



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

FAQs - Client Money Distribution

July 2020

This document has been prepared by the joint special administrators ("JSAs") of Reyker Securities plc (in special administration) (the "Company").

These FAQs contain important information for Clients in respect of the distribution of Client Money.

The JSAs are pleased to confirm a first interim distribution of Client Money will be paid to Clients that have completed the Client Money Instruction Form shortly after 7 August 2020 (being the deadline for the submission of the completed form).

The first interim distribution will be paid to all participating Clients in the sum of 85p in the £. Clients eligible for FSCS compensation will receive the full 85p in £, however, for FSCS ineligible or potentially ineligible Clients, the JSAs need to maintain a reserve for your share of the costs which means that the amount you will actually receive will be 80p per £.

To participate in the first interim distribution, Clients need to have submitted a claim and completed their Client Money Instruction Form by no later than **17.00 hours (GMT) on 7 August 2020**.

Capitalised terms used herein are as defined in other documents previously circulated by the JSAs. A full glossary of key terms regarding the Special Administration can be found at <https://smithandwilliamson.com/reyker-securities-plc/>

This guidance does not relate to the transfer of Custody Assets (i.e. stocks and securities held by the Company on behalf of its Clients). Further information in respect of this process is available at <https://smithandwilliamson.com/reyker-securities-plc/>

This note does not constitute legal, tax, financial or other professional advice. Clients may wish to consider seeking independent professional advice before taking any action in connection with their Client Money and Custody Assets.

Q. What is the difference between Client Money and Custody Assets?

Client Money is the cash held for Clients by the Company as at 8 October 2019 and, collectively, forms the Client Money Pool which crystallised on the JSAs' appointment.

Custody Assets are the individual stocks and shares and other investments that form the rest of a Client's holding with the Company.

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/rsgdpr> 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 Registered in England at 25 Moorgate, London EC2R 6AY No OC369631. Regulated by the Institute of Chartered Accountants in England and Wales for a range of investment business activities. A member of Nexia International, a worldwide network of independent accounting firms.



Collectively, these are known as Client Assets.

Q. Why is my Client Money now being returned separately to my Custody Assets?

Following the withdrawal of the proposed purchaser's offer for Reyker's business and a wholesale transfer under Regulation 10B, the JSAs have concluded that a series of partial transfers of Custody Assets under Regulations 10B and 10C and a separate distribution of Client Money in accordance with the FCA's Client Money Distribution and Transfer Rules (as set out in CASS 7A), now represents Clients' best interests.

Whilst the return of Custody Assets is dealt with by way of the Distribution Plan, which requires the approval of the Creditors' Committee and the Court, the distribution of Client Money is achieved by engaging with Clients and requesting confirmation as to where they wish their Client Money to be sent. This strategy will allow the JSAs to return a significant proportion of Client Money back to Clients more quickly than if Client Money was to be transferred alongside Custody Assets.

Q. What do I need to do now?

In order to receive a distribution of Client Money, Clients must:

1. Log on to www.reykerportal.com ("the Portal") and ensure they have submitted their claim to Client Assets (if not already done so); and
2. Complete the Client Money Instruction Form by clicking on the link to the left-hand side of the Portal's home page and following the instructions provided.

In order to participate in the first interim distribution of Client Money, you must have submitted your claim and Client Money Instruction Form by **17.00 hours (GMT) on 7 August 2020.**

If you have already submitted a claim and did not have a Client Money balance as at 8 October 2019, no further action is required at this time.

Q. What Client Money instruction options are available?

Full details on the four instruction options can be found in Appendix I of the JSAs letter to Clients dated 10 July 2020 (available on <https://smithandwilliamson.com/reyker-securities-plc/>), and are summarised as follows:

- Option 1: HOLD the Client Money balance until such time that the Distribution Plan in respect of Custody Assets has been approved by the Court in order that my Client Money and Custody Assets may be held by the same broker or ISA manager in due course.
- Option 2: DISTRIBUTE the Client Money balance to my own personal bank account
- Option 3: DISTRIBUTE the Client Money balance to an alternative broker or ISA manager
- Option 4: I wish to irrevocably WAIVE my entitlement to the Client Money balance and instruct the JSAs to DONATE the cash to NHS Charities Together.

