



Dolphin Financial (UK) Limited (in special administration)

High Court of Justice, Business and Property Courts of England &
Wales Company and Insolvency List

Case no: 1111 of 2021

Joint special administrators' progress report for the period from
30 June 2021 to 29 December 2021

28 January 2022



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1. Glossary

Abbreviation	Description
Act / IA86	The Insolvency Act 1986
AUM	Client Assets under management
Bar Date	A deadline for Clients to submit their claims in respect of Client Money and/or Client Custody Assets
Britannia	Britannia Global Markets Limited - a purchaser of certain assets of Dolfin Financial (UK) Ltd
CASS	The FCA's "Client Assets Sourcebook" rules
CASS Reconciliation	A reconciliation of Client Assets undertaken by the JSAs following their appointment
CDDA 86	Company Directors Disqualification Act 1986
Client	A party for whom the Company held either Client Money and / or Client Custody Assets
Client Assets	Client Custody Assets and Client Money
Client Custody Assets	Securities which the Company held for Clients at 30 June 2021 (whether or not on trust and whether or not the undertaking has been complied with).
Client Money	Cash balances 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, the provisions for the handling, distribution and transfer of Client Money
The Committee	The Clients and Creditors Committee, consisting of the following members: <ul style="list-style-type: none">• Dolfin Asset Services Limited (represented by Mr T Symes of Stewarts Law)• RMS Investment Funds SPC (represented by Mr P Theologites)• Mr Shiqi Xu (represented by Mr L Chua of Jackson & Lyon LLP)• Mr Ye Li (represented by Mr N Zang)• Mr Rob Watts
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 CASS 7A.2.4 for the purpose of returning the Client Money, including by way of a transfer to a subsequently nominated broker(s)
Company / Dolfin	Dolfin Financial (UK) Ltd (in Special Administration)

Court	High Court of Justice, Business and Property Courts of England and Wales
Creditor / unsecured creditor	A party 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, that is neither secured nor preferential, who is owed an amount from the Company.
Distribution Plan	A statutory distribution plan, pursuant to the Regulations and the Rules, to facilitate the return of Client Custody Assets
DWF	DWF Law LLP, legal advisors to the Company and, since their appointment, to the JSAs
Foot Anstey	Foot Anstey LLP, legal advisors to the JSAs since their appointment on certain limited matters
FCA	Financial Conduct Authority
FSCS	The Financial Services Compensation Scheme
HMRC	Her Majesty's Revenue & Customs
House Assets	The Company's own assets
the JSAs / we / us	The Joint Special Administrators, being Adam Henry Stephens and Kevin Ley of Smith & Williamson LLP.
Lewis Silkin	Lewis Silkin LLP, employment legal advisors to the Company and, since their appointment, to the JSAs
Objectives	The three statutory objectives of a Special Administration set out in Regulation 10 of 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, The Bank of England, The Treasury and the FCA pursuant to regulation 13 of the Regulations
Objective 3	To either rescue the Company as a going concern or, alternatively, to wind it up in the best interests of the Company's Creditor
PPE	Primary pooling event
PPM	Post Pooling Money comprising corporate action income and any other Client Money received after the PPE on 30 June 2021
Preferential creditor	Claims for unpaid wages earned in the four months before insolvency, up to £800, holiday pay of up to 6 weeks, certain unpaid pension contributions and some HMRC liabilities
Prescribed part	The sum set aside for unsecured creditors from floating charge funds, in accordance with s176a of the IA86 and the IA86 (Prescribed Part) Order 2003 as applied by Regulation 15
Proposals	The JSAs' proposals for achieving the Objectives of the Special Administration issued on 17 August 2021 and approved on 2 September 2021

Regulations / IBSA	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 in the event their employer is insolvent (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
Secured creditors	Creditors with security in respect of their debt, in accordance with s248 IA86
Special administration	The Special Administration of the Company following the Court order dated 30 June 2021
SIP	Statement of Insolvency Practice (England & Wales)
S&W	Smith & Williamson LLP
Tilney	Tilney Discretionary Portfolio Management Ltd - Investment Operations team

2. Summary

This report provides an update on the progress of the special administration of Dolfin for the six months since our appointment on 30 June 2021, to 29 December 2021.

This update should be read in conjunction with the Proposals issued on 17 August 2021 and approved on 2 September 2021. To date there has been no deviation from these Proposals, a copy of which may be found [here](#):

[Dolfin Financial \(UK\) Ltd \(in Special Administration\) | Smith & Williamson \(smithandwilliamson.com\)](#)

In summary, since our appointment as JSAs, we have:

- taken steps to safeguard all Client Money, Client Custody Assets and House Assets. This includes reconciling client positions and consolidating the large number of bank accounts maintained by Dolfin prior to special administration. We have also established working agreements and practices with all of Dolfin's sub-custodians;
- conducted detailed analyses on the Company's bespoke software and systems to assess where issues lie and seek resolutions as far as possible. This will ensure that Dolfin's records, including client records, are accessible and stable during the special administration;
- continued to maintain systems necessary to ensure that Client Assets are secured and properly accounted for. This includes dealing with key suppliers and all the contractors retained to assist in this process;
- established lines of communication with Dolfin's Clients and Creditors, including a website and dedicated call centre. We have also addressed a large number of Client queries in the period, both from corporate intermediaries and Clients themselves;
- concluded a sale agreement with Britannia and facilitated the transfer of:
 - 274 Clients custodied with Dolfin, with a combination of Client Custody Assets, Client Monies and Post Pooling Monies; and
 - 66 Clients custodied with Multrees, with a combination of Client Custody Assets, Client Monies and Post Pooling Monies.
- addressed a number of legal challenges and issues arising, which required reviewing contracts, terms of business and other supporting documentation. Where necessary, legal advice has been sought in relation to these issues;
- issued our Proposals for the special administration of Dolfin, the approval of which required holding a meeting of Clients and Creditors in September 2021. At this meeting, Creditors and Clients resolved to appoint a committee to assist and consult with the JSAs on their work. To date one meeting of the Committee has been held and we have issued a further report and consulted with them on a number of matters;
- we have continued to liaise with various parties interested in purchasing some or all of the Clients contracts and their Client Assets which remain custodied at Dolfin. Alongside this we have also considered the option of issuing a Distribution Plan, for approval by Court, to assist in dealing with remaining Clients Assets;
- instructed agents to assist in the sale of House Assets, including laptops and corporate artwork; and
- continued to liaise with all relevant market infrastructure bodies, including frequent contact with both the FCA and FSCS.

Further detail in respect of work undertaken to date can be found below and at **Appendix C**.

3. Background

- We were appointed JSAs of the Company on 30 June 2021:
- Dolfin was incorporated on 5 November 2010 and traded as an independent wealth-management investment firm. Client Money balances were held by Dolfin in segregated accounts and Client Custody Assets were held on a safe custody basis, with the majority held through several sub custodians in electronic form.
- We were appointed as a result of an application to Court by the directors for an order placing Dolfin into special administration. This application was the consequence of sanctions imposed on Dolfin by the FCA, which is further outlined in the Proposals.
- As a consequence of the FCA intervention, Dolfin had sought to sell the Client book, and were negotiating a transaction with Britannia, before the Board concluded that Dolfin was insolvent and resolved to place the Company into special administration.
- Following their appointment, the JSAs were able to conclude negotiations with Britannia and on 12 July 2021 the transaction was completed for an initial consideration of £600k and an additional deferred consideration of up to £600k, less a share of costs for the return of these Client Assets.

4. Progress of the Special Administration

This section provides Clients and Creditors with an update on how we have been pursuing the aforementioned strategy with a view to achieving the three Objectives and the progress made in the first six months to 29 December 2021.

4.1 Objective 1 - Returning Client Money and Client Custody Assets as soon as reasonably practicable

4.1.1 Client identification and analysis

Our Proposals confirmed that the Company had circa 499 Clients as at 30 June 2021, being a combination of individual retail and corporate Clients. We understand that an additional 177 Clients' holdings are held via third party custodians.

