



MF Global UK Limited - In Special Administration

Special Administrators' Progress Report for the six month period

1 May 2017 to 30 October 2017

30 November 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 October 2017. However, where possible we have provided updated data beyond 30 October 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

Affiliate(s)	A company or companies within the MFG Holdings Group	MFG Holdings Group	MF Global Holdings Limited and its subsidiaries
CMP	Client Money Pool	MFG Inc.	MF Global Inc.
Company/MFGUK	MF Global UK Limited of 15 Canada Square, London E14 5GL with company registration 01600658	MFG Services	MF Global UK Services Limited (in administration)
Court	High Court of Justice Chancery Division Companies Court	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
CVA	Company Voluntary Arrangement	Regulations	The Investment Bank Special Administration Regulations 2011
CVA Proposal	The Special Administrators' proposal for a Company Voluntary Arrangement under Part I of the Insolvency Act 1986 dated 23 rd November 2017	Rules	The Investment Bank Special Administration (England and Wales) Rules 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	\$IPA	Securities Investor Protection Act (US)
FCA	Financial Conduct Authority	SIPA Trustee	Trustee of MF Global Inc./Mr J Giddens
Finance USA	MF Global Finance USA Inc.	SIPC	Securities Investor Protection Corporation (US)
FSCS	Financial Services Compensation Scheme	Special Administrators/JSAs	Richard Heis, Michael Robert Pink and George Edward Boyle of KPMG LLP
FX	Foreign exchange	US	United States of America
Group	The Company and subsidiaries	Weil	Weil, Gotshal and Manges (London) LLP
GTA	German Tax Authority	\$/Dollar	United States dollar (unless otherwise stated)
ISDA	International Swaps and Derivatives Association	€	Euro
ISA	Insolvency Services Account at the Bank of England		
KPMG	KPMG LLP		
MFG Holdings	MF Global Holdings Limited		

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 or CVA Proposal.

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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 2017 to 30 October 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 31 May 2017 covering the period 31 October 2016 to 30 April 2017.— 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. On 10 May 2017 Edward Boyle was appointed as a JSA.— 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

CVA Proposal	<ul style="list-style-type: none">— The JSAs have, over the course of the period, worked with the Company's largest creditors to formulate options that would expedite the return of funds to the unsecured creditors. The JSAs have kept the Creditors Committee apprised of the workstream as it has developed.— On 23 November 2017 the JSAs gave notice of their proposal for a CVA under Part I of the Insolvency Act 1986.— Information regarding the proposed CVA can be found on the JSAs' website including details of how to participate. Further detail can be found on page 7.
Key achievements, events and milestones during the period	<p>Interim House Estate dividend</p> <ul style="list-style-type: none">— No dividends have been declared in the period. Certain creditors have received catch-up distributions totalling £2.0 million in the period.— The cumulative amount distributed to creditors with agreed claims remains 90p in the pound, with the last dividend being the sixth interim dividend declared and paid on 24 August 2016. <p>Future dividends and illustrative financial outcome statement</p> <ul style="list-style-type: none">— The JSAs have prepared a revised illustrative financial outcome as at 30 September 2017 as part of the CVA Proposal.— Future dividends payable to creditors are dependent upon whether the CVA is approved and, if approved, the elections made by individual creditors under the CVA voting process. <u>Creditors are encouraged to read the CVA Proposal carefully and follow the instructions therein as to actions required of them.</u>— Based on currently available information and legal advice, the JSAs estimate that, absent the CVA, the final distribution rate in respect of unsecured claims against the Company may be in the range of 95%-105.7%. The payment profile of future dividends is uncertain because of unresolved issues, principally relating to funds receivable from Citibank but subject to retention and German tax reclaims.— The CVA includes options for creditors to take cash to bring their total return to 99.75p in the pound, or to continue to participate either in the medium term or the long-term future of the estate. <p>Creditor claims</p> <ul style="list-style-type: none">— As at 30 October 2017, values have been agreed on all 333 German Introducing Broker claims, with a combined value of £18.4 million.— Subsequent to the period covered by this report, a settlement was reached in November 2017 with a creditor who had submitted a claim for £3.5 million. This has led to a reduction in the provision held for claims being investigated by the JSAs. <p>Assets</p> <ul style="list-style-type: none">— During the period £6.2 million was released by Citibank N.A. London from funds retained in relation to possible claims they believe they may be exposed to in the future.— The JSAs continue to work on the realisation of further assets. The largest outstanding receivable relates to certain German tax reclaims. The JSAs continue to co-operate with the GTA's enquiries with the aim of recovering these funds. Further details can be found in the CVA Proposal.