The four options have been carefully selected by the JSAs to allow each Client flexibility with the ongoing management of their investments and to ensure that, should Clients wish, tax wrappers presently provided through ISA, JISA, Child Trust Fund and offshore investments may be preserved. Similarly, the JSAs recognise that Clients may wish for the JSAs to HOLD their Client Money balances so that they may be distributed to the same broker as to where their Custody Assets may be transferred under the Distribution Plan in due course.

Q. What if I hold multiple plans with Reyker with Client Money balances?

The JSAs appreciate that some Clients hold multiple plans which may include cash balances held in different currencies and/or across varying investment products and, therefore, the Portal has been developed for Clients to provide a separate instruction for each Client Money cash balance held within each of their respective plans.

This flexibility may be useful where Clients are seeking to preserve tax wrappers or receive foreign currency without wishing to trigger a currency exchange.

A Client can, however, provide the same instruction for each plan if it so wishes. This can be done on the Portal by using the 'select all' function at the bottom of the Client Money Instruction Form.

Q. How do I provide my Client Money instructions?

The Portal has been updated to receive Clients' instructions regarding the distribution of Client Money as well as permitting each Client to review their Client Statement(s) and submit their claim to Client Assets.

Further guidance is available in the 'Client Money Distribution - User guide' which can be found on the Portal and at <https://smithandwilliamson.com/reyker-securities-plc>

Q. Can my financial adviser, Investment Manager or other representative (e.g. family member) complete the Client Instructions Form on my behalf?

Yes.

Should you wish for a Client Representative to submit your Client Money Instruction Form on your behalf, they will need to log-in to the Portal using the details provided and, when submitting the form, complete a declaration confirming they are authorised by you to act on your behalf. They will be prompted to input their own contact details for our records, together with details of how they are authorised by you.

The JSAs reserve the right to request additional documentation from either the Client or the Client Representative to verify the relationship.

Q. Why have I received a letter from my Investment Manager saying they have already provided instructions to the JSAs on my behalf?

The JSAs will accept investment instructions from Investment Managers, acting for Clients, where those Investment Managers have satisfied the JSAs as to their authority to do so; specifically the authority to decide where to invest their clients' Client Money.

Where Investment Managers have provided instructions to the JSAs on behalf of mutual clients (i.e. clients of the Investment Manager and Reyker), we have recommended the Investment Managers communicate this to each client in writing in order to avoid the retail client issuing competing instructions. Clients should pay particular attention to the 'Client notes' sections during their Portal journey as these have been tailored specifically for your own circumstances and will notify you if any instructions have been received from an Investment Manager in respect of any of your plans.

At the time of writing, three Investment Managers have provided investment instructions for their (combined) 4,000 Clients, having first provided details of their authority to do so. Clients with cash balances held in plans managed by these Investment Managers will find the Portal updated to reflect these instructions by 17 July 2020. The JSAs will update the Portal with any further acceptable Investment Manager instructions as and when they are received.

Should any Client wish to provide alternative instructions to those provided by an Investment Manager on their behalf, then they are able to do so via the Portal. Where competing

instructions are received from Investment Managers and the Client, the JSAs will follow the instructions provided by the Client.

Q. What do I need to do if my Investment Manager has already provided instructions?

If you are happy with the instructions provided by your Investment Manager, then you do not have to do anything else in respect of your Client Money held in plans **linked to that Investment Manager**.

If, however, you wish to provide alternative instructions or have additional plans with the Company which are not linked to the Investment Manager that has provided instructions on your behalf, then you will need to log on to the Portal to complete and submit your Client Money Instruction Form.

Q. What do I do if I have forgotten my password to log in to the Portal?

Your password will be either:

- your own choice of password (where you have previously logged on to the Portal); or
- the initial password provided in the JSAs' letter dated 6 March 2020 (where you have not previously logged on to the Portal and set your own password).

