



Reyker Securities PLC (in special administration)

Joint special administrators' third progress report for the period 8 October 2020 to 7 April 2021 pursuant to Rule 122 of The Investment Bank Special Administration (England and Wales) Rules 2011

5 May 2021



Contents

1.	Glossary	3
2.	Executive summary	7
3.	The JSAs' Objectives and Proposals	12
4.	Summary of actions during the report period	13
5.	House Assets	25
6.	Investigations	26
7.	JSAs' receipts and payments	27
8.	Estimated outcome for Clients and Creditors	29
9.	Costs of the Special Administration	30
10.	Duration and exit of the Special Administration	34
11.	Privacy and data protection	34
12.	Creditors' rights	35
13.	Next report	35

Appendices

A.	Statutory information	37
B.	Summary of the JSAs' Proposals	38
C.	Progress of Client Asset Transfers	39
D.	JSAs' receipts and payments	40
E.	Expenses incurred by the JSAs	43
F.	JSAs' time costs from 8 October 2020 to 7 April 2021	44
G.	JSAs' total time costs from 8 October 2019 to 7 April 2021	51
H.	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.
Soft Bar Dates	The initial deadline set for Clients to submit their claims in respect of Client Money and Custody Assets.
CAI	Corporate Action Income, being income received with respect to Custody Assets held by the Company on behalf of its Clients following the appointment of the JSAs (to include dividends, coupon payments and redemptions).
CASS	The FCA's "Client Assets Sourcebook" rules.
CARS	A Client Assets Return Statement, being a statement prepared by the JSAs to provide Clients with important information regarding the return of their Custody Assets under the Distribution Plan
Claim Form	The form to be completed and returned to the JSAs by any Creditor or Client who wishes to submit a creditor claim (a copy is available to download at www.ips-docs.com).
Client	A party for whom the Company held either Client Money or Custody Assets or both on their behalf.
Client Assets	Client Money and Custody Assets.
Client Money	Money of any currency that the Company has received or holds for, or on behalf of, a Client in the course of, or in connection with any of its businesses as referenced in CASS 7.10.1 and any money that the Company treats as client money in accordance with the Client Money Rules contained in CASS 7.10. to 7.19.
Client Money Rules	CASS 7 and 7A, being provisions for the handling and distribution of Client Money.
CMIF	Client Money Instruction Form
CMP	The Client Money Pool, being the pool of Client Money held on trust by the Company in accordance with the Client Money Rules and which has been pooled in accordance with those rules for the purpose of distributing the Client Money
Client Statement	The statement of Client Money and Custody Assets that each Client received along with the JSAs' letter dated 22 November 2019 notifying them of the Proposals and the Initial Meeting.
Company / Reyker	Reyker Securities Plc (in special administration).
Corporate Action Assets	Client Money or securities received on behalf of Clients following 8 October 2019.
CVA	Company voluntary arrangement, being an insolvency procedure where a company reaches a voluntary agreement with its creditors regarding the repayment of all, or part of its debts, over an agreed period of time.
Court	High Court of Justice, Business and Property Courts of England and Wales.
Creditor	Any party who is owed an amount from the Company, including i) a Client who is not entitled to participate in the Client Money Pool nor entitled to Custody Assets held by the Company; ii) a Client with a shortfall of either Client Money or Custody

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

Abbreviation	Description
NatWest	NatWest Bank plc, being the secured creditor.
Nominated Broker	One of the designated brokers selected by the JSAs who will receive a Transfer of Custody Assets following the approval of the Distribution Plan.
Nominee	A corporate entity, not the owner, in whose name a security (e.g. stock or bond) is registered.
Objectives	The three statutory objectives of a special administration in accordance with the Regulations.
Objective 1	To ensure the return of Client Assets as soon as is reasonably practicable.
Objective 2	To ensure timely engagement with market infrastructure bodies and Authorities pursuant to regulation 13 of the Regulations.
Objective 3	To either rescue the investment bank as a going concern or, alternatively, to wind it up in the best interests of the Company's creditors.
Payment Options Form	The form that 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 in connection with the return of Custody Assets. The form allows the Client to choose an option of how these costs are to be settled.
PPE	Primary pooling event.
Portal	The online Client Claim Portal, available at www.reykerportal.com
Post Pooling Accounts	Accounts opened following the appointment of the JSAs' appointment to segregate Corporate Action Income received after 8 October 2019 from the CMP
Premises	17 Moorgate, London, EC2R 6AR, being the Company's former registered office and trading address.
Proposals	The JSAs' proposals for achieving the Objectives of the Special Administration.
Regulations	The Investment Bank Special Administration Regulations 2011 as amended by The Investment Bank (Amendment of Definition) and Special Administration (Amendment) Regulations 2017.
RPS	The Redundancy Payments Service, being a government department that pays outstanding entitlements to employees following and insolvency event (subject to statutory limits).
Rules	The Investment Bank Special Administration (England and Wales) Rules 2011.
SAR	The Special Administration Regime, to include the Regulations and the Rules.
Share of Costs	The share of the costs payable by a Client under the terms of the Distribution Plan in respect of the return of Custody Assets, which under the terms of the Distribution Plan cannot exceed £2,500.
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

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

2. Executive summary

2.1 Introduction

Mark Ford, Adam Stephens and Henry Shinner, 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’ third 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 October 2020 to 7 April 2021.

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

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

2.2 Statutory information

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

2.3 Summary of actions during the report period

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

- Maintained critical operations with a view to achieving the Objectives;
- Continued to safeguard and segregate Client Assets in accordance with the Legislation;
- Monitored the cost base of critical operations and reduced costs where possible without compromising the progress of returning Client Assets;
- In conjunction with their legal advisors and counsel, prepared and filed additional evidence and witness statements to support the JSAs’ application to Court for the approval of the Distribution Plan and attended the hearing on 16 October 2020, at which the Distribution Plan was approved;
- Concluded negotiations and data-sharing and transfer agreements with the five Nominated Brokers to ensure Clients could be on-boarded efficiently, thereby facilitating a smooth transfer of Custody Assets;
- Assisted market regulators with their enquiries into the proposed Nominated Brokers prior to their identity being disclosed and commencement of the Transfers;
- Developed the Portal to permit Clients to view their CARS (which included key information in respect of their proposed Transfer, including the identity of their Nominated Broker, Transfer date and whether they had met the Transfer conditions set out in the Distribution Plan) and to opt-out of the Transfer and nominate their own choice of broker if they so wished;
- Issued communications to all Clients with Nominated Brokers to provide notice of the availability of their CARS, the proposed date from which Transfers would commence and any changes to their terms and conditions necessitated by the Transfer (where applicable);
- Worked with Clients, Investment Managers and the FSCS to ensure that as many Clients, eligible for FSCS compensation, as possible were identified and eligibility confirmed, and met the Transfer conditions outlined in the Distribution Plan;