After undertaking additional work over the last few months, the total number of Clients remaining at Dolfin is presently believed to be 225, excluding the 274 Clients that agreed to transfer to Britannia. Of these remaining Clients, Dolfin does not hold any Client Money or Client Custody Assets for 37 Clients.

Dolfin also provided discretionary management services for Clients with assets held by third party custodians, being Multrees, One Swiss Bank, VP Bank and Credit Suisse. In order to understand the relationships between Dolfin, the third party custodian and the Client, with a view to determining the correct course of action required, it was necessary to review the relevant contracts and supporting documentation. We were assisted in this work by our solicitors.

We concluded that only Multrees required any further actions/instructions from us in relation to the Client Assets custodied there. Since appointment we have taken steps to ascertain Clients' wishes and instruct Multrees to transfer Clients' Assets to new custodians. The majority of these Clients have now transferred their Client Assets to Britannia.

4.1.2 Safeguarding all Client Custody Assets and Client Money

Client Assets held by Dolfin as at 30 June 2021 totalled c. £1.453b, being Client Custody Assets of c. £1.032b, held across 6 sub custodians and c. £133m of Client Money within the CMP, held across 7 banks.

Our principal focus has been to gain control of the Client Assets which were under the Company's administration and to perform a CASS reconciliation, to ensure that there were no material shortfalls in either Client Custody Assets or Client Money. We continue to work to ensure that Client statements, based on the Company's records, are correct.

To this end, we retained key staff and maintained certain systems. We also engaged professional consultants, with the necessary experience, to assist us in administering these assets and undertaking the reconciliation (further detail is provided at section 5.1.4).

We have opened post administration bank accounts, in accordance with CASS rules, to segregate PPM received, and we continue to perform CASS reconciliations, as required.

4.1.3 Client Custody Assets

According to the Company's records, as at the date of our appointment Dolfin held Client Custody Assets with a value in the region of £1.032 billion. These comprise:

Type of Custody Asset	Value (£)*
Bonds	812,635,032
Liquidity funds	33,974,097
Equities	97,515,239
Futures	30,625
Mutual Funds	87,697,391
Asset total	1,031,852,384

* Valued as at close of business on 30 June 2021 before the sale to Britannia, which completed on 12 July 2021. Values remain subject to market forces and will vary with time. We are not in a position to update values of Client Custody Assets following the special administration.

In order to verify each Clients' position and facilitate the transfer of Client Custody Assets, we have taken steps to secure the ongoing assistance of Dolfin's sub custodians, the largest of which are Bank of New York Mellon and International Fund Services & Asset Management (IFSAM). Alongside a handful of smaller sub custodians who hold very few assets, these sub custodians collectively hold all of Dolfin's Client Custody Assets.

4.1.4 Client Money

Our appointment triggered a PPE at 11:28 on 30 June 2021. All Client Money held in Dolfin's client bank accounts and any Client Money identifiable in non-client accounts immediately prior to the PPE, is treated as pooled Client Money. In accordance with the Client Money Rules, these monies are pooled, ring-fenced, and become the CMP. All Clients with money deposited within the CMP are entitled to a share of the CMP on a pro-rata basis.

On 30 June 2021 the Company held Client Money in excess of £133 million in over 100 bank accounts across seven different banks.

Immediately upon our appointment, we contacted Dolfin's bankers and instructed them to freeze all client bank accounts with immediate effect. Where practicable, we have sought to consolidate the large number of bank accounts maintained by Dolfin to a smaller number of client bank accounts with fewer banks. We have also not exchanged any foreign currency balances into sterling. The JSAs anticipate that Client Money will be transferred or returned to Clients in its existing currency.

4.1.5 Segregating PPM

Following our appointment, the JSAs continue to receive payments to the Company's client accounts in connection with dividends, coupon payments and corporate action monies which have been paid following our appointment. These need to be recorded, reconciled and allocated to the respective Clients' accounts correctly. This work is undertaken daily.

In accordance with the Client Money Rules, we have opened new bank accounts in which to deposit and hold on trust any Client Money received after the PPE.

4.1.6 The CASS reconciliation carried out by the JSAs

In accordance with CASS, the JSAs are required to complete our own reconciliation of Dolfin's Client Assets in order to ascertain whether there is a material shortfall and that Dolfin's records are correct. The process provides an opportunity for Client accounts and statements to be brought up to date and any discrepancies identified to be corrected prior to the claim submission process.

An initial reconciliation of both Client Money and Client Custody Assets was completed by 12 July 2021 and concluded that, with the information available at that time, there were no material anomalies.

Since that reconciliation, we have:

- been made aware of some additional assets held and more Clients than were in the initial CASS reconciliation;
- worked to reconcile the Client statements produced by the IMS system to the CASS reconciliation; and
- sought to address outstanding queries as regards to the treatment of certain debtors.

We are therefore continuing to work through the reconciliation, to ensure the accuracy of Dolfin's records.

As noted below, this process is being significantly hampered by issues arising from Dolfin's IMS system, which is a software system no longer supported by the supplier.

We have also had to spend significant time, working alongside retained staff and consultants, to reconcile the Company's debtor records against those maintained on IMS. Once this process is complete, we will be in a position to issue Client statements to show Clients' Assets and debts due as at 30 June 2021.

4.1.7 Maintaining critical operations whilst reducing the Company's cost base

Upon our appointment, the Company ceased trading as an investment management firm. We retained the services of 10 former Dolfin employees and engaged the services of four consultants to maintain critical operations and assist with the reconciliation process. As at the date of this report we retain the services of five former Dolfin employees and have engaged three consultants to assist us in:

- maintaining IT systems;
- securing and reconciling Client Assets and accounting for PPM;
- liaising with the FSCS and FCA; and
- Client communications.

We continue to monitor costs and reduce them when it is appropriate to do so, including negotiating reduced costs for software licences and support.

Our efforts in this regard have been hampered by Dolfin's:

- reliance on unsupported investment management software;
- poor record keeping and governance; and
- non-cooperation from key personnel.

We are continuing to monitor and where appropriate take steps to reduce costs.

4.1.8 Engaging third-party experts and agents

During the report period the JSAs engaged several third-party experts with the requisite skills necessary to achieve the Objectives. This includes engaging professionals with specialist banking and SAR experience to assist the JSAs with the JSAs' reconciliation and third-party agents to assist in the sale of House Assets.

Additional detail regarding the third-party advisors engaged in this matter is included at **Appendix E**.

4.1.9 Client communications

Upon our appointment, we established lines of communication with Clients and Creditors, including the use of websites, a dedicated phone line, email accounts and direct dialogue. This included professional advisors and intermediaries who had previously referred Clients to Dolfin and had ongoing relationships with them.

We routinely post updates on the dedicated webpage as material issues arise or when there is material progress to report. We also maintain a FAQ document for easy reference. These can be found at:

Dolfin portal: [Dolfin Financial \(UK\) Ltd \(in Special Administration\) | Smith & Williamson \(smithandwilliamson.com\)](https://dolfin-financial-uk.com)

FAQ: [dolfin-financial-faqs.pdf \(smithandwilliamson.com\)](https://dolfin-financial-uk.com/dolfin-financial-faqs.pdf)

Email: Dolfin@smithandwilliamson.com

4.1.10 Sale of business and returning Client Assets

Following completion of the sale to Britannia on 12 July 2021, we facilitated the transfer of the Client Assets of 340 Clients and their related Client records. This included Client Custody Assets, Client Monies and PPM.

Whilst this process is almost complete, there are a few Client Custody Assets that have proved difficult to transfer. We have therefore requested, and Britannia have agreed, that calculation and payment of the deferred consideration, which was initially due in December 2021, be deferred until March 2022.

Those Clients who Britannia did not select for transfer, or who opted out of the transfer to Britannia, remain Clients of Dolfin. We are reviewing options for the return of these remaining Client Assets, which includes considering whether any further sales are possible and / or an application to Court for approval of a Distribution Plan.

This work of returning the remaining Client Assets is complicated by:

- the manner in which Dolfin conducted its Tier 1 Visa investment business; and
- the nature of certain complex bonds.

As at the date of this report, we had received ten expressions of interest in part or all of the remaining Client Assets but have yet to receive formal offers. One party that had expressed an interest in the entirety of the remaining Client book withdrew, due to concerns regarding the complexity of certain Client Assets.