Company Voluntary Arrangement

On 23 November 2017 the JSAs gave notice of their proposal for a CVA under Part I of the Insolvency Act 1986.

A physical meeting of creditors will take place at 12.00pm on Tuesday 12 December 2017 at the Connaught Rooms, London.

The deadline for submitting Proxy Forms for the meeting is 12:00pm on Monday 11 December 2017.

- The JSAs have, over the course of the period, worked with the Company's largest creditors to formulate options that would expedite the return of funds to the unsecured creditors. The JSAs have kept the Creditors Committee apprised of the workstream as it has developed.
- On 21 November 2017 the JSAs announced their intention to propose a CVA which would give creditors a cash alternative as opposed to having to wait, potentially for many years, for the final resolution of the Company's affairs.
- On 23 November 2017 the JSAs gave notice of their proposal for a CVA under Part I of the Insolvency Act 1986.
- The JSAs are proposing the CVA in order to:
 - give unsecured creditors the option to exit the Administration now in exchange for a certain and final cash payment shortly upon implementation of the CVA;
 - agree a streamlined process for making final distributions to the remaining creditors, once the key issues regarding the remaining liabilities are resolved; and
 - save substantial administrative and operational costs going forward as a result of reducing the number of creditors of the estate.
- The CVA includes options for creditors to take cash to bring their total return to 99.75p in the pound, or to continue to participate either in the medium term or the long-term future of the estate. The cash alternative has been arrived at following a competitive bid process between a number of counterparties. For more detail see Part A of Section 1 of the CVA Proposal.
- Information regarding the proposed CVA can be found on the JSAs' website including details of how to participate.
- Details of the CVA process have been sent to all known creditors and further information including copies of the proxies and voting forms are available from the JSAs' website.
- Creditors are encouraged to read the CVA Proposal carefully and follow the instructions therein as to actions required of them.

Meeting of Creditors

- The Nominees have summoned the Creditors' Meeting for 12:00 p.m. (London time) on Tuesday 12 December 2017 and the Members' Meeting to commence at 3:30 p.m. on the same day.
- Both meetings are to be held by way of a Physical Meeting at the Connaught Rooms, 61-65 Great Queen Street, London, WC2B 5DA, following requests for a physical creditors' meeting from more than one creditor (together holding an amount exceeding 10% in value of the aggregate creditor claims against the Company).
- Details of the result of the meeting will be made available on the JSAs' website.

Future distributions and illustrative financial outcome statement

No further dividends have been declared since August 2016, when the JSAs declared and paid a sixth interim unsecured creditor dividend of 2.2p in the pound, bringing the cumulative dividends to unsecured creditors to 90.0p in the pound.

A revised illustrative financial outcome as at 30 September 2017 was prepared as part of the CVA Proposal. A summary can be found on this page.

Illustrative financial outcome statement

- The JSAs have prepared a revised illustrative financial outcome as at 30 September 2017 as part of the CVA Proposal. The range of possible outcomes based on whether the CVA takes place and if so what election individual creditors make is summarised below. Further information regarding the range of outcomes can be found on page 8 of the CVA Proposal, and detailed Estimated Outcome Statements can be found on page 59 of the CVA Proposal.

