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MF Global's losses are rivals' gains

Trading firms snap up brokers—and clients—from bankrupt futures giant

BY LYNNE MAREK

The sudden death of MF Global Holdings Ltd., which cost more than 600 Chicago employees their jobs, is sparking a feeding frenzy among competitors eager to snap up top futures brokers—and their loyal clients.

The most aggressive hirer is R.J. O'Brien & Associates LLC, which has added 125 former MF Global employees to its head office in Chicago, expanding by a third and absorbing 20,000 customer accounts. Reliance Capital Markets 2 LLC, Straits Financial LLC and Advantage Futures LLC also have scooped up out-of-work personnel.

The Chicago firms came to the rescue after New York-based MF Global's downfall—

prompted by ill-fated bets on European sovereign debt—and the subsequent loss of \$1 billion in customer funds smeared the entire futures industry. But while firms that are adding MF Global accounts expect their revenue to rise, too, they are increasing expenses at a time when investors are wary of plunking down money on futures.

"It's very, very difficult times for these customers," says R.J. O'Brien CEO Gerald Corcoran, who says his team overseeing the transfer of the MF Global employees and client accounts worked 18-hour days for nearly a month to get the job done.

MF Global's Chicago diaspora began two weeks after the



PHOTOS BY STEPHEN J. SERIO

Gerald Corcoran is CEO of R.J. O'Brien & Associates LLC, which took over many of the former MF Global employees and accounts.

company filed for bankruptcy on Oct. 31 and the Securities Investor Protection Corp. announced it was liquidating the core MF Global brokerage and clearing unit, which employed more than half of its 1,100 workers in Chicago.

At 1 p.m. on Nov. 11, MF Global representatives told Chicago employees to get out in a half-hour—never mind that the trading day wouldn't be closed by then. People were crying, gathering family photos from their desks and picking bars where they would meet later, says Bill Urban, a futures broker who was in MF Global's Lind-Waldock division.

The trustee dismissed all 632 Chicago employees, tem-

▶ CATCHING THE FALLOUT FROM MF GLOBAL

Many of MF Global's Chicago operations were handed to R.J. O'Brien by the Securities Investor Protection Corp. trustee, but other Chicago firms picked up groups, and some ex-MF Global employees headed out on their own.

CHICAGO FIRMS ABSORBING BUSINESS FROM MF GLOBAL	Employees	Client accounts
R.J. O'Brien & Associates LLC	125	20,000
Straits Financial LLC	8	Not available
Reliance Capital Markets 2 LLC	9	480
Advantage Futures LLC	1	Not available

Source: *Crain's* reporting

porarily rehiring 91 to help dissolve the business. He arranged for the transfer of 125 workers to R.J. O'Brien. Of the remaining 400, some linked up with former colleagues at other firms or started their own businesses.

The owners of R.J. O'Brien, the largest independent futures commission merchant, injected \$50 million into the firm to make sure it was ready to handle the influx of customer accounts, more than half of the 38,000 abandoned by MF Global. In three months, its assets jumped 38 percent to \$3.6 billion from \$2.6 billion at the end of October.

Mr. Corcoran says that R.J. O'Brien's revenue rose 20 percent and he expects profit to increase this year, too, although he won't discuss specifics. To reassure investors, he reminds them that R.J. O'Brien doesn't trade for its own account and would have to eat through \$200 million of its own money before a penny of customer funds was touched.

Mr. Urban and seven of his colleagues were hired at Straits, reuniting them with former co-workers from Refco Inc., which owned Lind-Waldock before Refco failed in 2005. They set up in a Straits conference room and dubbed themselves the "LW" division of Straits.

While R.J. O'Brien has access to MF Global's technology systems, Mr. Urban and his colleagues have only their memories to aid in reconnecting with clients. It's not an easy sell despite their collective 170 years in the business. "There's such anger in the system for the way the transfer was handled that it's hard to reassure them that this will never happen again," Mr. Urban says.

Still, Straits President Joe Mazurek didn't hesitate to hire Mr. Urban's group. It added a retail broker component to his primarily commercial and institutional business, he says. "We see the value of what they're doing, and every day



Former MF Global commodities trader Paul Rieger is now at Chicago-based Reliance Capital Markets 2 LLC.

they're making better inroads," he says. "It would be even faster if there wasn't a damper on the industry like MF Global—customers still aren't whole."

Former Lind-Waldock worker Rich Ilczyszyn decided to leave the corporate world; he has teamed up with a former MF Global colleague to build a retail trading clientele for start-up Itrader LLC.

"Out of the ashes of MF Global, I started my own broker (business), and I am loving life," Mr. Ilczyszyn says.

Paul Rieger, a former commodities trader at MF Global, led a group of nine former

colleagues to Reliance Capital Markets 2 LLC, where they are offering trading and other services to commodity trading advisers and investors. They brought 480 accounts with them.

"I built my relationship with him—I really couldn't care less about who employs him," says Steve Kase, owner of Aurora-based ASK Products Inc., an electrical connector manufacturer that hired Mr. Rieger for copper hedging. "I can't blame him for the implosion of a business that was 90 levels above him."

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