- Issued a Payment Options Form to Clients who were either not FSCS Protected Claimants or Clients not yet approved for eligibility in order that they could pay their Share of Costs (where applicable) and meet the Transfer conditions set out in the Distribution Plan;
- Ensured all requisite settlement platforms and sub-custodian systems were accessible prior to the commencement of the Transfers (e.g. CREST);
- Liaised with sub-custodians, fund managers, Investment Managers and Nominated Brokers in preparation for the Transfer of Custody Assets from various locations (including stock held in electronic, paper and statement form);
- Worked closely with the Nominated Brokers in order to ensure that the FCA was satisfied as to the Nominated Brokers' preparedness to receive Clients and Custody Assets, immediately prior to the transferring of Custody Assets;
- Prepared stock transfer forms for Custody Assets held as physical certificates at the Premises and issued to third parties, being either registrars or Nominated Brokers and / or Investment Managers where agreed;
- Commenced Transfers to Nominated Brokers from 29 January 2021;
- Continued efforts to source a sixth Nominated Broker to receive IF ISAs and CTF investments, including issuing data-sharing and transfer agreements to one broker;
- Progressed the first interim Client Money distribution (a first interim distribution has been paid on a further 1,097 Client plans during the period covered by this report);
- Issued further correspondence to Clients who have not yet verified their bank account details or made final arrangements for the distribution of Client Money to alternative brokers following the submission of their CMIF;
- Issued further communications to Clients who previously submitted a 'hold until the Distribution Plan is approved' instruction on their CMIF requesting that their distribution instructions be updated to confirm the approval of their Client Money being paid to their Nominated Broker or otherwise;
- Consulted with their legal advisors as to the options available for a catch-up first interim, second interim and/or final Client Money distribution and the appropriate timing and mechanisms for closing the CMP;
- Continued to inform Clients of progress and assist with their queries via the use of the dedicated Website, client services email address and client services helpline;
- Processed corporate action requests and requests for the early return of CAI in line with the criteria set by the JSAs' discretionary internal policies;
- Held regular meetings with the Creditors' Committee regarding the JSAs' strategy, the anticipated costs of the process and the JSAs' remuneration;
- Worked with Investment Managers representing significant groups of Clients that had opted out of their Transfer and had identified a new broker for their Custody Assets to be returned to by way of Distribution;
- Issued the JSAs' second progress report for the period from 8 April 2020 to 7 October 2020;
- Progressed the pursuit of Objective 3, to include realising House Assets and ongoing investigations into the affairs of the Company;
- Significantly advanced the development of a robust, cloud based software platform which will integrate the Client database, Portal and safe custody function and facilitate improved efficiencies with regard to data-handling, reporting and maintenance and reduce costs of operation in the mid to long term.

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

2.4 The return of Custody Assets and CAI

The Distribution Plan was approved by the Court on 16 October 2020 (being approximately a week into the report period).

Accordingly, the JSAs were able to finalise preparations with each of the five Nominated Brokers and commence the process of transferring Custody Assets and/or CAI to all Clients with a Nominated Broker (and who did not opt-out of the Transfer) from 29 January 2021.

Section 4 and Appendix C provide additional detail and statistics with regard to the good progress made during the report period. The JSAs would highlight:

- The Company held approximately 57,700 lines of Custody Assets across 12,200 Client plans (for 9,008 Clients) as at the Transfer Selection Date (22 January 2021);
- Of this, 48,732 lines of Custody Assets (for 8,552 Clients) were due to Transfer to one of the Nominated Brokers;
- Working with Clients directly, and the FSCS and Investment Managers where appropriate, the JSAs helped more than 99.5% of Clients presented with a Transfer to a Nominated Broker meet their Transfer conditions.
- Only 8% of Clients presented with a Transfer to a Nominated Broker opted out of the Transfer with the overwhelming majority of these being represented by three Investment Managers who, ultimately, wanted their clients to be transferred to a broker of their respective (different) choice. This low dropout rate supports the JSAs' strategy to make transfers to five Nominated Brokers.
- 86% of Custody Assets (by number of lines of security per Client) due to Transfer to the Nominated Brokers have been completed or instructed during the report period.

In addition, all of the CAI received up to 14 December 2020 (the date used for the CARS) and due to Transfer to the Nominated Brokers (being in excess of £40 million) was transferred, with cleared funds appearing on a Client's statement with their new broker generally within 48 hours of the Transfer.

Of the five Nominated Brokers referenced above, none were willing to receive investments held in IF ISAs or CTFs. Accordingly, Custody Assets or CAI held within such investments did not form part of the first Transfers which commenced on 29 January 2021. The JSAs have, however, now identified a sixth Nominated Broker who is willing to accept the IF ISAs, subject to regulatory approvals of it and its custodian. The JSAs understand that the proposed sixth Nominated Broker and their sub-custodian have submitted all relevant applications to HMRC for required permissions and have been in correspondence with the FCA. Once the approvals are received, the JSAs will write to all IF ISA Clients to inform them of their proposed new broker and rights under the Distribution Plan. If the application for the necessary permissions is rejected or not received in advance of the setting of a relevant Distribution Selection Date, then the JSAs may consider including IF ISA Clients in the general Distribution process.

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

The Distribution process requires Clients to nominate their own choice of broker (on their CARS) either on or before a Distribution Selection Date determined by the JSAs. Clients that have opted out but have not yet identified their new broker on their CARS should still do so via the Portal.

The JSAs remain on target to start the return of Custody Assets under the Distribution process during Spring 2021 and all Clients that are part of the process will receive further communications from the JSAs during the next report period. Distributions will be completed in phases and Clients are reminded that the return process, even when started, can take several weeks where third party registrars are involved in the registration of the Custody Assets.

2.5 The distribution of Client Money

As previously reported, following requests from a number of Investment Managers representing thousands of Clients and consultation with stakeholders and the Committee, the JSAs concluded it was in Clients' best interests to undertake a separate distribution of Client Money as opposed to a Transfer of Client Money to the same

Nominated Brokers as for Custody Assets (which had additional complexity and would 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 and to allow Clients to redeploy these funds into new investments.

Accordingly, the JSAs embarked upon a separate distribution of Client Money (under the FCA's Client Money Distribution and Transfer Rules as set out in CASS 7A) during the last period covered by the last report.

Clients who submitted a CMIF before the August 2020 deadline were able to participate in the first phase of the first interim distribution and receive 85% of their Client Money or, alternatively, 80% if the respective Client was not a FSCS Protected Claimant (or was yet to be confirmed as such) as a further provision was required for their respective share of the costs of distributing the CMP.

At the end of this report period, the first phase of the first interim distribution was 94% complete, with distributions in respect of only a further 465 Client plans to pay (out of 7,353 who had met the August 2020 deadline). The JSAs have not been able to process these due to the respective Clients needing to take further action themselves or, alternatively, a SIPP provider (who represents 237 Client plans) requesting for the distribution to be deferred until a query raised with the FSCS has been resolved.

