



# Reyker Securities PLC (in special administration)

Joint special administrators' second progress report for the period 8 April 2020 to 7 October 2020 pursuant to Rule 122 of The Investment Bank Special Administration (England and Wales) Rules 2011

5 November 2020



# Contents

1.	Glossary	4
2.	Executive summary	7
3.	The JSAs' Objectives and Proposals	12
4.	Summary of actions during the report period	13
5.	House Assets	23
6.	Investigations	25
7.	JSAs' receipts and payments	25
8.	Estimated outcome for Clients and Creditors	27
9.	Costs of the Special Administration	29
10.	Duration and exit of the Special Administration	34
11.	Privacy and data protection	34
12.	Creditors' rights	34
13.	Next report	35

## Appendices

A.	Statutory Information	37
B.	Summary of the JSAs' Proposals	38
C.	JSAs' receipts and payments	39
D.	Expenses incurred by the JSAs	42
E.	JSAs' time costs from 8 April 2020 to 7 October 2020	43
F.	JSAs' total time costs to 7 October 2020	51
G.	Staffing, charging policies and charge out rates	52

# 1. Glossary

Abbreviation	Description
Act	The Insolvency Act 1986.
Authorities	The Bank of England, HMRC and the FCA.
Bar Dates	The deadline for Clients to submit their claims in respect of Client Money and Custody Assets.
CASS	The FCA's "Client Assets Sourcebook" rules.
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 Asset Return Statement	A statement showing Clients' Custody Assets and Corporate Action Assets which will be available through the Portal. This Statement will detail the Nominated Broker to which Custody Assets will be transferred.
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.
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	Client Money or securities received on behalf of Clients following 8 October 2019.
Corporate Action Income	Client Money 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.
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.

Abbreviation	Description
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 Plan	A statutory distribution plan, pursuant to the Regulations and the Rules, to facilitate the return of Custody Assets.
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.
Hard Bar Date	A date set by the Court after which the JSAs may dispose of Client Assets still held by the Company which have not yet been claimed by Clients.
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.
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 but subject to ongoing checks.
LSE	London Stock Exchange.
NatWest	NatWest Bank plc, being the secured creditor.
Nominated Broker	One of the designated brokers 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.

Abbreviation	Description
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 will be 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, The form will allow 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 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.
Seneca	Seneca Partners Limited
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
S&W	Smith & Williamson LLP
S&WFS	Smith & Williamson Financial Services LLP
Transfer	The Transfer of Custody Assets to one of a small number of selected Nominated Brokers.
VREQ	A voluntary requirement requested by an FCA-authorized firm which is duly imposed upon its own permissions or regulated activities by the FCA.

## 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’ second 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 2020 to 7 October 2020.

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 progress report, 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;
- Issued the JSAs’ first progress report for the period from 8 October 2019 to 7 April 2020;
- Established adequate working from home provisions such that the Reyker workforce could continue to work in a compliant, COVID safe environment;
- Issued correspondence to Clients who did not submit a claim to Client Assets by the Bar Date in accordance with Rule 143;
- Concluded negotiations with the proposed purchaser, underbidders and other interested parties regarding a sale of the Company’s business and assets bringing to an end their preferred strategy of a wholesale transfer of Client Assets;
- Re-engaged with several brokers and, ultimately, the Nominated Brokers with respect to accepting part of the Client book under a series of partial transfers of Custody Assets under Regulation 10B and 10C;
- Negotiated data-sharing and transfer agreements with the Nominated Brokers to ensure Clients could be on-boarded by the Nominated Brokers and a smooth transfer of Custody Assets following the approval of the Distribution Plan;

- Consulted with legal advisors, counsel, the Creditors' Committee and several Investment Managers and made the decision to distribute Client Money by way of a separate distribution in accordance with the FCA's Client Money Distribution and Transfer Rules (as set out in CASS 7A);
- In conjunction with legal advisors, drafted the Distribution Plan and all ancillary documents required for the Court application, to include (but not limited to) the Explanatory Statement, the Annex (being an anonymised schedule of all Custody Assets held and for which Client), the JSAs' witness statement and a bundle of evidence to substantiate the JSAs' strategy;
- Undertaken an extensive review of all custodians and fund managers and their respective terms and conditions to determine whether any held a security interest in respect of Custody Assets;
- Obtained approval from the Creditors' Committee to the Distribution Plan on 31 July 2020;
- Submitted the Distribution Plan to Court on 6 August 2020 and obtained a hearing date shortly following the report period of 16 October 2020 (at which the Distribution Plan was approved);
- Maintained the Portal to allow Clients to agree their holdings of Custody Assets and Client Money ahead of any transfer of Custody Assets and / or distribution of Client Money;
- Further developed the Portal to allow Clients to submit a Client Money Instruction Form with details of where to distribute their Client Money and commenced development for the return of Custody Assets in anticipation of the approval of the Distribution Plan;
- Planned for, provided notice of and substantially completed the first interim Client Money distribution to participating Clients with a Client Money balance as at 8 October 2019, completing bank transfers in respect of 6,382 Client plans;
- Continued to inform Clients of progress achieved via the use of the dedicated webpage (which hosts regular updates), designated email address and the client services helpline operated by the Company's own employees and S&W staff;
- Written to all non-individual, corporate Clients who had not submitted an FSCS eligibility assessment form (following the initial request during the prior reporting period);
- Written to all Clients with Clients Assets of more than £85,000 (as at 8 October 2019) that had not yet submitted a claim to FSCS compensation via the Portal;
- Prepared and submitted a supplemental witness statement into Court in support of the Distribution Plan;
- Collated, scheduled and reviewed FSCS eligibility forms received from corporate Clients and passed to the FSCS for their final determination;
- Prepared an exhaustive datasheet of all Clients for the FSCS to run their sanction and eligibility checks;
- Processed corporate action requests and requests for the early return of Corporate Action Assets in line with the strict criteria set by the JSAs' discretionary internal policies;
- Held regular meetings with the Creditors' Committee regarding the JSAs' strategy, the content and terms of the Distribution Plan and the JSAs' remuneration;
- Continued to liaise with all relevant market infrastructure bodies and Authorities, including frequent contact with both the FCA and FSCS; and
- Progressed the pursuit of Objective 3, to include realising House Assets, disclaiming the lease to the first-floor office at the Premises and ongoing investigations into the affairs of the Company.

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

## 2.4 The transfer of Custody Assets

As set out in the Proposals, the JSAs' preferred strategy was to affect a wholesale transfer of Client Assets to a single purchaser of the Company's business and assets on the basis that this would have been the most cost effective and fastest way for Clients to regain access to their holdings.

However, following the withdrawal of the proposed purchaser's offer, following the COVID-19 outbreak, in early April 2020, the JSAs concluded that a series of partial transfers of Custody Assets under Regulations 10B and 10C and a separate distribution of Client Money in accordance with the FCA's Client Money Distribution and Transfer Rules (as set out in CASS 7A) represented Clients' best interests.

As part of the decision-making process in selecting the Nominated Brokers, the JSAs and their legal advisors considered:

- the calibre of brokers, including the breadth of assets that they can hold for Clients, and the respective offers received for Reyker's business as a wholesale transfer;
- the preferences of the four largest Investment Managers (who together represented the interests of 50% of the Client pool);
- feedback from regulatory stakeholders and the Creditors' Committee; and
- the need to expedite the return of Client Money given the widespread financial hardship caused by the ongoing COVID-19 pandemic (i.e. to distribute Client Money to Clients (or a preferred broker of their choosing) by way of a separate process which is not subject to Court approval and therefore delay).

The JSAs were keen to transfer Custody Assets to as few brokers as possible on account of complexity, time and cost and restarted discussions with several suitable brokers who had previously expressed an interest in the Client book or had been identified by one of the four largest Investment Managers and identified new brokers that may have been suitable to receive parts of Reyker's business and some of its Custody Assets.

Due to COVID-19, the JSAs found that certain brokers were slow to re-engage or reluctant to take on a new book, however, by June 2020 the JSAs had concluded all relevant discussions with the targeted regulated brokers and formulated a strategy to transfer Custody Assets by way of a series of partial transfers to no more than five brokers under a Distribution Plan.

The Distribution Plan is a detailed legal document with accompanying asset schedules and evidence collated by the JSAs, which details how the Custody Assets will be returned to Clients ensuring Clients' rights are protected. This is a court-led process and the Distribution Plan requires the approval of both the Creditors' Committee and the Court.

The terms of the Distribution Plan were approved by the Creditors' Committee on 31 July 2020 and the Distribution Plan was submitted to Court on 6 August 2020. The Distribution Plan was heard and approved by the Court on 16 October 2020 (shortly following the period covered by this progress report).

Now that the Distribution Plan has been approved, the JSAs may commence the process of transferring Custody Assets to the Nominated Brokers and will shortly write to all Clients to confirm who their Nominated Broker is and the anticipated timing for the first transfer(s). Further detail regarding the identity of the Nominated Brokers and which Clients will be transferring where is provided at section 4.1.3 of this report.

Please note:

- Due to the number of Nominated Brokers, asset classes and stock lines, ranging across electronic and paper-based stocks and securities, the transfer of Custody Assets will be phased over time as it is not possible for all stock transfers to take place at the same time; and
- Prior to any Client Assets being transferred to a new Nominated Broker, Clients will receive further notice from the JSAs and be provided with a Client Asset Return Statement via the portal and an explanation of their rights under the Distribution Plan.

Clients are encouraged to read the Explanatory Statement, Flowchart and the most recent FAQs (published on the Website) to assist their understanding of the transfer process.

## 2.5 The distribution of Client Money

As stated above, following the withdrawal of the proposed purchaser's offer and the JSAs' decision to transfer Custody Assets by way of a series of partial transfers, it was considered in Client's best interests to undertake a separate distribution of Client Money (being cash held for Clients as at 8 October 2019) as opposed to a transfer of Client Money to the same Nominated Brokers as for Custody Assets which had additional complexity and may have required an additional court application.

The distribution of Client Money took considerable planning and preparation to ensure Clients were provided with sufficient flexibility to preserve investments in foreign currencies and tax wrappers (where applicable) and included further development of the Portal to receive Clients' instructions by way of the virtual Client Money Instruction Form.

The JSAs wrote to all Clients with a Client Money balance (as at 8 October 2019) on 10 July 2020 advising that, whilst the return of Custody Assets is dealt with by way of the Distribution Plan, the distribution of Client Money would be achieved by a separate process and requested each Client to log on to the Portal and provide instructions as to where they wished their Client Money to be distributed. A deadline of 17.00 hours (GMT) on 7 August 2020 was set for Clients to participate in the first interim distribution of Client Money.

Clients were also notified that the first interim distribution would be in the sum of 85 pence in the pound. The balance of funds had to be retained in the Client Money Pool as a provision against future, new and unforeseen claims against the Client Money Pool until such time that a Hard Bar Date is approved by the Court. Clients that were considered either ineligible or potentially ineligible for FSCS compensation would, however, only receive 80 pence in the pound as a further provision was required for their Share of the Costs. Please note that Clients eligible for FSCS compensation, which is more than 98% of Reyker's Clients, are still expected to receive 100% of their Client Money in due course.

Shortly after the deadline, the first interim distribution of Client Money was declared in August 2020 to all Clients who had provided valid Client Money instructions and the JSAs began processing distribution instructions.