CVA Proposal Estimated Outcome Statement Summary									
£(m)	31 Mar 2016 (adjusted) per 31 May 2017 report		30 Sept 2017 – No CVA		30 Sept 2017 – Exiting Creditors	30 Sept 2017 – Stay-In Creditors		30 Sept 2017 – Participating Creditors	
	Low Case	High Case	Low Case	High Case	Determined	Low Case	High Case	Low Case	High Case
Funds available for distribution	940	1,004	981	1,028	-	954	961	951	1,002
Total Creditor claims	(998)	(951)	(995)	(943)	-	(995)	(943)	(995)	(943)
Surplus/(Deficit)	(58)	53	(50)	54	-	(40)	17	(43)	59
% return	94.2%	105.5%	95.0%	105.7%	99.75%	96.0%	101.8%	95.7	106.2%

Notes: (a) The estimated financial outcome presented in the low case (i.e. more prudent) and high case (i.e. less prudent) should not be considered a 'worst' or 'best' case and the outcome may be greater than the high case or less than the low case.

(b) Returns above 100% represent the repayment of statutory interest on claims.

Source: JSAs' records and estimates.

- In addition to the scenarios presented above, in the conceivable "best case" (which assumes that the EU Reclaims are recovered), the forecast return is 117.6% (to all Creditors, if there is no CVA) and 118.1% (to Participating Creditors, if the CVA is approved).
- Both with and without the CVA, the payment profile of future dividends is uncertain because of unresolved issues, principally relating to funds receivable from Citibank but subject to retention and German tax reclaims. The JSAs do not expect to be able to make any material further distributions before late 2019 (at the earliest) and they expect it will still take considerable further time (7-8 years) to finalise the winding up of the estate.
- If the CVA is approved, the payments to Exiting Creditors are fixed and certain, but future dividends to Stay-in Creditors and Participating Creditors will depend upon the elections made by the other creditors under the CVA.
- Stay-in Creditors and Participating Creditors risk receiving a lower future dividend payment than the Exit Payments being offered to Exiting Creditors through this CVA (see the low estimated outcomes illustrated). By contrast, if the higher estimated outcomes illustrated were to materialise, there is a prospect that CVA Creditors who do not choose the Exit Payment could receive greater than 99.75 pence. However, the timing of such payment is uncertain and would most likely be made at a time beyond 2019 or possibly beyond 2025.
- Creditors are encouraged to read the CVA Proposal carefully and follow the instructions therein as to actions required of them.

Asset summary

As at 30 October 2017 the JSAs had unrealised non-segregated assets with a gross book value of approximately £61 million.

During the period £6.2 million was received from Citibank.

Non-segregated monies outstanding as at 30 October 2017		
(£'000 equiv.)	Received in the period	Outstanding ^(a)
Banks/Exchanges/Clearing Houses	6,160	16,561
Affiliates	639	106
German tax reclaims ^(b)	-	44,425
Other receipts/realisations	543	231
Total	7,342	61,323

Note: (a) For illustrative purposes only, in line with the forecast high case estimated outcome under the CVA for Participating Creditors. Future recoveries may be materially different to those presented and not be distributed equally to all creditors under the terms of the CVA (if approved).

(b) Outstanding amounts relate to DTT reclaims and exclude €129 million in respect of EU Reclaims. See page 20 of the CVA Proposal for further detail.

Source: JSAs' records.

Banks/Exchanges/Clearing Houses

- During the period an amount of £6.2 million was received from Citibank N.A. London. The JSAs continue to negotiate with Citibank which continues to retain £16.6 million in relation to possible claims they believe they may be exposed to in the future. A table setting out the forecast profile of the recovery of the outstanding balance is set out in the CVA on page 19. 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.
- **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 £0.3 million, in May. MFG Australia's annual report dated 11 May 2017 states that some statutory interest may be paid in relation to unsecured creditor claims, however the timing and quantum is uncertain.
- Approximately £0.1 million may be recoverable, reflecting a further dividend in line with the low case presented in the MFG Australia report.
- During the period **MFG Holding Hong Kong** has declared a fourth interim unsecured creditor distribution of 3.6c in the \$, bringing the cumulative total to 86.1c in the \$. Distributions totalling £0.4 million have been received during the period with regard to the Company's creditor claim.
- The timing of any further distributions is uncertain, but based on the latest information received from the MFGHK liquidators, such is likely to be between 0% and 1% only. A 1% distribution is equivalent to approximately £6,000 at current fx rates.

Asset summary (cont.)

The largest outstanding receivable relates to certain German tax reclaims. The JSAs continue to co-operate with the GTA's enquiries with the aim of recovering these funds.