In parallel to the above, the JSAs have:

- Written to Clients who previously selected for their Client Money distribution to be 'held until the Distribution Plan was approved' and requested that their instructions be updated following their respective Nominated Broker being confirmed;
- Processed 87% of the updated Client Money instructions submitted in the period where the Client had originally instructed the JSAs to 'hold' (the remaining 13% could not be paid as further action was required from the Client and / or their own choice of broker);
- Commenced preparations for the second phase of the first-interim distribution for all Clients who did not submit their CMIF in advance of the August 2020 deadline or are still yet to do so. It is anticipated such Clients will receive formal notice in late May 2021 with the respective distributions being paid from June 2021 (subject to Clients taking all appropriate steps);
- Taken legal advice as to the appropriate mechanism and timing for closing the CMP to claims, thereby enabling the JSAs to pay a final distribution of:
 - the remaining 15% of Client Money where a Client's share of the costs of distributing the CMP are paid by the FSCS; or
 - 20%, less their respective final share of the costs of distributing the CMP, where Clients are not FSCS Protected Claimants;
- Devised and began implementing a Client tracing work program to obtain engagement from approximately 1,400 Clients who are yet to submit a Claim for Client Money (and account for circa £2.1 million of the CMP) and a further 1,200 Clients who have submitted a Claim but are still to submit a CMIF. This has included engaging a third-party client tracing agency to verify Client addresses and consulting with the FCA.

The JSAs are continuing to take steps to try to obtain instructions from all Clients who have not yet provided instructions in respect of their Client Money and/or Custody Assets. If any Client has not yet submitted a Claim to Client Money or CMIF, this can still be done at any time through the Portal. Before submitting a CMIF, Clients should familiarise themselves with the terms and conditions of the distribution of the CMP which is available at: www.smithandwilliamson.com/reyker-securities-plc. It is important that Clients do take this action as soon as possible because the JSAs intend to take steps to close the CMP later in this calendar year, once the tracing exercise has been completed.

The effect of the CMP being closed, is that any Client Money held for a Client who has not submitted a Client Money claim by the time of closure, will cease to be held as Client Money for that Client and will instead be set off against the costs of distributing the CMP. Any Client affected by the closure will, as a result, only have an unsecured claim against the Company and, as detailed in this progress report at section 8.4, there is unlikely to be any return to unsecured creditors. The JSAs are working towards closing the CMP by the end of 2021.

2.6 Anticipated outcome for Clients and Creditors

2.6.1 Clients

As previously reported:

- The Distribution Plan (as approved by the Court) sets out the basis and methodology for allocating the costs incurred by the JSAs in pursuing Objective 1 for Custody Assets. The Distribution Plan estimates that Clients will be charged a fixed fee (the Share of Costs) of no more than £2,500 in respect of the transfer of their Custody Assets, however, this will be capped to the lower of the fixed fee or the value of a Client's Custody Assets as at 8 October 2019.
- Costs for dealing with the CMP will be levied proportionately as a percentage of 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 and CASS, the JSAs anticipate that more than 99% (previously 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 (as they will be settled by the FSCS) and will receive a full return in respect of their Custody Assets and Client Money.**

2.6.2 Creditors

The outcome for creditors will be dependent upon:

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

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

2.7 Next steps

2.7.1 Clients with Custody Assets and/or CAI

The JSAs will:

- Continue to process the Transfers to the Nominated Brokers as expeditiously as possible (including regular sweeps of CAI in order to return CAI to Clients as soon as possible);
- Write to Clients with holdings in IF ISAs as soon as the requisite approvals have been received by the sixth Nominated Broker to provide notice of their CARS being available on the Portal, the Transfer date and their rights to opt-out under the Distribution Plan; and
- In Spring 2021, commence Distribution processes for Clients who have opted-out of the Transfers or did not have a Nominated Broker.

Clients who:

- Have opted-out of the Transfers should ensure they have provided details of their preferred broker on the Portal (if they have not already done so) in preparation for the Distribution process commencing;
- Are not FSCS Protected Claimants should ensure they have paid their Share of the Costs so their Client Assets can be Transferred or Distributed accordingly.

2.7.2 Clients with Client Money

The JSAs will:

- Follow up with Clients as necessary in order to complete the first phase of the first interim Client Money distribution and ensure all previously submitted 'hold' instructions are updated;

- Issue notice to all Clients who have not yet submitted a claim to Client Money and/or a CMIF regarding the second phase of the first interim distribution and seek to commence payments in June 2021 to all Clients who have now submitted a CMIF but did not participate in the first phase; and
- Progress the Client tracing work program with a view to enabling the JSAs to close the CMP to claims and pay a final distribution.

Clients who:

- **Have not yet submitted a claim to Client Money and/or a CMIF should access the Portal and do so as soon as possible;**
- Previously submitted a 'hold' instruction and have not logged back on to the Portal to update their hold instructions should do so as soon as possible;
- Have not yet received their first interim distribution but submitted a CMIF before the August 2020 deadline to participate in the first phase, should contact client services as there is likely to be further information required, from the Client, prior to the distribution being released.

2.7.3 Creditors

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

2.7.4 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
- **Post:** Reyker Securities plc (in special administration), 25 Moorgate, London, EC2R 6AY.

3. The JSAs' Objectives and Proposals

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

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

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

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

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

4. Summary of actions during the report period

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

4.1 Return of Custody Assets and CAI (Objective 1)

The JSAs are pursuing a series of transfers of Custody Assets under Regulations 10B and 10C to different Nominated Brokers and a separate distribution of Client Money in accordance with the Client Money Rules (as set out in CASS 7A).

In order to effect the Transfers of Custody Assets (including CAI received thereon) to more than one Nominated Broker, it was necessary for the JSAs to obtain the approval of both the Creditors' Committee and the Court to the Distribution Plan.

The Distribution Plan was approved by the Creditors' Committee on 31 July 2020 and by the Court on 16 October 2020 (being approximately a week into this report period). At the hearing, there was one dissenting Client whose objections were noted by the Court.

Following the approval of the Distribution Plan, the JSAs updated the Website to advise Clients and began finalising preparations to commence the Transfers. Such work included:

- Finalising and executing data-sharing and Transfer agreements with five Nominated Brokers;
- Assisting the Nominated Brokers with Client on-boarding to ensure that Client accounts were opened in advance of the Transfers allowing for a smooth transition;
- Assisting market regulators with their final enquiries regarding the proposed Nominated Brokers;
- Working with Clients, Investment Managers and the FSCS to ensure that as many Clients that might have been eligible for FSCS compensation were identified and approved for compensation and had met the Transfer conditions outlined in the Distribution Plan;
- Developing the Portal to permit Clients eligible for the Transfers to:
 - View their CARS (which included key information in respect of their Transfer(s), including the identity of their Nominated Broker, Transfer date and whether they had met the Transfer conditions); and
 - Opt-out of the Transfer and designate their own choice of broker if they so wished.
- Preparing a Payment Options Form for Clients who were either not FSCS Protected Claimants or whose status was yet to be determined in order that they could pay their Share of Costs (where applicable) and meet the Transfer conditions set out in the Distribution Plan;
- Creating a paper-based equivalent of the CARS (which included the opt-out request form) and enhancing the internal software used by Client Services so they could generate it and post it upon request (client services continue to work from home in accordance with government guidance);
- Verifying data exported from the Portal to confirm the Client Assets and quantities which were transferring to each of the Nominated Brokers and on behalf of which Clients;
- Liaising with the sub-custodians and ensuring all requisite settlement platforms were accessible and in working order prior to the commencement of the Transfers (e.g. CREST);
- Preparing stock transfer forms and paper certificates to be issued to registrars and/or Nominated Brokers.

