

MF Global Initial Meeting of Clients and Creditors – 9 January 2012 at 11 a.m.

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The initial meeting of client and creditors of MF Global UK Limited ("**MFG UK**") took place yesterday, 9 January 2012, at 11 a.m. The meeting was chaired by Richard Heis (the "**Chairman**"), one of the joint special administrators of MFG UK, and we attended on behalf of a number of customers of MFG UK. The purposes of the meeting were to discuss and vote on the special administrators' proposals and to vote on the constitution of a client and creditors' committee.

The meeting was well attended by many customers of MFG UK and their advisers, and tensions in the room often ran quite high. A lot of anger was directed at the special administrators by customers of MFG UK at the perceived lack of transparency in the special administration, and in the difficulty that customers had in getting accurate information on trading positions that had been closed out or transferred as a result of the administration.

The Chairman opened the meeting by setting out the objective of the special administration, the background which led MFG UK to entering into special administration regime, and a brief description of the special administration regime.

The Chairman repeated the special administrators' earlier announcement that they had recovered 82 percent of client money. He said that the majority of the remaining 18 percent was held with MFG UK's affiliates, and that the special administrators were working closely with those affiliates to agree to the return of those funds. A question was asked about the relationship between funds held by MF Global Inc. ("**MFG Inc**") for MFG, and vice versa. The Chairman stated that MFG UK's records show that \$700m is held by MFG for Inc, \$630m of which represents treasury bills, and \$70m was held in cash. The Chairman said that they are not treating the \$630m of treasury bills as a client money claim - he said that this will be a claim in the estate, but not from the client money pool, although from what he said, it was not clear whether the claim was a creditor claim or a client asset claim. He also said that MFG Inc is holding \$250m of MFG UK's money, which he expects to be recovered and returned to the client money pool.

MFG UK acted as broker for MFG Inc on the \$6bn repo-to-maturity trades (RTM) that were so significant in the group's collapse, and was liable to pay margin to European repo counterparties and had rights to demand margin from MFG Inc. A question was asked on the level of losses that have been booked in MFG UK's

accounts in relation to the RTM trades. The Chairman was unwilling to provide this information, stating that the numbers were not yet settled but that "substantial" margin had been posted in relation to these trades.

A number of questions were asked around the level of recoveries for unsecured creditors. The Chairman said that £200m of non-segregated funds had been recovered, but he was unwilling to say what percentage of the unsegregated pot this represented; but did say that the pot was more than 1 billion - both in U.S. dollars and sterling. He stated that the special administrators have a draft calculation of these numbers that they hope to make available to creditors very soon. The Chairman said it was very difficult to say when a distribution to unsecured creditors would actually be made. The Chairman said that MFG UK was examining what claims it had against the various financial institutions that it dealt with prior to its special administration, and that it would take the full range of steps to recover its monies.

A lot of concern was expressed on the special administrators' fees. The Chairman said that KPMG's fees to the end of December 2011 were £14m, excluding legal fees of around £3.5m, although it was unclear if this only covered Weil Gotshal or also any other lawyers advising the special administrators. The Chairman explained that none of these fees had been paid as they were subject to approval by the creditors' committee (which was to be constituted at the meeting).

As at the date of this update, the results of the voting at the initial meeting and the constitution of the client and creditors' committee had not been released. 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 UK 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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