



# Reyker Securities PLC (in special administration)

Joint special administrators' fourth progress report for the period 8 April 2021 to 7 October 2021 pursuant to Rule 122 of The Investment Bank Special Administration (England and Wales) Rules 2011

4 November 2021



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# 1. Glossary

Abbreviation	Description
Act	The Insolvency Act 1986.
Authorities	The Bank of England, HMRC and the FCA.
CAI	Corporate Action Income, being income received with respect to Custody Assets held by the Company on behalf of its Clients following the appointment of the JSAs (to include dividends, coupon payments and redemptions).
CASS	The FCA's "Client Assets Sourcebook" rules.
CARS	A Client Assets Return Statement, being a statement prepared by the JSAs to provide Clients with important information regarding the return of their Custody Assets under the Distribution Plan.
Claim Form	The form to be completed and returned to the JSAs by any Creditor or Client who wishes to submit a creditor claim (a copy is available to download at <a href="http://www.ips-docs.com">www.ips-docs.com</a> ).
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 in the course of, or in connection with any of its businesses as referenced in CASS 7.10.1 and any money that the Company treats as client money in accordance with the Client Money Rules contained in CASS 7.10. to 7.19.
Client Money Rules	CASS 7 and 7A, being provisions for the handling and distribution of Client Money.
CMIF	Client Money Instruction Form.
CMP	The Client Money Pool, being the pool of Client Money held on trust by the Company in accordance with the Client Money Rules and which has been pooled in accordance with those rules for the purpose of distributing the Client Money
Client Statement	The statement of Client Money and Custody Assets that each Client received along with the JSAs' letter dated 22 November 2019 notifying them of the Proposals and the Initial Meeting.
Company / Reyker	Reyker Securities Plc (in special administration).
Corporate Action Assets	Cash or securities received on behalf of Clients following 8 October 2019.
CVA	Company voluntary arrangement, being an insolvency procedure where a company reaches a voluntary agreement with its creditors regarding the repayment of all, or part of its debts, over an agreed period of time.
Court	High Court of Justice, Business and Property Courts of England and Wales.
Creditor	Any party who is owed an amount from the Company, including i) a Client who is not entitled to participate in the Client Money Pool nor entitled to Custody Assets held by the Company; ii) a Client with a shortfall of either Client Money or Custody Assets; iii) any other creditor who is owed an amount from the Company, to include secured, preferential or ordinary unsecured creditors.

Abbreviation	Description
Creditors' Committee	The committee of Clients and Creditors established in order to take certain decisions on behalf of the Clients and Creditors as a whole.
CTF	Child Trust Fund.
Custody Assets	The securities (including stock, shares and other investments) held for and on behalf of the Clients by the Nominee as at the JSAs' appointment.
Directors	The Registered directors of the Company as scheduled at <b>Appendix A</b> .
Distribution	A return of Client Assets pursuant to the Distribution Plan which is not a Transfer (i.e. where the Client Assets are not returned to a Nominated Broker).
Distribution Plan	The distribution plan approved by the court on 16 October 2020 and prepared in accordance with the Regulations and the Rules, to facilitate the return of Custody Assets and / or CAI.
Distribution Selection Date	A date set by the JSAs under the terms of the Distribution Plan by which the JSAs are required to issued specified documents or take certain notification steps, in respect of Clients whose Custody Assets are to be included in a specific Distribution.
FCA	Financial Conduct Authority.
FSCS	Financial Services Compensation Scheme.
FSCS Protected Claimant	A claimant who the FSCS agree is eligible to receive compensation for some, or all, of the costs of the special administration incurred in relation to the claimant.
FSMA	The Financial Services and Markets Act 2000.
Hilco	Hilco Appraisal Limited - t/a Hilco Valuation Services.
HMRC	HM Revenue & Customs.
House Accounts	The JSAs' bank accounts dedicated to holding realisations of House Assets
House Assets	The Company's own assets available for realisation to the administration estate.
IFA	Independent Financial Advisor.
IF ISA	Innovative Finance ISA.
Initial Meeting	The initial meeting of Clients and Creditors held at 11.00am on 16 December 2019.
Investment bank	A company based in England and Wales with permission under FSMA to carry on certain regulated activities which holds Client 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 JSAs, being Mark Christopher Ford, Adam Henry Stephens and Henry Anthony Shinnars of Smith & Williamson LLP.
The JSAs' Reconciliation	An independent reconciliation of the Client Money and Custody Assets completed by the JSAs.
LSE	London Stock Exchange.
NatWest	National Westminster Bank plc, being the secured creditor.

Abbreviation	Description
Nominated Broker	One of the designated brokers selected by the JSAs who will receive a Transfer of Custody Assets following the approval of the Distribution Plan.
Nominee	A corporate entity, not the owner, in whose name a security (e.g. stock or bond) is registered.
Objectives	The three statutory objectives of a special administration in accordance with the Regulations.
Objective 1	To ensure the return of Client Assets as soon as is reasonably practicable.
Objective 2	To ensure timely engagement with market infrastructure bodies and Authorities pursuant to regulation 13 of the Regulations.
Objective 3	To either rescue the investment bank as a going concern or, alternatively, to wind it up in the best interests of the Company's creditors.
Payment Options Form	The form that is available on the Portal and which a small number of Clients will need to complete where they are required to pay either amounts owed at the date of the special administration of Reyker or their Share of Costs in connection with the return of Custody Assets. The form allows the Client to choose an option of how these costs are to be settled.
PPE	Primary pooling event.
Portal	The online Client Claim Portal, available at <a href="http://www.reykerportal.com">www.reykerportal.com</a>
Post Pooling Accounts	Accounts opened following the appointment of the JSAs' appointment to segregate Corporate Action Income received after 8 October 2019 from the CMP.
Premises	17 Moorgate, London, EC2R 6AR, being the Company's former registered office and trading address.
Proposals	The JSAs' proposals for achieving the Objectives of the Special Administration.
Regulations	The Investment Bank Special Administration Regulations 2011 as amended by The Investment Bank (Amendment of Definition) and Special Administration (Amendment) Regulations 2017.
RPS	The Redundancy Payments Service, being a government department that pays outstanding entitlements to employees following and insolvency event (subject to statutory limits).
Rules	The Investment Bank Special Administration (England and Wales) Rules 2011.
SAR	The Special Administration Regime, to include the Regulations and the Rules.
Share of Costs	The share of the costs payable by a Client under the terms of the Distribution Plan in respect of the return of Custody Assets, which under the terms of the Distribution Plan cannot exceed £2,500.
Soft Bar Date	7 April 2020, which is the bar date set by the JSAs for the submission of claims to their Custody Assets or Client Money or both according to regulations 11 and 12A of the Regulations.
Special Administration	The Special Administration of the Company following a court order dated 8 October 2019.
SIP	Statement of Insolvency Practice (England & Wales).
SIPP	Self-Invested Personal Pension.

Abbreviation	Description
S&W	Smith & Williamson LLP
S&WFS	Smith & Williamson Financial Services LLP
Transfer	The Transfer of Custody Assets and / or CAI to one of the Nominated Brokers in accordance with the provisions of the Distribution Plan
Website	The designated webpage used by the JSAs to update Clients and upload key documents, being <a href="https://smithandwilliamson.com/reyker-securities-plc">https://smithandwilliamson.com/reyker-securities-plc</a>

## 2. Executive summary

### 2.1 Introduction

Mark Ford, Adam Stephens and Henry Shinnars, all being licensed insolvency practitioners of Smith & Williamson LLP, 25 Moorgate, London, EC2R 6AY, were each appointed as the JSAs of the Company on 8 October 2019.

The Company is in a specialist insolvency process known as an Investment Bank Special Administration, a process which was introduced in 2011. The detail of this process is set out in the Regulations and the Rules which must also be read together with CASS (together “the Legislation”).

The Legislation is written to ensure that a fair and consistent approach is applied to all Clients in relation to their Client Assets and the return thereof.

This is the JSAs’ fourth progress report, produced in accordance with Rule 122 of the Rules, to provide Clients and Creditors with an update on the progress of the Special Administration for the six-month period from 8 April 2021 to 7 October 2021.

The JSAs’ Proposals were made available to all known Clients and Creditors on 25 November 2019. The Initial Meeting of Clients and Creditors was held on 16 December 2019, at which the Proposals were approved by Clients and Creditors without modification.

You are encouraged to read this progress report in conjunction with the Proposals and the JSAs’ first, second and third progress reports, copies of which can be found at <https://smithandwilliamson.com/reyker-securities-plc/>.

### 2.2 Statutory information

**Appendix A** contains information in respect of the Company and the JSAs that is required under the Rules.

### 2.3 Summary of actions during the report period

During the period of this report, the JSAs have (among other things):

- Maintained critical operations with a view to achieving the Objectives;
- Continued to safeguard and segregate Client Assets in accordance with the Legislation;
- Continued to report to the FCA as to the performance of regulated activities;
- Monitored the cost base of critical operations and reduced costs where possible without compromising the progress of returning Client Assets;
- Continued to process the Transfer of Custody Assets and CAI to the five Nominated Brokers under the terms of the Distribution Plan, to include liaising with Nominated Brokers, registrars, sub-custodians, fund managers and Investment Managers to action the Transfer of Custody Assets from various locations (including stock held in electronic, paper and statement form);
- Concluded their attempts to find a sixth Nominated Broker to receive Custody Assets and CAI held within IF ISA and/or CTF investments and notified respective Clients that their assets may only be returned by way of a Distribution to a broker of their own choosing;
- Developed the Portal to permit Clients with IF ISA and CTF investments to provide their Distribution instructions and issued communications to the respective Clients to provide notice of their CARS and the proposed date from which Distributions would commence;
- Commenced the Distribution of Custody Assets and CAI to Clients who either opted-out of their respective Transfer or, alternatively, did not have a Nominated Broker (i.e. CTF, IF ISA and certain overseas clients);
- Continued to seek Distribution instructions from Clients who opted-out of the Transfer of Custody Assets and CAI to a Nominated Broker;

- Undertook a second phase of the first interim distribution of Client Money to ensure all Clients who provided their Client Money instructions (and any other verification documents as required), received 85% of Client Money (or 80% where the Client is not, or not yet confirmed as, an FSCS Protected Claimant);
- Issued further correspondence to Clients who have not yet verified their bank account details or made final arrangements for the distribution of Client Money to alternative brokers following the submission of their CMIF;
- Liaised with legal advisors and the FCA with regard to our Client tracing program and issued communications to include letters, emails, notices in national and regional publications, outbound phone calls and instructing third party tracing agents to elicit engagement and maximise claims made against the CMP (further detail included in section 4.3). Such notices confirmed the JSAs' intention to close the CMP as early as possible;
- Obtained legal advice and counsel opinion as to the options available and appropriate strategy and timing for closing the CMP;
- Reviewed the merits of a second interim distribution of Client Money with the Creditors' Committee in the event the JSAs are unable to close the CMP in the short term;
- Maintained lines of communications with Clients, Nominated Brokers, registrars, fund managers and custodians, to include responding to Client queries via the use of the Website, client services email address and client services helpline;
- Continuing working with Clients, Investment Managers and the FSCS to ensure that as many Clients eligible for FSCS compensation as possible were identified and their eligibility confirmed;
- Processed corporate action requests in line with the criteria set by the JSAs' discretionary internal policies;
- Continued to liaise with members of the Creditors' Committee on a regular basis;
- Issued the JSAs' third progress report for the period from 8 October 2020 to 7 April 2021;
- Progressed the pursuit of Objective 3, to include realising House Assets and ongoing investigations into the affairs of the Company;
- Developed, tested and deployed the new, robust, cloud-based software platform (reykeradmin.com) which integrates the Client database, Portal and safe custody functions to improve efficiency and accuracy with regard to data-handling, reporting and maintenance, thereby reducing costs of operation in the medium to long term;
- Liaised routinely with all of the relevant market infrastructure and bodies and Authorities and, in particular, have been in frequent contact with the FCA and the FSCS.

Further detail in respect of work undertaken during the period can be found at section 4 and **Appendix E**.

## 2.4 The return of Custody Assets and CAI

The JSAs have continued to process the Transfers of Custody Assets and CAI to the five Nominated Brokers pursuant to the Distribution Plan approved by the Court on 16 October 2020. At the time of writing, these Transfers are now 98% complete (by number of Custody Asset lines per Client subject to a Transfer).

Following the completion of the majority of these Transfers, the JSAs also commenced the Distribution process for Clients with Custody Assets and/or CAI that either opted out of a Transfer to one of the Nominated Brokers or, alternatively, did not have a Nominated Broker.

This work included notifying all Clients with investments held within CTFs and IF ISAs that a sixth Nominated Broker had not been found to take receipt of either of these portfolios and, accordingly, such assets would be returned to the respective Clients under the same Distribution process as for opt-out Clients.

The main difference, to Clients, between the Transfer and Distribution process is that the respective Client (not the JSAs) must find a new broker that is both acceptable to them and able to take receipt of their investments. Once a Client has identified such a broker and opened an account they confirm details of their designated broker to the JSAs.

The JSAs wrote to all Clients who did not have a Nominated Broker (i.e. Clients with CTFs and IF ISAs and certain Clients residing overseas) to provide notice of their CARS being available on the Portal and to request details of their designated broker (by completing the CARS on the Portal) by no later than the Distribution Selection Date of 3 September 2021 (being the date from which such Distributions would commence).

To date, the Distribution process is 25% complete with further Distributions of Custody Assets being completed regularly.

Between the Transfer and Distribution processes, the JSAs are presently liaising with more than 70 different brokers. Further information is included at section 4 of this report.

**Clients are reminded that, due to the number of Nominated Brokers, asset classes and stock lines, ranging across electronic, paper and statement-based securities and the differing requirements and response times of the registrars, custodians and fund managers, the completion of Transfers and Distributions will continue to be phased over time and that delays are usually due to challenges with the new brokers accepting Clients or the specific asset.**

## 2.5 Distribution of Client Money

### 2.5.1 First interim distribution

The JSAs have continued to progress the first interim Client Money distribution and embarked upon on a second phase for all Clients who did not submit their Client Money instructions by August 2020 and did not therefore participate in the first payment phase.

To date, the first interim distribution of Client Money is 95% complete (based on number of Client plans for which a distribution instruction has been received). This equates to distributions totalling approximately £45.6 million of the £48.9 million that could be distributed at this time.

### 2.5.2 Closing the CMP and the final distribution of Client Money

The JSAs continued to liaise with their legal advisors, counsel, the Creditors' Committee, the FSCS and the FCA with regard to the appropriate strategy and timing for closing the CMP to claims. Whilst the JSAs appreciate that those Clients that have already engaged in the process are eager to receive the full balance of their Client Money, the Legislation obliges the JSAs to protect the interests of all Clients. Once the CMP is closed to claims, Clients that have not yet claimed may lose their entitlement to their Client Money and may instead rank as an unsecured creditor against the Special Administration estate. On present information, it is unlikely there will be a return to unsecured creditors in respect of this matter.

Accordingly, the JSAs have undertaken an extensive Client tracing and notification exercise (in liaison with the FCA and over and above that set out by CASS) with a view to maximising Client engagement, receiving claims from all or nearly all known Clients and therefore being in a position to close the CMP as early as possible. Such work included postal, email, advertisement and telephone notices and engaging with IFAs and professional tracing agents to obtain the most up to date publicly available information with regard to Clients who were yet to submit a claim for their share of Client Money.

The JSAs also liaised extensively with the FSCS as to possible new protections that may have been available to Clients, exclusively in this matter, that had not yet submitted a claim and the Insolvency Service as to the requirements for any possible transfer of unclaimed and unpaid Client Money.

Despite these efforts, there presently remains more than 900 Clients with over £1.2 million of aggregated Client Money yet to submit a claim and new claims continue to be received each week. Therefore, based on explicit legal advice and counsel opinion, it is not yet appropriate for the JSAs to commence the legal process of closing the CMP and, until such time that this process is complete, a final distribution of Client Money cannot be paid.

### 2.5.3 Notice of a second interim distribution

Given the JSAs are not able to close the CMP and pay a full and final distribution at this time, the JSAs have decided to retain a suitable provision of less than 2% of the CMP for new or increased claims and consider it in

Clients' best interests to pay a second distribution of 13.25 pence in the pound (less a provision for a Client's share of the costs where a Client is not, or not yet confirmed as being, an FSCS Protected Claimant).

This will take the total amount of Client Money to be distributed up to 98.25% for the vast majority of Clients and leave approximately £1 million within the CMP for new or increased claims.