Valid instructions were received in respect of 8,834 Client plans (out of 12,227), of which 7,353 required a physical transfer of cash. As Reyker's records for some Clients were not sufficiently up to date the JSAs utilised an online, commercial, third party bank account verification tool meaning that many thousands of clients could receive their cash more quickly and without having to provide any up to date documentation. However, where accounts could not be electronically verified in this way, some Clients had to provide up to date documentation to verify their bank account details. The JSAs and their staff continue to work on verifying personal bank account details and obtaining documentation for the final distributions to alternative brokers with a view to completing the first interim Client Money distribution as soon as possible.

As at the end of the report period, the JSAs had completed 87% of all distributions requiring a transfer of cash with the majority of cash transfers requiring some form of Client input before it may be completed.

If any Client has not yet submitted a Client Money Instruction Form, this can still be done at any time through the Portal. Please note, any such Client will not be able to participate in the first interim distribution of Client Money (as the deadline has now passed) and their share of Client Money will be safeguarded under the JSAs' control until such time that either a second interim or a final distribution is declared. It is presently anticipated that a second distribution of Client Money will not take place until the initial transfers of Custody Assets to the Nominated Brokers have been completed.

Before submitting a Client Money Instruction Form, Clients should familiarise themselves with the terms and conditions of the distribution of the Client Money Pool which is available at: [www.smithandwilliamson.com/reyker-securities-plc](http://www.smithandwilliamson.com/reyker-securities-plc).

## 2.6 Anticipated outcome for Clients and Creditors

### 2.6.1 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 percentage of the Client Money balance. On present information, it is anticipated such costs will be in the region of 6.5% of a Client's Client Money balance as at 8 October 2019.

Whilst these costs may be deducted from the respective Client Assets in accordance with the Regulations, the JSAs anticipate that more than 98% 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 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.

It is too early in the process 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 Next steps

### 2.7.1 Clients

Clients with Custody Assets (which includes Corporate Action Assets) will shortly receive a letter from the JSAs setting out details of their new Nominated Broker. In the meantime:

- Clients should read the Explanatory Statement and Flowchart published on the Website in order to gain an understanding of the transfer process;
- Clients that are FSCS eligible (this is expected to be all individual Clients and a number of corporate Clients that have submitted a valid FSCS eligibility assessment form) with Client Assets of less than £85,000 or, alternatively, FSCS eligible clients with Client Assets of more than £85,000 that have confirmed that they want to claim FSCS compensation, no further action is required in respect of the proposed transfer of your Custody Assets to the Nominated Broker (unless you wish to dispute your statement or opt out of the transfer);
- Clients that have Client Assets of more than £85,000 and have not yet confirmed, via the portal, that they wish to claim FSCS compensation are strongly encouraged to do so as your Client Assets will not be transferred until your share of the costs are either determined as being payable by the FSCS (by confirming that you wish to be compensated and the FSCS approving your application) or, alternatively, by you making a payment to meet these costs; and
- corporate Clients that may be eligible for FSCS compensation should ensure they have reviewed and, where applicable, completed the FSCS eligibility assessment form issued on 30 March 2020 (and more recently again in September 2020) and return it to [reyker.securities@smithandwilliamson.com](mailto:reyker.securities@smithandwilliamson.com) as a matter of urgency.

Despite the passing of the Bar Dates, the Portal remains open for a limited period of time. If you have not already done so, please submit your claim and, where your Custody Assets are greater than £85,000, indicate your desire



to claim compensation from the FSCS, as soon as possible by logging on to the Portal at <https://reykerportal.com/login>.

Client's with Client Money:

- If you have submitted your claim to Client Assets and your Client Money Instruction Form before the deadline imposed by the JSAs and your account details have been verified, you should have or will shortly receive your first interim distribution of Client Money;
- If you have received a communication from the JSAs requesting further information to verify your designated bank account or complete your distribution to an alternative broker, please contact client services at your earliest convenience so that the JSAs can process your distribution instructions; and
- If you have not yet submitted a claim to Client Assets or submitted a Client Money Instruction Form, you still need to do this in order for your Client Money to be distributed in accordance with your instructions. Please log on to the Portal to do this at your earliest convenience and to ensure that you may participate in future distributions of Client Money.

### 2.7.2 Creditors

In the event asset realisations are sufficient to pay a distribution or dividend to either preferential, secured or unsecured creditors in due course, notice will be given under separate cover.

### 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.

There is no hierarchy to the Objectives and the Regulations require that the JSAs commence work on each Objective immediately after their appointment, prioritising the order of work on each Objective as they think fit in order to achieve the best result overall for Clients and Creditors.

The JSAs commenced work on achieving each of the three Objectives immediately following their appointment. The JSAs are continuing to pursue Objective 1 as a priority whilst pursuing Objectives 2 and 3 in parallel. At this stage, the JSAs consider that it is not possible to rescue the investment bank as a going concern and, therefore, in pursuing Objective 3, the JSAs are taking appropriate steps to wind up the Company's affairs.

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 a Clients' and Creditors' Committee.

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

#### 4.1.1 Client claims

During the last reporting period, the JSAs set the Bar Dates under Regulation 11 and Regulation 12a in respect of Custody Assets and Client Money respectively for Clients to submit claims to holdings of Client Assets via the Portal. The Bar Dates were set at 5.00pm on 7 April 2020 (GMT) and, at that time, 70% of all Client accounts (being 7,832 out of 11,126) were verified and submitted.

During the report period, a notice under Rule 143 was issued on 26 June 2020 to Clients who, according to the Company's records or information received by the JSAs, were eligible to make a claim but from whom the JSAs had not received a claim to Custody Assets or Client Money. The notice permitted eligible clients an additional 14 business days from receipt of the notice to submit a claim. This additional period expired on 21 July 2020.

Despite the passing of the deadline, the portal remains open for claims. To date, 84% of Clients have now submitted a claim to Client Assets.

The JSAs have also:

- Consolidated Client ID numbers where Client plans for the same Client were previously separated;
- Responded to and resolved queries or disputes raised by Clients prior to verifying their claims;
- Adjusted statements where additional information regarding outstanding trades has been received;
- Processed mandatory and non-mandatory Corporate Actions; and
- Removed Clients that were no longer considered to have a holding of Client Money or Custody Assets with the Company as at 8 October 2019.

Following the above work, the number of Clients has reduced from 11,126 to 11,065.

The JSAs have not identified any shortfalls in respect of Custody Assets and believe that there will only be a small Client Money shortfall. Under the Rules, the JSAs are required to transfer house monies (where available) to make up any shortfall in the CMP.

#### 4.1.2 Marketing the business and eliminating a wholesale transfer

At the time of our last report we reported that the proposed purchaser for the Company's business had withdrawn its offer and, whilst discussions remained ongoing in respect of a sale of the Company's business and



assets and a wholesale transfer of Client Assets, the JSAs considered it more likely that Client Assets would be transferred or distributed by way of a series of partial transfers rather than a wholesale transfer to a single purchaser and / or regulated broker.

During the early part of the report period, the JSAs continued discussions and negotiations with the proposed purchaser, underbidders and other brokers who had communicated an interest in accepting either a wholesale or partial transfer of Client Assets.

Following extensive discussion with all interested parties, the JSAs and their advisors concluded that a series of partial transfers of Custody Assets under Regulations 10B and 10C and a separate distribution of Client Money in accordance with the FCA's Client Money Distribution and Transfer Rules (as set out in CASS 7A), represented Clients' best interests.

As part of the decision-making process, the JSAs considered:

- the calibre of brokers, including the breadth of assets that they can hold for Clients, and the respective offers received for Reyker's business and a wholesale transfer;
- the preferences of the largest intermediary providers (who represent the interests of 50% of the Client population);
- feedback from regulatory stakeholders and the Creditors' Committee; and
- the need to expedite the return of Client Money given the widespread financial hardship caused by the ongoing Covid-19 pandemic (i.e. to distribute Client Money to Clients (or an alternative broker of their choosing) by way of a separate process which is not subject to Court approval or availability).

#### 4.1.3 Transfer of Custody Assets and the Distribution Plan

In order to transfer Custody Assets, the JSAs were required to prepare a Distribution Plan and accompanying Explanatory Statement including information regarding (i) how the JSAs propose to transfer or distribute Custody Assets (ii) to whom Custody Assets will be transferred, (iii) how the costs of the transfer or distribution of Custody Assets are to be allocated and (iv) how the JSAs are working with the FSCS to reimburse those transfer or distribution costs for eligible Clients. The Distribution Plan had to be approved by the Creditors' Committee and the Court before it could be implemented.

Following the withdrawal of the purchaser's offer and the JSAs' decision to progress a series of partial transfers of Custody Assets, the JSAs needed to identify how many and which brokers to transfer Custody Assets to. The JSAs were keen to transfer the asset book to as few brokers as possible on account of complexity, time and cost.

The process of marketing the Company's business and assets for sale meant the JSAs had already spoken with numerous potential new brokers and, therefore, the JSAs re-engaged with these parties and identified new ones for parts of the business and the respective Custody Assets. In addition, the JSAs consulted with four Investment Managers or introducers (who together, accounted for the interests of 50% of the Client pool) regarding their preference as to where their respective Clients' assets should be transferred. These parties were influential stakeholders whose support for the Distribution Plan was critical if it were to obtain Court approval and prevent any further delay to the transfer of Custody Assets.

At this time, a number of brokers were slow to re-engage and / or reluctant to take on part of a new book on account of the disruption caused to the financial markets due to COVID-19, however, by the end of June 2020, the JSAs had identified and agreed headline terms with their preferred Nominated Brokers and consulted with regulatory bodies.

The JSAs entered data-sharing agreements with the Nominated Brokers (where appropriate) and began negotiations to formalise Transfer Agreements. The process of transferring Custody Assets is complex and requires a detailed legal contract stating the process and terms upon which Custody Assets would be received by each Nominated Broker. Each Transfer Agreement is bespoke to the respective broker and the assets subject to the respective transfer.

In parallel to the above, the JSAs and their legal advisors were drafting the Distribution Plan and all ancillary documents required for the Court application, to include (but not limited to) the Explanatory Statement, the Annex (being an anonymised schedule of all Custody Assets held and for which Client), the JSAs' witness statement and a bundle of evidence to support the JSAs' strategy.

As part of the drafting, the JSAs needed to present to the Court a thorough account of the various types of Custody Assets under their control, to include the number of units held of each stock line and whether any shortfalls had been identified, explain the specific mechanisms by which the various asset classes would transfer and be fully compliant with the Legislation, which provides for Clients to dispute holdings, opt-out or request a reverse Transfer. Accordingly, the JSAs and their staff spent a lot of time collating the required detail, such as processing any required changes to Client statements and chasing third party registrars and fund managers for physical paper certificates and / or confirmation of whether certain trades completed. Such outstanding queries had been identified by the JSAs' Reconciliation and formed part of the JSAs' ongoing work since the review had been completed in early 2020.

Following thorough preparation and regular communications and meetings, the terms of the Distribution Plan were approved by the Creditors' Committee on 31 July 2020 and the Distribution Plan was submitted to Court on 6 August 2020. The JSAs wrote to all Clients on 13 August 2020 to provide notice of how to access the Distribution Plan and associated documents and to confirm that a hearing date had been set by the Court of 16 October 2020.

As part of the submission process, the JSAs' and their legal advisors, counsel and the Creditors' Committee considered the merits and basis of submitting an urgent application so that it may have been heard prior to the Court's Summer recess. The legal advice received, and consensus with stakeholders reached, was that it would be difficult to meet the criteria for an urgent application and, given the Transfer Agreements and Client onboarding process would take the Nominated Brokers a number of weeks to complete in any event, no significant time advantage would be gained from such an application and, if rejected by the Court, risked further delay.

