

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

Update for Clients and other stakeholders 10 July 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 12 June 2020. The JSAs plan to provide Clients with further updates on a regular basis.

IMPORTANT – ACTION REQUIRED BY CLIENT MONEY CLIENTS

The JSAs are pleased to confirm a first interim distribution of Client Money will be paid during August 2020 to all Clients who hold a Client Money balance with Reyker and have submitted a Client Money Instruction Form by **17.00 hours (GMT) on 7 August 2020**.

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 per £.

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 more than 98% of Reyker's Clients, are still expected to receive 100% of their Client Money in due course.

A letter has been issued to all Clients with Client Money balances (dated 10 July 2020) requesting you to log on to the Portal at www.reykerportal.com (which has been further developed for the purpose of the Client Money distribution) and submit a Client Money Instruction Form by **17.00 hours (GMT) on 7 August 2020**.

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 of all Client Money and Custody Assets 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.

Transfer of Custody Assets

The transfer of Custody Assets is a court-led process and requires the Distribution Plan, a detailed legal document with accompanying asset schedules and evidence collated by the JSAs, 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 will 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 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. A letter will also be issued to all Clients with a Custody Asset interest.

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 the JSAs are seeking to return this cash to Clients by way of a Client Money distribution in accordance with the FCA's Client Money Distribution and Transfer Rules (as set out in CASS 7A). This is achieved by engaging with Clients and requesting confirmation as to where they wish their Client Money to be sent.

As stated above, the JSAs issued a letter to all Clients with a Client Money balance as at 8 October 2019 (dated 10 July 2020) confirming a first interim distribution of Client Money will be paid during August 2020 to all Clients who hold a Client Money balance with the Company and have submitted a Client Money Instruction Form by **17.00 hours (GMT) on 7 August 2020.**

Where a Client submits a Client Money Instruction Form after this time, that Client will not be able to participate in the first interim distribution of Client Money and their 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.





If a Client has not yet submitted any claim to Client Assets (being both Client Money and/or Custody Assets), they will need to do so before they can complete a Client Money Instruction Form. The JSAs recently issued a final notice for all Clients to submit a claim to Client Assets by no later than 21 July 2020 otherwise, thereafter, they may lose the right to dispute the Company's records in the event they believe their statement of holdings on the Portal to be incorrect.

Further detail in respect of the Client Money distribution process, how to access the Portal and the options available for Clients regarding the distribution of their Client Money balance(s) as at 8 October 2019 is available in our letter dated 10 July 2020 and in the 'Client Money Distribution' document library to the right of this webpage.

The document 'Client Money Options' provides an overview of the four options available to you in respect of your Client Money balance(s) held in your plan(s).

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 their Client Money balances to be distributed to the same broker as to where their Custody Assets may be transferred under the Distribution Plan in due course.

A high number of Clients hold plans through Investment Managers. 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 such investment instructions have been received, this will be clearly identifiable in the Portal with effect from 17 July 2020.

Neither Reyker nor 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.

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.

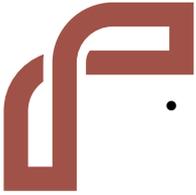
Financial Services Compensation Scheme

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.

Clients are reminded that:

- 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. This decision was made by the FSCS with a view to streamlining the process by which eligible Clients may receive compensation and, where possible, ensuring Client Assets are transferred whole; and
- 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 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
 - **By post:** Reyker Securities plc (in special administration), c/o Smith & Williamson, 25 Moorgate, London, EC2R 6AY

The FSCS can pay up to £85,000 per eligible Client for claims in respect of Reyker Securities plc (in special administration), including those in respect of their share of the Objective 1 costs. Further information on eligibility criteria may be found at <https://www.fscs.org.uk/how-we-work/eligibility-rules/>

Where Clients are either deemed to have claimed or, alternatively, select to claim compensation from the FSCS and it is subsequently determined that they are not eligible in accordance with the FSCS' eligibility criteria, the JSAs will write to all such Clients to confirm the options available with regard to meeting their share of the costs.

Next steps

In summary of the above:

- If you held a Client Money balance as at 8 October 2019 and have already submitted a claim to Client Assets, please log on to the Portal (www.reykerportal.com) and submit your Client Money Instruction Form by 17.00 hours (GMT) on 7 August 2020 in order to participate in the first interim distribution of Client Money.
- If you have not yet submitted a claim to Client Assets you are strongly encouraged to do so before 21 July 2020. Clients that do not submit a claim to Client Assets before this date may lose their right to dispute the Company's records in the event they believe their statement of holdings on the Portal to be incorrect and, where a Client Money Instruction form is subsequently not submitted by 17.00 hours (GMT) on 7 August 2020, experience a delay in the distribution of their share of Client Money.
- Corporate Clients that may not be eligible for FSCS compensation should ensure they have reviewed and, where applicable, completed the FSCS eligibility assessment form issued on 30 March 2020 and return it to reyker.securities@smithandwilliamson.com.

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 or, alternatively, by calling 0800 048 9512.





Glossary

Capitalised terms within this document are defined as follows:

Term	Definition
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
Investment Manager	An organisation that manages investments in funds and other portfolios of Client Custody Assets on behalf of Clients under the terms of an investment management agreement
JSAs	The joint special administrators
Portal	The online Client Claim Portal, available at www.reykerportal.com
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