The JSAs will commence the second distribution following 12 November 2021 in order to give Clients an opportunity to update their Client Money instructions if necessary (e.g. if their bank account details have changed). As before, given the volume of Clients with Client Money (more than 9,000) and variety of Client Money instructions received, the distribution process will take several weeks to complete.

Further information is provided in section 4.2.3 and each Client with a share of Client Money will receive a separate notice of the second interim distribution by post. These letters will provide further detail of any action that may need to be taken by you (if not already done so).

## 2.6 Anticipated outcome for Clients and Creditors

### 2.6.1 Clients

As previously reported:

- The Distribution Plan (as approved by the Court) sets out the basis and methodology for allocating the costs incurred by the JSAs in pursuing Objective 1 for Custody Assets. The Distribution Plan estimates that Clients will be charged a fixed fee (the Share of Costs) of no more than £2,500 in respect of the transfer of their Custody Assets, however, this will be capped to the lower of the fixed fee or the value of a Client's Custody Assets as at 8 October 2019;
- Costs for dealing with the CMP will be levied proportionately as a percentage of each Client's Client Money balance. On present information, it is anticipated such costs will now be higher than the previously reported estimate of 6.5% given the extent of work required to elicit Client engagement and process the high volume of instructions to pay Client Money to alternative brokers or personal bank accounts (which has required additional verifications and documentation). The prior estimate was based on a higher percentage of Clients engaging early in the process and requesting their Client Money be paid to one of the JSAs Nominated Brokers. A new estimate for costs will be circulated to Clients in due course.

Whilst these costs may be deducted from the respective Client Assets in accordance with the Regulations and CASS, the JSAs anticipate that more than 99% of Clients will qualify for FSCS compensation and, therefore, other than a very small number of exceptions, **Clients will not have to meet these costs (as they will be settled by the FSCS) and will receive a full return in respect of their Custody Assets and Client Money.**

### 2.6.2 Creditors

The outcome for creditors will be dependent upon:

1. The level of House Asset realisations to the Company's estate; and
2. The costs of the Special Administration in pursuing Objectives 2 and 3.

Until House Asset realisations are complete, the JSAs are unable to advise on the dividend prospects of the secured, preferential and unsecured creditors of the Company as this may prejudice future realisations. Further updates will be available to creditors in due course.

## 2.7 What do Clients need to do?

### 2.7.1 Clients with Custody Assets and/or CAI

The JSAs will continue to process both Transfers of Custody Assets and/or CAI to the Nominated Brokers and Distributions to those brokers designated by Clients respectively.

**Clients who either opted out of the Transfer or did not have a Nominated Broker (e.g. IF ISA and CTF Clients) and are still to submit their Distribution instructions are strongly urged to do so via the Portal as a matter of urgency in order to avoid any further delays to the Distribution of their Custody Assets and/or CAI.**

### 2.7.2 Clients with Client Money

The JSAs will begin processing the second interim distribution of Client Money following 12 November 2021.

Clients that:

- have already submitted a claim to Client Money and a CMIF (confirming their distribution instructions) do not need to take any further action. The second interim distribution will be paid in accordance with the latest CMIF held on record;
- have not yet submitted a claim to Client Money and/or a CMIF (confirming their distribution instructions) should log on to the Portal and do so prior to 12 November 2021 in order to ensure there is no delay in receiving your Client Money distribution. Clients that do not take action before this deadline will still be able to participate, however, the JSAs will prioritise distributions to those that submitted their CMIF within this timeframe.

### 2.7.3 Further information

Instructions on how to access the Portal, along with the most recent reports, updates and documents, can be found at the Website (<https://smithandwilliamson.com/reyker-securities-plc>).

Should you have any queries relating to the Special Administration or would like to request a hard copy of any of the documents available on the Website (which will be provided at no cost) please contact us by:

- **Telephone:** 0800 048 9512
- **Email:** [clientservices@reyker.com](mailto:clientservices@reyker.com)
- **Post:** Reyker Securities plc (in special administration), 25 Moorgate, London, EC2R 6AY.

## 3. The JSAs' Objectives and Proposals

As outlined in the JSAs' first progress report, the JSAs have three Objectives which are set out in the Regulations, being:

1. Objective 1 - To ensure the return of Client Assets as soon as is reasonably practicable;
2. Objective 2 - To ensure timely engagement with market infrastructure bodies and the Authorities; and
3. Objective 3 - To either, (i) rescue the investment bank as a going concern, or (ii) wind it up in the best interests of the creditors.

The JSAs are continuing to pursue Objective 1 as a priority whilst pursuing Objectives 2 and 3 in parallel.

On 25 November 2019, the JSAs made available their Proposals for achieving the purpose of the Special Administration to all known Clients and Creditors. An Initial Meeting of Clients and Creditors was held on 16 December 2019 and Clients and Creditors approved the Proposals without modification and passed a resolution to form the Creditors' Committee.

Attached at **Appendix B** is a summary of the JSAs' approved Proposals for achieving the purpose of the special administration. There have been no amendments to, or deviations from, the JSAs' Proposals during the course of the Special Administration to date.

## 4. Summary of actions during the report period

This section provides Clients and Creditors with an update on how the JSAs' have been pursuing their strategy with a view to achieving the three Objectives and the progress made in the reporting period.

### 4.1 Return of Custody Assets and CAI (Objective 1)

#### 4.1.1 Transfer of Custody Assets to the Nominated Brokers

At the time of our last report, the Distribution Plan had been approved and, in late January 2021, the JSAs commenced the Transfers of Custody Assets and CAI to the five designated Nominated Brokers (being James Brearley, Thompson Taraz, Logic, Kin Capital and Pershing).

We previously reported that:

- Of the 9,008 Clients holding Custody Assets as at 29 January 2021, 8,552 (being 95%) had stock or other assets which could be transferred to one of the above-named Nominated Brokers subject to the Transfer conditions being met.
- The remaining 5% of Clients could not be transferred to any of these Nominated Brokers due to either the type of investment held (i.e. IF ISA or CTF) or the Client's country of residence (e.g. James Brearley was unable to accept Clients residing in the U.S.A.).
- Only 8% of Clients who were presented with a Transfer to a Nominated Broker opted out of the Transfer; with the overwhelming majority of these being represented by three Investment Managers who ultimately wanted their Clients to be transferred to a broker of their respective (different) choice.

There was therefore 48,732 lines of Custody Assets (excluding Non-Returnable Client Assets) to Transfer to Nominated Brokers on behalf of 7,785 Clients, of which 86% of Transfers had been completed or instructed at the time of our last report.

During this report period, the JSAs have continued to liaise with the Nominated Brokers and, where necessary, Clients, intermediary investment managers, registrars, regulators, sub-custodians, banks, accreditation and certification bodies and fund managers in order to progress and complete additional Transfers. A summary of the present status of Transfers is below:

Nominated Broker	Total no. of Transferrable Custody Asset lines	Completed or instructed	Status		
			Costs outstanding	In progress	Completed or instructed (%)
James Brearley	26,337	25,668	250	669	97%
Kin Capital	10,651	10,651	-	-	100%
Pershing	5,434	5,432	2	2	100%
Thompson Taraz	4,893	4,614	1	279	94%
Logic	1,899	1,714	-	185	90%
<b>Total</b>	<b>49,214</b>	<b>48,079</b>	<b>253</b>	<b>1,135</b>	<b>98%</b>

The JSAs would highlight:

- Based on present information, there are 49,214 lines of Custody Assets subject to Transfers to Nominated Brokers (this number has increased since our last report due to a number of Non-Returnable Client Assets being redeemed or reclassified as transferrable (further information in section 4.1.5));
- Over 98% of Transfers to Nominated Brokers (by number of Custody Asset lines to Transfer per Client) have now been completed or instructed (an increase of 12% during the report period);

- Transfers are deemed completed once the Custody Assets have been registered with the new Nominated Broker. Instructed Transfers are where all requisite documents have been issued by the JSAs to a third-party registrar, agent, company secretary or fund manager for processing;
- Costs outstanding refers to Transfers which cannot be progressed at the present time as the respective Clients are required to pay their Share of Costs or, alternatively, submit additional documentation to the FSCS in order to be classified as an FSCS Protected Claimant;
- Transfers that are 'in progress' are where the new brokers require additional information or documentation from the Clients or Reyker in order to progress the Transfer;
- The Transfer of a further 12% of Custody Assets to Nominated Brokers represents significant progress as these stock lines are more unusual in nature (both in terms of the security type and holding) than those transferred in the last reporting period and, therefore, each requires a bespoke solution and the co-operation of additional counterparties to overcome specific challenges. Such Transfers are, therefore, protracted in nature. This follows a very successful Transfer of the vast majority of Custody Assets, including the easier to transfer securities held within electronic settlement systems such as CREST, in the period from January 2021 to April 2021;
- The remaining stock lines are more individual in nature and will therefore also require bespoke solutions and will continue to be more protracted in nature; and
- The number of lines of Custody Assets due to Transfer is subject to change between report periods on account of corporate actions, redemptions and securities becoming Non-Returnable Client Assets (e.g. as a result of de-listings from public exchanges and/or dissolution).

#### 4.1.2 Transfer of CAI to the Nominated Brokers

During the report period, the JSAs have continued to receive CAI (principally dividends, coupon payments or mandatory 'kick-out' redemptions) with regard to Custody Assets and segregated such receipts from the CMP. Where possible, the income has been allocated to the respective Client's plan.

As previously reported, the process by which CAI is returned to Clients is the same as for Custody Assets and set out in the Distribution Plan. At the time of our last report, the JSAs had Transferred to the Nominated Brokers all CAI received up to 14 December 2020 for all Clients subject to a Transfer and who had not opted out (totalling in excess of £40 million).

Although dividends, coupon payments or mandatory 'kick-out' redemptions should now be paid by the paying entity to the new broker following any Transfer (e.g. James Brearley), following improvements to the safe custody accounting and reporting function (see section 4.4.5), the JSAs have undertaken periodic bulk Transfers of CAI to the Nominated Brokers and aim to Transfer any additional income received within six to eight weeks of receipt.

The receipts and payments account at **Appendix C** confirms the amount of CAI received and returned to Clients during the report period.

CAI due to be distributed elsewhere (i.e. other than to the Nominated Brokers) will be distributed simultaneously with Custody Assets to the same new Client designated broker through the Distribution process (see section 4.1.4).

#### 4.1.3 Transfer of Innovative Finance ISAs (IF ISAs) and Child Trust Funds (CTFs)

Due to the diverse nature of the Company's Clients and Custody Asset portfolio, the JSAs were conscious that being able to Transfer all investments to no more than five Nominated Brokers (three of whom were requested by Client representatives to receive a limited number of Clients holding one type of asset) was challenging. For example, of the five Nominated Brokers referenced above, none were willing to receive investments held in IF ISAs or CTFs.

At the time of our last report, the JSAs had concluded that, despite best endeavours, a Nominated Broker would not be found to take receipt of all investments held within CTFs, however, they had identified a sixth Nominated Broker that was willing to accept all IF ISAs, subject to regulatory approvals of it and its custodian with a Transfer agreed in principle. Unfortunately, such permissions could not be obtained by the proposed new broker within a timeframe acceptable to the JSAs and, accordingly, the JSAs wrote to all affected Clients in August 2021 (and updated the Website) to advise that the proposed Transfer to a sixth Nominated Broker would not be proceeding.

The JSAs were therefore unable to Transfer Custody Assets and/or CAI held within IF ISAs and CTFs to a Nominated Broker, meaning such assets could only be returned to Clients by way of a Distribution (as set out in the Distribution Plan). The main difference, to Clients, between the Transfer and Distribution process is that, for a Distribution, the respective Client (not the JSAs) must find a new broker that is both acceptable to them and able to take receipt of such investments. Once a Client has identified such a broker, they confirm details of their designated broker to the JSAs once an account has been opened.

In order to streamline the steps for the Client and Reyker the JSAs developed the Portal to receive such instructions and wrote to all effected Clients advising of the process to follow and how to access their CARS (as previously issued to all other Clients who had been subject to a Transfer).

IF ISA and CTF Clients with Custody Assets and/or CAI were asked to submit their CARS and provide their Distribution instructions prior to the Distribution Selection Date of 3 September 2021 (being the date from which Distributions would commence). The JSAs are now working through these Distributions alongside the Distributions for opt-out Clients and other Clients with no Nominated Broker. Further detail as to the progress made in this regard is reported in the next section.

The JSAs have identified that, in a number of cases, IF ISA and CTF Clients have provided details of brokers that cannot accept CTF or IF ISA investments. In such cases, the JSAs will notify those Clients by telephone, post and/or email that their new broker cannot accept the Custody Assets and requesting their new broker details be updated.

The JSAs have worked closely with Client representatives, Clients, the FCA, bond issuers and potential new brokers and have recently completed the paperwork for the Distribution of a number of IF ISAs to two new brokers with a Distribution to a third broker expected to follow shortly. As these Distributions complete, details of the new brokers will be added to the Website. Please note, however, that this is not a recommendation of these brokers by Reyker or the JSAs. These are not Nominated Brokers (with all the substantial research that takes place by the JSAs in liaison with the FCA as part of admitting a new broker as a Nominated Broker) and Clients must undertake their own research and take independent advice as to the merits of any new broker to whom they wish to distribute Custody Assets.

#### 4.1.4 Distributions for opt-out Clients and Clients with no Nominated Broker (including IF ISAs and CTFs)

Where a Client either opted-out of the Transfer to its respective Nominated Broker(s) or, alternatively, the Client did not have a Nominated Broker (such as Clients with IF ISA and CTF investments or those that reside in the U.S.A. and could not Transfer to James Brearley), the Distribution Plan provides for the return of Custody Assets (and CAI) via a Distribution.

Clients that had not previously been provided with a CARS, for example where they had not initially been included in a Transfer to a Nominated Broker, were provided with notice that their CARS was available on the Portal so that they could use this to identify a suitable new broker.

The Distribution process requires Clients to nominate their own choice of broker (on their CARS) either on or before a Distribution Selection Date determined by the JSAs. By design, the CARS on the Portal allows for Clients to name their chosen broker and Clients were encouraged to complete this as part of the opting-out process. As advised in advance, Clients who opted out of the Transfer would experience a significant delay in the Distribution of their Custody Assets and CAI as the JSAs were prioritising the Transfers to the Nominated Brokers in the first instance.

Clients were invited to provide details of their new broker by 3 September 2021.

The JSAs are pleased to advise that, following the completion of more than 98% of Transfers to the Nominated Brokers, the JSAs commenced the Distribution process during this reporting period.

The JSAs would comment:

- At the time of writing, circa 25% of Distributions (by number of returnable Custody Asset lines subject to a Distribution) have been completed or instructed (including any associated CAI where relevant);
- The JSAs and their team are liaising with more than 70 different brokers as part of the Distribution process. Each broker has their own unique set of policies, requirements and response times, making the process challenging and time consuming, particularly as a number of brokers are completely unfamiliar with the Special Administration Regime;
- Although a condition of any Distribution instruction was for the Client to confirm that their named new broker could hold their Custody Assets, the JSAs received a number of instructions where this had not



happened and instructions were given, by the Client, to transfer Custody Assets to a broker that did not have the necessary permissions to hold the asset.

- The Distribution statistics include IF ISA and CTF Clients on account of the respective Clients now qualifying for the Distribution process (see section 4.1.3);
- At the present time, 13% of Distributions cannot be progressed on account of certain Clients having not yet designated a broker or paid their Share of Costs;
- Due to the number of brokers, asset classes and stock lines, ranging across electronic, paper and statement-based securities and the differing requirements and response times of the brokers, registrars, custodians and fund managers, the completion of Distributions will continue to be phased over time.

**A number of Clients who either opted out of the Transfer or did not have a Nominated Broker (e.g. IF ISA and CTF Clients) are still to provide their Distribution instructions or have not provided valid Distribution instructions. These Clients are strongly urged to provide such information via the Portal as early as possible to avoid any further delays to the Distribution of their Custody Assets and/or CAI.**

#### 4.1.5 Non-Returnable Client Assets

The JSAs have presently identified approximately 72 securities (which equates to 1,938 Custody Assets lines) as being Non-Returnable Client Assets.

This figure has decreased since our last progress report as a result of securities that were previously designated as Non-Returnable either being redeemed or reclassified and Transferred or Distributed during the period.