German tax reclaims

- The Company has submitted several claims against the German Tax Authorities (the so-called Pending DTT Reclaims and the EU Reclaims) requesting relief from German withholding tax ("WHT") in connection with German share trades conducted prior to the Administration Date (in 2009, 2010 and 2011).
- Detailed commentary on both the DTT Reclaims and EU Reclaims can be found on page 20 of the CVA Proposal, and the JSAs continue to co-operate with the GTA's enquiries with the aim of recovering these funds.

Other receipts/realisations

- During the period £0.36 million was received from MF Global Overseas in settlement of their contribution with regard to the MFG Services pension dispute.
- 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.
- Forecast other receipts and realisations outstanding are described in detail in the CVA Proposal on pages 22 – 24. The principal asset recognised in the asset summary table on page 9 relates to cash held in two broking accounts with Euroclear and Deutsche Bank.

Creditor Claims - Summary

As at 24 November 2017, the total value of creditor claims and provisions for claims is £992 million.

Of the total creditor amount, £931 million (94%) 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 24 November 2017 is provided below.

Status of creditor claims as at 24 November 2017			
	Number	Value (£'000)	Change in period (£'000) ^(d)
Creditors			
Fully agreed proposals	1,900	612,256	20
Final proposals sent but not agreed	269	11,680	(3,520)
Parallel Claims – Issued	3,650	41,523	-
Total trading proposals issued^(a)	5,504	665,459	(3,500)
Reserve for CMP clients who lost their CMP entitlement	1	1,323	-
Reserve for Dormant Accounts	697	1,004	-
Total trading statements	6,202	667,786	(3,500)
Other			
MFG Inc – Agreed ^(b)	1	549,388	-
Other affiliates – Proposals Agreed	15	43,978	-
Other affiliates – Proposals not yet issued	3	384	-
Suppliers – Proposals Agreed	242	14,664	-
Suppliers – Proposals not yet issued	24	836	(208)
German introducing broker claimants – Agreed	334	19,156	-
German introducing broker legal fees – Proposal not yet issued ^(c)	1	206	-
Provision for Potential GTA Claw Back Claim	1	45,196	1,196
Sub-total	6,823	1,341,595	(2,512)
Amounts settled via set off	(5)	(349,662)	
Total	6,818	991,933	

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.

(d) A claim being investigated by the JSA's with a value of £3.5 million was settled in November 2017.

Source: Special Administrators' records.

Creditor claims - Affiliate and supplier claims

The JSAs continue to progress the adjudication of creditor claims where in a position to do so.

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
- The remaining balance of £1.6 million includes a number of creditors who have never returned their settlement proposal.

Reserves

- The JSAs continue to reserve for potential claims of former customers who have never submitted a claim form. £1.0 million is reserved in respect of Dormant Accounts, and £1.3 million is reserved in respect of a CMP Client who lost their CMP entitlement.

Affiliates

- Following the payment of a catch-up distribution to MFG Services and in line with the pension liability settlement agreement entered into by MFGUK, contributions were 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). Amounts of £362,500 have been received by the JSAs from both MF Global Finance Europe Ltd and MF Global Overseas Ltd. MFG Services is still to finalise a small portion of its claim in respect of which the JSAs continue to reserve £0.1 million.
- The JSAs continue to adjudicate 2 further claims received from affiliates.

German Tax

- The JSAs have provided for a Potential GTA Claw Back Claim (relating to the DTT Reclaims that have already been paid out to the Company) in full at £45.2 million, and further information can be found in the CVA Proposal on page 21.

Creditor Claims - German Introducing Broker and FSCS claims

All the underlying German Introducing Broker claims have now been adjudicated in full.

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.