Further details on the progress of the Transfers to the Nominated Brokers and Distributions to other Clients who either do not have a Nominated Broker or opted out of the Transfer(s) proposed by the JSAs is set out in the following sections.

4.1.1 Transfer of Custody Assets to the Nominated Brokers

As at the date of appointment, the Company held Custody Assets for 9,008 Clients.

During November 2020, the JSAs wrote to all such Clients to advise the Distribution Plan had been approved and, where relevant, the identity of the Nominated Brokers, being:

Nominated broker	Client group
Kin Capital Partners LLP	For Clients whose Investment Manager was Deepbridge Capital LLP
Pershing Securities Ltd.	For Clients whose Investment Manager was Puma Investment Mgt Ltd.
Thompson Taraz LLP	For Clients whose Investment Manager was Ingenious Capital Mgt Ltd.
James Brearley & Sons Ltd.	For Clients whose investments were not managed by any of the above referenced Investment Managers
Logic Investments Ltd.	A minority of Clients who are exceptions to the above

The choice of brokers was based upon (but not limited to), the calibre of brokers, including the breadth of assets they could hold, the preferences of the largest intermediary Investment Managers and feedback from regulatory stakeholders and the Creditors' Committee.

Of the 9,008 Clients, 8,552 (being 95%) could be transferred to one of the above-named Nominated Brokers subject to the Transfer conditions being met.

The remaining 5% of Clients could not be transferred to any of these Nominated Brokers due to either the type of investment held (i.e. IF ISA or CTF) or the Client's country of residence (i.e. James Brearley were unable to accept Clients residing in the U.S.A.).

Following final regulatory approval, the JSAs wrote to all Clients with a Nominated Broker on 29 December 2020 to confirm the identity of their respective Nominated Broker(s) and that their CARS was now available to view on the Portal. Where applicable, the letter also enclosed notice of any changes to their terms and conditions which would be implemented by the respective Nominated Broker(s) upon Transfer.

The CARS made available to each Client confirmed the quantity of Custody Assets that would be transferred and the date from which the Transfer would commence.

The letter and the CARS set a deadline of 22 January 2021 for Clients to opt out of the Transfer and to meet any outstanding Transfer conditions (such as paying their Share of Costs where they were not a FSCS Protected Claimant).

As planned, the Transfer of Custody Assets and/or CAI to all Nominated Brokers commenced from 29 January 2021 and remains ongoing.

Appendix C provides statistical data with regard to the number of lines of Custody Assets per Client subject to the Transfers and the progress made during the report period. The JSAs would highlight:

- The Company held approximately 57,700 lines of Custody Assets across 12,200 Client plans (for 9,008 Clients) as at the Transfer Selection Date (22 January 2021);
- Of this, 48,732 lines of Custody Assets (for 8,552 Clients) were due to Transfer to one of the Nominated Brokers;
- Working with Clients directly, and the FSCS and Investment Managers where appropriate, the JSAs helped more than 99.5% of Clients presented with a Transfer to a Nominated Broker meet their Transfer conditions;
- Only 8% of Clients presented with a Transfer to a Nominated Broker opted out of the Transfer to their Nominated Broker(s) with the overwhelming majority of these being represented by three Investment Managers who ultimately wanted their Clients to be transferred to a broker of their respective (different) choice. This low dropout rate supports the JSAs' strategy to make transfers to five Nominated Brokers;



- 86% of Custody Assets (by number of lines of Custody Assets per Client) due to Transfer to the Nominated Brokers have been completed or instructed;
- 65% of the Custody Assets to Transfer were held electronically across CREST, Kas Bank, Aegon/Cofunds and Allfunds. These were all successfully transferred during the report period, with the exception of 3% held with Kas Bank due to cross-border issues delaying completion;
- We have instructed the Transfer of all Clients' Assets where Clients are transferring to Pershing Securities or Kin Capital, which solely comprised Transfers of paper certificates. Both Pershing Securities and Kin Capital continue to work to obtain new certificates issued in their nominee entity names;
- The Transfers of Client Assets to James Brearley and Logic predominantly comprise of Transfers of electronically held Custody Assets (being 83% and 63% respectively) and are complete. The remainder of Custody Assets to Transfer to these Nominated Brokers principally represent Fund Manager statement held assets and residual/paper certificates which are all progressing;
- We have transferred 64% of the Client Assets transferring to Thompson Taraz. At the end of the report period, we required further assistance from the intermediary Investment Manager and registrars to complete the Transfer of the remaining paper certificates.

Please note, Transfers are deemed completed once the Custody Assets has been registered with the new Nominated Broker. Instructed Transfers are where all requisite documents have been issued by the JSAs to a third-party registrar, agent, company secretary or fund manager for processing.

Clients are reminded that, due to the number of Nominated Brokers, asset classes and stock lines, ranging across electronic, paper and statement-based securities and the differing requirements and response times of the Registrars, the completion of Transfers will be phased over time.

4.1.2 Transfer of CAI to the Nominated Brokers

All CAI received following the JSAs' appointment (principally dividends, coupon payments or mandatory 'kick-out' redemptions) has been segregated from the CMP and, where possible, allocated to the Client's respective plan.

As for Custody Assets, the process by which CAI is returned to Clients is set out in the Distribution Plan and, accordingly, any CAI was due to Transfer to one of the Nominated Brokers on the same basis as Custody Assets. Any CAI received up to 14 December 2020 and allocated to a Client who was due to Transfer to a Nominated Broker (subject to opting-out) was reported on their CARS.

The below table summarises the GBP, EURO and USD CAI received for Clients up to 14 December 2020 and how it is now due to be transferred or otherwise distributed. Other amounts were received in six other currencies totalling an equivalent of approximately £211k.

Analysis of CAI received since appointment to 14 December 2020

	No. of Clients	No. of plans	GBP	USD	EUR
Transfers to Nominated Brokers	2,835	3,804	39,617,527	4,487,744	729,209
Opted-out Clients	245	263	1,478,958	312	-
No Nominated Broker	208	210	179,431	-	-
Costs outstanding	18	46	1,009,004	-	-
Total	3,306	4,323	42,284,920	4,488,056	729,209

All of the above CAI received and due to Transfer to the Nominated Brokers (being in excess of £40 million) was transferred during the report period, with cleared funds appearing on a Client's statement generally within 48 hours of Transfer.