Non-Returnable Client Assets are securities which the JSAs have determined cannot be Transferred or otherwise Distributed for any legal or practical reasons. For example, these may relate to companies that have been delisted from a public stock exchange or been dissolved. These assets were marked as being Non-Returnable Client Assets on the respective Clients' CARS (subject to the stock being identified as Non-Returnable prior to the CARS being issued).

Please note, where Custody Assets have matured and converted to CAI, the cash will remain subject to the original Transfer to the respective Nominated Broker or Distribution process.

Where any Non-Returnable Client Asset ceases to be a Non-Returnable Client Asset the relevant Client Asset will be returned by either a Transfer or Distribution.

Where a Client Asset remains a Non-Returnable Client Asset, the Client may, at any time, elect to notify the JSAs in writing that it releases the Company from any obligation to return the Non-Returnable Client Asset, in which event a shortfall claim (i.e. an unsecured claim relating to any shortfall of Client Money or Custody Assets) shall automatically be deemed to have been submitted as a proof of debt.

## 4.2 Distribution of Client Money (Objective 1)

As previously reported, in line with the preference and request of the Creditors' Committee, the JSAs undertook a separate distribution of Client Money (being cash held for Clients as at 8 October 2019 and collectively known as the CMP). The primary driver for this was to provide Clients with earlier access to the majority of their funds at a time of financial uncertainty for many as a result of the Covid-19 pandemic and to provide Clients an opportunity to reinvest these funds.

Accordingly, the JSAs embarked upon a separate distribution of Client Money under the FCA's Client Money Distribution and Transfer Rules (as set out in CASS 7A) which, unlike the Distribution Plan for Custody Assets, was not subject to Court approval (and associated additional requirements and time).

### 4.2.1 First interim distribution

Since Summer 2020, the JSAs have been progressing the first interim distribution of 85% of Client Money to participating Clients or, alternatively, 80% if the respective Client is not a FSCS Protected Claimant (or yet to be confirmed as such) as a further provision was required for their respective share of the costs for distributing the CMP.

Until such time as the CMP is closed, a balance of funds will be retained as a provision against future, new and increased claims (and the share of costs for Clients ineligible for FSCS compensation).



The first interim distribution has been paid in two phases, with the JSAs setting deadlines for Clients to engage and provide their explicit instructions as to where their share of Client Money should be distributed of 7 August 2020 and, subsequently (for Clients that had missed the first deadline), 18 June 2021. Clients were asked to provide such instructions by completing a CMIF on the Portal or, alternatively, in paper form upon a Client's request.

Following the JSAs' reconciliation and Soft Bar Date process, the total sterling value of the CMP at the date of appointment was approximately £57.6 million. These funds were held for 9,192 Clients across 11,843 Client plans and 10 different currencies. This meant, subject to 100% Client engagement, the maximum amount of Client Money that could be distributed under the first distribution was approximately £48.9 million.

At the time of writing, the JSAs have received valid Client Money instructions (this is where both a claim form and CMIF has been submitted) for 10,060 Client plans (being 85% of all Clients with Client Money). This is an increase of 13% during the report period and reflects the output from the Client tracing exercise.

The following table summarises the instructions received to date and the extent to which the respective distributions have been paid by number of Client plans:

Distribution instructions	No. of Client plans			%
	Paid	Unpaid	Total	
Distribute to personal bank accounts	4,779	164	4,943	49%
Distribute to Nominated Broker	3,919	82	4,001	40%
Distribute to alternative brokers	604	136	740	7%
Donate to the NHS	294	9	303	3%
Hold until Distribution Plan approved	-	73	73	1%
<b>Total</b>	<b>9,596</b>	<b>464</b>	<b>10,060</b>	<b>100%</b>
<b>%</b>	<b>95%</b>	<b>5%</b>	<b>100%</b>	

The JSAs would highlight:

- The JSAs have now processed a first interim distribution for 95% of Client plans where a valid Client Money instruction has been received.
- This equates to distributions totalling approximately £45.6 million (being 93% by value of the maximum amount of Client Money that could be distributed at this time).
- The JSAs still require either a claim or a CMIF, or both, to be submitted for 1,783 Client plans (15%). Extensive efforts have been made to locate Clients and/or elicit engagement during the report period (further detail in section 4.3).

The reasons why the JSAs have not been able to process all of the valid instructions received to date are:

- Clients have not yet provided the requested documents to verify their personal bank account details where it was not possible to verify them by the electronic GBG check via the Portal (142 plans);
- Further action is required from either the Client or their own choice of alternative broker before funds can be distributed (168 plans);
- Clients have not yet updated 'hold' instructions which were submitted during the first phase of the distribution process pending the approval of the Distribution Plan and the disclosure of the JSAs' Nominated Brokers for Custody Assets (73 plans);
- Clients have selected for their Client Money to be paid to one of the JSAs Nominated Brokers, however, further onboarding information is required from the Client prior to the respective Nominated Broker receiving funds (29 plans); and
- Client instructions were only received just prior to the end of the reporting period (53 plans).

The JSAs continue to liaise with Clients who are required to provide additional information or take further action in order for their Client Money distribution(s) to be completed.

Clients who are yet to provide their Client Money instructions or previously submitted a 'hold' instruction and have not yet updated this should log on to the Portal as soon as possible and provide their instructions. Additional information as to how to access the Portal and submit your CMIF is available on the Website. Should you have any queries, please contact Client Services on 0800 048 9512.

#### 4.2.2 Closing the CMP and the final distribution of Client Money

As per our last report, the JSAs need to formally close the CMP to Client claims prior to returning the full balance (100%) of Client Money in order to protect participating Clients, the Company and the JSAs. The timing for closing the CMP is largely contingent on when all, or nearly all, Clients have submitted their claim to Client Money.

Following legal advice and discussions with the Creditors' Committee, the JSAs consider the most appropriate way to do this is by way of an application to Court to set a hard bar date, being a final date by which any claims to Client Money must be made by any party ("Closure Date"). After the Closure Date, the CMP would be closed to new or increased claims and the JSAs can distribute 100% of Client Money claimed by Clients, after deduction of the share of costs for Clients ineligible for FSCS compensation.

Until the CMP is closed, a balance of funds will be retained as a provision against unforeseen increased or new claims (and the share of costs for Clients ineligible for FSCS compensation).

Prior to an application to Court, the JSAs need to have taken steps to contact all known Clients in order to demonstrate to the Court that there is no reasonable prospect of any further claims to Client Money being received.

The JSA completed an extensive client tracing and notification exercise (in liaison with the FCA and over and above that set out in CASS) that included postal, email, advertisement and telephone notices. Efforts were made to contact Clients by telephone at different times of the day, IFAs were contacted for information and the JSAs utilised tracing agents to search the Register of Wills and Probate and to trace Clients using other publicly available sources. See section 4.3 below for more details.

The JSAs also liaised extensively with the FSCS as to additional protections that may have been available to Clients that had not yet claimed and the Insolvency Service as to the requirements for any possible transfer of unclaimed and unpaid Client Money.

Despite these efforts, there presently remains more than 900 Clients with over £1.2 million of Client Money yet to submit a claim (previously 1,400 Clients with over £2.1 million of Client Money) and new claims continue to be received each week.

Accordingly, and based on explicit legal advice and counsel opinion, it is not yet appropriate to apply to Court for a Closure Date with a view to paying a final (100%) distribution of Client Money.

The JSAs will continue to monitor the rate at which new claims are being received and review the appropriate time for a court application with their legal advisors and counsel.

#### 4.2.3 Notice of **second** interim distribution of Client Money

##### Notice

Given the JSAs are not be able to close the CMP and pay a full and final distribution at this time, the JSAs have decided to retain a suitable provision of less than 2% of the CMP for new or increased claims and consider it in Clients' best interests to now pay a second distribution of 13.25 pence in the pound (less a provision for a Client's share of the costs where a Client is not, or not yet confirmed as being, an FSCS Protected Claimant).

This will take the total amount of Client Money to be distributed up to 98.25% for the vast majority of Clients and leave a provision of approximately £1 million within the CMP for new or increased claims.

The JSAs will commence the second distribution following 12 November 2021 in order to give Clients an opportunity to update Client Money instructions as necessary. As before, given the volume of Clients and variety of Client Money instructions received, the distribution process will take several weeks to complete.

The JSAs will endeavour to pay all second distributions by the end of the calendar year, subject to all requisite information being provided by Clients and/or their respective new brokers (where applicable).

Clients that have recently submitted their claim to Client Money and/or distribution instructions and have not therefore participated in the first distribution will receive a payment of 98.25% of their Client Money (less a provision for their Share of Costs where necessary).

## What do Clients need to do?

In order to participate in the Client Money distribution, Clients must have submitted their claim to Client Assets and a Client Money Instruction Form (CMIF) via the Portal.

- Clients that have already submitted a claim and CMIF do not need to take any further action. The second interim distribution will be paid in accordance with the latest CMIF held on record.
- Should you wish to update your CMIF (e.g. change of bank account details). This can be done by writing to client services by email at [clientservices@reyker.com](mailto:clientservices@reyker.com) or, alternatively, by post at Reyker Securities plc (in special administration, c/o Smith & Williamson Limited, 25 Moorgate London, EC2R 6AY.
- Clients that have not yet submitted a claim and/or CMIF should log on to the Portal and complete the outstanding actions in order to participate. Further information regarding how to access the Portal and the Client Money distribution options available is on the Website. Should you have any queries, please contact client services on 0800 048 9512 or at [clientservices@reyker.com](mailto:clientservices@reyker.com).

## 4.3 Client tracing (Objective 1)

During the reporting period the JSAs have progressed and completed an extensive Client tracing program (over and above that required by CASS).

The main focus of the program was to trace and elicit engagement from Clients that had not yet submitted a claim to Client Money as, until the JSAs can demonstrate to the Court there is no reasonable prospect of further claims being received, the CMP cannot be closed and a full and final distribution of Client Money to participating Clients cannot be paid.

Unlike the Transfer of Custody Assets under the Distribution Plan, Clients with Client Money must provide instructions to the JSAs as to where their share of Client Money should be distributed in accordance with CASS.

Following legal advice and liaison with the FCA, the program included (but was not limited to):

- Instructing specialist tracing agents, Matrix, to verify addresses held for all Clients who were yet to submit a claim to Client Money and provide details of alternative addresses where necessary;
  - Where new address details were provided, notice was also sent to the new address;
- Instructing Matrix to verify addresses held for all Clients who had submitted a claim but not a CMIF and hold a Client Money balance of £25 or more and provide new addresses where necessary;
- Issuing three formal notices pursuant to CASS of the JSAs' intention to close the CMP. These notices were staggered (in accordance with CASS) and issued in May, August and early October 2021. The first and third notices were issued through a combination of post and email (where a valid postal address was not held or sourced by Matrix), with the second notice being advertised in the London Gazette, Financial Times and Peak Advertiser;
- Undertaking several rounds of outbound telephone calls, at various times of the day, to Clients yet to submit a claim and with a Client Money balance of more than £25 (where a telephone number was available);
- Instructing Matrix to do a more in-depth search on all known deceased Clients, including genealogy searches for next of kin and probate documents where deceased Clients had a Client Money balance of more than £500;
- Where relevant, contacting any intermediary investment managers or financial advisors previously acting for any Clients with an unclaimed Client Money balance of more than £25 with a view to reaching the Client via this third-party;
- Google searches on all corporate entities with a Client Money balance of over £25; and
- Since August 2021, Google searches and other searches on publicly available sources for those Clients with an unclaimed Client Money balance of more than £20k.

Following these efforts:

- A further 500 Clients have now engaged, claiming circa £1 million of Client Money (this leaves approximately 890 Clients, with Client Money totalling approximately £1.2 million, yet to submit a claim);
- There are now approximately 750 Clients who have submitted a claim to Client Money but not a CMIF (previously 1,200);
- Claims continue to be received by Clients on a weekly basis. The JSAs recently received another 32 claims in one week, including one Client with more than £20k and another with more than £10k.

Whilst claims continue to be received, the JSAs are unable to close the CMP (see section 4.2.2). The JSAs will continue to monitor the rate at which new claims are being received and review the appropriate time for a court application with their legal advisors and counsel.

The extensive client tracing work undertaken during this reporting period will form the basis of any subsequent application that is required to Court with regard to Client Money and/or to the FCA for modification of the Client Money Rules and is critical to the JSAs finalising claims against the CMP and paying a final distribution of Client Money to participating Clients.

**Clients that are yet to submit a claim to Client Assets and/or submit a CMIF are encouraged to do so immediately in order to expedite the distribution of Client Money for both themselves and other Clients. This can be done via the Portal and further guidance is available on the Website or by calling client services on 0800 048 9512.**

## 4.4 Operations (Objective 1)

### 4.4.1 Maintaining critical operations and monitoring costs

The JSAs continue to maintain all critical operations required to achieve the return of Client Assets as expediently as possible whilst monitoring the associated cost base. As previously reported, a base cost was agreed for the second year of the special administration with the Creditors' Committee (further detail in section 9) and the JSAs will continue to share their cost estimates with the Creditors' Committee on a periodic basis.

### 4.4.2 Funding

Given over 99% of Clients have now been confirmed as being FSCS Protected Claimants, the majority of Objective 1 costs (for both the return of Custody Assets and Client Money) will be paid by the FSCS on behalf of these Clients.

The JSAs entered into a compensation deed with the FSCS in late 2020, under which the FSCS are able to advance compensation due to FSCS Protected Claimants directly to the JSAs in order to defray the costs of the process of returning Client Assets; thereby ensuring the respective Clients receive their assets whole (subject to the maximum FSCS compensation limit of £85k per Client).

At the time of our last report, the JSAs had drawn down £10.1 million under the FSCS compensation deed and repaid the original bridging loan from a specialist lender (previously defined as the Repayable Loan Facility). During this reporting period, a further £3.7 million of funding has been advanced by the FSCS in order to meet Objective 1 costs as they accrue.

The JSAs also received £10,000 during the reporting period from Clients who are not FSCS Protected Claimants in respect of their Share of Costs for returning Custody Assets (bringing total Share of Costs received to £27,500).

Both sources of funding are itemised in the receipts and payments account at **Appendix C**.

### 4.4.3 Staff & third-party agents

At the end of the reporting period, the JSAs continued to retain three employees and four (previously seven) third party agents (i.e. contractors) to assist with the demands of the Special Administration process. The resourcing needs of the various workstreams are monitored on a monthly basis by the JSAs.

#### 4.4.4 Leasehold premises

The Company continues to retain its second-floor office at the Premises (the lease to the first floor was disclaimed in a previous reporting period). The extended lease is due to expire on 31 May 2022 and the JSAs continue to review the cost versus benefit of maintaining a physical office on a monthly basis.

#### 4.4.5 Migration from VAULT to a new software platform

The Company's proprietary core IT system (providing custody, dealing, settlement and client accounting and reconciliation functionality) was a bespoke application developed by the Company and known as VAULT.

For a number of reasons (as per our previous report), the JSAs considered that the development of a new and improved system, which would run in parallel to the Portal and avoid the need for periodic data migrations from VAULT (which were time-consuming and risked data loss or corruption), would provide the optimal functionality (for Clients, Reyker client services and safe custody and the JSAs) and minimise costs of the Special Administration in the medium to long term. It was also an essential requirement in reducing Reyker's reliance on a physical server room and therefore office space.

Following an intensive period of development and testing, the new system, known as 'reykeradmin.com' was launched in July 2021.

The key benefits of the new platform include (but are not limited to):

- Integration of Reyker's Client database and safe custody ledgers with Client claims and Transfer/Distribution preferences submitted via the Portal (i.e. front and back office);
- Enhancements to the Client database to record additional data for each Client specific to the Special Administration (e.g. FSCS protected status, Nominated Broker per plan, Share of Costs paid, etc.);
- Splitting cash ledgers for Client plans in two; one for Client Money (cash received prior to the Special Administration) and one for CAI (cash received post Special Administration) - this was essential for establishing the correct cash balance to be treated as Client Money (and the quantum to be retained within the CMP) and the amount of CAI which could be transferred/distributed to brokers in its entirety and allows for much faster cash reconciliations and payments. (N.B. Due to post period adjustments following the JSAs' Reconciliation and the Soft Bar Date process, this was not as straightforward as simply taking the balance recorded in VAULT at 8 October 2019 for Client Money);
- A suite of real-time bespoke reports, available on demand to the JSAs and their staff, resulting in more efficient and accurate reporting to facilitate the second phase of the first interim distribution and commence the Distribution of Custody Assets (where assets are being distributed to more than 70 different locations over an extended period of time) and responses to individual Client queries;
- No further reliance on VAULT, which was never suitable for the challenges of a Special Administration and had become outdated, even for its core services, and required regular maintenance (which could only be provided by one software engineer) to preserve functionality;
- Being 100% cloud-based to support remote working and move away from the leasehold premises at the earliest appropriate time;
- Instant access for the JSAs and their staff to all historic ledger transactions (including prior to the Special Administration) to assist with Client claims and queries from the FSCS.

