



cutting through complexity

MF Global UK Limited – in Special Administration

Special Administrators' Progress Report for the six month period

31 October 2014 to 30 April 2015

29 May 2015



Notice: About this Report

This Report has been prepared by Richard Heis, Michael Robert Pink and Richard Dixon Fleming, the Special Administrators of MF Global UK Limited (in Special Administration) solely to comply with their statutory duty under Rule 122 of the Investment Bank Special Administration (England and Wales) Rules 2011 to provide creditors and clients with an update on progress in the Special Administration and for no other purpose. This Report is not suitable to be relied upon by any person, or for any other purpose, or in any other context.

This Report 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 MF Global UK Limited (in Special Administration).

Rule 122 requires this Report to cover the six month period to 30 April 2015. However, where possible we have provided updated data beyond 30 April 2015. Where this is the case we state the date that the updated information relates to.

Any estimated outcomes for creditors or clients included in this Report are illustrative only and cannot be relied upon as guidance as to the actual outcomes for clients, creditors or other stakeholders. Any person that chooses to rely on this Report for any purpose, or in any context, other than under Rule 122 of the Investment Bank Special Administration (England and Wales) Rules 2011 does so at their own risk.

To the fullest extent permitted by law, the Special Administrators do not assume any responsibility and will not accept any liability in respect of this Report.

Richard Heis and Michael Robert Pink are authorised to act as insolvency practitioners by the Institute of Chartered Accountants of England and Wales. Richard Dixon Fleming is authorised to act as an insolvency practitioner by the Insolvency Practitioners Association. The Special Administrators act as agents for the Company and contract without personal liability. The appointments of the Special Administrators are personal to them and, to the fullest extent permitted by law, KPMG does not assume any responsibility and will not accept any liability to any person in respect of this Report or the conduct of the Special Administration of the Company.

Act	The Insolvency Act 1986 (as amended)	MFG Inc	MF Global Inc.
Affiliate(s)	A company or companies within the MFG Holdings Group	MFG Services	MF Global UK Services Limited (in administration)
CASS	Client Assets Sourcebook	Parallel Claim	A client's unsecured claim for the difference between the value of its contractual right against MFGUK and the value of its distributions from the CMP
CMP	Client Money Pool	Regulations	The Investment Bank Special Administration Regulations 2011
Company/ MFGUK	MF Global UK Limited of 15 Canada Square, London E14 5GL with company registration 01600658	Rules	The Investment Bank Special Administration (England and Wales) Rules 2011
Court	High Court of Justice Chancery Division Companies Court	Shortfall Claim	A client's unsecured claim for breach of CASS 7 or CASS 7A of the FSA's Handbook as at 31 October 2011 or other breach of trust, to the extent that the resultant losses are not already covered by the Parallel Claim
Directors	Directors of the Company (as at 31 October 2011): Bradley Ira Abelow; Francis Kemper Cagney; David Moses Gelber; Richard Warren Moore; and Charles Graham Pendred	SIPA	Securities Investor Protection Act (US)
Distribution Plan	Client Asset Distribution Plan approved by the Court on 18 July 2012	SIPA Trustee	Trustee of MF Global Inc./Mr J Giddens
FCA	Financial Conduct Authority	SIPC	Securities Investor Protection Corporation (US)
Finance USA	MF Global Finance USA Inc.	Special Administrators/JSAs	Richard Heis, Michael Robert Pink, and Richard Dixon Fleming of KPMG LLP
FSCS	Financial Services Compensation Scheme	US	United States of America
FX	Foreign Exchange	Weil	Weil, Gotshal and Manges
Group	The Company and subsidiaries	\$/Dollar	United States dollar (unless otherwise stated)
ISDA	International Swaps and Derivatives Association	€	Euro
ISA	Insolvency Services Account at the Bank of England		
KPMG	KPMG LLP		
MFG Holdings	MF Global Holdings Limited		
MFG Holdings Group	MF Global Holdings Limited and its subsidiaries		

The references in this Report to the Act, Rules or Regulations are to Schedule B1 of the Insolvency Act 1986 (as amended), the Investment Bank Special Administration (England and Wales) Rules 2011 and The Investment Bank Special Administration Regulations 2011 respectively.
All other capitalised terms have the same definitions as those stated in the Client Asset Distribution Plan.

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Purpose of this Report	<ul style="list-style-type: none"> ■ This Report provides creditors and clients with an update of progress in the Special Administration for the six month period from 31 October 2014 to 30 April 2015 in accordance with Rule 122 of the Investment Bank Special Administration (England and Wales) Rules 2011. The JSAs' previous progress report was issued on 28 November 2014 covering the period 1 May 2014 to 30 October 2014. ■ All statutory and supporting information is set out in the attached appendices.
Website	<ul style="list-style-type: none"> ■ The MFGUK website www.kpmg.co.uk/mfglobaluk is regularly updated with the latest information about the Special Administration.
Background	<ul style="list-style-type: none"> ■ Richard Heis, Michael Pink and Richard Fleming of KPMG were appointed JSAs of MFGUK on 31 October 2011, by order of the Court following an application by the Directors of the Company. ■ The functions of the JSAs are being exercised jointly and severally by the JSAs. ■ This appointment followed the filing for Chapter 11 bankruptcy protection in the US by MFG Holdings and Finance USA on 31 October 2011. Also, on 31 October 2011 the SIPC instigated the SIPA liquidation of MFG Inc by a petition to the US District Court for the appointment of a SIPA trustee. ■ The Company traded as a broker-dealer in commodities, fixed income, equities, foreign exchange, futures and options and also provided client financing and securities lending services.

Key achievements, events and milestones during the period

Final CMP distribution

- On 11 November 2014, the JSAs declared the final dividend of 12.15 cents in the dollar to be paid to all client money claimants whose client money claims have been admitted for dividend purposes. The distribution was paid to eligible clients on 13 November 2014.
- The final cumulative amount distributed to client money claimants is **90.65 cents in the dollar**.
- Clients who failed to lodge a claim against the CMP before the final date of proving being the 10 October 2014, lost any entitlement to funds from the CMP. However, these parties are entitled to claim against the House Estate which remains active.

Fourth Interim House Estate distribution

- On 11 November 2014 the JSAs declared a fourth interim dividend of 8.5 pence in the pound to all unsecured creditors whose claims had been admitted for dividend purposes. The distribution was paid to eligible creditors on or after 20 November 2014.
- The cumulative amount distributed to creditors with agreed claims is **84.5 pence in the pound**.