We continue to liaise with interested parties, who are aware that any proposed sale will be subject to scrutiny from a number of regulators. By the end of February 2022, we hope to be able to determine the ability of any interested party to conclude a transaction in the short term.

Concurrently, we are developing a model to assess the costs and timings of a Distribution Plan, which may be required as a framework to support any future transfers and/or the distribution of any residual Client Assets which are not subject to (or are opted out of) any transfers.

Further updates in respect of any transfers and / or proposed Distribution Plan, and the anticipated timing will be made available on our dedicated webpage at [Dolfin Financial \(UK\) Ltd \(in Special Administration\) | Smith & Williamson \(smithandwilliamson.com\)](https://dolfin-financial-uk.com).

4.1.11 Costs of returning Client Assets

The SAR provides that the costs associated with the return / transfer of Client Assets (i.e. Objective 1) are to be drawn from the Client Assets. Where Clients are eligible for FSCS compensation, the FSCS may settle all or part of the Clients' costs directly up to their compensation limit. See below further information about the FSCS.

4.1.12 Safeguarding the Company's IT and data systems

We secured copies of Dolfin's IT systems and data and agreed new contracts with Dolfin's legacy IMS system and IT maintenance contractors.

Prior to the special administration Dolfin maintained Client records on IMS, but on a version that was no longer supported by the provider. The handful of Dolfin staff who had experience of that system transferred to

Britannia shortly after the special administration as part of the sale to Britannia. Whilst these members of staff continue to provide assistance and support, it meant that the retained staff had to very quickly get up to speed to ensure that Client records were correctly and accurately maintained.

We considered whether Client records should be moved to a new, more stable and efficient system, but after investigation it was determined that this was neither cost nor time effective.

4.1.13 Forming a Creditors' Committee to assist the JSAs

At the Initial meeting of Clients and Creditors held on 2 September 2021, it was resolved that a committee should be established. The following were subsequently elected as members of the Committee:

- Dolfin Asset Services Limited (represented by Mr T Symes of Stewarts Law)
- RMS Investment Funds SPC (represented by Mr P Theologites)
- Mr Shiqi Xu (represented by Mr L Chua of Jackson & Lyon LLP)
- Mr Ye Li (represented by Mr N Zang)
- Mr Rob Watts

Additionally, the FCA was appointed as an observer.

The first meeting of the Committee was held on 10 November 2021 and we have since shared various information with the Committee.

The purpose of the Committee is to represent the Client and Creditor bodies as a whole (rather than the interests of certain parties or individuals) in the Special Administration and to assist us in discharging our functions, where so required by the JSAs.

During the report period, the Committee has been consulted on matters pertaining to the policies introduced by us for the benefit of Clients, the strategies available to us in respect of the remaining Client book and the approval of pre administration costs and expenses.

In due course, the Committee will be consulted in respect of any Distribution Plan proposed by us and our legal advisors and would be requested to approve it prior to any court application, as well as the basis and quantum of our post appointment costs and expenses.

4.2 Objective 2 - Engagement with market infrastructure bodies

4.2.1 Financial Conduct Authority

The JSAs have liaised extensively with the FCA following our appointment and will continue to do so in relation to Client positions, regulatory compliance matters, the potential sale of business and transfer of Client Assets, statutory reporting requirements and the overall strategy for achieving the Objectives.

4.2.2 Financial Services Compensation Scheme (FSCS)

As detailed in section 4.1.11, the costs of pursuing Objective 1 (i.e. the return of Client Assets) are paid from Client Assets. Some or all of those costs (up to £85k) may be compensated by the FSCS for eligible Clients.

The FSCS has yet to determine what, if any, compensation may be available to Dolfin Clients and we continue to liaise with the FSCS on this matter.

The extent to which Clients are personally required to bear the costs of return of the Client Assets will therefore depend on whether FSCS compensation is available to them.

4.3 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 potential indebtedness and restrictions imposed by the FCA as a consequence of Dolfin's compliance failures it was not possible to rescue the Company as a going concern and / or effect a sale of its shares.

We have therefore focussed on winding up Dolfin's affairs in the best interests of its Clients and Creditors.

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 that time, the Company's operations critical to the achievement of Objective 1 need to remain in place.

4.4 House Assets

House Assets are those assets owned by the Company as opposed to those held on trust for Dolfin's Clients. Proceeds from the sale of House Assets are used to pay (in the order of priority relevant to Dolfin):

- the expenses of the special administration process relating to the pursuit of Objectives 2 and 3 (for example our fees and expenses but not in respect of the cost of returning Client Assets);
- preferential debts (mainly certain types of employee and HMRC claims); then
- ordinary unsecured creditors.

Given the minimal House Assets available and the legacy issues affecting this case, it is highly unlikely that proceeds from the sale of Dolfin's House Assets will be sufficient to cover the expenses of the special administration chargeable against the House Assets. Any deficiency in House Assets is not recoverable from Client Assets.

At the date of this we report we have realised House Assets with a GBP equivalent value of £2,560,532.69 as shown in the Receipts and Payments at **Appendix A**.

Material realisations comprise:

	Realised at 29.12.21	Estimated future realisations	
	£	Worst case £	Best case £
Cash at Bank	1,696,632	Nil	Nil
Britannia sale	600,000	0	600,000
Business rates refund	60,633	60,000	132,000
Debtors	21,596	Uncertain	Uncertain
Corporate artwork	Nil	11,820	72,650

The above amounts have been converted to GBP at 30 December 2021 for ease of reporting but, as shown in the receipts and payments account at Appendix A, may be made up multiple currencies.

4.4.1 Cash at bank (House accounts)

Dolfin's credit balances in multiple currencies comprised a combination of house cash and cash retained for transaction charges. At the time of our appointment on 30 June 2021, these accounts and the credit balances transferred to new accounts under our control.

4.4.2 Britannia sale

Initial consideration of £600,000 was received on completion of the sale of part of the Client book to Britannia on 12 July 2021. Calculation and payment of the deferred consideration, which was initially due in December 2021, has been postponed until March 2022, as a small number of more complex Client Custody Assets that have yet to be transferred. As noted above, these realisations will have a share of the costs for the return of these Client Assets taken from them.

4.4.3 Business rates refund

We have received a business rates refund of £60,000. Our agents have identified the potential for a further refund of between £60,000 to £132,000 and are pursuing this claim on a no win no fee basis.

4.4.4 Debtors

This represents Client debtor payments collected since our appointment. These correspond with sums owed by Clients who transferred to Britannia.

4.4.5 Corporate artwork

The Company's management accounts referenced items of art with a book value of approximately £62,000. Rabbows have been instructed to assist us in valuing the artwork and provide strategies for marketing the artwork. There are two unusual pieces of artwork, which have now been installed in a gallery on a consignment sale. The remaining pieces will be auctioned.

5. Receipts and payments

We set out at **Appendix A** our receipts and payments accounts for the period from 30 June 2021 to 29 December 2021. We have summarised notable receipts in section 5 above.

In order to achieve Objective 1, it has been necessary to maintain critical operations and retain several the Company's staff to assist with the process.

5.1.1 Wages and salaries

Net salaries totalling £76,807.26 have been paid to 29 December 2021, along with PAYE, National Insurance and pension contributions of £31,980.15 and £7,337.29 respectively. We have also paid consultancy fees and staff incentives totalling £464,889.75.

5.1.2 IT Suppliers

In order to extract the required information from IMS, complete the CASS reconciliation, retain up to date Client records and generate Client statements, it has been necessary to secure the services of Dashro Solutions Limited, an IT consultancy firm that has prior experience of IMS.

In addition, several undertakings have been provided to IT software and service providers in order to maintain critical operations. A total of £134,680.63 plus VAT, has been paid to IT Suppliers (including ransom payments) during the report period.

5.1.3 Agents' fees and expenses

We have engaged several agents to assist in achieving the Objectives of the Special Administration. Further detail in respect of the agents and professional advisors engaged is included at **Appendix E**.

During the report period, we have paid £104,964.65k plus VAT (where applicable) to such agents, excluding legal fees. The most significant expense of £73,100 relates to the IT specialist required to support Dolphin's legacy IMS system.