#### 4.4.6 Euroclear / CREST

CREST is the share settlement system used by the Company which facilitates electronic holdings of some Custody Assets. Access to CREST was frozen following the appointment of the JSAs, the linked CREST settlement accounts were suspended by NatWest and the dedicated internet line was disabled by BT.

Following considerable negotiations with Euroclear, NatWest and BT to re-establish these services, the JSAs continue to make use of CREST to action the Transfer and Distribution of Custody Assets.

## 4.5 Communications (Objective 1)

### 4.5.1 Communications with Clients & intermediaries

During the reporting period, the JSAs have continued to liaise with Clients and intermediaries (such as Investment Managers and IFAs) by a range of different methods in a co-ordinated, timely and cost-effective way. This has included issuing mass communications by post or email, operating the dedicated Website and retaining the Company's core client services team to respond to the high volume of telephone and email enquiries. The client services team has been supplemented with experienced S&W case staff at times of peak Client interactions.

During the report period, several post, telephone and email campaigns have been undertaken, including contacting:

- Clients with Custody Assets who did not have a Nominated Broker (i.e. IF ISA, CTF and certain overseas Clients) to advise of the Distribution Selection Date and the availability of their CARS;
- Clients with Client Money that had not participated in the first phase of the first interim distribution to elicit engagement, advise of the second phase and, subsequently, the JSAs' intention to close the CMP (in accordance with CASS);
- Clients with Client Money who were yet to update previously submitted 'hold' instructions or provide the requisite documentation to verify their designated bank accounts;
- Individual and corporate Clients who were required to take further action should they wish to qualify for FSCS compensation (e.g. Clients with Client Assets of more than £85k or small companies and SIPP providers); and
- Clients that had submitted incorrect new broker details for the Distribution process.

These campaigns, in addition to general Client queries and our Client tracing program (section 4.3), meant the client services team (assisted by S&W staff):

- received approximately 4,319 inbound phone calls from Clients; and
- reviewed and responded (where necessary) to over 3,118 emails from Clients.

The dedicated Website has been regularly updated to include periodic global updates and frequently asked questions. The website has been visited 3,059 times during the report period (and 24,690 times since the start of the Special Administration).

**The JSAs would remind Clients to remain vigilant and to exercise caution when dealing with correspondence regarding the Special Administration of the Company. If you are in any doubt regarding the authenticity of any correspondence you may receive, please do not hesitate to contact client services at [clientservices@reyker.com](mailto:clientservices@reyker.com) or on 0800 048 9512.**

### 4.5.2 Client Claim Portal

During the reporting period, the Portal was enhanced to enable Clients who did not have a Nominated Broker (i.e. Clients with IF ISAs or CTFs and certain Clients overseas), to log on and access their CARS (which confirmed their Distribution Selection Date, Share of Costs and FSCS compensation status) and submit their Distribution instructions with regard to Custody Assets (and CAI).

The continued use of the Portal has been critical to the JSAs being able to record and process Client instructions across multiple workstreams in an efficient and cost-effective manner. Without the Portal, very considerable resource, that could only have been satisfied by the recruitment of a significant number of new employees and contractors, would have been required to process Client responses with regard to the Client Money distribution and the Transfer and Distribution of Custody Assets and CAI.

### 4.5.3 Liaising with the Creditors' Committee

The JSAs continue to liaise with the Creditors' Committee members on a regular basis. The last formal meeting of the Committee during the reporting period was 28 April 2021, however, the Committee also met again shortly after the end of the reporting period on 18 October 2021.

There were no changes to the Creditors' Committee members and observers during the report period; although one member did change their designated representative and the JSAs completed the necessary paperwork for this.

#### 4.5.4 FSCS eligibility reviews

The JSAs have continued to work closely with the FSCS to ensure that as many eligible Clients as possible receive compensation and that their Share of Costs will be paid direct to the JSAs (under the FSCS compensation deed) without the need for Clients to submit a claim to the FSCS themselves. Such a process means that for the vast majority of Clients:

- their Custody Assets have or will Transfer to a Nominated Broker (or be Distributed to a broker of their own choosing) in whole and without the need for the JSAs to liquidate their holdings to meet their Share of Costs; and
- their Client Money will, subsequent to a final Client Money distribution being declared, be returned in full and without deduction for their respective share of the costs of distributing the CMP, subject to a Clients' total claim for compensation not exceeding £85k. Clients with Client Assets of more than £85k were required to confirm that they wanted to claim FSCS compensation.

Working with Clients directly and the FSCS and Investment Managers where appropriate, the JSAs have now helped more than 99% of all Clients qualify for FSCS compensation.

At the time of this report:

- 33 (previously 40) corporate clients are yet to submit a claim or sufficient information for the FSCS to make a determination; and
- 4 (previously 7) individual clients with Client Assets of more than £85k are yet to submit a claim for FSCS compensation via the Portal.

The JSAs continue to write to such Clients (by post and email) to ensure that the maximum number of eligible Clients receive compensation.

#### 4.5.5 Data Subject Access Requests

During the report period, the JSAs have continued to receive and respond to DSARs. The JSAs have complied with the relevant legislation and addressed each DSAR that has been received in a timely manner.

#### 4.5.6 Tax certificates and transfer forms

During the reporting period, the JSAs continued to issue tax certificates for the tax year 2019/20 and 2020/21 (where specifically requested by Clients or their Investment Managers) and transfer forms in respect of the Transfer and Distribution of Custody Assets and Client Money to new brokers.

### 4.6 Objective 2 - Engagement with market infrastructure bodies and the Authorities

#### 4.6.1 Financial Conduct Authority

The JSAs continue to liaise regularly with the FCA in relation to Client positions, regulatory compliance matters, the Transfer of Custody Assets to the Nominated Brokers, the Client Money distribution, statutory reporting requirements, ongoing investigations, Client communications and the overall strategy for achieving the Objectives. The Company remains an FCA authorised entity and, where required, is compliant with its regulatory requirements (e.g. daily submission of the Client Asset Reconciliation).

#### 4.6.2 Financial Services Compensation Scheme

The JSAs continue to work closely with the FSCS to ensure that Clients' interests are protected and to assist the FSCS where appropriate. Further detail is provided in section 4.5.4 above.

Other, Objective 1, matters which the JSAs are liaising with the FSCS include:

- i. Client positions and progress on the agreement and submission of claims;

- ii. Progress with regard to the Transfer of Custody Assets to the Nominated Brokers and anticipated timings regarding Distributions to those Clients that opted out;
- iii. Progress of the first interim distribution and the JSAs' strategy for closing the CMP;
- iv. Funding under the FSCS compensation deed;
- v. Hardship cases;
- vi. Negligence, mis-selling and other claims asserted by a limited number of Clients
- vii. Committee matters
- viii. Compliance with the FSCS Compensation Deed.
- ix. Additional protections for Clients that might expedite the return of Client Money whilst delivering better value for money for FSCS levy payers

#### 4.6.3 LSE

The JSAs continue to liaise with the LSE in relation to corporate actions and settlement of trades.

### 4.7 Objective 3 - Rescue the investment bank as a going concern or wind it up in the interests of its creditors

As a result of the Company's indebtedness, it was not possible to rescue the Company as a going concern and effect a sale of its shares. Accordingly, the JSAs have focussed on winding up the Company's affairs in the best interests of its Clients and Creditors.

During the report period, the JSAs have:

- i. Monitored the requirement for retained employees and continued occupancy of the second floor office at the Premises;
- ii. Regularly assessed the requirement for various IT systems and suppliers and cancelled services where possible;
- iii. Developed, tested and implemented a bespoke software application (reykeradmin.com) with a view to reducing reliance on a physical server room at the Premises and a full-scale safe custody function in due course;
- iv. Liaised with trade creditors (i.e. creditors that are owed money for services provided to the Company as opposed to Clients whose assets were held under the Company's administration) and provided guidance on their own positions and the statutory process for claims;
- v. Complied with statutory reporting requirements;
- vi. Maintained relevant insurance policies for the business and the Company's House Assets;
- vii. Continued investigations into the reasons for the Company's insolvency, the directors' conduct and whether any claims may be brought against third parties in accordance with statute.

The orderly winding down of the Company will be undertaken by way of a phased series of events and will not be completed until such time that Objective 1 has been achieved. This is because until such time that all Client Assets have been returned, the Company's operations critical to the achievement of Objective 1 need to remain in place and the Company cannot yet be dissolved.

## 5. House Assets

This section provides an update on House Asset realisations for the benefit of Creditors during the period of this report. House Assets are those owned by the Company as opposed to those held on trust for its Clients. Such work constitutes pursuing Objective 3 of a special administration.

### 5.1.1 Reyker VAULT (bespoke IT platform)

As per our previous report, the JSAs have concluded that the VAULT system (the Company's bespoke and self-developed trading and operations platform), had no realisable value and that no realisations will be made in this regard.

### 5.1.2 Office furniture & equipment

As previously reported, Hilco's valuations of the unencumbered office furniture and equipment are £45,000 (in-situ) or £10,500 (ex-situ).

The office furniture and equipment within the vacated first floor office was sold in a prior reporting period (realising a net, ex-situ, £1,680 after the associated costs of removal). The Company's remaining office furniture and equipment will be sold once the items are no longer required for the purpose of pursuing Objective 1. No significant realisation is expected in this regard as the majority of the items will be several years old.

### 5.1.3 Investments

The Company held 100% of the issued share capital of 30 subsidiaries, with the most significant being Reyker Nominees Limited (the registered nominee for Clients' Custody Assets). There will be no realisations in respect of the Company's subsidiary interests.

### 5.1.4 Artwork

The Company's management accounts referenced four items of Art owned by the Company with a book value of £25k. The JSAs are continuing their investigations into their whereabouts and realisable value.

### 5.1.5 Trade and other debtors

The management accounts confirm trade debtors with a book value of circa £65,000 as at the date of the JSAs' appointment. After a review of the ledger, it was anticipated that circa £25,000 may be realised. A further £29,918 has been realised during the period (bringing total book debt realisations to £62,672).

In addition, the Company's records show other (non-trade) debtors outstanding of £202,000. As per previous reports, it is understood that this relates to costs potentially recoverable from the FSCS for work done or assistance given to former Merchant Capital Limited clients and/or the FSCS. For the moment enquiries have been made and, at this time, no realisations are anticipated. The JSAs may, however, revisit this.

### 5.1.6 Employee and shareholder loans

The management accounts show employee and shareholder loans totalling £55,404 as at the date of appointment. It is anticipated these loans will be repaid in full to the administration estate.

No additional realisations were made during the report period, however, realisations total £7,380 to date. The JSAs hope to realise further sums within the next six months.

### 5.1.7 Other House Assets

Other House Assets referenced in previous reports included rent deposits, prepayments and trademarks.

The JSAs previously reported there would be no further realisations with respect to these House Assets and the position has not changed during this reporting period. Please refer to previous reports and the summary of the JSAs' receipts and payments at **Appendix C** for further information.

### 5.1.8 Credit interest

During the reporting period, gross bank interest of £65.76 has been received. This includes credit interest that has accrued on Client Money deposits held with NatWest (in accordance with the Company's terms and conditions) as well as that accrued on realisations to the House estate for the benefit of creditors.

### 5.1.9 Corporate action receipts

As part of the internal policies adopted (at the JSAs' discretion) to meet Clients' urgent needs during the Special Administration, the JSAs have processed a number of corporate actions during the report period following receipt of directions from Clients who satisfied the internal policy criteria. In order to process such corporate actions, a fee was due from Clients to cover or contribute to the time costs incurred by the JSAs and their solicitors. A total of £3,060 was received from Clients in this regard (bringing total realisations under this policy to £44,397).

## 6. Investigations

As part of statute, the JSAs are required to investigate the affairs of the Company and the conduct of any director or shadow director in the three years preceding the Special Administration and to submit a report to the Department for Business, Energy & Industrial Strategy in accordance with the Company Directors' Disqualification Act 1986.

As previously reported, the JSAs have complied with their statutory obligations and this report has been submitted to the relevant authority. The contents of this report are confidential.

In addition, the JSAs have a duty to investigate historic transactions and identify whether any may give rise to any claims against third parties which may result in additional recoveries to the Special Administration estate. These transactions may be:

- Transactions at an undervalue (Section 238 of the Act);
- Transactions which are preferences (Section 239 of the Act); and
- Transactions to defraud creditors (section 423 of the Act).

The JSAs' investigations were still ongoing in this regard during the reporting period. The JSAs' investigations concluded shortly after the end of the period and more details on this will be in the next report.

Should any Clients or Creditors have any information that may assist the JSAs with their investigations, we invite you to provide that information to the JSAs' office as soon as possible. Any such information will be treated in confidence. Please note that this request for information forms part of our standard investigation procedure.

## 7. JSAs' receipts and payments

Attached at **Appendix C** is the JSAs' receipts and payments accounts covering the six-month reporting period, being from 8 April 2021 to 7 October 2021, and the cumulative total for the first two years of the Special Administration. The summary separates out the receipts and payments in respect of the House Accounts (being the estate for the benefit of Creditors) and Objective 1 operation accounts (which are used to defray the costs associated with returning Client Assets), which includes the segregated FSCS Trust Account for funds being advanced under the FSCS Compensation Deed).

The JSAs' also enclose a separate receipts and payments account in respect of the Client Money balances held in the CMP and Post-Pooling Accounts. Any CAI received following the JSAs' appointment is segregated in the Post-Pooling Accounts.

The summaries are largely self-explanatory, however, the JSAs would comment in respect of the most significant receipts and payments as follows:

### 7.1 Receipts

#### 7.1.1 Objective 1 Accounts

During the reporting period, the JSAs drew down a further £3,727,877 under the FSCS compensation deed. These funds are an advance of compensation due to FSCS Protected Clients in respect of their Share of the Costs of returning Custody Assets and / or Client Money.

Such an arrangement with the FSCS enables Client Assets to be returned to Clients whole and without the need for Clients to claim compensation (for deducted costs) directly from the FSCS themselves. Further detail in respect of this arrangement is provided earlier in the report at section 4.4.2.

The amounts advanced under the FSCS compensation deed during the report period have been used to pay operating costs and professional fees in respect of the pursuit of Objective 1 as they fall due.

### 7.1.2 Share of Costs Collection Account (Custody Assets)

Where Clients are not FSCS Protected Claimants, they must meet their respective Share of Costs prior to Client Assets being returned. Such Clients have been asked to complete a Payment Options Form and confirm how they wish to settle this liability (e.g. either through deducting from Client Money deposited with the Company, liquidating their Custody Assets or from another external source).

The JSAs received £10,000 in respect of Clients' Share of the Costs of Transferring their Custody Assets (bringing total receipts to £27,500). These funds have been segregated from the FSCS Trust Account and will be allocated towards the final costs of returning Custody Assets in due course.

### 7.1.3 House Accounts

House realisations have totalled £33,044 during the report period. Section 5 of this report provides further detail in this regard.

### 7.1.4 CMP and Post Pooling Accounts

The JSAs continue to segregate any Client Money received after 8 October 2019, referred to as CAI, in the requisite Post Pooling Accounts. The receipts and payments account at **Appendix C** confirms the amount of CAI received during the report period and the amounts of Client Money and CAI returned.

## 7.2 Payments

### 7.2.1 Objective 1 Account

In order to achieve Objective 1, it has been necessary to maintain critical operations at the Premises and retain several of the Company's staff and additional expert consultants to assist with the process. Such expenses will now principally be funded from advances of compensation due to FSCS Protected Claimants under the FSCS compensation deed.

