

Notice to clients

30 August 2012

MF Global Australia Limited (In Liquidation) (MFGA, the Company)

Dear client,

Further to the client notice dated 28 August 2012, the Liquidators provide below an update on the main area of the Liquidation of MFGA.

Court proceedings

As previously communicated to clients, the Proceedings commenced by the Liquidators in the Supreme Court of New South Wales (Proceedings No. 2011/411117 and No. 2012/102788), in relation to the funds held in Client Segregated Accounts (CSAs) and funds recovered by the Liquidators (Recoveries) was heard before Justice Ashley Black on 26 June 2012 for four days.

Justice Black handed down in writing his reasons for judgment on Wednesday 29 August 2012 at 10.00am; a copy of the full judgment has been uploaded to our website - www.deloitte.com/au/mfglobal.

The summary delivered in Court by Justice Black starts at paragraph 254 of the judgment.

We have also provided below a summary of each of the issues in the Proceedings, and Justice Black's judgment regarding each issue. The relevant paragraphs from the judgment are referred.

The matter has been stood over for a period of two weeks until Wednesday 12 September 2012, to allow the parties to seek to agree orders implementing the directions and declarations. We anticipate that these orders will deal with the process for the distribution of client funds and practical issues related to the directions. Once these orders have been issued we will be able to consider estimating a timetable for the distribution of funds.

There will be a further hearing to determine the source of payment of costs in the proceedings and generally.

MF Global Australia Limited (In Liquidation) - 29 August 2012 Judgment summary

#	Issue	Judgment	Paragraph
1 + 2	Is pooling or grouping permitted? If some pooling is permitted, what pooling or grouping should occur?	I will therefore direct the Liquidators that they are justified in proceeding on the basis of four pool in the four product lines. I will direct the Liquidators in the MFGS Proceedings that they may properly proceed on the basis that the Singapore-based accounts and Australian-based CFD CSAs may be pooled.	67 88
3	Is foreign currency "money"?	I will make a direction, and a corresponding declaration, that the Liquidators are justified in proceeding on the basis that foreign currency is "money"	91
4	Convert foreign currency to Australian dollars?	I am satisfied that a direction should be made that confirms the entitlement of the Liquidators to convert the funds, including the funds held in the Singapore-accounts into Australian dollars.	97
5	Date and method of determining clients' entitlement?	I will direct the Liquidators that they would be justified in determining entitlements on a contractual basis as at the appointment date, by reference to GLV calculated under the client agreements on the basis of 31 October 2011 mark-to-market prices. The precise form of that direction will need to be addressed in submissions as to orders.	134
6	Is set-off as between positive and negative account balances owed by the same MFGA client allowed?	I am satisfied that MFGA is entitled to exercise a right of set off and I am satisfied that, on balance, it is appropriate for the Liquidators to do so although this will give the affected clients the benefit of 100 cents in the dollar in their positive balances, in the interest of the efficient distribution of the relevant client monies. I will make a direction to that effect.	159
7	Should clients with an entitlement of \$1 or less be treated as having no entitlement?	It is therefore expedient to permit the Liquidators to ignore these [\$1] claims. I would make a direction to that effect	161
8	Should client deposits paid into Client Segregated Accounts (CSAs) on (or after) 1 November 2011 be paid back to those clients?	I will accordingly make a direction, and corresponding declaration, that the Liquidators should return all client deposits which were paid into the CSAs after the appointment date on the basis that they were paid into such accounts in error	166
9	GST on commissions deducted from the CSAs?	N/A	
10	Should interest earned on CSAs be paid to MFGA or clients?	I will make declarations that Online FX clients and Futures clients have no right to interest on the CSAs; CFD clients and Margin FX clients are entitled to interest on the CSAs at the rates provided by MFGA in accordance with the client agreements; and MFGA is only entitled to recover interest on the CSAs to the extent that monies remain in those accounts after making prior ranking payments under reg 7.8.03(6).	254

MF Global Australia Limited (In Liquidation) - 29 August 2012 Judgment summary

#	Issue	Judgment	Paragraph
11 + 12	To which account should funds recovered be paid into? Futures recoveries treated as funds for clients? OTC recoveries as funds for MFGA or Clients?	I consider that all Futures clients have equal claims to all Futures Recoveries where the payment of margin to Futures Agents from which they were derived were funded from the mixed Futures CSAs to which all Futures clients had contributed. In my view, funds returned by OTC counterparties to MFGA in respect of hedging were therefore received by MFGA in its capacity as a person "acting on behalf of the [OTC] client[s]" for the purposes of 981A(1)(b)(iii) and were therefore monies which were required to be paid into the relevant CSAs maintained under s981B.	198 241
13	Should new CSAs be pooled with existing CSAs?	The findings which I have reached above suggest that, consistent with the treatment of existing CSAs, the new CSAs opened by the Liquidators should be pooled with the existing CSAs across the four product lines, with the Singapore-based accounts to be pooled with the Australian-based CSAs	250
14	Liquidators' Remuneration and Expenses	I will hear the parties as to the form of orders and the issues which have been reserved for further submissions above, including the Liquidators' remuneration, expenses and costs.	255
15	Liquidators' costs of these proceedings	I will hear the parties as to the form of orders and the issues which have been reserved for further submissions above, including the Liquidators' remuneration, expenses and costs.	255

Ongoing communication

The Liquidators will continue to upload notices and other relevant documents to our website. Clients are encouraged to check regularly for any such updates and to direct any enquires to mfgaustralia@deloitte.com.au as the MFGA call centre will only have limited availability.

Yours faithfully,

Chris Campbell
Joint Liquidator of MF Global Australia Limited (In Liquidation)

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