



## **Notice to clients**

20 January 2012

### **MF Global Australia Limited (administrators appointed) (MFGA)**

Dear client

This is the first client update of 2012. In order to provide clients with an informative update we have waited until significant progress has been made on key initiatives. We are now in a position to update clients as outlined below.

#### **1. Client account statements to be issued in January 2012**

At the time of writing this update all client accounts have been updated for information received post 31 October 2011. Testing of statement production is underway and we expect clients will receive an email during the week commencing 23 January 2012 with the following information and attachments:

- an Account Statement providing details, by product type, of the calculation of your Gross Liquidation Value ("GLV") as at 1 November 2011
- an Explanatory Statement providing details of the calculation of your statement balance being the GLV as at 1 November 2011
- a link to an Online Client Claim Statement where you will be asked to confirm or not the GLV for the account.

Please note for some statements for some accounts the GLV will be an Estimated GLV where MFGA has not received close out information.

There will be a staged release of client account statements during the week commencing 23 January 2012. As a result, not all clients will receive their statements at the same time. This is required due to:

- a large quantity of PDF statements to be emailed out
- with each email will be a dedicated link to the Online Client Claim Statement. Whilst the Claim Statement process is quick to complete it is unlikely the system will be able to meet the volume of traffic were statements to be issued to all clients concurrently.



We have received a number of client queries regarding the time it has taken to issue clients with their final account statements.

It has been approximately 2.5 months since the appointment of the Administrators. The early phase of the Administration was focused on recovering and preserving assets of clients and MFGA. During this period most of the automatic feeds of information to update client accounts were withdrawn by third parties and close out information was not received for some time.

The close out information was required to be manually reviewed and reconciled before processing to client accounts. A decision was made not to use the pre-administration MFGA systems to update client accounts as:

- the Administrators could not be certain of continued access to these systems which are not in their control and located offshore
- the existing systems were not set up to process a close out of client accounts as at 1 November 2011, primarily due to it not being in the ordinary course of business. It is likely that using the existing systems would have required extensive reconciliations further delaying issue of client statements
- it is possible that a court order may change the method or assumptions used in calculating the GLV. The existing MFGA systems are unlikely to cope with these changes. As an alternative the Administrators, in conjunction with the MFGA back office team, have created a less complex system to manage client statements, closing calculations and eventual distribution of funds to clients.

## **2. Client account explanatory statement – January 2012**

Attached to the email with the January 2012 issued client account statements will be an Explanatory Statement that will detail:

- the information contained in the January 2012 issued account statement
- the method MFGA adopted to process close out transactions
- the Online Client Claim Statement process
- impact of anticipated court applications by the Administrators

The Administrators strongly urge all clients to read the Explanatory Statement in detail. The Explanatory Statement will answer the significant majority of client questions regarding the method adopted by MFGA to close out your positions. In addition, some frequently asked questions will be attached to the Explanatory Statement.

Questions regarding your account GLV statement and calculation should be directed via email to: [mfgaustralia@deloitte.com.au](mailto:mfgaustralia@deloitte.com.au) together with your daytime contact details.



It would be appreciated if these questions are sent via email as the MFGA hotline is not manned by a large team to deal with individual account queries. MFGA has a small number of staff remaining and their priority is to finalise client accounts and the books of MFGA.

Any IT issues regarding the Online Client Claim Statement should be directed to the MFGA hotline: +61 2 8273 8851 (9am-5pm weekdays)

### 3. Online Proving Process

The issue of client GLV account statement balances as at 1 November 2011 is a key step in the distribution of client funds.

If clients do not complete the Online Client Claim Statement, this may delay the process of assessing a client's claim and the making of a distribution by the Administrators, once the Administrators have received Court Orders and are in a position to make a distribution to clients.

Should you agree and confirm the GLV the Administrators will take that as a confirmation of your GLV, subject to any alterations required following a Court determination, or errors and omissions in calculating your GLV.

Should you disagree you should **still** use the Online Client Claim Statement to indicate your disagreement. On completion of the Online Client Claim Statement, an automated email will be sent to you requesting you provide details of your disagreement together with supporting documentation.

The account holder or authorised person must complete the Online Client Claim Statement within 28 days of the date of the email attaching the statement issued in January 2012.

Full details on the Online Client Claim Statement will be provided in the email to be released to clients in the week commencing 23 January 2012 and in the Explanatory Statement attached to that email.

We note that, as far as we are aware, this is the first time an online claims tool has been used in Australia and is not being used by any of the other MF Global affiliates. This will save significant time and cost in progressing client claims and releasing distributions, compared to the more traditional paper and mail claims process.

