so, and any market-making activity with respect to the notes may be discontinued at any time without notice. In addition, any market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act, and may be limited during the offering of the notes. We cannot assure you that an active trading market will exist for the notes or that any trading market that does develop will be liquid.

---

**Table of Contents**

***MF Global Finance, the issuer, is a newly formed Delaware corporation with no assets or operations. MF Global Finance's ability to service its obligations under the notes and other indebtedness will depend upon the performance of MF Global's subsidiaries and their ability to make distributions to MF Global Finance. Similar constraints apply with respect to the guarantee as MF Global is a holding company that depends on its subsidiaries for dividends and other payments to generate funds necessary to meet its financial obligations.***

MF Global Finance, the issuer of the notes, is a newly formed U.S. finance company with no assets or operations. MF Global Finance, like MF Global, depends on MF Global's subsidiaries, which conduct MF Global's brokerage business, for dividends and other payments to generate the funds necessary to meet its financial obligations, including for MF Global Finance payments of principal and interest on the notes. However, none of MF Global's subsidiaries is obligated to make funds available to MF Global Finance for payment on the notes. In addition, legal restrictions and contractual restrictions in agreements governing future indebtedness, as well as financial condition and operating requirements of MF Global's subsidiaries, may limit MF Global Finance's ability to obtain cash from these subsidiaries. The earnings from, or other available assets of, MF Global's subsidiaries may not be sufficient to pay dividends or make distributions or loans to enable MF Global Finance to make payments in respect of the notes when such payments are due. In addition, even if such earnings were sufficient, we cannot assure you that the agreements governing the future indebtedness of MF Global's subsidiaries will permit such subsidiaries to provide MF Global Finance with sufficient dividends, distributions or loans to fund interest and principal payments on the notes offered hereby when due.

Because MF Global, as the guarantor of the notes, is a holding company and the indirect parent of MF Global Finance, the restrictions and constraints described above apply similarly to the guarantor's ability to perform its obligations under the guarantee, including with respect to payments of principal and interest under the notes.

***Because the notes are not secured and are effectively subordinated to the rights of secured creditors, the notes will be subject to the prior claims of any secured creditors, and if a default occurs, we may not have sufficient funds to fulfill our obligations under the notes.***

The notes are unsecured obligations, ranking equally with other unsubordinated unsecured indebtedness. Although we do not currently have any secured indebtedness, the indenture governing the notes permits us to incur secured debt without limitation. If we incur secured debt, our assets will be subject to prior claims by our secured creditors. In the event of bankruptcy, insolvency, liquidation, reorganization, dissolution or other winding up, assets that secure debt will be available to pay obligations on the notes only after all debt secured by those assets has been repaid in full. Holders of the notes will participate in any remaining assets ratably with all of their respective unsecured and unsubordinated creditors, including trade creditors. If we incur any additional obligations that rank equally with the notes, including trade payables, the holders of those obligations will be entitled to share ratably with the holders of the notes in any proceeds distributed upon our bankruptcy, insolvency, liquidation, reorganization, dissolution or other winding up. This may have the effect of reducing the amount of proceeds paid to you. If there are not sufficient assets remaining to pay all these creditors, all or a portion of the notes then outstanding would remain unpaid.

***We are permitted to incur more debt, which may intensify the risks associated with our current leverage, including the risk that we will be unable to service our debt.***

The indenture governing the notes does not limit the amount of additional debt that we may incur. If we incur additional debt, the risks associated with our leverage, including the risk that we will be unable to service our debt, will increase.

***We may not be able to repurchase all of the notes upon a change of control repurchase event.***

As described under "Description of Notes—Purchase of Notes upon a Change of Control Repurchase Event", we will be required to offer to repurchase the notes upon the occurrence of a change of control repurchase event. We may not have sufficient funds to repurchase the notes in cash at such time or have the ability to arrange necessary financing on acceptable terms. In addition, our ability to repurchase the notes for cash may be limited by law or the terms of other agreements relating to our indebtedness outstanding at the time.

**Table of Contents**

**FORWARD-LOOKING STATEMENTS**

This prospectus, including the sections entitled Prospectus Summary , Risk Factors , Management s Discussion and Analysis of Financial Condition and Results of Operations , Our Industry and Our Business contains forward-looking statements that are based on our present beliefs and assumptions and on information currently available to us. You can identify forward-looking statements by terminology such as may , will , should , could , would , targets , goal , expect , intend , plan , anticipate , believe , estimate , predict , potential , continue , or other comparable terminology. These statements relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from those expressed or implied by these forward-looking statements. These risks and other factors include those listed under Risk Factors and elsewhere in this prospectus. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. We caution you not to place undue reliance on these forward-looking statements. Forward-looking statements in this prospectus include, but are not limited to, statements about:

our expectation to benefit from continued industry growth;

our ability to continue to provide value-added brokerage services;

our ability to capitalize on market convergence;

our ability to continue to diversify our service offerings;

our ability to pursue opportunities for enhanced operating margins;

our ability to expand our business in existing and new geographic regions;

our ability to continue to expand our business through acquisitions;

expectations regarding the business environment in which we operate and the trends in our industry;

the effects of pricing and other competitive pressures on our business as well as our perceptions regarding our business competitive position;

our accuracy regarding our expectations of our revenues and various costs;

the benefits to our business resulting from the reorganization and separation transactions as well as the initial public offering of our common shares;

our plans to refinance the bridge loan with the proceeds of this offering and our concurrent offering of fixed-to-floating rate junior subordinated debentures and obtain access to necessary liquidity;

exposure to client and counterparty default risks as well as the effectiveness of our risk-management methodology;

our ability to retain our management and other employees;

fluctuations in interest rates and currency exchange rates and their possible effects on our business;

our ability to retain service providers to perform oversight or control functions or services that have otherwise been performed in the past by Man Group;