CAI due to be distributed elsewhere (i.e. other than to the Nominated Brokers) will be distributed simultaneously with Custody Assets through the Distribution process.



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

Due to the diverse nature of the Company's Clients and asset portfolio, the JSAs were conscious that being able to Transfer all investments to no more than five Nominated Brokers was challenging. Of the five Nominated Brokers referenced above, none were willing to receive investments held in IF ISAs or CTFs.

Accordingly, Custody Assets or CAI held within such investments did not form part of the first Transfers which commenced on 29 January 2021 and the JSAs wrote to all such Clients affected by this to advise them of the position and that the JSAs were still looking to secure a Nominated Broker in this regard.

During the period, the JSAs identified a sixth Nominated Broker who is willing to accept the IF ISAs, subject to regulatory approvals of it and its custodian. The JSAs understand all relevant applications for permissions and approvals have been made and, on the assumption the approvals are received, the JSAs will write to all IF ISA Clients to inform them of their proposed new broker and rights under the Distribution Plan.

A Nominated Broker who is willing to take a bulk transfer of the CTFs has, however, not yet been identified. The JSAs have recently concluded that a Transfer of investments held within these plans will not be possible and, therefore, Clients with such holdings will be included in the Distribution process; just like any Clients who voluntarily opted out of the Transfers to the Nominated Brokers (see next section).

4.1.4 Distributions for opt-out Clients and Clients with no Nominated Broker

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

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

Accordingly, the JSAs have not yet set any Distribution Selection Dates, however, where Clients have named their chosen broker on the Portal, the JSAs have undertaken some preparatory work and identified some economies of scale through grouping Clients into bulk Distributions to the same broker, thereby facilitating a return of the greatest amount of Custody Assets (and CAI) as quickly as possible once they are in a position to commence Distributions.

The JSAs remain on target to start the return of Custody Assets under the phased Distribution process during Spring 2021 and all Clients that are part of the process will receive further communications from the JSAs during the next report period.

4.1.5 Non-transferrable / returnable Stock

The JSAs have, to date, identified approximately 260 securities, which are held across circa 4,200 Client plans, which are 'Non-Returnable Client Assets'. These stock lines cannot be Transferred or otherwise Distributed. For example, these may relate to companies that have dissolved or assets that have matured. These assets have been marked as such on the respective Clients' CARS.

Where assets have matured and converted to cash the funds will be subject to a Transfer to the Nominated Broker or subject to a Distribution in due course.

4.2 Distribution of Client Money (Objective 1)

As previously reported, the JSAs considered it in Client's best interests to undertake a separate distribution of Client Money (being cash held for Clients as at 8 October 2019 and collectively known as the CMP).

Accordingly, the JSAs embarked upon a separate distribution of Client Money under the FCA's Client Money Distribution and Transfer Rules (as set out in CASS 7A), which was not subject to Court approval, and set an initial deadline of 7 August 2020 for Clients to engage and provide their explicit instructions as to where their share of Client Money should be distributed. Clients were asked to provide such instructions by completing a CMIF on the Portal (or in paper form upon request).



4.2.1 First interim distribution (first phase)

Clients who submitted a CMIF before the August deadline were able to participate in the first phase of the first interim distribution and receive 85% of their Client Money or, alternatively, 80% if the respective Client was not a FSCS Protected Claimant (or was yet to be confirmed as such) as a further provision was required for their respective share of the costs of distributing the CMP.

Our last progress report confirmed that instructions were received in respect of 8,834 Client plans out of 12,227 (72%), of which 7,353 required a physical transfer of cash at that time.

The following table summarises the status of the first phase of the first-interim distribution as at the end of this report period by number of Client plans:

Distribution instructions	No. of Client plans			
	Complete	Pending	Unpaid	Total
Transfer to personal bank accounts	3,469	237	190	3,896
Transfer under IM instructions	2,724	-	-	2,724
Transfer to alternative brokers	547	-	38	585
Donate to the NHS	148	-	-	148
Total	6,888	237	228	7,353
%	94%	3%	3%	100%

The reasons why the JSAs have not been able to complete the first phase of the first interim distribution are:

- i. A SIPP provider raised a query with the JSAs and FSCS regarding events prior to the JSAs' appointment and requested for the distribution to be deferred until the matter is resolved (237 plans);
- ii. Clients have not yet provided the requested requisite documents to verify their personal bank account details where it was not possible to verify them by the electronic GBG check via the Portal (190 plans); and
- iii. Further action is required from the Client before their own choice of alternative broker can receive funds (38 plans).

The JSAs continue to write to Clients where further action is required by them and progress payments when documents are received.

4.2.2 Hold instructions

When notice of the first interim distribution was declared last August, Clients could instruct the JSAs to 'hold' their Client Money until such time that the Distribution Plan was approved by the Court and the identity of the Nominated Broker(s) for their respective Custody Assets was known.

Once the Distribution Plan was approved and Nominated Brokers named, Clients would be able to provide their explicit consent via the Portal for their Client Money to be distributed to the respective Nominated Broker(s) in parallel with the Transfer of their Custody Assets and/or CAI or, alternatively, select one of the other Client Money distribution options originally available to them (e.g. pay to a personal bank account).

Clients electing for their Client Money to be 'held' by the JSAs represented 15% of all valid instructions received (spanning 1,309 Client plans). The JSAs wrote to these Clients on 8 January 2021 requesting that they update their 'hold' instructions to confirm whether they wished for their Client Money to be distributed to their respective Nominated Broker or otherwise.

At the end of the report period, updated instructions have been received in respect of 680 Client plans (being 52% of all 'hold' instructions). The table below confirms the split of subsequent instructions received and the number of Distributions completed in this regard (being 87% of all updated instructions received to date):

Distribution instructions	No. of Client plans		
	Responses	Complete	%
Distribute to Nominated Broker	541	541	100%
Distribute to personal bank account	64	33	52%
Distribute to alternative broker	58	0	0%
Donate to the NHS	17	17	100%
Total	680	591	87%

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

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

4.2.3 Catch-up first interim distribution (second phase)

As payments for the first-interim distribution are materially complete, the JSAs have commenced preparations for the second phase of the first interim distribution. This will take the form of a catch-up distribution for all Clients who did not submit their CMIF in advance of the August 2020 deadline or are still yet to do so.

As before, the catch-up first interim distribution will mean participating Clients receive 85% of their Client Money or, alternatively, 80% if the respective Client is not a FSCS Protected Claimant (or is yet to be confirmed as such).

Where Clients originally received only 80% of the first interim distribution and have subsequently been confirmed as being a FSCS Protected Claimant, the catch-up distribution will address this and ensure the additional 5% is distributed accordingly.