Parallel claims

- The payment of the final distribution from the CMP has enabled the JSAs to finalise the value of clients' Parallel Claims in the House Estate. The JSAs provided 1,600 CMP claimants with a statement detailing the calculation of their Parallel Claim in December 2014 and paid a catch up distribution on Parallel Claims on 14 January 2015.

Future distributions and illustrative financial outcome

- The JSAs intend to provide a further illustrative financial outcome model shortly and expect that this will confirm that there are sufficient funds to allow a further interim distribution from the House Estate to be declared.

Foreign Withholding Tax

- The largest outstanding receivable relates to a foreign withholding tax reclaim which has been subject to high levels of scrutiny by the relevant tax authority. The recoverability of the reclaim continues to be uncertain. Significant work has been undertaken, 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 Special Administration and the scrutiny relating to these receipts has been similar to that in respect of the outstanding receivables.

German litigation

- The largest outstanding creditor dispute relates to claims received from parties who have asserted claims which arise from certain introducing brokers in Germany. The quantum of these claims totalled £50.6 million. Following work undertaken to determine the validity of these claims, identify duplicate claims and reject non-valid claims, the JSAs have rejected 286 claims, reducing the value of those claims to £32.8 million.
- The JSAs continue to work with their legal advisors and the claimants' representatives to determine the validity of the remaining 418 claims.

The JSAs have finalised the administration of the CMP and declared a final CMP distribution on 11 November 2014 of 12.15 cents in the dollar, bringing the final payout rate to 90.65 cents in the dollar.

Final CMP distribution

- A notice of intention to declare the final CMP distribution was issued on 12 September 2014 which set a final date for proving as 10 October 2014. Subsequently, the JSAs declared a final distribution from the CMP on 11 November 2014 of 12.15 cents in the dollar, bringing the final payout rate for the CMP to 90.65 cents in the dollar.
- The payment of the final distribution was made on 13 November 2014.
- As a result of the final CMP distribution being paid, this crystallised the FX rates and therefore allowed the JSAs to provide CMP claimants with a statement detailing the calculation of their Parallel Claim (if any). These Parallel claims totalled some 1,600 and the related statements were issued by the JSAs in December 2014. The JSAs paid a catch up distribution on the Parallel Claims from the House Estate on 14 January 2015 bringing distributions on Parallel Claims in line with the 84.5 pence in the pound declared on other agreed House Estate claims.

Unpaid CMP distributions

- As previously reported, the JSAs obtained Court approval that payment of certain uncollected CMP distributions (e.g. where no bank account details have been provided) could be paid into the ISA. The relevant clients will be able to recover the distributions payable to them from the ISA.
- The JSAs have contacted the relevant parties for revised payment instructions where attempted payments either failed or bounced (primarily due to error with the recipient's bank details) and have re-attempted those payments where possible. A number of these payments have now been successfully paid, thereby reducing the proceeds to be transferred to the ISA to approximately \$230,000. The transfer of the funds to the ISA will be made shortly, bringing the CMP to a close.
- Any client wishing to claim their distributions is still entitled to do so. However, the request for payment will have to be made to the Insolvency Service directly. Further information regarding the Insolvency Service can be found on their website (<https://www.gov.uk/government/organisations/insolvency-service>).

The JSAs declared and paid a fourth interim unsecured creditor distribution in November 2014.

The JSAs intend to provide a further illustrative financial outcome model shortly and expect that this will confirm that there are sufficient funds to allow a further interim distribution to be declared.

Illustrative financial outcome model

- The table below summarises the outcomes presented in the most recent illustrative financial outcomes published. As illustrated here, the range of estimated outcomes from the House Estate has (between 31 March 2014 and 10 October 2014) reduced significantly to a range of approximately £111 million (previously £135 million range). Please note these should not be considered 'best' and 'worst' cases.
- An updated illustrative financial outcome is currently being prepared and will be published shortly.
- The published illustrative financial outcomes can be found on the MFGUK website (<http://www.kpmg.com/UK/en/IssuesAndInsights/ArticlesPublications/Pages/mf-global-important-documents.aspx>).

House Estate						
	31 December 2013		31 March 2014		10 October 2014	
	Low Case (£m)	High Case (£m)	Low Case (£m)	High Case (£m)	Low Case (£m)	High Case (£m)
Funds available for distribution	1,314	1,401	921	1,014	921	1,002
Total Creditor claims	(1,398)	(1,346)	(1,010)	(967)	(988)	(958)
Surplus/(Deficit)	(84)	55	(89)	46	(67)	44
Variance to prior illustration	(9)	(2)	(5)	(9)	22	(2)

Source: JSAs' records and estimates.

As at 30 April 2015, the total value of creditor claims has increased by £27.3 million to a total of £1.314 billion (previous report: £1.29 billion). This increase arose as a result of the issuing of £37.6 million of Parallel Claim Notices in December 2014 partially offset by a fall in other creditor claims of £10.3 million. Of the total creditor amount, £1.25 billion of creditor claims have been fully agreed.

Current progress

- An analysis of final statements issued to customers, suppliers and Affiliates, and whether or not these claims have been agreed as at 30 April 2015 is provided below.

Creditor update – As at 30 April 2015			
	Number	Claim Value (£'000)	Change in period ^(b) (£'000)
Fully Agreed Proposals	1,870	610,500	4,715
Proposals sent but not agreed	277	13,415	(227)
Parallel Claims Issued	3,560	40,745	36,575
Total trading Proposals issued	5,707	664,660	41,063
Parallel claims to be issued	117	1,000	1,000
Dormant accounts	1	1,323	(2)
CMP clients who lost CMP entitlement	704	1,020	1,020
Total Trading statements	6,529	668,003	43,081
Other			
MFG Inc. – Agreed ^(a)	1	549,387	-
Other Affiliates - Agreed	12	32,328	1,588
Other Affiliates - Not Agreed	5	12,412	(11,591)
Suppliers - Agreed	240	13,402	261
Suppliers - Not Agreed	31	1,584	(2,312)
German Introducing broker claimants - Not Agreed	459	32,807	-
Claim submitted being investigated - Not Agreed	2	4,357	(3,717)
Total (excluding certain CMP related claims)	7,279	1,314,282	27,310

Note: (a) The MFG Inc. Settlement includes an element of Client Assets and the agreement of an unsecured claim.

(b) The movement shown represents the adjustment in values from 30 October 2014 to 30 April 2015.

(c) Dormant accounts are reported as one but consist of multiple individual parties.

Source: JSAs' records.

The JSAs have made progress in liaising with creditors to agree their claims and rejecting a number of the supplier claims which were previously outstanding.

