



# MF Global UK Limited - In Special Administration

Special Administrators' Progress Report for the six month period

31 October 2016 to 30 April 2017

31 May 2017

# Notice: About this Report

This Report has been prepared by Richard Heis, Michael Robert Pink and Edward George Boyle, 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 April 2017. However, where possible we have provided updated data beyond 30 April 2017. 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, Michael Robert Pink and Edward George Boyle 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

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

<b>Purpose of this Report</b>	<ul style="list-style-type: none"><li>— This Report provides creditors and clients with an update of progress in the Special Administration for the six month period from 30 October 2016 to 30 April 2017 in accordance with Rule 122 of the Investment Bank Special Administration (England and Wales) Rules 2011. The JSAs' previous progress report was issued on 30 November 2016 covering the period 1 May 2016 to 30 October 2016.</li><li>— All statutory and supporting information is set out in the attached appendices.</li></ul>
<b>Website</b>	<ul style="list-style-type: none"><li>— The MFGUK website <a href="http://www.kpmg.co.uk/mfglobaluk">www.kpmg.co.uk/mfglobaluk</a> is regularly updated with the latest information about the Special Administration.</li></ul>
<b>Background</b>	<ul style="list-style-type: none"><li>— 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. On 10 May 2017 Edward Boyle was appointed as a JSA.</li><li>— The functions of the JSAs are being exercised jointly and severally by the JSAs.</li><li>— 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.</li><li>— 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.</li></ul>

# 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 position, the provision for costs and creditor claims were both increased in November 2016 and as a result the illustrative low case was adjusted down to 94.2p in the pound. The illustrative high case scenario was unaltered); and
  - The Supreme Court's decision in December 2016 to refuse the JSAs permission to appeal in relation to the dispute with MFG Services, the value of recoverable assets has decreased and as a result the illustrative high case has been adjusted down to a surplus of £53 million. This adjustment did not impact the illustrative low case scenario.
- To apply a percentage to the surplus is not particularly meaningful owing to the distorting effects of the CMP shortfall, transfers and set-offs.

### Future dividends and illustrative financial outcome statement

- The timing and quantum of any further future dividends beyond the sixth interim dividend is currently uncertain, and absent any new developments, it is anticipated that there may be no further dividends declared until the recovery of a bank receivable which is anticipated in mid to late 2018.
- Given the long-tailed nature of the remaining matters in the winding-up of this estate, and the consequent further costs, the JSAs are exploring possible options to expedite the outcome for the benefit of the unsecured creditors. These explorations are still at an early stage and cannot be detailed here, but the JSAs will issue further communications if it becomes clear there is a viable alternative to a protracted winding-up.
- 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.

# Executive summary (cont.)

## Key achievements, events and milestones during the period

### Creditor claims

- As noted above during the period, a notice was handed down by the Supreme Court rejecting the JSAs' application to appeal with regard to the judgment handed down in favour of MFG Services in relation to the pension dispute. As a result, MFG Services' claim has been agreed and a catch up distribution paid.
- As at 30 April 2017, a total of 259 German Introducing Broker claims have been agreed with a combined value of £16.11 million with the remaining 91 claims remaining under review by the JSAs. On 23 May 2017 a deed of settlement was executed with the lawyer acting on behalf of the final group of German Introducing Broker claims.

### Assets

- As a result of the dispute with MFG Services being finalised and its claim being admitted, a contribution of £0.36 million is due from each of MFG Overseas Limited (In Administration) and MFG Finance Europe Limited (In Administration) in accordance with the terms of a cost allocation agreement entered into in March 2013.
- The JSAs continue to work on the realisation of further assets. Whether the foreign tax position results in an asset or a liability continues to be the most significant issue in the case, and there is no sign of it being resolved in the near future. The Company's advice continues to be that the Company's claim is properly founded.

# 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](mailto: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 currently expect to be able to declare a seventh unsecured creditor dividend until at least late-2018. However, the JSAs are exploring whether there is an opportunity to expedite the outcome for unsecured creditors and will communicate further if any tangible progress is made.

