



Reyker Securities plc - In Special Administration ("the Company")

Update for Clients and other stakeholders 14 February 2020

This is an update for Clients and other stakeholders affected by the Special Administration of the Company. It sets out updated details on the return of Client Money and Custody Assets belonging to the Clients of the Company.

The Joint Special Administrators ("JSAs") recognise that this can be an unsettling time for Clients involved in the Special Administration of the Company. With this in mind, this document is intended to provide a brief update on the progress of the Special Administration since the Clients' and Creditors' meeting held on 16 December 2019 and the anticipated next steps based on the information presently available to the JSAs, and as such is illustrative only as the situation can change.

Strategy for the return of Client Assets and Client Money

The Company is now in a specialist insolvency process known as Investment Bank Special Administration, a process only introduced in 2011. The detail of this process is set out in the Investment Bank Special Administration Regulations 2011 (amended in 2017) ("Regulations") and the Investment Bank Special Administration (England and Wales) Rules 2011 ("Rules") which must also be read together with the FCA's Client Assets Sourcebook ("CASS") (together "the Legislation").

The Legislation is written to ensure that a fair and consistent approach is applied to all Clients in relation to both their Client Money and Custody Assets (together "Client Assets") and the return thereof.

In accordance with the Legislation, we consider that the quickest and most cost-effective way for the Client Assets to be returned to Clients is for them to be transferred to a single broker by way of one wholesale transfer. This is the strategy that the JSAs are pursuing.

Given that a) Client Money is held across circa 100 bank accounts and b) for thousands of Clients and the securities (e.g. a particular company share listed on a stock exchange) may be held on behalf of a number of Clients; it means that if Client Assets were to be transferred immediately to a purchaser with sole reliance on the Company's records, Clients might be at risk of claims from other Clients or third parties who may argue that the Company's records were not correct. That could mean that Clients might not get the assets to which they are entitled and brings risk and uncertainty to both the JSAs and the purchaser, as well as possibly adding additional costs and causing delays. The JSAs' plan seeks to deal with these matters.

Accordingly, the Legislation provides for a legal process that offers protection for Clients, the JSAs and the purchaser against the above detailed risks. This will involve the JSAs setting a deadline for Clients to submit a claim to Client Assets (known as the "Bar Date") and the Custody Assets will be transferred according to a detailed plan prepared by the JSAs and approved by the Clients' and Creditors' Committee and the Court (known as a "Distribution Plan").

As part of this formal process, the JSAs will seek to agree individual statements with the Company's Clients and will then commence the process of transfer.

If Client Assets were to be transferred to more than one broker, rather than to one purchaser, the legal process and the consents required by the JSAs become significantly more complex and the JSAs consider that it would cause delay and materially increase costs. This is why the JSAs are pursuing the wholesale transfer to the purchaser and, at this time, are unable to consider the requests of Clients for their Client Assets to be transferred to their own preferred choice of broker as this would not be in the best interests of all Clients. The Proposed purchaser has made the Distribution Plan a condition of its offer and the sales process will enable Clients to move to their preferred broker post the transfer should they require.

Smith & Williamson LLP

The affairs, business and property of the Company are being managed by the special administrators Mark Ford, Adam Stephens and Henry Shinnars ("the JSAs") who act as agents of the Company and without personal liability. The JSAs are licensed as insolvency practitioners in the UK by the Institute of Chartered Accountants in England and Wales. As such we are bound by the Insolvency Code of Ethics when carrying out all professional work relating to an insolvency appointment.

The Fair Processing Notice in relation to the General Data Protection Regulation can be accessed at <http://smithandwilliamson.com/rmsgdpr>. Should you wish to be supplied with a hard copy, free of charge, please contact the staff member above.

Reyker Securities plc is authorised and regulated by the Financial Conduct Authority. FCA reference number: 115308. Registered in England, Company number: 1747595. Registered office: 17 Moorgate, London, EC2R 6AR

The word partner is used to refer to a member of Smith & Williamson LLP. A list of members is available at the registered office

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The JSAs' Reconciliation

The JSAs completed the review part of the JSAs' Reconciliation of Custody Assets and Client Money on 20 December 2019. No material Client Money discrepancies have been identified.

The JSAs' reconciliation did identify a number of discrepancies between the computer records, best practice and the physical certificates held. For example, for a number of securities the Company was holding only copy share certificates rather than originals. We are advised by our independent expert that these are unlikely to result in a client account shortfall, but this remains a (small) possibility.

The JSAs are working to resolve the discrepancies identified, for example by securing the original share certificates, with a view to ensuring all Client records are correct. Work in this regard has been ongoing since the New Year.

The ongoing work will be undertaken in parallel to notifying Clients of the respective Bar Date for Custody Assets and Client Money and the drafting of the Distribution Plan and, accordingly, will not delay the process.

Marketing the business for sale and negotiations with potential purchasers and regulated brokers

As referenced above, the quickest and most cost-effective way of releasing Client Assets, for the benefit of all Clients, is to transfer them to a single, nominated broker (being the purchaser) by way of one wholesale transfer in accordance with the Legislation.

Following a thorough sales process, where the JSAs and their professional advisors (Seneca) have contacted 132 interested parties, the JSAs are pleased to confirm an offer for the Company's business and assets was accepted on 28 January 2020, subject to contract. This sale provides for a wholesale transfer of Client Assets to the purchaser for an upfront consideration and a deferred element consisting of a fixed sum and a % of year 1 custody revenues (less certain deductible costs).

