



Mr Kristaps Zackulis
Chair
Finance and Capital Market Commission
Kungu iela 1

17 May 2012

Riga LV-1050
Latvia

Dear Mr Zackulis

We are writing to you in relation to MF Global UK Limited ('the firm') which holds a Markets in Financial Instruments Directive (MiFID) Passport to conduct investment business in your territory. As you may be aware, the firm entered the UK Special Administration Scheme (SAR) at 5pm on 31 October 2011 and as such, ceased all normal trading activity at this time.

The purpose of this letter is to notify you of the current status of the firm and additionally inform you of an issue pertaining to business the firm conducted in your territory in the past.

Status of MF Global UK Limited

Richard Fleming, Richard Heiss and Mike Pink of KPMG LLP were appointed as joint special administrators to the firm on 31 October 2011. A priority of the administrator is the return of client assets and monies as soon as reasonably practicable. Should clients in your country have an interest in the administration, it is advised that they stay apprised through the dedicated website that has been set up by the administrators which is updated regularly:

<http://www.kpmg.com/UK/en/IssuesAndInsights/ArticlesPublications/Pages/mf-global-uk-your-questions-answered.aspx> In the meantime should you have any queries of a regulatory nature, then please feel free to contact us. However, we stress that any claims or queries of the firm should be directed at the administrators.

Past Business

As you are aware, MiFID gives firms the right to carry on business in other EEA Member States either through the establishment of a physical presence or through the provision of cross-border services within the 'host' state. Under this directive, we are required to notify you that it has come to our attention that prior to the firm entering administration; it may have been acting outside the scope of its permissions by undertaking regulated activities within your jurisdiction for which it did not hold the relevant MiFID Passport. This came about due to the firm, post your country's accession into the EU, neglecting to apply for the relevant Passport to cover the business activities which are regulated under the MiFID regime.

As a result, it is possible that the firm either directly or indirectly (i.e. through the use of an introducing agent based in your territory) engaged in the following MiFID investment services without the relevant authorisation to do so as early as 1 May 2004 (your territory's accession into the EEA) until the 28 September 2011 (whereby the correct Passport was applied for and granted by the FSA):

- Reception and transmission of orders in relation to one or more financial instruments
- Execution of orders on behalf of clients
- Dealing on own account
- Safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash/collateral management

Under the EEA Passporting regime, it is the firm's responsibility to contact the primary regulator and inform them of the territories within which it operates. The firm identified an oversight in its internal processes which meant that the missing requirements were only reported to the FSA in July 2011. The FSA subsequently applied the relevant MiFID passport to rectify the situation. We originally intended to notify you shortly after we took this action, however events leading up to and after the firm's entrance into the SAR delayed this process.

Given the potential claims on client money or assets on the firm which may arise from your territory, we remain unclear as to what effect (if any) the issue of potential unauthorised business may have on such claims. You may wish to consider any relevant legislation within your country which may deal with this eventuality. You may note for example, that Section 26 of the UK Financial Services & Markets Act <http://www.legislation.gov.uk/ukpga/2000/8/section/26> allows for a customers to claim for any monies or assets transferred under an agreement made with an unauthorised firm.

As we are still considering this matter, we invite any comments you have in light of this information. Please send these to BCCF@fsa.gov.uk.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Tom Anderson', with a stylized flourish at the end.

Tom Anderson
Head of Department