



MF Global UK Limited - In Special Administration

Special Administrators' Progress Report for the six month period

1 May 2016 to 30 October 2016

30 November 2016

Notice: About this Report

This Report has been prepared by Richard Heis and Michael Robert Pink, the Joint 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 October 2016. However, where possible we have provided updated data beyond 30 October 2016. 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. 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.

We are bound by the Insolvency Code of Ethics.

Glossary of terms

Affiliate(s)	A company or companies within the MFG Holdings Group	MFG Inc.	MF Global Inc.
CMP	Client Money Pool	MFG Services	MF Global UK Services Limited (in administration)
Company/MFGUK	MF Global UK Limited of 15 Canada Square, London E14 5GL with company registration 01600658	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
Court	High Court of Justice Chancery Division Companies Court	Regulations	The Investment Bank Special Administration Regulations 2011
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	Rules	The Investment Bank Special Administration (England and Wales) Rules 2011
FCA	Financial Conduct Authority	SIPA	Securities Investor Protection Act (US)
Finance USA	MF Global Finance USA Inc.	SIPA Trustee	Trustee of MF Global Inc./Mr J Giddens
FSCS	Financial Services Compensation Scheme	SIPC	Securities Investor Protection Corporation (US)
FX	Foreign Exchange	Special Administrators/JSAs	Richard Heis and Michael Robert Pink of KPMG LLP
Group	The Company and subsidiaries	US	United States of America
ISDA	International Swaps and Derivatives Association	Weil	Weil, Gotshal and Manges
ISA	Insolvency Services Account at the Bank of England	\$/Dollar	United States dollar (unless otherwise stated)
KPMG	KPMG LLP	€	Euro
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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Introduction

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 1 May 2016 to 30 October 2016 in accordance with Rule 122 of the Investment Bank Special Administration (England and Wales) Rules 2011. The JSAs' previous progress report was issued on 31 May 2016 covering the period 31 October 2015 to 30 April 2016.— 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, Richard Fleming and Michael Pink 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. Richard Fleming subsequently resigned as a JSA on 30 June 2016.— 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.

Executive summary

Key achievements, events and milestones during the period

Interim House Estate dividend

- The cumulative amount distributed to creditors with agreed claims is **90p in the pound**, with the last dividend being the sixth interim dividend declared and paid on 24 August 2016.
- An updated illustrative financial outcome statement as at 31 March 2016 was published as part of the distribution process and is available on our website. This showed that the estimated final pay-out rate for unsecured creditors had increased to be between 99.1p in the pound in the low case and 100p in the pound plus a surplus of £61 million in the high case. However, due to further correspondence being received in respect to the European tax reclaims, the provision for costs and creditor claims were both increased and as a result the illustrative low case has been adjusted down to 94.2p in the pound. The illustrative high case remains unchanged.
- To apply a percentage to the surplus is not particularly meaningful owing to the distorting effects of the CMP shortfall, transfers and set-offs, and also the issue of priority between statutory interest and subordinated debt.

Future dividends and illustrative financial outcome statement

- The timing and quantum of any further future dividends beyond the sixth interim dividend is currently uncertain, however it is anticipated that there may be no further dividends until the recovery of a bank receivable which is expected in late-2018.
- Should further developments result in any significant change in the illustrated financial outcome, an updated illustrated financial outcome will be issued and notices will be sent to all known creditors.

Creditor claims

- During the period, the estimated value of total creditor claims in the House Estate has been increased by £42.2 million. The increase represents a provision for a possible creditor claim in respect of certain tax refunds received by MFGUK prior to the JSAs' appointment which is discussed further on page 14. Excluding this adjustment, total creditors were reduced by £1.6 million following the rejection of several of the German Introducing Broker claims and the release of a provision where a disputed claim has been settled. Please see the Creditor claims section of the report for further information.

Assets

- MFGUK has received further dividend distributions from overseas affiliate entities against which it has submitted claims. \$4.6 million (£3.8 million) was recovered from MFG Singapore in May 2016. A further £1.7 million was received from MFG Hong Kong in September 2016.
- The JSAs continue to work on the realisation of further funds from a bank and a foreign tax authority with regard to foreign withholding tax reclaims. The funds from the bank are expected in late-2018 although there is currently no definite timescale for the release of the foreign tax authority asset (the issue is similar to those referred to above regarding pre-administration foreign tax refunds).
- Please see the Asset section of the report for further information.

Unpaid CMP Distributions

The CMP is closed and the JSAs have transferred all unpaid CMP distributions to the ISA.

Unpaid CMP distributions

- The CMP is formally closed and no funds relating to the CMP are held by the JSAs.
- Any client wishing to claim their unpaid CMP distributions are still entitled to do so from the ISA. A request for payment needs to be made to the Insolvency Service directly, however in the first instance please make contact with the MF Global Claims Team on +44 (0)20 7785 0308 or mfglobalclaims@kpmg.co.uk who will look to assist with this process.