Man Group's ability to restrict the development of our business if it retains 20% or more of our shares;

the likelihood of success in, and the impact of, litigation involving our business;

the impact of any changes in domestic and foreign regulations or government policy, including any changes or reviews of previously issued regulations and policies;

changes in exchange membership requirements;

our ability to increase the percentage of our revenues from the Asia/Pacific region;

changes in our tax rate;

our ability to maintain trading volumes and market share;

**Table of Contents**

our ability to maintain our credit rating;

our ability to maintain our existing technology systems and to keep pace with rapid technological developments;

our ability to retain existing clients and attract new ones; and

our expectations regarding the offering of junior subordinated debentures.

We caution that you should not place undue reliance on any of our forward-looking statements. Further, any forward-looking statement speaks only as of the date on which it is made. New risks and uncertainties arise from time to time, and it is impossible for us to predict those events or how they may affect us. Except as required by law, we have no duty to, and do not intend to, update or revise the forward-looking statements in this prospectus after the date of this prospectus.

---

**Table of Contents**

**THE REORGANIZATION, SEPARATION AND RECAPITALIZATION TRANSACTIONS**

**AND OUR ORGANIZATIONAL STRUCTURE**

Pursuant to a series of transactions undertaken in connection with the Reorganization and Separation, Man Group separated its brokerage business, referred to as the brokerage division, from its asset management business, referred to as the asset management division. Thereafter, MF Global acquired control over the operations and management of the brokerage division. These transactions, as well as our organizational structure after giving effect to these transactions and the initial public offering of our common shares, are described below.

**The Reorganization and Separation Transactions**

***The Reorganization***

Prior to the Reorganization, Man Group conducted our business its brokerage division and its asset management business through numerous direct and indirect subsidiaries, and each division operated autonomously from one another. In recent months, through a series of transactions, Man Group reorganized its corporate structure to separate its brokerage division from its asset management division. The brokerage division, which Man Group has historically operated under the name Man Financial, consists of all of our business, comprised of execution and clearing services for derivatives and cash products in financial markets throughout Europe, North America and the Asia/Pacific region.

The Reorganization was effected by, among other things, transferring all of the entities and assets of Man Group that comprise our business to Man Financial Overseas Ltd. and ED&F Man Group Ltd., holding companies incorporated in the United Kingdom. We refer to this series of transactions as the Reorganization.

We have a minority interest in two of the entities involved in the Reorganization:

Polaris Man Financial Futures Co. Ltd Polaris Man Financial Futures Co. Ltd is a company listed on the Taiwan Emerging Market in which we have a 20% ownership interest. Polaris Man Financial Futures Co. Ltd is a regulated provider of brokerage services in Taiwan.

United States Futures Exchange USFE is a Chicago-based electronic futures exchange in which we hold an indirect 1.8% ownership interest through our 23.9% interest in Exchange Place Holdings LP. Man Group acquired 64.7% ownership interest in USFE in October 2006, which it purchased from Eurex AG. Following the Reorganization and Separation transactions, Man Group transferred to us a 46.1% direct economic interest in USFE. For more information on USFE, see Our Business Business Overview Investment in USFE.

In addition, two entities we control, but do not wholly own, were also part of the Reorganization: Man Securities Limited, of which we own 91.0%, and Man Financial-Sify Securities India Private Limited, of which we own 70.2%.

***The Separation***

Following the completion of the Reorganization, Man Group completed the separation of our business from Man Group's asset management division, transferring all of the outstanding capital stock of Man Financial Overseas Ltd., ED&F Man Group Ltd., Man Financial (S) Pte Ltd. and Man Financial Holdings (HK) Ltd. to us. In exchange for full ownership of these transferred entities, we issued 103,726,353 of our common shares to two wholly owned subsidiaries of Man Group, which represented all of our issued and outstanding share capital at the time (other than the additionally issued shares we subsequently issued to Man Group UK Limited in the Recapitalization as described below). We refer to this transaction as the Separation. As a result of the Separation, we now own, directly or indirectly, all of the brokerage division. Following the completion of these transactions, we renamed ED&F Man Group Ltd., Man Financial Overseas Ltd., Man Financial Holdings Limited and Man Group USA Inc. as MFG Europe Holdings Limited, MFG Overseas Holdings Limited, MFG Overseas Limited and MFG US Holdings Inc., respectively. See Organizational Structure below. Prior to the initial public offering of our common shares, we were wholly owned by Man Group. Following the initial public offering of our common shares, Man Group retained a 19.6% ownership interest in MF Global.





