

MF Global Ltd.  
Form 10-Q  
November 12, 2008  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

**x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the QUARTERLY PERIOD ended September 30, 2008

or

**.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-33590

**MF GLOBAL LTD.**

(Exact name of registrant as specified in its charter)

**Bermuda**  
(State or other jurisdiction of  
incorporation or organization)

**98-0551260**  
(I.R.S. Employer  
Identification No.)

**Clarendon House**  
**2 Church Street**

**Hamilton HM11, Bermuda**  
(Address of principal executive offices)

**Registrant's telephone number, including area code: (441) 296-1274**

(Zip Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "accelerated filer and large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The number of common shares outstanding of the registrant as of October 31, 2008, was 120,311,570.

**Table of Contents**

**MF GLOBAL LTD.**

**INDEX TO FORM 10-Q**

		<b>Page No.</b>
<b><u>PART I. Financial Information</u></b>		
Item 1.	<u>Financial Statements</u>	
	<u>Unaudited Consolidated and Combined Statements of Operations</u>	3
	<u>Unaudited Consolidated Balance Sheets</u>	4
	<u>Unaudited Consolidated and Combined Statements of Cash Flows</u>	5
	<u>Unaudited Consolidated Statement of Changes in Shareholders' Equity</u>	7
	<u>Unaudited Consolidated and Combined Statements of Comprehensive Income</u>	8
	<u>Notes to the Unaudited Consolidated Financial Statements</u>	9
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	40
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	72
Item 4.	<u>Controls and Procedures</u>	76
<b><u>PART II. Other Information</u></b>		
Item 1.	<u>Legal Proceedings</u>	76
Item 1A.	<u>Risk Factors</u>	80
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	81
Item 3.	<u>Defaults Upon Senior Securities</u>	81
Item 4.	<u>Submission of Matters to a Vote of Security Holders</u>	81
Item 5.	<u>Other Information</u>	81
Item 6.	<u>Exhibits</u>	81

**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. Consolidated Financial Statements and Supplementary Data  
MF GLOBAL LTD.****CONSOLIDATED AND COMBINED STATEMENTS OF OPERATIONS****(Unaudited)****(Dollars in thousands, except share data)**

	<b>Three months ended September 30,</b>		<b>Six months ended September 30,</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>Revenues</b>				
Execution only commissions	\$ 106,969	\$ 136,201	\$ 226,032	\$ 246,497
Cleared commissions	370,682	357,821	744,855	716,494
Principal transactions	69,235	112,590	132,396	212,545
Interest income	272,259	1,258,362	618,078	2,250,590
Other	14,322	19,322	25,963	28,762
<b>Total revenues</b>	<b>833,467</b>	<b>1,884,296</b>	<b>1,747,324</b>	<b>3,454,888</b>
Interest and transaction-based expenses:				
Interest expense	171,726	1,144,614	410,523	2,047,606
Execution and clearing fees	220,965	232,820	453,668	454,221
Sales commissions	67,888	71,358	135,591	143,154
Total interest and transaction-based expenses	460,579	1,448,792	999,782	2,644,981
<b>Revenues, net of interest and transaction-based expenses</b>	<b>372,888</b>	<b>435,504</b>	<b>747,542</b>	<b>809,907</b>
<b>Expenses</b>				
Employee compensation and benefits (excluding non-recurring IPO awards)	214,561	252,039	425,226	467,417
Employee compensation related to non-recurring IPO awards	17,237	15,018	34,981	15,018
Communications and technology	31,474	28,412	63,900	55,059
Occupancy and equipment costs	11,229	8,748	21,484	17,311
Depreciation and amortization	13,993	13,053	28,158	25,436
Professional fees	19,034	17,501	50,054	31,973
General and other	31,551	26,825	46,776	44,844
PAAF legal settlement		69,000		69,000
IPO-related costs	5,267	26,489	10,735	47,241
Refco integration costs	273	742	543	2,069
<b>Total other expenses</b>	<b>344,619</b>	<b>457,827</b>	<b>681,857</b>	<b>775,368</b>
Gains on exchange seats and shares	15,765	10,946	15,117	74,247
Loss on extinguishment of debt		18,268		18,268
Interest on borrowings	21,744	22,448	35,961	31,140
<b>Income/(Loss) before provision for income taxes</b>	<b>22,290</b>	<b>(52,093)</b>	<b>44,841</b>	<b>59,378</b>