House estate

The JSAs declared and paid a sixth interim unsecured creditor dividend in August 2016 of 2.2p in the pound, bringing the cumulative total to 90.0p in the pound.

The JSAs do not anticipate being able to declare a seventh unsecured creditor dividend until at least late-2018. However, the JSAs will continue to monitor the position and shall provide further updates.

Illustrative financial outcome statement model

- The latest published illustrative financial outcome statement is at 31 March 2016. However, following further correspondence being received during the period by the JSAs from the German tax authority in relation to the outstanding European tax reclaims, two further adjustments have now been made to the illustrative financial outcome as shown below (“31 March 2016 adjusted”). Both adjustments have only been applied to the Low Case scenario only and are discussed further on page 14.
- The table below summarises the outcomes presented in the most recent illustrative financial outcome statements published and the recent adjustment made by the JSAs as discussed above. As illustrated here, the range of estimated outcomes from the House Estate has (between 31 March 2016 and the adjustments) increased to a range of approximately £119 million (previously £70 million range). Please note these should not be considered ‘best’ and ‘worst’ cases.
- The published illustrative financial outcome statements can be found on the MFGUK website (<https://home.kpmg.com/uk/en/home/insights/2012/06/mf-global-important-documents.html>).

House Estate						
	31 March 2015		31 March 2016		31 March 2016 adjusted	
	Low Case (£m)	High Case (£m)	Low Case (£m)	High Case (£m)	Low Case (£m)	High Case (£m)
Funds available for distribution	928	1,003	945	1,011	940	1,011
Total Creditor claims	(974)	(958)	(954)	(951)	(998)	(951)
Surplus/(Deficit)	(45)	45	(9)	61	(58)	61
Variance to prior illustration	22	1	36	16	(49)	-

Source: JSAs' records and estimates.

- Following the payment of the sixth interim dividend in August 2016, the JSAs do not anticipate being able to declare a seventh unsecured creditor dividend until at least late-2018. However, the JSAs will continue to monitor the position and shall provide further updates.
- Should further developments result in any significant change in the illustrated financial outcome, an updated illustrated financial outcome will be issued.

Status of statements

As at 31 October 2016, the total value of creditor claims and provisions for claims has increased by £42.2 million, with the total increasing to £1.35 billion (previous report: £1.30 billion).

Of the total creditor amount, £1.27 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 31 October 2016 is provided below.

Status of creditor claims			
	Number	Value (£'000)	Change in period (£'000)
Creditors			
Fully agreed proposals	1,891	612,230	51
Final proposals sent but not agreed	276	15,204	(48)
Parallel Claims – Issued	3,650	41,523	-
Total trading proposals issued^(a)	5,504	668,957	4
CMP clients who lost their CMP entitlement	1	1,323	-
Dormant Accounts	697	1,004	-
Total trading statements	6,202	671,281	4
Other			
MFG Inc – Agreed ^(b)	1	549,388	-
Other affiliates – Proposals Agreed	14	32,456	128
Other affiliates – Proposals not yet issued	3	12,284	(128)
Suppliers – Proposals Agreed	242	14,664	-
Suppliers – Proposals not yet issued	26	1,104	-
German introducing broker claimants – Agreed	259	16,108	(47)
German introducing broker claimants – Proposals not yet issued ^(c)	83	4,251	(635)
Claim submitted being investigated by the Special Administrators – Proposals not yet issued	-	-	(900)
German tax reclaim – Provision for clawback claims re received by MFGUK prior to JSAs' appointment	1	44,000	44,000
Total	6,831	1,345,539	42,421

Note: (a) A number of Clients who have received Parallel Claims also hold other NONSEG trading claims. As a result, the total number of clients has not increased by the full number of Parallel Claims issued.

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

(c) Value is claimed amount excluding claims previously rejected.

Source: Special Administrators' records.

Affiliate, supplier and German litigation claims

The total value of creditor claims has increased by £42.4 million as a result of a provision for the German tax authority having a possible creditor claim in relation to refunds paid to MFGUK prior to the JSAs appointment.

The claim of MFG Services continues to be disputed in Court.

Proposals not agreed or not yet issued

- Included in this category are creditors with claims totalling:
 - £6.7 million who have already received a large portion of their claim value as deemed distributions as a result of transferring their positions to new brokers shortly after MFGUK entered into Special Administration;
 - £3.4 million relating to a creditor that is subject to a regulatory order and therefore currently unable to progress their claim; and
 - £3.5 million relating to a creditor with whom we are in ongoing discussions and expect to agree shortly.
- The remaining balance of £1.6 million includes a number of creditors who have never submitted a claim form or returned their settlement proposal (e.g. Dormant Accounts, CMP Clients who lost their CMP entitlement). The JSAs continue to reserve for these claims in full in the House Estate, however these creditors may be excluded from participating in dividend distributions should they not submit a claim before the bar date for the final unsecured creditor dividend. Should such creditors be excluded from participating in dividend distributions, this will increase the final dividend rate for creditors with admitted claims.