Key payments made during the reporting period from the FSCS Trust Account include:

- Agent fees totalling £206,929 plus VAT, which principally relate to specialist contractors engaged to assist with the pursuit of Objective 1 (further detail in section 9.3);
- Net salaries totalling £61,325 (along with PAYE & NIC and pension contributions of £37,768 and £13,641 respectively). Additional staff benefits and expenses have also been paid in the sum of £4,797;
- IT supplier fees totalling £23,230.14, including payments to Fusion Technology Solutions Limited (being the Company's outsourced IT maintenance provider) and Mayfly Internet Marketing (who host the Company's legacy website);
- Property costs totalling £105,606 in respect of rent, rates, service charges, utilities and a contribution to dilapidations (as agreed under the terms of the renewal lease in return for a rent-free period of 15 months);
- Necessary statutory costs totalling £16,384 in respect of outsourced printing and postage for mass Client communications. This principally relates to largescale circulars to Clients with respect to the second phase of the Client Money distribution and Clients with Custody Assets (and CAI) subject to a Distribution;
- Custody fees of £87,493 to the custodians who continue to hold Custody Assets for the benefit of the Company's Clients until such time that they can be Transferred or Distributed. This includes payments to Aegon Co-funds and Allfunds and any charges incurred to maintain and support CREST;
- Client Money distribution costs totalling £18,501, which includes payments to the Company's NatWest corporate charging account to defray fees charged in respect of the maintenance and operation of Client Money deposit accounts, to include bank charges on Client Money transfers (the JSAs have sought to minimise bank transfer charges wherever possible);
- Reykeradmin.com development costs of £133,400 plus VAT, which includes payments to Manresa Consulting Limited (the Company's pre-administration IT consultancy firm which has prior experience of developing code for VAULT and developed the Portal in conjunction with the JSAs) and Twenty Recruitment Limited (who sourced additional developers with the requisite skills during the project);



- £250,000 in respect of the Transfer of structured products to James Brearley pursuant to the transfer agreement between James Brearley, the Company and the JSAs;
- Client tracing costs of £8,901, which includes payments to the Client tracing agent (Matrix) of £4,460 plus VAT and printing and postage costs of £4,441 plus VAT; and
- Irrecoverable VAT and US tax of £494,326 and £296 respectively.

Further detail in respect of the JSAs' own fees and their agents and advisors is included in section 9.

### 7.2.2 House Accounts

The only payment from House Assets during the report period was a statutory filing fee, totalling £375, due to Companies House in respect of a subsidiary for which the Company is a director.

### 7.2.3 CMP and Post Pooling Accounts

During the report period, the JSAs have progressed the first interim Client Money distribution as well as the Transfer and Distribution of CAI to the Nominated Brokers and those designated by opt-out Clients and Clients without a Nominated Broker respectively.

Although dividends, coupon payments or mandatory 'kick-out' redemptions should now be paid by the paying entity to the new broker (e.g. James Brearley) following any Transfer or Distribution, the Special Administration will continue to receive CAI in respect of Custody Assets that continue to be held by the Company on trust for Clients or where a dividend or redemption was declared shortly prior to the respective asset being registered in the name of the new nominee entity.

Following improvements to the safe custody accounting and reporting function (see section 4.4.5), the JSAs have undertaken periodic bulk Transfers of CAI to the Nominated Brokers and aim to Transfer or Distribute any additional income received within six to eight weeks of receipt.

The Client Money receipts and payments account at **Appendix C** confirms the extent of Client Money distributed from the CMP and CAI Transferred or Distributed from the segregated post-pooling accounts, across each of the various currencies held by the Company.

## 8. Estimated outcome for Clients and Creditors

### 8.1 Clients

The Distribution Plan (as approved by the Court) sets out the basis and methodology for allocating the costs incurred by the JSAs in pursuing Objective 1 for Custody Assets. The Distribution Plan estimates that Clients will be charged a fixed fee of no more than £2,500 in respect of the Transfer of their Custody Assets, however, this will be capped to the lower of the fixed fee or the value of a Client's Custody Assets as at 8 October 2019.

Costs for dealing with Client Money will be levied as a fixed percentage of the Client Money balance. On present information, it is anticipated such costs will now be higher than the previously reported estimate of 6.5% given the extent of work required to elicit Client engagement and process the high volume of instructions to pay Client Money to alternative brokers or personal bank accounts (which has required additional IT development, verifications and documentation). The prior estimate was based on a higher percentage of Clients engaging early in the process and requesting their Client Money be paid to one of the JSAs Nominated Brokers.

Further, as the JSAs are not closing the CMP at this time, there will be a greater proportion of shared costs in year 3 of the special administration to be allocated against meeting Objective 1 as it relates to returning Client Money and a slightly lower (corresponding amount) against the costs of meeting Objective 1 as it relates to returning Custody Assets.

Whilst these costs may be deducted from the respective Client Assets in accordance with the Regulations and CASS, the JSAs anticipate that more than 99% of Clients will qualify for FSCS compensation and, therefore, other

than a very small number of exceptions, Clients will not have to meet these costs (as they will be settled by the FSCS) and will receive a full return in respect of their Custody Assets and Client Money.

## 8.2 Secured creditors

The Company granted security conferring both fixed and floating charges to NatWest on 4 April 2016.

NatWest has submitted claims against the Company totalling £8,876.

The ability to pay a distribution to secured creditors will depend upon the level of realisations from House Assets, the associated costs of such realisations and the costs incurred in respect of pursuing Objective 2 and Objective 3. Until all House Asset realisations have been concluded, the JSAs are unable to provide an indication of dividend prospects as this may prejudice future realisations.

## 8.3 Preferential creditors

The only categories of claim which will have preferential status against the administration estate are those of employees in respect of arrears of salary (up to £800) and any accrued but unpaid holiday entitlements. Such claims are first met and paid (up to certain statutory limits) by the RPS, a government department within the Department for Business, Energy and Industrial Strategy, who will then have a subrogated preferential claim in the Special Administration.

Preferential claims in respect of arrears of wages are capped at £800 per employee. Any amount in excess of this will be classified as an unsecured claim. Any holiday pay owing in excess of the statutory limit applied by the RPS will form part of the employee's residual preferential claim. As previously reported, we estimate that the total preferential claims of the Company's employees will be approximately £7,600.

As is the case for the secured creditor, the ability to pay a distribution to preferential creditors will depend upon the level of realisations from House Assets, the associated costs of such realisations and the costs incurred in respect of pursuing Objective 2 and Objective 3. Until all House Assets have been realised, the JSAs are unable to provide an indication of dividend prospects as this may prejudice future realisations.

## 8.4 Unsecured creditors

Unsecured creditor claims are broadly split into three categories:

1. Client shortfall claims, which arise from any shortfall of Client Money or Custody Assets;
2. Client claims in respect of breach of contract, negligence or mis-selling; and
3. Ordinary unsecured creditors, which include the claims of trade creditors, HMRC and employees' non-preferential claims (to include the subrogated claim of the RPS and any employees with residual unsecured claims).

The Company's Clients (as per categories one and two above) may have recourse to claim compensation for any shortfall in Client Assets or breach of contract or negligence through the FSCS subject to eligibility and the overall statutory limit of £85,000 per claimant. The FSCS will, however, be entitled to submit a subrogated unsecured claim in respect of any compensation paid to the Clients in respect of these claims.

The JSAs' Proposals estimated that claims arising in respect of ordinary unsecured creditors (as per category three above) will total approximately £1.2 million. To date, claims received from Creditors total c.£1.1 million.

The JSAs have not undertaken the adjudication of unsecured creditor claims at this stage as the ability to pay a dividend will depend upon the level of realisations from House Assets, the associated costs of such realisations and the costs incurred in respect of pursuing Objective 2 and Objective 3. Given the anticipated level of such costs and the limited realisations anticipated from House Assets, it may be that such a process will not be necessary as part of the Special Administration.

## 8.5 The Prescribed Part

The Regulations and Rules provide that, where a company has granted a floating charge either on or after 15 September 2003, there is a provision for a share of the Company's net property to be set aside for distribution to unsecured creditors in priority to the floating charge holder. These funds are referred to as the Prescribed Part.



For these purposes, net property is defined as being realisations from assets subject to floating charges after the associated costs of realisation and after settlement of preferential claims. The prescribed part is calculated as being 50% of the first £10,000 of net property and 20% of net property thereafter, subject to a maximum prescribed part fund of £600,000.

Until all House Assets realisations have been concluded, the JSAs are unable to provide an indication as to whether there will be any funds available to unsecured creditors in respect of the Prescribed Part as this may prejudice future realisations.

## 9. Costs of the Special Administration

The professional costs of the Special Administration to date can be split into the following three categories:

- a. The pre-Special Administration costs incurred by S&W and Foot Anstey;
- b. The JSAs' post-appointment remuneration; and
- c. The JSAs' expenses (to include category 1 and category 2 expenses).

Further detail in respect of these costs is provided below.

### 9.1 Pre-Special Administration costs

The pre-Special Administration fees and expenses for both S&W and Foot Anstey were approved by the Creditors' Committee on 30 January 2020. A summary of the fees and expenses incurred and those paid from the FSCS Trust Account during the report period is provided below.

Charged by	Services provided	Total amount charged £	Amount paid in period £	Total amount paid £	Amount outstanding £
S&W	Pre-administration planning	96,135	-	96,135	-
Foot Anstey LLP	Legal advice	65,413	-	32,706	32,707
Foot Anstey LLP	Legal expenses	12,530	-	1,154	11,376
<b>Total</b>		<b>174,078</b>	<b>-</b>	<b>129,995</b>	<b>44,083</b>

*N.B. All amounts are quoted exclusive of VAT*

### 9.2 Post-Special Administration costs

#### 9.2.1 Bases for fixing the JSAs' remuneration

The JSAs' are entitled to receive remuneration for services given in respect of:

- Objective 1, which will be paid out of Client Assets (subject to FSCS compensation not being received in respect of a respective Client's Share of the Costs); and
- Objective 2 and Objective 3, which will ordinarily be paid out of the Company's House Assets.

The Creditors' Committee approved that the basis of the JSAs' remuneration in pursuit of Objectives 1, 2 and 3 be fixed by reference to the time properly given by the JSAs and their staff in attending to matters arising in the Special Administration by way of resolution on 20 April 2020.

On 22 October 2020, the Creditors' Committee also proposed and approved a resolution that the JSAs' time costs and expenses for year 2 of the Special Administration be drawn in line with an incentive-based arrangement ("the Ratchet Agreement").

The Ratchet Agreement sets a base cost for year 2 costs (including professional fees and certain operating costs) of £6.41 million and tiered discounts or premium to be applied to the JSAs' remuneration in the event that the base cost is exceeded or not. Given the uncertainty surrounding some of the expenditure relating to the Special Administration or the ability of the JSAs to influence them, certain costs were excluded from the base cost calculation, such as financing costs, custody fees, the development of reykeradmin.com and Client tracing costs.

### 9.2.2 The JSAs' time costs to 7 October 2021

The JSAs' time costs are as follows:

Period	Total hours Hrs	Total costs £	Av. hourly rate £/hr	Fees drawn in period £
8 October 2019 to 7 April 2020	3,890	1,688,609	434	-
8 April 2020 to 7 October 2020	4,084	1,816,337	445	249,432
8 October 2020 to 7 April 2021	3,374	1,657,004	491	2,891,411
8 April 2021 to 7 October 2021	2,428	1,207,172	431	2,145,118
<b>Total</b>	<b>13,776</b>	<b>6,369,122</b>	<b>462</b>	<b>5,285,961</b>

During the report period, the JSAs have incurred time costs of £1.2 million (which includes costs of dealing with Client Money, Custody Assets and House Assets) which represents 2,428 hours at an average charge out rate of £431 per hour. The time costs for the period are in line with those estimated in the Ratchet Agreement.

**Appendix E** provides a detailed analysis of the JSAs' time costs incurred during the reporting period by reference to the grade of staff used and work done. The information is provided in accordance with SIP 9. A detailed narrative of the tasks undertaken in respect of each work activity is also set out within **Appendix E**.

Also included at **Appendix F** is a cumulative time analysis for the period from 8 October 2019 to 7 April 2021 which provides details of the JSAs' total time costs since appointment, totalling £6.4 million.

### 9.2.3 JSAs' remuneration drawn to date

During the report period, a total of £2.1 million was drawn from the FSCS Trust Account which relates to time costs in respect of Objective 1. No remuneration was drawn from the House Estate.

Total remuneration drawn by the JSAs as at the end of this report period is £5.3 million plus VAT, which all relates to time incurred in respect of Objective 1 and paid from the FSCS Trust Account. Of this, £249,432 was initially paid from the CMP, however, this was reimbursed from the FSCS Trust Account during a prior reporting period.

### 9.2.4 Further information on the JSAs' remuneration

Details of Smith & Williamson LLP's charge out rates and policies in relation to the use of staff are provided at **Appendix G**. The charge out rates are subject to an annual review.

A Creditors' and Clients' guide to the JSAs' fees can be found on the website [www.ips-docs.com](http://www.ips-docs.com) or, alternatively, <https://smithandwilliamson.com/reyker-securities-plc/>. Should you require a paper copy please email [reyker.securities@smithandwilliamson.com](mailto:reyker.securities@smithandwilliamson.com) or telephone 020 7131 4934 and it will be sent to you at no cost.

## 9.3 Expenses

### 9.3.1 Professional advisors' and agents' fees and expenses

During the course of the Special Administration to 7 October 2021, the JSAs have engaged the following professional advisors and agents. The following table confirms the basis of our fee arrangement with each of them which is subject to review on a regular basis.

Name of professional advisor or agent	Services	Basis of fee arrangement
Arthur Financial Ltd	IT recruitment	Fixed fee
Bartlett & Co. Ltd	Insurance brokers	Fixed fee
CAPA	Business rates review	% of realisations
Claret Recruitment Ltd	Recruitment	Mark up on contractors' time
ERA Solutions Ltd	Employee claim assistance	Fixed fee / employee
Farrer & Co LLP	Legal advice	Time costs plus disbursements
Foot Anstey LLP	Legal advice	Time costs plus disbursements
Fourthline Ltd	SAR and CASS recruitment	Mark up on contractors' time
Fusion Technology Solutions Ltd	IT support	Fixed fee under service agreements
Hilco Appraisal Ltd	Valuation of the Company's physical assets	Fixed fee plus disbursements
Marsh	Insurance brokers	Fixed fee
MHR International UK Ltd	Payroll services	Fixed fee / employee
SAR experienced consultants and other independent contractors	Assistance with the audit, reconciliation and return of Custody Assets and Client Money	Time costs
Seneca Partners Ltd	Marketing and assistance with negotiating a sale of the business and assets	Time costs plus disbursements
South Square	Legal counsel	Time costs plus disbursements
Twenty Recruitment Group	IT recruitment	Mark up on contractors' time

At **Appendix D** is a schedule confirming the extent of expenses incurred by the JSAs' instructed professional advisors and agents during the period (as well as cumulatively since appointment), including whether they have been incurred in respect of pursuing Objective 1 and/or Objectives 2 & 3, together with confirmation as to whether those amounts have been paid or remain unpaid.

The JSAs can confirm that the choice of agents and advisors and the basis of their fees was based on factors including, but not limited to, their experience, the complexity of the assignment and their geographic location and that each are third party entities. The JSAs and their firm do not have any association with any external provider of services and, therefore, they do not fall within the definition of an associate as defined in Section 435 of the Insolvency Act 1986 and in SIP 9. Payments to external professional advisers for the services they provide are therefore not a category 2 expense (as defined within SIP 9) and do not require prior approval from the Creditors' Committee.

### 9.3.2 Disbursements

From time to time it may be necessary for S&W to pay directly for certain expenses relating to the work being undertaken. The JSAs are permitted to charge and recover such disbursements which are classified as either category 1 or category 2 disbursements.