### Illustrative financial outcome statement model

- The latest published full illustrative financial outcome statement is at 31 March 2016. However, following further correspondence being received last autumn 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”). These two adjustments (one regarding costs and the other regarding provision for liabilities) have been applied to the Low Case scenario only. One further adjustment has been applied to the High Case scenario only and relates to the final outcome of the MFG Services dispute which is discussed further on page 11.
- 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 £111 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	1,004
Total Creditor claims	(974)	(958)	(954)	(951)	(998)	(951)
<b>Surplus/(Deficit)</b>	<b>(45)</b>	<b>45</b>	<b>(9)</b>	<b>61</b>	<b>(58)</b>	<b>53</b>
<b>Variance to prior illustration</b>	<b>22</b>	<b>1</b>	<b>36</b>	<b>16</b>	<b>(49)</b>	<b>(8)</b>

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 30 April 2017, the total value of creditor claims and provisions for claims has decreased by £1.4 million, with the total decreasing to £1.34 billion (previous report: £1.35 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 30 April 2017 is provided below.

Status of creditor claims			
	Number	Value (£'000)	Change in period (£'000)
<b>Creditors</b>			
Fully agreed proposals	1,899	612,236	6
Final proposals sent but not agreed	271	15,204	(4)
Parallel Claims – Issued	3,650	41,523	-
<b>Total trading proposals issued<sup>(a)</sup></b>	<b>5,505</b>	<b>668,959</b>	<b>1</b>
CMP clients who lost their CMP entitlement	1	1,323	-
Dormant Accounts	697	1,004	-
<b>Total trading statements</b>	<b>6,202</b>	<b>671,286</b>	<b>1</b>
<b>Other</b>			
MFG Inc – Agreed <sup>(b)</sup>	1	549,388	-
Other affiliates – Proposals Agreed	15	43,978	11,522
Other affiliates – Proposals not yet issued	3	384	(11,900)
Suppliers – Proposals Agreed	242	14,664	-
Suppliers – Proposals not yet issued	25	1,044	(59)
German introducing broker claimants – Agreed	259	16,108	-
German introducing broker claimants – Recently agreed	75	3,048	3,048
German introducing broker claimants – Proposals not yet issued <sup>(c)</sup>	1	206	(4,045)
Claim submitted being investigated by the Special Administrators – Proposals not yet issued	-	-	-
German tax reclaim – Provision for clawback claims re received by MFGUK prior to JSAs' appointment	1	44,000	-
<b>Total</b>	<b>6,825</b>	<b>1,344,106</b>	<b>(1,432)</b>

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

### 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

- As previously reported, based on the legal analysis received, the JSAs applied to the Supreme Court for permission to appeal the Court of Appeal decision regarding a dispute with MFG Services relating to the final apportionment of the pension liability between MFGUK and MFG Services. The JSAs have now received notice from the Supreme Court advising that the JSAs' permission to appeal has been refused. The JSAs have no further routes for disputing this claim and have now agreed the claim of MFG Services and paid a catch-up distribution. In line with the settlement agreement entered into, contributions have been requested from MF Global Finance Europe Ltd and MF Global Overseas Ltd with regard to their portions of this claim pursuant to a deed entered into in March 2013. MFG Services is still to finalise a small portion of its claim in respect of which the JSAs continue to reserve £0.1 million.

### European tax reclaims

- These are discussed further in the assets section on page 15. 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.

# Affiliate, supplier and German litigation claims (cont.)

### German Introducing Brokers

- These claims are broadly 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. As at 30 April 2017, a total of 259 German Introducing Broker claims have been agreed with a combined value of £16.11 million.
- A settlement has recently been agreed with the final aggregator of claims. A formal settlement agreement with the final aggregator was executed on 23 May 2017. This has resulted in the admission of 75 of the remaining 91 claims with a total value of £3.0 million. Catch up distributions will become payable once we have received confirmation that the German court cases against MFGUK have been dismissed and release letters provided by the underlying claimants. These are due to be received by 30 June 2017. In addition to the aggregators we have also reached settlements with a small number of individual claimants who were separately represented.
- The lawyer who prior to our appointment previously acted for MFGUK in the German Courts on these matters has made a claim for fixed fees totalling €0.2 million. MFGUK is seeking legal advice on the extent to which these fees are payable.

