



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

Update for Clients and other stakeholders 20 October 2020

This is an update for Clients and other stakeholders affected by the Special Administration of the Company. It sets out updated details on the return of Client Money and Custody Assets belonging to the Clients of the Company.

IMPORTANT - NOTICE FOR CLIENTS WITH CUSTODY ASSETS

The JSAs are very pleased to confirm to Clients that the Distribution Plan was approved by the Court at the open hearing which was held on Friday, 16 October 2020 at 10.30am.

Due to COVID restrictions it was a virtual hearing, with details on how to join posted on Smith & William's dedicated webpage from 13 October 2020. A copy of the Court order can be found at www.smithandwilliamson.com/reyker-securities-plc ("the Website").

The terms of the Distribution Plan allow for Clients to be transferred to one or more Nominated Brokers and the JSAs will soon be writing to each to set out details of the new Nominated Broker relevant to them.

A small number of Clients may have Client Assets transferring to more than one Nominated Broker. In this instance, Clients may receive more than one letter from the JSAs regarding next steps.

Please note that for clients that are FSCS eligible (this is expected to be all retail Clients and a number of corporate Clients that have submitted eligible claims) with Client Assets of less than £85,000, or 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.**

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 very strongly encouraged to consider doing so** as your Client Assets will not be transferred until your share of the 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.

Given recent developments which are reported in the public domain, we continue to encourage Clients to remain vigilant and to exercise caution when dealing with correspondence regarding the Special Administration and the return of Client Assets. If you are in any doubt regarding the authenticity of any correspondence you may receive, please do not hesitate to contact Client Services at clientservices@reyker.com or on 0800 048 9512.

The JSAs' strategy

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

Transfer of Custody Assets

The transfer of Custody Assets (but not Client Money) is a court-led process and requires approval by the Court of the Distribution Plan, a detailed legal document with accompanying asset schedules and





evidence collated by the JSAs, which details the process by which the Custody Assets will be returned to Clients ensuring Clients' rights are protected.

As reported above, the terms of the Distribution Plan were approved by the Creditors' Committee on 31 July 2020 and the Court on 16 October 2020.

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

With the Court's approval, the return of Custody Assets will now be undertaken by way of a series of partial transfers to five regulated brokers under regulations 10B and 10C of the Regulations.

The number of bulk transfers to be undertaken has been kept to a maximum of five brokers in the interests of Clients and on account of complexity, cost and, particularly, timescales.

The Distribution Plan:

- Deals with the return of Custody Assets (being electronic and paper-based stocks and securities) and Corporate Action Assets (being dividends, interests, redemptions, etc. received in respect of Custody Assets following 8 October 2019); and
- Does not apply to Client Money held within the Client Money Pool (which crystallised on 8 October 2019 and is being returned by way of a separate distribution of Client Money - see below).

Following the approval of the Distribution Plan, the JSAs are liaising with each of the Nominated Brokers and planning for the transfer of Custody Assets and Corporate Action Assets. An indication of the timing of the upcoming transfers will be provided within our next letter to Clients.

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 and it is practically and commercially impossible for all stock transfers to take place at the same 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.

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
Post: Reyker Securities plc (in special administration), 25 Moorgate, London, EC2R 6AY.

Distribution of Client Money held as at 8 October 2019

The return of Client Money from the Client Money Pool (i.e. cash held as at 8 October 2019) does not form part of the Distribution Plan and the JSAs are seeking to return this cash to Clients by way of a Client Money distribution in accordance with the FCA's Client Money Distribution and Transfer Rules (as set out in CASS 7A). This is achieved by engaging with Clients and requesting confirmation as to where they wish their Client Money to be sent.

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





The deadline to participate in the first interim distribution of Client Money has now passed and late instructions are not being accepted as part of the first distribution.

The JSAs received valid Client Money distribution instructions in respect of 8,834 Client plans and, as at the date of this update, have processed instructions in respect of 7,927 Client plans (representing 90% by number of Client plans).

The JSAs are continuing to verify and process the remaining Client Money distribution instructions in accordance with industry regulations and best practice.

If you have any queries regarding the status of your Client Money distribution, please contact Client Services for further information.

If you have not yet submitted a Client Money Instruction Form, this can still be done at any time through the Portal. Please note, you will not be able to participate in the first interim distribution of Client Money and your share of Client Money will be safeguarded under the JSAs' control until such time that either a second interim or a final distribution is declared. The timing of a further Client Money distribution is presently uncertain.

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.

