



*cutting through complexity*

# MF Global UK Limited (in special administration)

Updated Illustrative Financial Outcome as at 31 March 2015

1 July 2015

This Document has been prepared by Richard Heis, Michael Pink and Richard Fleming, the Joint Special Administrators of MF Global UK Limited (the '**JSAs**' and '**MFGUK**' or '**the Company**', respectively), solely to provide an update to the creditors and clients of MFGUK on the Illustrative Financial Outcome for Creditors and Clients of MFGUK using information available as at 31 March 2015.

This Document has been prepared in good faith, however no representation or warranty, express or implied, is or will be made and no responsibility or liability is or will be accepted by the Company, the JSAs or any of their respective representatives or advisers in respect of the truth, accuracy or completeness of the information provided in this Document and such persons will not be liable to the recipients in respect of the information provided in this Document or its use. In particular, but without prejudice to the generality of the foregoing, no representation or warranty is given as to the ability to achieve or reasonableness of any future projections, prospects or returns (including any estimated outcomes for clients, the unsecured creditors or shareholders) contained in this Document. Any estimated outcome for the clients, unsecured creditors or shareholders included in this Document (or commentary thereon) is illustrative only and cannot be relied upon as guidance as to the actual outcomes for the clients, unsecured creditors or shareholders. Any person, creditor or client that chooses to rely on this Document for any purpose or in any context, does so at their own risk. Neither the Company, JSAs, nor any of their respective representatives or advisers accepts any responsibility for any acts or omissions as a result of the information contained within this Document and all liability for damages arising from the information provided is expressly excluded.

The JSAs give no undertaking to provide the recipient with access to any additional information or to update this Document, or to correct any inaccuracies in it which may become apparent.

This Document has not been prepared in contemplation of it being used, and is not suitable to be used, to inform any investment decision in relation to the debt of, or any financial interest in, the Company or other companies in the same group.

Nothing in this Document constitutes a valuation or legal advice. Where legal issues are discussed, the information is only intended to be of a general nature and not a full review of the issues covered.

Michael Pink and Richard Heis are authorised to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales. Richard Fleming is authorised to act as an insolvency practitioner by the Insolvency Practitioners Association.

The JSAs act at all times as agents for the Company and without personal liability. The appointments of the JSAs are personal to them and, to the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability to any person in respect of this Document or the conduct of the administration.

<b>Client Money Pool/CMP</b>	Segregated client monies, together with those client monies that ought to have been segregated as at 31 October 2011
<b>Court</b>	High Court of Justice, Chancery Division, Companies Court
<b>House Estate</b>	Non-segregated creditor and estate assets
<b>FCA</b>	Financial Conduct Authority
<b>MFGH</b>	MF Global Holdings Ltd
<b>MFGI</b>	MF Global Inc
<b>MFG Services</b>	MF Global UK Services Limited (in administration)
<b>MFGUK/the Company</b>	MF Global UK Limited (in special administration)
<b>Parallel Claim</b>	A Parallel Claim is a client's unsecured claim for the difference between the value of its contractual right against MFGUK and the value of its distributions received from the CMP
<b>Resolution Agreement</b>	Settlement Agreement negotiated between the CMP and House Estate to resolve the outstanding matters in the CMP Estate
<b>Shortfall Claim</b>	A Shortfall Claim is a client's unsecured claim for breach of CASS 7 or other breach of trust
<b>Special Administration</b>	The Special Administration procedure in accordance with the Investment Bank Special Administration Regulations 2011
<b>Special Administrators/JSAs</b>	Richard Heis, Michael Pink and Richard Fleming as Joint Special Administrators of MF Global UK Limited (in special administration)
<b>£</b>	Sterling
<b>\$</b>	US Dollar
<b>€</b>	Euro

Other capitalised terms are as defined in previous communications

	<b>Page</b>
<b>Update</b>	4
<b>Summary of model and distribution</b>	6
<b>House Estate – Summary of illustrative financial outcome</b>	8
<b>House Estate – Summary of funds currently available for distribution</b>	11

**Update**

### Client Money Pool update

- The JSAs declared and paid the final CMP distribution in November 2014. The final payout rate for the CMP is 90.65¢ in the \$.
- The JSAs were unable to make payment of the final distribution to a number of agreed clients due to issues on their accounts such as no valid bank account details being provided or KYC documents being outstanding. The JSAs have continued to pursue these parties but shall shortly pay any amounts that remain outstanding to the Insolvency Services Account who will hold the funds, allowing the closure of the CMP.

