

UNITED STATES OF AMERICA  
BEFORE THE  
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934  
Release No. 52606 / October 13, 2005

ORDER REGARDING WITHDRAWALS, UNSECURED LOANS OR ADVANCES  
FROM REFCO SECURITIES, LLC AND REFCO CLEARING, LLC

REFCO Securities, LLC and REFCO Clearing, LLC are broker-dealers registered with the Securities and Exchange Commission (“Commission”) pursuant to Section 15 of the Securities Exchange Act of 1934 (“Exchange Act”). Both broker-dealers are indirect subsidiaries of REFCO, Inc. a holding company and issuer of securities to the public.

On October 10, 2005, REFCO, Inc. issued a public statement announcing that it had discovered through an internal review a receivable owed to REFCO, Inc. by an entity controlled by the company’s Chief Executive Officer and Chairman of the Board in the amount of \$430 million. This receivable was reflected on the Company’s prior period financials, as well as on the Company’s May 31, 2005 balance sheet. The receivable was not shown as a related party transaction in any such financials. REFCO, Inc. stated that its financial statements for the years 2002 through 2005 should not be relied on.

On October 13, 2005, REFCO, Inc. issued a public statement announcing a 15-day moratorium on all activities of REFCO Capital Markets, Ltd., a non-regulated subsidiary, which is responsible for a material portion of the company’s business. According to the statement, liquidity in that business was no longer sufficient to conduct operations.

Commission Rule 15c3-1 under Section 15 of the Exchange Act requires a broker-dealer to maintain a minimum level of net capital (i.e., highly liquid capital).<sup>1</sup> This requirement is designed to ensure that a broker-dealer holds a pool of liquid assets that can be readily converted to cash in order to meet current obligations to customers and other creditors and, if in financial difficulty, wind down operations in an orderly manner that causes the least disruption to customers.

Pursuant to paragraph (e)(3)(i) of Rule 15c3-1, the Commission may by order restrict, for a period of twenty days, any withdrawal by a broker-dealer of equity capital, or an unsecured loan or advance to a stockholder, partner, employee, or affiliate, if (1) such withdrawal, loan or advance when aggregated with all other withdrawals, loans or advances on a net basis over a 30 calendar day period exceeds 30 percent of the broker-dealer's excess net capital;<sup>2</sup> and (2) the Commission, based on the facts and information available, concludes that the withdrawal, loan or advance may be detrimental to the financial integrity of the broker-dealer or unduly jeopardize the broker-dealer's ability to repay customer claims or other liabilities which may cause a significant impact on the markets or expose customers or creditors to loss.

Based on the facts and information available, the Commission concludes that a withdrawal of equity capital, or loan or advance by REFCO Securities, LLC and REFCO Clearing, LLC to a stockholder, partner, employee, or affiliate may be detrimental to their financial integrity or unduly jeopardize their ability to repay customer claims or other liabilities which may cause a significant impact on the markets or expose customers or

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<sup>1</sup> 17CFR 240.15c3-1.

<sup>2</sup> The term "excess net capital" as used in paragraph (e)(3)(i) of Rule 15c3-1 is defined in paragraph (e)(4)(i) of Rule 15c3-1. In general, excess net capital is the amount of net capital a broker-dealer maintains in excess of its minimum requirement as determined under Rule 15c3-1.

creditors to loss. In particular, a withdrawal of equity capital or loan or advance from either broker-dealer would reduce the broker-dealer's liquidity and, consequently, could impair its ability to meet obligations to customers, counterparties and clearing agencies.

Accordingly, pursuant to Section 15 of the Exchange and Rule 15c3-1(e)(3) thereunder:

1. It is ORDERED that REFCO Securities, LLC, for a period of twenty business days beginning from the date of this order, is restricted from making a withdrawal of equity capital, or unsecured loan or advance to a stockholder, partner, employee, or affiliate, if such a withdrawal, loan or advance when aggregated with all other withdrawals, advances or loans during a 30 calendar day period would exceed 30 percent of the firm's "excess net capital" (as defined in Rule 15c3-1(e)(4)(i)); and

2. It is FURTHER ORDERED that REFCO Clearing, LLC, for a period of twenty business days beginning from the date of this order, is restricted from making a withdrawal of equity capital, or unsecured loan or advance to a stockholder, partner, employee, or affiliate, if such a withdrawal, loan or advance when aggregated with all other withdrawals, advances or loans during a 30 calendar day period would exceed 30 percent of the firm's "excess net capital" (as defined in Rule 15c3-1(e)(4)(i)).

By the Commission.

J. Lynn Taylor  
Assistant Secretary

Dated: October 13, 2005