Affiliates

- The majority of the outstanding affiliate balance relates to the claim of MFG Services, which has yet to be finalised due to the on-going dispute relating to the final apportionment of the pension liability between MFGUK and MFG Services. As previously reported, an initial Court judgment was received in March 2015 in favour of MFG Services which was appealed by the JSAs. Following a hearing in May 2016, the Court of Appeal also found in favour of MFG Services. The JSAs have applied to the Supreme Court for permission to appeal the Court of Appeal decision. The reason for the appeal is that our legal adviser's analysis of the judgment was that the decision was flawed in legal principle; the costs of pursuing that appeal are relatively small; and the impact of the decision on the estate is material.

Disputes (Claim being investigated)

- A dispute in relation to the quantum of one unsecured creditor's claim (the delta in values between the parties' respective estimates exceeded £1.5 million) has been fully agreed. A pre-administration legal action established the validity of their right to claim but, following unsuccessful mediation attempts, a further Court hearing was held in May 2015 to determine quantum. The Judge determined a principal amount of \$1.5 million (£0.9 million) in addition to interest and costs. Both parties agreed not to appeal the decision. The creditor's claim in relation to the principal and interest claim was previously agreed and a catch up distribution paid whilst the costs claim continued to be calculated. During the period the costs claim was agreed at an amount below that being provided for and claimed by the client, although the claim was treated as a JSA expense rather than as an unsecured creditor claim.

European tax reclaims

- These are discussed further in the assets section on page 14. This provision amount relates to German WHT reclaims which had been received by MFGUK prior to the JSAs' appointment but which may be re-claimed by the German tax authority as part of their ongoing investigations.

Creditor claims

Affiliate, supplier and German litigation claims (cont.)

The total value of creditor claims has increased by £42.4 million as a result of a provision for a European tax authority being a possible creditor claim in relation to refunds paid to MFGUK prior to the JSAs appointment.

The claim of MFG Services continues to be disputed in Court.

German Introducing Brokers

- These claims are held by three different claim aggregators and relate to claims which may have arisen from creditors' investments with certain introducing brokers in Germany. The JSAs previously agreed settlements with two of the claim aggregators in which a number of the underlying individual claims were rejected whilst other claims were admitted at a level lower than that claimed. Distributions have been paid with regard to these agreed claims to bring them in line with the currently declared level of 90p in the pound. The JSAs continue to work with their legal advisors to resolve the claims held by the one remaining claim aggregator.

Over 2,450 claims have been assigned to the FSCS.

The majority of customers who have assigned their claim to the FSCS have now recovered their claim in full.

Claims assigned to the Financial Services Compensation Scheme

- In excess of 2,450 customers have assigned 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 regular 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.
- The FSCS will compensate up to £50,000 for losses to eligible claimants. As a result, the majority of customers who have assigned their claim to the FSCS have now recovered their claim in full.
- To date, payments totalling £36.6 million (combined client and creditor distributions) have been made to the FSCS with regard to claims assigned to them.

As at 30 October 2016 the JSAs have unrealised non-segregated assets with a gross book value of approximately £77 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 2016

(£'000 equiv.)	Received in the period	Outstanding ^(a)
Banks/Exchanges/Clearing Houses	-	23,142
Affiliates	5,612	808
European tax reclaims	-	45,350
Other receipts/realisations	842	7,809
Total	6,454	77,109

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.

Banks/Exchanges/Clearing Houses

- The JSAs continue to negotiate with one bank which has retained funds in relation to possible claims they believe they may be exposed to in the future. The statute of limitations on these claims expire in late-2018.

Affiliates

- Claims have been admitted in the insolvency processes of various affiliate entities with distributions continuing to be received as further dividends are declared. The timing and final quantum of future affiliate distributions currently remains uncertain and the amounts are also exposed to FX movements. However, the majority of the value in these claims has been recovered with MFG Australia, MFG Singapore and MFG Hong Kong all now having declared final client money dividends as detailed below.
 - Having declared a final client money dividend bringing the cumulative total to 100% in the prior period, MFG Singapore declared a fourth interim unsecured creditor dividend of 62%, bringing the cumulative total to 90%. This resulted in \$4.6 million (£3.8 million) being received in May 2016.
 - MFG Hong Kong declared a final client money dividend of 2.76%, bringing the cumulative total to 96.7%. A claim relating to the shortfall was automatically admitted against the unsecured estate. Shortly after the client money dividend a first and final unsecured creditor distribution was also declared of 137.59% (including statutory interest). This resulted in £1.7 million being received in September 2016 and no further amounts are due from MFG Hong Kong.
 - MFG Australia declared a final dividend for their CFD client money estate of 0.14%, bringing the cumulative total to 98.9%. In addition they declared a first interim unsecured creditor distribution of 35%. This resulted in £0.2m being received in September 2016.