Should you need to reset your password or do not have access to the internet, please contact Client Services on 0800 048 9512 or clientservices@reyker.com.

Please keep your password safe and secure for all future use of the Portal.

Q. Why is only 85% or 80% of my Client Money being distributed now?

The first interim distribution will be paid to all participating Clients in the sum of 85p in the £.

Clients eligible for FSCS compensation will receive the full 85p in the £, however, for FSCS ineligible or potentially ineligible Clients, the JSAs need to maintain a reserve for their share of the costs of the special administration which means that the amount they will actually receive will be 80p in the £.

The balance of funds being retained in the Client Money Pool is a provision against future, new and unforeseen, claims against the Client Money Pool (and costs for Clients ineligible for FSCS compensation).

Please note that Clients eligible for FSCS compensation, which is expected to be more than 98% of Reyker's Clients, are still expected to receive 100% of their Client Money in due course.

The interim distribution is being paid in order to return as high a percentage of Client Money back to Clients as quickly as possible.

Q. If I choose to distribute my Client Money to my personal bank account or to an alternative broker or ISA manager, when will the Client Money in respect of the first interim distribution be transferred?

The deadline for Clients to submit their Client Money Instruction Form in order to participate in the first interim distribution is **17.00 hours (GMT) on 7 August 2020**.

The JSAs will declare and start paying the first interim distributions to Clients during the week commencing 10 August 2020. The JSAs will endeavour to action all external transfers in respect of the first interim distribution by the end of August 2020.

Q. When will the remaining Client Money balance be distributed?

The timing of further distributions will be at the JSAs' discretion and will be reviewed following the payment of the first interim distribution. This is to minimise the costs incurred in issuing several interim distributions.

Q. What happens if I submit my Client Money Instruction Form after 7 August 2020?

You will not be able to participate in the first interim distribution of Client Money and your share of Client Money will be safeguarded under the JSAs' control until such time that either a second interim or a final distribution is declared.

The timing of further distributions will be at the JSAs' discretion and will be reviewed following the payment of the first interim distribution. This is to minimise the costs incurred in issuing several interim distributions.

Q. Will the Client Money distribution include monies received post 8 October 2019, such as dividends, bond coupons and redemptions?

No.

The cash balances displayed on the Client Money Instruction Form relate solely to the balance of Client Money held as at 8 October 2019. This is the balance which forms part of the Client Money Pool (which crystallised upon the JSAs' appointment) and which is subject to the Client Money distribution.

Income received post 8 October 2019 is defined as post-pooling receipts or corporate action assets and will form part of the transfer of Custody Assets under the Distribution Plan.

Further detail in this regard is available at <https://smithandwilliamson.com/reyker-securities-plc>.

Q. Will my ISA funds retain their tax wrapper?

Certain cash balances may have an ISA element which comprises part or all of the Client Money balance held on behalf of a Client. ISA cash balances are held in separate plans from non-ISA cash balances and will be clearly highlighted on the Client Money Instruction Form.

The JSAs have contacted HMRC in relation to the distribution of funds relating to ISA cash balances and we understand that, where payments are made into personal bank accounts, such distributions will be treated as a standard cash withdrawal from that ISA and there should be no tax liability arising should you accept a distribution payment.

However, if you do accept a distribution in respect of any ISA element of your Client Money balance by paying it into your personal bank account and then subsequently chose to reinvest the funds received back into an ISA, the reinvestment of those funds will be treated as a fresh subscription which will form part of your subscription limit for that financial year as the funds will be deemed to have been removed from the original tax wrapper following acceptance of the payment.

Accordingly, where Clients are keen to preserve the existing tax wrapper, they should consider either deferring the Client Money distribution in order that that part of the cash balance may transfer to the same broker and ISA manager as their Custody Assets, including the stocks and shares element of their ISA (in due course) or, alternatively, request for the distribution to be paid to an alternative broker or ISA manager, having first taken the necessary advice and steps to open an appropriate new account.