German Introducing Broker Claimants

- 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.
- 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. As at 30 October 2017, a total of 333 German Introducing Broker claims (30 April 2017: 259) have been agreed with a combined value of £18.4 million.
- Catch up distributions 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. As at 30 October 2017 catch-up distributions have been paid on 50 of the final aggregator's claims, and the JSAs are liaising with the relevant parties with regard to the outstanding documentation required.
- In addition to the aggregators, we have also reached settlements with a small number of individual claimants who were separately represented. As a result, all the underlying German Introducing Broker claims have now been adjudicated in full.
- The JSAs continue to adjudicate a connected claim in respect of professional fees totalling €0.2 million received from the lawyer who, prior to our appointment, previously acted for MFGUK in the German Courts on these matters. MFGUK is seeking legal advice on the extent to which these fees are payable.

Claims assigned to the Financial Services Compensation Scheme

- The JSAs continue to work with the FSCS to reconcile records of all claims assigned to the FSCS.
- In excess of 2,450 customers have assigned claims to the FSCS to date. 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.

Operational matters and Unpaid CMP Distributions

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 vacated the Regus office on expiry of the lease in October 2017. This has led to a reduction in the monthly running costs of the special administration.

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.

Unpaid CMP distributions

- 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.

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 2017, the JSAs' time costs totalled £1.6 million.

JSAs' remuneration

- A receipts and payments account for the period from 1 May 2017 to 30 October 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 October 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.
- 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 2017, we have incurred time costs of £1,638,547 representing 3,140 hours at an average hourly rate of £522. 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 2017 are £105,484,590 of which a total of £101,897,425 has been drawn on account as at 30 October 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 October 2017 total £177,771, which includes amounts incurred 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 2017 totalled £4,618,100 of which £4,422,032 has been drawn as at 30 October 2017.