The JSAs and the proposed purchaser have each engaged specialist solicitors and are in the process of finalising the sale contract based on the agreed headline terms. A draft sale contract was issued to the proposed purchaser on 7 February 2020.

The JSAs are keen to issue notice of the Bar Date and claims process once the online, bespoke, Client portal has been fully tested (further details below), in order that the sales process and Client requirements progress in parallel.

Client portal ("the Portal")

The JSAs have developed a bespoke online portal to enable Clients to submit claims for Custody Assets and Client Money. This is critical to ensuring the claims process is as efficient and cost-effective as possible.

Through the Portal, Clients will be able to:

- i. Review and confirm their personal details;
- ii. Review and confirm their respective Client Money balances and Custody Asset holdings in each of their plans, as at 8 October 2019 (the date of the special administration);
- iii. Access certain historic statements via a document library (N.B. the Company's previous portal has been deactivated in order to avoid confusion and on account of its high running costs); and
- iv. Confirm whether the Client wishes to submit for FSCS compensation should the Client be eligible.

The Portal is currently in its final stages of development and undergoing external penetration testing prior to launch.

Clients will be notified in writing once the Portal is live with details on how to access the Portal using a secure access code. It is anticipated the Portal will launch **before the end of February 2020**.

The JSAs must send the login details directly to the Clients. However, Clients may then choose to authorise their own advisers to support the approval of their Client Assets statement. If any Clients are unable to access the internet please contact the client services team using the contact details below in the first instance.

Bar Date

In order to expedite the wholesale transfer of the Client Assets to the purchaser, it is necessary to set a Bar Date which stipulates a deadline for all Clients to agree their Client Asset holdings prior to the transfer.





It is anticipated formal notice of the Bar Date will be issued to Clients, in writing, **before the end of February 2020** (once the Portal is complete, tested and live). This notice will provide approximately four weeks for Clients to access the Portal and submit their claim.

Clients' and Creditors' Committee

At the meeting of the Company's Clients and Creditors held on 16 December 2019, the Clients and Creditors both resolved for a Clients' and Creditors' committee to be established and for the following members to represent the interests of the Company's Clients and Creditors generally:

- Compass Bank
- Custodian Life
- Financial Services Compensation Scheme
- Puma Investment Management Limited
- Mr. A. Yadgaroff (together "the Committee")

Following each of the proposed members consenting to act and signing a non-disclosure agreement, the Committee was duly constituted.

The first meeting of the Committee was held on 30 January 2020. All members attended with the FCA also in attendance as an observer.

The Committee were provided with a full update on the progress of the Special Administration since the 16 December 2019 and the following resolutions were duly passed:

- The JSAs' unpaid pre-special administration costs incurred in pursuit of Objectives 1, 2 and 3 be paid from Client Assets held by the Company, approved in accordance with Rule 136 of the Special Administration Rules (plus VAT) and as outlined in Section 12.1 of the JSAs' proposals dated 25 November 2019.
- The JSAs' Category 2 disbursements incurred in pursuit of Objectives 1, 2 and 3 (plus VAT) and as outlined in the JSAs' proposals dated 25 November 2019 be approved.
- The JSAs' be discharged from liability in accordance with paragraph 98 of Schedule B1, as modified by Regulation 15, when the appointment of the JSAs ceases to have effect at a time specified by the Court and, subject to any order to the contrary that the court might make, immediately upon the appointment ceasing to have effect.

Approval of the basis of the JSAs remuneration was deferred to the next committee meeting.

Next steps - do Clients need to do anything?

At present, Clients need not take any action.

It is anticipated the JSAs will be writing to all Clients **before the end of February 2020** to provide formal notice of the Bar Date and their unique access code with which to access the Portal and submit their claim online.

Further information

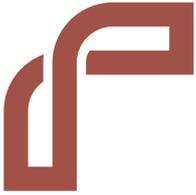
Further information and frequently asked questions can be found on our website, or by clicking this link <https://smithandwilliamson.com/en/services/restructuring-and-recovery-services/reyker-securities-plc/>

Should you have any queries, please contact the Reyker Client Services team as follows:

- Telephone: 0800 048 9512
- Email: clientservices@reyker.com

Thank you.





Glossary

Capitalised terms within this document are defined as follows:

Bar Date	The deadline for Clients to submit their claims in respect of Client Money and Custody Assets
CASS	The FCA's "Client Assets Sourcebook" rules
Client	A party for whom the Company held either Client Money or Custody Assets or both on their behalf
Client Assets	Client Money and Custody Assets
Client Money	Money of any currency that the Company has received or holds for, or on behalf of, a Client
Company	Reyker Securities PLC - in Special Administration
Custody Assets	The securities (including stock, shares and other investments) held for and on behalf of the Clients
Distribution Plan	A statutory distribution plan, pursuant to the Regulations and the Rules, to facilitate the return of Custody Assets
JSAs	The Joint Special Administrators
Legislation	The Regulations, Rules and CASS
JSAs' Reconciliation	An independent reconciliation of the Client Money and Custody Assets to be completed by the JSAs under Reg 10H of the Regulations
Regulations	The Investment Bank Special Administration Regulations 2011 as amended by The Investment Bank (Amendment of Definition) and Special Administration (Amendment) Regulations 2017
Rules	The Investment Bank Special Administration (England and Wales) Rules 2011
S&W	Smith & Williamson LLP
Special Administration	The special administration of the Company