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 April 2017 the JSAs had unrealised non-segregated assets with a gross book value of approximately £67 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 2017

(£'000 equiv.)	Received in the period	Outstanding <sup>(a)</sup>
Banks/Exchanges/Clearing Houses	-	22,833
Affiliates	588	476
European tax reclaims	-	43,291
Other receipts/realisations	363	676
<b>Total</b>	<b>951</b>	<b>67,276</b>

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 limits on these claims expire in mid to late-2018. In addition, the JSAs are in dispute with the bank in relation to certain costs that the bank incurred in relation to its enforcement and is seeking to charge MFGUK.

### 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 vast 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.
- During the period a final unsecured creditor distribution was declared by MFG Singapore of 10c in the \$, bringing the cumulative total to 100c in the \$. As a result, MFGUK received US\$0.7 million. No further amounts are due to MFGUK from MFG Singapore.
- Further distributions are expected shortly from two other affiliates, being:
  - MFG Australia declared a second interim unsecured creditor distribution of 65c in the \$, bringing the cumulative total to 100c in the \$. MFGUK received this distribution, being £0.2 million, in May 2017 and as a result this is showing as an outstanding balance in the table above.. MFG Australia is not yet in a position to confirm whether any statutory interest will be payable in relation to unsecured creditor claims.
  - MFG Holding Hong Kong has declared that it shall pay a second interim unsecured creditor distribution of 52c in the \$, bringing the cumulative total to 78c in the \$. MFGUK is therefore expected to receive £0.2 million shortly.

# House Estate (cont.)

As at 30 April 2017 the JSAs had unrealised non-segregated assets with a gross book value of approximately £67 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 it was also investigating reclaims where it had already made refund payments to MFGUK. The JSAs continue to work with the German tax authority on this matter.
- The JSAs have received a further questionnaire from the German tax authority which will be responded to shortly.
- 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 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 quantity and timing this risk has not been practicable to hedge.

### Other receipts/realisations

- Following the notice from the Supreme Court regarding the MFG Services pension dispute and agreement of their claim, contributions have been requested by MFGUK from MF Global Finance Europe Ltd and MF Global Overseas Ltd in line with the settlement agreement entered regarding their portions of this claim. During the period £0.36 million was received, with the remaining £0.36 million received in early May 2017.
- The JSAs successfully resolved an arbitration which commenced prior to the JSAs appointment. As a result, the full security amount of £180,000 was successfully awarded in MFGUK's favour. Following the deduction of costs, an amount of £124,000 was received in May 2017 and is shown as outstanding in the table above.

# 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 remains 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 are still likely to 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 the remaining MFGUK equipment within Interxion (the third party Data Center).
- The MF Global IT department has been reduced from 132 staff at appointment in 2011 to a single contractor now. This contractor has 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 four months to October 2017. During late 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 one specialist contractor remains. 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 April 2017, the JSAs' time costs totalled £1.3 million.

### JSAs' remuneration

- A receipts and payments account for the period from 31 October 2017 to 30 April 2017 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 2017 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](mailto: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 2017, we have incurred time costs of £1,332,804 representing 2,915 hours at an average hourly rate of £457. 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 2017 are £103,727,705 of which a total of £101,779,087 has been drawn on account as at 30 April 2017.

- 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 2017 total £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.
- Total disbursements to 30 April 2017 totalled £4,402,939 of which £4,384,642 has been drawn as at 30 April 2017.