Disclaimer

Neither Reyker nor the JSAs can give Clients any advice whatsoever in respect of their investments and / or the distribution of Client Money or transfer of Custody Assets and nothing within this document, the Website, the Portal, or any other associated literature issued by the JSAs should be treated as such. If you are uncertain as to the best option(s) for you and your investments and the financial consequences, please seek independent professional advice.

Fraudulent communication

Further to recent updates and reports of fraudulent activity, Clients are reminded to remain vigilant to fraudulent communication at all times. Should Clients have any concerns in respect of any communications received, please contact Client Services on 0800 048 9512.

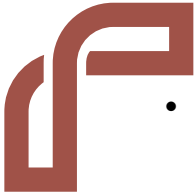
Financial Services Compensation Scheme

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

Clients are reminded that:

- Clients with Client Assets with a total value of less than £85,000 (as valued at 8 October 2019) are automatically treated by the FSCS as if they have submitted a claim for compensation to the FSCS on account of it exercising its power under COMP 3.2.1A of the FCA Handbook. This decision was made by the FSCS with a view to streamlining the process by which eligible Clients may receive compensation and, where possible, ensuring Client Assets are transferred whole; and
- Clients with Client Assets with a total value of equal to or greater than £85,000 (as valued at 8 October 2019) will not be treated as having automatically claimed compensation from the FSCS. Such Clients are asked as part of the online claims process to confirm whether they wish to submit a claim for FSCS compensation or not (if not already done so).





- The JSAs wrote to the Company's non-individual, corporate Clients who may not be eligible for FSCS compensation on 30 March 2020 requesting that they complete and return an eligibility assessment form in order that the FSCS can make a final determination in this regard. Clients that have not yet done so, should complete and return the form:
 - **By email:** reyker.securities@smithandwilliamson.com
 - **By post:** Reyker Securities plc (in special administration), c/o Smith & Williamson, 25 Moorgate, London, EC2R 6AY

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

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

Next steps

Client's with Custody Assets (which includes Corporate Action Assets, e.g. income received following 8 October 2019) 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.
- For Clients that are FSCS eligible (this is expected to be all retail clients and a number of corporate clients that have submitted eligible claims) 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.**
- 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 very strongly encouraged to consider doing 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.
- Corporate Clients that may not be eligible for FSCS compensation should ensure they have reviewed and, where applicable, completed the FSCS eligibility assessment form issued on 30 March 2020 (and more recently in September 2020) and return it to reyker.securities@smithandwilliamson.com.

Further information

Further information and frequently asked questions can be found on our website, or by clicking this link <https://smithandwilliamson.com/reyker-securities-plc/>

Should you have any queries, please contact Client Services by email at clientservices@reyker.com or, alternatively, by calling 0800 048 9512.





Glossary

Capitalised terms within this document are defined as follows:

| Term | Definition |
|-------------------------|---|
| Client | A party for whom the Company held either Client Money or Custody Assets or both on their behalf |
| Client Assets | Client Money, Custody Assets and / or Corporate Action Assets |
| Client Money | Money of any currency that the Company has received or holds for, or on behalf of, a Client as at 8 October 2019 |
| Creditors' Committee | The Creditors' Committee of Clients and Creditors established in order to take certain decisions on behalf of the Clients and Creditors as a whole. |
| Company / Reyker | Reyker Securities PLC - in Special Administration |
| Corporate Action Assets | Cash or securities received on behalf of Clients following 8 October 2019 |
| Custody Assets | The securities (including stock, shares and other investments) held for and on behalf of the Clients as at 8 October 2019 |
| Distribution Plan | A statutory distribution plan, pursuant to the Regulations and the Rules, to facilitate the return of Custody Assets |
| Investment Manager | An organisation that manages investments in funds and other portfolios of Client Custody Assets on behalf of Clients under the terms of an investment management agreement |
| JSAs | The joint special administrators |
| Nominated Broker | One of the designated brokers who will receive a transfer of Client Assets following the approval of the Distribution Plan |
| Portal | The online Client Claim Portal, available at www.reykerportal.com |
| Regulations | The Investment Bank Special Administration Regulations 2011 as amended by The Investment Bank (Amendment of Definition) and Special Administration (Amendment) Regulations 2017 |
| Rules | The Investment Bank Special Administration (England and Wales) Rules 2011 |
| S&W | Smith & Williamson LLP |
| Special Administration | The special administration of the Company |

The affairs, business and property of Reyker are being managed by the Joint Special Administrators who act as agents of the Company, without personal liability. Mark Ford, Adam Stephens and Henry Shinnars are authorised to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales. Reyker remains authorised and regulated by the Financial Conduct Authority. FCA reference number 115308. Registered in England No. 01747595