Category 1 disbursements are expenses paid by S&W to third parties and are recoverable without approval. The following table sets out the category 1 disbursements incurred and paid during the period:

Description	Obj 1 expenses incurred in period £	Obj 2&3 expenses incurred in period £	Total incurred in period £	Total paid in period £	Total expenses outstanding at period end £
IT suppliers (incl. Microsoft)	-	-	-	-	5,976
Courier & postage	-	-	-	-	244
General suppliers	-	-	-	-	1,297
SAGE subscription	-	-	-	-	240
Searches	-	-	-	-	3
Staff equipment & expenses	-	-	-	-	625
Staff training costs	-	-	-	-	760
Statutory bond	-	-	-	-	140
Travel & sustenance	-	-	-	-	1,124
TV licence renewal	-	-	-	-	155
<b>Total</b>	-	-	-	-	<b>10,564</b>

*N.B. (1) - Costs incurred are shown exclusive of VAT.*

*N.B. (2) - Total costs outstanding may include costs incurred in prior periods, but not yet paid.*

*N.B. (3) - Total expenses outstanding at the end of the last report period were understated by £1,026 although the expenses reported in the period were correct. The above table confirms the correct position. To date, no expenses have been reimbursed to S&W in this regard.*

Category 2 disbursements are internal expenses incurred by S&W that include an element of allocated costs or a profit element. Category 2 disbursements are subject to the same approval as the JSAs' remuneration. The following Category 2 disbursements have been incurred during the period and the Special Administration:

Description	Obj 1, Cat 2 expenses incurred in period £	Obj 2&3, Cat 2 expenses incurred in period £	Total Cat 2 expenses incurred in period £	Total Cat 2 expenses incurred in period £	Total Cat 2 expenses outstanding at period end £
Smith & Williamson Fund Administration Limited (call centre services)	-	-	-	-	25,476
<b>Total</b>	-	-	-	-	<b>25,476</b>

*N.B. (1) - Costs incurred are shown exclusive of VAT.*

*N.B. (2) - Total costs outstanding may include costs incurred in prior periods, but not yet paid.*

*N.B. (3) - The total amount of Category 2 disbursements paid during the early stages of the Special Administration was £38,700 plus VAT, as per the JSAs' progress reports dated 5 May and 5 November 2020. The outstanding balance reported in the last progress report of £12,251 was incorrect. The above table confirms the correct balance yet to be drawn by S&W.*

In accordance with the Regulations and the Rules, the drawing of Category 2 disbursements is subject to the approval of the Creditors' Committee. At the first meeting of the Creditors' Committee held on 30 January 2020, a resolution was passed approving the extent of Category 2 disbursements referenced in the JSAs' Proposals and a subsequent resolution was passed during this reporting period, on 22 October 2020, approving the Category 2 disbursements referenced in the JSAs' first progress report.

## 10. Duration and exit of the Special Administration

Unlike administration, a special administration does not automatically end after 12 months.

Once the JSAs consider that the Objectives of the Special Administration have been met it may be concluded by either:

- Putting forward proposals for a CVA with a view to rescuing the investment bank as a going concern; or
- Making an application to the Court under paragraph 79 of Schedule B1 to the Act and seeking any order necessary (which may include a request to place the Company into liquidation); or,
- Filing a notice with the Court and Registrar of the Company's dissolution.

As stated above, there is no prospect of the investment bank being rescued as a going concern and, accordingly, the JSAs consider that the most appropriate exit route may be to file a notice of the Company's dissolution once all Client Assets have been transferred and relevant distributions have been paid and the Company's affairs and statutory obligations have been concluded in an orderly manner.

At this stage, it is not possible to provide a definitive timescale for the duration of the Special Administration.

## 11. Privacy and data protection

As part of our role as JSAs, I would advise you that we may need to access and use data relating to individuals. In doing so, we must abide by data protection requirements. Information about the way that we will use and store personal data in relation to insolvency appointments can be found at [www.smithandwilliamson.com/rsgdpr](http://www.smithandwilliamson.com/rsgdpr).

If you are unable to download this, please contact the JSAs' office and a hard copy will be provided free of charge.

To the extent that you hold any personal data on the Company's data subjects provided to you by the Company or obtained otherwise, you must process such data in accordance with data protection legislation. Please contact us if you believe this applies.

Insolvency practitioners at S&W are bound by the Insolvency Code of Ethics when carrying out all professional work relating to an insolvency appointment.

## 12. Creditors' rights

Creditors and Clients have rights under Rules 201 and 202 to request further information and to challenge the JSAs' remuneration and/or expenses incurred. In summary:

- Within 21 days of the receipt of a progress report, a secured creditor, or an unsecured creditor (with the concurrence of at least 5% in value of the unsecured creditors, including the creditor in question or the permission of the court) or Client (with the concurrence of at least 5% in value of the Client assets including the Client in question) may request in writing that the JSAs provide further information about their remuneration or expenses which have been itemised in the report.
- Any secured creditor or an unsecured creditor (with the concurrence of at least 10% in value of the unsecured creditor including the creditor in question or the permission of the court) or Client (with the concurrence of at least 10% in value of the total claims in respect of Client Assets held by the investment bank, or with the permission of the court or the FCA) may, within 8 weeks of receipt of a progress report, make an application to court on the grounds that, in all the circumstances, the basis fixed for

the JSAs' is inappropriate and/or the remuneration charged or the expenses incurred (including any paid) by the JSAs, as set out in the report, are excessive.

The above rights apply only to matters which have not been disclosed in previous reports.

On a general note, if you have any comments or concerns in connection with our conduct, please contact the JSAs. If the matter is not resolved to your satisfaction, you may contact S&W's Head of Legal by writing to 25 Moorgate, London EC2R 6AY or by telephone on 020 7131 4000.

Thereafter, if you wish to take the matter further you may contact the Insolvency Services directly via Insolvency Complaints Gateway. They can be contacted by email, telephone or letter as follows:

Email: [insolvency.enquiryline@insolvency.gsi.gov.uk](mailto:insolvency.enquiryline@insolvency.gsi.gov.uk)  
Telephone: +44 300 678 0015  
Postal address: The Insolvency Service, IP Complaints, 3rd Floor, 1 City Walk, Leeds LS11 9DA

## 13. Next report

The JSAs are required to provide a progress report within one month of the end of the next six months of the Special Administration or earlier if the Special Administration has been finalised.

Regular updates to Clients will be provided, as and when appropriate, and uploaded to the Website.

You may request a hard copy of any of the documents available on the Website, which will be provided at no cost, by:

- **Telephone:** 0800 048 9512
- **Email:** [clientservices@reyker.com](mailto:clientservices@reyker.com)
- **Post:** Reyker Securities plc (in special administration), 25 Moorgate, London, EC2R 6AY.

For and on behalf of the Company



Mark Ford  
Joint Special Administrator  
Date: 4 November 2021



# Appendices

# A. Statutory information

Relevant Court	High Court of Justice, Business and Property Courts of England and Wales			
Court Reference	CR-2019-006671			
Trading Addresses	17 Moorgate, London EC2R 6AR			
Former Name(s)	Reyker Securities Limited (1 November 1985 to 6 March 1995) Finsec Services Limited (1 February 1984 to 31 October 1985) Phoneville Limited (23 August 1983 to 30 January 1984)			
Registered Office	25 Moorgate, London, EC2R 6AY (Formerly 17 Moorgate, London EC2R 6AR)			
Registered Number	01747595			
Joint special JSAs	Mark Christopher Ford, Adam Henry Stephens and Henry Anthony Shinnars all of 25 Moorgate, London, EC2R 6AY (IP No(s) 9521, 9748 and 9280)  In accordance with Paragraph 100 (2) Schedule B1 of the Act (as applied by Reg. 15) the Court order authorises the JSAs to act jointly and severally.			
Date of Appointment	8 October 2019			
Appointor	The High Court of Justice upon the application of the directors			
Directors (current)	<u>Name</u>	<u>Appointed</u>	<u>Resigned/Removed</u>	<u>Shares</u>
	Adrian Barwell	31 August 2012	-	41.77%
	Katie McGinley	28 June 2017	2 December 2019	
Directors (last 3 years)	Philippa Brown	1 February 2006	19 September 2018	10.10%
Company Secretary	Katie McGinley	13 April 2018	2 December 2019	
Shareholders	<u>Name</u>	<u>No. shares held</u>	<u>Voting rights</u>	
	Karin Bernadette Moorhouse	282,188		38.75%
	Adrian Barnwell	304,150		41.77%
	Philippa Jane Brown	73,556		10.10%
	Kelly Beatrice Lake	6,562		0.90%
	Jessica Moorhouse	13,125		1.80%
	Kyle Lake	6,563		0.90%
	Will Felstead	14,000		1.92%
	Jeffery Eric Felstead	14,000		1.92%
	Georgina Rose Felstead	14,000		1.92%
	<b>Total</b>	<b>728,144</b>		<b>100%</b>



# B. Summary of the JSAs' Proposals

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Proposals generic to the Special Administration:

- a) THAT they [the JSAs] continue to manage the Company's affairs, business and property as they see fit in order to pursue the Special Administration's Objectives, being:
- b) THAT they seek the constitution of a Clients' and Creditors' Committee to represent the interests and make decisions on behalf of the Creditors and Clients as a whole;
- c) THAT, in the absence of a direction from the FCA under regulation 16 of the Regulations, they continue to pursue the Objectives in parallel;
- d) THAT they shall do all such things and generally exercise all powers as they, at their discretion, consider desirable in order to achieve the Objectives or to protect and preserve the assets of the Company or to maximise realisations for any other purpose incidental to these Proposals;
- e) THAT they continue to enable the Company to employ staff to assist with the work required to achieve the Objectives;

Proposals relevant to pursuing objective 1:

- f) THAT they continue with and finalise the JSAs' Reconciliation of Client Money and Custody Assets in order to determine each respective Clients' holding in the Special Administration and for such work to be completed in accordance with CASS;
- g) THAT they continue to safeguard and take any action necessary to preserve and maximise Client Money and Custody Assets;
- h) THAT they continue to segregate and safeguard any Client Money received following the PPE with a view to expediting the return of those monies following the completion of the JSAs' Reconciliation;
- i) THAT, in the event they deem either a sale of the Company's business and assets or a transfer of Client Money and Custody Assets to an appropriately authorised and regulated broker (either in whole or in part) will achieve the best outcome for Clients, they be authorised to complete such sale or transfer in accordance with the Regulations, the Rules and the Client Money Rules;
- j) THAT, in the event a sale of business or transfer of assets is not achieved, they distribute Client Money and Custody Assets to Clients by way of the most efficient and cost-effective mechanism possible considering the procedures available to them within the Regulations, the Rules and the Client Money Rules;
- k) THAT they may seek directions from the Court in relation to such matters as may be required.

Proposals relevant to pursuing objective 2:

- l) THAT they continue to engage with market infrastructure bodies and the Authorities and to take all steps necessary to ensure that the Special Administration is dealt with efficiently and in accordance with statutory requirements.

Proposals relevant to pursuing objective 3

- m) THAT they will consider, and if thought fit, pursue any claims the Company may have in order to maximise returns to the Creditors;
- n) THAT they continue to identify, secure and realise House Assets to the administration estate for the benefit of the Creditors;
- o) THAT, should there be sufficient asset realisations to permit a distribution to either secured, preferential or unsecured creditors, they be authorised to agree the respective Creditors' claims and distribute funds in accordance with the Regulations and the Rules;
- p) THAT, if a sale or transfer of the business is not achieved, they take appropriate steps to wind down the business having regard to the interests of both its Clients and Creditors.
- q) THAT, once the Objectives have been fulfilled, they seek to conclude the Special Administration by either i) submitting proposals for a Company Voluntary Arrangement; ii) making an application to the Court under paragraph 79 of Schedule B1 to the Act and seeking any order necessary (which may include a request to place the Company into liquidation) or, alternatively, iii) by filing notice of dissolution with the Court and Registrar of Companies.



## C. JSAs' receipts and payments

Est. to Realise £	8 April 2021 to 7 October 2021		8 October 2019 to 7 October 2021		
	House	Objective 1	House	Objective 1	
	Accounts	Accounts	Accounts	Accounts	
£	£	£	£	£	
	<b>RECEIPTS</b>				
	Financial Services Compensation Scheme	-	3,727,877.00	-	13,789,561.00
	Repayable Loan Facility	-	-	-	2,600,000.00
	Share of Costs - Custody Assets	-	10,000.00	-	27,500.00
	Bank Interest Gross	65.76	79.30	66,543.01	1,308.64
24,369.10	Book Debts	29,917.93	-	62,671.65	-
51,812.15	Cash at Bank	-	-	51,812.15	-
	Corporate Action Fees	3,060.00	-	44,397.50	-
	Fees re the early return of CAI	-	-	12,240.00	-
55,403.56	Employee & Shareholder Loans	-	-	7,379.58	-
34,792.00	Prepayments & other deposits	-	-	4,160.69	-
	Cash held by Solicitors	-	-	1,680.00	-
45,000.00	Office Furniture & Equipment	-	-	1,680.00	-
	Insurance Refund	-	-	303.34	-
		<u>33,043.69</u>	<u>3,737,956.30</u>	<u>252,867.92</u>	<u>16,418,369.64</u>
	<b>PAYMENTS</b>				
	JSAs' Fees & Expenses (Custody Assets)	-	(1,850,678.94)	-	(4,194,467.44)
	Repayable Loan Facility Redemption	-	-	-	(3,725,128.30)
	Irrecoverable VAT	(409.00)	(494,325.66)	(3,980.48)	(1,567,239.86)
	Agents' Fees & Expenses	-	(206,928.61)	(7,186.41)	(1,154,073.78)
	JSAs' Fees & Expenses (Client Money)	-	(294,439.38)	-	(1,132,983.69)
	Staff Costs (incl. Salaries, PAYE and Pensions)	-	(112,734.14)	-	(869,396.42)
	IT Suppliers	-	(23,230.14)	-	(430,821.37)
	Property Costs	-	(105,605.62)	-	(415,774.65)
	Legal Fees & Expenses (Custody Assets)	-	(49,095.86)	-	(290,983.03)
	Structured Products Transfer Cost	-	(250,000.00)	-	(250,000.00)
	Legal Fees & Expenses (Client Money)	-	-	-	(223,473.20)
	Custody Fees - Custody Assets	-	(87,492.52)	-	(222,915.74)
	Statutory Costs (incl. Printing)	(375.00)	(16,383.54)	(1,042.00)	(195,100.11)
	Development of Reykeradmin.com	-	(133,400.10)	-	(193,266.30)
	Pre-appointment Fees & Expenses	-	-	-	(129,995.58)
	Distribution Costs - Client Money	-	(18,501.12)	-	(68,732.58)
	Insurance	-	(2,494.65)	-	(45,660.82)
	Telephone & Internet	-	(3,998.28)	-	(34,012.76)
	Pre-appointment Custody Fees	-	-	-	(31,640.70)
	General Suppliers	-	(6,657.00)	-	(29,273.84)
	Staff Benefits & Expenses	-	(4,797.18)	(354.00)	(24,775.55)
	Client Tracing	-	(8,900.89)	-	(21,189.89)
	Irrecoverable US Tax	-	(296.29)	-	(10,574.01)
	Bank Charges	(0.40)	(89.20)	(2.45)	(469.35)
	Petty Cash	-	-	-	(400.00)
	Subscriptions	-	(40.00)	-	(120.00)
	Legal Fees - Corporate Actions	(2,045.00)	-	(12,049.00)	-
		<u>(2,829.40)</u>	<u>(3,670,089.12)</u>	<u>(24,614.34)</u>	<u>(15,262,468.97)</u>
	Balances in Hand	<u>30,214.29</u>	<u>67,867.18</u>	<u>228,253.58</u>	<u>1,155,900.67</u>
	<b>REPRESENTED BY</b>				
	FSCS Trust Account				1,128,400.67
	Share of Costs Collection Acct				27,500.00
	Corporate Action Fees Account			42,207.35	
	General House Account			186,046.23	
				<u>228,253.58</u>	<u>1,155,900.67</u>