The Distribution Plan was subsequently heard and approved by the Court on 16 October 2020 (shortly after the reporting period). The sealed order approving the Distribution Plan was provided by the Court on 16 October and the Effective Date of the Distribution Plan is 16 October 2020.

Now that the Distribution Plan has been approved, the JSAs may commence the process of transferring Custody Assets to the Nominated Brokers and will shortly write to all Clients to confirm who their Nominated Broker is.

Under the terms of the Distribution Plan, Clients are being transferred to the following Nominated Brokers:

- If you had Custody Assets with Deepbridge Capital LLP or Enterprise Investment Partners LLP as the Investment Manager, then investments managed by them are being transferred to Kin Capital Limited (where accounts have already been opened for you by your Investment Manager);
- If you had Custody Assets with Ingenious Capital Management Limited or Brickvest IM Limited as the Investment Manager, then investments managed by them are being transferred to Thompson Taraz Depositary Limited;
- If you had Custody Assets with Puma Investment Management Limited ("Puma") as the Investment Manager then accounts have been opened for you, by Puma, at Pershing Securities Limited ("Pershing");
- If you had Custody Assets with Clarmond Wealth Limited as the Investment Manager, or have otherwise chosen to do so by opening an account and informed the JSAs that your Custody Assets should be transferred there, then your Custody Assets are transferring to custody arrangements organised through Logic Investments Limited; and
- If you do not fall into one of the aforementioned categories, then your Custody Assets will be transferred to James Brearley & Sons Limited (where accounts have been opened for you in conjunction with the JSAs) save for any Innovative Finance ISAs or Child Trust Funds.

No Nominated Broker has yet been identified for a bulk transfer of Innovative Finance ISAs or Child Trust Funds. The JSAs are still working to identify an appropriate broker and will write to Clients with such investments separately to confirm the options available to them.

Please note:

- Due to the number of Nominated Brokers, asset classes and stock lines, ranging across electronic and paper-based stocks and securities, the transfer of Custody Assets will be phased over time.
- Prior to any Client Assets being transferred to a new Nominated Broker, Clients will receive further notice from the JSAs and be provided with a Client Asset Return Statement via the portal and an explanation of their rights under the Distribution Plan.
- Clients that have Client Assets of more than £85,000 and have not yet confirmed, via the portal, that they wish to claim FSCS compensation are strongly encouraged to do so as your Client Assets will not be transferred until your Share of Costs are either paid by the FSCS (by confirming that you wish to be compensated and the FSCS approving your claim) or by you making a payment to meet these costs.

#### 4.1.4 Distribution of Client Money

As stated above, following the withdrawal of the proposed purchaser's offer and the JSAs' decision to transfer Custody Assets by way of a series of partial transfers, it was considered in Client's best interests to undertake a separate distribution of Client Money (being cash held for Clients as at 8 October 2019) as opposed to a transfer of Client Money to the same Nominated Brokers as for Custody Assets which had additional complexity and may have required an additional court application.

A key factor in this decision was the need to expedite the return of Client Money given the widespread financial hardship caused by the ongoing Covid-19 pandemic. A separate distribution of Client Money under the FCA's Client Money Distribution and Transfer Rules (as set out in CASS 7A) was not subject to Court approval and meant that participating Clients could receive some funds in advance of the Court hearing scheduled for the Distribution Plan to transfer the Custody Assets.

The distribution of Client Money took considerable planning and preparation and work undertaken by the JSAs included:

- Further developing and upgrading the Client Claim Portal ([www.reykerportal.com](http://www.reykerportal.com)) to receive Clients' instructions regarding the distribution of Client Money (whilst still permitting each Client to review their Client Statement(s) and submit their claim to Client Assets if not already done so);
- Providing a range of options to satisfy Clients' individual needs and investment decisions, which included having Client Money paid into their own personal bank accounts or to an alternative broker of their own choice;
- Ensuring Clients would be able to preserve cash held in foreign currencies and / or tax wrappers where applicable (such as where cash was held in an ISA product);
- Working with their legal advisors and Clients' Investment Managers to establish which Investment Managers had appropriate authority to provide instructions on behalf of their mutual Clients. This enabled the JSAs to receive instructions on behalf of a large number of Clients (without the need for the respective Clients to log-in to the Portal) and process distributions in bulk (as opposed to individual distributions per Client) based on the instructions received from the respective Investment Manager on their behalf; and
- Implementing safeguards to ensure both the Portal and payment process was robust, secure and efficient, to include integrating automated identity and bank account verifications to the Portal.

The JSAs wrote to all Clients with a Client Money balance (as at 8 October 2019) on 10 July 2020 advising that, whilst the return of Custody Assets is dealt with by way of the Distribution Plan, the distribution of Client Money would be achieved by engaging with Clients and requesting each Client to log on to the Portal and provide instructions as to where they wish their Client Money to be distributed. A deadline of 17.00 hours (GMT) on 7 August 2020 was set for Clients to participate in the first interim distribution of Client Money.



Clients were also notified that the first interim distribution would be in the sum of 85 pence in the pound. The balance of funds had to be retained in the Client Money Pool as a provision against future, new and unforeseen claims against the Client Money Pool until such time that a Hard Bar Date is approved by the Court. Clients that were considered either ineligible or potentially ineligible for FSCS compensation would, however, only receive 80 pence in the pound as a further provision was required for their Share of the Costs. Please note that Clients eligible for FSCS compensation, which is more than 98% of Reyker's Clients, are still expected to receive 100% of their Client Money in due course.

Shortly after the deadline, the first interim distribution of Client Money was declared in August 2020 to all Clients who had provided valid Client Money instructions and the JSAs began processing distribution instructions.

Valid instructions were received in respect of 8,834 Client plans (out of 12,227), of which 7,353 required a physical transfer of cash. The table below summarises the status of the Client Money distribution as at the end of this report period by number of Client plans.

Distribution instructions	No. of Client plans			Total
	Complete	Pending	Outstanding	
Transfer to personal bank accounts	3,032	459	405	3,896
Transfer to alternative brokers	478	-	107	585
Donate to the NHS	148	-	-	148
Transfer under IM instructions	2,724	-	-	2,724
<b>Total</b>	<b>6,382</b>	<b>459</b>	<b>512</b>	<b>7,353</b>

The JSAs had hoped to process all instructions during August, however, this was not possible given:

- A relatively low uptake for the option to 'hold until the distribution plan has been approved', resulting in a much higher than anticipated number of bank transfers to be completed;
- The automatic verification of UK bank accounts having a lower than predicted success rate of 43%, resulting in additional circulars to Clients to call in and / or provide formal documentation to verify their designated bank account(s); and
- Transfers to Clients' chosen alternative brokers being protracted as a result of brokers and / or Clients not following the set out instructions or being slow to engage or complete transfer forms or account opening procedures respectively.

The JSAs and their staff continue to work on verifying bank account details and chasing documentation for the final distributions to brokers with a view to completing the first interim Client Money distribution as soon as possible.

If any Client has not yet submitted a Client Money Instruction Form, this can still be done at any time through the Portal. Please note, any such Client will not be able to participate in the first interim distribution of Client Money (as the deadline has now passed) and their share of Client Money will be safeguarded under the JSAs' control until such time that either a second interim or a final distribution is declared. It is presently anticipated that a second distribution of Client Money will not take place until following the initial transfers of Custody Assets to the Nominated Brokers.

#### 4.1.5 Segregating Corporate Action Income

The JSAs continue to receive cheques and direct transfers to the Company's client accounts in connection with dividend and coupon payments and corporate action monies declared and paid on Custody Assets. This is referred to as Corporate Action Income which needs to be reconciled and segregated from the CMP and allocated to the respective Clients' accounts correctly. This work is undertaken daily with all Corporate Action Income being swept into bank accounts opened by the JSAs immediately following their appointment, known as Post Pooling Accounts.



**Appendix C** provides a summary of the Client Money receipts and payments, split between the CMP and Post Pooling Accounts. The account confirms the quantity of Corporate Action Income received during the report period across twelve currencies.

#### 4.1.6 Maintaining critical operations and monitoring costs

Since their appointment, the JSAs have sought to minimise the costs of returning Client Assets through making necessary redundancies, minimising office space and terminating all non-critical supplies.

The cost base and resourcing needs of the Company continue to be closely monitored and, during the report period, the JSAs:

- Continued to occupy the second-floor office at the Premises, however, all employees and contractors have been working remotely from home on account of COVID-19;
- Disclaimed the lease to the first-floor office at the Premises (which had been vacated by the Company shortly prior to the JSAs' appointment);
- Retained all five employees and the seven consultants engaged at the time of our last report;
- Engaged a further consultant to assist with the Client Money distribution, Client communications and DSARS;
- Terminated any non-essential office supplies during the COVID-19 lock-down period (e.g. cleaning);
- Explored further reducing the Company's cost base by moving to smaller serviced offices when the lease to the second floor expires in February 2021; and
- Consulted with the Company's IT advisors, Fusion, to implement a remote, cloud-based office solution with a view to supporting a move away from the Premises and reducing certain IT support and infrastructure costs.

#### 4.1.7 Funding

As stated in previous reports, it was necessary for the JSAs to secure a loan facility in order meet the required expenses of returning Client Assets (being Objective 1) and to maintain all critical operations at the Premises to this end.

Such funding has facilitated the payment of rent, employees' salaries, insurance and key suppliers. A loan facility of up to £5 million was initially received from a specialist lender ("Repayable Loan Facility"). At the end of the report period, the JSAs had drawn down £2.3 million (as stated in our receipts and payments account attached at **Appendix C**).

Once Custody Assets begin to be transferred, it is anticipated the Repayable Loan Facility will be repaid in full by the first drawdown on a funding agreement, between the FSCS and the Company, whereby the FSCS meets the costs of eligible clients ("the FSCS Funding Agreement"). The JSAs continue to work closely with the FSCS regarding the assessment of Clients' claims for compensation with a view to having a compensation and funding agreement in place before the end of the year.

#### 4.1.8 Communications with Clients & intermediaries

As the Company did not typically communicate with its Clients electronically, the JSAs have implemented a range of different methods for communicating with Clients in a co-ordinated, timely and cost-effective way. This has included issuing mass communications by post or email, operating a dedicated webpage 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 focussing on:

- All Clients with Client Money in respect of the first interim Client Money distribution;
- Clients who instructed the JSAs to distribute to personal bank accounts that could not be verified by the automated identity and bank account verification checks on the Portal and who were required to provide additional documentation;
- Clients who instructed the JSAs to distribute Client Money to alternative brokers and where additional information was required from them or their designated broker;
- Clients who had not yet submitted their claim to Client Assets via the Portal (or otherwise);
- Clients with Client Assets of more than £85,000 (as at 8 October 2019) that had not yet submitted a claim to FSCS compensation; and
- Corporate Clients who are ordinarily not classified as eligible for FSCS compensation and required to submit additional forms and evidence should they wish to progress a claim (e.g. small companies and SIPP providers).

These campaigns, in addition to general Client queries, meant the client services team (assisted by S&W staff):

- received over 8,000 inbound phone calls from Clients; and
- reviewed and responded (where necessary) to over 5,000 emails from Clients.

The dedicated Special Administration website has been regularly updated to include copies of issued client communications, monthly global updates and frequently asked questions. The website has been visited over 13,600 times during the report period.

