

**DISTRICT OF: ONTARIO
DIVISION NO: 09
COURT FILE NO: 31-456930
ESTATE NO: 31-456930**

IN THE MATTER OF THE BANKRUPTCY OF

**MF GLOBAL CANADA CO.
OF THE CITY OF TORONTO
IN THE PROVINCE OF ONTARIO**

TRUSTEE'S REPORT ON PRELIMINARY ADMINISTRATION

MARCH 6, 2012

THE BANKRUPTCY

1. On November 2, 2011 an Application for Bankruptcy Order was issued by the Canadian Investor Protection Fund (“**CIPF**”) against MF Global Canada Co. (“**MF Canada**”). CIPF is a customer compensation body within the meaning of Section 253 of the *Bankruptcy and Insolvency Act* (the “**BIA**”), constituted under a trust established under the laws of the Province of Ontario by self-regulatory organizations such as the Investor Industry Regulatory Organization of Canada (“**IIROC**”), to protect customers in the event of an insolvency of a regulated member. MF Canada is a “securities firm” within the meaning of Section 253 of the BIA.

2. On November 4, 2011 MF Canada consented to the immediate making of a Bankruptcy Order and KPMG Inc. was appointed as trustee in bankruptcy of MF Canada (the “**Trustee**”). As a result, the Trustee has a mandate to administer the estate of MF Canada in accordance with the BIA, including Part XII thereof.

EVENTS LEADING TO BANKRUPTCY

3. MF Canada is an indirect subsidiary of MF Global Holdings, Ltd. (“**MF Holdings**”) and MF Global Inc. a broker dealer in the US. On October 31, 2011, MF Holdings filed for protection under Chapter 11 of the United States Bankruptcy Code. On October 31, 2011 the Securities Investor Protection Corporation (“**SIPC**”) sought the appointment of a trustee under the *Securities Investor Protection Act* over MF Global Inc. (the “**SIPC Trustee**”). Various other affiliates have been placed in administrative proceedings around the world, the particulars of some of which are as follows:

- (a) MF Canada is related to MF Global UK, the UK arm of the MF Global structure. MF Global UK has been placed in administration under the Special Administration Regime in the UK and Michael Pink, Richard Fleming and Richard Heis have been appointed Special Administrators of MF Global UK.
- (b) On November 2, 2011, Patrick Cowley, Fergal Power and Lui Yee Man were appointed Joint and Several Provisional Liquidators by the High

Court of Hong Kong S.A.R. over MF Global Holdings HK Ltd. and MF Global Hong Kong Ltd.

- (c) On November 2, 2011, Messrs. Bog Yap Cheng Ghee, Peter Chay Fook Yuen and Roger Tay Puay Cheng were appointed as Provisional Liquidators of MF Global Singapore Pte. Limited.
- (d) On November 1, 2011, Christopher Robert Campbell, David John Frank Lombe, and Vaughan Neil Strawbridge were appointed Joint & Several Administrators pursuant to section 436A of the Corporations Act 2001 (UK) for MF Global Australia Limited, MF Global Securities Australia Limited and Brokerone Pty Limited.

4. The Chapter 11 filing by MF Holdings and appointment of the SIPC Trustee started a series of cascading events that caused immediate issues for the operations of MF Canada. These included:

- (a) MF Canada was unable to access funds and securities with a value of approximately \$55 million held in the Omnibus Account at MF Global Inc. as a result of the appointment of the SIPC Trustee;
- (b) BNYMC advised MF Canada on October 31, 2011 that, due to the uncertainties regarding the status of the affiliates of MF Canada, BNYMC would hold all excess funds in the Omnibus Account at BNYMC until it received guidance from the appropriate regulatory authorities or the court;
- (c) BNYMC advised MF Canada later on October 31, 2011 that events relating to MF Canada's affiliates represented a "Material Adverse Change" under the Omnibus Agreement and demanded that additional margin be posted before the opening of trading on November 1, 2011; and
- (d) BNYMC subsequently advised MF Canada that funds would not be released from the Omnibus Account to MF Canada without direction from the appropriate regulatory authorities or the court.

5. As at November 1, 2011, BNYMC held approximately \$130 million of collateral which was placed there by MF Canada for transactions on behalf of MF Canada customers (“**Customers**”).