House Estate (cont.)

As at 30 October 2016 the JSAs have unrealised non-segregated assets with a gross book value of approximately £77 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.

European tax reclaims

- The European tax reclaims disclosed above represent reclaims submitted by MFGUK which remain outstanding
- Whereas we have not been made aware of facts that would require a new legal assessment of the situation and the advice received by the JSAs is that the reclaims are appropriate, the political and fiscal environment in Germany in relation to equity trades in close proximity to the underlying dividend date, including so called Cum/Cum and Cum/Ex trades and the WHT relief resulting from that, seems to have changed. Those trades have been subject to an intense political debate and have recently come under new pressure by German authorities impacting a large number of financial institutions located both within and outside of Germany. Fiscal authorities are now investigating WHT credits and refunds on a broad basis. As part of this, during the period the JSAs received further correspondence from the German tax authority advising that they were now also investigating reclaims where they had already made refund payments to MFGUK. The JSAs continue to work with the German tax authority on this matter.
- Notwithstanding the advice that we have received, being that the estate is due a refund of tax as opposed to having a liability, we have now prudently provided £44 million for the possibility of a creditor claim in relation to WHT reclaims received by MFGUK prior to the appointment of the JSAs in the illustrative financial outcome Low Case scenario. A further adjustment to increase our provision for future costs by £5 million was also made to the Low Case scenario. The High Case scenario continues to assume recovery of the WHT refund receivable and no creditor claim.
- The anticipated receivable is also exposed to GBP:EUR FX movements and due to its uncertainty in recovery this risk has not been practicable to hedge.

Other receipts/realisations

- As explained on page 10 of this report, there is an ongoing dispute with MFG Services. In order to minimise the quantum of the liability, MFGUK prepaid a pension cost, a portion of which is subject to the dispute with MFG Services and should MFGUK be successful in this dispute then an amount of circa £7.7 million may be recovered by the estate.
- The recovery of £0.8 million in the period relates to MFGUK's claim against Lehman Brothers Nominees Limited. MFGUK previously recovered the principal amount of £2.2 million in full however had a remaining claim for statutory interest, the treatment of which continues to be disputed in Court. In order to finalise MFGUK's asset, the JSAs participated in the admitted claims auction process through which they recovered 37.508% of the principal amount for this claim.

Operational matters

The JSAs have continued to pursue opportunities to reduce IT infrastructure costs whilst maintaining the integrity of the data records.

IT

- 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 only two contractors now. These contractors 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

- The JSAs have extended the lease on the Regus office for a further six months to June 2017. During early 2017, consideration will be given to the ongoing requirements of the special administration and whether this lease can be terminated or a further extension is required.

Human Resources

- There are no employees. Only two specialist contractors remain. Ongoing requirements are periodically considered to ensure a cost effective wind down of the MFGUK estate as a whole.

JSAs' Costs

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 October 2016, the JSAs' time costs totalled £1.4 million.

JSAs' remuneration

- A receipts and payments account for the period from 1 May 2016 to 30 October 2016 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 October 2016 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 <https://www.r3.org.uk/what-we-do/publications/professional/fees/administrators-fees>. 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 October 2016, we have incurred time costs of £1,361,191 representing 3,214 hours at an average hourly rate of £423. 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 October 2016 are £102,394,901 of which a total of £99,928,551 has been drawn on account as at 30 October 2016.

- 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 October 2016 total £9,120, 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.
- Total disbursements to 30 October 2016 totalled £4,402,939 of which £4,384,642 has been drawn as at 30 October 2016.