In light of the ongoing restrictions in place due to COVID-19, the Company's workforce (and the JSAs' staff) continue to work effectively and safely from home. The JSAs had prepared and started to implement a safe return to work programme but this has been placed on hold following recent, national and local developments with government advice on COVID.

All incoming post continues to be received and processed by the post room at S&W which is presently operating with a skeleton staff. There may, therefore, be a longer than usual response time to such correspondence and Clients and their representatives are strongly encouraged to direct any queries to Client Services by email where possible or otherwise by telephone:

- Telephone: 0800 048 9512
- Email: [clientservices@reyker.com](mailto:clientservices@reyker.com)

In addition to the above, we have sought to maintain direct contact with a number of the intermediaries and IFAs through which Clients were referred to the Company, prioritising those representing the highest number of Clients, with a view to keeping them informed of the progress of the Special Administration and assisting them with their own communications to the mutual Client.

#### 4.1.9 Client Claim Portal

The JSAs have expended considerable time further developing the bespoke online Portal which enabled Clients to agree claims to their holdings of Client Money and Custody Assets and to confirm their desire to claim compensation from the FSCS where eligible.

During the report period, the Portal was developed so that Clients could log on and provide instructions for the distribution of their Client Money by way of a Client Money Instruction Form. The Portal was designed to provide Clients with a range of options in order to satisfy Clients' individual needs and investment decisions and to ensure Clients would be able to preserve cash held in foreign currencies and / or tax wrappers where applicable (such as where cash was held in an ISA product).



The use of and enhancements to the Portal have been critical to the JSAs being able to process a first interim distribution of Client Money prior to the approval of the Distribution Plan and transfer of Custody Assets and ensuring the process is as efficient and cost-effective as possible. Without the Portal, very considerable resource, that could only have been satisfied by the recruitment of a significant number of new employees, would have been required to process the distribution instructions received in respect of 8,834 Client plans.

More recently, the JSAs have been developing the Portal for the purposes of effecting the transfer of Custody Assets. Once the Nominated Brokers are ready to receive Custody Assets, Clients will be able to access their Client Asset Return Statement via the Portal which will detail the Custody Assets to be transferred, the respective Nominated Broker, the proposed date of transfer and the Client's Share of Costs.

#### 4.1.10 Liaising with the Creditors' Committee

There have been no changes to the Creditors' Committee members and observers since its formation and the JSAs and Creditors' Committee continue to meet on a regular basis.

During the report period, the Creditors' Committee has been consulted with regard to the JSAs' preferred strategy and the decision to return Custody Assets and Client Money by way of two separate processes, the anticipated timings of the respective transfer of Custody Assets and distribution of Client Money and the total estimated costs of the special administration, including the estimated costs per Client with regard to the return of Client Assets and the basis upon which the JSAs may be remunerated.

The Creditors' Committee were required to approve the terms of the Distribution Plan prior to its submission to Court and significant time was spent consulting with its members in the weeks leading up to finalising the application to Court. The Creditors' Committee approved the Distribution Plan by way of a formal resolution on 31 July 2020.

The Creditors' Committee, which includes the FSCS, also nominated three of its members to carefully review the JSAs projected costs for year 1 and year 2 of the Special Administration and agree an incentive-based arrangement for the recovery of the JSAs remuneration linked to the projected costs of year 2, e.g. the JSAs would discount their fees should costs exceed the agreed budget for year 2 with regard to professional fees and operating costs. The Creditors' Committee approved the proposed arrangement shortly following the reporting period on 22 October 2020.

Further details on the resolutions recently passed by the Creditors' Committee is provided in section 9.

#### 4.1.11 FSCS eligibility reviews

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

During the report period, the JSAs have continued to work closely with the FSCS to ensure that as many eligible Clients as possible receive compensation and that this will be paid direct to the JSAs without the need for Clients to submit a claim to the FSCS themselves. Such a process will mean that, for the vast majority of Clients, their Custody Assets will transfer to a Nominated Broker in whole without the need for the JSAs to liquidate their holdings.

Whilst it is envisaged that the majority of individual retail Clients will receive compensation, the JSAs previously wrote to the Company's non-individual, corporate Clients who may not be eligible for FSCS compensation on 27 March 2020 requesting that they complete and return an eligibility assessment form in order that the FSCS can make a final determination in this regard. The Company had 240 corporate Clients who were sent this documentation.

As at the time of this report:

- 160 corporate Clients have returned eligibility forms and accompanying documentation (which have been collated and reviewed by the JSAs and passed to the FSCS for their final determination); and



- 2 corporate Clients have confirmed their ineligibility to apply for FSCS compensation. These Clients will be required to pay their Share of Costs (including any costs associated with Client Money) prior to a transfer of their assets to the Nominated Broker.

During the report period, the JSAs also:

- issued further correspondence to any Clients who were required to submit confirmation of their wish to apply for FSCS compensation via the Portal (i.e. Clients with Client Assets with a value of more than £85,000 as at 8 October 2019) or complete a corporate eligibility assessment form and had not done so with a view to ensuring all eligible Clients received compensation; and
- prepared a large data file including all of the Company's individual and corporate Clients in order for the FSCS to undertake their own automated sanction and eligibility checks.

The JSAs continue to work closely with the FSCS to resolve any queries arising from the aforementioned work and to ensure that the maximum number of eligible Clients receive compensation. The JSAs still estimate that more than 98% of the Company's Clients will qualify for FSCS compensation.

#### 4.1.12 Internal policies to accommodate Client needs

As previously reported, the JSAs introduced several internal policies (at their discretion) in order to accommodate certain Client requests during the Special Administration, to include facilitating non-mandatory corporate actions and requests for assistance due to financial hardship. In both cases, strict criteria needed to be met with a view to keeping the level of requests to a reasonable level and to not detract from the JSAs' key responsibility for pursuing Objective 1 as soon as reasonably practicable. The JSAs have continued to accommodate such reasonable requests during the report period.

#### 4.1.13 Tax certificates and transfer forms

The JSAs have recently begun issuing tax certificates for the tax year 2019/20 (where specifically requested by Clients or their Investment Managers) and transfer forms in respect of Client Money where Clients requested for Client Money to be distributed to an alternative broker of their choice.

## 4.2 Objective 2 – Engagement with market infrastructure bodies and the Authorities

### 4.2.1 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 and strategy for achieving the Objectives. The Company remains an FCA authorised entity.

### 4.2.2 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 as regards any entitlements to compensation that eligible Clients may have. Further detail is provided in section 4.1.11 above.

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

- Client positions and progress on the agreement and submission of claims;
- Preparation for the transfer of Custody Assets and progress made by the Nominated Brokers regarding on-boarding Clients;
- The FSCS' requirements and queries in connection with the transfer of Custody Assets;
- Funding;
- Hardship cases; and

- Negligence, mis-selling and other claims asserted by a limited number of Clients.

#### 4.2.3 LSE

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

#### 4.2.4 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 Bank and the bespoke internet line was disabled by BT. During the report period, the JSAs have worked with Euroclear, NatWest and BT in order to re-enable these services to allow the CREST facility to be re-established. This will enable the transfer of the CREST held Custody Assets.

Re-establishing these services have taken a considerable amount of time and has required entering into new contracts with Euroclear, NatWest and BT.

### 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 indebtedness, the JSAs do not consider it 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;
- ii. Regularly assessed the requirement for various IT systems and suppliers and cancelled services where possible;
- iii. Disclaimed the lease to the first-floor office at the Premises;
- iv. Facilitated the collection of leased, third party equipment from the first-floor office;
- v. 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;
- vi. Complied with statutory reporting requirements;
- vii. Maintained relevant insurance policies for the business and the Company's House Assets;
- viii. Liaised with the landlord in respect of the Company's ongoing occupation of the second floor at the Premises and considered alternative office spaces following the expiry of the lease in February 2021; and
- ix. 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.

## 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)

The Company undertook extensive development of a bespoke trading and applications platform known as VAULT. This is the Company's proprietary core IT system providing custody, dealing, settlement and client accounting and reconciliation functionality.

VAULT was marketed as part of the potential sale of business and assets, however, following the termination of the sale process, the JSAs worked to determine the realisable value (if any) of this asset and have posed a number of questions to the directors in this regard.

The JSAs have concluded that the VAULT system, as a standalone product, has no realisable value.

### 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).

As the Company continues to occupy the Premises for the purpose of pursuing Objective 1, a sale of all the office furniture and equipment has not been possible to date, however, the office furniture and equipment within the vacated first floor office was sold in the previous report period by the JSAs' chattel agents, Hilco, for the sum of £1,680 after the associated costs of removal were taken into consideration by the purchaser. The net proceeds were advanced to the House estate shortly following the start of this report period.

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.

### 5.1.3 Investments

The Company held 100% of the issued share capital of 30 subsidiaries, including Reyker Nominees Limited and Reyker Trust and Depository Services Limited (RTDS). In addition, the Company indirectly held 100% of the issued ordinary share capital of a further four subsidiaries and a major controlling interest in a further five companies. Following the withdrawal of the proposed purchaser's offer and no other suitable party submitting an offer for the Company's business and 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 enquiries to locate and value these pieces of art. It is anticipated our chattel agent, Hilco, will advise on the best route to market once the assets have been recovered.

### 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. An amount of £10,157 has been realised during the period and we are continuing to work with the Company's management team to maximise realisations in this regard.

In addition, the Company's records show other (non-trade) debtors outstanding of £202,000. According to the director's witness statement, this relates to costs recoverable from the FSCS for work done or assistance given to former Merchant Capital Limited clients and/or the FSCS. We continue to work with the Company's

management team and the FSCS to establish whether any sums may be realised in this regard although, at this time, no realisations are anticipated.

#### 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 and £4,227 has been realised during the report period (total realisations of £7,380 to date).

#### 5.1.7 Rent deposits

The Company operated from two floors within the Premises. Each floor was subject to a separate lease and a rent deposit of £20,500 was paid in respect of each lease. It is presently anticipated that the rent deposits in respect of each lease will not be realised on account of rent and service charge arrears that pre-date the JSAs' appointment.

#### 5.1.8 Prepayments

The Company's draft management accounts as at 30 September 2019 recorded prepayments and other deposits of £22,000. An amount of £4,464 was realised in the reporting period in respect of pre-paid business rates and insurance premiums.

The JSAs' review of the ledger indicates that it is unlikely any further prepayments will be realised as the associated invoices were either not paid or, alternatively, the Company has received the benefit during the Special Administration by virtue of the Company continuing to operate from the Premises for the purpose of achieving Objective 1.

#### 5.1.9 Trademarks

The Company held a number of trademarks and domain names which included four registered trademarks with the Intellectual Property Office, being 'Reyker', 'Reyker Masters', 'Reyker VAULT' and a graphic design for the Reyker name. Such trademarks and domain names were valued in the financial and management accounts at £3,500. No realisations are expected on account of these assets.

#### 5.1.10 Cash in hand

The JSAs have realised a sundry refund totalling £1,680 in respect of funds held in the client account of solicitors instructed by the Company prior to the Special Administration.

#### 5.1.11 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 reporting 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 the time costs incurred by the JSAs and their solicitors. A total of £11,085 was received from Clients in this regard.

#### 5.1.12 Early return of Corporate Action Income

The JSAs have received requests from Clients for the early return of dividends and interest received on Custody Assets following the JSAs' appointment. This has been accommodated where Clients and their requests meet the strict criteria set by the JSAs' discretionary policy, such as where Clients are experiencing genuine financial hardship. The JSAs have charged a nominal administrative fee to process such requests where appropriate.