Suppliers

- Since the release of the previous progress report the JSAs have agreed a further seven supplier claims totalling £0.3 million, and have rejected five claims thereby releasing provisions of £2 million.

German introducing broker litigation claims ('German Litigation Claims')

- Since appointment, the JSAs have received 704 claims from claimants who have asserted claims which arise from certain introducing brokers in Germany. The quantum of these claims totalled £50.6 million. Following work undertaken to determine the validity of the claims, identify duplicate claims and reject non-valid claims, the JSAs have rejected 286 claims, reducing the number of those claims to 418 totalling £34.5 million. The time for appeal against the rejected claims has now expired.
- The JSAs continue to work with their legal advisors and the claimants' representatives to determine the validity of the remaining 418 claims.

Pension settlement

- A judgment has recently been received in the March 2015 High Court case brought consensually to resolve the dispute between MFGUK and MFG Services regarding liability for the £29 million cash settlement of the s.75 pension deficit. That judgement was in favour of MFG Services; however, on legal advice, the JSAs have subsequently lodged an appeal to the judgment on the grounds that the decision was flawed in legal principle; the costs of pursuing the appeal are relatively small; and the impact of the decision on the estate is material.
- Whether or not the appeal will be allowed has yet to be determined. Therefore, at this time the JSAs are having to reserve for the full cost of the pension settlement.

The JSAs have been working closely with the FSCS which has paid approximately £46.0 million to customers with assigned claims with a total value over £60.5 million.

Claims assigned to the Financial Services Compensation Scheme

- 2,467 customers have assigned claims with a value of approximately £60.5 million (combined client and creditor claims) to the FSCS. The JSAs have been in dialogue with the FSCS since the early stages of the Special Administration. A protocol has been established whereby:
 - All agreed claims are notified to the FSCS on a weekly basis via a secure internet exchange portal; and
 - The JSAs provide information to the FSCS to assist it in its assessment of eligibility. The determination of whether a claim is protected and therefore entitled to compensation is the decision of the FSCS.
- To date, the FSCS has made payments totalling approximately £46.0 million to clients. The FSCS will compensate up to £50,000 for losses to eligible claimants. There are a number of potentially eligible claimants who have not submitted claims to the FSCS.
- Payments made by the FSCS to clients includes flow through payments of £13.0 million to 291 customers whose claims exceed the £50,000 compensation limit.

Following settlements being reached with MF Global Australia in February 2014 and MFG Hong Kong in August 2014, a settlement was reached with MFG Singapore in November 2014.

Affiliates

- An update in relation to key Affiliate claims is provided below:

MFG Hong Kong (“MFGHK”)

- Following the settlement agreement being reached in August 2014, MFGHK has declared a further interim distribution bringing the cumulative distribution rate to 94% for MFGUK’s HK\$204.6 million trading claim. No distribution has yet been declared for MFGUK’s HK\$1.7 million unsecured creditor claim.
- With regard to any shortfall in respect of its trust accounts, MFGHK applied in August 2014 to the High Court of Hong Kong for directions dealing with similar matters to which we have resolved in our own administration through both the Hindsight and Shortfall applications. Due to the potential impact on recoveries to MFGUK and the JSAs’ prior experience on the matter, the JSAs made representations to the High Court of Hong Kong regarding the ability of segregated customers to make a Parallel Claim into the MFGHK House Estate. The Court is still preparing its judgment which we expect will be delivered shortly.

MFG Singapore (“MFGS”)

- A settlement agreement was executed on 2 October 2014, however it only became effective following MFGS receiving approval from the High Court of Singapore which was received on 20 November 2014. Funds were then released between the entities in December 2014, as summarised below:
 - MFGUK’s CMP claim of US\$18.5 million and creditor claim of \$9.9 million were admitted in full. A portion of the creditor claim was set off and then MFGUK received distributions on the remaining amounts at the rates declared at the time by MFGS, being 80% for CMP claims and 23% for unsecured creditor claims.
 - MFGS’s CMP claim was admitted in full and received the final CMP distribution rate of 90.65%. MFGS then received a Parallel Claim which was set off against MFGUK’s creditor claim.
- Subsequently, MFGS declared a further interim distribution of 5% for unsecured creditor claims in 2015, bringing the cumulative total distribution rate to 28% for that category.

MFG Australia (“MFGA”)

- The current MFGA distribution rates remain at 95% for MFGUK’s CFD claim of AU\$3.1 million, 95.5% for MFGUK’s Futures claim of AU\$12.2 million and nil for MFGUK’s unsecured creditor claim of AU\$0.7 million.
- MFGA estimate that the final payout rate will be up to 95.3% for CFDs, 100% for Futures and range between 1.1% to 50.9% for unsecured creditors. MFGA have confirmed that any shortfall with CFD or Future claims shall automatically be admitted as unsecured creditor claims.

As at 30 April 2015 the JSAs have unrealised non-segregated assets with a book value of approximately £69 million.

The largest outstanding receivable relates to certain European tax reclaims. The JSAs continue to work with the relevant tax authorities with the aim of recovering these funds.

Non-segregated monies outstanding as at 30 April 2015		
£000	Received in the period	Outstanding ^(a)
Banks/Exchanges/Clearing Houses	2,233	25,598
Affiliates	14,297	6,226
European tax reclaims	-	36,974
Other receipts/realisations	1,899	-
Total	18,429	68,798

Note: (a) For illustrative purposes only. This may not represent further recoveries or all amounts outstanding as reflects high case and does not represent the JSA's view as to future realisations.
Source: JSAs' records.

Non-segregated assets recovered

- The JSAs have recovered £16.5 million of outstanding non-segregated assets in the period to 30 April 2015.
- The significant recoveries in the non-segregated estate since the JSAs' previous report are as follows:
 - £13.9 million received from affiliates, predominately arising due to settlement with MFGS being reached; and
 - Collection of £2.3 million from an exchange, representing 50% of the funds they hold.

Outstanding non-segregated assets

- At the date of this report, the JSAs continue to negotiate with one bank and one clearing house regarding the return of amounts withheld. These amounts account for nearly all of the amounts outstanding from banks, clearing houses and exchanges.
- The European tax reclaims disclosed above represent reclaims submitted by MFGUK. Although the JSAs continue to work with these tax authorities, the quantum and timing of any future receipts remains uncertain at this time and the amounts are exposed to FX movements.

Affiliate debtors

- The JSAs have continued to progress claims against Affiliates. Further information regarding the recovery of the largest amounts are provided on page 11.
- The total estimated realisations from affiliates has been increased due to revised estimated outcomes statements being issued by the relevant estates showing higher amounts may be recovered.

The level of IT systems and MFGUK staff required has continued to be reduced through the period, generating significant annual cost savings for the estate.