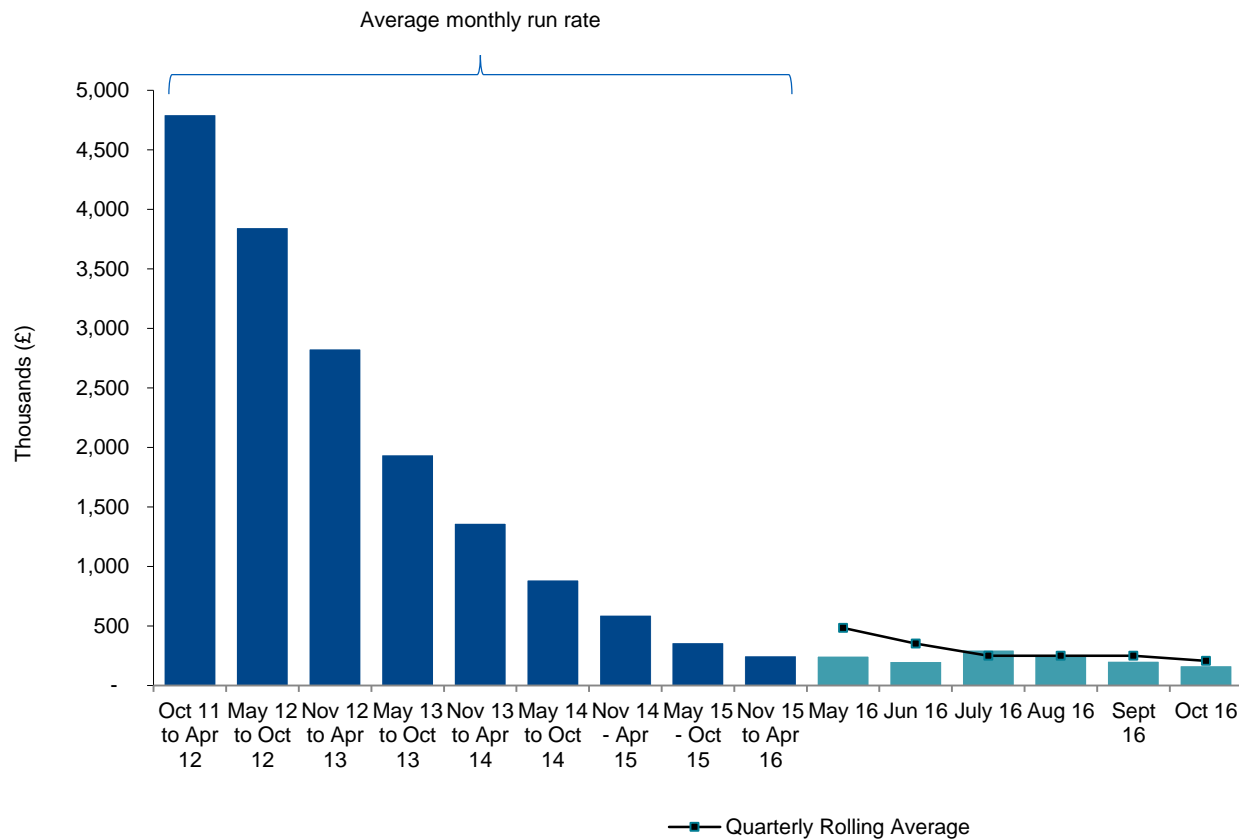
Payments to KPMG affiliates

- Costs of £1,995 have been incurred during the period from KPMG affiliates for professional services. To date total costs of £323,714 have been incurred from KPMG affiliates of which £312,918 has been drawn as at 30 October 2016.
- No costs have been incurred during the 6 month 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.

JSAs' Costs (cont.)

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 October 2016, the JSAs' time costs totalled £1.4 million.



Discussion of time cost trends

- Average monthly timecosts have reduced from £0.25 million between October 2015 and April 2016, to £0.21 million during the six month period to October 2016.

Source: JSAs' records.



Appendices

1. Statutory information.
2. Special Administrators' Abstract of receipts and payments for the period 1 May 2016 to 30 October 2016 and 31 October 2011 to 30 October 2016.
3. Special Administrators' Abstract of costs incurred and not paid as at 30 October 2016.
4. Analysis of time costs for the period 1 May 2016 to 30 October 2016.
5. Summary of charge out rates.
6. Summary of disbursements for the period 1 May 2016 to 30 October 2016.

Appendix 1

Statutory information

Company name	— MF Global UK Limited (in Special Administration)
Company number	— 01600658
Trading names	— MF Global — MF Global Direct — MF Global Markets
FCA registration number	— 106052
Date of incorporation	— 27 November 1981
Registered office	— 15 Canada Square, London, E14 5GL
Previous addresses	— 8 Salisbury Square, London, EC4Y 8BB — 5 Churchill Place, Canary Wharf, London E14 5HU — Sugar Quay, Lower Thames Street, London EC3R 6DU
Court	— High Court of Justice, Chancery Division, Companies Court
Court reference	— 9527 of 2011
EC Regulation on insolvency proceedings (1346/2000)	— The EC Regulation does not apply
Special Administrators	— Richard Heis and Michael Pink
Administrators' business address	— 15 Canada Square, London, E14 5GL
Date of appointment	— 31 October 2011
Appointer	— Court
Para 100(2) statement	— 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)	— Bradley Ira Abelow, David Moses Gelber, Francis Kemper Cagney, Richard Warren Moore and Charles Graham Pendred
Secretary (as at 31 October 2011)	— Vicki Kong
Shareholder	— Wholly owned by MF Global Holdings Europe Limited