## Client Money receipts & payments for the period 8 April 2021 to 7 October 2021

CLIENT MONEY - PRIMARY POOL	GBP	AUD	CAD	CHF	DKK	EUR	JPY	NOK	PLN	SEK	USD	ZAR
Balance brought forward - 8 April 2021	14,736,453	3,404	50	23,891	-	1,583,444	5,874	41	-	190,163	568,138	70,222
<b>RECEIPTS</b>												
Returned Client Money Distributions	54,749	-	-	1,956	-	-	-	-	-	-	-	-
FX conversions	90	-	-	-	-	-	-	-	-	-	-	-
Internal transfer between primary pool and post-pooling	-	-	-	-	-	-	-	-	-	3,164	-	-
Client deposits to settle overdrawn plans	2,500	-	-	-	-	-	-	-	-	-	-	-
	57,339	-	-	1,956	-	-	-	-	-	3,164	-	-
<b>PAYMENTS</b>												
Client Money Distributions to Clients	(5,432,413)	-	-	(5,628)	-	(137,988)	-	-	-	-	(207,059)	-
Funds received in error	(1,087)	-	-	-	-	-	-	-	-	-	-	-
FX conversions	-	-	-	-	-	(108)	-	-	-	-	-	-
Bank Charges	(395)	(63)	(34)	(155)	-	(49)	-	-	-	(182)	(170)	-
	(5,433,894)	(63)	(34)	(5,783)	-	(138,145)	-	-	-	(182)	(207,229)	-
<b>Balances to hand</b>	<b>9,359,897</b>	<b>3,341</b>	<b>16</b>	<b>20,064</b>	<b>-</b>	<b>1,445,299</b>	<b>5,874</b>	<b>41</b>	<b>-</b>	<b>193,145</b>	<b>360,909</b>	<b>70,222</b>
<b>CLIENT MONEY - POST POOLING ACCOUNTS</b>	<b>GBP</b>	<b>AUD</b>	<b>CAD</b>	<b>CHF</b>	<b>DKK</b>	<b>EUR</b>	<b>JPY</b>	<b>NOK</b>	<b>PLN</b>	<b>SEK</b>	<b>USD</b>	<b>ZAR</b>
Balance brought forward - 8 April 2021	4,922,778	9,578	26,351	722	1,595	127,753	35,809	190,076	721	1,647,276	2,143,178	-
<b>RECEIPTS</b>												
Corporate Action Income (incl. dividends, coupons, redemptions)	3,009,300	5,053	-	108	-	19,077	4,843	7,575	-	198,964	363,277	-
Fund manager trail commission	265	-	-	-	-	-	-	-	-	-	-	-
Funds received in error	773	-	-	-	-	-	-	-	-	-	-	-
FX conversions	85,030	-	-	-	-	7,964	-	-	-	-	-	-
	3,095,369	5,053	-	108	-	27,041	4,843	7,575	-	198,964	363,277	-
<b>PAYMENTS</b>												
Transfers and Distributions of Corporate Action Income	(5,240,118)	(14,074)	(4)	-	-	(145,212)	-	(110,966)	-	(1,841,600)	(2,296,528)	-
Internal transfer between primary pool and post pooling	-	-	-	-	-	-	-	-	-	(3,164)	-	-
Transfers to House Accounts to repay Book Debts	(28,332)	-	-	-	-	-	-	-	-	-	-	-
Return of funds received in error	(13,119)	-	-	-	-	-	-	-	-	-	-	-
FX conversions	-	-	(26,347)	(830)	(1,595)	(2,938)	(40,652)	(86,685)	(721)	(1,295)	(92,129)	-
Bank Charges	(330)	(29)	-	-	-	(1)	-	-	-	(182)	(102)	-
	(5,281,899)	(14,103)	(26,351)	(830)	(1,595)	(148,151)	(40,652)	(197,651)	(721)	(1,846,240)	(2,388,760)	-
<b>Post-pooling balances to hand</b>	<b>2,736,247</b>	<b>528</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,643</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>117,695</b>	<b>-</b>
<b>Total cash resource as at 7 April 2021</b>	<b>12,096,144</b>	<b>3,869</b>	<b>16</b>	<b>20,064</b>	<b>-</b>	<b>1,451,941</b>	<b>5,874</b>	<b>41</b>	<b>-</b>	<b>193,145</b>	<b>478,604</b>	<b>70,222</b>
<u>Reconciles to cash at bank:</u>												
Natwest	12,096,144	3,869	50	20,064	-	1,451,941	-	41	-	193,145	478,604	-
Kas Bank	-	-	(34)	-	-	-	5,874	-	-	-	-	70,222
All Funds	-	-	-	-	-	-	-	-	-	-	-	-
Capital IOM	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balances to hand</b>	<b>12,096,144</b>	<b>3,869</b>	<b>16</b>	<b>20,064</b>	<b>0</b>	<b>1,451,941</b>	<b>5,874</b>	<b>41</b>	<b>0</b>	<b>193,145</b>	<b>478,604</b>	<b>70,222</b>



## Notes and further information required by SIP 7

1. All House and Client Money bank accounts are interest bearing.
2. Funds received into the Objective 1 account from the Repayable Loan Facility and FSCS compensation deed may only be used to defray the associated costs of pursuing Objective 1.
3. The Company's own House Assets may be used to defray the associated costs of pursuing Objective 2 and 3 (insofar as realisations permit) with any surplus to be made available to the Company's Creditors.
4. Client Money within the CMP is held separately to both House Assets and the Objective 1 funding account in designated Client accounts and held on trust for Clients.
5. Client Money received following the PPE (known as CAI) is held in Post Pooling Accounts and segregated from the CMP, House Assets, the Repayable Loan Facility and compensation advanced by the FSCS under the compensation deed.
6. Unless otherwise stated, all amounts in the receipts and payments accounts are shown exclusive of any attributable VAT. VAT is not recoverable in this matter and, accordingly, where VAT is charged and paid on expenses, it is shown as irrecoverable VAT.
7. During the report period, the JSAs drew down a further £3,727,877 under the FSCS compensation deed. These funds are an advance of compensation due to FSCS Protected Clients in respect of their Share of the Costs of returning Custody Assets and / or Client Money and may only be used to defray the associated costs of pursuing Objective 1 as they fall due.



## D. Expenses incurred by the JSAs

Name of professional advisor	Services	Obj 1	Obj 2 & 3	Total	Costs paid			
		costs incurred in the period	costs incurred in the period	costs incurred in the period	Total costs incurred	in the period	Total Costs paid	Costs outstanding
		£	£	£	£	£	£	£
Foot Anstey LLP	Legal advice	27,798	11,895	39,693	863,618	49,096	338,985	524,632
Foot Anstey LLP	Legal expenses	-	-	3	1,314	-	1,314	-
South Square	Legal counsel	2,720	-	2,720	128,095	-	125,375	2,720
Farrer & Co LLP	Legal advice	-	-	-	1,000	-	1,000	-
Seneca Partners Ltd	Marketing and assistance with sale of business and assets	-	-	-	199,015	-	199,015	-
Hilco Appraisal Ltd	Valuation and sale of chattel assets	-	-	-	7,186	-	7,186	-
ERA Solutions Ltd	Employee claim assistance	-	-	-	1,470	-	-	1,470
SAR and other experienced consultants (incl. Granite Star Consultancy Ltd)	Various consultancy services regarding the return of Cusotdy Assets and Client Money	140,600	-	140,600	472,079	140,600	472,079	-
Fourthline Ltd	SAR and CASS recruitment	5,143	-	5,143	188,674	5,143	188,674	-
Arthur Financial Ltd	IT recruitment	-	-	-	4,500	-	4,500	-
Claret Recruitment Ltd	Safe Cusotdy recruitment	60,098	-	60,098	297,486	60,098	297,486	-
MHR International	Payroll service	1,088	-	1,088	2,419	1,088	2,419	-
CAPA	Business rates review	-	-	-	-	-	-	-
Marsh	Insurance brokers	2,495	-	2,495	13,473	2,495	13,473	-
Bartlett & Co. Ltd	Insurance brokers	-	-	-	32,188	-	32,188	-
Twenty Recruitment	IT recruitment	46,666	-	46,666	46,666	46,666	46,666	-
Fusion Technology Solutions Ltd	IT support and maintenance	23,875	-	23,875	102,561	23,875	102,561	-
<b>TOTAL</b>		<b>310,482</b>	<b>11,895</b>	<b>322,379</b>	<b>2,361,743</b>	<b>329,060</b>	<b>1,832,921</b>	<b>528,822</b>

N.B. (1) - Costs incurred are shown exclusive of VAT.

N.B. (2) - Total costs outstanding may include costs incurred in prior periods, but not yet paid.

N.B. (3) - Costs are paid from either the Objective 1 Account (now referred to as FSCS Trust Account following repayment of the Repayable Loan Facility) or the House Accounts depending on the nature of work done. All payments during the report period are disclosed in Appendix C.

N.B. (4) The JSAs select professional advisers (such as agents and solicitors) on the basis of balancing a number of factors, including (but not limited to) their expertise, the nature of the assignment and fee structures, and that external professional advisers are third party entities. The JSAs and their firm do not have any association with any external provider of services and, therefore, they do not fall within the definition of an associate as defined in Section 435 of the Insolvency Act 1986 and in SIP 9. Payments to external professional advisers for the services they provide are therefore not a category 2 expense (as defined within SIP 9) and do not require prior approval from the Creditors' Committee.



# E. JSAs' time costs from 8 April 2021 to 7 October 2021

## Summary

The JSAs' time costs have been apportioned between work undertaken in relation to Client Money, Custody Assets and House matters. These are in the pursuit of Objectives 1, 2 and 3 and can be summarised as follows:

Classification of work function	Hours					Total hours	Time cost	Average hourly rate
	Partner / Director	Associate director	Manager/ Assistant Manager	Other professional staff	Assistants & support staff			
<b>Objective 1: Client Monies</b>								
Storage & back up of client data	1.50	-	0.33	-	-	1.83	£735.82	£401.37
Strategy & planning	4.35	-	9.83	0.75	-	14.93	£7,393.04	£495.07
Client Communications	6.40	-	69.92	70.43	-	146.75	£58,648.00	£399.65
Liaison with the committee	2.55	0.50	1.00	-	-	4.05	£2,460.49	£607.53
Client identification / tracing	12.87	5.00	52.58	10.42	-	80.87	£35,257.72	£436.00
Transfers / Returns / Sale	15.15	5.00	174.05	0.50	-	194.70	£101,995.42	£523.86
Trading matters	4.30	-	60.10	4.30	-	68.70	£35,110.86	£511.07
Reporting	-	1.00	3.42	1.50	-	5.92	£2,282.50	£385.77
<b>Total</b>	<b>47.12</b>	<b>11.50</b>	<b>371.23</b>	<b>87.90</b>	<b>-</b>	<b>517.75</b>	<b>£243,883.85</b>	<b>£471.05</b>
<b>Objective 1: Custody Assets</b>								
Storage & back up of client data	4.50	-	1.17	-	-	5.67	£2,180.43	£384.78
Strategy & planning	16.05	-	43.75	-	-	59.80	£29,731.97	£497.19
Client Communications	54.70	-	245.38	287.28	-	587.37	£233,608.07	£397.72
Liaison with the committee	10.42	2.00	3.75	-	-	16.17	£10,055.94	£622.01
Post pooling monies	-	-	86.77	0.15	-	86.92	£43,429.69	£499.67
Corporate actions	-	3.00	0.55	0.35	-	3.90	£2,141.50	£549.10
Transfers / Returns / Sale	143.40	472.50	103.45	4.85	-	724.20	£438,559.67	£605.58
Trading matters	20.42	6.82	218.45	25.12	-	270.80	£132,698.01	£490.02
Reporting	-	4.00	7.83	-	-	11.83	£5,139.95	£434.36
<b>Total</b>	<b>249.48</b>	<b>488.32</b>	<b>711.10</b>	<b>317.75</b>	<b>-</b>	<b>1,766.65</b>	<b>£897,545.23</b>	<b>£508.05</b>
<b>Objective 2: Liaison with Regulatory Bodies</b>								
<b>Total</b>	<b>14.85</b>	<b>-</b>	<b>1.75</b>	<b>8.40</b>	<b>-</b>	<b>25.00</b>	<b>£14,544.61</b>	<b>£581.78</b>
<b>Objective 3: Company ("House")</b>								
Administration & planning	0.82	5.47	5.08	57.65	-	69.02	£21,365.25	£309.57
Investigations	11.25	33.00	-	3.25	-	47.50	£28,905.30	£608.53
Realisation of assets	0.25	-	0.25	0.45	-	0.95	£470.63	£495.39
Creditors	-	-	-	1.45	-	1.45	£456.75	£315.00
<b>Total</b>	<b>12.32</b>	<b>38.47</b>	<b>5.33</b>	<b>62.80</b>	<b>-</b>	<b>118.92</b>	<b>£51,197.92</b>	<b>£430.54</b>
<b>Grand Total</b>	<b>323.77</b>	<b>538.28</b>	<b>1,089.42</b>	<b>476.85</b>	<b>-</b>	<b>2,428.32</b>	<b>£1,207,171.62</b>	<b>£497.12</b>



# Detailed narrative of tasks undertaken during the report period

## Objective 1: Client Money

### Strategy & planning

- Internal meetings and discussions regarding the options available for closing the CMP, Client tracing and the merits of a second interim distribution in the event the CMP cannot be closed this calendar year.
- Planning meetings with the IT developer regarding further development of the Portal to permit CTF Clients over the age of 18 to withdraw funds to a personal bank account or donate to the NHS.
- Internal meetings for team members to provide updates internally so that new workstreams may be allocated and progress reviewed.
- Planning calls and emails with Client Investment Managers so that Client interests are best served.

### Client communications

- Drafting regular updates regarding the ongoing first interim distribution and uploading to the Website.
- Responding to Client queries regarding the distribution of Client Money by post, email and by phone.
- Preparing several post and email communications to Clients, including:
  - Notice of the second phase of the first interim distribution (i.e. the catch-up distribution);
  - Notice to Clients who are yet to submit a previously submitted 'hold' instruction on their CMIF;
  - Requests for additional bank account information as part of the verification and distribution process; and
  - Requests for assistance where a Clients' own choice of broker to receive Client Money has not engaged or provided the requisite transfer form.
- Regular briefing sessions with client services so they are well prepared to assist with the various lines of enquiry being received by Clients and to provide an opportunity to feedback other matters arising from Client queries.
- Drafting formal responses to Client queries escalated by client services as requiring a written response from the JSAs.
- Issuing paper copy CMIF to Clients on request.
- Review of paper copy CMIFs and uploading to the Portal for processing.
- Review of Client addresses and updating the VAULT database and Portal.
- Reviewing and manually verifying Client bank account details where required.
- Preparing and providing tax certificates upon request.
- Reviewing Client death certificates and liaising with executors as necessary.
- Updating FCA and FSCS with regard to progress and timescales of the Client Money distribution.

### Liaison with the Creditors' Committee

- Ad hoc emails and reports to the members of the Creditors' Committee at key milestones.
- Preparing for and holding one formal meeting of the Creditors' Committee.
- Documenting proceedings of the meeting, to include detailed minutes of matters discussed.

### Client identification / tracing

- Review of Clients that have not yet submitted a claim to Client Money and/or a CMIF.
- Finalising a Client tracing step-plan with the proposed steps to contact Clients that have not yet claimed Client Money or submitted instructions.
- Liaising with our legal advisors, FSCS and FCA with regard to the content and progress of the client tracing step plan.
- Engaging and liaising with a third party specialist tracing agent to verify addresses, search public registers and undertake genealogy searches where Clients were identified as deceased with no next of kin forthcoming.
- Undertaking several rounds of outbound telephone calls, at various times of the day, to Clients yet to submit a claim and with a Client Money balance of more than £25 (where a telephone number was available).
- Liaising with any intermediary investment managers or financial advisors previously acting for any Clients with an unclaimed Client Money balance of more than £25.
- Google and social media searches for individual and corporate Clients with an unclaimed Client Money balance of more than £20k and for corporates with an unclaimed balance of more than £25.



- Liaising with third party agents who are providing Client tracing services and reviewing the results of the initial tracing exercise.
- Issuing three formal notices pursuant to CASS of the JSAs' intention to close the CMP, to include placing adverts in national and regional publications.

#### Transfers / returns / sale

- Progressing the first interim Client Money distribution, to include review of Client Money instructions received and processing payments in conjunction with Reyker's safe custody team.
- Review of documentation received and verifying additional UK and international bank accounts designated by Clients to receive Client Money.
- Liaising with alternative brokers nominated by Clients to accept Client Money.
- Donating funds to NHS Charities Together where instructed by Clients.
- Modifications to the Portal with regard to Client Money workflows, testing and roll out.
- Identifying Clients with negative balances and setting-off (where possible) against their respective plans with positive balances.
- Regular meetings with Reyker staff regarding the return of Client Money.
- Considering ISA related matters and liaising with HMRC.
- Liaising with the FSCS re sanction and eligibility checks regarding compensation for Clients in respect of the associated costs of distributing Client Money.
- Considering the timing of a second or final distribution of Client Money and taking legal advice regarding closing the CMP.

#### Trading matters (Funding / development of portal)

- Regular review of critical operations, suppliers and cost base.
- Monitoring and updating the trading cashflow and projections.
- Preparing reports and draw down requests to FSCS under the FSCS compensation deed.
- Managing and consulting with employees and contractors, to include remote team calls and implementing a phased 'back to office' plan.
- Administering the Company's payroll, including associated tax and pension matters.
- Ensuring contractual benefits offered to employees and relevant insurances remain in place.
- Maintaining appropriate insurance policies.
- Attending to supplier queries and correspondence.
- Raising, approving and monitoring purchase orders.
- Negotiating terms of continued supply (where necessary) to ensure services are provided at a competitive cost.
- Ensuring regulatory and control functions, as required by the FCA, are fulfilled.
- Reviewing health and safety requirements in line with new COVID-19 restrictions.
- Liaising with IT and data providers to ensure continuity of services.
- Ongoing review of resource requirements, including employees, contractors and suppliers.
- Provision of references for former employees of the Company.
- Responding to queries of former employees regarding their employment during the Special Administration.
- Development, testing and implementation of 'reykeradmin.com', the new, cloud-based software platform which integrates the Client database, Portal and safe custody function to improve data-handling, reporting and maintenance.
- Review of daily reconciliations of Client Money prepared by safe custody and submission to the FCA.