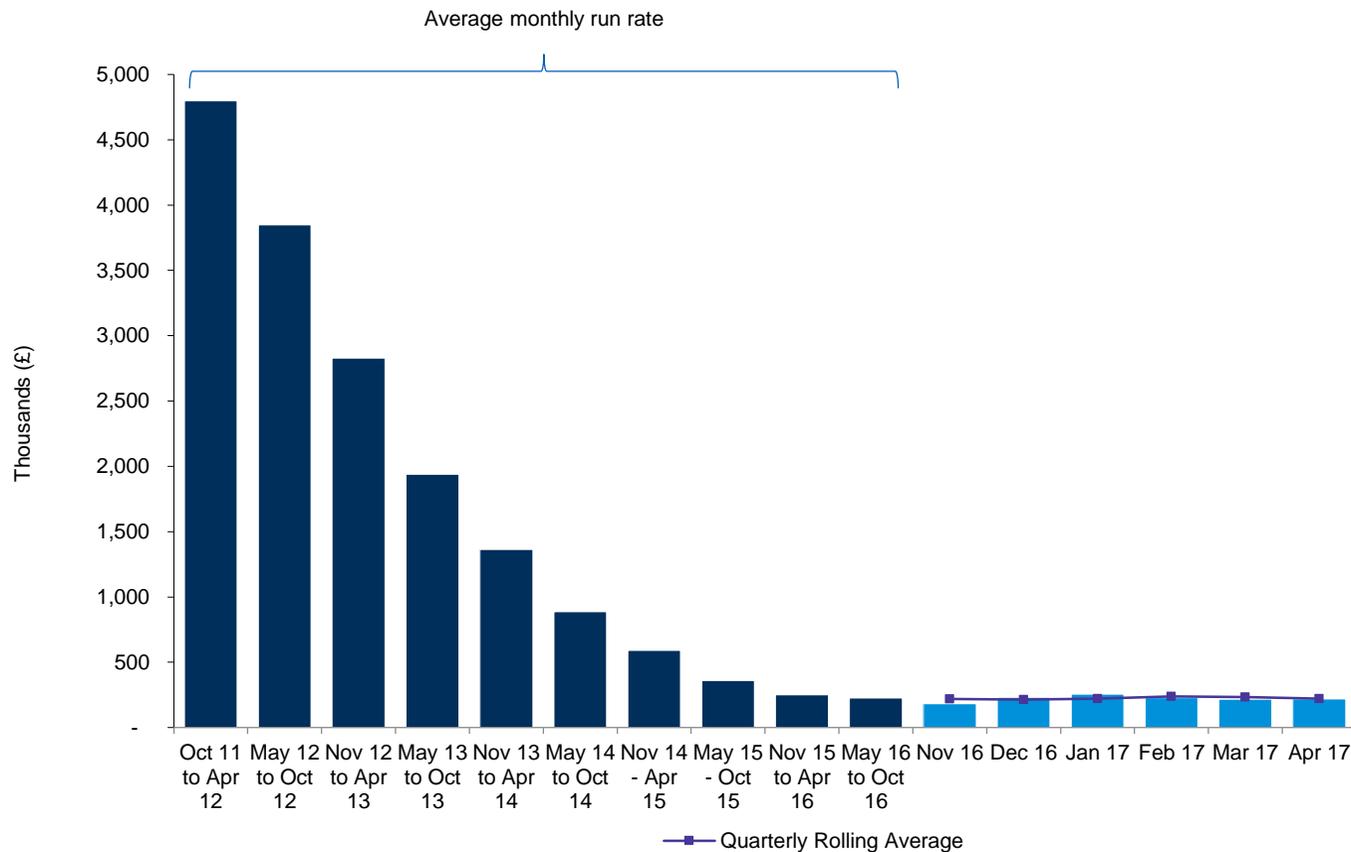
### Payments to KPMG affiliates

- Costs of £92,031 have been incurred during the period from KPMG affiliates for professional services. To date total costs of £415,745 have been incurred from KPMG affiliates of which £323,714 has been drawn as at 30 April 2017.
- 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 April 2017, the JSAs' time costs totalled £1.3 million.



### Discussion of time cost trends

— Average monthly timecosts have remained constant at £0.2 during the six month period to April 2017.

Source: JSAs' records.



# Appendices

1. Statutory information.
2. Special Administrators' Abstract of receipts and payments for the period 31 October 2016 to 30 April 2017 and 31 October 2011 to 30 April 2017.
3. Special Administrators' Abstract of costs incurred and not paid as at 30 April 2017.
4. Analysis of time costs for the period 31 October 2016 to 30 April 2017.
5. Summary of charge out rates.
6. Summary of disbursements for the period 31 October 2016 to 30 April 2017.

