

US files civil charges against former MF Global CEO Jon Corzine

Gabriel Black
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Last month, the US Commodity Futures Trading Commission (CFTC) filed a civil lawsuit against Jon Corzine, the ex-chief of MF Global, for “failing to properly supervise” employees who used nearly a billion dollars from customers’ accounts to cover the firm’s bad debts.

Corzine personifies the politically incestuous relationship between Wall Street and the Democratic Party. A former CEO of Goldman Sachs, he went from Wall Street to Washington, using millions of dollars of his own fortune to win election as US senator from New Jersey in 2000 and repeating the process to become governor of New Jersey in 2006.

A major fundraiser for Barack Obama’s election campaign in 2008, Corzine was defeated in his bid for a second term as New Jersey governor by right-wing Republican Chris Christie due largely to Corzine’s attacks on state employees. He moved on to become CEO of Wall Street brokerage firm MF Global in 2010.

Under Corzine, MF Global lost billions of dollars betting on European government bonds. By October 2011, the firm was unraveling and it filed for Chapter 11 bankruptcy protection on October 31. It quickly emerged that some \$1 billion in clients’ money was missing, widely believed to have been stolen by MF Global management to meet demands from the firm’s Wall Street creditors.

The \$41 billion bankruptcy of MF Global was the eighth largest in US history and the biggest Wall Street collapse since the 2008 implosion of Lehman Brothers.

The CFTC civil suit against Corzine was filed in federal court in New York. The complaint also lists the assistant treasurer of the firm, Edith O’Brien, as a defendant.

MF Global and its parent firm have both made settlements with the CFTC. If O’Brien or Corzine are

found guilty, they will rescind pay and incur fines.

In keeping with the policy of the Obama administration of refusing to criminally prosecute banks and top bank executives involved in defrauding investors, clients and the general public, Corzine faces no criminal charges.

After a ten-month investigation, the Justice Department last year dropped a criminal probe of MF Global and Corzine, declaring there was not enough evidence to indict the banker/politician. In the civil suit filed last month, moreover, Corzine is not being charged with misappropriating customers’ money, but only failing to properly supervise subordinates such as the firm’s treasurer, Edith O’Brien.

There is a stark disconnect between the descriptions of MF Global wrongdoing and the role of Corzine in the lawsuit filed by CFTC enforcement chief David Meister and the kid gloves treatment the CFTC is giving the former CEO. The suit seems, moreover, to undermine the Justice Department’s claim to have insufficient evidence to prosecute Corzine.

According to Meister, “thousands of customers were harmed, and customer fund protection laws were violated on a scale never previously seen in the US futures markets.” The suit states further: “Corzine bears responsibility for MF Global’s unlawful acts ... He [Corzine] held and exercised direct or indirect control over MF Global ... and either did not act in good faith or knowingly induced these violations.”

The suit cites telephone calls and other communications that point to Corzine’s direct role in misappropriating customer funds.

In a phone call just four days before the firm collapsed, Corzine told an employee “to strategize how they could use customer segregated funds to induce [JPMorgan Chase] to clear MF Global’s trades more

quickly.” The employee objected, “but that’s cash seg for clients—it has nothing to do with greasing our wheels for Chase to move.” To which Corzine replied: “I understand, but you put it in a tri-party, and then once the securities have started moving, then you move it back to the um... this is the same thing we did last night, they left it in the tri-party, the seg money.”

At another point, the suit cites the treasurer of the company as saying, “We have to tell Jon enough is enough. We need to take the keys away from him.”

The lawsuit is expected to last several years. Corzine maintains that he is completely innocent and will contest it.

Should he lose, Corzine will be barred from certain types of financial trading and fined a small portion of his fortune. He is currently considering starting a new hedge fund.



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