

MF Global UK – Special Administration update as at 23 January 2012

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Creditor and Client Committee

The constitution of the creditor and client committee for MF Global UK Limited ("**MF Global**") has been announced with BB Energy (Gulf) DMCC and Unipet Singapore Pte. Limited being voted in as the creditors' representatives, and MF Global Inc, Peabody Coal Trade International Limited and KIT Finance Europe AS being voted in as the client representatives. The special administrators have said that they will be shortly contacting the companies to complete the formalities of establishing the committee and will then call the first meeting. The special administrators have further said that the committee will only be formally constituted when they issue a certificate of due constitution, and that details of how to contact the creditor and client representatives will then be published.

Final Statements

At the initial meeting of clients and creditors on 9 January 2012 the special administrators went through the transaction booking process which has to be completed before final statements can be provided. The special administrators said that they saw this as a five stage process:

1. the 31 October 2011 position needs to be reconciled;
2. the liquidation valuation position needs to be ascertained. The special administrators have said that they think it likely that this will require court determination as to whether the positions should be valued at their open value as at 31 October or at the ultimate liquidation value;
3. transfers, liquidations and expiries need to be booked based on the final liquidation statements from the exchanges and trade counterparties;
4. fees, interest and commissions need to be booked; and
5. final client statements can be produced.

Former customers of MF Global who are waiting to receive final statements from the London Metal Exchange (the "LME") are likely to have to wait longer. The LME has said that there are "ongoing processes" which are holding up the ability of the LME to send customers their final statements of account, and that they are waiting for instructions from KPMG to be able to do so. Before Christmas both KPMG and the LME seemed optimistic that all outstanding final statements would be sent to customers by the end of January, but with one week to go before month-end, statements remain outstanding.

Customer group

Many creditors and clients of MF Global continue to be frustrated by the perceived lack of progress by the special administrators. An informal pressure group of former customers of MF Global UK, similar to the "Commodity Customer Coalition" in the US, has been formed and is seeking to engage the Financial Services Authority and the Bank of England in dialogue about reforming the law relating to segregation of client accounts as it stands under the Investment Bank Special Administration Regulations 2011.

On 31 October 2011 Reed Smith launched the MF Global Task Force. The Task Force regularly post updates on developments in the proceedings in the U.S. and the UK. Making the most of Reed Smith's global presence to gather information, the Task Force keeps up to date on events as they unfold and reacts promptly to them. All out updates and alerts can be found on the MF Global Task Force page on www.reedsmith.com.

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