

Notice to clients

6 December 2011

**MF Global Australia Limited (administrators appointed) (MFGA)
MF Global Securities Australia Limited (administrators appointed)
Brokerone Pty Limited (administrators appointed)
together, the "Companies".**

Set out below is a brief update on key developments since our last notice dated 30 November 2011. We also refer you to an additional "Answers to FAQs" document dated 6 December 2011 which is available on www.deloitte.com/au/mfglobal.

First Creditors' Committee Meeting – 2 December 2011

As we noted in our presentation at the First Creditors' Meeting (11 November 2011), in a situation such as this where there are a large number of creditors it is common to appoint a Creditors' Committee ("Committee") to represent the interests of all creditors. This has the advantage of being more efficient and cost effective to assist the Administrators on issues in the Administration.

Whilst as Administrators we are required to consult with the Committee, the Committee cannot vote on the future of company on behalf of all creditors nor direct us as Administrators on how to conduct the Administration.

At the First Creditors' Meeting (11 November 2011) a Committee was elected and formed.

On Friday 2 December we had our first meeting with the Committee. The purpose of the meeting was to update the Committee on events since 11 November 2011 (the date of the First Creditors' Meeting).

Below we provide a summary of the matters discussed with the Committee. We have consulted with the Committee members to produce this update.

We are seeking to call our next meeting with the Committee in the week commencing 19 December 2011 to update the Committee on the key matters required to be completed in order to distribute funds to clients.

1. Statutory Matters

As we communicated on 21 and 24 November, the convening period has been extended to 29 February 2012.

A Second Meeting of Creditors is required to be called pursuant to Section 439A of the Corporations Act 2001 no later than within 5 days after the end of the convening period.

2. Statutory Matters – Investigations

Our preliminary forensic investigations to date appear to indicate the following:

- No evidence of insolvent trading by the Directors of the Companies
- No evidence of fraud or suspicious transactions
- A number of potentially void transactions have been identified for further scrutiny and reporting to creditors prior to the second meeting of creditors in our Section 439A Report

3. Client Positions and Receipts from Third Parties

All of the positions for CFDs, Margin FX and Online FX have been closed out. Virtually all of the Futures positions have been closed, with the remaining open positions being very minimal. The main recoveries and positions are:

- **Futures**
 - ASX – the close out information received from ASX is sufficient to calculate client close out positions. The funds of approximately \$34m are currently held by the ASX and subject to a dispute between MFGA and MFG(UK). We will continue our dialogue with the Special Administrators of MFG(UK) for recovery of these funds
 - BNY Mellon – The last positions are now closed and we have requested BNY Mellon remit the final amounts. All required information has so far been made available to us
 - No overseas MFGA Group affiliate company's close out information has been received
- **Australian/Asian Equity CFDs**
 - Deutsche Bank have submitted additional information to support the close out of Australian and Asian Equity CFDs. In addition we expect their back office team and MFGA's team will meet this week to finalise the close out reconciliation

- **Other CFDs**
 - As previously notified we have been advised the MFGA hedge positions in respect of these CFDs have been closed. Close out information has not yet been received.

We continue to seek further information from counterparties to finalise client fund reconciliations.

4. Reconciliation of Funds – Client Claims

There was lengthy discussion with the Committee on the issues regarding reconciliation of funds and amounts of clients' claims. The matters included:

- Treatment of client segregated accounts when there are multiple bank accounts holding funds in relation to a client pool, some of which are in foreign currencies
- Whether funds received from clearing houses, counter parties etc. are available to specific client groups who traded products with those clearing houses or through those counterparties only, or are available to the relevant client pool as a whole
- Valuation of client claims in light of some positions being compulsorily closed and others were closed out or transferred (without collateral)

In order to identify the impact of these issues and to get to a position where we may be able to distribute some funds early, we have commenced reconciling positions in detail using:

- 1) Data from clearing houses and counterparties
- 2) Special data extracts of client accounts obtained from the third party service provider in the UK

Many of these issues are complicated legal questions which affect the legal rights of individual clients. Therefore we believe it may ultimately be necessary to seek directions from the Court, most likely in February 2012 when the Courts resume from the Christmas break.

5. Client Distributions – timing

There are many factors that can impact the timing of distribution of funds to clients. It has been the Administrators' stated objective for distributions to clients to occur as soon as practicable.

An "at best" indicative time frame provided to the Committee was as follows:

- **December 2011 to early January 2012** – Complete calculations of clients' close out positions as at 1 November 2011 using all available close out information from third parties. For those positions where information is not available estimates will be made and remain subject to receiving close out information
- **December 2011 to January 2012** – Prepare applications for Court on legal questions to be considered
- **January to February 2012** – Commence claims proving procedure for clients to provide details of monies owed
- **March to April 2012** – Close claims proving procedure, or amend depending on Court decisions
- **March to April 2012** – Attempt first distribution of funds depending on Court directions

Obtaining Court directions is a public procedure and clients and other stakeholders may be able to appear and be represented in Court. This is a very detailed procedure which requires in-depth preparation and consultation with clients and relevant stakeholders.

We discussed our knowledge of distributions and distribution timetables of MF Group companies in overseas jurisdictions. Each has significantly different positions and legal regimes. However our proposed timeframe appears to be very much in line with the UK Special Purpose Administrators, who have stated that there will be no distribution until at least April 2012.

6. Sale of Business / Assets

We did not receive any viable offers for the business as a going concern.

We are considering options to sell the plant and equipment either on-line or via auction.

7. Operations

To reduce ongoing costs, all but a small number of key employees (e.g. in the finance and back office departments) have been made redundant and all sites other than Grosvenor Place have been vacated. Additionally, we have disconnected the MFGA information systems which are not required to reconcile and return funds to clients.



Finally, to facilitate client reconciliations and expedited return of funds, we are also negotiating an information sharing protocol with the liquidators, trustees and administrators in other jurisdictions.

8. Ongoing Communications

We will continue to provide regular updates to clients on our website – www.deloitte.com/au/mfglobal

Additionally we continue to answer queries:

- by phone: on the MF Global hotline, the number for which is +61 2 8273 8851
- by email: on the Deloitte MF Global email account, the address for which is mfgaustralia@deloitte.com.au

9. Administrators' Remuneration

We discussed our actual and forecast fees in detail with the Committee, which approved our initial fees from 1 November to 18 November.

Our actual and forecast fees will be discussed with the Committee at each committee meeting.

10. Frequently Asked Questions

Please also consult the “Answers to FAQs” of 6 December 2011 which is available on www.deloitte.com/au/mfglobal

Yours faithfully,

Chris Campbell
Joint Administrator of the Companies