Edgar Filing: MF Global Ltd. - Form 10-Q

Provision for income taxes	11,201	36,905	17,927	73,764
Minority interests in income of combined companies (net of tax)	682	1,270	1,238	2,213
Equity in losses of unconsolidated companies (net of tax)	(754)	(324)	(1,632)	(1,096)
<b>Net income/(loss)</b>	<b>\$ 9,653</b>	<b>\$ (90,592)</b>	<b>\$ 24,044</b>	<b>\$ (17,695)</b>
Dividends declared on preferred stock	3,238		3,238	
Cumulative and participating dividends	2,677		3,985	
<b>Net income/(loss) applicable to common shareholders</b>	<b>\$ 3,738</b>	<b>\$ (90,592)</b>	<b>\$ 16,821</b>	<b>\$ (17,695)</b>
<b>Earnings/(Loss) per share (see Note 11):</b>				
Basic	\$ 0.03	\$ (0.78)	\$ 0.14	\$ (0.16)
Diluted	\$ 0.03	\$ (0.78)	\$ 0.14	\$ (0.16)
<b>Weighted average number of common shares outstanding:</b>				
Basic	120,503,557	116,732,733	120,279,627	110,284,746
Diluted	120,503,557	116,732,733	120,279,627	110,284,746

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

**Table of Contents****MF GLOBAL LTD .****CONSOLIDATED BALANCE SHEETS****(Unaudited)****(Dollars in thousands, except share data)**

	<b>September 30, 2008</b>	<b>March 31, 2008</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,286,874	\$ 1,481,084
Restricted cash and segregated securities	10,534,316	12,047,009
Securities purchased under agreements to resell	9,402,272	13,022,376
Securities borrowed	7,613,405	4,649,172
Securities received as collateral	435,926	623,752
Securities owned, at fair value (\$1,246,691 and \$4,142,612 pledged, respectively)	3,379,879	7,380,290
Receivables:		
Brokers, dealers and clearing organizations	15,127,839	7,085,652
Customers (net of allowances of \$18,264 and \$15,958, respectively)	1,335,562	2,367,461
Affiliates	126	716
Other	43,857	41,835
Memberships in exchanges, at cost (market value of \$24,350 and \$43,167, respectively)	6,875	8,909
Furniture, equipment and leasehold improvements, net	57,796	54,911
Goodwill	79,028	74,145
Intangible assets, net	175,850	193,180
Other assets	294,005	224,379
<b>TOTAL ASSETS</b>	<b>49,773,610</b>	<b>49,254,871</b>
<b>Liabilities and Shareholders Equity</b>		
Short-term borrowings, including current portion of long-term borrowings	341,773	1,729,815
Securities sold under agreements to repurchase	14,426,544	18,638,033
Securities loaned	5,348,543	3,188,154
Obligation to return securities borrowed	435,926	623,752
Securities sold , not yet purchased, at fair value	2,971,529	1,869,039
Payables:		
Brokers, dealers and clearing organizations	9,456,428	6,317,297
Customers	13,973,253	15,302,498
Affiliates	5,719	12,921
Accrued expenses and other liabilities	309,382	313,507
Long-term borrowings	950,000	
<b>TOTAL LIABILITIES</b>	<b>48,219,097</b>	<b>47,995,016</b>
Commitments and contingencies (Note 13)		
Preference shares, \$1.00 par value per share; 200,000,000 shares authorized;		
1,500,000 Series A Convertible, issued and outstanding, cumulative	103,780	
1,500,000 Series B Convertible, issued and outstanding, non-cumulative	128,760	
Minority interests in consolidated subsidiaries	9,709	10,830

**SHAREHOLDERS EQUITY**

## Edgar Filing: MF Global Ltd. - Form 10-Q

Common shares, \$1.00 par value per share; 1,000,000,000 shares authorized, 120,007,111 and 119,647,222 shares issued and outstanding, respectively	120,007	119,647
Treasury shares	(51)	
Additional paid-in capital	1,318,498	1,265,733
Accumulated other comprehensive income (net of tax)	(7,795)	6,084
Accumulated deficit	(118,395)	(142,439)
<b>TOTAL SHAREHOLDERS EQUITY</b>	<b>1,312,264</b>	<b>1,249,025</b>
 <b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	 <b>\$ 49,773,610</b>	 <b>\$ 49,254,871</b>

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

**Table of Contents**

**MF GLOBAL LTD.**

**CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS**

**(Unaudited)**

**(Dollars in thousands, except share data)**

	<b>Six months ended September 30,</b>	
	<b>2008</b>	<b>2007</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income/(loss)	\$	24,044