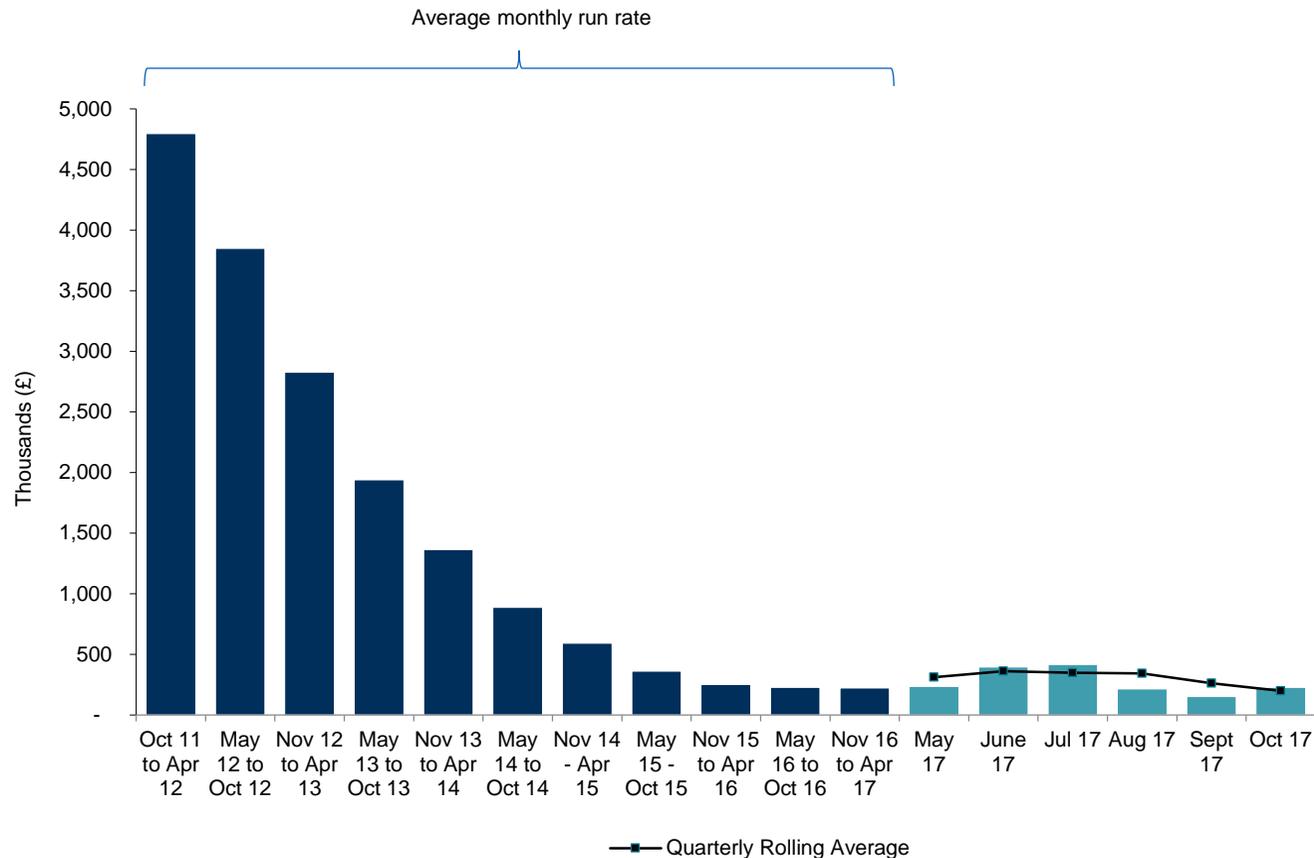
Payments to KPMG affiliates

- Costs of £172,704 have been incurred during the period from KPMG affiliates for professional services. To date total costs of £534,449 have been incurred from KPMG affiliates of which £361,104 has been drawn as at 30 October 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 October 2017, the JSAs' time costs totalled £1.6 million.



Source: JSAs' records.

Discussion of time cost trends

- Average monthly timecosts have increased slightly to £0.27 million during the six month period to October 2017, primarily in connection with the CVA Proposal.



Appendices

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

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, Michael Pink and Edward Boyle
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 2017 to 30 October 2017 and 31 October 2011 to 30 October 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 ^(a) (GBP Equiv. '000)	
	Period total 1 May 2017 - 30 October 2017	Cumulative total to 30 October 2017	Period total 1 May 2017 - 30 October 2017	Cumulative total to 30 October 2017	Period total 1 May 2017 - 30 October 2017	Cumulative total to 30 October 2017	Period total 1 May 2017 - 30 October 2017	Cumulative total to 30 October 2017
Receipts								
Sale of Fixed Inc. (bonds, T-Bills, etc.)	-	42,423	-	232,240	-	127,216	-	1,036
Sale of Equities – Stocks, Investments and Other Assets	-	70,677	-	29,338	-	29,858	-	8,593
Termination of Other Market Contracts	-	8,803	-	11,860	-	8,199	-	1,769
Termination of ISDA Contracts	-	4,319	-	132,849	-	2,458	-	-
Collateral/Cash from Banks	6,180	225,457	-	115,855	-	40,960	-	20,098
Collateral/Cash from Exch/CI Hse/Brokers	-	33,897	-	228,764	-	171,282	-	4,408
Other Receipts	889	38,608	1	62,025	-	8,016	-	3,894
VAT control	267	23,633	-	-	-	-	-	-
Cost allocations between Estates	-	54,935	-	14	-	-	-	-
Gross interest	137	10,087	1	165	-	77	-	156
Output VAT (payable)	49	1,575	-	-	-	-	-	-
Total Receipts	7,522	514,415	2	813,110	-	388,068	-	39,954

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 2017 to 30 October 2017 and 31 October 2011 to 30 October 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 1 May 2017 - 30 October 2017	Cumulative total to 30 October 2017	Period total 1 May 2017 - 30 October 2017	Cumulative total to 30 October 2017	Period total 1 May 2017 - 30 October 2017	Cumulative total to 30 October 2017	Period total 1 May 2017 - 30 October 2017	Cumulative total to 30 October 2017
Payments								
Dividends to non-segregated creditors ^(a)	(2,044)	(783,500)	-	(11,181)	-	-	-	-
Special Administrators' Fees and Disbursements	-	(106,298)	-	-	-	-	-	-
Other Payments (see page 21)	(841)	(24,172)	(2)	(11,346)	-	(921)	-	(9)
Legal and Professional Fees	(916)	(35,727)	-	140	-	(446)	-	(1)
Transfer to CMP	-	-	-	(192,508)	-	-	-	-
Set off with Estate	-	(63,991)	-	-	-	-	-	-
PAYE and NIC	-	(21,359)	-	-	-	-	-	-
Input VAT (receivable)	(98)	(25,197)	-	(2)	-	-	-	-
Dividends to preferential creditors	-	(5)	-	-	-	-	-	-
Irrecoverable VAT	(235)	(8,338)	-	-	-	-	-	-
Wages and Salaries	-	(26,607)	-	-	-	-	-	-
Settlement with Pension Trustees	363	(28,275)	-	-	-	-	-	-
Total Payments	(3,771)	(1,123,469)	(2)	(214,897)	-	(1,367)	-	(10)
Net position	3,750	(609,054)	-	598,213	-	386,701	-	39,943
Inter account currency transfers	-	731,899	-	(597,515)	-	(386,701)	-	(39,959)
Total cash movement for period	3,750	122,845	-	699	-	-	-	-