5.1.4 Statutory costs

During the report period, we also paid statutory costs of £1,871.20 in respect of statutory advertising and £4,340 to etc Venues, 155 Bishopsgate, London for hosting the meeting of creditors.

6. 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 DWF;
- b. our post-appointment remuneration; and
- c. post-appointment expenses and disbursements (to include category 1 and category 2 disbursements).

Further detail in respect of these costs is provided below.

6.1 Pre-Special Administration costs

Pre-special administration costs are defined as fees charged and expenses incurred before the Company entered special administration (but with a view to it doing so).

The Committee approved the payment of the Administrators pre appointment fees and expenses of £195,694 plus VAT and £23,448 plus VAT respectively, on 15 December 2021.

In addition, DWF incurred and have been paid pre administration costs of £88,117 plus VAT in advising Company and the proposed Administrators and preparing for the administration.

6.2 Post-Special Administration costs

6.2.1 Basis of the JSAs' remuneration

As special administrators we 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 Clients share of the costs); and
- Objectives 2 and 3, which will ordinarily be paid out of House Assets.

The basis of our remuneration may be fixed:

- as a percentage of the value of the property with which we must deal; or
- by reference to time properly spent by us (when in office) and our staff in attending to matters arising in the Special Administration, or
- as a set amount; or
- by any combination of the above.

The basis upon which we may be remunerated is a matter for the Committee to consider and approve by way of resolution in accordance with the Regulations and Rules.

A guide for creditors on insolvency practitioners' fees in administration is available here. Please note that this guide is not wholly relevant to the special administration regime for investment banks such as Dolfín:

[administration-creditor-fee-guide-1-april-2021.ashx \(icaew.com\)](#).

We have therefore provided our guide for creditors in respect of insolvency practitioners' fees in special administration which is available at:

[Dolfín Financial \(UK\) Ltd \(in Special Administration\) | Smith & Williamson \(smithandwilliamson.com\)](#).

Should you require a paper copy of any of these documents please email Dolfin@smithandwilliamson.com or telephone 020 7131 4934 and it will be sent to you at no cost.

6.2.2 The JSAs' time costs to 29 December 2021

During the period from 30 June 2021 to 29 December 2021, we incurred total time costs of £1,756,446.98, which represents approximately 3,371.40 hours at an average charge out rate of £520.98 per hour.

Appendix C provides a detailed analysis of time costs incurred 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 C**.

6.2.3 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 D**.

6.3 Expenses

6.3.1 Professional advisors' and agents' fees and expenses

During the report period we have engaged a number of professional advisors and agents. At **Appendix E** we have detailed the basis on which these agents were engaged, our fee arrangement with each of them, which is subject to review on a regular basis and the costs incurred to date.

6.3.2 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. These are detailed at **Appendix C**.

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.

We engaged the services of our Investment Operations Team (Tilney) to assist with our reconciliation exercise and the ongoing required CASS reconciliations. The Tilney team's costs of £45,617, excluding VAT, for the period from 30 June 2021 to 29 December 2021, rank as a Category 2 disbursement.

In accordance with the Regulations and the Rules, the drawing of Category 2 disbursements is subject to the approval of the Committee.

By resolution dated 15 December 2021 the Committee approved the payment of Tilney's pre administration Category 2 disbursements of £23,447.96. This has not yet been paid.

7. Estimated outcome

7.1 Clients

It is the JSAs intention to return Client Assets in full, subject to any deductions that may be required to pay the associated costs of return of those Client Assets. Where Clients are eligible for FSCS Compensation this compensation may be sufficient to pay some or all of a Client's costs."

We are currently working with the Committee to agree the most appropriate basis and methodology for allocating the costs incurred in pursuing Objective 1 in respect of the Client Custody Assets. Further details will be provided in due course.

7.2 Creditors

The outcome for creditors will depend upon:

- The level of House Asset realisations; and
- The costs of pursuing Objectives 2 and 3.

7.2.1 Secured creditors

We are not aware of any Secured Creditors.

7.2.2 Preferential creditors

We are aware of certain preferential creditors in respect of:

- Employee claims: The RPS have submitted a preferential claim of £27,984.40; and
- HMRC: A secondary preferential claim has been received for £170,014.02.

It is too early to say whether there will be funds available to pay a distribution to preferential creditors. The secondary preferential creditors will only be entitled to receive a dividend after all ordinary preferential creditors have received 100p in the pound.

7.2.3 Unsecured Creditors

Dolphin gave no floating charges over its assets, so the Prescribed Part does not apply. Any distribution to Unsecured Creditors will be from any funds remaining after costs of the special administration and the claims of preferential creditors have been paid from House Assets.

Unsecured Creditor claims are broadly split into three categories:

1. Client shortfall claims, which arise from any shortfall of Client Money or Client Custody Assets;
2. Client claims in respect of breach of contract or negligence;
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).

Until the formal agreement of Clients' claims has been concluded and the process for return of Client Assets is further developed, we are unable to provide an estimate of the total amount of the Company's unsecured debts.

The Company's Clients 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.

We are not yet able to provide a final estimate of any distribution to unsecured creditors, but such a distribution is unlikely.

Creditors who have yet to register their claims may do so by completing and returning the form at **Appendix G**.

8. Other matters

8.1 Approval of our Proposals

On 17 August 2021 we issued our Proposals for achieving the purpose of the special administration. A meeting of Clients and Creditors was held on 2 September 2021 at etc Venues, 1st Floor, 220 Aldergate Street, Barbican, London EC1A 4HD.

At that meeting our Proposals were approved without modification.

Also, at the meeting on 2 September 2021, Clients and Creditors voted to form a committee. Following a subsequent election process the Committee was formed.

The first meeting of the Committee was held on 10 November 2021 and we have since shared further information with the Committee. A second meeting of the Committee was held on 26 January 2022.

8.2 Connected party transactions

We have a duty to disclose the disposal of assets in administration to directors and other connected parties.

In accordance with this duty, we confirm that the following assets were sold to parties connected with Dolfin:

Date of sale	Asset	Consideration paid	Sold to	Relationship
1 September 2021	Laptop	£333.33 plus VAT	E Duarte	Former employee
22 October 2021	Laptop	£333.33 plus VAT	J Casanova	Former employee

When seeking to recover all laptops from former employees we provided them with the opportunity to purchase the laptops, with a view to saving the costs of recovery and subsequent sale. Only two employees took this option. The price agreed was based on the views of the former head of IT and this was also referred to agents Rabbows LLP who provided a letter of comfort to confirm that the price was likely to match or exceed the amount that might be recovered from a sale by auction.

8.3 Investigations

In accordance with CDDA 86 the JSAs have a duty to investigate the conduct of Dolfin's directors and make a submission to the Secretary of State for Business, Energy & Industrial Strategy on the conduct of all those persons who were directors at the date the Company entered special administration, or who held office at any time during the three years immediately preceding the special administration.

We have complied with our duty in this regard. As all such submissions are strictly confidential, we are unable to disclose their content.

Additionally, we are obliged to investigate the Company's affairs prior to the special administration with a view to establishing whether there could be any matters that might lead to recoveries for the estate and what further investigations may be appropriate.

Our investigations are ongoing and we will provide further information in due course. We will also consider whether any applications to Court are necessary in this regard.

We are also assisting the FCA in their ongoing investigation.

9. Duration and exit of the Special Administration

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

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

- putting forward proposals for a Creditors Voluntary Arrangement 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. We consider that the most likely exit route will be to make an application to Court or file notice of dissolution once all Client Assets have been transferred, 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.

10. Privacy and data protection

We 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/rrsgdpr.

If you are unable to download this, please contact our 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.

