

MF Global – UK Update as of 1 December 2011

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We are starting to see signs of movement from the special administrators in relation to clients and creditors who have exposure to MF Global UK Limited ("**MF Global UK**").

In a letter dated 23 November 2011 addressed to all known clients, the special administrators acknowledged the *"inevitable frustration and concern caused by the lack of detailed position information that is available..."*. The special administrators recognised the concern that clients may have following the announcements in the US by the SIPA Trustee in relation to the segregated funds of MF Global Inc., but stated that they have not seen any signs in MF Global UK of any similar issues.

The special administrators go on in their letter to set out some of the reasons for the delay in getting information out to clients, namely:

- logistical issues due to the increased number of "breaks" and unreconciled items and open positions, problems due to MF Global having been defaulted under the rules of most exchanges and clearing houses, and the volume of requests they have received from clients requesting, among other things, detailed position information and the immediate return of assets;
- the fact that MF Global UK in special administration does not have control over the vast majority of money and assets which are held at banks, exchanges and clearing houses; and
- the operation of the FSA client money rules and the special administration regime rules on segregated client assets means that collecting and distributing those assets/monies so that all clients bear costs on a proportional basis is complicated and requires rigorous process, which is time consuming.

Further, on 23 November, the special administrators announced that following a competitive bidding process, J.P. Morgan had agreed to purchase all of MF Global UK's shareholding in the London Metal Exchange. The transfer of shares is subject to confirmation by the board of the exchange.

In their administration update on 28 November 2011, the special administrators announced a time line for the return of client money and client assets:

"MF Global UK Limited customers with claims against funds in the client money pool and/or with claims against client assets can complete and submit a claim form from Thursday 8th December. All claims against client assets

and the client money pool are requested to be submitted by Friday 30th March 2012. There is no bar date (as provided for in the special administration regime) set at this stage for claims against client assets."

The special administrators further said that they propose to make an interim distribution from the client money pool to claimants with a client money entitlement within 14 days after their claim has been agreed by the special administrators. The special administrators have said that they intend to inform the court of the timetable and procedure set out in the update of 28 November, including their intention to make an interim distribution.

Clients of MF Global UK who believe they have client money protection will be eager to hear the Supreme Court's directions in the Lehman administration on how to deal with various issues in relation to client money. This case is important as it could result in the FSA reviewing the client money rules if the Supreme Court feels that the current rules do not adequately protect client money, which may impact the way in which client money is treated in MF Global's special administration.

We have a dedicated team, with experience in insolvency, financing, financial markets and commodities trading, advising clients with assets, positions and other dealings with MF Global. If you have dealings with or exposures to MF Global and would like help with this evolving situation, please contact Kyri Evagora, Georgia Quenby, Brett Hillis, Andrew Cross or Andrea Pincus.

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