IT

- IT costs have been reduced in the period with IT application support and maintenance being outsourced to a third party.
- The stability of IT systems is a priority and continues to be maintained whilst steps are taken in parallel to implement cost savings through the decommissioning of non-essential applications / services and consolidation of the IT estate. Some key systems will be retained for a significant period as there will be remaining dependencies on them to provide support for claims analysis and resolution and to meet regulatory/legal requirements. At the appropriate time, plans will be prepared and implemented for the relocation of MFGUK equipment at Interxion (the third party Data Center).
- The MF Global IT department has been reduced from 132 staff at appointment in 2011 to now only 2. These MFGUK staff have been retained to provide ongoing support for the systems, communications and infrastructure previously used by MFGUK and still required under the Special Administration.

Premises

- In order to continue the formal winding down of the Company, the JSAs have extended the lease on the Regus office space in Canary Wharf until 31 December 2015. The JSAs will review the future options available prior to the expiry of the lease.

Human Resources

- At the start of the period, there were two employees and three contractors remaining. The two remaining employees moved to a contractor basis and one contractor left. We therefore currently have four contractors remaining.
- Ongoing requirements are periodically considered to ensure a cost effective wind down of the MFGUK estate as a whole.

The JSAs' remuneration must be approved by the Creditors' Committee and is subject to review by an independent third party fee reviewer.

In the six months to 30 April 2015, the JSAs' time costs totalled £3.5 million.

JSAs' remuneration

- A receipts and payments account for the period from 31 October 2014 to 30 April 2015 is attached at Appendix 2.
- A detailed analysis of the JSAs' time and costs for the various areas of work carried out in the six months to 30 April 2015 is attached as Appendix 4.
- The JSAs continue to operate under a discounted fee structure as agreed with the Creditors' Committee. A summary of current charge out rates, for each grade of staff, is also attached as Appendix 5.
- The statutory provisions relating to remuneration are set out in Rule 196. Further information is given in the Association of Business Recovery Professionals' publication A Creditors Guide to Administrators' Fees, which can be found at the R3 website at http://www.r3.org.uk/media/documents/technical_library/SIPS/SIP9_EW_Payments_to_Insolvency_Office_Holders_and_their_Associates.pdf. However if you are unable to access this guide and would like a copy please email mfglobalclaims@kpmg.co.uk.
- It is for the Creditors' Committee to determine the basis on which the JSAs' remuneration is to be fixed. At the request of the Creditors' Committee the JSAs have engaged an independent fee reviewer to review the costs of the Special Administration and report to the Creditors' Committee.
- In the six month period to 30 April 2015, we have incurred time costs of £3,456,137 representing 8,304 hours at an average hourly rate of £416. This also includes work undertaken in respect of IT, corporate tax, VAT, employee and pensions from KPMG in-house specialists.
- Total time costs on MFGUK to 30 April 2015 are £97,560,952 of which a total of £93,586,527 has been drawn on account as at 30 April 2015.

- Creditors are advised that any additional information regarding other expenses charged for the period is available from the JSAs upon request by any Secured Creditor or any unsecured creditor(s) with at least 5% in value of the unsecured debt in accordance with Rule 201. This request must be made within 21 days of receipt of the attached Report. In addition, creditors are reminded that the quantum can be challenged by any Secured Creditor or any unsecured creditor(s) with at least 10% in value (including that creditor's claim) of the unsecured debt or a client with the concurrence of clients representing at least 10% of the total claims in respect of Client Assets held by making an application to Court in accordance with Rule 202 within eight weeks of receipt of the attached Report. The full text of these rules can be provided upon request.

Disbursements

- Disbursements in the six month period to 30 April 2015 total £100,910, which includes amounts paid in relation to the administration of MFG Services and KPMG affiliates discussed below. A detailed breakdown between Category 1 and Category 2 disbursements can be found in Appendix 6.
- Disbursements to 30 October 2014 total £4,129,310 of which £4,033,127 has been drawn as at 30 April 2015.

Payments to KPMG affiliates

- No costs have been incurred during the period from KPMG affiliates for professional services. To date total costs of £292,198 have been incurred from KPMG affiliates which have been paid in full.
- No costs have been incurred during the period with regard to seconded staff from KPMG Affiliates. To date total costs of £243,250 have been incurred for seconded staff which have been paid in full.

The costs of MFG Services are paid by MFGUK. No further fees are expected with regard to the costs of MFG Services.

MF Global UK Services Limited (in administration) fees

- MFG Services is the management services company providing human resources to MFGUK. In accordance with the terms of a management agreement entered into between MFGUK and MFG Services, MFGUK's Creditors' Committee approved a resolution that the costs of this administration would be paid out of the MFGUK estate as a Category 2 disbursement.
- The management agreement terminated on 30 October 2014; as a result MFGUK will not meet any further costs from MFG Services with effect from 31 October 2014 onwards.
- Fees for the period from 1 July 2014 to 30 October 2014 of £150,462 were approved by the Creditors' Committee and have since been paid.
- Total fees paid relating to the MFG Services administration to 30 April 2015 are £2,395,959. Due to the termination of the management agreement no further fees are expected with regard to the MFG Services administration.