6. On October 31, 2011, IIROC delivered an “Early Warning Designation” letter to MF Canada which included the following terms:

Early Warning Restriction

In reference to IIROC Rule 30.3(iv), notice is hereby given that your firm is immediately restricted from the following activities unless the prior written consent of the Vice President, Financial & Operations Compliance has been obtained:

- (1) reduce your firm’s capital in any manner including redemption, repurchase or cancellation of any of its shares;
- (2) reduce or repay any indebtedness which has been subordinated without the approval of IIROC;
- (3) directly or indirectly make any payments by way of loan, advance, bonuses, dividend, repayment of capital or other distribution of assets to any director, officer, partner, shareholder, related company or affiliate; or
- (4) increase non-allowable assets, unless a prior binding commitment to do so exists, or enter into any new commitments, which would have the effect of materially increasing the non-allowable assets of your firm.

7. On November 1, 2011, IIROC delivered a letter to MF Canada confirming that IIROC had determined that MF Canada was capital deficient by approximately \$18 million, based on: (i) the most recent estimated weekly risk adjusted capital position of MF Canada in the amount of \$7.2 million as at October 26, 2011; and, (ii) the inability of MF Global Inc. to remit excess margin collateral in the amount of \$25 million held in the “Canadian Omnibus Settlement” account at BNYMC. As a result, the early warning restrictions set out in the Early Warning Designation letter applied and MF Canada was further restricted from the transfer out of any customer assets or remittance of excess margin collateral held by MF Canada on behalf of MF Global Inc. IIROC required the capital deficiency of MF Canada to be rectified by no later than 3:30 p.m. EST on November 1, 2011 or suspension proceedings would commence.

8. MF Canada could not rectify its capital deficiency in the time imposed. On November 1, 2011, IIROC convened an expedited hearing to consider the suspension of

the membership rights and privileges of MF Canada. MF Canada consented to an order for its suspension and that MF Canada immediately cease dealing with the public. The terms of the suspension provided that IIROC staff could undertake any action to facilitate the orderly transfer of client accounts, including liquidating trades.

9. The Trustee understands that an IIROC suspension acts as a suspension by the Ontario Securities Commission (“OSC”) of the firm’s registration in the investment category. As a result, MF Canada was deemed to be suspended by the OSC.

10. As a result of the suspension by IIROC and the deemed suspension by the OSC, MF Canada was unable to deal with its clients unless and until the capital deficiency was corrected. Given the bankruptcy proceedings with respect to MF Global Inc. and MF Holdings, it did not appear that MF Canada had any ability to obtain assistance from its related parties to rectify the deficiency. In addition, the causes of the deficiency, namely the withholding of funds payable to MF Canada by MF Global Inc. and BNYMC pursuant to the Omnibus Agreements, placed MF Canada in the position of being unable to address its capital deficiency.

CANADIAN BANKRUPTCY

11. As a result of the foregoing, CIPF issued the Application for a Bankruptcy Order against MF Canada noted in paragraph 1 above, and on November 4, 2011 MF Canada consented to the immediate making of a Bankruptcy Order.

BACKGROUND OF MF CANADA

12. MF Canada was, prior to its suspension by IIROC and the making of the Bankruptcy Order, a leading futures broker in Canada. MF Canada provided execution and clearing services for exchange-traded and over-the-counter derivative products as well as for non-derivative foreign exchange products and securities in the cash market. MF Canada operated across a broad range of trading markets, including interest rates, equities, currencies, foreign exchange (“FX”), metals, agricultural and other commodities (in the U.S. for Chicago Mercantile Exchange (“CME”) and non-CME products). MF

Canada offered to its clients, among other things, exchange-listed financial futures (stock index, bond, currency and short term interest rate swaps), commodities futures (energy, metal and agricultural), options, over-the-counter (“**OTC**”) corporate FX forwards, on-line retail FX trading and equity trading (to both its institutional and retail clients).

13. The business of MF Canada was carried out through several key business relationships, namely:

- (a) clearing services in the US for non-CME products were provided by its affiliate, MF Global Inc., through an Omnibus Account pursuant to an Omnibus Agreement with MF Canada;
- (b) clearing Services in the U.S. for CME related products were provided by BNY Mellon Clearing, LLC (“**BNYMC**”) through an Omnibus Account pursuant to an Omnibus Agreement with MF Canada;
- (c) clearing services in Canada were provided through the Canadian Derivatives Clearing Corporation (“**CDCC**”) and ICE Clear Canada Inc. (“**ICE Canada**”);
- (d) foreign exchange transactions were cleared through a related entity, MF Global UK Ltd. (“**MF Global UK**”);
- (e) MF Canada had a Type III introducing/carrying arrangement with Fidelity Clearing Canada ULC (“**Fidelity**”) for equity and bond trading (for both institutional and retail clients). MF Canada also utilizes the Fidelity arrangement for trading in other registered products.