#### Reporting

- Drafting and issuing the third statutory progress report to Clients and Creditors (period ended 7 April 2021).

#### Objective 1: Custody Assets time costs

##### Strategy & planning

- Internal meetings and discussions regarding the strategy for the return of Custody Assets to the Nominated Brokers and other brokers nominated by opt-out Clients.
- Meetings with the JSAs' legal advisors regarding the Transfer and Distribution of Custody Assets.
- Internal meetings to discuss assets that may be non-transferrable and potential brokers to approach regarding Child Trust Funds and Innovative Finance ISAs.



- Planning for the Distribution of CTF and IF ISAs following a sixth Nominated Broker not being found.
- Planning for the process by which Custody Assets will be Distributed, including format and content of the Client Asset Return Statements (CARS), the Proposed Distribution Date and required Portal development.
- Meetings with Reyker's safe custody team to plan for bulk Transfers and Distributions of electronic securities from the Company's securities depository accounts to the Nominated Brokers and those designated by opt-out Clients.
- Meetings with Reyker staff and contractors to discuss Transfer and Distribution of physical certificates.
- Internal meetings for team members to provide updates internally and so that new workstreams maybe allocated and progress reviewed.
- Meetings between Reyker and S&W staff regarding integrating the Portal and VAULT (the Company's pre-administration bespoke software platform) to improve efficiency and support real time working.
- Planning calls and emails with Client Investment Managers so that Client interests are best served.

#### Client communications

- Drafting announcements and regular updates regarding the Transfer and Distribution of Custody Assets and CAI and publishing on the Website.
- Responding to Client queries by post, email and by phone, regarding the Transfer and Distribution of Custody Assets generally.
- Responding to Client queries by post, email and by phone, regarding CAI received since the date of administration and anticipated timing of Transfer or Distribution along with Custody Assets.
- Notifying CTF and IF ISA Clients that a Transfer of their investments to a sixth Nominated Broker will not be possible and that their CARS statement is now available for them to nominate their own choice of broker to which their Custody Assets and/or CAI will be Distributed.
- Team meetings to brief the Company's staff and S&W staff following Client updates and circulars.
- Liaising with Clients who are not FSCS Protected Claimants with regard to their Share of Costs.
- Review of Client addresses and updating the VAULT database.
- Preparing and providing tax certificates upon request.
- Reviewing Client death certificates and liaising with executors as necessary.

#### Liaison with the Creditors' Committee

- Same as for Client Money (see above).

#### Post Pooling monies

- Daily sweeps of CAI received on Custody Assets (e.g. dividends, coupon payments and redemptions) to designated Post Pooling Accounts.
- Daily reconciliation of CAI received into Post Pooling accounts and reporting to the FCA.
- Liaising with registrars to obtain further information regarding unidentified dividend/coupon receipts
- Periodic sweeps of CAI to the Nominated Brokers.
- Review of internal checklists and sweeps of CAI to alternative brokers designated by opt-out Clients or holders of CTFs or IF ISAs following the Distribution of their Custody Assets.

#### Corporate Actions

- Review of outstanding corporate actions within the CREST settlement system.
- Liaising with registrars and fund managers regarding corporate actions and updating Client records accordingly.
- Review of requests received for non-mandatory corporate actions and completing checklists in line with internal processes.
- Taking legal advice regarding non-mandatory corporate actions.
- Processing documentation regarding non-mandatory corporate actions and updating Client records accordingly.

#### Transfers / returns / sale

- Maintaining all requisite settlement platforms and sub-custodian systems for the Transfers and Distribution of Custody Assets (e.g. CREST).
- Liaised with Clients, Nominated Brokers, other brokers, sub-custodians, fund managers, Investment Managers and IFAs for the preparation and execution of Transfers and Distributions of Custody Assets from various locations (including stock held in electronic, paper and statement form).



- Review of internal checklists prepared by Reyker staff and contractors for approval of prepared Transfers and Distributions.
- Modifying the Portal for Clients who hold IF ISAs and CTFs (and other Clients without a Nominated Broker) in preparation for the Distribution process, to include making their CARS available in order for them to designate their own choice of broker.
- Creating a paper-based equivalent of the CARS for IF ISAs and CTFs (and other Clients without a Nominated Broker).
- Verifying data exported from the Portal and reykeradmin.com to confirm the Custody Assets and quantities which were to be Transferred or Distributed and to which Nominated Broker or broker.
- Worked with Clients, Investment Managers and the FSCS to ensure that as many Clients, eligible for FSCS compensation, as possible were identified and eligibility confirmed, and met the Transfer and Distribution conditions outlined in the Distribution Plan.
- Safeguarding physical share certificates.
- Collated, logged and processed stock transfer forms as received from brokers with regard to the Distribution of Custody Assets for opt-out Clients or those without a Nominated Broker.
- Continued working with Investment Managers representing significant groups of Clients that had opted out of their Transfer to complete a bulk Distribution of their Clients respective Custody Assets as soon as possible.

#### Trading matters

- Same as for Client Money (see above).

#### Reporting

- Same as for Client Money (see above).

#### Objective 2: Liaison with Regulatory bodies time costs

- Correspondence, calls and meetings with the FCA and FSCS regarding regulatory matters (discussions around strategy, progress and funding of the Special Administration are included within Objective 1 time costs).
- Liaising with the FSCS regarding complaints received and potential claims of negligence and/or mis-selling by the Company prior to the Special Administration.
- Replying to the FSCS's Client information requests.
- Liaising with the LSE.

#### Objective 3: Winding up the Company's affairs

##### Administration & Planning

- Administrative filing of statutory documents in accordance with the Rules and Regulations, including the JSAs' second progress report.
- Formulating, monitoring and reviewing the Special Administration strategy as it relates to House Assets and creditors, including internal and external meetings.
- Planning S&W staff resource and briefing on the Special Administration strategy as it relates to House Assets and creditors.
- Complying with internal filing policies and industry best practice, to include documenting strategic decisions.
- Review of time cost data to ensure accurate posting of time between the various workstreams and the Objectives.
- Updating checklists and diary management system.
- Undertaking statutory six-month case reviews.
- Monitoring case bordereau.

##### Investigations

- Ongoing consideration and investigation into matters and transactions or actions that may result in additional funds being recovered from third parties for the benefit of the Company's creditors.

##### Realisation of assets

- Liaising with debtors and realising outstanding book debts.
- Maintaining receipts and payments for House realisations and associated costs.



- Evaluating corporate action requests and raising invoices as appropriate.

#### Creditors

- Correspondence and telephone calls with Creditors.
- Assisting Creditors with the submission of claims.



# F. JSAs' total time costs from 8 October 2019 to 7 October 2021

## Summary

As outlined in **Appendix E**, the JSAs' time costs have been apportioned between work undertaken in relation to House matters, Client Money and Custody Assets. These are in the pursuit of Objectives 1, 2 and 3 and can be summarised as follows:

Classification of work function	Hours					Total hours	Time cost	Average hourly rate
	Partner / Director	Associate director	Manager/ Assistant Manager	Other professional staff	Assistants & support staff			
<b>Objective 1: Client Monies</b>								
Storage & back up of client data	4.75	-	8.33	5.75	-	18.83	£6,787.07	£360.38
Strategy & planning	33.75	1.00	68.98	7.28	-	111.02	£55,487.28	£499.81
Client Communications	87.48	4.50	520.92	655.10	19.05	1,287.05	£476,579.86	£370.29
Liaison with the committee	33.25	11.70	43.30	-	-	88.25	£47,482.74	£538.05
Client statements	3.60	5.50	39.20	4.45	-	52.75	£25,375.50	£481.05
Client identification / tracing	17.42	5.00	59.82	15.12	-	97.35	£42,342.21	£434.95
Reconciliations	7.85	5.20	10.00	71.15	-	94.20	£22,399.50	£237.79
Transfers / Returns / Sale	132.90	9.95	694.87	0.50	-	838.22	£435,066.68	£519.04
Trading matters	30.83	1.40	250.80	50.68	-	333.72	£155,119.92	£464.83
Reporting	0.75	1.00	16.95	1.50	-	20.20	£8,438.73	£417.76
<b>Total</b>	<b>352.58</b>	<b>45.25</b>	<b>1,713.17</b>	<b>811.53</b>	<b>19.05</b>	<b>2,941.58</b>	<b>£1,275,079.50</b>	<b>£433.47</b>
<b>Objective 1: Custody Assets</b>								
Storage & back up of client data	18.75	-	8.67	67.33	-	94.75	£27,550.84	£290.77
Strategy & planning	94.65	15.25	220.28	69.20	-	399.38	£181,671.24	£454.88
Client Communications	426.87	43.80	1,370.03	1,805.08	54.05	3,699.83	£1,432,924.30	£387.29
Liaison with the committee	109.00	39.30	161.98	0.75	-	311.03	£164,015.68	£527.32
Client statements	26.70	0.65	126.60	3.00	-	156.95	£75,885.25	£483.50
Client identification / tracing	18.35	0.50	36.85	7.00	-	62.70	£29,103.75	£464.17
Reconciliations	56.52	9.00	40.88	193.80	-	300.20	£88,087.10	£293.43
Open trades	24.70	28.50	2.50	-	-	55.70	£32,972.50	£591.97
Post pooling monies	12.65	54.20	317.97	3.45	-	388.27	£190,392.20	£490.36
Corporate actions	29.20	94.40	31.40	1.35	-	156.35	£86,767.25	£554.96
Transfers / Returns / Sale	965.32	1,487.05	522.58	16.40	-	2,991.35	£1,798,932.38	£601.38
Trading matters	133.83	50.45	873.07	365.85	-	1,423.20	£623,828.92	£438.33
Data Subject Access Requests	0.25	-	22.92	0.67	-	23.83	£8,912.20	£373.94
Reporting	1.20	12.00	48.88	2.87	-	64.95	£29,559.67	£455.12
<b>Total</b>	<b>1,917.98</b>	<b>1,835.10</b>	<b>3,784.62</b>	<b>2,536.75</b>	<b>54.05</b>	<b>10,128.50</b>	<b>£4,770,603.27</b>	<b>£471.01</b>
<b>Objective 2: Liaison with Regulatory Bodies</b>								
<b>Total</b>	<b>85.82</b>	<b>7.00</b>	<b>28.85</b>	<b>33.93</b>	<b>-</b>	<b>155.60</b>	<b>£86,813.42</b>	<b>£557.93</b>
<b>Objective 3: Company ("House")</b>								
Administration & planning	25.02	34.02	89.97	102.30	-	251.30	£97,738.46	£388.93
Investigations	24.33	125.23	18.30	46.90	-	214.77	£100,229.45	£466.69
Realisation of assets	2.15	12.50	13.95	9.95	-	38.55	£18,185.88	£471.75
Creditors	1.85	1.10	25.00	10.05	0.20	38.20	£15,403.00	£403.22
Corporate Tax	7.40	-	-	-	-	7.40	£5,068.25	£684.90
<b>Total</b>	<b>60.75</b>	<b>172.85</b>	<b>147.22</b>	<b>169.20</b>	<b>0.20</b>	<b>550.22</b>	<b>£236,625.03</b>	<b>£430.06</b>
<b>Grand Total</b>	<b>2,417.13</b>	<b>2,060.20</b>	<b>5,673.85</b>	<b>3,551.42</b>	<b>73.30</b>	<b>13,775.90</b>	<b>£6,369,121.22</b>	<b>£462.34</b>



# G. Staffing, charging policies and charge out rates

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## Introduction

Detailed below are:

- Smith & Williamson LLP's policies in relation to:
  - Staff allocation and the use of subcontractors
  - Professional advisers
  - Expense recovery
- Smith & Williamson LLP's current charge out rates

## Staff allocation and the use of subcontractors

Our general approach to resourcing our assignments is to allocate staff with the skills and experience to meet the specific requirements of the case.

The constitution of the case team will usually consist of a partner and a partner or director or associate director as joint office holders, a manager, and an administrator or assistant. The exact constitution of the case team will depend on the anticipated size and complexity of the assignment and the experience requirements of the assignment. The charge out rate schedule below provides details of all grades of staff and their experience level.

We may use subcontractors to perform work which might ordinarily be carried out by us and our staff where it is cost effective to do so and/or where the specific expertise offered by the subcontractor is required and where this will add best value and service.

Details of any subcontractors' services utilised in the period covered by this report are set out in the body of this report.

Any such arrangements will be reviewed periodically to ensure that best value and service continue to be obtained.

## Use of professional advisers

We select professional advisers such as agents and solicitors on the basis of balancing a number of factors including:

- The industry and/or practice area expertise required to perform the required work.
- The complexity and nature of the assignment.
- The availability of resources to meet the critical deadlines in the case.
- The charge out rates or fee structures that would be applicable to the assignment.
- The extent to which we believe that the advisers in question can add best value and service to the assignment.
- The expertise and experience of the service provider;
- The provider holds appropriate regulatory authorisations;
- The professional and ethical standards applicable to the service provider.

Arrangements will be reviewed periodically to ensure that best value and service continue to be obtained. External professional advisers are third party entities. The insolvency practitioners and their firm do not have any association with any external provider of services and therefore they do not fall within the definition of an associate as defined in Section 435 of the Insolvency Act 1986 and in Statement of Insolvency Practice 9. Payments to external professional advisers for the services they provide are therefore not a category 2



expense as defined in Statement of Insolvency Practice 9 and therefore do not require prior approval from the committee or creditors.

## Expenses

Category 1 expenses do not require approval by creditors. The type of expenses that may be charged as a Category 1 expense to a case generally comprise external supplies of incidental services specifically identifiable to the case, such as postage, case advertising, invoiced travel and external printing, room hire and document storage. Also chargeable will be any properly reimbursed expenses incurred by personnel in connection with the case.

Category 2 expenses do require approval from creditors. These are costs which are directly referable to the appointment in question but are not payments which are made to an independent third party and may include shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis such as internal room hire, document storage or business mileage.

Details of any Category 2 expenses incurred and/or recovered in the special administration are set out in the body of this report.

## Charge out rates

A schedule of Smith & Williamson LLP's charge out rates was issued to Creditors and Clients at the time the basis of the special administrators' remuneration was approved.

The rates applicable to this appointment are set out below. Changes to the charge out rates during the period of this report were applied with effect from 1 July 2020.

Charge out rates from 1 July 2019	Restructuring & Recovery Services £/hr	Assurance & Business Services £/hr	Forensic Accounting £/hr	Corporate Tax £/hr
Partner / Director	440 - 675	n/a	480 - 675	575 - 715
Associate Director	440 - 550	396	n/a	n/a
Managers	240 - 475	190	410 - 475	245 - 400
Other professional staff	225 - 475	130 - 265	240 - 475	115 - 265
Support & secretarial staff	80 - 125	n/a	n/a	n/a

Charge out rates from 1 July 2020	Restructuring & Recovery Services £/hr	Assurance & Business Services £/hr	Forensic Accounting £/hr	Corporate Tax £/hr
Partner / Director	620 - 710	n/a	480 - 675	625 - 740
Associate Director	465 - 580	n/a	n/a	n/a
Managers	360 - 500	n/a	n/a	270 - 430
Other professional staff	235 - 315	315	195 - 475	95 - 280
Support & secretarial staff	130	n/a	n/a	n/a



Charge out rates from 1 July 2021	Restructuring & Recovery Services £/hr	Assurance & Business Services £/hr	Forensic Accounting £/hr	Corporate Tax £/hr
Partner / Director	650 - 750	n/a	475	n/a
Associate Director	488 - 580	n/a	n/a	n/a
Managers	375 - 525	n/a	n/a	n/a
Other professional staff	175 - 338	250-315	280	n/a
Support & secretarial staff	130	n/a	n/a	n/a

Notes

1. Up to 31 July 2020 time is recorded in units representing 3 minutes or multiples thereof. From 1 August 2020 time is recorded in 1-minute units or multiples thereof.
2. It may be necessary to utilise staff from both regional and London offices, subject to the requirements of individual cases.
3. The firm's cashiering function is centralised and London rates apply. The cashiering function time is incorporated within "Other professional staff" rates.



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**Principal offices:** London, Belfast, Birmingham, Bristol, Cheltenham, Dublin, Glasgow, Guildford, Jersey, Salisbury and Southampton.

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