As the JSAs will shortly be transferring Custody Assets (including Corporate Action Income) to the Nominated Brokers it is not anticipated any further requests will be processed beyond those received as at the date of this report.

## 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 are still ongoing in this regard.

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 report period, being from 8 April 2020 to 7 October 2020, and the cumulative total for the first twelve months 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 the Objective 1 operations account (which is used to defray the costs associated of returning Client Assets).

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.

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 Account

During the report period, the JSAs drew down a further £500,000 under the loan facility made available by Filefigure 30 Limited (total funds drawn down amount to £2.3m). The £2.3m drawn down from the Repayable Loan Facility may only be used to defray costs associated with achieving Objective 1.

#### 7.1.2 House Accounts

House realisations have totalled £45,067 during the report period. Please refer to section 5 of this report for further details in this regard.

#### 7.1.3 CMP and Post Pooling Accounts

The JSAs continue to segregate any Client Money received after 8 October 2019 in the requisite Post Pooling Accounts. The receipts and payments account at **Appendix C** confirms the amount of Corporate Action Income received during the report period.

## 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.

Key payments made during the report period from the repayable loan facility include:

- Agent fees totalling £412,567, which principally relate to contractors engaged to assist with the pursuit of Objective 1;
- Net salaries totalling £75,134 (along with PAYE & NIC and pension contributions of £38,282 and £16,523 respectively). Additional staff benefits and expenses have also been paid in the sum of £8,919;
- IT supplier fees totalling £158,266, including 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), Bloomberg and Fusion Technology Solutions Limited (being the Company's outsourced IT maintenance provider).
- Property costs totalling £144,066 in respect of rent, service charges and utilities; and
- Necessary statutory costs totalling £38,148 in respect of outsourced printing and postage for mass Client communications.

In addition to the above, pre and post appointment custodian fees, totalling £31,641 and £90,277 respectively, have been settled. It was necessary to defray the pre-appointment custody fees in order to prevent custodians asserting a security interest over Custody Assets and preventing the transfer of Custody Assets under their control. The post-appointment custody fees have been paid 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 to the Nominated Brokers.

### 7.2.2 House Accounts

Significant payments paid from House Assets include:

- Legal fees and disbursements totalling £7,200 plus VAT in respect of Foot Anstey's services for assisting with processing certain corporate actions requested by Clients; and
- Agent fees and disbursements totalling £7,186 plus VAT in respect of Hilco's fees for valuing, marketing and selling chattel assets.

Further detail in respect of all agents and professional advisors is included at section 10.

### 7.2.3 CMP and Post Pooling Accounts

The first interim Client Money distribution was declared during the report period and the majority of participating Clients have now been paid. The receipts and payments account at **Appendix C** confirms the extent of Client Money distributed from the CMP in this regard across 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 be in the region of 6.5% of a Client's Client Money balance as at 8 October 2019.

Whilst these costs may be deducted from the respective Client Assets in accordance with the Regulations, the JSAs anticipate that more than 98% 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 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. At the time of the JSAs' Proposals, it was understood NatWest was owed £1,976 in respect of an outstanding credit card debt. Further claims have, however, been lodged and it is understood the total indebtedness is now £8,876 including additional bank charges.

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. Based on current information, we estimate that the total preferential claims of the Company's employees will be approximately £7,600.

As is the case for secured creditors, 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 concluded, 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 yet 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 and disbursements (to include category 1 and category 2 disbursements).

Further detail in respect of these costs is provided below.

## 9.1 Pre-Special Administration costs

Pre-Special Administration costs are defined as fees charged and expenses incurred by the JSAs before the Company entered Special Administration (but with a view to it doing so). "Unpaid Pre-Special Administration Costs" are Pre-Special Administration costs which had not been paid when the Company entered Special Administration.

Pre-Special Administration costs, charges and expenses incurred by S&W and their legal advisors in the period prior to the JSAs' appointment and which remained unpaid as at the date of the JSAs' appointment are summarised below:

Charged by	Services provided	Total amount charged £	Amount paid £	Amount outstanding £
Smith & Williamson LLP	Pre-administration time costs	96,135.00	48,067.50	48,067.50
Foot Anstey LLP	Legal advice	65,412.50	32,706.25	585.00
Foot Anstey LLP	Legal disbursements	12,530.37	1,154.33	11,376.04
<b>Total</b>		<b>174,077.87</b>	<b>81,928.08</b>	<b>60,028.54</b>

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

The pre-Special Administration fees for both S&W and Foot Anstey were calculated on a time cost basis.

The JSAs' Proposals, dated 25 November 2019, provided further detail in respect of the work undertaken by both S&W and Foot Anstey in this regard which included assisting the directors of the Company with making the necessary application to the court for the special administration order.

In accordance with the Regulations and Rules, the payment of the unpaid pre-Special Administration costs as an expense of the Special Administration 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 unpaid pre-Special Administration costs.

It was considered that the professional fees and disbursements were principally incurred in respect of ensuring the Company went into a formal process in order to achieve Objective 1 and that half of the costs incurred were attributable to the return of Client Money (with the balance attributable to Custody Assets).

During the report period, the JSAs paid £32,706.25 and disbursements of £863.16 (plus VAT) to Foot Anstey from Client Money. The JSAs also raised an invoice in the sum of £48,067.50 plus VAT on account of their own pre-appointment fees attributable to the return of Client Money. This was settled in full shortly following the end of the reporting period.



The balance of the unpaid Pre-Special Administration costs is anticipated to be settled as part of the costs for returning Custody Assets from the first tranche of compensation money received from the FSCS once Custody Assets have begun to be transferred.

## 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.

During the report period, the Creditors' Committee also proposed and approved an incentive-based fee proposal which includes a ratcheted discount on the JSAs' fees for the second year of the Special Administration subject to the extent of the total professional fees and operational costs incurred in that year.

### 9.2.2 The JSAs' time costs to 7 October 2020

The JSAs' time costs are as follows:

Period	Total hours Hrs	Total costs £	Average hourly rate £/hr	Fees drawn to date £
8 October 2019 to 7 April 2020	3,890	1,688,609	434	249,432
8 April 2020 to 7 October 2020	4,084	1,816,337	445	NIL
<b>Total</b>	<b>7,974</b>	<b>3,504,946</b>	<b>879</b>	<b>249,432</b>

During the report period, the JSAs have incurred time costs of £1,816,337 (which includes costs of dealing with Client Money, Custody Assets and House Assets) which represents 7,974 hours at an average charge out rate of £445 per hour.

**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 October 2020 which provides details of the JSAs' total time costs since appointment. A detailed narrative of the tasks undertaken in the first six months of the Special Administration was provided in our last progress report.

### 9.2.3 Resolutions passed by the Creditors' Committee

The Creditors' Committee met on 20 April 2020 and passed the following resolutions with respect to the JSAs' remuneration:

1. The basis of the JSAs' remuneration in pursuit of Objectives 1, 2 and 3 be fixed in accordance with Rule 196 of the Special Administration Rules by reference to the time properly given by the JSAs and their staff in attending to matters arising in the Special Administration, calculated at the prevailing standard hourly charge out rates used at the time when the work is performed, plus VAT;



2. The time costs incurred by the JSAs and their staff in the period 8 October 2019 to 7 April 2020, totalling £1,688,608.50 (plus VAT), are approved;
3. The basis of the JSAs' remuneration be kept under review and modified as appropriate for remuneration going forward which may include an incentive-based scaling of the overall recoverability of the JSAs' time costs subject to the total costs of the Special Administration and the resulting cost per client; and
4. Where appropriate, the JSA's are authorised to draw their fees for the period to 7 April 2020 and settle expenses for the same period in accordance with the Investment Bank Special Administration (England and Wales) Rules 2011.

The Creditors' Committee met again on 22 October 2020 (shortly following the reporting period) and passed the following resolutions:

1. The JSAs' remuneration in pursuit of Objectives 1, 2 and 3 and fixed by reference to the time properly given by the JSAs and their staff in the period 8 April 2020 to 7 October 2020, totalling £1,816,337.42 (plus VAT), is approved and may be drawn as and when funds are available (noting that Objective 3 costs may not be drawn from Client Assets or FSCS funding drawdown).
2. The JSAs' Category 2 disbursements incurred in pursuit of Objectives 1, 2 and 3 (plus VAT) and as outlined in the JSAs' progress report for the period 8 October 2019 to 7 April 2020 be approved.

In addition, the Creditors' Committee also proposed and approved an incentive-based fee proposal which includes a ratcheted discount on the JSAs' fees for the second year of the Special Administration subject to the extent of the total professional fees and operational costs incurred in that year.

#### 9.2.4 JSAs' remuneration drawn to date

Following the passing of the above referenced resolutions, an invoice was raised in the sum of £249,431.63 plus VAT against time costs approved to 7 April 2020 and which relate solely to Client Money.

No further sums in respect of the JSAs' remuneration have been paid to date.

#### 9.2.5 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**.

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 2020, the JSAs have engaged the following professional advisors and agents.

The table confirms the basis of our fee arrangement with each of them which is subject to review on a regular basis.

Name of professional Adviser	Services	Basis of fee arrangement
Foot Anstey LLP	Legal advice	Time costs plus disbursements
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
Hilco Appraisal Ltd	Valuation of the Company's physical assets	Fixed fee plus disbursements
ERA Solutions Ltd	Employee claim assistance	Fixed fee / employee
SAR experienced consultant	Assistance with the reconciliation, audit and transfer of Custody Assets and Client Money, including Client communications and general administration	Time costs
Fourthline Ltd	SAR and CASS recruitment	Fixed fee
Arthur Financial Ltd	IT recruitment	Fixed fee
Claret Recruitment Ltd	Recruitment	Mark up on contractors' time
Other independent contractors	Assistance with the return of Client Assets	Time costs
MHR International UK Ltd	Payroll services	Fixed fee / employee
CAPA	Property audit and business rates review	% of realisations
Marsh	Insurance brokers	Fixed fee

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 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.

### 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 category 1 disbursements have been incurred, but not recovered, during the period:

Description	Obj 1 expenses incurred	Obj 2&3 expenses incurred	Total incurred in period	Total paid in period	Total expenses outstanding at period end
	£	£	£	£	£
IT services / suppliers (incl. Microsoft)	-	-	-	-	6,037
Travel & sustenance	-	-	-	-	1,180
TV licence renewal	-	-	-	-	155
Statutory bond	-	-	-	-	140
Postage	-	-	-	-	21
Courier	84	-	84	-	84
SAGE subscription	150	-	150	-	150
<b>Total</b>	<b>234</b>	<b>-</b>	<b>234</b>	<b>-</b>	<b>7,767</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.*

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 in the reporting period:

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 paid in period	Total Cat 2 expenses outstanding
	£	£	£	£	£
Smith & Williamson Fund Administration Limited (Call centre services)	-	-	-	-	38,700
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>38,700</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.*

The call centre services were required in order to support the Company's own client services team with Client queries immediately following the appointment of the JSAs when call volumes were expected to significantly exceed the capacity of the client services team and were withdrawn as soon as practicable to do so in the interests of Clients. These costs were incurred in pursuit of Objective 1.

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 shortly after the reporting period on 22 October 2020 approving the Category 2 disbursements referenced in the JSAs' first progress report.