14. MF Canada is a member of CIPF. As a result, the accounts of Customers, if eligible, are protected by CIPF for losses of property as a result of an insolvency of MF Canada up to a limit of \$1 million per Customer for any combination of cash and securities. For this reason, and in accordance with Part XII of the BIA, the Trustee has worked closely with representatives of CIPF to review the affairs of MF Canada in an attempt to reconcile and transfer Customer accounts.

SECTION A: TRUSTEE'S DUTIES

15. The BIA requires the Trustee to give security in cash or by bond of a guaranty company in an amount set by the Official Receiver. There has been no bond set in this estate.

16. The BIA also requires the Trustee to take possession of all records and property. Details of such are as follows:

Class I - Stocks of Merchandise

17. The Company did not have any inventory.

Class II – Machinery, Equipment and Furniture

18. The Office Furniture and Equipment consists primarily of desks, chairs, filing cabinets, desk top computers, laptops, computer servers, video display systems, etc. These assets were located at the MF Canada office locations (described below). The Trustee attended at each of the MF Canada office locations and secured the assets by changing the locks where possible and video-taping each of the office locations.

19. The Trustee contacted various auctioneers to solicit bids for the Office Furniture and Equipment at each location and has sold these assets to the highest bidder. In order to save costs to the estate the Trustee completed these sales before the meeting of creditors so that the Trustee could vacate each office location in a timely manner.

Class III - Buildings and Real Estate

20. MF Canada operated from leased premises and did not own any real property.

Class IV - Books and Records

21. The Trustee obtained the cooperation of the IT personnel and obtained access to the Canadian IT environment and determined that a significant portion of the books and

records are maintained in the U.S. with MF Global Inc. The Trustee has imaged the work stations at MF Canada's premises and the servers found on site. Furthermore, the Trustee has made preliminary arrangements with the SIPC Trustee for access to the U.S. IT platform(s) necessary to access MF Canada's books and records. The Trustee is continuing its discussions with the SIPC Trustee for ongoing access to necessary books and records.

Class V - Other Assets

Cash; Margin Accounts; and Securities

22. The Trustee notified MF Canada's banks of its appointment and advised that the accounts of MF Canada should be frozen. The Trustee opened its own bank accounts at CIBC's Main Branch in Toronto in order to facilitate day-to-day cash management. Over the weeks after the Trustee's appointment, the Trustee had the funds in MF Canada's numerous accounts with various banking and exchange institutions transferred to the Trustee's accounts. The Trustee also secured and obtained the various T-Bills held by MF Canada and by third parties for the account of MF Canada and transferred same to the Trustee's accounts.

23. The Trustee controls signing authorities on all accounts.

24. As a securities broker, MF Canada (or Fidelity pursuant to the contractual relationship between the parties) held various securities for the account of its Customers (collectively, the "**MF Canada Securities**"). All such securities (except "customer name securities") vested in the Trustee.

25. The Trustee provided a copy of the Bankruptcy Order to the various entities holding cash or securities owned by or for the account of MF Canada or its Customers, including CDS Clearing and Depository Services Inc. ("**CDS**"), CDCC, ICE Canada, the SIPC Trustee, BNYMC, CME, Fidelity, Forex Capital Markets ("**FXCM**"), Royal Bank of Canada, HSBC Bank Canada, JP Morgan and National Bank Correspondent Network

(“NBCN”) and has contacted each to ensure that they only take instructions from the Trustee.

Accounts Receivable

26. MF Canada also had various receivables due from financial institutions around the world relating to performing services for the customers of those institutions (the “**Give-Up Receivables**”). The Trustee has obtained the backup documentation available for the Give-Up Receivables and has issued letters to the various customers demanding payment of the outstanding accounts.

Property of the bankrupt not divisible amongst creditors

27. To the extent that there are any securities that do not vest in the Trustee or are “customer name securities”, the Trustee may be obliged to return such securities to the Customer. The Trustee is reviewing various accounts with its counsel and will review the matter with the inspectors.