The JSAs anticipate writing to all Client Money Clients who have not yet submitted a claim and/or CMIF in May 2021 to provide formal notice of the catch-up first interim distribution and expect the respective distributions to be paid from June 2021 (subject to Clients taking all required steps).

The timing of the catch-up first interim distribution has been co-ordinated with the migration to a new, fully-integrated software platform that has been specifically designed for the demands of this Special Administration (see section 4.5.5) and the JSAs' decision, in conjunction with their legal advisors, with regard to the timing of closing the CMP to claims (see section 4.4).

4.2.4 Final distribution of Client Money

Following the first and second phase of the first interim Client Money distribution, there will remain an outstanding balance of 15% of Client Money for the majority of participating Clients who are FSCS Protected Claimants and 20%, less their share of the CMP distribution costs, for those who are not FSCS Protected Claimants.

Following legal advice, the JSAs have concluded that a final distribution should not be paid until such time that the CMP has been closed to claims. Further detail is provided in section 4.4.

The JSAs would also note that the first interim distribution was deliberately set at a very high percentage to mitigate the need for a second interim distribution, thereby:

- Ensuring participating Clients received the maximum possible amount of Client Money as early as possible; and
- Minimising the respective costs of returning the CMP (which is to be paid from either Client Money or, alternatively, compensation under the FSCS (subject to total claims per Client not exceeding £85k)).

4.3 Client Tracing (Objective 1)

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

As at 7 April 2021, there were:

- Approximately 1,400 Clients (with over £2.1 million of Client Money) yet to engage in the process and submit a claim; and
- Approximately 1,200 Clients (with a total of circa £3.1 million of Client Money) who had submitted a claim but were yet to complete a CMIF to confirm where their Client Money should be distributed (as required by CASS).

In accordance with the Regulations and CASS, the JSAs are obliged to take all reasonable steps to return assets to Clients and, accordingly, a formal program of Client tracing for the above Clients (and any Clients with Custody Assets where claims need to be submitted or instructions given) has commenced.

During the report period, the JSAs have engaged specialist tracing agents to verify addresses held on record for all Clients who are yet to submit a CMIF and have a Client Money balance of £25 or more. The JSAs have also liaised with their legal advisors and the FCA regarding the detail of their Client tracing programme.

A further communication will shortly be sent to the above-referenced Clients to provide notice of the catch up first interim distribution. Should Clients not respond within 28 days, additional work will be undertaken to trace clients and obtain engagement, to include (but not limited to):

- i. A programme of email and telephone calls;
- ii. Enhanced external, specialist, client tracing;
- iii. Correspondence sent by recorded delivery or with stamp addressed envelopes;
- iv. Telephone directory searches;
- v. Google searches.

The level of tracing efforts will be tiered and proportionate to the value of the Client's portfolio of Custody Assets and Client Money.

This work will form the basis of any subsequent application that is required to Court with regard to Client Money and/or to the FCA for modification of the Client Money Rules and is critical to the JSAs finalising claims against the CMP and paying a final distribution of Client Money to those Clients that have already claimed, submitted a CMIF and received their first-interim distribution. The JSAs have provided the FCA with their proposed Client tracing proposals.

4.4 Closing the CMP (Objective 1)

In order to conclude the process of returning the CMP pursuant to Objective 1, the JSAs need to close the CMP to Client claims in order to protect Clients that receive Client Money, the Company and the JSAs.

The Regulations and CASS provide two processes by which the CMP can be closed to new claims. These processes can be combined and the JSAs are currently taking legal advice on the most appropriate method to use and will explain and discuss the advantages and disadvantages of each with the Creditors Committee.

The key step in any CMP closure process is that Clients will be informed of a final date by which they are required to submit their Client Money claim. If a Client fails to submit their claim by that date, they will lose any future right to claim against the CMP and instead will have an unsecured creditor claim against the Company. It is for this reason that the JSAs are (i) asking all Clients who have not submitted their Client Money claim, to do so as soon as possible, and (ii) commencing the tracing program outlined above.

As no further claims are able to be admitted against the CMP once it is closed, the JSAs can then progress to distribute the final balance of Client Money due to all participating Clients and finalise its costs to be paid out of the CMP.

Due to the significant effect this step has on Clients, the JSAs can only close the CMP where they are able to satisfy the FCA and/or the Court that they have taken reasonable and proportionate steps to contact affected Clients, inform them of the proposed closure and the effect it will have and to return their respective Client Money.



The JSAs and their legal advisors have started the process but consider that it is too early to close the CMP at this stage given:

- There are approximately 1,400 Clients with Client Money (totalling over £2.1 million) yet to submit a claim;
- The ongoing Client tracing program will elicit further claims and establish up to date contact details for Clients that may have moved since the start of the Special Administration; and
- New claims to Client Assets are still being received every month.

The Special Administrators will have to apply to Court for directions in due course, in order to primarily deal with those Clients who we consider have a Client Money claim but who have not sought to agree their Client Money claim balance. The application will also seek to provide a mechanism to prevent recourse from Clients who may subsequently make a valid claim against the CMP after the application is made.

Whilst the timing of any subsequent application to Court will be, at least in part, influenced by the number of uncontactable or unresponsive Clients (and the value of their holdings) the JSAs are working towards filing an application to Court and to the FCA (for any Client Money Rules modification they require) in order to close the CMP to claims and make a second and final Client Money Distribution, late this calendar year. Then, depending on Court availability to hear the application and the consent of the Court and the FCA, Clients that have submitted their claim and distribution instructions may receive the balance of their Client Money in the final quarter of 2021.

4.5 Operations (Objective 1)

4.5.1 Maintaining critical operations and monitoring costs

The JSAs continue to maintain all critical operations required to achieve the return of Client Assets as expediently as possible whilst monitoring the associated cost base. As part of the meetings with the Creditors' Committee, a base cost was agreed for the second year of the Special Administration and, as at the halfway point, the JSAs remain within budget. Further detail is included in section 9.2.

4.5.2 Funding

It was necessary for the JSAs to secure a loan facility in order meet the initial expenses being incurred to pursue the return of Custody Assets and Client Money (being Objective 1). A loan facility of up to £5 million was initially received from a specialist lender ("Repayable Loan Facility") and, at the time of our last report, the JSAs had drawn down £2.3 million. A further £300k of the Repayable Loan Facility was drawn upon during the first week of this report period.

Following the approval of the Distribution Plan by the Court and good progress with regard to the first interim Client Money distribution, the JSAs entered into a compensation deed with the FSCS, under which the FSCS are able to advance compensation due to FSCS Protected Claimants directly to the JSAs in order to defray the costs of the process of returning Client Assets; thereby ensuring the respective Clients receive their assets whole (subject to the maximum FSCS compensation limit of £85k per Client).