Following the passing of the first resolution, the amount of £13,224.50 plus VAT was invoiced in respect of part of the JSAs' category 2 disbursements attributable to the return of Client Money. This sum was paid from Client Money shortly following the end of the reporting period.

# 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.

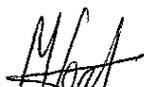
Regular updates to Clients will be provided, as and when appropriate, and uploaded to our webpage:

[https://smithandwilliamson.com/en/services/restructuring-and-recovery-services/reyker-securities-plc/.](https://smithandwilliamson.com/en/services/restructuring-and-recovery-services/reyker-securities-plc/)

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: 5 November 2020



# 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

## House and Objective 1 funding account

Est. to Realise £	8 April 2020 to 7 October 2020		Total		
	House Account	Objective 1 Account	House Account	Objective 1 Account	
	£	£	£	£	
	<b>RECEIPTS</b>				
N/A	Repayable Loan Facility	-	500,000.00	-	2,300,000.00
N/A	Bank Interest Gross	73.43	496.68	145.52	944.54
51,812.15	Cash at Bank	0.00	-	51,812.15	-
N/A	Corporate Action Receipts	11,085.00	-	20,605.00	-
N/A	Fees re return of Corporate Action Income	11,700.00	-	11,700.00	-
24,369.10	Book Debts	10,156.80	-	10,156.80	-
55,403.56	Employee & Shareholder Loans	4,226.94	-	7,379.58	-
34,792.00	Prepayments & other deposits	4,464.03	-	4,464.03	-
	Cash in Hand	1,680.00	-	1,680.00	-
45,000.00	Office Furniture & Equipment	1,680.00	-	1,680.00	-
Uncertain	Artwork	-	-	-	-
NIL	Investments	-	-	-	-
Uncertain	Other Debtors	-	-	-	-
187.31	Petty Cash	-	-	-	-
NIL	Rent Deposits	-	-	-	-
Uncertain	Reyker VAULT (bespoke IT system)	-	-	-	-
Uncertain	Trademarks	-	-	-	-
Uncertain	Goodwill	-	-	-	-
		<u>45,066.20</u>	<u>500,496.68</u>	<u>109,623.08</u>	<u>2,300,944.54</u>
	<b>PAYMENTS</b>				
	Agents' Fees & Expenses	(7,186.41)	(412,567.17)	(7,186.41)	(595,112.06)
	Wages & Salaries	-	(75,133.81)	-	(304,882.18)
	IT Suppliers	-	(158,265.91)	-	(288,970.41)
	Property Costs	-	(144,065.99)	-	(278,418.14)
	Irrecoverable VAT	(2,877.28)	(121,961.79)	(3,010.68)	(218,376.84)
	PAYE & NIC	-	(38,281.60)	-	(178,441.73)
	Statutory Costs	0.00	(38,148.37)	(667.00)	(124,050.90)
	Custody Fees - Custody Assets	0.00	(90,276.50)	0.00	(90,276.50)
	Pension Contributions	-	(16,522.98)	-	(72,539.16)
	Insurance	-	(8,483.70)	-	(40,671.52)
	Pre-administration Custody Fees	0.00	(31,640.70)	0.00	(31,640.70)
	Telephone & Internet	-	(7,385.54)	-	(20,230.15)
	General Suppliers	-	(6,412.59)	-	(17,395.94)
	Staff Benefits & Expenses	(91.00)	(8,919.04)	(354.00)	(14,138.50)
	Distribution costs - Client Money	0.00	(6,750.69)	0.00	(6,750.69)
	Irrecoverable US Tax	-	(5,332.66)	-	(8,649.01)
	Petty Cash	-	0.00	-	(400.00)
	Bank Charges	(0.60)	(138.10)	(1.85)	(242.90)
	Subscriptions	-	0.00	-	(40.00)
	Legal Fees & Expenses	(7,200.00)	-	(7,200.00)	-
		<u>(17,355.29)</u>	<u>(1,170,287.14)</u>	<u>(18,419.94)</u>	<u>(2,291,227.33)</u>
	<b>Balances in Hand</b>	<u>27,710.91</u>	<u>(669,790.46)</u>	<u>91,203.14</u>	<u>9,717.21</u>



## Client Money receipts & payments for the period 8 April 2020 to 7 October 2020

<b>CLIENT MONEY - PRIMARY POOL</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 as at 8 April 2020	48,392,462	3,404	250	61,516	-	7,251,564	29,372	205	0	965,428	2,730,148	468,145
<b>RECEIPTS</b>												
Returned Client Money Distributions	-	-	-	-	-	67,428	-	-	-	-	-	-
FX conversions	313,206	-	-	-	-	-	-	-	-	-	-	-
Client Deposits to settle overdrawn accounts	249	-	-	-	-	-	-	-	-	-	-	-
	<b>313,455</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>67,428</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>PAYMENTS</b>												
Client Money Distributions to Clients	(29,327,241)	-	(200)	(33,213)	-	(5,551,560)	(23,498)	-	-	(775,089)	(1,728,743)	-
Transfers to House Accounts to repay Book Debts	(8,030)	-	-	-	-	-	-	-	-	-	-	-
Professional fees attributable to the return of Client Money	(265,806)	-	-	-	-	-	-	-	-	-	-	-
FX conversions	-	-	-	-	-	-	-	(164)	-	-	(402,147)	-
Bank Charges	(172)	-	-	(80)	-	(784)	-	-	-	(176)	(102)	-
	<b>(29,601,249)</b>	<b>-</b>	<b>(200)</b>	<b>(33,293)</b>	<b>-</b>	<b>(5,552,344)</b>	<b>(23,498)</b>	<b>(164)</b>	<b>-</b>	<b>(775,265)</b>	<b>(2,130,993)</b>	<b>-</b>
<b>Balances to hand</b>	<b>19,104,669</b>	<b>3,404</b>	<b>50</b>	<b>28,223</b>	<b>0</b>	<b>1,766,649</b>	<b>5,874</b>	<b>41</b>	<b>0</b>	<b>190,163</b>	<b>599,155</b>	<b>468,145</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 2020	25,476,381	26,843	126	1,553	1,456	1,049,053	712,457	174,228	486	1,000,351	7,719,382	-
<b>RECEIPTS</b>												
Corporate Action Income (including dividends and coupons)	13,671,530	10,357	23,673	161	-	324,837	36,835	97,131	2,004	2,166,019	2,822,927	-
Subscriptions received in error	20,000	-	-	-	-	-	-	-	-	-	-	-
FX conversions	142,261	-	-	-	-	71,875	-	-	-	-	1,389	-
	<b>13,833,791</b>	<b>10,357</b>	<b>23,673</b>	<b>161</b>	<b>-</b>	<b>396,712</b>	<b>36,835</b>	<b>97,131</b>	<b>2,004</b>	<b>2,166,019</b>	<b>2,824,316</b>	<b>-</b>
<b>PAYMENTS</b>												
Return of funds received in error	(151,750)	-	-	-	-	-	-	-	-	-	-	-
Return of Corporate Action Income	(1,498,067)	(15,914)	-	-	-	(743,582)	-	-	-	-	(6,206,575)	-
FX conversions	(85,038)	(22)	-	-	-	(14,804)	(734,455)	-	-	-	(157,868)	-
	<b>(1,734,855)</b>	<b>(15,937)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(758,386)</b>	<b>(734,455)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,364,443)</b>	<b>-</b>
<b>Post-pooling balances to hand</b>	<b>37,575,317</b>	<b>21,264</b>	<b>23,800</b>	<b>1,714</b>	<b>1,456</b>	<b>687,379</b>	<b>14,837</b>	<b>271,359</b>	<b>2,490</b>	<b>3,166,370</b>	<b>4,179,254</b>	<b>-</b>
<b>Total cash resource as at 7 October 2020</b>	<b>56,679,985</b>	<b>24,668</b>	<b>23,850</b>	<b>29,936</b>	<b>1,456</b>	<b>2,454,028</b>	<b>20,711</b>	<b>271,400</b>	<b>2,490</b>	<b>3,356,533</b>	<b>4,778,409</b>	<b>468,145</b>
<b>Reconciles to cash at bank:</b>												
Natwest	43,317,576	21,273	565	28,223	-	1,971,450	-	41	-	429,415	1,365,070	-
Kas Bank	12,914,516	3,395	23,284	1,714	1,456	482,577	20,711	271,359	2,490	2,927,117	3,410,474	468,145
All Funds	47,647	-	-	-	-	-	-	-	-	-	2,865	-
Capital IOM	400,246	-	-	-	-	-	-	-	-	-	-	-
<b>Balances to hand</b>	<b>56,679,985</b>	<b>24,668</b>	<b>23,850</b>	<b>29,936</b>	<b>1,456</b>	<b>2,454,028</b>	<b>20,711</b>	<b>271,400</b>	<b>2,490</b>	<b>3,356,532</b>	<b>4,778,409</b>	<b>468,145</b>



## Notes and further information required by SIP 7

1. All House and Client Money bank accounts are interest bearing
2. The repayable loan facility 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 are held in Post Pooling Accounts and segregated from the CMP, House Assets and the Repayable Loan Facility.
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. The JSAs raised invoices for part of their remuneration and category 2 disbursements during the report period, however, these were not paid until following the report period and, accordingly, do not appear on the receipts and payments accounts. The drawing of such remuneration and disbursements required the consent of the Creditors' Committee. Further detail in respect of resolutions passed by the Creditors' Committee in this regard can be found in section 9 of this report.



## D. Expenses incurred by the JSAs

Name of professional advisor	Services	Obj 1 costs incurred in the period £	Obj 2 & 3 costs incurred in the period £	Total costs incurred in the period £	Total costs incurred £	Costs paid in the period £	Total Costs paid £	Costs outstanding £
Foot Anstey LLP	Legal advice	330,022	11,370	341,392	668,848	137,852	137,852	530,996
Seneca Partners Ltd	Marketing and assistance with negotiating a sale of the business and assets	10,400	-	10,400	203,833	188,916	188,916	14,917
South Square	Legal Counsel	125,215	-	125,215	125,215	-	-	125,215
Hilco Appraisal Ltd	Valuation and sale in part of the Company's physical assets	-	-	-	7,186	7,186	7,186	-
ERA Solutions Ltd	Employee claim assistance	-	-	-	1,470	-	-	1,470
SAR experienced consultant	Reconciliation and audit of Custody Assets and Client Money, return of Custody Assets, Client communications and general administration	50,400	-	50,400	88,929	50,400	88,929	-
Fourthline Ltd	SAR and CASS recruitment	64,286	-	64,286	138,852	64,286	138,852	-
Arthur Financial Ltd	IT recruitment	-	-	-	4,500	-	4,500	-
Claret Recruitment Ltd	Recruitment	93,563	-	93,563	141,215	93,563	141,215	-
Other independent contractors	Assistance with the return of Client Assets	64,765	-	64,765	81,605	64,765	81,605	-
MHR International Ltd	Payroll service	477	-	477	934	477	934	-
CAPA	Property audit and business rates review	-	-	-	-	-	-	-
Marsh	Insurance brokers	4,242	-	4,242	8,484	8,484	8,484	-
<b>TOTAL</b>		<b>743,370</b>	<b>11,370</b>	<b>754,740</b>	<b>1,471,072</b>	<b>615,929</b>	<b>798,474</b>	<b>672,598</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 outstanding costs due to Seneca Partners Ltd will be written off due to the JSAs negotiating a c10% discount on time costs

N.B. (4) - Costs are paid from either the Objective 1 Repayable Loan Facility, Client Money or the House Accounts depending on the nature of work done. All payments during the report period are disclosed in Appendix C.