Property placed under the guardianship of the debtor

28. Not applicable.

SECTION B: CONSERVATORY AND PROTECTIVE MEASURES

Securing Premises

29. At the date of bankruptcy, MF Canada was operating from two leased premises located at 1601 – 123 Front Street West, Toronto (the “**Toronto Premises**”) and 4100 - 800 Victoria Square, Montreal (the “**Montreal Premises**”).

30. Immediately upon its appointment, the Trustee attended at the offices of MF Canada in Toronto and Montreal. The Trustee was able to secure the premises.

31. There were certain other premises from which MF Canada previously operated and in respect of which it had sub-let the premises to third parties. The Trustee has provided the sub-tenants with notice of disclaimer of the head leases.

32. The Trustee did not require the further occupation of the Montreal Premises and issued a notice of disclaimer of the lease for the Montreal Premises as of December 31, 2011.

33. The original lease for the Toronto Premises terminated as of December 30, 2011. The Trustee required the use of the Toronto Premises until February 29, 2012. The Trustee and the landlord for the Toronto Premises entered into an Occupation Agreement on February 2, 2012 pursuant to which the Trustee and the landlord agreed to the rights and obligations with respect to the occupation of the Toronto Premises up to and including February 29, 2012 and the obligations regarding the Trustee's exit from the Toronto Premises. In full compliance with the agreement, the Trustee vacated the Toronto Premises on February 29, 2012.

Insurance

34. The Trustee obtained insurance coverage from its broker. As the Trustee has vacated the office locations, the insurance coverage has now been cancelled.

SECTION C: LEGAL PROCEEDINGS

35. On November 14, 2011, the Trustee made an application for and the Court made an Order appointing the Customer Representative Counsel, Stikeman Elliott LLP.

36. There were various reasons why the Trustee was of the view that it was appropriate for representative counsel for the Customers of MF Canada ("**Customer Representative Counsel**") to be appointed:

- (a) in order to take all reasonable steps to try to protect Customer positions in a timely way, the Trustee focused its efforts on completing the Transfer Agreement with RBCDS. It was expected that, once approved by the Court, the Transfer Agreement would be closed forthwith thereafter, and one of the most significant matters in the estate for the Customers would be completed before the Customers had a reasonable opportunity to consider their positions and retain counsel. The appointment of Customer

Representative Counsel allowed the positions of the Customers to be considered and advanced in connection with the carrying out of the Account Transfers;

- (b) it was possible that many of the Customers did not and do not have the resources to retain counsel or that the amount that was held by MF Canada on behalf of the Customer would not warrant retaining a professional advisor. The appointment of the Customer Representative Counsel for all Customers alleviated the financial risk to each of the Customers who would otherwise be obliged to retain their own professional advisor;
- (c) there was a substantial amount of commonality in the interests of the Customers, which could effectively be advanced by Customer Representative Counsel; and,
- (d) the representation order would promote the interests of judicial economy by providing a mechanism whereby the interests of Customers could be advanced by a single Customer Representative Counsel.

37. The Trustee is not aware of any pending legal proceedings against MF Canada. The Trustee will review with the inspectors what legal proceedings should be commenced or continued by MF Canada.

SECTION D : PROVABLE CLAIMS

Net Equity under Part XII of the BIA

38. Under Part XII of the BIA, in the event of the bankruptcy of a securities firm, all cash and securities held by the firm, except for customer name securities but including cash and securities held in respect of Customer RRSPs, are to be placed in a single customer pool fund for *pro-rata* distribution among all eligible Customers based on the relative net equity in their accounts.

39. A customer of a securities firm under Part XII of the BIA has a claim against the customer pool fund for the amount of his or her “net equity”. “**Net Equity**” is defined in Section 253 of the BIA as:

“net equity” means, with respect to the securities account or accounts of a customer maintained in one capacity, the net dollar value of the account or accounts, equal to the amount that would be owed by a securities firm to the customer as a result of the liquidation by sale or purchase at the close of business of the securities firm on the date of bankruptcy of the securities firm, of all security positions of the customer in each securities account, other than customer name securities reclaimed by the customer, including any amount in respect of a securities transaction not settled on the date of bankruptcy but settled thereafter, less any indebtedness of the customer to the securities firm on the date of bankruptcy including any amount owing in respect of a securities transaction not settled on the date of bankruptcy but settled thereafter, plus any payment of indebtedness made with the consent of the trustee after the date of bankruptcy.