## Appendix 1

# Statutory information

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

## Appendix 2

# Special Administrators' abstract of receipts and payments for the period 31 October 2016 to 30 April 2017 and 31 October 2011 to 30 April 2017

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 <sup>(a)</sup> (GBP Equiv. '000)	
	Period total 31 October 2016 - 30 April 2017	Cumulative total to 30 April 2017	Period total 31 October 2016 - 30 April 2017	Cumulative total to 30 April 2017	Period total 31 October 2016 - 30 April 2017	Cumulative total to 30 April 2017	Period total 31 October 2016 - 30 April 2017	Cumulative total to 30 April 2017
<b>Receipts</b>								
Sale of Fixed Inc. (bonds, T-Bills, etc.)	-	42,423	-	232,240	-	127,216	-	1,025
Sale of Equities – Stocks, Investments and Other Assets	-	70,677	-	29,338	-	29,858	-	8,227
Termination of Other Market Contracts	-	8,803	-	11,860	-	8,199	-	1,761
Termination of ISDA Contracts	-	4,319	-	132,849	-	2,458	-	-
Collateral/Cash from Banks	-	219,278	-	115,855	-	40,960	-	19,781
Collateral/Cash from Exch/CI Hse/Brokers	-	33,897	-	228,764	-	171,282	-	4,496
Other Receipts	30	37,719	744	62,024	-	8,016	-	3,911
VAT control	484	23,366	-	-	-	-	-	-
Cost allocations between Estates	-	54,935	-	14	-	-	-	-
Gross interest	166	9,950	-	164	-	77	-	154
Contribution under settlement agreement	363	363	-	-	-	-	-	-
Output VAT (payable)	(1)	1,526	-	-	-	-	-	-
<b>Total Receipts</b>	<b>678</b>	<b>507,256</b>	<b>744</b>	<b>813,108</b>	<b>-</b>	<b>388,068</b>	<b>-</b>	<b>39,356</b>

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 31 October 2016 to 30 April 2017 and 31 October 2011 to 30 April 2017 (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 31 October 2016 - 30 April 2017	Cumulative total to 30 April 2017	Period total 31 October 2016 - 30 April 2017	Cumulative total to 30 April 2017	Period total 31 October 2016 - 30 April 2017	Cumulative total to 30 April 2017	Period total 31 October 2016 - 30 April 2017	Cumulative total to 30 April 2017	Cumulative total to 30 April 2017
<b>Payments</b>									
Dividends to non-segregated creditors <sup>(a)</sup>	(10,519)	(781,456)	-	(11,181)	-	-	-	-	-
Special Administrators' Fees and Disbursements	(1,867)	(106,298)	-	-	-	-	-	-	-
Other Payments (see page 20)	(782)	(23,332)	(90)	(11,344)	-	(921)	-	(11)	
Legal and Professional Fees	(337)	(34,811)	-	140	-	(446)	-	(1)	
Transfer to CMP	-	-	-	(192,508)	-	-	-	-	-
Set off with Estate	-	(63,991)	-	-	-	-	-	-	-
PAYE and NIC	-	(21,359)	-	-	-	-	-	-	-
Input VAT (receivable)	(567)	(25,099)	-	(2)	-	-	-	-	-
Dividends to preferential creditors	-	(5)	-	-	-	-	-	-	-
Irrecoverable VAT	-	(8,103)	-	-	-	-	-	-	-
Wages and Salaries	-	(26,607)	-	-	-	-	-	-	-
Settlement with Pension Trustees	-	(19,000)	-	-	-	-	-	-	-
Loan to MFG Services	-	(10,000)	-	-	-	-	-	-	-
<b>Total Payments</b>	<b>(14,072)</b>	<b>(1,120,061)</b>	<b>(90)</b>	<b>(214,895)</b>	<b>-</b>	<b>(1,367)</b>	<b>-</b>	<b>(12)</b>	
<b>Net position</b>	<b>(13,031)</b>	<b>(612,805)</b>	<b>654</b>	<b>597,515</b>	<b>-</b>	<b>386,701</b>	<b>-</b>	<b>39,344</b>	
<b>Inter account currency transfers</b>	<b>-</b>	<b>731,899</b>	<b>-</b>	<b>(597,515)</b>	<b>-</b>	<b>(386,701)</b>	<b>-</b>	<b>(39,344)</b>	
<b>Total cash movement for period</b>	<b>(13,031)</b>	<b>119,095</b>	<b>654</b>	<b>698</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

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 31 October 2016 to 30 April 2017 and 31 October 2011 to 30 April 2017 (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 April 2017 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	583
Client charges	24
Cash at bank	6
Repayment of credit lines	13
<b>Total</b>	<b>626</b>

Source: JSAs' Records.

