

Tuesday 15th November

Why It's So Tricky

Dear Traders,

My last update summarized my personal view on our situation.

I simplified it by dividing the accounts between the Passive and Active traders.

And as I said it was my personal view.

However I know there is an Active View that is opposed to my Passive View.

And I've always been about 100% transparency about everything I've done since I went public with my trading in 1999 (got licensed, put my web site up, showing my real time results, personally trading all my own recommendations, sharing all my fills, the books, education etc, etc).

So I want to present to you the Active View that is opposed to my Passive View.

Now although I may not agree with it, and I suspect many on this list will not agree with it, I do know that I do co-habitat in my collective pool of client segregated money with other traders who will have a different view to mine. That is, we're all together in this same dreadful boat.

However what I can say is that I do understand their view, its not my preferred position, but I do understand it. No worries.

And this is very important for everyone to understand.

Everyone is entitled to express their view.

Everyone is entitled to disagree with another's view.

But everyone should also understand that unless there is agreement amongst all clients of a respective pool of segregated client money (the OTC pool – CFDs, Margin FX, Forex etc and the Exchange pool) there will unlikely be a distribution of monies despite our own individually strong and passionate views.

So unless the Administrators can treat us all equally there will be no distribution of money. Full Stop. No ifs or buts. There will be nothing. None. Zippo. Zip. Zilch.

Or I should say there will be no final distribution, there may well be a partial distribution, but no final distribution as there will be claims outstanding in the Court if account holders cannot agree amongst themselves. But that's only my opinion and remember I'm no lawyer or insolvency expert.

But back to my point that there are opposing views between account holders within each pool so at the end of the day there will have to be compromises.

A middle ground will have to be found and no doubt some hair cuts will have to be taken.

But before a middle ground can be found I feel we all need to hear every voice in our respective pool, regardless of how different, confronting, how unfair or difficult it may be to hear. And I think if we can present each different voice in a polite manner traders will listen and begin to respect others' views and opinions, not necessarily agree, but know what they are. If we can get to that point then possibly a middle ground will be found and it will result in a happy ending (assuming MFGA is not sold before hand, which if it was would make for a double whammy happy ending).

If not we'll only be making the lawyers and the Administrators happy by turning it into a messy dog fight and we'll see nothing for a long, long time.

So please stick with me while I try to present the Active view.

Active View

If there is a Passive view, there has to be an opposing one.

And in this view I'm assuming that this Active View is from a professional trader who is a good loser and is not arguing the toss on negative slippage.

For that Active View you'll need to take what I'm about to write and add in their objection to their negative slippage caused by being closed out at a worst price during the unwinding exercise.

The Active View (ignoring negative slippage) revolves around what to do about any final shortfall in the Settlement Collection of their margins for their open positions.

The Passive View believe the Active account should wear the loss because they initiated the trade.

The Active View believes they should not have to suffer 100% of the short-fall in Settlement Collection. They would prefer not to lose their margin they put up to initiate their open position/s. They state it is clear that a segregated account is a pool. They say it is clear in MF Global's PDS that all accounts in a pool are exposed to actions from other traders sharing the pool. They agree it was an awful Black Swan event that caught traders in the pool with open positions.

They know the short fall will impact the pool. And that's the point. It is a pool where the whole pool should suffer, not just the individual account holders who initiated the trade.

According to the Active View every account within the pool should suffer on a pro-rata basis.

Three Camps

I hope I've done justice to the Active View and if not I apologize.

Now this I think leaves most account holders in possibly one of three camps (and once again if I've missed someone it's not intentional).

I think we'll have traders falling into either one of the following three groups.

1. Passive View
2. Active View who will accept negative slippage
3. Active View who will not accept negative slippage

And it goes without saying they do present different views.

And it should also go without saying, but I will as it's so important, that unless each group can find common ground there will be no speedie distribution of funds.

There will be legal challenges left, right and centre.

It will become a mess.

White Paper On Pool Options

I'd like to call for assistance from people who would like to receive submissions, draft, edit, and own the process of preparing a White Paper on Pool Options.

I'd like to suggest we have two authors for an OTC Pool Paper and two authors for the Exchange Pool Paper.

It would be preferable if one of each pair of authors personally comes from either the Passive or Active perspective. That is have a Passive and an Active author manage their respective paper.

It's not my preference to stack these papers with people who belong to just one group.

This will be a thankless job.

If you would like to consider yourself for this project then please understand what you'll be up for.

You will have to deal with opinions opposite to yours.

You will receive quite sharp and direct emails.

You will need a thick hide.

It will be a thankless job.

But hopefully with everyone being polite and palms up with their input and suggestions the two White Papers On Pool Options will become a platform to share information on competing views, the pros and cons of each and possible suggested solutions/conclusions.

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From the desk of **Brent Penfold** *My MF Global Update*

Futures Adviser AFSL 225946

Futures Trader, Author and Educator

If it is inclusive and comprehensive it will be a useful tool I could forward to the COC.

Traders are pragmatists.