### House Estate update

- In November 2014, the JSAs paid a fourth unsecured creditor distribution of 8.5p in the £, bringing the cumulative total to 84.5p in the £.
- Since the fourth interim distribution, the JSAs have:
  - Recovered amounts totalling £16.6 million from Affiliates (predominately relating to the completion of the settlement agreement with MFG Singapore) and other third party debtors;
  - Reduced creditor reserves reflecting progress made on work streams relating to the adjudication of claims; and
  - Finalised the calculation of and paid catch up distributions in relation to the majority of Parallel Claims as a result of the payment of the final CMP distribution. Due to FX rate movements, the total value of Parallel Claims is lower than what was previously provisioned for.
- As a result of the above achievements, the JSAs are now able to declare a fifth interim distribution to creditors.
- Accordingly, the JSAs have issued a Notice of Intention to Declare a Distribution which sets a last date for proving as 29 July 2015. Following the expiry of this date, the JSAs will have two months to declare and pay the distribution.
- As calculated in the tables on the following pages, the fifth interim distribution is **anticipated** to be 3p in the £, bringing the cumulative total to 87.5p in the £.
- However, the Administrators will not be able to finalise the distribution figure until after the last date for proving (being 29 July 2015). All creditors will be notified of the actual level of the Fifth Interim Creditor Distribution in due course following the last date for proving.
- Based on current information, and subject to the various material cautions and caveats set out in this document, the final payout rate for unsecured claims has improved and is now forecast to be between 95.3% to 100% (previous estimate was 93.2% to 100%).
- In the high estimate a surplus of £45 million is forecast (previous estimate was £44 million). However, as previously reported, there are various uncertainties in how any surplus may be applied and it will not be assessed by the JSAs until there is greater certainty that a surplus actually exists.

# Summary of model and distributions

### Summary of model

- The tables on the following pages provide an updated summary of the illustrative financial outcome for the House Estate as at 31 March 2015. There have been no material movements in the figures as at the date of this report.
- It should be noted that the illustrative range of financial outcomes presented includes a 'low' (i.e. more prudent) case estimate and a 'high' (i.e. less prudent) case estimate for the House Estate. This should not be considered 'best' and 'worst' possible cases.
- The tables are all denominated in GBP, being the base currency of the House Estate.
- The House Estate is still subject to movements and the financial outcome reflects an estimate only.
- There are uncertainties in how any surplus may be applied and it will not be assessed by the JSAs until there is greater certainty that a surplus actually exists.



**House Estate –  
Summary of  
illustrative  
financial outcome**

Illustrative financial outcome (including comparison to that previously reported)							
	As at 10 October 2014		As at 31 March 2015		Variance		Narrative
	Low (£m)	High (£m)	Low (£m)	High (£m)	Low (£m)	High (£m)	
<b>House estate</b>							
Amount currently under the control of the JSAs	289	289	197	197	(92)	(92)	A
Amounts previously distributed by the JSAs	783	783	878	878	95	95	A
Amounts collected by virtue of set off	230	230	235	235	5	5	
Affiliate Debtors	16	19	5	7	(11)	(12)	B
Third party receivables	5	73	2	62	(3)	(11)	C
<b>Total projected recoveries</b>	<b>1,322</b>	<b>1,394</b>	<b>1,318</b>	<b>1,379</b>	<b>(4)</b>	<b>(14)</b>	
<b>Priority claimants/costs of the administration</b>							
Estimated future costs	(28)	(23)	(28)	(19)	-	4	D
General contingency	(12)	(7)	(12)	(7)	-	-	
<b>Total priority payments</b>	<b>(40)</b>	<b>(30)</b>	<b>(40)</b>	<b>(26)</b>	<b>-</b>	<b>4</b>	
<b>Assets available for distribution</b>	<b>1,282</b>	<b>1,363</b>	<b>1,278</b>	<b>1,353</b>	<b>(4)</b>	<b>(10)</b>	
<b>Liabilities</b>							
Creditor liabilities	(948)	(923)	(932)	(916)	16	7	
Amount settled by way of client asset claim	(115)	(115)	(115)	(115)	-	-	
Amount settled by set off	(230)	(230)	(235)	(235)	(5)	(5)	
Parallel Claims (deficiency from CMP)	(49)	(45)	(42)	(42)	7	3	E
<b>Total claims</b>	<b>(1,341)</b>	<b>(1,312)</b>	<b>(1,324)</b>	<b>(1,308)</b>	<b>18</b>	<b>5</b>	
Funds available – excluding set-off amounts	921	1,002	928	1,003	7	1	F
Total claims – excluding set-off amounts	(988)	(958)	(974)	(958)	14	-	F
<b>Illustrative financial outcome – excluding set-off amounts</b>	<b>(67)</b>	<b>44</b>	<b>(46)</b>	<b>45</b>	<b>21</b>	<b>1</b>	<b>G</b>