Transfer of Customer Accounts to RBC Dominion Securities Inc. (“RBCDS”)

40. By the time the Trustee was appointed, the Customers of MF Canada had effectively been shut out of participation in the market and dealing with their Customer accounts for five business days. In consultation with CIPF and the Trustee’s advisors, the Trustee determined that the most immediate issue to address was to attempt to negotiate an arrangement pursuant to which all, or substantially all, of the Customer accounts could be transferred to a new securities firm so that Customers could obtain access to their accounts.

41. In the afternoon of November 7, 2011, the Trustee met with RBCDS regarding its potential interest in the transfer of client accounts from the Trustee to RBCDS. As a result of some difficulty the Trustee had accessing information from the estate of MF Global Inc. and difficulties with the inadvertent transfer by CME of certain client positions of MF Canada to a securities trading firm in the U.S. on November 4, RBCDS was unable to commence its due diligence with respect to the books and records and client account summaries of MF Canada until the morning of November 8, 2011. The Trustee and RBCDS worked as quickly as possible in the circumstances to obtain as much information as possible with respect to Customer positions and the reconciliation of Customer accounts. Prior to the completion of its due diligence and, as a result of the recognized urgency in this situation, RBCDS authorized its lawyers to begin the preparation of documentation in respect of the transfer of Customer accounts to RBCDS.

42. On November 14, 2011, the Trustee made a motion to the Court for an Order to approve the transfer negotiated between the Trustee and RBCDS of substantially all of the “non-FX” Customer equity and commodities accounts of MF Canada. Pursuant to an Account Transfer Support and Vesting Order dated November 14, 2011, the Court approved the transfer of accounts.

43. A liquidation of Customers’ futures positions at the date of bankruptcy would have been impractical, would have adversely affected a number of Customers, and could have a deleterious effect on the market. Such a result is contrary to the purpose of Part XII of the BIA which is to protect customers. The Trustee pursued a transaction with RBCDS that was intended to put Customers in as close a position as they were in at the date of bankruptcy by transferring, *en bloc*, their positions and the cash and securities in kind, without a forced liquidation. This was the optimal approach in the Trustee’s view. As there is a limit to the support that CIPF agreed to provide, the Trustee reserved its rights of recourse against any Customer that might have received an amount in excess of its Net Equity as at the date of bankruptcy.

44. CIPF and IIROC were supportive of the structure and timing of the transaction with RBCDS.

45. The Trustee completed the transfer of all Transferred Accounts pursuant to the Account Transfer and Support Agreement with RBCDS and, subject to the comments below regarding additional “Excluded Customers”, has substantially completed its reconciliation with respect to the Transferred Accounts. In addition, the Trustee transferred certain other accounts (“**Excluded Accounts**”) to RBCDS with a portion of the Net Equity amounts owing at the Date of Bankruptcy. These transfers were carried out pursuant to the Trustee’s authority under section 259 of the BIA.

46. The “**Excluded Customer**” list agreed to between the Trustee and RBCDS contemplates the possibility of certain Transferred Accounts being “put back” to the Trustee (as further “Excluded Customers”) in the event that (among other reasons) the Customers do not contact RBCDS about continuing arrangements for the operation of the

Transferred Accounts at RBCDS. The Trustee and RBCDS have been working together to attempt to administer the Transferred Accounts in a way that is least disruptive to Customers and accords with the Claims Process.

47. The Trustee notes that the Omnibus Account of MF Global Inc. was not transferred. The Trustee has been dealing directly with MF Global Inc. (through the SIPC Trustee) in relation to this account. On January 31, 2012, the Trustee commenced a motion for directions and declaratory relief regarding the Net Equity amount of MF Global Inc. This motion has not yet been scheduled to be heard.

FX Customer Payments

48. The “FX Customers” of MF Canada were not included in the RBCDS transaction contemplated by the Transfer Agreement. “**FX Customers**” include all persons that appeared on the books and records of MF Canada as a “customer” (as that term is defined in section 253 of the BIA) of MF Canada as at the date of bankruptcy who dealt in online foreign exchange (“**FX**”) or corporate FX trading through or with MF Canada. The Trustee has reviewed the books and records of MF Canada that it had access to in order to clarify and reconcile the Net Equity (as that term is defined in section 253 of the BIA) positions of the FX Customers.