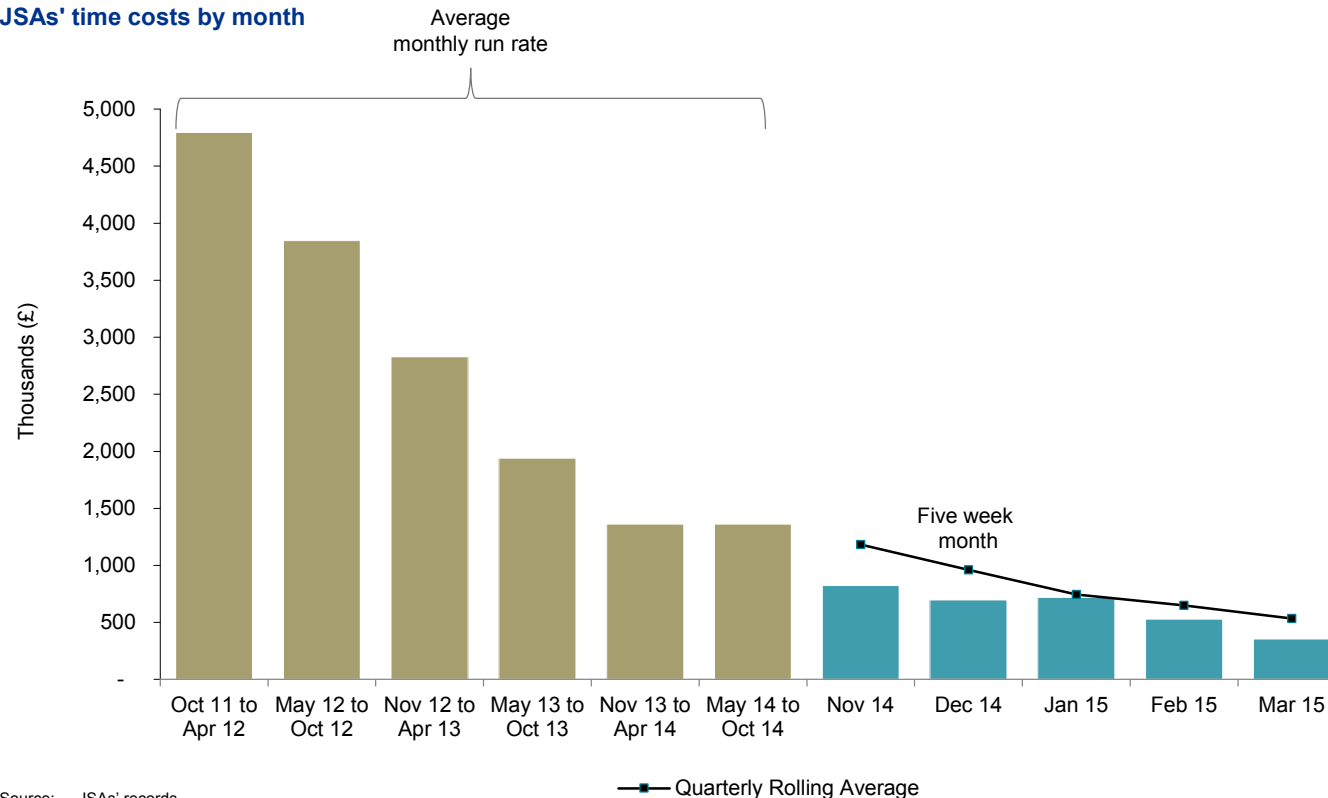
Future projected costs

- The JSAs' strategy has been to realise and distribute assets to stakeholders as expediently as possible and keep costs to a minimum. The JSAs have prepared a budget for future projected costs and this is reviewed by the Fee Reviewer on behalf of the Creditors' Committee.

There has been a downward trend in the average monthly time costs since the start of the Special Administration.

Monthly time costs are now almost a tenth of those incurred in the early stages of the Special Administration.

JSAs' time costs by month



Source: JSAs' records.

Discussion of time cost trends

- Average monthly time costs have reduced from £0.89 million between April 2014 and October 2014, to £0.56 million during the six month period to April 2015.
- Significant savings are being seen as predicted now that the CMP has closed (average monthly costs are £0.39m for Q1 2015).

Appendices

1. Statutory information.
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Company name	<ul style="list-style-type: none"> MF Global UK Limited (in Special Administration)
Company number	<ul style="list-style-type: none"> 01600658
Trading names	<ul style="list-style-type: none"> MF Global MF Global Direct MF Global Markets
FCA registration number	<ul style="list-style-type: none"> 106052
Date of incorporation	<ul style="list-style-type: none"> 27 November 1981
Registered office	<ul style="list-style-type: none"> 15 Canada Square, London, E14 5GL
Previous addresses	<ul style="list-style-type: none"> 8 Salisbury Square, London, EC4Y 8BB 5 Churchill Place, Canary Wharf, London E14 5HU Sugar Quay, Lower Thames Street, London EC3R 6DU
Court	<ul style="list-style-type: none"> High Court of Justice, Chancery Division, Companies Court
Court reference	<ul style="list-style-type: none"> 9527 of 2011
EC Regulation on insolvency proceedings (1346/2000)	<ul style="list-style-type: none"> The EC Regulation does not apply
Special Administrators	<ul style="list-style-type: none"> Richard Heis, Michael Pink and Richard Fleming
Administrators' business address	<ul style="list-style-type: none"> 15 Canada Square, London, E14 5GL
Date of appointment	<ul style="list-style-type: none"> 31 October 2011
Appointer	<ul style="list-style-type: none"> Court
Para 100(2) statement	<ul style="list-style-type: none"> In accordance with Rule 8 (3) (e), any acts required or authorised under all enactment to be done by either or all of the Special Administrators may be done by all or any one or more of the persons for the time being holding that office.
Directors (as at 31 October 2011)	<ul style="list-style-type: none"> Bradley Ira Abelow, David Moses Gelber, Francis Kemper Cagney, Richard Warren Moore and Charles Graham Pendred
Secretary (as at 31 October 2011)	<ul style="list-style-type: none"> Vicki Kong
Shareholder	<ul style="list-style-type: none"> Wholly owned by MF Global Holdings Europe Limited

Special Administrators' abstract of receipts and payments for the period 31 October 2014 to 30 April 2015 and 31 October 2011 to 30 April 2015

MF Global UK Limited (in Special Administration): Non-segregated assets receipts and payments accounts						
(000)	£	\$	€	Various Other Currencies (£)	Period total 31 October 2014 – 30 April 2015 (£)	Cumulative total 31 October 2011 – 30 April 2015 (£)
Receipts						
Sale of Fixed Inc. (bonds, T-Bills, etc.)	-	-	-	-	-	285,485
Sale of Equities – Stocks, Investments and Other Assets	15	375	154	4	373	115,342
Termination of Other Market Contracts	-	-	-	-	-	23,956
Termination of ISDA Contracts	-	-	-	-	-	92,523
Collateral/Cash from Banks	-	-	-	-	-	341,634
Collateral/Cash from Exch/CI Hse/Brokers	1,501	-	1,000	-	2,217	307,021
Other Receipts	2,374	16,979	(7)	429	13,847	74,143
VAT control	1,439	-	-	-	1,439	26,212
Cost allocations between Estates	-	-	-	-	-	54,935
Gross interest	553	1	-	9	563	8,953
Output VAT (payable)	10	-	-	-	10	1,497
Suspense account	-	-	-	-	-	6
Total Receipts	5,893	17,355	1,147	443	18,449	1,331,707

Source: JSAs' Records

Special Administrators' abstract of receipts and payments for the period 31 October 2014 to 30 April 2015 and 31 October 2011 to 30 April 2015 (cont.)