### 4. Court Applications

In previous correspondence the Administrators have indicated that a number of matters will need to be referred to the Court for determination. Some of these matters may affect the calculation of a client's account GLV. The key issues this will cover include;



- Valuations of close out transactions
- Application of exchange rates
- Pooling and entitlement to monies held in the client segregated accounts and recoveries

The Administrators filed an application to Court before Christmas, with a first court date of 6 February 2012. This is the first day the Court returns from its summer break.

The Court process involves submission of an affidavit by the Administrator with supporting evidence. Our legal and forensic teams have been working over the Christmas break and the New Year to gather evidence that will be attached to the Administrators' affidavit.

The timetable to distribute funds to clients is subject to the determination of the Court. After the first court date we expect to have a clearer indication regarding the Court's timetable to hear the matter and eventually make the necessary Orders.

## 5. Client Distributions – timing

The “at best” indicative time frame provided in our Notice to Clients dated 14 December 2011 has not changed and remains as follows:

- **January to February 2012** – Commence claims proving procedure for clients providing details of monies owed
- **March to April 2012** – Finalise claims proving procedure, or amend depending on Court directions outcome
- **March to April 2012** – Attempt first distribution of funds to clients and creditors **pending Court directions**

The main determinative factor affecting the timing of a distribution to clients and creditors is the Court directions process. The Administrator has attempted to pre-empt the questions and information requirements of the Court to facilitate an efficient process, however clients should be aware that the Court timetable is outside of the Administrators' control.

## 6. Section 439A Report and Meeting

The Administrator anticipates delivering a Section 439A Report to Creditors (“the Report”) and holding the Second Meeting of Creditors in mid to late February 2012. The Report will outline to creditors and clients the Administrators recommendation on the future of MFGA and creditors and clients will be asked to vote on that future at the meeting.

Court approval has been received to send the Report via an email link.

## 7. Client Positions

We provide below a brief update on current client positions, including outstanding close out data and funds due from counterparties and MFGA affiliates.

### *Summary of client positions by key product pool*

Client Pools \$m	Futures	CFDs	Margin FX	Online FX	Total as at 31/12/2011	As at 1/11/11	Variance
Client Gross Amount	212.0	80.0	16.0	5.0	313.0	313.0	-
Client segregated A/Cs	147.7	68.0	13.0	5.0	233.7	155.0	78.7
Owed by counterparties	67.0	13.0	5.0	-	85.0	166.7	(81.7)
Counterparty claims	-	(7.0)	-	-	(7.0)	(3.0)	(4.0)
Balance	214.7	74.0	18.0	5.0	311.7	319.0	(7.3)
Surplus/(Deficit)	2.7	(6.0)	2.0	-	(1.3)	6.0	(7.3)
% in cash	69.67%	85.00%	81.25%	100.00%	74.66%	49.52%	

Key outstanding monies can be summarised as follows:

- **MFG Inc (c.\$17m):** we are in the process of lodging a claim with MFG Inc prior to the bar date of 31 January 2012 as set by the Trustee. We have been in discussions with the Trustee in an attempt to secure close out information and repayment of monies to MFGA clients
- **MFGUK ASX funds dispute (c.\$34m):** the disputed funds remain in Australia with the ASX in an interest bearing account. We have held discussions with the UK Special Administrator with respect to the funds. These discussions are continuing. This matter may eventually require a court order to determine where a distribution of these funds will flow.
- **Other MFGA affiliates (c.\$27m):** We have had discussions with the main appointees in regard to securing the finalisation of MFGA client monies held with MFGA affiliates. There are a number of technical matters to be dealt with before client monies will flow. It should be noted that many of these affiliates have claims against MFGA which are included in the "Client Gross Amount" in the above table. The ability to offset claims against MFGA is being explored.
- **Deutsche Bank (c.\$7m):** Deutsche Bank still retain c.\$7m relating to offsets and other charges they have claimed. The Administrators continue to discuss this matter with Deutsche Bank.

### *Outstanding close out data*

Not all information has been received from some sources, which includes;

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(Administrators appointed)**  
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<b>CFD's</b>	<b>Futures &amp; Options</b>	<b>Margin FX</b>
MF Global Singapore	MF Global Inc.	MF Global Singapore
MF Global UK	MF Global UK	

In respect of this data we have been advised that the information from affiliates is not expected until their close out transactions are processed. In some cases data has not yet been received from third parties. Only a small number of MFGA client accounts are impacted by the missing close out information.

Yours faithfully,

**Chris Campbell**  
**Joint Administrator of MF Global Australia Limited (Administrators Appointed)**