11. Clients' and Creditors' rights

Creditors and Clients have rights under Rules 201 and 202 to request further information and to challenge our 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 all Unsecured Creditors, including the Creditor in question or the permission of the court) or a Client (with the concurrence of Clients holding at least 5% in value of all Client Assets, including the Assets of 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 all the Unsecured Creditor claims, including the claim of the Creditor in question, or the permission of the court) or Client (with the concurrence of Clients holding at least 10% in value of all Client Assets, including the Assets of the Client in question, or with the permission of the Court or 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 remuneration is inappropriate and/or the remuneration charged or the expenses incurred (including any paid) by us, 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 us. 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

Telephone: +44 300 678 0015

Postal address: The Insolvency Service, IP Complaints, 3rd Floor, 1 City Walk, Leeds LS11 9DA

12. Next report

We are focussed on returning the remaining Client Assets as quickly as possible and will notify stakeholders of any material developments on that matter, such as the sale of the residual Client book and / or application for a Distribution Plan, as soon as practicable.

We 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 also be provided, as and when appropriate, and uploaded to our webpage:

[Dolphin Financial \(UK\) Ltd \(in Special Administration\) | Smith & Williamson \(smithandwilliamson.com\)](https://www.smithandwilliamson.com)

For and on behalf of the Company



Adam Henry Stephens and Kevin Ley

Joint Special Administrators

Date: 28 January 2021



Appendices

A Receipts & payments account

Receipts and payments account up to 29 December 2021 - House accounts

	Statement of Affairs (£)	Total GBP (£)	Total USD (\$)	Total EUR (€)	Total Swiss Francs (CHF)	Total Australian Dollars (AUD)	Total Canadian Dollars (CAD)	Total Czech Koruna (CZK)	Total Japanese Yen (JPY)	Total Norwegian Krone (NOK)	Total Russian Rubels (RUB)	Total Swedish Krona (SEK)	Total Singapore Dollars (SGD)
RECEIPTS													
Furniture & Equipment	Uncertain	666.66											
IT Software	17,538.00												
Investment in group undertakings	2,000.00												
Debtors:-													
Client Debtors	3,566,294.00	2,577.58	25,499.68	42.80									
Inter-company Debtors	1,300,731.00												
Employee	11,815.00												
Other Trade Debtors	49,875.00	20,400.00											
Accrued Income	23,906.00												
Firm's Cash at Bank	1,802,526.00	1,519,115.90	114,506.39	0.00	47,654.56	2,056.35	8,568.11	583,436.22	154,299.00	185,867.15	205,018.47	50,816.75	9,092.69
Margin Cash at Bank	4,518.00												
Account to account transfers					1,467.24								245,474.34
HMRC - VAT and Corporation Tax repayments	151,472.00												
Artwork	61,708.00												
Trademarks	Nil												
Client Book/database subject to sale agreement to Britannia:													
Initial payment	Nil	600,000.00											
Deferred consideration	Nil												
Residual Client Book/database	Nil												
Business rates refund		60,633.42											
Bank charge refunds		110.00											
Pre-paid card refunds		21,077.78											
Bank Interest Gross		64.96											
Lewis Silkin Funds on account		1,004.46											
Employee benefits refund		2,540.60											
		<u>2,228,191.36</u>	<u>140,006.07</u>	<u>42.80</u>	<u>49,121.80</u>	<u>2,056.35</u>	<u>8,568.11</u>	<u>583,436.22</u>	<u>154,299.00</u>	<u>185,867.15</u>	<u>205,018.47</u>	<u>50,816.75</u>	<u>254,567.03</u>

Realisations from the Britannia sale are subject to deductions to meet the Objective 1 costs of returning the underlying Client Assets transferred to Britannia.

Receipts & payments account

Statement of Affairs (£)	Total GBP (£)	Total USD (\$)	Total EUR (€)	Total Swiss Francs (CHF)	Total Australian Dollars (AUD)	Total Canadian Dollars (CAD)	Total Czech Koruna (CZK)	Total Japanese Yen (JPY)	Total Norwegian Krone (NOK)	Total Russian Rubels (RUB)	Total Swedish Krona (SEK)	Total Singapore Dollars (SGD)
PAYMENTS												
Costs chargeable to Objective 1:												
Pre-appointment Legal Fees	(70,336.70)											
Pre-appointment Legal Disbursements	(17,780.00)											
Pension contributions	(7,337.29)											
Data room	(852.00)											
Consultants' monthly payments	(279,889.75)											
Consultants' expenses	(444.46)											
Agent fees - RPO submission	(1,560.00)											
Document notarisation	(817.52)											
Account to account transfers												(245,501.94)
Custodian charges	(33,729.89)		(25.00)	(123.00)								
Special administrators' pre-appointment fees	(195,694.04)											
Consultant incentive payments	(185,000.00)											
IT support	(97,712.79)											
Agents/Valuers Fees	(4,244.34)											
Legal Fees	(40,870.50)											
Legal Expenses	(3,250.00)											
Translation fees	(2,190.00)											
Post Redirection	(321.00)											
Pension servicing fee	(666.66)											
Venue Hire	(4,340.00)											
Statutory Advertising	(1,871.20)											
Ransom payments	(36,967.84)											
Insurance of Assets	(1,332.52)											
Wages & Salaries	(76,807.26)											
PAYE & NI	(31,980.15)											
Bank Charges	(3,556.19)	(119.18)		(30.01)								
Costs chargeable to Objective 3:												
(none to date)												
	(1,099,552.10)	(119.18)	(25.00)	(153.01)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(245,501.94)
Net Receipts/(Payments)	1,128,639.26	139,886.89	17.80	48,968.79	2,056.35	8,568.11	583,436.22	154,299.00	185,867.15	205,018.47	50,816.75	9,065.09

Receipts & payments account

Statement of Affairs (£)	Total GBP (£)	Total USD (\$)	Total EUR (€)	Total Swiss Francs (CHF)	Total Australian Dollars (AUD)	Total Canadian Dollars (CAD)	Total Czech Koruna (CZK)	Total Japanese Yen (JPY)	Total Norwegian Krone (NOK)	Total Russian Rubels (RUB)	Total Swedish Krona (SEK)	Total Singapore Dollars (SGD)
MADE UP AS FOLLOWS												
Clients Deposit	986,645.69	140,141.46	17.80	47,624.55								
Lloyds Bank account	8,056.58			1,344.24								9,065.09
Bank of New York account					2,056.35	8,568.11	583,436.22		185,867.15	119,165.65	50,816.75	
BrokerCreditService (Cyprus) Limited		(254.57)								85,852.72		
One Suisse account								154,299.00				
PPF Banka account										0.10		
VAT Receivable / (Payable)	133,936.99											
	<u>1,128,639.26</u>	<u>139,886.89</u>	<u>17.80</u>	<u>48,968.79</u>	<u>2,056.35</u>	<u>8,568.11</u>	<u>583,436.22</u>	<u>154,299.00</u>	<u>185,867.15</u>	<u>205,018.47</u>	<u>50,816.75</u>	<u>9,065.09</u>
GBP Equivalent as at 29 December 2021	1,128,639.26	104,131.80	14.99	39,684.31	1,107.14	4,975.50	19,685.14	995.38	15,683.84	2,052.85	4,172.06	4,971.30
Total GBP Equivalent	1,326,113.56											

Client Money and Client Custody Assets held as at 30 June 2021

Stock prices and currency exchange rates as at close of business on 30 June 2021

Client Money		Local Currency	GB Sterling
Australian Dollar	AUD	665	360
Canadian Dollar	CAD	1,409,552	822,135
Swiss Franc	CHF	359,501	280,991
Czech Koruna	CZK	426,413	14,330
Euro	EUR	49,606,585	42,518,715
GB Sterling	GBP	34,669,992	34,669,992
Hong Kong Dollar	HKD	4,203	391
Norwegian Krone	NOK	48,280	4,056
Russian Rouble	RUB	10,151,266	100,346
Swedish Krona	SEK	9,451	799
Singapore Dollar	SGD	236,381	127,052
US Dollar	USD	75,218,979	54,384,339
Total			132,923,512

Custody Assets	Local Currency	GBP Sterling
Bonds	953,132,776	812,635,031
Liquidity Funds	42,938,877	33,974,097
Equities	252,998,740	97,515,239
Futures	42,357	30,625
Mutual Funds	109,684,670	87,697,390
Total		1,031,852,384