Appendix 2

Special Administrators' abstract of receipts and payments for the period 1 May 2016 to 30 October 2016 and 31 October 2011 to 30 October 2016

MF Global UK Limited (in Special Administration): Non-segregated assets receipts and payments accounts - Receipts								
	Sterling (GBP '000)		US Dollar (USD '000)		Euro (EUR '000)		Various other currencies ^(a) (GBP Equiv. '000)	
	Period total 1 May 2016 – 30 October 2016	Cumulative total to 30 October 2016	Period total 1 May 2016 – 30 October 2016	Cumulative total to 30 October 2016	Period total 1 May 2016 – 30 October 2016	Cumulative total to 30 October 2016	Period total 1 May 2016 – 30 October 2016	Cumulative total to 30 October 2016
Receipts								
Sale of Fixed Inc. (bonds, T-Bills, etc.)	-	42,423	-	232,240	-	127,216	-	1,104
Sale of Equities – Stocks, Investments and Other Assets	-	70,677	-	29,338	-	29,858	-	8,856
Termination of Other Market Contracts	-	8,803	-	11,860	-	8,199	-	1,889
Termination of ISDA Contracts	-	4,319	-	132,849	-	2,458	-	-
Collateral/Cash from Banks	-	219,278	-	115,855	-	40,960	-	20,870
Collateral/Cash from Exch/CI Hse/Brokers	-	33,897	-	228,764	-	171,282	-	4,763
Other Receipts	2,742	37,689	4,583	61,285	-	8,016	-	4,170
VAT control	392	22,867	-	-	-	-	-	-
Cost allocations between Estates	-	54,935	-	14	-	-	-	-
Gross interest	316	9,789	1	164	-	77	-	166
Output VAT (payable)	1	1,527	-	-	-	-	-	-
Total Receipts	3,450	506,204	4,583	812,369	-	388,068	-	41,817

Note: (a) Various other currencies consist of 15 foreign exchange bank accounts, the majority of which are now closed.

Source: JSAs' records.

Appendix 2

Special Administrators' abstract of receipts and payments for the period 1 May 2016 to 30 October 2016 and 31 October 2011 to 30 October 2016 (cont.)

MF Global UK Limited (in Special Administration): Non-segregated assets receipts and payments accounts - Payments								
	Sterling (GBP '000)		US Dollar (USD '000)		Euro (EUR '000)		Various other currencies (GBP Equiv. '000)	
	Period total 1 May 2016 – 30 October 2016	Cumulative total to 30 October 2016	Period total 1 May 2016 – 30 October 2016	Cumulative total to 30 October 2016	Period total 1 May 2016 – 30 October 2016	Cumulative total to 30 October 2016	Period total 1 May 2016 – 30 October 2016	Cumulative total to 30 October 2016
Payments								
Dividends to non-segregated creditors ^(a)	(24,730)	(770,937)	-	(11,181)	-	-	-	-
Special Administrators' Fees and Disbursements	(1,551)	(104,432)	-	-	-	-	-	-
Other Payments (see page 20)	(1,188)	(22,549)	(1)	(11,254)	-	(921)	-	(11)
Legal and Professional Fees	(543)	(34,474)	-	140	-	(446)	-	(1)
Transfer to CMP	-	-	-	(192,508)	-	-	-	-
Set off with Estate	-	(63,991)	-	-	-	-	-	-
PAYE and NIC	-	(21,359)	-	-	-	-	-	-
Input VAT (receivable)	(488)	(24,567)	-	(2)	-	-	-	-
Dividends to preferential creditors	-	(5)	-	-	-	-	-	-
Irrecoverable VAT	(100)	(8,066)	-	-	-	-	-	-
Wages and Salaries	-	(26,607)	-	-	-	-	-	-
Settlement with Pension Trustees	-	(19,000)	-	-	-	-	-	-
Loan to MFG Services	-	(10,000)	-	-	-	-	-	-
Total Payments	(28,601)	(1,105,989)	(1)	(214,805)	-	(1,367)	-	(13)
Net position	(25,151)	(599,784)	4,583	597,564	-	386,701	-	41,804
Inter account currency transfers	5,716	731,899	(8,292)	(597,515)	-	(386,701)	-	(41,804)
Total cash movement for period	(19,435)	132,115	(3,710)	49	-	-	-	-

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.

Appendix 2

Special Administrators' abstract of receipts and payments for the period 1 May 2016 to 30 October 2016 and 31 October 2011 to 30 October 2016 (cont.)

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 JSAs operated bank accounts in 18 different foreign exchanges to allow for the recovery of assets held in foreign currency, although following recovery the majority of the foreign exchange bank accounts are now closed. The sterling equivalent totals in the receipts and payments accounts are prepared using the 30 October 2016 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.