## **Table of Contents**

In connection with these transactions, we and several of our subsidiaries entered into several transitional services and other agreements with Man Group, which govern the ongoing business relationships between us. The principal agreements include the following:

Master Separation Agreement

Trademark Agreement

Insurance Services Agreement

Tax Matters Deed

Group Risk Services Agreement

Treasury Services Agreement

PAAF Indemnity

The term Separation includes our entry into these agreements with Man Group. For a description of these and other agreements, see the discussion under the heading Certain Relationships and Related Transactions .

## **The Recapitalization**

In connection with the initial public offering of our common shares, we also engaged in several additional transactions that resulted in significant changes to our historical capital structure, as follows:

Man Group made a net capital contribution in cash to us in return for approximately 17.4 million additional common shares that we issued to Man Group UK Limited. For purposes of our pro forma combined balance sheet, the amount of the net capital contribution was calculated using our equity at March 31, 2007. The actual amount of the net capital contribution was calculated as the difference between \$1.2 billion and our equity at June 30, 2007, which we estimated on the date of the Recapitalization, as adjusted for certain subsequent transactions. During September 2007, we and Man Group will recalculate the net capital contribution amount based on our balance sheet as of June 30, 2007, with reasonable adjustments thereto. To the extent the latter calculation of the net capital contribution produces a figure that is different from that which was initially calculated, we and Man Group will reconcile the difference through a further cash payment from Man Group to us, or from us to Man Group, as appropriate;

one of our U.S. finance subsidiaries, MF Global Finance USA Inc., borrowed (and we guaranteed the repayment of) approximately \$1.4 billion in a 364-day bridge loan from several financial institutions, including affiliates of several of the underwriters in this offering; and

we used a portion of the net proceeds from the bridge loan to repay all of our outstanding borrowings owed to Man Group and third parties.

We refer to the three transactions specified above, collectively, as our Recapitalization and we describe the estimated pro forma effects of these transactions under Our Capitalization and Unaudited Pro Forma Combined Financial Information . We intend to repay all borrowings under the

## Edgar Filing: MF Global Ltd. - Form F-1/A

bridge loan with the net proceeds of this offering and the net proceeds of MFG Finance's concurrent offering of fixed-to-floating rate junior subordinated debentures. See "Use of Proceeds" and "Concurrent Offering of Junior Subordinated Debentures".

**Table of Contents**

**Organizational Structure**

The following table sets forth a summary of our organizational structure following the Reorganization and Separation transactions and the initial public offering of our common shares:

**Table of Contents**

**USE OF PROCEEDS**

We intend to use the net proceeds MFG Finance will receive upon issuance of the notes, expected to be approximately \$ [redacted] after deduction of expenses and underwriting commissions, to repay approximately \$ [redacted] million of our outstanding borrowings under the bridge loan, with several financial institutions, including affiliates of Citigroup Global Markets Inc. and J.P. Morgan Securities Inc. The bridge loan bears an interest rate per annum equal to either, at our option, a designated fluctuating base rate or a designated fluctuating alternative base rate equal to seven-day or one-, two-, three- or six-month LIBOR plus a margin up to 0.55% per annum. As of [redacted], 2007, we had \$ [redacted] of borrowings outstanding under the bridge loan, which bear interest at [redacted].

**RATIO OF EARNINGS TO FIXED CHARGES**

The following table sets forth information regarding our ratio of earnings to fixed charges for the periods shown. For purposes of determining the ratio of earnings to fixed charges, earnings consist of income before provision for income taxes and fixed charges. Fixed charges consist of interest costs, amortization of debt expense and an appropriate interest factor on operating leases.

	<b>Fiscal Year</b>			
	<b>Historical</b>			
	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Ratio of earnings to fixed charges	1.08	1.08	1.26	1.39

**Table of Contents****OUR CAPITALIZATION**

The following table, which should be read in conjunction with Selected Combined Financial Data and Management's Discussion and Analysis of Financial Condition and Results of Operations, sets forth our cash and cash equivalents and our combined capitalization as of March 31, 2007 on (1) a historical basis and (2) on a pro forma basis to give effect to the Recapitalization effected in connection with the initial public offering of our common shares, this offering of notes and our concurrent offering of fixed-to-floating rate junior subordinated debentures. The Recapitalization consists of the following transactions:

the net capital contribution in cash to us by Man Group in return for 17.4 million additional common shares that we issued to Man Group UK Limited. For purposes of our pro forma combined balance sheet, from which the following table is derived, the amount of the net capital contribution was estimated to be \$651.7 million using our equity at March 31, 2007. The actual amount of the net capital contribution was calculated as the difference between \$1.2 billion and our equity at June 30, 2007, which we estimated on the date of the Recapitalization, as adjusted for certain subsequent transactions;

the borrowing by one of our U.S. finance subsidiaries, MF Global Finance USA Inc., (and our guarantee) of \$1.4 billion in a 364-day bridge loan from several financial institutions, including affiliates of several of the underwriters in this offering; and

the use of a portion of the net proceeds from the bridge loan to repay all of our outstanding borrowings owed to Man Group and third parties.

In addition, the following table gives effect to the repayment of the borrowings under the bridge loan with the proceeds of this offering of notes and our concurrent offering of fixed-to-floating rate junior subordinated debentures.