# E. JSAs' time costs from 8 April 2020 to 7 October 2020

## Overview

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:

## Summary of the JSAs' time costs for the period from 8 April 2020 to 7 October 2020

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	-	-	-	-	-	-	£ -	£ -
Strategy & planning	7.90	0.40	39.03	3.78	-	51.12	£ 24,196.23	£ 473.35
Client Communications	15.10	3.50	242.35	333.92	18.30	613.17	£ 207,749.76	£ 338.81
Liaison with the committee	22.65	7.00	24.60	-	-	54.25	£ 30,101.00	£ 554.86
Client statements	1.20	5.50	16.45	-	-	23.15	£ 11,850.00	£ 511.88
Client identification / tracing	-	-	0.35	-	-	0.35	£ 138.25	£ 395.00
Reconciliations	0.25	3.70	2.45	1.80	-	8.20	£ 3,850.25	£ 469.54
Transfers / Returns / Sale	66.80	3.20	397.23	-	-	467.23	£ 237,294.27	£ 507.87
Trading matters	3.25	-	53.03	8.68	-	64.97	£ 29,496.80	£ 454.03
Reporting	-	-	6.20	-	-	6.20	£ 2,945.00	£ 475.00
<b>Total</b>	<b>117.15</b>	<b>23.30</b>	<b>781.70</b>	<b>348.18</b>	<b>18.30</b>	<b>1,288.63</b>	<b>£ 547,621.56</b>	<b>£ 424.96</b>
<b>Objective 1: Custody Assets</b>								
Storage & back up of client data	1.00	-	-	3.50	-	4.50	£ 1,370.00	£ 304.44
Strategy & planning	39.15	4.10	69.57	9.10	-	121.92	£ 60,909.80	£ 499.60
Client Communications	85.68	6.30	267.23	683.82	43.17	1,086.20	£ 374,785.17	£ 345.04
Liaison with the committee	66.15	20.00	96.95	0.75	-	183.85	£ 97,303.25	£ 529.25
Client statements	2.55	-	32.65	1.10	-	36.30	£ 16,641.75	£ 458.45
Client identification / tracing	0.60	-	1.95	-	-	2.55	£ 1,196.25	£ 469.12
Reconciliations	6.27	5.50	10.35	0.30	-	22.42	£ 12,622.86	£ 563.10
Open trades	-	-	-	-	-	-	£ -	£ -
Post pooling monies	0.50	12.00	80.50	1.45	-	94.45	£ 43,607.00	£ 461.69
Corporate actions	7.57	26.00	11.70	0.05	-	45.32	£ 24,965.36	£ 550.91
Transfers / Returns / Sale	219.45	363.00	147.33	3.50	-	733.28	£ 432,024.17	£ 589.16
Trading matters	29.23	7.00	158.37	105.75	-	300.35	£ 125,840.77	£ 418.98
Data Subject Access Requests	0.25	-	8.17	-	-	8.42	£ 3,117.48	£ 370.40
Reporting	-	-	29.55	2.17	-	31.72	£ 14,649.26	£ 461.88
<b>Total</b>	<b>458.40</b>	<b>443.90</b>	<b>914.32</b>	<b>811.48</b>	<b>43.17</b>	<b>2,671.27</b>	<b>£ 1,209,033.10</b>	<b>£ 452.61</b>
<b>Objective 2: Liaison with Regulatory Bodies</b>								
<b>Total</b>	<b>11.75</b>	<b>7.00</b>	<b>8.05</b>	<b>4.57</b>	<b>-</b>	<b>31.37</b>	<b>£ 17,048.76</b>	<b>£ 543.53</b>
<b>Objective 3: Company ("House")</b>								
Administration & planning	5.20	6.50	24.60	7.80	-	44.10	£ 18,358.50	£ 416.29
Investigations	5.85	19.45	1.35	-	-	26.65	£ 13,344.50	£ 500.73
Realisation of assets	0.50	12.00	0.75	5.60	-	18.85	£ 9,254.00	£ 490.93
Creditors	1.35	-	1.30	0.50	-	3.15	£ 1,677.00	£ 532.38
Corporate Tax	-	-	-	-	-	-	£ -	£ -
<b>Total</b>	<b>12.90</b>	<b>37.95</b>	<b>28.00</b>	<b>13.90</b>	<b>-</b>	<b>92.75</b>	<b>£ 42,634.00</b>	<b>£ 459.67</b>
<b>Grand Total</b>	<b>600.20</b>	<b>512.15</b>	<b>1,732.07</b>	<b>1,178.13</b>	<b>61.47</b>	<b>4,084.02</b>	<b>£ 1,816,337.42</b>	<b>£ 444.74</b>



# Detailed narrative of tasks undertaken during the report period

## Objective 1: Client Money

### Strategy & planning

- Internal meetings and discussions regarding the decision to return Client Money by way of a separate distribution or, alternatively, transfer to Clients by way of an addendum to the Court application for the Distribution Plan
- Taking legal advice regarding the first interim Client Money distribution
- Planning and preparing for the first interim Client Money Distribution
- Liaising with brokers and HMRC regarding the various options to provide to Clients as part of the Client Money distribution and required data capture
- Planning meetings with the IT developer regarding further development of the Portal in order to record and process Client Money instructions received via the Portal and paper-based forms
- Planning meetings with the IT developer regarding further development of the internal 'admin portal' used by client services for effective call management during the period of receiving and processing Client Money distribution instructions from Clients
- Research into and obtaining quotes for the online, third party bank account verification tool to be integrated into the Portal;
- Meetings with Reyker's safe custody team to plan for bulk processing of electronic transfers as part of the first interim Client Money distribution
- 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.
- Internal meetings for team members to provide updates internally and so that new workstreams maybe allocated and progress reviewed
- Planning calls and emails with Client Investment Managers so that Client interests are best served.

### Client communications

- Drafting announcements and regular updates and uploading to the Website
- Drafting comprehensive FAQ documents and user guides and publishing on the Website
- Drafting text and additional documents to be added to the Portal to support the first interim Client Money distribution
- Responding to Client queries by post, email and by phone, particularly during the Client Money distribution process
- Training the Company's staff and S&W staff to deal with Client queries regarding the distribution of Client Money
- Setting up a new bank account verification helpline number for Clients seeking to manually verify bank account details for the Client Money distribution
- Setting up a new inbox for broker transfers in order to liaise with the alternative brokers chosen by Clients and receive transfer forms
- Preparing several post and email communications to Clients, including:
  - Notice regarding the first interim Client Money distribution
  - Requests for additional bank account information as part of the verification and distribution process
  - Requests for assistance where a Clients' nominated broker for the Client Money distribution had not engaged or required a transfer form to be completed
  - Notice to Clients that had not yet submitted a claim to Client Assets under Rule 143
  - Notice to Clients with Clients Assets of more than £85,000 (as at 8 October 2019) that had not yet submitted a claim to FSCS compensation; and
  - Circulars to corporate Clients to submit an eligibility assessment form and supporting documents.



- Review of Client addresses and updating the VAULT database
- Reviewing and manually verifying Client bank account details where required
- Preparing and providing Tax Certificate upon request
- Reviewing Client death certificates and liaising with executors as necessary

#### Liaison with the Creditors' Committee

- Preparing for and holding regular meetings of the Creditors' Committee
- Documenting proceedings of the meetings, to include detailed minutes of matters discussed;
- Drafting resolutions to be passed by the Creditors' Committee
- Ad hoc email communication with the members of the Creditors' Committee
- Preparing for and holding a number of meetings with a sub-committee (being three members of the Creditors' Committee) to discuss the estimated total costs of the special administration in more detail and mechanics of the proposed ratchet agreement regarding the JSAs' remuneration

#### Client statements

- Reviewing VAULT and Client data for omissions and corrections
- Posting adjustments, where necessary, following the completion of the JSAs' Reconciliation and the Bar Date process and the ongoing Client Money distribution
- Investigating and resolving queries raised by Clients regarding their holdings

#### Client identification / tracing

- Review of Clients that have not yet claimed Client Money or submitted instructions
- Liaising with third party agents to quote for Client tracing services

#### Reconciliations

- Daily reconciliation of Client Money and reporting to the FCA
- Liaising with the Company's safe custody team regarding any queries arising from reconciliations

#### Transfers / returns / sale

- Research into identifying brokers that might have been an appropriate Nominated Broker
- Undertaking discussions with brokers who may be interested in taking a partial transfer of Client Assets
- Planning the strategy for the return of Client Money and seeking appropriate legal advice
- Implementing the planned design changes to the Portal for Clients to submit their Client Money Instruction Form
- Designing a paper-based Client Money Instruction Form
- Liaising with the IT developer to design various reporting outputs and generate on a regular basis regarding Client Money distribution instructions received from Clients
- Preparing for processing Client Money distribution and implementing internal procedures and safeguards
- Preparing and reviewing Clients' distribution schedules and comparing to plan balances and statements agreed as part of the JSAs' Reconciliation
- Processing Client Money Instruction Forms submitted by Clients and paying Client Money distributions from the CMP in respect of 6,382 Client plans
- Liaising with Investment Managers to agree the quantum of the Client Money distribution to be transferred to their nominated broker in respect of their Clients' plans
- Providing corporate Clients (including SIPPs) with a breakdown of Client Money distribution by plan and
- Liaising with Clients to verify their designated bank account details
- Review of probate information on file to ensure Client Money was distributed to the correct executor



- Liaising with Clients to obtain additional bank account details where required, e.g. when distributing foreign currencies to jurisdictions which were not catered for by the Portal or where an intermediary bank was required for the Client
- Liaising with alternative brokers nominated by Clients to accept Client Money
- Donating funds to NHS Charities Together where instructed to by Clients
- 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 distribution of Client Money and taking legal advice regarding a Hard Bar Date

### Trading matters

- Regular review of critical operations, suppliers and cost base
- Monitoring and updating the trading cashflow and projections
- Managing and consulting with employees and contractors, to include regular remote team calls following the onset of COVID-19
- Administering the Company's payroll, including associated tax and pension matters
- Ensuring contractual benefits offered to employees and relevant insurances remain in place
- Identifying, recruiting, negotiating terms and agreeing service contracts with a number of additional contractors
- 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
- Making redundancies and providing the requisite notice and support for claims to the Insolvency Service
- Ensuring regulatory and control functions, as required by the FCA, are fulfilled
- Disclaiming the lease to the first-floor office and arranging for the collection of third-party, leased equipment left on site
- Reviewing the lease to the second-floor office and discussions with landlord regarding terms of ongoing tenancy following the expiry of the present lease in February 2021
- Planning and research for an office move in early 2021, to include obtaining quotes from shared office solutions and discussions with IT suppliers and regulatory bodies
- 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 and engaging additional contractors as necessary
- Provision of references for former employees of the Company
- Responding to queries of former employees regarding their employment during the Special Administration

### Reporting

- Drafting and issuing the first statutory progress report to Clients and Creditors