#### 5. Payments – Other

Non-segregated 'Other' payments comprise	
(GBP equiv. '000)	Current period
IT suppliers	(495)
Subcontractors	(188)
MFGUKS legal costs	(90)
Storage costs	(8)
Bank charges	(33)
Miscellaneous other payments	(38)
<b>Total</b>	<b>(852)</b>

Source: JSAs' Records.

## Appendix 2

# Special Administrators' abstract of receipts and payments for the period 31 October 2016 to 30 April 2017 and 31 October 2011 to 30 April 2017 (cont.)

Notes: (cont.)

### 6. Special Administrators' Fees and Disbursements

Summary of total payments to Special Administrators and their affiliates		
£	31 October 2016 – 30 April 2017	Total to 30 April 2017
Special Administrators' fees (post appointment)	1,850,536	101,690,534
Special Administrators' fees (pre-appointment)	-	206,891
Disbursements		
MFG Services Administrators' fees	-	2,395,959
Fees paid to KPMG affiliates for professional services	10,796	323,714
Fees paid to KPMG affiliates for seconded staff	-	243,250
Disbursements – Travel, accommodation and subsistence	5,254	684,872
Other Disbursements (predominantly software maintenance)	-	752,897
<b>Total disbursements</b>	<b>16,050</b>	<b>4,400,692</b>
<b>Total fees and disbursements</b>	<b>1,866,585</b>	<b>104,431,487</b>

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 31 October 2016 to 30 April 2017 and 31 October 2011 to 30 April 2017 (cont.)

### Notes: (cont.)

#### 9. VAT

All receipts and payments are shown net of VAT.

Non-segregated 'VAT refunds' comprise		
£'000	Current Period	To 30 April 2017
Post-appointment VAT	(85)	(8,245)
Pre-appointment VAT	-	5,600
<b>Total</b>	<b>(85)</b>	<b>(2,645)</b>

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 31 October 2016 to 30 April 2017 and 31 October 2011 to 30 April 2017 (cont.)

Non-segregated cash balances: Breakdown by foreign currencies		
30-Apr-17	GBP equiv. '000	Local currency '000 <sup>(a)</sup>
GBP	119,094	119,094
USD	540	698
<b>Total cash in hand</b>	<b>119,634</b>	

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 April 2017

Schedule of other costs incurred but not fully paid as at 30 April 2017			
(£)	Incurred and unpaid	Partially paid post 30 April 2017	Outstanding
Special Administrators' fees and disbursements:			
— Fees	1,332,804	-	1,332,804
— Disbursements	92,941	-	92,941
Legal fees and other costs:			
— Weil	479,352	-	479,352
— Counsel	2,415	-	2,415
— Other costs	391,327	361,191.41	30,136
<b>Total</b>	<b>2,298,839</b>	<b>361,191.41</b>	<b>1,937,647</b>

- The table above show costs accrued in the six months to 30 April 2017 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 31 October 2016 to 30 April 2017

MF Global UK Limited (In special administration) – SIP 9 for the period 31 October 2016 to 30 April 2017							
	Partner/Director	Manager	Administrator	Support	Total hours	Time cost (£)	Average hourly rate (£)
<b>Cashiering</b>							
General (Cashiering)	0.20	59.50	34.30	-	94.00	42,234.50	449.30
Reconciliations (and IPS accounting reviews)	-	-	32.10	-	32.10	11,501.50	358.30
<b>General</b>							
Fees and WIP	7.00	-	115.70	-	122.70	31,643.50	257.89
Other office holders	8.40	-	-	-	8.40	6,672.00	794.29
<b>Statutory and compliance</b>							
Bonding & Cover Schedule	5.4	-	-	-	5.4	4,158.00	770.00
Books and records	-	2.00	9.70	-	11.70	4,547.00	388.63
Checklist and reviews	0.5	-	1.1	-	1.6	770.00	481.25
Strategy documents	17.3	-	-	-	17.3	13,773.00	796.13
<b>Committees</b>							
Formation	0.5	-	-	-	0.5	405.00	810.00
Meetings	17.2	21.1	8.5	-	46.8	26,311.00	662.20
<b>Creditors and claims</b>							
Agreement of unsecured claims	84.6	-	143.9	-	228.5	94,701.50	414.45
Assignment of claims – Non FSCS	-	-	48.5	-	48.5	4,155.50	85.68
General correspondence	0.3	0.8	391.3	-	392.4	91,483.50	233.14
General estate – Affiliate debtors and claims	0.4	-	-	-	0.4	324.00	810.00
General estate – Realisation of assets	3.7	-	-	-	3.7	2,597.00	701.89
Legal claims	14.2	-	2.5	-	16.7	10,527.00	630.36
Payment of dividends	0.6	0.1	48.5	-	49.2	13,651.50	277.47
Pre-appointment overseas tax	59.2	-	-	-	59.2	43,302.00	731.45
Statutory reports	4.4	14.8	96.2	-	115.4	46,010.00	398.70