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	
(GBP equiv. '000)	Current period
Dividend income	6,454
Client charges	24
Inter-currency VAT reallocation	4
Total	6,482

Source: JSAs' Records.

5. Payments – Other

Non-segregated 'Other' payments comprise	
(GBP equiv. '000)	Current period
Settlement costs	(460)
IT suppliers	(361)
Subcontractors	(226)
MFGUKS legal costs	(60)
Storage costs	(28)
Miscellaneous other payments	(54)
Total	(1,189)

Source: JSAs' Records.

Appendix 2

Special Administrators' abstract of receipts and payments for the period 1 May 2016 to 30 October 2016 and 31 October 2011 to 30 October 2016 (cont.)

Notes: (cont.)

6. Special Administrators' Fees and Disbursements

Summary of total payments to Special Administrators and their affiliates		
£	1 May 2016 – 30 October 2016	Total to 30 October 2016
Special Administrators' fees (post appointment)	1,528,669	99,839,998
Special Administrators' fees (pre-appointment)	-	206,891
Disbursements		
MFG Services Administrators' fees	-	2,395,959
Fees paid to KPMG affiliates for professional services	20,720	312,918
Fees paid to KPMG affiliates for seconded staff	-	243,250
Disbursements – Travel, accommodation and subsistence	2,031	679,618
Other Disbursements (predominantly software maintenance)	-	752,897
Total disbursements	22,751	4,384,642
Total fees and disbursements	1,551,420	104,431,487

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.

Appendix 2

Special Administrators' abstract of receipts and payments for the period 1 May 2016 to 30 October 2016 and 31 October 2011 to 30 October 2016 (cont.)

Notes: (cont.)

9. VAT

All receipts and payments are shown net of VAT.

Non-segregated 'VAT refunds' comprise		
£'000	Current Period	To 30 October 2016
Post-appointment VAT	(488)	(8,160)
Pre-appointment VAT	-	5,600
Total	(488)	(2,560)

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.

Appendix 2

Special Administrators' abstract of receipts and payments for the period 1 May 2016 to 30 October 2016 and 31 October 2011 to 30 October 2016 (cont.)

Non-segregated cash balances: Breakdown by foreign currencies		
30-Oct-16	GBP equiv. '000	Local currency '000 ^(a)
GBP	132,115	132,115
USD	40	49
Total cash in hand	132,155	

Note: (a) Amounts shown in local currency.

Source: JSAs' Records.

The realisation of MFGUK's assets and recovery of house and non-segregated monies 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, 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 the 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 and this continues to be monitored.

Appendix 3

Special Administrators' abstract of other costs incurred but not fully paid as at 30 October 2016

Schedule of other costs incurred but not fully paid as at 30 October 2016			
(£)	Incurred and unpaid	Partially paid post 30 October 2016	Outstanding
Special Administrators' fees and disbursements:			
— Fees	2,466,350	-	2,466,350
— Disbursements	18,463	-	18,463
Legal fees and other costs:			
— Weil	95,015	-	95,015
— Counsel	43,242	-	43,242
— Other costs	23,174	-	23,174
Total	2,646,244	-	2,646,244

- The table above show costs accrued in the six months to 30 October 2016 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.

Appendix 4

Analysis of SIP 9 for the period 1 May 2016 to 30 October 2016

MF Global UK Limited (In special administration) – SIP 9 for the period 1 May 2016 to 30 October 2016							
	Partner/Director	Manager	Administrator	Support	Total hours	Time cost	Average hourly rate
Cashiering							
Fund management	-	-	0.3	-	0.3	105.00	350.00
General (Cashiering)	-	112.0	35.5	-	147.5	66,647.00	451.84
Reconciliations (and IPS accounting reviews)	-	-	94.0	-	94.0	32,367.00	344.33
General							
Fees and WIP	5.0	4.6	127.7	-	137.3	33,578.00	244.56
Mail redirection	-	-	0.9	-	0.9	315.00	350.00
Other office holders	2.6	-	-	-	2.6	2,002.00	770.00
Statutory and compliance							
Appointment and related formalities	-	0.1	-	-	0.1	60.00	600.00
Books and records	3.0	0.8	8.5	-	12.3	5,403.00	439.27
Checklist and reviews	1.0	-	-	1.0	2.0	885.00	442.50
Closure and related formalities	27.1	-	-	-	27.1	20,867.00	770.00
Statutory receipts and payments accounts	2.7	-	6.8	-	9.5	4,017.00	422.84
Strategy documents	48.4	-	-	-	48.4	37,178.00	768.14
Committees							
Meetings	9.6	9.5	-	-	19.1	13,092.00	685.45
Reports	0.5	-	-	-	0.5	385.00	770.00
Creditors and claims							
Agreement of unsecured claims	37.75	-	177.1	-	214.9	55,844.00	259.92
Assignment of claims – Non FSCS	-	-	129.6	-	129.6	19,902.00	153.56
General correspondence	-	-	338.7	-	338.7	61,381.50	181.23
General estate – Affiliate debtors and claims	0.2	-	-	-	0.2	154.00	770.00
General estate – Realisation of assets	53.5	-	6.5	-	60.0	37,811.50	630.19
Legal claims	5.8	-	-	-	5.8	4,466.00	770.00
Payment of dividends	7.0	-	223.6	-	230.6	64,442.50	279.46
Pre-appointment overseas tax	12.9	-	-	-	12.9	9,933.00	770.00
Pre-appointment VAT / PAYE / CT	-	2.0	-	-	2.0	970.00	485.00
Statutory reports	8.8	21.7	85.6	5	121.1	41,112.00	339.49