Traders are comfortable with making decisions, but only if they feel they have all the information.

I think the preparation, drafting and involvement of a White Paper on both pools will provide the best source of information we'll all need to see a way forward. Better than these updates of mine.

But I'd prefer not to do it.

I just don't want another week like I had last week with all the stress, worry, the emails and so little sleep.

So if you'd like to put your hand up ..to become a co-author, a receiving person, an editor to prepare a White Paper for either the OTC Pool or Exchange Pool or like to assist the person who does then please, please let me know so we can start to construct this information tool ... a tool I believe will be useful in allowing all account holders to appreciate all the opinions out there in seeing a way out of this mess.

Once I've received a few names then I'll let everyone know who to email with their polite voices.

Now at the end of the day this exercise may be a complete waste of time and effort, but don't you think it will be worth a go to avoid various groups of voices only communicating through lawyers?

MFGA Client Web Site

Thank you to everyone who offered to help in various ways to assist.

I'm happy to say I have found an account holder who is a happy to put up a web site for us.

And also I've decided to wait to push the button on this project until the end of the week just in case we received wonderful news that MFGA has been sold (fingers crossed).

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From the desk of **Brent Penfold** *My MF Global Update*

Futures Adviser AFSL 225946

Futures Trader, Author and Educator

Bill Shorten Is Aware Our Situation

Below is a standard reply I and others who contacted Bill Shorten's office (Minister - Assistant Federal Treasurer) received the other day.

Although it is a standard reply its good to know the Government is certainly aware of what is going on. Here it is;

From: Tinkler, Mat [mailto:Mat.Tinkler@TREASURY.GOV.AU]

Sent: Monday, 14 November 2011 12:59 PM

To: Brent Penfold

Cc: Mulino, Daniel; Hayes, Elizabeth

Subject: RE: MF Global: List of Questions for Chris Campbell [SEC=UNCLASSIFIED]

Dear Brent

Thanks for your emails in relation to the insolvency of MF Global.

I understand that the insolvency of the US-based MF Global Inc has affected thousands of Australians who have accounts with the Australian subsidiary of the firm. While I appreciate that affected clients will be hoping for a speedy resolution of the situation and the return of as much of their investments as is possible, I note that the insolvency of the US-based parent and the administration of the Australian subsidiaries is a very complex, multi-jurisdictional matter. It is likely to take some time to fully resolve all claims.

At this stage it is too early to say whether clients and trading participants of ASX 24 will eventually recover their funds in full. The Australian Securities and Investments Commission (ASIC) is working closely with the administrators to seek resolution of outstanding client money, insolvency and market issues as soon as possible.

The Government is monitoring events very closely.

I understand that liquidity is returning to affected markets, including grain and wool futures, but operations of a number of participants and overall market volumes are expected to be affected for some time.

Where a client of MF Global's Australian subsidiaries has queries, I encourage them to contact Deloitte as the administrators, in the first instance. The email address is mfgaustralia@deloitte.com.au . Notices and updates to clients and creditors are posted on www.deloitte.com/au/mfglobal (link also via www.mfglobal.com.au) ASIC also has an information line and a complaints handling team which investors can contact if they have outstanding concerns, having sought resolution from Deloitte. The contact number at ASIC in relation to this matter is 1300 300 630.

I trust that this information will be useful for you.

Regards,

Mat Tinkler

Chief of Staff

Office of Bill Shorten MP

www.IndexTrader.com.au

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Futures Adviser AFSL 225946
Futures Trader, Author and Educator

A Good White Paper On What Happen In US

I've posted on my web site a good paper summarizing what happen to MF Global in the US, the impact and a suggested solution. Thank you to the numerous traders who pointed it out to me. Its worth a read.

http://www.indextrader.com.au/MFGlobal_Items.asp

Copy of the Web Cast

At the same link is a copy of the webcast of the First Creditors meeting and thank you to a number of traders who made a copy available.

http://www.indextrader.com.au/MFGlobal_Items.asp

Committee of Creditors

I've just received contact from Deloitte and it appears the first meeting of the Committee of Creditors (COC) will occur either later this month or in early December.

In addition as a member of the COC I'm required to and have signed a Confidential Agreement so I'll be limited in what I can share with my list.

Although I will not be able to share detail (unless Deloitte authorizes it) I hope to share the sentiment of these meetings (assuming Deloitte consents).

What I can tell you is that there are 13 members on the Committee, it's function is a consultative one that will receive reports on the conduct of the Administration (as well as approving fees).

Also

"Your role as a committee member is not to lobby for any one type of creditors group either within or outside the Committee meetings. You are to act in the interests of all creditors."

And there's that important position againto act in the interests of all creditors.

So I think putting together a White Paper on all pool options will be a useful tool to see us through. I think it's better to get the disappointment, anger, frustration, disbelief out now so there will be less surprises for everyone. Disappointment, certainly. But surprises, I hope not.

Until my next update.

Yours sincerely,

Brent Penfold
MFGA Account Holder/Creditor
Futures Trader & Adviser
ASIC AFSL No. 225946