

MF Global Special Administrators Release Their Proposals

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On 16 December 2011 the special administrators of MF Global UK Limited ("**MFG UK**") published their proposals for achieving the purpose of the special administration.

Purpose of the proposals

The special administration of MFG has three statutory objectives:

1. to ensure the return of client assets as soon as is reasonably practicable;
2. to ensure timely engagement with market infrastructure bodies and the authorities; and
3. to rescue the business as a going concern, or to wind it up in the best interests of the creditors

The special administrators are required to put forward proposals for how they intend to achieve the purpose of the special administration, which will be discussed and voted on at the meeting of clients and creditors which is scheduled for 9 January 2012 (the "**Initial Meeting**"). At the Initial Meeting the appointment and composition of a creditors committee will also be considered. We are accepting proxies for clients who wish for us to attend the Initial Meeting on their behalf.

Any potential clients or creditors who wish to vote at the Initial Meeting must provide the administrators with details of their claim by 12 noon on 6 January 2012. According to the special administrators, they have received more than 800 claim forms from potential clients/ creditors so far.

Content of the proposals

The proposals themselves are not controversial. In essence, the special administrators are proposing to continue recovering as much of the client and company funds as possible, to keep in contact with the Financial Services Authority ("**FSA**") and the Financial Compensation Scheme ("**FSCS**") and to maintain communications with clients/creditors and third parties.

The key information for creditors will be details of the progress that the special administrators have made so far:

Recovery of client funds: The special administrators have said that, as at 15 December 2011, they had managed to recoup £594 million of client monies held by clearing houses, exchanges and brokers, which represents 82% of segregated funds. The special administrators have also said that they have recovered £201 million of company monies and that of the outstanding amount to collect around £49 million is protected under the FSA's rules.

However, as covered in our [Alert of 1 December](#) the special administrators recognise that the ruling of the Supreme Court in the Lehman administration on how to deal with various issues in relation to client money may impact the treatment of client money in MFG UK's special administration. The Supreme Court is expected to hand down its ruling in the first half of 2012.

The difficulty going forward will be recovering the outstanding sums. It has been noted in the proposal document that approximately 15 % of the total client money pool is made up of balances held with affiliate companies, many of which are now subject to insolvency proceedings in their own jurisdiction. Therefore, the special administrators will have to negotiate with the administrators and trustees of those entities for the return of the client funds held. This may delay or reduce the recovery of amounts owed to MFG UK's clients.

Distribution of client funds: In line with previous announcements, the special administrators state that they hope to make an interim distribution of client monies to claimants with agreed claims before 30 March 2012. The amount of the distribution will likely depend on how much progress the special administrators make in recovering the outstanding sums.

Client assets: The special administrators state that as at 14 December 2011 the majority of client assets have been recovered. The special administrators say they are in discussion with the SIPA Trustee in the United States to the extent that there are assets held at MFG UK's parent companies in the United States, which are likely to continue for some time.

FSCS

Creditors of MFG UK should note that on 9 December 2011, the FSCS announced the process under which eligible claimants could assign their claims against MFG UK to the FSCS in return for compensation from the FSCS. The scheme's process will run in parallel with the special administration and can offer compensation of up to £50,000 for each successful claimant.

Please see our separate update on client money issues.

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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