Accordingly, the JSAs drew down £10.1 million under the FSCS compensation deed during the report period, from which the Repayable Loan Facility (including interest and charges) has been repaid in full. The receipts and payments account at Appendix D, provides details of the level of funding that has been drawn and the repayments made.

4.5.3 Staff & third-party agents

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

4.5.4 Leasehold premises

The Company continues to retain its second-floor office at the Premises (the lease to the first floor was disclaimed in a previous report period), however, a lease extension was required to be negotiated following the original term expiring on 28 February 2021. The JSAs were successful in negotiating a renewal lease for 15 months (up to 31 May 2022) on improved terms.

4.5.5 Migration from VAULT to a new software platform

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

The system was operated across a number of software platforms (including an outdated version of Microsoft Access) with reliance on numerous underlying data sources. The system was found to be difficult and inefficient to operate and incapable of supporting the additional requirements placed upon it as a consequence of the Special Administration, including integration with the new Portal through which Clients communicate their Transfer or Distribution instructions.

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

During the report period, the JSAs expanded the development team to build a robust, cloud based platform which will utilise and integrate all of the required functionality from the various VAULT systems (including the client database and cash and stock ledgers) onto one new system and add additional features to meet the JSAs' specific current and future requirements.

It is proposed that the new integrated application, known as 'reykeradmin.com', will allow for real time updates from Client ledgers to the Portal so that the client services team can provide better information to Clients waiting on CAI or Transfers / Distributions of more challenging assets.

The new application will also ensure the JSAs retain access to all Client data and ledgers for the duration of the Special Administration and, at an appropriate time, be well placed to maintain operations on a small scale for remaining, residual, problematic Custody Assets, without the need for a full time safe custody function.

Development during this report period has been intensive and is well advanced. The new application is now in final stages of development and testing and the phasing out of VAULT is anticipated to be completed in May 2021.

It was possible to start and nearly complete the Transfers without reykeradmin.com being fully operational as assets were only being transferred to five brokers and the transfers were subject to Transfer agreements. The Transfers were not therefore delayed for the development of the application. However, it is critical that it is fully operational for the Distribution Process, where Custody Assets will now be transferred to hundreds of different locations over an extended period of time.

4.5.6 Euroclear / CREST

CREST is the share settlement system used by the Company which facilitates electronic holdings of some Custody Assets.

Access to CREST was frozen following the appointment of the JSAs, the linked CREST settlement accounts were suspended by NatWest Bank and the bespoke internet line was disabled by BT. During the report period, the JSAs concluded their work with Euroclear, NatWest and BT to re-enable these services and the CREST facility was re-established in order to permit the Transfer of electronic Custody Assets in January 2021.

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

4.6 Communications (Objective 1)

4.6.1 Communications with Clients & intermediaries

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

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

- Clients with Custody Assets to advise the Distribution Plan had been approved, the identity of their respective Nominated Broker(s) and Transfer Date and the availability of their CARS (which included the Transfer opt-out form) via the Portal (or otherwise upon request);
- Clients with Custody Assets who did not yet have a Nominated Broker (such as Clients with investments held in IF ISAs or CTFs) to advise that the JSAs were still working towards securing a sixth Nominated Broker to receive such holdings;
- Clients who had previously submitted 'hold' instructions as part of the first phase of the first-interim Client Money distribution and asking them to re-engage with the Portal to update instructions following their respective Nominated Broker(s) being disclosed;
- Clients who instructed the JSAs to distribute their Client Money to personal bank accounts which could not be verified by the automated account verification checks and who are still to provide the requested 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 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; 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 for compensation (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 approximately 3,850 inbound phone calls from Clients; and
- reviewed and responded (where necessary) to over 3,900 emails from Clients.

The dedicated Website has been regularly updated to include copies of issued Client communications, monthly global updates and frequently asked questions. The website has been visited 6,363 times during the report period (and 21,631 times since the start of the Special Administration).

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.

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

4.6.2 Client Claim Portal

Following the approval of the Distribution Plan, the Portal was enhanced to enable Clients to log on and:

- view their CARS (where applicable), which provided full details of their Custody Assets and CAI received since the JSAs' appointment, their respective Nominated Broker, their allocated Share of Costs, FSCS compensation status and whether or not they had met all of the Transfer conditions dictated by the Distribution Plan;
- Submit an opt out request form prior to the Transfer Selection Date in order to opt out of the proposed Transfer;
- Submit Distribution instructions for Custody Assets where a Client opted out of the Transfer to its Nominated Broker (either at the time of submitting an opt out request or thereafter); and
- Update Client Money instructions where a Client previously submitted a 'hold' instruction on its CMIF.

Such work required a considerable amount of time with regard to development and testing and a further carefully managed migration of data from VAULT to the Portal in order to ensure the CARS provided the most up to date information regarding Custody Assets and CAI without loss or corruption of data.

In addition, the JSAs enhanced the internal applications used by the client services team, which included being able to generate paper copies of the CARS (inclusive of the opt-out form) upon request.

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

4.6.3 Liaising with the Creditors' Committee

The JSAs continue to liaise with the Creditors' Committee on a regular basis by way of written reports and meetings. The last formal meeting of the Committee during the report period was 1 December 2020 and a further written update regarding progress of the Special Administration and the JSAs' strategy was recently issued on 31 March 2021.

Further information regarding some of the matters discussed with and resolutions passed by the Creditors Committee is included in section 9.2.

There were no changes to the Creditors' Committee members and observers during the report period.

4.6.4 FSCS eligibility reviews

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

- Their Custody Assets have or will Transfer to a Nominated Broker (or be Distributed to a broker of their own choosing) in whole and without the need for the JSAs to liquidate their holdings; and
- Their Client Money will, subsequent to a final Client Money distribution being declared, be returned in full and without deduction for their respective share of the costs of distributing the CMP,

subject to a Clients' total claim not exceeding £85k.

Working with Clients directly and the FSCS and Investment Managers where appropriate, the JSAs have now helped 10,993 Clients (being 99%) qualify for FSCS compensation.

At the time of this report:

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

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

4.6.5 Internal policies to accommodate Client needs

As previously reported, the JSAs introduced several internal policies (at their discretion) in order to accommodate 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. The processing of certain corporate actions have protected or enhanced Client positions to the value of millions of pounds.

4.6.6 Data Subject Access Requests

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

4.6.7 Tax certificates and transfer forms

During the report period, the JSAs continued to issue 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.

4.7 Objective 2 - Engagement with market infrastructure bodies and the Authorities

4.7.1 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 the overall strategy for achieving the Objectives. The Company remains an FCA authorised entity.

During the report period, the FCA have been kept informed of progress with the potential sixth Nominated Broker who it is proposed will receive the IF ISA investments.

4.7.2 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 4.6.4 above.

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

- i. Client positions and progress on the agreement and submission of claims;
- ii. Progress with regard to the Transfer of Custody Assets to the Nominated Brokers and anticipated timings regarding Distributions to those Clients that opted out;
- iii. Progress of the first interim distribution and the JSAs' strategy for closing the CMP;
- iv. Funding under the FSCS compensation deed;
- v. Hardship cases;
- vi. Negligence, mis-selling and other claims asserted by a limited number of Clients.