	Historical	As of March 31, 2007 Adjustments (in millions)	Pro Forma
Cash and cash equivalents	\$ 1,733.1	\$ 633.4	\$ 2,366.5
Borrowings:			
Short-term borrowings	\$ 82.0	\$ (82.0)(1)	\$
Long-term borrowings:			
\$ % Senior Notes due 2012			
\$ % Senior Notes due 2017			
\$ % Fixed-to-Floating Rate Junior Subordinated Debentures			
Long-term borrowings	594.6	(594.6)	
Total long-term borrowings	594.6	805.4 (2)	1,400.0
Total borrowings	676.6	723.4	1,400.0
Shareholders' equity:			
Preferred shares, \$1.00 par value per share; 200,000,000 authorized; no shares issued and outstanding (pro forma)			
Common shares, \$1.00 par value per share; 1,000,000,000 shares authorized; 121,295,280 shares issued and outstanding (pro forma)		121.3	121.3
Additional paid-in capital	537.8	540.9 (3)	1,078.7
Accumulated changes in shareholders' equity			
Retained earnings			
Total shareholders' equity	537.8	662.2	1,200.0

Edgar Filing: MF Global Ltd. - Form F-1/A

Total capitalization	\$ 1,214.4	\$ 1,385.6	\$ 2,600.0
----------------------	------------	------------	------------

---

(1) Reflects the repayment of \$82.0 million short-term borrowings owed to Man Group and other third parties.

**Table of Contents**

- (2) Reflects the repayment of \$594.6 million long-term borrowings owed to Man Group and third parties as well as the issuance of an aggregate of \$1,400.0 million in notes and fixed-to-floating rate junior subordinated debentures. We expect to offer the junior subordinated debentures concurrently with the notes pursuant to a separate prospectus. These offerings are not conditioned upon one another and may not be consummated at the same time. Our decision to proceed with the offering of the junior subordinated debentures will be made independently, subject to market conditions, from our decision to proceed with this offering. See Concurrent Offering of Junior Subordinated Debentures .
- (3) Reflects the net capital contribution from Man Group of \$651.7 million with \$634.1 million included in additional paid-in-capital in exchange for the issuance of 17,379,493 additional common shares. Also reflects the net pro forma adjustments to historical equity of \$10.7 million as well as the transfer of \$103.9 million of equity to common shares at par value.

We describe the terms of our fixed-to-floating rate junior subordinated debentures under Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Long-Term Debt .

**Table of Contents****SELECTED COMBINED FINANCIAL DATA**

The following tables present certain selected combined financial data for our business. These tables should be read in conjunction with our combined financial statements and related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus.

We derived the selected combined statement of operations for fiscal 2007, fiscal 2006 and fiscal 2005 and our combined balance sheet data as of March 31, 2007 and 2006 from our combined financial statements that are included elsewhere in this prospectus and were audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm. We derived the summary combined balance sheet data as of March 31, 2005 from our fiscal 2005 audited combined financial statements, which are not included in this prospectus. We derived the selected combined statement of operations and balance sheet data for fiscal 2004 from our unaudited combined financial statements, which are not included in this prospectus. Our combined financial statements were prepared in accordance with U.S. GAAP. Our historical financial data are not necessarily indicative of our results for any future period. In management's opinion, the unaudited financial information set forth below has been prepared on substantially the same basis as the audited combined financial statements appearing elsewhere in this prospectus and includes all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the unaudited combined data.

	Year Ended March 31,			
	2007	2006	2005	2004
	(in millions, except per share data)			
<b>Combined Statement of Operations</b>				
<b>Revenues:</b>				
Execution-only commissions	\$ 386.5	\$ 261.8	\$ 237.7	\$ 234.8
Cleared commissions	1,280.0	865.6	687.0	685.7
Principal transactions	245.7	151.1	142.9	121.4
Interest income	3,775.4	1,294.0	583.0	358.7
Other	37.8	29.2	24.1	18.4
<b>Total revenues</b>	<b>5,725.5</b>	<b>2,601.6</b>	<b>1,674.7</b>	<b>1,419.1</b>
<b>Interest and transaction-based expenses:</b>				
Interest expense	3,370.4	1,071.9	450.8	258.0
Execution and clearing fees	700.4	463.4	396.3	389.1
Sales commissions	275.9	119.8	105.8	120.6
<b>Total interest and transaction-based expenses</b>	<b>4,346.7</b>	<b>1,655.1</b>	<b>952.9</b>	<b>767.7</b>
<b>Revenues, net of interest and transaction-based expenses</b>	<b>1,378.7</b>	<b>946.5</b>	<b>721.8</b>	<b>651.4</b>
<b>Expenses:</b>				
Employee compensation and benefits	834.7	595.7	415.3	381.8
Communications and technology	102.2	72.2	62.2	58.9
Occupancy and equipment costs	29.8	24.5	14.9	20.1
Depreciation and amortization	46.8	28.2	23.3	25.4
Professional fees	50.1	26.7	19.8	17.0
General and other	77.3	46.4	50.5	41.7
IPO-related costs	33.5			
Refco integration costs	19.4	66.8		
<b>Total other expenses</b>	<b>1,193.9</b>	<b>860.5</b>	<b>586.1</b>	<b>544.9</b>
Gains on exchange seats and shares	126.7	33.5	5.8	2.8
Net gain on settlement of legal proceeding	21.9			
Interest on borrowings	43.8	31.5	17.7	6.3
<b>Income before provision for income taxes</b>	<b>289.7</b>	<b>88.0</b>	<b>123.8</b>	<b>103.0</b>
Provision for income taxes	100.0	28.2	39.5	34.8
Minority interest in income of combined companies (net of tax)	1.7	0.3		
Equity in earnings of uncombined companies (net of tax)	0.1	0.3		