MF Global UK Limited (in Special Administration): Non-segregated assets receipts and payments accounts						
(000)	£	\$	€	Various Other Currencies (£)	Period total 31 October 2014 – 30 April 2015 (£)	Cumulative total 31 October 2011 - 30 April 2015 (£)
Payments						
Dividends to non-segregated creditors ^(a)	(103,216)	(1,541)	-	-	(104,218)	(712,416)
Special Administrators' Fees and Disbursements	(3,750)	-	-	-	(3,750)	(98,058)
Other Payments (see page 26)	(862)	(285)	(0)	(0)	(1,047)	(21,884)
Legal and Professional Fees	(1,313)	(2)	-	-	(1,315)	(32,690)
Transfer to CMP	-	-	-	-	-	(128,907)
Set off with Estate	-	-	-	-	-	(63,991)
PAYE and NIC	(68)	-	-	-	(68)	(21,358)
Input VAT (receivable)	(940)	(57)	-	-	(977)	(22,974)
Client Money Dividends - Preferential	-	-	-	-	-	(5)
Irrecoverable VAT	(313)	-	-	-	(313)	(7,496)
Wages and Salaries	(52)	-	-	-	(52)	(26,615)
Settlement with Pension Trustees	-	-	-	-	-	(19,000)
Loan to MFG Services	-	-	-	-	-	(10,000)
Total Payments	(110,514)	(1,885)	(0)	(0)	(111,741)	(1,165,393)
Net position	(104,621)	15,470	1,147	443	(93,292)	166,314
Inter account currency transfers	13,388	(16,500)	(3,202)	(443)	-	30,713
Effect of revaluing previous R&Ps at 30 April 2015 FX rates						2
Total cash movement for period	(91,233)	(1,031)	(2,055)	-	(93,292)	197,029

Note: (a) Distributions presented here will not reconcile with those discussed elsewhere in this report due to timing differences and deemed distributions.
Source: JSAs' records.

Special Administrators' abstract of receipts and payments for the period 31 October 2014 to 30 April 2015 and 31 October 2011 to 30 April 2015 (cont.)

MF Global UK Limited (in Special Administration): Client Money Pool receipts and payments accounts						
(000)	£	\$	€	Various Other Currencies (\$)	Period total 31 October 2014 – 30 April 2015 (\$)	Cumulative total 31 October 2011 - 30 April 2015 (\$)
Receipts						
Sale of Equities	-	-	-	-	-	6,325
Sale of other assets	-	-	-	-	-	686
Collateral/Cash from Exch/CI Hse/Brokers	-	-	-	-	-	443,066
Collateral/Cash from Banks	-	-	-	-	-	445,930
Sale of Fixed Inc. (bonds, T-Bills, etc.)	-	-	-	-	-	260
Brokerage Receipts	-	-	-	-	-	429
Gross interest	0	1	-	-	1	3,433
Dividend income	5	0	-	-	9	32,250
Termination of other Market Contracts	-	-	-	-	-	56
Income from Client Charges	(3)	-	-	-	(4)	95
Receipts re repayment of Credit Lines	-	-	-	-	-	196
Set off with House Estate	-	-	-	-	-	103,384
Transfer from House Estate	-	-	-	-	-	191,954
Sundry Refunds	-	-	-	-	-	1
Adjustment for Client Asset Distributions	(48)	-	-	-	(73)	(207,751)
Total receipts	(45)	1	-	-	(68)	1,020,314
Payments						
Client money distributions	(3,947)	(132,050)	-	-	(138,115)	(952,314)
Professional Fees	-	-	-	-	-	(8)
Cost allocations between estates	-	-	-	-	-	(88,999)
Post administration receipt refunds	-	-	-	-	-	(11)
Bank charges	2	(1)	-	-	2	(97)
Total payments	(3,945)	(132,051)	-	-	(138,113)	(1,041,429)
Net position	(3,989)	(132,050)	-	-	(138,181)	(21,115)
Inter account currency transfers	3,896	(6,183)	-	-	(196)	21,507
Effect of revaluing previous R&Ps at 30 April 2015 FX rates	-	-	-	-	-	(1)
Total cash movement for period	(94)	(138,233)	-	-	(138,377)	391

Note: (a) Distributions presented here will not reconcile with those discussed elsewhere in this report due to timing differences and deemed distributions.
Source: JSAs' Records.

Notes:
1. Statement of Affairs

- There are no 'estimated to realise' figures as the Directors detailed realisations of all asset categories as 'uncertain' in their Statement of Affairs.

2. Currency exchange

- The receipts and payments accounts are prepared using the 30 April 2015 foreign exchange spot rates. The JSAs have periodically converted foreign currency balances received into GBP (for the unsecured estate) and USD equivalent (for the CMP) in order to minimise exposure to movements in foreign exchange rates. 'Currency exchange' refers to the difference between the spot rates applicable on the day of each actual receipt compared to the actual spot rates used for converting currencies in this receipts and payments account.

Effect of revaluing previous receipts and payments at 30 April 2015 FX rates

- Cumulative receipts and payments totals detailed in progress reports to date have been valued using the FX spot rates applicable on 30 April 2012, 30 October 2012, 30 April 2013, 30 October 2013, 30 April 2014, 30 October 2014 and 30 April 2015 respectively for each six month reporting period. This line reflects the adjustment required to revalue the previous receipts and payments accounts at the 30 April 2015 FX spot rates.

3. Suspense account

- Cash received into the Company's post-administration bank accounts from third parties, the source and/or nature of which is yet to be determined, is reflected under the heading 'Suspense account' until such time as the transactions are fully identified and posted to the appropriate ledger accounts.

4. Receipts – Other

Non-segregated 'Other' receipts comprise	
£'000	Current period
Sundry refunds	10
Repayment of Credit Lines by clients	0
Brokerage fees	0
Book debts	13,739
Client charges	10
Custodian fee – STO agreement	
Inter-currency VAT reallocation	91
Withholding Tax Receipts	-
Insurance refund	-
Total	13,847

Source: JSAs' Records

5. Payments – Other

Non-segregated 'Other' payments comprise	
£'000	Current period
IT suppliers	736
Property Expenses	99
Subcontractors	133
Rates	-
Telephone and data services	6
Miscellaneous other payments	73
Total	1,047

Source: JSAs' Records

Notes (cont.):

6. Special Administrators' Fees and Disbursements

Summary of total payments to Special Administrators and their affiliates		
£	31 October 2014 - 30 April 2015	Total to 30 April 2015
Special Administrators' fees (post appointment)	3,529,272	93,586,527
Special Administrators' fees (pre-appointment)	-	206,891
Disbursements		
MFG Services Administrators' fees	150,462	2,395,959
Fees paid to KPMG affiliates for professional services	3,279	205,966
Fees paid to KPMG affiliates for seconded staff	-	218,693
Disbursements – Travel, accommodation and subsistence	10,508	591,050
Other Disbursements (predominantly software maintenance)	56,303	852,465
Total disbursements	220,551	4,264,132
Total fees and disbursements	3,749,823	98,057,550

Source: JSAs' records.