Q. Why can't I withdraw cash from a JISA or Child Trust Fund?

The option for a return of cash to a personal bank account or to donate to the NHS is not provided where the Client Money balance is held within a JISA or Child Trust Fund and the Client (being the beneficiary of the plan) is below the age of 18.

Q. I have a negative plan balance. What does this mean?

If any of the plans listed within your Client Statement(s) or Client Money Instruction Form have a negative balance, these plans are overdrawn and the balance will need to be paid or, alternatively, set-off against any future Client Money distributions due to you (where funds are sufficient), before any Client Money can be distributed in accordance with your instructions.

Submitting your Client Money Instruction Form will require the acceptance of the JSAs' terms and conditions of the Client Money distribution which includes their ability to automatically set-off negative plan balances with cash held in alternative plans in your name (where funds are sufficient).

Please note, other than overdrawn Client plans, the Client Money balances do not include any claims that the Company may have against you in respect of unpaid fees or stamp duty in respect of any services provided prior to the Special Administration. These remain due and payable to the Company.

In the event you owe any sums to the Company and there is not sufficient cash held across all your plans to clear the debt by way of automatic set-off, the JSAs will notify you of the amount to be paid under separate cover.

Q. What are the costs of returning Client Money and will I be charged?

As previously reported, the costs of pursuing Objective 1 of the Special Administration (i.e. the return of Client Money and Custody Assets) are paid from those 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 costs relating to the distribution of Client Money are separated from the costs of returning Custody Assets and, therefore, only the costs associated with returning Client Money will be allocated to Client Money Clients as a percentage of each Client's Client Money balance.

The total costs of returning Client Money are not known at this time.

Where Clients are eligible for FSCS compensation, their share of these costs will be paid for by the FSCS up to a maximum of £85,000 per eligible Client. Accordingly, FSCS eligible Clients should receive their Client Money in full (subject to their share of the costs not exceeding £85,000).

Where Clients are not eligible for FSCS compensation, they will have to pay for their share of the costs and such Clients will be written to under separate cover and asked to confirm how they would like to pay for such costs, e.g. either through deduction from the Client Money balance to hand, the liquidation of Custody Assets or from alternative sources.

Please note, it is anticipated that more than 98% of Reyker's Clients will be eligible for FSCS compensation and that all individual Clients will receive 100% of their Client Money in due course.

Q. Am I eligible for FSCS compensation?

It is anticipated that more than 98% of Reyker's Clients will be eligible for FSCS compensation and that all individual Clients will receive 100% of their Client Money in due course.

Clients with Client Assets with a total value of less than £85,000 (as valued at 8 October 2019) are automatically treated by the FSCS as if they have submitted a claim for compensation to the FSCS on account of it exercising its power under COMP 3.2.1A of the FCA Handbook.

Clients with Client Assets with a total value of equal to or greater than £85,000 (as valued at 8 October 2019) will not be treated as having automatically claimed compensation from the FSCS. Such Clients are asked as part of the online claims process to confirm whether they wish to submit a claim for FSCS compensation or not (if not already done so).

The JSAs wrote to the Company's non-individual, corporate Clients who may not be eligible for FSCS compensation in 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 been asked to complete the form and not yet done so, should return it:

- **By email:** reyker.securities@smithandwilliamson.com
- **By post:** Reyker Securities plc (in special administration), c/o Smith & Williamson, 25 Moorgate, London, EC2R 6AY

If you are subsequently determined to not be eligible for FSCS compensation, or a proportion of your share of the costs will exceed the £85,000 compensation limit paid by the FSCS, the JSAs will contact you prior to the final distribution of Client Money to arrange payment of such costs.

If you have any queries relating to your claim to Client Assets or the Client Money Distribution, please contact Client Services:

Telephone: 0800 048 9512

Email: clientservices@reyker.com

Disclaimer

Neither the Company or the JSAs can give Clients any advice whatsoever in respect of their investments and / or the distribution of Client Money and nothing within this document, the Portal, or any other associated literature issued by the JSAs should be treated as such. If you are uncertain as to the best option(s) for you and your investments and the financial consequences, please seek independent professional advice.