## Edgar Filing: MF Global Ltd. - Form F-1/A

<b>Net income</b>	\$ 188.0	\$ 59.8	\$ 84.2	\$ 68.2
Pro forma basic shares outstanding(1)	121.3			
Pro forma diluted shares outstanding(1)	123.2			
Pro forma basic net income per share(2)	\$ 1.55			
Pro forma diluted net income per share(2)	\$ 1.53			
Dividends declared per share(3)	\$ 0.03			

**Table of Contents**

	2007	At March 31,		2004
		2006	2005	
(in millions)				
<b>Combined Balance Sheet Data</b>				
Cash and cash equivalents	\$ 1,733.1	\$ 1,413.5	\$ 1,111.7	\$ 941.4
Total assets	51,670.3	34,314.6	21,910.7	14,621.5
Total borrowings	676.6	673.5	570.6	210.6
Equity	537.8	374.1	323.4	294.8

- (1) Pro forma basic and diluted shares outstanding reflect the reclassification of our capital structure prior to the completion of the initial public offering of our common shares in connection with the Reorganization and Separation transactions. See Note 1 to our combined financial statements. Prior to the reclassification, our capital structure was presented as equity, rather than share capital. For a description of the Reorganization and Separation transactions see The Reorganization, Separation and Recapitalization Transactions and Our Organizational Structure . For fiscal 2007, basic weighted average pro forma common shares outstanding is 121,295,280, representing the sum of (i) 100 common shares issued to Man Group UK Limited in connection with the formation of MF Global Ltd., (ii) 103,726,353 common shares issued to Man Group UK Limited in connection with the Reorganization and Separation transactions, (iii) 17,379,493 common shares issued to Man Group UK Limited in exchange for Man Group's net capital contribution, (iv) 160,000 common shares issued pursuant to the employee stock grants upon the consummation of the initial public offering of our common shares and (v) 29,334 restricted stock units granted to retirement-eligible employees, less any unvested common shares subject to repurchase or cancellation. For fiscal 2007, diluted weighted average pro forma common shares outstanding is 123,196,853, representing basic weighted average pro forma common shares outstanding plus pro forma dilutive common shares for the period. See Notes (i) and (j) to Unaudited Pro Forma Combined Financial Information .
- (2) Pro forma net income per share is calculated by dividing historical net income for fiscal 2007 by the weighted average pro forma number of common shares outstanding (basic and dilutive) during fiscal 2007 as discussed in footnote (1) above.
- (3) These dividends were paid to Man Group when we were wholly owned by Man Group and are not indicative of future dividends. We currently do not expect to pay any cash dividends on our common shares in the foreseeable future. Dividend declared per share is calculated by dividing dividends paid to Man Group by the pro forma number of basic shares outstanding as discussed in footnote (1) above. See adjustment described in Note 3 to our combined financial statements.

**Table of Contents**

**UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION**

The historical unaudited pro forma combined financial information of our company presented below has been derived from our audited combined financial statements for the year ended March 31, 2007. In addition to the sale of 97,379,765 common shares by Man Group UK Limited in the initial public offering of our common shares, this information reflects the pro forma effects of the following items:

a capital contribution by Man Group of \$651.7 million in cash to us in return for approximately 17.4 million additional common shares that we issued to Man Group UK Limited;

the borrowing by one of our U.S. finance subsidiaries, MF Global Finance USA Inc., (and our guarantee) of \$1.4 billion in a 364-day bridge loan from several financial institutions; and the use of a portion of the net proceeds of the bridge loan to repay all of our outstanding borrowings from Man Group and third parties;

our entry into transitional services agreements with Man Group;

the contribution to us by Man Group of a direct economic interest of 46.1% in USFE in connection with the Reorganization and Separation transactions, reflected for the full year;

our grant of IPO Awards; and

the provision for income taxes.

These items are collectively referred to as the Pro Forma Adjustments .

The pro forma combined financial information does not give effect to this notes offering or our concurrent offering of fixed-to-floating rate junior subordinated debentures, nor does it give effect to our use of the proceeds of these offerings.

The Pro Forma Adjustments are based upon available information and certain assumptions that management believes are reasonable. The pro forma combined financial information and accompanying notes should be read in conjunction with our combined financial statements and notes thereto included elsewhere in this prospectus.

