

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

### Update for Clients and other stakeholders 12 June 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.

This document is intended to provide a brief update on the progress of the Special Administration since the last global update dated 6 May 2020. The JSAs plan to provide Clients with further updates on a regular basis.

#### The JSAs' current strategy

As set out in the JSAs' proposals, our preferred strategy was to affect a wholesale transfer of Client Assets to a single purchaser of the Company's business and assets as this would be the most cost-effective and fastest way for Clients to regain access to their holdings.

Following the withdrawal, in early April, of the proposed purchaser's offer for Reyker's business and a wholesale transfer, we have been working towards identifying a replacement broker for a wholesale transfer or, alternatively, a collection of brokers for a series of partial transfers. Due to COVID-19, the JSAs have found that certain brokers have been slower to re-engage or reluctant to take on a new book.

The JSAs have concluded all negotiations and discussions with a variety of potential and targeted regulated brokers and are now able to confirm that their strategy is to:

- **Transfer Custody Assets** (being stocks and securities) by way of a series of partial transfers to no more than five brokers under regulation 10B and 10C of the Regulations, i.e. a Distribution Plan. This is a court-led process and is subject to the approval of the Creditors' Committee and the Court to the Distribution Plan; and
- **Distribute Client Money** to Clients (or a preferred broker of their choosing) by way of a separate process which is not subject to Court approval or availability.

It is considered that the above approach now represents Clients' best interests. As part of the decision-making process, the JSAs have considered:

- The caliber of brokers, including the breadth of assets that they can hold for Clients, and the respective offers received for Reyker's business and a wholesale transfer;
- The preferences of the largest intermediary providers (who represent the interests of 50% of the Client pool);
- Feedback from regulatory stakeholders, including the Creditors' Committee; and
- The need to expedite the return of Client Money given the widespread financial hardship caused by the ongoing Covid-19 pandemic.

#### Transfer of Custody Assets

The transfer of Custody Assets will require the Distribution Plan, a detailed legal document with accompanying asset schedules, which details the process by which the Custody Assets will transfer ensuring Clients' rights are protected.





The return of Custody Assets will be undertaken by way of a series of partial transfers to no more than five regulated brokers under regulations 10B and 10C of the Regulations (as opposed to a wholesale transfer to a single purchaser).

The number of transfers to be undertaken has been kept to a maximum of five brokers in the interests of Clients and on account of complexity, cost and, particularly, timescales.

The Distribution Plan:

- Deals with the return of Custody Assets (being electronic and paper-based stocks and securities) and Post Pooling Receipts (being dividends, interests, redemptions, etc. received in respect of Custody Assets following 8 October 2019);
- Does **not** apply to Client Money held within the Client Money Pool (which crystallised on 8 October 2019); and
- Requires the consent of the Creditors' Committee (which includes the FSCS) and the Court.

For practical and commercial reasons, the identity of the five preferred brokers cannot be shared at this time.

The JSAs and their legal advisors are in the process of drafting the Distribution Plan in collaboration with the Creditors' Committee, and with input from the FCA, and there are a number of legal and practical matters to be considered prior to the JSAs submitting the desired application to Court. Whilst the JSAs wish to submit an application in early course, the date of the hearing will ultimately be dependent on Court availability at that time. A recent application for a Distribution Plan relating to another special administration was heard within two weeks of all required documents being submitted with the Court, however, Court availability remains subject to change.

In the event a hearing date is not scheduled prior to the Summer recess (which commences 1 August 2020), the JSAs' advisors believe a very strong case could be made for the application to be heard as an urgent application during the Court's summer recess. However, Clients should be mindful that this determination will ultimately be at the Court's discretion.

Once the Creditors' Committee have approved the proposed terms of the Distribution Plan and a Court application is made, the document and an explanatory statement will be made available for all Clients to view on our dedicated website.

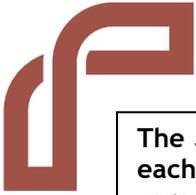
### Distribution of Client Money

The return of Client Money from the Client Money Pool (i.e. cash held as at 8 October 2019) does not form part of the Distribution Plan and can be achieved in accordance with CASS 7A by either:

- **Distribution:** achieved by engaging with Clients and requesting confirmation as to where they wish their Client Money to be sent; OR
- **Transfer:** achieved by transferring Client Money to a nominated broker alongside the transfer of Client's respective Custody Assets, with the appropriate Client consents or waivers (this would likely require an additional application to Court to be heard at the same time as the Distribution Plan).

Given the widespread financial difficulties brought about by the ongoing Covid-19 pandemic and the preferences of the largest intermediary providers, the JSAs have decided to undertake a distribution of Client Money, which is not subject to Court consent and availability, with a view to expediting the return of Client Money held within the Client Money Pool.





**The JSAs are preparing to pay an interim distribution of Client Money as soon as possible and each Client will be written to over the coming weeks with further detail and instructions in this regard.**

### **The first interim distribution of Client Money**

The distribution of Client Money will be paid in at least two tranches to Clients as, at the time of the first 'interim' distribution, the JSAs will need to retain sufficient funds as a provision to settle the anticipated costs of the special administration and, until such time that a Hard Bar Date has been set, unforeseen Client claims that may be forthcoming. This is not unusual and the JSAs still expect to return all Client Money to FSCS eligible clients and all Client Money, less their share of the costs, to all other Clients who are either not eligible or chose not to make a claim to the FSCS in due course.