Notes and further information required by SIP 7

- Whilst every effort has been made to fully reconcile each of the different accounts, we have not received complete statements for all of the different currency accounts. As a result, the accounts may be subject to change.
- The basis for the Joint Special Administrators' remuneration has not yet been approved.
- The JSAs have not drawn any remuneration or category 2 disbursements to date as this requires the consent of the Committee of Clients and Creditors.
- We have not yet sought Committee approval of or drawn any other costs that would require the same approval as our remuneration.
- No payments have been made to us from outside the estate.
- Costs chargeable to Objective 1 - The payments shown above, currently paid out of House funds for expediency, are attributable to Objective 1 and a reconciliation between House and Client accounts will be undertaken in due course.
- Details of significant expenses paid are provided in the body of our report.
- Details of payments made to sub-contractors are shown in the body of our report.
- Information concerning our remuneration and expenses incurred is provided in the body of the report.
- Information concerning the ability to challenge remuneration and expenses of the administration is provided in our report.
- The Company Administration/House Assets are to be used to defray the associated costs of pursuing Objective 2 and 3 (insofar as realisations permit).
- Client Money received following the PPE (including in respect of Corporate Actions such as dividends or coupon receipts) are held in Post Pooling Accounts and segregated from the House Assets.
- All amounts in the receipts and payments account are shown exclusive of any attributable VAT. Where VAT is not recoverable it is shown as irrecoverable VAT. The Company was registered for VAT with partial exemptions applicable in respect of certain supplies and purchases, the Joint Special Administrators will seek to ensure that the irrecoverable VAT position is mitigated as far as possible.

B Expenses

The table below summarises our expenses. These are sums properly payable by us from the estate and include our fees (subject to the approval of the Committee). This summary excludes tax liabilities and distributions to creditors.

The table should be reviewed in conjunction with the receipts and payments account at **Appendix A**, which records expenses actually paid:

Expense category	Paid in current period	Incurred in current period	Estimated future costs	Anticipated total
	£	£	£	£
Administrators' remuneration	Nil	1,756,447	3,509,705	5,266,152
Legal fees*	40,871 plus disbursements of 3,250	252,689 plus disbursements of 3,250	2,764,657	3,017,346
Total operational costs	771,855	771,885	3,685,293	4,457,178
Other inc VAT **	Nil	133	Uncertain	Uncertain
Total	815,976	2,784,404	9,956,272	12,740,676

*Payment in the period includes pre appointment fees (see Appendix E)

**VAT payable will depend on the value of assets realised, primarily in relation to chattel sales. This will be offset considerably by VAT receivable on costs and expenses paid

The above figures are based on prevailing GBP equivalent as at 29 December where the figures include payments made in different currencies.

It is difficult to assess the total future costs associated with the transfer of the remaining Client Assets, where considerable complexities still exist. We will revise our cost estimates as matters progress and the strategy for transferring the remaining Client Assets is developed.

C Time costs

Dolphin Financial (UK) Ltd (In Special Administration)
SIP 9 analysis from 30 June 2021 to 29 December 2021

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			
Objective 1: Client Assets								
Sale of Client Assets to Britannia	224.50	157.70	37.55	46.93	-	466.68	£278,612.11	£597.00
Client communications	123.83	46.23	50.72	80.15	-	300.93	£161,766.93	£537.55
Reconciliations	50.05	207.40	21.37	78.07	-	356.88	£197,841.09	£554.36
Post Pooling Monies	0.40	9.25	0.50	-	-	10.15	£6,228.13	£613.61
Storage & backup of data	7.35	3.75	16.93	26.82	-	54.85	£25,260.49	£460.54
Trading matters	72.00	30.32	67.48	91.12	-	260.92	£128,973.71	£494.31
Liaison with the Committee	48.85	20.80	132.93	64.02	0.50	267.10	£136,934.24	£512.67
Client statements	17.95	7.05	12.25	24.97	-	62.22	£31,765.48	£510.56
Transfers, returns & sales	220.00	25.10	56.92	26.83	-	328.85	£201,898.20	£613.95
Strategy & planning	24.75	26.40	52.00	77.67	-	180.82	£81,642.96	£451.52
Reporting	6.90	0.75	8.58	32.12	-	48.35	£19,959.17	£412.81
Total	796.58	534.75	457.23	548.68	0.50	2,337.75	£1,270,882.50	£543.64
Objective 2: Liaison with Regulatory Bodies								
Liaison with Regulatory Bodies	36.08	24.90	8.95	49.65	-	119.58	£60,622.44	£506.95
Total	36.08	24.90	8.95	49.65	-	119.58	£60,622.44	£506.95
Objective 3: Company ("House")								
Administration & planning	166.55	90.17	150.45	189.92	1.15	598.23	£286,411.35	£478.76
Investigations	11.55	7.15	28.03	38.00	-	84.73	£34,799.36	£410.69
Realisation of assets	43.08	32.20	29.65	29.75	-	134.68	£67,897.64	£504.13
Creditors	4.43	8.15	12.32	41.62	-	66.52	£24,285.94	£365.11
Corporate Tax	8.48	1.85	4.15	15.42	-	29.90	£11,547.76	£386.21
Total	234.10	139.52	224.60	314.70	1.15	914.07	£424,942.05	£464.89
Grand Total	1,066.77	699.17	690.78	913.03	1.65	3,371.40	£1,756,446.98	£520.98

Notes

Detailed narrative of tasks undertaken

Objective 1: Client Assets time costs

Sale of Client Assets to Britannia

- Finalising negotiations with Britannia
- Preparing detailed communications packs to go live on completion of sale
- Arranging translations of key documentation for Clients' benefit
- Reviewing and reconciling schedules of proposed Client transfers and resolving differences with Britannia and other stakeholders
- Engaging with custodians and banks
- Analysing Client data and obtaining missing contact information from Dolfin staff
- Related employee matters including liaising with the Dolfin HR team
- Updating regulators including FCA and FSCS on progress
- Regular calls with Britannia and legal advisors throughout
- Arranging the transfer of Client Monies, Client Custody Assets and PPM to Britannia

Client communications

- Initial letters to all Clients to notify them of our appointment
- Drafting announcement and hosting updates on the Company's own website and dedicated S&W Dolfin website
- Setting up dedicated email address for general Client queries and transfer queries
- Drafting extensive FAQ document and publishing on the dedicated website
- Training the Company's staff to deal with Client queries
- Preparing documents for the website to inform Clients of the Special Administration process
- Drafting and circulating second letter to Clients regarding the JSAs' Proposals
- Drafting and making available the JSAs' Proposals
- Convening and initial preparations for the Initial Meeting, to include sourcing an appropriate venue

Reconciliations

- Review of Company's cash accounting system
- Initial work undertaken to reconcile Client Assets to Dolfin's records, in accordance with CASS regulations
- Liaising with staff as regards existing reporting and refinements required under CASS/SAR
- Project team meetings in respect of reconciliation practicalities
- Sourcing appropriate professional contractors with banking and SAR experience to assist the JSAs with their own reconciliation of the Company's records, to include discussions with recruitment agents and interviewing respective candidates
- Discussions with external contractors as regards their remit and strategy for assistance on the reconciliation exercise
- Discussions with banks and sub custodians (e.g. Bank of New York, Lloyds etc.) for the purposes of gaining access to relevant information and maintenance of the Company's existing relationship with these bodies.
- Reviewing and determining the correct allocation of Dolfin's debtor ledger

Post Pooling Monies

- Liaising with banks to set up new PPM accounts
- Dealing with funds received in error
- Reconciling and recording all dividends, coupons and corporate actions

Storage & backup of data

- Securing and imaging Company and Client records
- Liaising with Dolfin's Head of IT and S&W Forensic team

Trading matters and continuity of operations

- Managing and consulting with employees retained post Special Administration
- Holding employee briefings and 1-2-1 meetings to update staff regarding their employment / redundancy
- Administering the payroll, including associated tax related matters for retained employees / contractors
- Collating and review of information regarding the Company's pension schemes and assisting with RPS claims
- Review of critical suppliers and negotiating continuity of supply, providing undertakings
- Ensuring controlled functions, as required by the FCA, are fulfilled to the extent appropriate
- Drafting and issuing contracts to retained employees and contractors