**The pro forma combined financial information presented is not necessarily indicative of the results of operations or financial condition that might have occurred had the Pro Forma Adjustments actually taken place as of the dates specified, or that may be expected to occur in the future.**

**Table of Contents****Pro Forma Combined Statement of Operations**

	Year Ended		
	Historical	March 31, 2007 Pro Forma Adjustments (in millions)	Pro Forma
<b>Revenues:</b>			
Execution-only commissions	\$ 386.5	\$	\$ 386.5
Cleared commissions	1,280.0		1,280.0
Principal transactions	245.7		245.7
Interest Income	3,775.4		3,775.4
Other	37.8		37.8
<b>Total revenues</b>	<b>5,725.5</b>		<b>5,725.5</b>
Interest and transaction-based expenses:			
Interest expense(a)	3,370.4	10.1	3,380.5
Execution and clearing fees	700.4		700.4
Sales commissions	275.9		275.9
Total interest and transaction-based expenses	4,346.7	10.1	4,356.9
<b>Revenues, net of interest and transaction-based expenses</b>	<b>1,378.7</b>	<b>(10.1)</b>	<b>1,368.6</b>
<b>Expenses:</b>			
Employee compensation and benefits, excluding employee IPO awards(b)	834.7	(25.1)	809.6
Employee IPO awards(b)		92.8	92.8
Communications and technology	102.2		102.2
Occupancy and equipment costs	29.8		29.8
Depreciation and amortization	46.8		46.8
Professional fees	50.1		50.1
General and other(a)	77.3	0.8	78.1
IPO-related costs(c)	33.5	(33.5)	
Refco integration costs	19.4		19.4
<b>Total other expenses</b>	<b>1,193.9</b>	<b>35.0</b>	<b>1,228.9</b>
Gains on exchange seats and shares(d)	126.7	(28.6)	98.1
Net gain on settlement of legal proceeding	21.9		21.9
Interest on borrowings(e)(f)	43.8		
	(e)	36.6	
	(f)	2.0	
		38.6	82.4
<b>Income before provision for income taxes</b>	<b>289.7</b>	<b>(112.3)</b>	<b>177.4</b>
Provision for income taxes(g)	100.0	(39.3)	60.7
Minority interest in income of combined companies (net of tax)	1.7		1.7
Equity in earnings of uncombined companies (net of tax)(h)	0.1	(0.6)	(0.5)
<b>Net income</b>	<b>\$ 188.0</b>	<b>\$ (73.6)</b>	<b>\$ 114.4</b>

The accompanying notes are an integral part of these financial statements.

**Table of Contents****Pro Forma Combined Balance Sheet**

		<b>At March 31, 2007</b>		
	<b>Historical</b>	<b>Pro Forma Adjustments (in millions)</b>	<b>Pro Forma</b>	
<b>Assets:</b>				
Cash and cash equivalents	\$ 1,733.1			
	(d)	\$ 91.1		
	(e)	(109.4)		
	(i)	651.7		
			633.4	\$ 2,366.5
Cash segregated under Federal and other regulations	4,373.5			4,373.5
Securities purchased under agreements to resell	19,056.3			19,056.3
Securities borrowed	4,843.3			4,843.3
Securities received as collateral	555.2			555.2
Securities owned, at fair value	(d) 13,599.0	(91.1)		13,507.9
<b>Receivables:</b>				
Brokers, dealers and clearing organizations	6,185.1			6,185.1
Customers	801.6			801.6
Affiliates	12.0			
	(j)	55.0		
	(e)	(67.0)		
			(12.0)	
Other	41.7			41.7
Memberships in exchanges, at cost	17.5			17.5
Furniture, equipment and leasehold improvements, net	45.8			45.8
Intangible assets, net	238.1			238.1
Other assets	168.1			
	(k)	(18.7)		
	(n)	10.9		
			(7.8)	160.3
<b>Total assets</b>	<b>\$ 51,670.3</b>	<b>\$ 522.5</b>		<b>\$ 52,192.8</b>
<b>Liabilities and Equity:</b>				
Short-term borrowings, including current portion of long-term borrowings	(e) \$ 82.0	\$ 1,318.0		\$ 1,400.0
Securities sold under agreements to repurchase	16,874.2			16,874.2
Securities loaned	10,107.7			10,107.7
Obligation to return securities borrowed	555.2			555.2
Securities sold, not yet purchased, at fair value	3,378.5			3,378.5
<b>Payables:</b>				
Brokers, dealers and clearing organizations	2,561.5			2,561.5
Customers	15,756.0			15,756.0
Affiliates	869.9			
	(e)	(899.8)		
	(l)	29.9		
			(869.9)	
Accrued expenses and other liabilities	345.9			
	(j)	55.0		
	(k)	(48.6)		
	(m)	(0.2)		
	(n)	0.6		
			6.8	352.7
Long-term borrowings	(e) 594.6	(594.6)		0.0

Edgar Filing: MF Global Ltd. - Form F-1/A

<b>Total liabilities</b>		51,125.5	(139.7)	50,985.8
Minority interests in combined subsidiaries		7.0		7.0
<b>Equity</b>		537.8		
	(j)		55.0	
	(j)		(55.0)	
	(k)		29.9	
	(l)		(29.9)	
	(m)		0.2	
	(n)		10.5	
	(i)		(548.5)	
			(537.8)	0.0
<b>Shareholders equity (pro forma):</b>				
Preferred shares, \$1.00 par value per share; 200,000,000 authorized; no shares issued and outstanding				
Common shares, \$1.00 par value per share; 1,000,000,000 authorized; 121,295,280 shares issued and outstanding			121.3	121.3
Additional paid-in capital				
	(i)		444.6	
	(i)		634.1	
			1,078.7	1,078.7
Accumulated other comprehensive income				
Retained earnings				
<b>Total shareholders equity (pro forma)</b>		537.8	662.2	1,200.0
<b>Total Liabilities and Equity</b>		\$ 51,670.3	\$ 522.5	\$ 52,192.8

The accompanying notes are an integral part of these financial statements.