**Narrative analysis of developments and further explanations**

- A. Funds available for distribution have decreased following the payment of the fourth interim distribution and catch up distribution in relation to Parallel Claims. These have been partially off-set by recoveries from Affiliate receivables, debtors and other receivables.
- B. During the period, the settlement agreement that the JSAs had entered with MFG Singapore was completed.
- C. Third party receivables consists of various outstanding amounts. The largest amount relates to a foreign withholding tax reclaim which has been subject to increasing levels of scrutiny by the relevant tax authority. The recoverability of the amount is uncertain. Significant work has been performed, and will continue to be required of the JSAs, to manage the increasing demands of the tax authority. An amount of €48 million was received by MFGUK prior to the Administration and the scrutiny relating to these receipts has been similar to that in respect of the outstanding receivables. No amount has been reserved for in the illustrative financial outcome for the amount previously received.
- D. The quantum shown for future costs have remained steady with the prior period as although the estimated costs for the remaining future periods in both the Low and High Case have increased this is offset against costs paid during the period.
- E. The majority of Parallel Claims were finalised following the closure of the CMP. The total value of Parallel Claims was below the amount previously provisioned for due to FX rate movements.
- F. Adjustments have been made to account for set-off arrangements and where the creditor has deemed distributions in excess of the current distribution level as a result of transferring positions. This then allows the calculation of the illustrative distribution percentages from the House Estate for participating creditors.
- G. In the high estimate a surplus is forecast. However, as previously reported, there are various uncertainties in how any surplus may be applied and it will not be assessed by the JSAs until there is greater certainty that a surplus actually exists.

**Summary of  
illustrative funds  
available for  
distribution from  
the House Estate**

- The summary tables below should be read in conjunction with the underlying assumptions and the narrative detailed on the following page.

House Estate distribution calculation			
	As at 10 Oct 2014 (£m)	As at 31 March 2015 (£m)	Narrative
<b>Assets available for distribution</b>			
Amount currently under the control of the JSAs	289	197	
Amounts previously distributed by the JSAs	783	878	
Provision for future costs	(28)	(28)	
General contingency	(12)	(12)	A
Holdback	(2)	(2)	B
<b>Total cash potentially available</b>	<b>1,030</b>	<b>1,038</b>	
Adjustment for set-off items	(132)	(115)	
<b>Estimated funds available for distribution</b>	<b>898</b>	<b>918</b>	
<b>Estimated participating claims</b>			
Low case – House Estate liabilities	(939)	(932)	
Parallel Claims – CMP deficiency	(49)	(42)	C
Provision for unagreed claims	(75)	(75)	D
<b>Estimated participating claims</b>	<b>(1,063)</b>	<b>(1,049)</b>	
<b>Estimated incremental distribution</b>	8.5p in the £	3.0p in the £	
<b>Distributions previously declared</b>	<b>76.0p in the £</b>	<b>84.5p in the £</b>	
	<b>84.5p in the £</b>	<b>87.5p in the £</b>	<b>E &amp; F</b>

## Detailed assumptions and narrative

### Detailed assumptions and narrative

- A. General contingency for unexpected events.
  - B. Holdbacks that are required in relation to the recovery of cash from financial institutions are set out here.
  - C. This reflects the calculation of Parallel Claims following the final CMP distribution being paid.
  - D. The JSAs are required to reserve in full for all claims that have not been accepted or rejected. This balance reflects the difference between claimed amounts and amounts recognised by MFGUK in relation to unagreed claims.
  - E. The ultimate return for an individual creditor will be dependent on a number of factors including the final recovery of outstanding amounts, foreign exchange movements due to the timing of conversion and payment and the resolution of disputed creditor claims.
  - F. The JSAs are commencing the regulatory process for the declaration of a further distribution. As a result, the incremental distribution presented here is expected to be paid in August 2015.
- This illustrative financial outcome is for illustrative purposes only and is based on the information available to the JSAs at the time of disclosure. No reliance should be placed on the values contained within the summary or the illustrative financial outcome to clients and creditors. The quantum of distributions ultimately declared will be determined by the level of available funds and client and creditor claims at the point of declaration of those distributions having taken account of any contingencies that the JSAs consider appropriate to be reserved for on a prudent basis.



*cutting through complexity*

© 2015 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved.

The KPMG name, logo and “cutting through complexity” are registered trademarks or trademarks of KPMG International.