## Objective 1: Custody Assets time costs

### Strategy & planning

- Internal meetings and discussions regarding the strategy for the return of Custody Assets to Clients, to include the decision to move away from a wholesale transfer to a series of partial transfers to as few Nominated Brokers as possible in accordance with Regulations 10B and 10C
- Discussions regarding shortlisted Nominated Brokers to work with
- Meetings with the JSAs' legal advisors regarding the transfer 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 process by which Custody Assets will transfer, including discussing format and content of Client Asset Return Statements and Portal development
- Meetings with Reyker's safe custody team to plan for bulk transfers of electronic securities from the Company's securities depository accounts to the Nominated Brokers
- Meetings with Reyker staff and contractors to discuss transfer of physical certificates
- Internal meetings for team members to provide updates internally and so that new workstreams maybe allocated and progress reviewed
- 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 of Custody Assets and publishing on the Website
- Drafting comprehensive FAQ documents regarding the Distribution Plan and transfer of Custody Assets and publishing on the Website
- Responding to Client queries by post, email and by phone, regarding the sale of business, court application and progress regarding the transfer of Custody Assets generally
- Responding to Client queries by post, email and by phone, regarding the Distribution Plan and Explanatory Statement
- Team meetings to brief the Company's staff and S&W staff regarding the progress of discussions with interested parties and the Nominated Brokers in order to deal with Client queries as effectively as possible
- Preparing several post and email communications to Clients, including:
  - Notice regarding the submission of the Distribution Plan to court and the hearing date
  - Notice to Clients that had not yet submitted a claim to Client Assets under Rule 143
  - Notice to Clients with Clients Assets of more than £85,000 (as at 8 October 2019) that had not yet submitted a claim to FSCS compensation; and
  - Circulars to corporate Clients to submit an eligibility assessment form and supporting documents.
- Review of Client addresses and updating the VAULT database
- Preparing and providing Tax Certificate upon request
- Reviewing Client death certificates and liaising with executors as necessary

### Liaison with the Creditors' Committee

- Same as for Client Money (see above)

### Client statements

- Reviewing VAULT and Client data for omissions and corrections
- Posting adjustments, where necessary, following the completion of the JSAs' Reconciliation and the Bar Date process
- Investigating and resolving queries raised by Clients regarding their holdings



### Client identification / tracing

- Same as for Client Money (see above)

### Reconciliations

- Daily reconciliation of Custody Assets and reporting to the FCA
- Liaising with the Company's safe custody team regarding any queries arising from reconciliations

### Post Pooling Accounts

- Daily sweeps of dividends and income received on Custody Assets to designated Post Pooling Accounts
- Daily reconciliation of Post Pooling accounts and reporting to the FCA
- Liaising with registrars to obtain further information regarding unidentified dividend receipts
- Review of requests for early return of Corporate Action Income and completing checklists in line with internal policies
- Processing the early return of Corporate Action Income under certain circumstances

### 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

- Discussions and negotiations with the proposed purchaser, underbidders and other brokers who had communicated an interest in accepting either a wholesale or partial transfer of Client Assets
- Planning meetings and general discussions with Investment Managers and shortlisted Nominated Brokers regarding the piecemeal transfer of Custody Assets
- Working with Foot Anstey LLP and counsel on the drafting of the Distribution Plan, Explanatory Statement, witness statement and other ancillary documents to support the JSAs' application to Court
- Preparing the Annex (being an anonymised schedule of all Custody Assets held and for which Client) to accompany the Distribution Plan
- Liaising with custodians and fund managers or trustees to establish whether any held security interests in respect of Custody Assets
- Review of terms and conditions of custodians and fund managers to establish whether any held security interests in respect of Custody Assets
- Liaising with CREST, NatWest, BT and the JSAs' legal advisors as regards the enablement of the CREST securities depositary to facilitate the transfer of Custody Assets
- Posting dividend and corporate action income received in CREST to Client accounts
- Settling pre-administration custody fees where security interests may otherwise have been enforced
- Presenting various drafts of the Distribution Plan to the Creditors' Committee and taking on board queries and points raised by its members
- Obtaining the Creditors' Committee approval to the Distribution Plan
- Submitting the Distribution Plan and accompanying bundle of evidence to Court
- Preparing for the Court hearing regarding the Distribution Plan and filing a supplemental witness statement



- Drafting, negotiating and agreeing Heads of Terms with one Nominated broker, Data Sharing Agreements and Transfer Agreements with a number of Nominated Brokers
- Taking legal advice and assisting Investment Managers and Nominated Brokers with the onboarding process
- Liaising with and ongoing discussions with potential brokers to take receipt of Child Trust Funds and Innovative Finance ISAs books
- Safeguarding physical share certificates
- Chasing registrars for physical share certificates missing from the Company's records following the JSAs' Reconciliation
- Initial planning for further Portal developments to assist with the transfer of Custody Assets and sharing of information with Clients
- Preparation of code to generate Client Asset Return Statements via the Portal
- Research into identifying brokers that might have been an appropriate Nominated Broker
- Preparing, sharing and agreeing Client Asset lists with the Nominated Brokers
- Liaising with HMRC as to ISA transfer notices for Clients

#### Trading matters

- Same as for Client Money (see above)

#### Data Subject Access Requests (DSARs)

- Review of DSARs received
- Liaising with the Company's staff to collate the relevant information and prepare a response
- Liaising with S&W's compliance and legal team
- Review and sign-off of written responses

#### Reporting

- Drafting and issuing the first statutory progress report to Clients and Creditors

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

- Correspondence, calls and meetings with the FCA and FSCS regarding regulatory matters
  - Discussions arounds strategy, progress and funding of the Special Administration are included within Objective 1 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 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' first progress report
- Formulating, monitoring and reviewing the Special Administration strategy as it relates to house assets and creditors, including internal and external meetings (since the onset of COVID-19 meetings have been held via video conferencing)
- 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 review
- Monitoring case bordereau

### Investigations

- 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
- Further investigations into various pre-appointment transactions
- Preparing and issuing letters to the Company's directors and connected parties

### Realisation of assets

- Making enquires of the Company's management
- Liaising with debtors and realising outstanding book debts
- Maintaining outstanding debtor schedule
- Deducting travel loans from employee salaries
- Maintaining receipts and payments for House realisations and associated costs
- Evaluating corporate action requests and raising invoices as appropriate
- Evaluating requests for the early return of PPM and raising invoices as appropriate
- Liaising with chattel agents re the sale of office furniture and equipment in first floor office
- Liaising with solicitors regarding Company funds held in their client account
- Liaising with City of London and agents regarding refund of business rates
- Accounting for other sundry refunds of prepayments

### Creditors

- Correspondence and telephone calls with Creditors
- Assisting Creditors with the submission of claims
- Part allocation of time spent drafting the JSAs' first progress report
- Dealing with queries from former employees regarding their employment and entitlements prior to the Special Administration



# F. JSAs' total time costs to 7 October 2020

## Overview

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:

### JSAs' time costs incurred from 8 October 2019 to 7 October 2020

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	1.00	-	8.00	5.75	-	14.75	£ 5,140.00	£ 348.47
Strategy & planning	29.40	1.00	49.73	6.53	-	86.67	£ 44,669.23	£ 515.41
Client Communications	73.65	4.50	386.65	426.17	19.05	910.02	£ 335,395.76	£ 368.56
Liaison with the committee	25.70	11.00	38.55	-	-	75.25	£ 40,006.25	£ 531.64
Client statements	3.60	5.50	38.35	4.45	-	51.90	£ 24,950.50	£ 480.74
Client identification / tracing	4.55	-	0.35	-	-	4.90	£ 3,209.50	£ 655.00
Reconciliations	7.85	5.20	9.20	70.05	-	92.30	£ 21,653.00	£ 234.59
Transfers / Returns / Sale	93.55	3.95	399.28	-	-	496.78	£ 256,681.77	£ 516.69
Trading matters	23.15	1.00	141.23	28.38	-	193.77	£ 89,482.55	£ 461.81
Reporting	0.75	-	8.20	-	-	8.95	£ 4,131.25	£ 461.59
<b>Total</b>	<b>263.20</b>	<b>32.15</b>	<b>1,079.55</b>	<b>541.33</b>	<b>19.05</b>	<b>1,935.28</b>	<b>£ 825,319.81</b>	<b>£ 426.46</b>
<b>Objective 1: Custody Assets</b>								
Storage & back up of client data	4.25	-	7.50	67.25	-	79.00	£ 21,305.00	£ 269.68
Strategy & planning	76.45	15.25	140.32	63.35	-	295.37	£ 135,980.80	£ 460.38
Client Communications	297.68	43.80	794.13	1,089.07	53.92	2,278.60	£ 870,031.92	£ 381.83
Liaison with the committee	78.60	36.50	141.65	0.75	-	257.50	£ 133,337.50	£ 517.82
Client statements	26.70	0.65	110.60	3.00	-	140.95	£ 68,060.25	£ 482.87
Client identification / tracing	17.75	0.50	2.15	-	-	20.40	£ 13,142.50	£ 644.24
Reconciliations	56.52	9.00	35.10	193.80	-	294.42	£ 85,207.11	£ 289.41
Open trades	24.70	28.50	2.25	-	-	55.45	£ 32,882.50	£ 593.01
Post pooling monies	12.65	52.00	119.00	1.45	-	185.10	£ 90,648.25	£ 489.73
Corporate actions	22.27	77.00	30.60	0.65	-	130.52	£ 71,115.86	£ 544.88
Transfers / Returns / Sale	371.30	369.15	166.08	6.20	-	912.73	£ 547,086.92	£ 599.39
Trading matters	101.28	37.60	440.67	290.75	-	870.30	£ 366,899.52	£ 421.58
Data Subject Access Requests	0.25	-	10.42	0.10	-	10.77	£ 4,233.73	£ 393.23
Reporting	1.20	0.50	30.30	2.37	-	34.37	£ 16,042.26	£ 466.80
<b>Total</b>	<b>1,091.60</b>	<b>670.45</b>	<b>2,030.77</b>	<b>1,718.73</b>	<b>53.92</b>	<b>5,565.47</b>	<b>£ 2,455,974.10</b>	<b>£ 441.29</b>
<b>Objective 2: Liaison with Regulatory Bodies</b>								
<b>Total</b>	<b>67.55</b>	<b>7.00</b>	<b>27.10</b>	<b>8.57</b>	<b>-</b>	<b>110.22</b>	<b>£ 64,498.51</b>	<b>£ 585.20</b>
<b>Objective 3: Company ("House")</b>								
Administration & planning	20.70	25.05	56.90	19.90	-	122.55	£ 55,212.75	£ 450.53
Investigations	10.30	88.05	18.30	43.65	-	160.30	£ 67,046.50	£ 418.26
Realisation of assets	1.65	12.00	12.95	9.50	-	36.10	£ 16,942.75	£ 469.33
Creditors	1.85	1.10	25.00	8.40	0.20	36.55	£ 14,883.25	£ 407.20
Corporate Tax	7.40	-	-	-	-	7.40	£ 5,068.25	£ 684.90
<b>Total</b>	<b>41.90</b>	<b>126.20</b>	<b>113.15</b>	<b>81.45</b>	<b>0.20</b>	<b>362.90</b>	<b>£ 159,153.50</b>	<b>£ 438.56</b>
<b>Grand Total</b>	<b>1,464.25</b>	<b>835.80</b>	<b>3,250.57</b>	<b>2,350.08</b>	<b>73.17</b>	<b>7,973.87</b>	<b>£ 3,504,945.92</b>	<b>£ 439.55</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
  - Disbursement 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.



## Disbursements

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

Details of any Category 2 disbursements 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 - 580	315	195 - 475	95 - 280
Support & secretarial staff	130	n/a	n/a	n/a

### Notes

1. Time is recorded in units representing 3 minutes 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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