7. Interest

- All bank accounts held attract a market rate of interest. Where possible, one or three month money market deposits have been placed on significant cash balances in order to attract more favourable interest rates.

8. Recharge of non-segregated costs

- All costs incurred with regard to the Special Administration were initially funded out of the House Estate. A proportion of these costs were re-allocated to the CMP which reimbursed the House Estate during the period. As agreed with the Creditors' Committee, the allocation of costs was based on a pro-rata of the gross assets of each estate.

Notes (cont.):

9. VAT

- All receipts and payments are shown net of VAT.

Non-segregated 'VAT refunds' comprise		
£000	Current Period	To 30 October 2014
Post-appointment VAT	1,439	(4,113)
Pre-appointment VAT	-	5,600
TOTAL	1,439	1,487

Source: JSAs' Records

10. Additional information

- Creditors are advised that any additional information regarding other expenses charged for the period is available from the Special Administrators upon request by any Secured Creditor or any unsecured creditor(s) with at least 5% in value of the unsecured debt in accordance with Rule 201. This request must be made within 21 days of receipt of the attached Report. In addition creditors are reminded that the quantum can be challenged by any Secured Creditor or any unsecured creditor(s) with at least 10% in value (including that creditor's claim) of the unsecured debt or a client with the concurrence of clients representing at least 10% of the total claims in respect of Client Assets held by making an application to Court in accordance with Rule 202 within eight weeks of receipt of the attached Report. The full text of these rules can be provided upon request.

Client Money Pool cash balances: Breakdown by foreign currencies		
30-Apr-15	\$ 000	FC 000 ^(a)
GBP	0	15
USD	391	391
EUR	0	3
Total cash in hand	391	

Note: (a) Amounts shown in local currency.
Source: JSAs' Records.

Non-segregated cash balances: Breakdown by foreign currencies		
30-Apr-15	£ 000	FC 000 ^(a)
GBP	195,521	195,521
USD	1,508	2,123
EUR	0	0
Total cash in hand	197,029	

Note: (a) Amounts shown in local currency.
Source: JSAs' Records.

- The realisation of MFGUK's assets and recovery of house and non-segregated monies, together with the client monies recovered, means that the Special Administrators hold significant cash balances at any point in time.
- Currency risk has largely been addressed by the conversion of foreign currencies to Sterling in the case of the House Estate and into US \$ in the case of the CMP, with only minimal balances held in other denominations to meet operational needs.
- The Special Administrators have continued to invest MFGUK's cash with the objective of protecting capital rather than searching for maximum investment returns. The Special Administrators' clearing bank services are provided by four high street banks, and cash for both the segregated and House Estates has been deposited (in the form of current accounts, short term deposits or money market deposits) in varying amounts with these banks for diversification purposes. The banks were selected on the basis of their credit ratings and lack of conflicts; all banks currently have 'A' credit ratings or above, and this continues to be monitored.

Schedule of other costs incurred but not fully paid as at 30 April 2015

(£)	Incurred and unpaid	Partially paid post 30 April 2015	Outstanding
Special Administrators' fees and disbursements:			
■ Fees	3,920,749	-	3,920,749
■ Disbursements	96,512	-	96,512
Legal fees and disbursements:			
■ Weil	335,962	135,316	200,646
■ Norton Rose	5,514	-	5,514
■ Counsel	119,225	1,600	117,625
■ Disbursements	5,514	1,597	3,918
Other costs	474,916	322,901	152,015
Total	4,958,391	461,413	4,496,978

- The table above show costs accrued in the six months to 30 April 2015 that have not been fully paid. The costs are shown net of any VAT.
- Other costs is comprised of IT, occupancy and contractor costs.
- In addition, a full breakdown of payments made during the period can be found in the schedule of receipts and payments at Appendix 2.
- Creditors are advised that any additional information regarding other expenses charged for the period is available from the JSAs upon request by any Secured Creditor or any unsecured creditor(s) with at least 5% in value of the unsecured debt in accordance with Rule 201. This request must be made within 21 days of receipt of the attached Report. In addition creditors are reminded that the quantum can be challenged by any Secured Creditor or any unsecured creditor(s) with at least 10% in value (including that creditor's claim) of the unsecured debt or a client with the concurrence of clients representing at least 10% of the total claims in respect of Client Assets held by making an application to Court in accordance with Rule 202 within eight weeks of receipt of the attached Report. The full text of these rules can be provided upon request.

Analysis of time costs for the period 31 October 2014 to 30 April 2015

MF Global UK Limited (in Special Administration) – time costs for the period 31 October 2014 to 30 April 2015							
	Partner/Director	Manager	Administrator	Support	Total hours	Time cost	Average hourly rate
Cashiering							
Fund management	1.40	12.00	77.15	-	90.55	33,226.00	366.94
General (Cashiering)	0.40	167.90	134.35	-	302.65	125,319.00	414.07
Reconciliations (& IPS accounting reviews)	-	33.00	185.40	-	218.40	71,187.00	325.95
General							
Books and records	-	-	18.10	-	18.10	6,060.50	334.83
Budgeting, Fees and WIP	7.40	82.40	112.10	3.00	204.90	77,109.50	376.33
Other office holders	2.90	-	-	-	2.90	2,233.00	770.00
Statutory and compliance							
Court hearing and preparation	13.10	-	-	-	13.10	9,978.50	761.72
Regulatory reports and Investigations	7.20	-	-	-	7.20	5,461.50	758.54
Statutory receipts and payments accounts	-	1.60	-	-	1.60	746.00	466.25
Strategy documents	33.9	-	-	5.65	39.55	26,007.60	657.57
Tax							
FATCA	-	124.50	6.90	-	131.40	73,376.50	558.42
Post appointment corporation tax	0.50	24.25	0.70	-	25.45	12,152.00	477.49
Post appointment overseas tax	6.00	4.00	-	-	10.00	6,491.25	649.13
Post appointment VAT	1.50	17.20	71.40	-	90.10	34,018.00	377.56
Committees							
Meetings	3.40	22.10	-	-	25.50	13,299.00	521.53
Reports	26.45	53.90	6.80	7.50	94.65	49,006.7	517.77