Liaison with the Committee

- Formal establishment of the Committee
- Convening the first meeting of the Committee
- Preparing the first report and presentation pack for the Committee
- Preparing the Client statement template for Committee review and comment
- Holding the first Committee meeting on 10 November 2021 and circulating the subsequent minutes
- Preparing and circulating additional information to the Committee
- Liaising with Committee members
- Convening and holding the second Committee meeting

Client Statements

- Detailed review of Client records on Dolfin's systems
- Analysis of unreconciled balances
- Seeking explanations from former employees for unreconciled balances
- Assessing the suitability of IMS / SAGE as a data source for debtor balances
- Working with former employees to minimise unreconciled balances and subsequent Client queries
- Engaging former Dolfin staff contractors and IT suppliers in transferring reliable data to IMS
- Review and reconciliation of Dolfin's debtor book

Transfers, returns & sales

- Considering and preparing for the most appropriate strategy to deal with clients remaining at Dolfin
- Liaising with interested parties in relation to a sale of the remaining Client book
- Considering the costs and required contents of a Distribution Plan
- Discussing strategy with Regulatory bodies and obtaining legal advice as required

Strategy & planning

- Case and file set up and planning strategy for dealing with Client Money held
- Setting up Client currency accounts to hold Client Money and liaising with banks in relation to Client Money held pre-Special Administration,
- Liaising with and agreeing terms with banks to ensure that Client Money is held in accounts that meet prescribed Client Money Rules
- Obtaining Client data, reviewing bank statements and transactions, dealing with bank charges and other issues arising
- Consideration of foreign exchange conversion
- Strategy in relation to the ongoing management of Dolfin's functions

- Preliminary work on the strategy to deal with the Residual Client Book

Reporting

- Preparation of Client information schedule shortly after appointment to create back up record of Client positions
- Liaising with IT contractor to write code to generate reports and statements in required reporting format (e.g. to aggregate Client accounts, include granular detail of stock and cash balances per account and include statutory disclaimers as a footer)
- Other general reporting and schedules of Clients, as required

Objective 2: Liaison with Regulatory bodies time costs

- Correspondence, calls and meetings with the FCA. This includes in respect of their ongoing investigation
- Correspondence, calls and meetings with the FSCS and provision of information to it
- Communication (albeit to a lesser extent than for the FCA and the FSCS) with other bodies, such as the Bank of England and HMRC

Objective 3: Company (“House”) time costs

Administration & Planning

- Case and file set up
- Administrative filing of statutory documents in accordance with the Rules and Regulations
- Providing initial notification of appointment to all requisite stakeholders in accordance with statute and relevant timescales
- Formulating, monitoring and reviewing the Special Administration strategy, including internal and external meetings
- Planning S&W staff resource and briefing on the Special Administration strategy
- Arranging case bordereau
- Internal strategy and planning meetings to review progress
- Preparing the JSAs’ Proposals and preparing for meeting of Creditors and Clients
- Engagement letters with various agents and advisors assisting with the process
- Collating information from the Company’s records regarding its tax affairs
- Liaising with S&W VAT and corporation tax partners regarding tax efficient strategies on the case
- Statutory reporting, including the steps required to collate information required for this report

Investigations

- Collating and review of the Company’s books and records, to include financial and management accounts and bank statements
- Review of Company directorships and writing to all parties that have been directors within the 3 years’ preceding the administration
- Issuing questionnaires to statutory directors and certain offer persons to assess reasons for the Special Administration
- Writing to the Company’s bankers and obtaining copies of all bank statements for the two years preceding the Special Administration
- Preliminary review of the Company’s affairs with a view to drafting a report to the Insolvency Service in accordance with the Company Directors Disqualification Act 1986
- Liaising with management to assist with the production of the director’s Statement of Affairs
- Ongoing consideration as to whether any matters require further investigation and if there are any 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 banks to freeze existing House accounts and setting up new accounts for company funds
- Arranging the transfer of cash at bank to an account under the control of the JSAs
- Collating and reviewing information regarding the Company's assets, to include management accounts and fixed asset register
- Identifying and securing Company assets, including establishing ownership of assets on site
- Making enquires of the Company's management
- Arranging ongoing insurance cover for the business and assets
- Liaising with post-appointment insurance brokers to assess risks and ensure appropriate cover is in place
- Engaging with Rabbows, the Company's chattel agents to ensure current assets under their control are secure
- Reviewing debtor ledger and debt collection strategy
- Making further enquiries with regards to artwork and other assets on balance sheet
- Arranging collection of IT equipment from former employees, dealing with steps required to maintain data integrity and transferring to agents for sale
- Liaising with Rabbows to agree strategy for chattel sales, liaising with gallery to deal with consignment of artwork, agreeing engagement terms and arranging transfer of assets
- Review of group subsidiaries to establish whether there is any value in the Company's shareholdings
- Maintaining receipts and payments for House realisations and associated costs

Creditors

- Reviewing the inter-company Creditor position between the Company and connected entities
- Collating Creditor details and outstanding balances from the Company's accounts
- Notification of appointment to Creditors and providing statutory notice to oversight regulatory bodies
- Correspondence and telephone calls with Company Creditors
- Ongoing legal matters pertaining to employment tribunal claims and Subject Access Requests, engaging with solicitors and in house legal
- Engaging and dealing with ERA Solutions to act as agents in relation to employee matters
- Submitting employee related claims to the Redundancy Payments Office
- Noting employee claims

Corporate Tax

- Providing initial advice and overview of the Company's VAT position and options and tax carry back status
- Liaising with retained employees/contractors to ensure VAT returns up to date and consider potential for tax reclaims and related recoveries
- Advising on and providing information for monthly VAT returns

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 category 1 disbursements have been incurred to date:

Description	Costs paid in current period	Costs incurred in current period	Estimated future costs	Anticipated total
	£	£	£	£
Information Commissioner's Office renewal fee	Nil	40.00	40.00	80.00
JSAs' bonding	Nil	140.00	Nil	140.00
Travel & Subsistence	Nil	575.70	Nil	575.70
Total	Nil	755.70	40.00	795.70

Costs incurred are shown net of VAT.

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.

Since our appointment, the following Category 2 disbursements have been incurred:

Description	Costs paid in current period	Costs incurred in current period	Estimated future costs	Anticipated total
	£	£	£	£
Tilney	Nil	45,617	153,331	198,948

Costs incurred are shown net of VAT.

Tilney's costs represent 149.00 hours at an average hourly rate of £306.16 for work in supporting the JSAs on the reconciliation and Client statements. An analysis of these costs is provided below. The future costs are estimated on the basis that we are required to complete a Distribution Plan. Details of Tilney charge out rates are included at Appendix D:

Work performed	Investment manager	Investment Analyst	Total hours	Time cost	Average hourly rate
	Hrs	Hrs	Hrs	£	£
Ongoing CASS reconciliation of Client Assets, dealing with corporate actions, supporting the JSAs with the Britannia transaction	49.75	99.25	149	45,617.38	306.16

D Staffing, charging, subcontractor and adviser policies and charge out rates

Introduction

Detailed below are:

- Smith & Williamson LLP's policies in relation to:
 - Staff allocation and the use of subcontractors
 - Professional advisers including S&WFS
 - Disbursement recovery
- Smith & Williamson LLP's and S&WFS' 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.

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

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 value to the assignment.

Disbursements

Category 1 disbursements do not require approval by creditors. The type of disbursements that may be charged as a Category 1 disbursement 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 disbursements 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.

Since 7 July 2012 Smith & Williamson LLP's policy is to recover only one type of Category 2 disbursement, namely business mileage at HMRC's approved mileage rates at the relevant time. Details of any Category 2 disbursements incurred and/or recovered in the period covered by this report are set out in the body of this report.

Charge out rates

The rates applicable to this appointment are set out below.

Smith & Williamson LLP Restructuring & Recovery Services Charge out rates as at 1 July 2021	London office £/hr	Regional offices £/hr
Partner	750-995	600
Director & Associate Director	494-863	494-519
Managers	375-595	300-419
Other professional staff	175-383	231-269
Support & secretarial staff	125-150	113

Notes

1. 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.