**Table of Contents****NOTES TO PRO FORMA COMBINED FINANCIAL INFORMATION****Note 1: Basis of Presentation**

As permitted by the rules and regulations of the SEC, the Pro Forma Combined Financial Information is presented on a condensed basis. The pro forma combined statement of operations information for the year ended March 31, 2007 was prepared as if the Pro Forma Adjustments had taken place at the beginning of fiscal 2007. The pro forma combined balance sheet information was prepared as if the Pro Forma Adjustments had occurred as of March 31, 2007.

For pro forma purposes, the IPO Awards, where applicable, reflect an initial public offering price of \$37.50 per share.

**Note 2: Pro Forma Adjustments**

(a) Transitional Services Agreements. Adjustment to reflect the change in our operating expenses due to transitional services agreements we have entered into with Man Group, pursuant to which we will rely on Man Group for the provision of certain administrative support and/or consultation services for several corporate functions. The services provided under these agreements, and the fees paid in respect of those services, are not expected to be materially different from the services provided by Man Group, or the fees paid, historically for similar services. However, in the past, we did not pay value-added tax (VAT) on these services; we have therefore included an adjustment of \$0.8 million in general and other expenses to reflect appropriate VAT charges. We also included an adjustment reflecting a reduction in our net interest income by an amount that we receive on a portion of our client funds and that historically we have retained and included in our historical financial statements but that, going forward, we will pay directly to Man Group under our transitional services arrangements and will not retain. For fiscal 2007, the portion of interest on these funds was \$10.1 million and this adjustment reduces our net interest income by this amount for the period. For a discussion of these transactions, see [Certain Relationships and Related Transactions](#) .

(b) Employee IPO Awards. Adjustment to reflect the increase in employee compensation and benefits as a result of the grant of share options and restricted share units to a broad group of employees, including our executive officers, under our equity incentive plan at the time we completed the initial public offering of our common shares. The historical compensation expense of \$25.1 million, net of a cumulative effect of accounting change of \$1.0 million, will be replaced with compensation expense on the new awards of \$92.8 million for fiscal 2007, determined in accordance with SFAS No. 123(R) [Share-Based Payment](#) . Our estimate of fair value for the share option grants was made using the Black-Scholes model based upon an exercise price equal to the initial public offering price, volatility of 31%, risk free interest rate of 4.6% per year and an average expected life of 4.5 years. For a description of our equity incentive plan and the IPO Awards, see [Management of MF Global Compensation Discussion and Analysis Transition Policies IPO Awards](#) .

(c) IPO-related costs. Adjustment to reflect the elimination of \$33.5 million of costs directly attributable to the Reorganization, Separation and Recapitalization transactions, referred to as IPO-related costs. For a further description of these costs, see [Management's Discussion and Analysis of Financial Condition and Results of Operations Non-GAAP Financial Measures](#) .

(d) Excess exchange memberships. Adjustment to reflect the contribution of certain excess exchange seats and shares to a subsidiary of Man Group at fair value in connection with the Reorganization and Separation transactions. As a result, we will no longer recognize gains or losses based on the fair market value movements of these seats or shares or receive dividends from these shares. Therefore, we have eliminated \$28.6 million gain on exchange seats and shares, and have included an adjustment of \$91.1 million to our securities owned, at fair value line item to reflect the sale of these exchange seats and shares.

(e) Bridge Loan / Repayment of Debt. Adjustment to reflect the net increase in interest on borrowings that would have been realized in connection with the repayment of all of our outstanding borrowings owed to Man



**Table of Contents**

Group and third parties using the net proceeds from the borrowing by one of our U.S. finance subsidiaries, MF Global Finance USA Inc. (and our new guarantee of the repayment) of approximately \$1.4 billion in a 364-day bridge loan. Any net difference will result in net cash and cash equivalents inflows/outflows. The new borrowings will result in increased interest expense on borrowings of \$36.6 million for fiscal 2007, assuming an interest rate for the bridge loan of 5.75%. The bridge loan will provide for interest to accrue at a floating rate equal to (1) a specified base rate or (2) LIBOR for a varying period of one, two or three months plus a margin. For the purpose of this pro forma adjustment, we have assumed a fixed rate of 5.75%, which was the sum of the LIBOR rate in effect on June 20, 2007 and the applicable margin (including facility fee) of 0.40%. The effect on income before provision for income taxes of a <sup>1</sup>/<sub>8</sub>% variance in these rates would be approximately \$1.75 million for an annual period.

Giving effect to this notes offering and our concurrent offering of fixed-to-floating rate junior subordinated debentures, and the application of the net proceeds of these offerings to repay in full the bridge loan, the pro forma combined financial information would be further adjusted as follows:

Interest on borrowings: Adjustment to reflect the net increase in interest on borrowings that would have been realized in connection with the repayment of the \$1.4 billion bridge loan with the net proceeds of the issuance of the notes being offered in this offering and the fixed-to-floating rate junior subordinated debentures. Any net difference will affect net cash and cash equivalent cash flows/inflows. The new borrowings are expected to result in an increased interest expense on borrowings of between \$11.7 million and \$18.7 million for fiscal 2007. The effect on income before provision for income taxes of a <sup>1</sup>/<sub>8</sub>% variance in the interest rate applicable to the notes and the fixed-to-floating rate junior subordinated debentures would be approximately \$      million and \$      million, respectively, in each case for an annual period.