49. The books and records of MF Canada indicated the following parameters with respect to the FX Customers:

Type of Customer	Number of Customers	Average Account Net Equity (approx.)	Total Net Equity (approx.)
Online/Retail FX Customers	2,400 (approx.)	\$4,500	\$8.2 million (U.S.) \$2.7 million
Corporate FX Customers	71	\$133,800	\$6.6 million \$2.9 million in T-bills

50. The amount payable to the FX Customers was approximately \$17.5 million of cash and \$2.9 million in T-Bills. All of the FX Customers were fully protected by CIPF

and there were no Customers with combined FX and Futures account balances exceeding \$5 million. Accordingly, the Trustee applied to Court for an Order permitting the Trustee to pay all of the FX Customer accounts' Net Equity in full (the "**FX Order**"). The FX Order was granted on November 24, 2011, which included the requirement to pay all amounts estimated to be owing to the approximately 2,500 FX Customers by no later than December 2, 2011. The Trustee mailed all FX Customer payments by December 2, 2011 and transferred the one T-Bill that had not matured by December 2, 2011 to the applicable Customer as a distribution in kind.

Anticipated Claims

51. On January 27, 2012, the Court issued the Claims Process Order. The Claims Process Order establishes the process and applicable timelines for Customers to file Revised Net Equity Proofs of Claims and creditors to file Creditor Proofs of Claim. The Claims Bar Date for Revised Net Equity Claims is May 10, 2012.

52. Almost all of MF Canada's Customers were eligible for the \$1 million CIPF protection. Given the Trustee's preliminary review of the assets and liabilities of MF Canada existing in the customer pool fund, the Trustee determined that Customers could obtain an 80% reimbursement from the estate immediately. Therefore, substantially all of the CIPF protected Customers (with balances less than \$5 million) will have been fully or substantially paid out as at the date their account was transferred or had their account transferred in kind to a destination of their choice (as noted above in the "Transfer of Accounts to RBCDS" section), when they received payment from the Trustee (as noted above in the FX Customer Payments section) or when Unpaid Customers received payment of any Residual Amounts referred to in the Claims Process Order.

53. The Trustee is only anticipating further Customer claims in the customer pool fund from:

- (a) those Customers not covered by CIPF (including MF Global Inc.);
- (b) those Customers that had account balances exceeding CIPF coverage; and

- (c) Customers whose accounts are not yet reconciled, such as those with positions on foreign exchanges

(collectively, the “**Non-Paid Customers**”).

54. The Trustee’s current estimate is that there are approximately ten (10) Non-Paid Customers the Trustee has been in communication with all of the Non-Paid Customers.

55. The Trustee is also anticipating claims in the general pool from various creditors. As at 5:00 pm on March 5, 2012, the Trustee received 17 ordinary unsecured creditor claims totalling approximately CAD \$1.5 million.

56. The Account Transfer, Support and Vesting Order issued by the Court on November 14, 2011 provides that the Trustee is authorized to borrow or enter into support arrangements with CIPF to facilitate the transfer of Customer Accounts. The said Order also provides that all advances or payments under such support agreements are defined to form part of the customer pool fund and shall be repaid from the assets in the customer pool fund behind the costs of administration and claims of Customers (other than deferred Customers) as referred to in paragraph 262(1)(a) and (b) of the BIA but in priority to the general fund. In accordance with the Account Transfer, Support and Vesting Order, the Trustee and CIPF have entered into an Indemnity, Funding and Reimbursement Agreement (the “**Indemnity Agreement**”). The Indemnity Agreement provides for, *inter alia*, CIPF to be repaid all CIPF Funding (plus interest at prime plus 50 bps) and CIPF Customer Surplus Funding. The “**CIPF Customer Surplus Funding**” relates to any increase in the value of the cash and securities in a Transferred Account on the date the account was transferred to RBCDS from the value of the cash and securities in the Transferred Account on the Date of Bankruptcy. The Trustee’s current estimate is that the CIPF Customer Surplus Funding is approximately CAD \$2 million.

SECTION E: SECURED CREDITORS

57. The Trustee is not aware of any secured creditors.

SECTION F: ANTICIPATED REALIZATIONS AND PROJECTED DISTRIBUTION

Customers

58. The Trustee has worked extensively with MF Canada's former staff, CIPF, various exchanges and regulators to obtain an understanding of MF Canada's client positions, and sought to validate/confirm various positions with the appropriate custodians.

