J.P. Morgan Chase & Co. and MF Global Holdings Ltd. agree on one thing: The two financial players worked together closely in the months before MF Global collapsed.

Then things get messy.

People close to MF Global have complained that J.P. Morgan dragged its feet when settling trades made by MF Global as it rushed to sell assets, according to people familiar with the situation. Executives at MF Global have grown concerned that the slowdown complicated efforts to find a buyer for the company or its parts and might even have caused a $600 million gap in customer accounts that is now the subject of a protracted treasure hunt.

Transactions at J.P. Morgan took longer than normal to clear on MF Global's final trading day, a person familiar with the situation said, because of U.S. regulations designed to mitigate a clearing bank's risk.

The spat comes amid a frantic search for the missing money, led by the Commodity Futures Trading Commission and bankruptcy trustee James W. Giddens. Because of the shortfall, it could take weeks or even months for anxious MF Global customers to get all their money back.

A week after the company filed for bankruptcy protection, MF Global officials still are unable to explain what happened to the money in customer accounts, according to one government official. "It shouldn't be that complicated," the official said.

In addition, MF Global, its lawyers and the bankruptcy trustee are investigating J.P. Morgan's role as part of their wide-ranging probe into where the missing $600 million went.

Late last week, MF Global received a statement from J.P. Morgan noting that an MF Global account held $659 million in customer-segregated funds as of Oct. 31, according to a person familiar with MF Global's thinking. Regulators quickly threw cold water on the idea that the funds at J.P. Morgan were the lost money, though people inside MF Global questioned how the CFTC was able to reach its conclusion.

CFTC examiners ran into difficulty as they
tried to untangle MF Global's books because of the complex nature of the firm's recordkeeping, according to a federal official with knowledge of the investigation. The complexity is due partly to the heavy trading at MF Global in the days before the bankruptcy, but the official said examiners were concerned that the company is unable to explain what happened to the money in the customer accounts.

Because the shortfall affects commodity accounts, watchdogs such as the Securities and Exchange Commission have backed away from the investigation.

As MF Global worked to sell more than $20 billion of assets in the days leading up to its bankruptcy filing, some officials complained that J.P. Morgan officials weren't clearing the trades quickly enough. The result was delayed payments to MF Global clients who wanted to take their accounts elsewhere and trading counterparties that were demanding more collateral to continue doing business with MF Global.

A person familiar with J.P. Morgan's actions said trades slowed near the end because J.P. Morgan had to make sure there was enough cash in MF Global accounts throughout the frenetic trading day—the Friday before MF Global failed—so the firm could sell securities and engage in transactions that didn't require additional borrowings. Certain securities had to be sold before other transactions could happen.

Several J.P. Morgan operations officials worked out of MF Global's offices on Thursday, Oct. 27, and Friday, Oct. 28, according to people familiar with the matter. J.P. Morgan investment bankers also visited to look over whether parts or all of MF Global might be an attractive buy.

But strong interest at J.P. Morgan didn't materialize. On the Saturday before MF Global went down, MF Global made a last-ditch call to a variety of major banks, not just J.P. Morgan, to see if they would buy the whole firm, according to another person close to J.P. Morgan.

The banks, including J.P. Morgan, declined that request and a subsequent one to look at buying parts of the firm, this person added.

By then, another firm, Interactive Brokers Group Inc., became the front-runner to make a purchase. That deal fell through early Monday morning after MF Global couldn't explain or rectify a gap of several hundred million dollars in its customer accounts.