In order to participate in the first interim distribution of Client Money, Clients must:

- Have submitted their claim to Client Assets held as at 8 October 2019 through the Portal (as per the JSAs' letter dated 6 March 2020); and
- Settled any pre-administration debts, such as overdrawn Client Money balances or outstanding invoices or debts).

**Clients that have not yet submitted their claim on the Portal (or otherwise) are strongly encouraged to do so at the earliest opportunity. If this is not completed, Clients will not lose their entitlement to Client Assets, however, the distribution of Client Money (or part thereof) will be delayed.**

As part of the distribution process, Clients will be asked to provide instructions to the JSAs as to where they wish their share of Client Money to be sent by logging on to the Portal. Accordingly, Clients must continue to keep their log-in details (which include their Client ID and a password) safe and secure for future use. Where you have previously logged in to the Portal, your password will be one of your own choosing.

The JSAs' forthcoming letter will be sent to all Clients with a Client Money balance and provide further detail and instructions as to what needs to be done in order to participate in the first interim distribution of Client Money and by what date.

The development of the portal to accommodate this complex and sensitive data process is ongoing and letters will not be issued until development and testing is complete.

In the meantime, Clients that wish to check their claim submission status, can do so by logging in to the Portal and going to the 'declaration' page.

### **Fraudulent communication**

Further to recent updates, Clients are reminded to remain vigilant to fraudulent communication at all times. Should Clients have any concerns in respect of any communications received, please contact Client Services on 0800 048 9512

### **Financial Services Compensation Scheme**

As previously reported, the costs of pursuing Objective 1 of the Special Administration (i.e. the return of Client Assets) are paid from Client Assets and, therefore, Clients not eligible for or choosing not to claim FSCS compensation will receive a shortfall in the Client Assets to which they lay claim following the deduction of their share of these costs.

The JSAs' have worked closely with the FSCS in order to streamline the process by which eligible Clients may receive compensation in order to mitigate the need for an eligible Client to submit a





claim direct to the FSCS themselves and, where possible, to ensure Client Assets are transferred or distributed whole.

Please note:

- Clients with Client Assets with a value equal to or greater than £85,000 as of 8 October 2019 and who have not yet submitted a claim to either Client Assets or for FSCS compensation should access the Portal and submit their declaration at the earliest opportunity. Clients that fail to do this will see a delay in their return of Client Money and may not receive their Client Assets in full and may have to make a separate claim directly to the FSCS should they wish to claim compensation in the future; and
- The JSAs wrote to the Company's corporate (i.e. non-individual) Clients who may not be eligible for FSCS compensation on 30 March 2020 requesting that they complete and return an eligibility assessment form in order that the FSCS can make a final determination in this regard. Clients that have not yet done so, should complete and return the form:
  - **By email:** [reyker.securities@smithandwilliamson.com](mailto:reyker.securities@smithandwilliamson.com)
  - **By post:** Reyker Securities plc (in special administration), c/o Smith & Williamson, 25 Moorgate, London, EC2R 6AY

*Where possible, please return all forms by email in order to assist timely processing.*

### Next steps

In summary of the above:

- Clients that have not yet submitted a claim to Client Assets are very strongly encouraged to do so. Client that do not submit a claim may experience a delay in the distribution of their share of Client Money.
- Corporate Clients that may not be eligible for FSCS compensation should complete the FSCS eligibility assessment form issued on 30 March 2020 and return it to [reyker.securities@smithandwilliamson.com](mailto:reyker.securities@smithandwilliamson.com).

The JSAs and their legal advisors will:

- Complete the terms of the Distribution Plan in collaboration with the Creditors' Committee (which includes the FSCS), and with input from the FCA, with a view to making an application to Court for the approval of the proposed transfer of Custody Assets to the five preferred brokers at the earliest opportunity; and
- Finalise the development of the Portal and associated client communications with a view to writing to all Clients in the coming weeks to set out the process and timing of the first interim distribution of Client Money.

### 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 Client Services by email at [clientservices@reyker.com](mailto:clientservices@reyker.com) or, alternatively, by calling 0800 048 9512.





## Glossary

Capitalised terms within this document are defined as follows:

Term	Definition
Soft Bar Date	The deadline of 17:00 on 7 April 2020 for Clients to submit their claims in respect of Client Money and Custody Assets
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 as at 8 October 2019
Creditors' Committee	The Creditors' Committee of Clients and Creditors established in order to take certain decisions on behalf of the Clients and Creditors as a whole.
Company / Reyker	Reyker Securities PLC - in Special Administration
Custody Assets	The securities (including stock, shares and other investments) held for and on behalf of the Clients as at 8 October 2019
Distribution Plan	A statutory distribution plan, pursuant to the Regulations and the Rules, to facilitate the return of Custody Assets
Hard Bar Date	A final date set by the JSAs with the approval of the Court by which Clients are required to submit their claim in respect of their entitlement to Client Assets.
JSAs	The joint special administrators
Portal	The online Client Claim Portal, available at <a href="http://www.reykerportal.com">www.reykerportal.com</a>
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