## Appendix 4

# Analysis of SIP 9 for the period 31 October 2016 to 30 April 2017 (cont.)

MF Global UK Limited (In special administration) – SIP 9 for the period 31 October 2016 to 30 April 2017							
	Partner/Director	Manager	Administrator	Support	Total hours	Time cost	Average hourly rate
<b>Administration and planning</b>							
Exit Planning	108.7	91.5	-	-	200.2	143,560.00	717.08
<b>Trading</b>							
Cash and profit projections and strategy	1.0	-	-	-	1.0	810.00	810.00
Engagement Management	126.8	221.9	313.1	0.8	662.5	300,047.50	453.03
IT, Systems, Cut Off and Information	182.4	72.6	3.0	-	258.0	17,4047.00	674.60
Management Information	1.6	-	-	-	1.6	1,296.00	810.00
Purchases and trading costs	6.5	-	172.7	-	179.2	40,028.50	223.37
Review of pre-appt transactions	0.0	179.9	7.8	-	187.6	113,914.25	607.22
<b>Asset realisation</b>							
Cash and investments	3.4	1.7	0.7	-	5.8	4,017.00	692.59
Pre-appointment tax and VAT refunds	48.8	18.5	8.8	-	76.0	51,080.50	672.11
Open cover insurance	-	0.3	-	-	0.3	180.00	600.00
Other assets	2.0	-	3.1	0.3	5.4	2,740.25	512.20
<b>Tax</b>							
Post appointment corporation tax	11.5	-	-	-	11.5	8,294.00	721.22
Post appointment overseas tax	27.9	5.7	-	-	33.6	25,885.00	771.54
Post appointment PAYE (Non Trading)	0.8	-	-	-	0.8	648.00	810.00
Post appointment VAT	1.2	23.4	12.8	-	37.3	17,488.00	468.85
<b>Totals</b>	<b>746.4</b>	<b>713.7</b>	<b>1,454.1</b>	<b>1.0</b>	<b>2,915.2</b>	<b>1,332,803.50</b>	<b>457.19</b>

## 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 201 to 31 Dec 2016	1 Jan 2017 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		
<b>Restructuring, Corporate Finance, Tax and any other relevant in-house advice</b>							
Partner/Associate Partner	945	750	725	745	745	770	810
Director	895	700	635	660	660	680	710
Senior Manager	855	540	525	545	575	600	630
Manager	695	430	420	435	460	485	510
Senior Administrator/Assistant Manager/Consultant	505	350	310	325	345	350	365
Administrator (Grade 2 and higher)	390	280	250	260	275	285	300
Administrator (Grade 1)	390	195	175	185	200	210	220
Support staff	135	110	100	100	110	115	120
Intern	45	50	50	50	55	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 31 October 2016 to 30 April 2017

Summary of disbursements incurred from 31 October 2016 to 30 April 2017	
	£
<b>Category 1</b>	
Accommodation and subsistence	608
Travel	182
Third party trader	-
Other (predominantly ICT costs)	57
Printing and Consumables	64
Telecoms	-
	<b>910</b>
<b>Category 2</b>	
MFG Services Administrators' fees	-
Software Maintenance	-
Professional services provided by other KPMG firms	92,031
Staff provided by other KPMG firms <sup>(a)</sup>	-
Mileage	-
	<b>92,031</b>
<b>Total disbursements</b>	<b>92,941</b>

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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