59. Based on the procedures completed to date, the Trustee believes there are no material unreconciled securities positions recorded in MF Canada's books of account.

60. As noted above, substantially all Customers have already received the full amount of their Net Equity. The Trustee's current estimate is that the customer pool fund is sufficient to pay the Net Equity claims of all Customers in full. This estimate is based on certain assumptions regarding the amounts of the Net Equity claims of Customers that have not been paid as of the date of this Report. It must be noted, however, that there continue to be certain risk factors that are not factored into the Trustee's estimate including, but not limited to: the outcome of pending or contemplated litigation, the fact that the Claims Bar Date for Revised Net Equity claims is in the future and the positions of certain Customers on foreign exchanges are not reconciled, among others. The Trustee will be reviewing the particulars of these matters with the inspectors. In the event that the Trustee's estimate changes, it will report matters to the Court and the Customers via postings on the Trustee's Website.

61. Any anticipated funds received by the Trustee will be distributed to the creditors in accordance with their priority pursuant to the *Bankruptcy and Insolvency Act* and the Orders of the Court made in the MF Canada bankruptcy proceedings.

Unsecured Creditors

62. The Trustee is not yet in a position to estimate what proceeds may be available for Unsecured Creditors. The provisions of Part XII, as applicable to this case, contemplate

that the Customers must be paid their Net Equity Claims in full in priority to any funds being available for the unsecured creditors. Given the uncertainty regarding the risk factors noted above, it is uncertain if all Customers will be paid their Net Equity Claims solely from the estate or a contribution from CIPF (i.e. CIPF Funding) will be required. In addition, with reference to paragraph 56, the CIPF Customer Surplus Funding will be paid prior to any funds being available to the unsecured creditors.

SECTION G: TRANSFERS AT UNDERVALUE AND FRAUDULENT PREFERENCES

63. The BIA describes a fraudulent preference as:

- (a) any conveyance, transfer, charge, payment, etc. given within 3 months of bankruptcy by an insolvent person with a view to prefer a creditor and that the intent to prefer is to be presumed, in the absence of evidence to the contrary, if the effect of the conveyance, transfer, charge, payment, etc. is to give the creditor a preference over other creditors. In the case where the transactions in question were between related persons, the period is extended to one year before the initial bankruptcy event.

64. The Trustee has completed its review of disbursements prior to the bankruptcy to identify any potential transactions at undervalue and fraudulent preference payments. The Trustee did not find any such transactions.

SECTION H: OTHER MATTERS

Details of Third Party Deposits or Guarantees

65. The Trustee is in receipt of a guarantee of all its fees and expenses related to this matter from CIPF. A deposit of \$50,000 on account was provided by CIPF to the Trustee prior to the commencement of this proceeding.

Communications

66. The Trustee has, as of the date hereof, filed five Reports with the Court (and supplements to certain Reports). The particulars of the Reports are as follows:

- (a) First Report, dated November 11, 2011;

- (b) Supplement to First Report, dated November 13, 2011;
- (c) Second Report, dated November 23, 2011;
- (d) Third Report, dated December 16, 2011;
- (e) Fourth Report, dated January 25, 2012;
- (f) Supplement to the Fourth Report, dated January 26, 2012; and
- (g) Fifth Report, dated January 31, 2012.

67. The Trustee has established communications with investors and other interested parties via a special website www.kpmg.ca/mfglobalcanada (the “**Trustee’s Website**”) and via individual responses to telephone and email inquiries. Copies of the Trustee’s Reports, and all Orders made by the Court in the MF Canada bankruptcy proceedings are posted on the Trustee’s Website.

Disclaimer

68. In carrying out its duties as described in this report, the Trustee has, out of necessity, relied, without any independent verification, on information provided to it by various parties including (but not limited to) IIROC, CIPF, the books and records of MF Canada and various contract counterparties providing clearing, back office and support arrangements for the operations of MF Canada. The Trustee has not audited, reviewed or otherwise verified the information provided to it but has taken various steps to confirm the reasonableness and accuracy of such information from such third parties.

69. All dollar amounts referenced herein are Canadian dollars, unless otherwise stated.

**KPMG INC., in its capacity as Trustee in
Bankruptcy of the estate of MF GLOBAL
CANADA CO., and not in its personal or
corporate capacity**

Per: _____
Name: Richard M. Harris
Title: Sr. Vice President

Per: _____
Name: Elizabeth J. Murphy
Title: Vice President