Appendix 4

Analysis of SIP 9 for the period 1 May 2016 to 30 October 2016 (cont.)

MF Global UK Limited (In special administration) – SIP 9 for the period 1 May 2016 to 30 October 2016							
	Partner/Director	Manager	Administrator	Support	Total hours	Time cost	Average hourly rate
Employees							
Agreeing employee claims	3.5	-	-	-	3.5	2,695.00	770.00
Pension funds	9.8	-	-	-	9.8	7,546.00	770.00
Administration and planning							
Court hearing and preparation	7.2	-	-	-	7.2	5,544.00	770.00
CVA Planning	17.3	72.1	0.8	-	90.2	56,861.00	630.39
Trading							
Cash and profit projections and strategy	2.0	-	-	-	2.0	1,540.00	770.00
Communications – FSA	-	9.6	-	-	9.6	5,760.00	600.00
Engagement Management	91.9	614.1	147.0	7.5	860.5	463,962.00	539.18
Investigations	-	-	-	-	-	-	0.00
IT, Systems, Cut Off and Information	1.3	126	-	-	127.3	76,601.00	601.74
Purchases and trading costs	1.2	-	136.5	-	137.7	23,866.50	173.32
Review of pre-appt transactions	-	108.25	-	-	108.25	64,950.00	600.00
Asset realisation							
Cash and investments	8.4	1	12.4	-	21.8	10,523.00	482.71
Debtors	1.5	-	1.00	-	2.5	1,370.00	548.00
Pre-appointment tax and VAT refunds	16.3	8.5	-	-	24.8	16,673.50	672.32
Open cover insurance	-	0.5	-	-	0.5	300.00	600.00
Other assets	6.5	-	1.2	-	7.7	4,840.00	628.57
Leasehold property	-	-	0.4	-	0.4	140.00	350.00
Tax							
Post appointment corporation tax	32.7	5.2	25.7	-	63.6	35,771.50	562.44
Post appointment overseas tax	30.6	30.65	-	-	61.25	41,952.00	684.93
Post appointment VAT	-	8.9	36.7	-	45.6	17,483.50	383.41
Investigations							
Claims against 3rd party advisors	8.5	-	-	-	8.5	6,545.00	770.00
Subtotal	464.55	1,135.5	1,596.5	13.5	3,210.05	1,357,841.5	423.00
Travel (at 50%)	4.35	-	-	-	4.35	3,349.50	770.00
Totals	468.90	1,135.50	1,596.50	13.50	3,214.40	1,361,191.00	423.47

Appendix 5

Summary of charge out rates

Summary of charge out rates in operation during the course of the Special Administration						
£/Hour	Full scale	As agreed with the Creditors' Committee				1 Jan 2016 to present
	To 30 Oct 2011	31 Oct 2011 to 31 Dec 2011	1 Jan 2012 to 31 Dec 2012	1 Jan 2013 to 31 Dec 2013	1 Jan 2014 to 31 Dec 2014	
Restructuring, Corporate Finance, Tax and any other relevant in-house advice						
Partner/Associate Partner	945	750	725	745	745	770
Director	895	700	635	660	660	680
Senior Manager	855	540	525	545	575	600
Manager	695	430	420	435	460	485
Senior Administrator/Assistant Manager/Consultant	505	350	310	325	345	350
Administrator (Grade 2 and higher)	390	280	250	260	275	285
Administrator (Grade 1)	390	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.

Appendix 6

Summary of disbursements for the period 1 May 2016 to 30 October 2016

Summary of disbursements incurred from 1 May 2016 to 30 October 2016	
	£
Category 1	
Accommodation and subsistence	494
Travel	57
Third party trader	-
Other (predominantly ICT costs)	6,574
Printing and Consumables	-
Telecoms	-
	7,125
Category 2	
MFG Services Administrators' fees	-
Software Maintenance	-
Professional services provided by other KPMG firms	1,995
Staff provided by other KPMG firms ^(a)	-
Mileage	-
	1,995
Total disbursements	9,120

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.



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