Short-term borrowings: Adjustment to reflect the repayment of \$1.4 billion of short-term borrowings under the bridge loan.

Long-term borrowings: Adjustment to reflect the increase in long-term borrowings of \$1.4 billion, representing the notes being offered in this offering and the fixed-to-floating rate junior subordinated debentures.

(f) Bridge Loan / Liquidity Facility Fees. Adjustment to expense the arrangement fee of \$0.5 million and the administration fee of \$0.1 million related to the \$1.4 billion bridge loan and \$1.5 billion liquidity facility, as well as the annual liquidity facility fee of \$1.4 million, calculated assuming a BBB+ rating. All these fees relate to the bridge loan or liquidity facility and will be expensed within the first year.

Giving effect to this notes offering and the concurrent offering of fixed-to-floating rate junior subordinated debentures, and the application of the net proceeds of these offerings to repay in full the bridge loan shortly following this offering, the pro forma combined financial information would be further adjusted to reflect the incurrence of placement fees of approximately \$10.0 million, which would result in a further adjustment to Interest on borrowings.

(g) Income Tax Provision. Adjustment to reflect the change to our income tax expense of \$39.3 million for fiscal 2007 using a weighted statutory rate of 35%, as a result of the Reorganization and Separation transactions and this offering, including the tax attributes of the Pro Forma Adjustments.

(h) Ownership interest in USFE. Adjustment to reflect our additional 46.1% direct economic ownership in USFE, acquired in October 2006, for the full year, representing a loss of \$0.6 million net of taxes. USFE is accounted for as an uncombined entity, and our share of the net loss since the acquisition in October 2006 has been included in our fiscal 2007 results. For further details on the transfer, see Our Business Investment in USFE .

(i) Capital Contribution. Adjustment to reflect the transfer of equity of \$548.5 million historically presented on a carve-out basis to (i) pro forma shareholders equity presented as common shares of \$103.9 million and

---

**Table of Contents**

(ii) additional paid-in capital of \$444.6 million. Adjustment also reflects the receipt of an assumed net capital contribution of \$651.7 million from Man Group prior to the pricing of this offering with \$634.1 million included in additional paid-in-capital, in exchange for the issuance of 17,379,493 additional common shares to Man Group UK Limited. The amount of the capital contribution was calculated so as to equal approximately \$1.2 billion less our equity at June 30, as adjusted for certain subsequent transactions and, for purposes of this pro forma combined balance sheet, is estimated using our equity at March 31, 2007.

Certain transactions will occur as the result of our Reorganization and Separation from Man Group and the offering that are not recurring and, therefore have not been adjusted for in the pro forma combined statement of operations. These items are, however, included within the pro forma combined balance sheet:

(j) Adjustment of \$55.0 million to reflect estimated tax liabilities incurred in connection with the Reorganization and the initial public offering in accordance with SFAS No. 109 Accounting for Income Taxes . The amount of anticipated taxes is a non-recurring item and, therefore, is not reflected in the pro forma statement of operations but does result in a reduction of retained earnings in the pro forma balance sheet. Furthermore, subject to various limitations and conditions, MF Global has the right to receive the economic benefit of indemnity payments from Man Group for the tax costs incurred in connection with the Reorganization and the initial public offering. This indemnification results in a receivable from affiliates and is accounted for as increased paid-in-capital.

(k) Adjustment to reflect the tax effect of vesting and termination of our employees' participation in various Man Group share plans. Our balance sheet at March 31, 2007 includes a deferred tax asset for unrealized tax benefits for future employee vesting in deferred tax assets in the amount of \$18.7 million. This amount was calculated using the value of shares at the time of historical grants to our employees. Upon the consummation of the initial public offering of our common shares, our employees' interests in the Man Group plans vested on a prorated basis. Such vesting and employee exercises result in the realization by MF Global of tax deductions that are calculated using the fair market value of the shares at the time of vesting. The excess of anticipated tax benefits of \$29.9 million is calculated using the value of the shares at the time of vesting as compared to the value at the time of their grant (referred to as the windfall tax savings ) and is represented as an increase to additional paid-in capital in our Pro Forma combined balance sheet in accordance with SFAS No. 123(R) Share-Based Payments . The total adjustment of \$48.6 million reduces taxes payable within accrued expenses and other liabilities.

(l) Adjustment of \$29.9 million to reflect an obligation to remit the windfall tax savings of the vesting of our employees in the Man Group share plans to Man Group. Under the terms of the Tax Matters Deed, we have agreed to pay to Man Group the amount of tax savings that are ultimately realized by MF Global upon employee vesting in Man Group share plans in excess of the amount of related deferred tax assets at March 31, 2007. The incurrence of this affiliates payable is offset by a distribution of retained earnings in our Pro Forma combined balance sheet.

(m) An adjustment of \$11.1 million is recognized in compensation expense as a result of the initial public offering of our common shares due to the immediate vesting of existing employees' stock compensation awards granted under several s