Smith & Williamson LLP Corporate Tax Charge out rates as at 1 January 2021	London office £/hr	Regional offices £/hr
Partner / Director	545-890	490-710
Associate Director	370-500	295-400
Managers	230-430	185-345
Other professional staff	75-230	60-232
Support & secretarial staff	70	55

Smith & Williamson LLP	London office
Forensics	£/hr
Charge out rates as at 1 July 2021	
Consulting Partner	808
Senior Managers	595
Other professional staff (including technical support)	196-408

Tilney	London office
Investment Management Team	£/hr
Charge out rates as at 1 July 2021	
Managers	580
Analysts / Specialists	250

E Agents and advisors

Professional advisers

On this assignment we have used the professional advisers listed below. We have also indicated alongside the basis of our fee arrangement with them, which is subject to review on a regular basis.

Name of professional adviser/Service(s)	Reason selected	Basis of fee arrangement	Costs incurred in current period £	Costs paid in current period £	Total costs outstanding at period end £
DWF LLP - Legal advice re Clients and transactions	Industry and client knowledge, insolvency expertise	Hourly rate and disbursements	204,806.99	Nil	204,806.99
Lewis Silkin LLP - Legal advice re employment matters	Client knowledge, employment contract expertise	Hourly rate and disbursements	25,599 plus VAT and disbursements of 3,250	25,599 plus VAT and disbursements of 3,250	Nil
Foot Anstey LLP - Legal advice re strategic matters	Industry knowledge and insolvency knowledge	Hourly rate and disbursements	22,283 plus VAT	Nil	22,283 plus VAT
Rabbows LLP - Valuation and disposal advice	Corporate market experience	Fixed fee for valuation advice plus percentage of realisations	Nil	Nil	Nil
Birkett Green Lees LLP - advice and assistance with business rates refunds/mitigation	Industry knowledge	Percentage of recoveries	4,244.34	4,244.34	Nil
Techrelate Ltd - manage the IT infrastructure and supply the various licenses required to run the systems ¹	Client knowledge and experience in license coordination	Monthly set fee	17,669.71	17,669.71	Nil

Name of professional adviser/Service(s)	Reason selected	Basis of fee arrangement	Costs incurred in current period £	Costs paid in current period £	Total costs outstanding at period end £
CorelX Ltd - data centre, where all the backups are maintained	Client knowledge and industry expertise	Monthly set fee	6,943.08	6,943.08	Nil
Dashro Solutions Ltd - assisting JSAs with the Company's bespoke software and migrating data, as well as producing the Client statements ¹	Systems and client knowledge, expertise	Hourly rate	73,100.00	73,100.00	Nil
Saville Notaries LLP - assistance with notarising of documents required for gaining access to bank accounts	Industry experience	Hourly rate	817.52 plus VAT	817.52 plus VAT	Nil
Compliancy Services Ltd - translation services	Industry experience	Hourly rate and disbursements	2,190.00 plus VAT	2,190.00 plus VAT	nil

Notes

¹ These payments are in addition to a number of ransom payments that were necessary to ensure continuity of service prior to a formal engagement being agreed between the parties and the JSAs.

DWF LLP -

- Negotiation and completion of Britannia pre-pack sale;
- Employment advice re termination of executive/employment contracts;
- Drafting various consultancy agreements;
- Advice re treatment of Retention Payments;
- Advice on of Creditors/Clients Committee;
- Attendance at Committee meeting;
- Correspondence with Andoro/Uroco advisors with regards to withdrawal of claim and proposed disclosure exercise;
- Correspondence with various solicitors with regards to specific client asset return queries
- Advice to JSAs with regards to general strategy for return of client assets, including advice re offers for residual client book;
- Advice with regards to Second Supervisory Notice

Lewis Silkin LLP -

Have been retained to assist the JSAs on all employment related matters, including a number of ongoing subject access requests and claims made against the company prior to the JSAs' appointment.

Foot Anstey LLP -

Have been involved in providing strategic advice to us during the period covering a range of issues, including the following:

- Administrators' Proposals and Client correspondence;
- Strategy for the disposal of the residual Client Book;
- The statutory process for the return of Client Custody Assets through a Distribution Plan, Transfers or a combination;
- The options for the recovery and allocation of costs incurred in respect of the return of Client Custody Assets, other than in respect of Client Assets included in the Britannia sale agreement;
- Client Statements and the option to set a Bar Date and consequences/restrictions of doing so;
- Client Monies and offsetting for the payment of debts.

Subcontractors

We have utilised the services of the following subcontractors during the current period:

Provider/Service(s)	Basis of fee arrangement	Costs incurred in current period £	Costs paid in current period £	Total costs outstanding at period end £
ERA Solutions Ltd - assisting with employee claims/RPO submissions	Rate per employee claim or hourly rate agreed	1,560.00	1,560.00	Nil

F Statutory information

Relevant Court	High Court of Justice, Business & Property Courts of England & Wales Company & Insolvency List			
Court Reference	1111 of 2021			
Incorporated on	5.11.10			
Trading Name(s)	Dolfin			
Trading Address & former registered office	77 Coleman Street, London EC2R 5BN			
Former Name(s)	RMS Fingroup Limited (23.4.14 - 4.10.16) Structured Investment Group Limited (5.11.10 - 23.4.14)			
Registered Office	25 Moorgate, London, EC2R 6AY			
Registered Number	07431519			
Joint Special Administrators	Adam Henry Stephens (IP No 9748) & Kevin Ley (IP No 25090) Smith & Williamson LLP, 25 Moorgate, London EC2R 6AY In accordance with P100 (2) Sch B1 IA 86, a statement has been made authorising the Joint Special Administrators to act jointly and severally			
Date of Appointment	30 June 2021			
Appointor	Order made on the application of the directors			
Directors (current)	<u>Name</u>	<u>Appointed</u>	<u>Resigned</u>	<u>Shareholding</u>
	Rodney Baker-Bates	29.5.20	20.1.22	-
	Amir Nabi	16.9.16	8.9.21	-
Directors (last 3 years)	Stephen Kingsley	19.5.20	31.3.21	-
	Sanjay Maraj	30.9.13	30.9.20	-
	Denis Nagy	20.9.13	30.4.20	-
Company Secretary	None recorded at Companies House			
Shareholders	<u>Name</u>	<u>No. shares held</u>	<u>Voting rights</u>	
	Semen & Marina Linovich	563,634 - Preference	3.08 %	
	Semen & Marina Linovich	563,634 - Ordinary	3.08 %	
	Dolfin Group (UK) Ltd	17,160,001- Ordinary	93.84 %	
Cross-border insolvencies and EU Regulation	<p>The Recast EC Regulation on Insolvency Proceedings (2015/848) does not apply since it does not apply to insurance undertakings, credit institutions and investment undertakings. Dolfin is an investment undertaking providing services including the holding of funds or securities for third parties.</p> <p>The JSAs have been advised that the Retained Insolvency Regulation will not apply to insolvency proceedings opened in respect of the Company. These proceedings are 'centre of main interest' proceedings to which the EU Regulation as it has effect in the law of the United Kingdom.</p>			

G Creditor's claim form

The Investment Bank Special Administration Regulations 2011

Dolphin Financial (UK) Ltd (in Special Administration)

Part 1: Contact details	
Creditor name	
Creditor address	
Part 2: Details of claim	
Gross amount of claim (inc. VAT if applicable)	
Amount of VAT	
Details of any document by reference to which the claim can be supported (e.g. invoices, statement of account, terms and conditions, etc.). Please attach.	
How did the claim arise?	
Details of any security held, the value of the security and the date it was given	
Part 3: Confirmation	
Creditor signature (or person authorised to act on their behalf)	
Name (BLOCK CAPITALS)	
Position with or relation to Creditor (if the Creditor has not signed or is a body corporate, e.g. director)	

Please return:

By post: Dolphin Financial (UK) Ltd (in special administration), c/o Smith & Williamson, 25 Moorgate, London, EC2R 6AY

By email: Dolphin@smithandwilliamson.com

www.smithandwilliamson.com

Principal offices: London, Belfast, Birmingham, Bristol, Dublin, Glasgow, Guildford, Manchester, Salisbury and Southampton.

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