MF Global UK Limited (in Special Administration) – time costs for the period 31 October 2014 to 30 April 2015							
	Partner/Director	Manager	Administrator	Support	Total hours	Time cost	Average hourly rate
Creditors and claims							
Agreement of unsecured claims	50.60	66.85	1,194.40	89.80	1,401.65	485,535.00	346.40
Assignment of claims – non FSCS	0.20	-	83.30	109.00	192.50	36,139.50	187.74
General correspondence	-	16.05	466.90	469.45	952.40	212,908.75	223.55
General estate - affiliate debtors and claims	10.70	-	-	-	10.70	8,164.00	762.99
General estate - realisation of assets	55.60	79.20	-	-	134.80	83,315.00	618.06
General estate - seg vs non-seg determination	1.70	-	-	-	1.70	1,309.00	770.00
Legal claims	23.90	1.60	39.00	-	64.50	31,451.00	487.61
Payment of dividends	15.30	-	571.10	-	586.40	197,170.50	336.24
Pre-appointment overseas tax	0.30	87.20	-	-	87.50	50,618.50	578.50
Pre-appointment VAT / PAYE / CT	2.50	-	-	-	2.50	1,875.00	750.00
Statutory reports	2.30	30.70	101.60	0.25	134.85	45,778.00	339.47
Employees							
Agreeing employee claims	15.00	-	-	-	15.00	11,272.50	751.50
Correspondence	-	-	0.60	-	0.60	210.00	350.00
Pension funds	13.80	-	-	-	13.80	10,468.50	758.59
Pensions reviews	-	0.30	-	-	0.30	145.50	485.00
Client Assets / Client Monies							
Client monies - payment of dividend	19.30	139.10	-	-	158.40	94,133.00	594.27
Trading							
Cash & profit projections & strategy	4.40	-	-	-	4.40	3,388.00	770.00
Communications - Other	10.10	-	-	-	10.10	7,524.50	745.00
Communications - Other Regulatory	1.20	-	-	-	1.20	924.00	770.00
Engagement Management	100.95	826.30	203.30	-	1,130.55	600,418.70	531.09
HR	6.00	-	-	-	6.00	4,570.00	761.67
IT, Systems, Cut Off & Informaiton	11.10	841.20	70.90	-	923.20	489,910.00	530.67
Purchases and trading costs	4.70	21.00	471.10	-	496.80	179,024.00	360.35
Trading - Support Functions	-	4.00	-	-	4.00	2,170.00	542.50

MF Global UK Limited (in Special Administration) – time costs for the period 31 October 2014 to 30 April 2015							
	Partner/Director	Manager	Administrator	Support	Total hours	Time cost	Average hourly rate
Investigations							
Review of pre-appt transactions	-	358.05	140.80	6.00	504.85	232,302.00	460.14
Asset Realisation							
Cash and investments	35.00	5.40	21.40	-	61.80	37,041.50	599.38
Debtors	15.10	7.20	-	-	22.30	14,899.50	668.14
Leasehold property	0.30	4.00	-	-	4.30	2,631.00	611.86
Open cover insurance	2.50	4.10	-	-	6.60	4,045.00	612.88
Pre-appointment tax & VAT refunds	50.40	32.85	0.50	-	83.75	53,567.75	639.61
Stock and WIP	3.10	-	-	-	3.10	2,309.50	745.00
Sub-total in period	560.20	3,067.95	3,977.80	690.65	8,296.60	3,450,891.25	415.94
Travel (at 50%)	6.50	-	0.88	-	7.38	5,245.63	711.27
Total in period	566.70	3,067.95	3,978.68	690.65	8,303.98	3,456,136.88	416.20

Summary of charge out rates in operation during the course of the Special Administration						
£/Hour	Full scale	As agreed with the Creditors' Committee				
	To 30 Sep 2015	31 Oct 2011 to 31 Dec 2011	1 Jan 2012 to 31 Dec 2012	1 Jan 2013 to 31 Dec 2013	1 Jan 2014 31 Dec 2014	1 Jan 2015 to present
Restructuring, Corporate Finance, Tax and any other relevant in-house advice						
Partner/Associate Partner	905	750	725	745	745	770
Director	850	700	635	660	660	680
Senior Manager	815	540	525	545	575	600
Manager	670	430	420	435	460	485
Senior Administrator/Assistant Manager/Consultant	500	350	310	325	345	350
Administrator (Grade 2 and higher)	380	280	250	260	275	285
Administrator (Grade 1)	380	195	175	185	200	210
Support staff	135	110	100	100	110	115
Intern	45	50	50	50	55	55

Note: All staff who have worked on this assignment, including cashiers and secretarial staff, have charged time in units of six minutes directly to the assignment and are included in the analysis of time spent. The cost of staff employed in central administration function is not charged directly to the assignment but is reflected in the level of charge out rates.

Source: JSAs' records.

Summary of disbursements incurred from 31 October 2014 to 30 April 2015

	£
Category 1	
Accommodation and subsistence	5,857
Travel	8,393
Third party trader	(3,000)
Other (predominantly ICT costs)	7
Printing and Consumables	-
Telecoms	13
	11,270
Category 2	
MFG Services Administrators' fees	-
Software Maintenance	-
Professional services provided by other KPMG firms	89,511
Staff provided by other KPMG firms ^(a)	-
Mileage	130
	89,641
Total disbursements	100,910

Note: (a) Relates to staff secondment fees paid to KPMG in the Channel Islands.

Source: JSAs' records.

KPMG Restructuring policy for the recovery of disbursements

Where funds permit the officeholder will look to recover both category 1 and category 2 disbursements from the estate. For the avoidance of doubt, such expenses are defined within SIP 9 as follows:

- **Category 1 disbursements:** These are costs where there is specific expenditure directly referable both to the appointment in question and a payment to an independent third party. These may include, for example, advertising, room hire, storage, postage, telephone charges, travel expenses, and equivalent costs reimbursed to the officeholder or his or her staff.
- **Category 2 disbursements:** These are costs that are directly referable to the appointment in question but not to a payment to an independent third party. They may include shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis, for example, business mileage.

Any disbursements paid from the estate are disclosed within the attached summary of disbursements.

Category 2 disbursements charged by KPMG Restructuring include mileage, this is calculated as follows:

Mileage claims fall into three categories:

1. Use of privately-owned vehicle or car cash alternative – 45p per mile
2. Use of company car – 60p per mile
3. Use of partner's car – 60p per mile
4. Use of privately-owned bicycle – 12p per mile

Software Licence Fees

- The software licence fees relate to the usage of commercially available systems used by KPMG to enable the JSAs to efficiently search and review MFGUK data, whilst maintaining an audit trail of review activity. The costs are based upon the quantum of data processed but also include associated charges to cover secure web based hosting and secure access to the review system.



cutting through complexity

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