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

(b) Amounts are translated using the following rate GBP:USD 1.3098.

Source: JSAs' records.

Non-segregated cash balances: Breakdown by foreign currencies		
30 October 2017	GBP equiv. '000	Local currency '000
GBP	122,845	122,845
USD ^(b)	533	699
Total cash in hand	123,379	

Appendix 2

Special Administrators' abstract of receipts and payments for the period 1 May 2017 to 30 October 2017 and 31 October 2011 to 30 October 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 October 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	639
Sundry refunds	180
Cash at bank	60
Client charges	5
Repayment of credit lines	5
Total	889

Source: JSAs' Records.

5. Payments – Other

Non-segregated 'Other' payments comprise	
(GBP equiv. '000)	Current period
IT suppliers	(454)
Legal costs of MFGUKS	(164)
Subcontractors	(124)
Property expenses	(47)
Storage costs	(29)
Bank charges	(20)
Miscellaneous other payments	(4)
Total	(841)

Source: JSAs' Records.

Appendix 2

Special Administrators' abstract of receipts and payments for the period 1 May 2017 to 30 October 2017 and 31 October 2011 to 30 October 2017 (cont.)

Notes: (cont.)

6. Special Administrators' Fees and Disbursements

Summary of total payments to Special Administrators and their affiliates		
£	1 May 2017 – 30 October 2017	Total to 30 October 2017
Special Administrators' fees (post appointment)	-	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	-	323,714
Fees paid to KPMG affiliates for seconded staff	-	243,250
Disbursements – Travel, accommodation and subsistence	-	684,872
Other Disbursements (predominantly software maintenance)	-	752,897
Total disbursements	-	4,400,692
Total fees and disbursements	-	106,298,117

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 2017 to 30 October 2017 and 31 October 2011 to 30 October 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 October 2017
Post-appointment VAT	(81)	(8,326)
Pre-appointment VAT	-	5,600
Total	(81)	(2,726)

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.

11. Cash at Bank

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 2017

Schedule of other costs incurred but not fully paid as at 30 October 2017			
(£)	Incurred and unpaid	Amounts paid post 30 October 2017	Outstanding
Special Administrators' fees and disbursements:			
— Fees	3,587,165	(1,937,852)	1,649,313
— Disbursements	255,997	(40,836)	215,161
Legal fees and other costs:			
— Weil	828,634	(180,342)	648,292
— Counsel	20,106	(9,686)	10,420
— Other costs	51,775	(50,914)	861
Total	4,743,677	(2,219,629)	2,524,048

- The table above show costs accrued in the six months to 30 October 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 1 May 2017 to 30 October 2017

MF Global UK Limited (In special administration) – SIP 9 for the period 1 May 2017 to 30 October 2017							
	Partner / Director	Manager	Administrator	Support	Total hours	Time cost	Average hourly rate
Cashiering							
General (Cashiering)	0.5	72.3	23.7	-	96.5	£45,797.00	£474.58
Reconciliations (& IPS accounting reviews)	-	2.8	21.7	-	24.5	£9,348.50	£381.57
General							
Books and records	-	-	35.3	-	35.3	£11,246.50	£318.60
Fees and WIP	4.9	-	108.2	-	113.1	£41,872.00	£370.22
Statutory and compliance							
Bonding & Cover Schedule	-	-	0.3	-	0.3	£90.00	£300.00
Checklist & reviews	1	-	0.6	-	1.6	£1,029.00	£643.13
Strategy documents	7.9	-	-	-	7.9	£6,199.00	£784.68
Tax							
Post appointment corporation tax	9.1	3.5	16.5	-	29.1	£13,943.50	£479.16
Post appointment overseas tax	4	19.05	4.7	-	27.75	£16,957.00	£611.06
Post appointment PAYE (Non Trading)	2.7	-	-	-	2.7	£2,187.00	£810.00
Post appointment VAT	-	7	4.8	-	11.8	£5,322.00	£451.02
Committees							
Formation	-	-	1.9	-	1.9	£693.50	£365.00
Meetings	4.9	-	-	-	4.9	£3,969.00	£810.00
Reports	4	-	-	-	4	£2,840.00	£710.00
Creditors and claims							
Agreement of unsecured claims	70.3	-	78.8	-	149.1	£73,747.50	£494.62
Assignment of claims – non FSCS	-	-	6.4	-	6.4	£1,623.00	£253.59
General correspondence	0.3	-	129.4	-	129.7	£44,493.50	£343.05
General Estate - Affiliate Debtors and Claims	6	-	-	-	6	£4,860.00	£810.00
Legal claims	0.9	-	22.3	-	23.2	£7,419.00	£319.78
Payment of dividends	1.2	-	33.2	-	34.4	£13,025.00	£378.63
Pre-appointment overseas tax	30.8	-	6	-	36.8	£24,818.00	£674.40
Pre-appointment VAT / PAYE / CT	-	5.25	-	-	5.25	£3,307.50	£630.00
Statutory reports	2.7	-	52.3	-	55	£21,218.00	£385.78

Appendix 4

Analysis of SIP 9 for the period 1 May 2017 to 30 October 2017 (cont.)

MF Global UK Limited (In special administration) – SIP 9 for the period 1 May 2017 to 30 October 2017							
	Partner / Director	Manager	Administrator	Support	Total hours	Time cost	Average hourly rate
Trading							
Communications - Other	-	-	5.00	-	5.00	1,500.00	300.00
CVA transaction advice	22.90	288.70	16.40	-	328.00	180,322.00	549.76
Engagement Management	35.90	39.80	226.15	-	301.85	128,802.50	426.71
Exit Planning	447.60	449.05	245.00	7.00	1,148.65	694,622.25	604.73
IT, Systems, Cut Off & Information	-	196.00	-	-	196.00	123,480.00	630.00
Management information	-	-	5.40	-	5.40	1,188.00	220.00
Investigations							
Mail redirection	-	-	1.80	-	1.80	624.50	346.94
Review of pre-appt transactions	-	41.60	-	-	41.60	26,208.00	630.00
Asset Realisation							
Cash and investments	38.90	0.50	4.80	-	44.20	33,176.00	750.59
Insurance	-	-	0.70	-	0.70	255.50	365.00
Leasehold property	-	-	6.25	-	6.25	2,057.00	329.12
Other assets	-	-	32.30	-	32.30	11,172.00	345.88
Pre-appointment tax & VAT refunds	35.10	18.70	0.40	-	54.20	39,872.00	735.65
Trading							
Cash & profit projections & strategy	2.10	-	-	-	2.10	1,701.00	810.00
Purchases and trading costs	3.90	-	160.70	-	164.60	37,561.00	228.20
Total in period	737.60	1,144.25	1,251.00	7.00	3,139.85	1,638,547.25	521.86

Source: JSAs' Records.

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		
Restructuring, Corporate Finance, Tax and any other relevant in-house advice							
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 1 May 2017 to 30 October 2017

Summary of disbursements incurred from 1 May 2017 to 30 October 2017	
	£
Category 1	
Accommodation and subsistence	90
Travel	439
Third party trader	-
Other (predominantly ICT costs)	711
Printing and Consumables	31
Telecoms	-
	1,270
Category 2	
MFG Services Administrators' fees	-
Software Maintenance	3,797
Professional services provided by other KPMG firms	172,704
Staff provided by other KPMG firms ^(a)	-
Mileage	-
	176,501
Total disbursements	177,771

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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