4.7.3 LSE

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

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

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

During the report period, the JSAs have:

- i. Monitored the requirement for retained employees;
- ii. Regularly assessed the requirement for various IT systems and suppliers and cancelled services where possible;
- iii. Developed a bespoke software application (reykeradmin.com) with a view to reducing reliance on a physical server room at the Premises and a full-scale safe custody function in due course;
- iv. Liaised with trade creditors (i.e. creditors that are owed money for services provided to the Company as opposed to Clients whose assets were held under the Company's administration) and provided guidance on their own positions and the statutory process for claims;

- v. Complied with statutory reporting requirements;
- vi. Maintained relevant insurance policies for the business and the Company's House Assets;
- vii. Entered into a short term renewal lease (15 months) with the landlord in respect of the Company's ongoing occupation of the second floor at the Premises on improved terms, including a two month notice period to enable flexibility subject to the progress of Objective 1; and
- viii. Continued investigations into the reasons for the Company's insolvency, the directors' conduct and whether any claims may be brought against third parties in accordance with statute.

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

5. House Assets

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

5.1.1 Reyker VAULT (bespoke IT platform)

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. The JSAs have concluded that the VAULT system, as a standalone product, has no realisable value and that no realisations will be made in this regard.

5.1.2 Office furniture & equipment

As previously reported, Hilco's valuations of the unencumbered office furniture and equipment are £45,000 (in-situ) or £10,500 (ex-situ). The office furniture and equipment within the vacated first floor office was sold in a prior reporting period (realising a net £1,680 after the associated costs of removal). The Company's remaining office furniture and equipment will be sold once the items are no longer required for the purpose of pursuing Objective 1. No significant realisation is expected in this regard as the majority of the items will be several years old.

5.1.3 Investments

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

5.1.4 Artwork

The Company's management accounts referenced four items of Art owned by the Company with a book value of £25k. The JSAs are continuing their enquiries to locate and value these pieces of art.

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 £22,597 has been realised during the period (bringing total book debt realisations to £32,754).

In addition, the Company's records show other (non-trade) debtors outstanding of £202,000. It is understood by the JSAs that this relates to costs potentially recoverable from the FSCS for work done or assistance given to former Merchant Capital Limited clients and/or the FSCS. 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. There were no additional realisations during the report period, however, realisations total £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. The rent deposit 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. Refunds of business rates and insurance premiums were realised in prior periods (totalling £4,464) and, as per our last report, the JSAs' consider no further prepayments will be realised as the associated invoices were either not paid or, alternatively, the Company 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 Credit interest

During the report period, credit interest that had accrued on Client Money deposits held with NatWest in the period from 8 October 2019 to 31 March 2021, totalling £66,317, was transferred to the House Account in accordance with the Company's terms and conditions.

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 report period following receipt of directions from Clients who satisfied the internal policy criteria. In order to process such corporate actions, a fee was due from Clients to cover or contribute to the time costs incurred by the JSAs and their solicitors. A total of £20,733 was received from Clients in this regard.

5.1.12 Early return of CAI

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.

During the report period, the JSAs received further fees of £540 in this regard. As the transfer of Custody Assets (including CAI) to the Nominated Brokers is well underway, it is not anticipated any further requests of this nature will be processed.

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 D** is the JSAs' receipts and payments accounts covering the six-month report period, being from 8 October 2020 to 7 April 2021, and the cumulative total for the first eighteen 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 Objective 1 operation accounts (which are used to defray the costs associated with returning Client Assets), which now includes a segregated FSCS Trust Account for funds being advanced under the FSCS Compensation Deed).

The JSAs' also enclose a separate receipts and payments account in respect of the Client Money balances held in the CMP and Post-Pooling Accounts.

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 first drew down £300k under the Repayable Loan Facility and then, following the JSAs finalising terms with the FSCS, drew down £10,061,684 under the FSCS compensation deed. These funds are an advance of compensation due to FSCS Protected Clients in respect of their Share of the Costs of returning Custody Assets and / or Client Money.

Such an arrangement with the FSCS enables Client Assets to be returned to Clients whole and without the need for Clients to claim compensation (for deducted costs) directly from the FSCS themselves. Further detail in respect of this arrangement is provided earlier in the report at section 4.5.2.

The amounts advanced under the FSCS compensation deed during the report period have been used to redeem the Repayable Loan Facility, pay the majority of Objective 1 professional fees and expenses incurred during year 1, repay professional fees previously paid from the CMP and defray ongoing operating costs as invoices fall due.

7.1.2 Share of Costs Collection Account (Custody Assets)

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

The JSAs have, to date, received £17,500 in respect of Clients' Share of the Costs of Transferring their Custody Assets. These funds have been segregated from the main Objective 1 Account and will be allocated towards the final costs of returning Custody Assets in due course.

7.1.3 House Accounts

House realisations have totalled £110,201 during the report period. Please refer to section 5 of this report for further details in this regard.



7.1.4 CMP and Post Pooling Accounts

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

7.2 Payments

7.2.1 Objective 1 Account

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

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

- The redemption of the Repayable Loan Facility which included repayment of the principal sums advanced (£2,600,000) and interest and arrangement fees (totalling £1,125,128);
- Agent fees totalling £352,033, which principally relate to contractors engaged to assist with the pursuit of Objective 1 (further detail in section 9.3);
- Net salaries totalling £111,411 (along with PAYE & NIC and pension contributions of £76,370 and £13,018 respectively). Additional staff benefits and expenses have also been paid in the sum of £5,840;
- IT supplier fees totalling £118,711, 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 £31,751 in respect of rent, service charges and utilities;
- Necessary statutory costs totalling £54,666 in respect of outsourced printing and postage for mass Client communications. This principally relates to largescale circulars to Clients whose assets were transferring to James Brearley & Sons where the revised terms and conditions were required to be included;
- Custody fees of £76,212 to the custodians who continue to hold Custody Assets for the benefit of the Company's Clients until such time that they can be Transferred or Distributed. This includes payments to Aegon Co-funds and Allfunds and charges incurred to re-enable CREST;
- Development of the JSAs new software application, being fees due to IT developers sourced through a specialist agency and Manresa Consulting, totalling £59,866;
- Client tracing agency costs of £12,289; and
- Irrecoverable VAT and US tax of £854,537 and £1,629 respectively.

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

7.2.2 House Accounts

The only payment from House Assets during the report period was legal fees and disbursements totalling £2,804 plus VAT in respect of Foot Anstey's services for assisting with processing certain corporate actions requested by Clients.

7.2.3 CMP and Post Pooling Accounts

During the report period, the first interim Client Money distribution has continued and Transfers of CAI to the Nominated Brokers commenced. In addition, CAI continues to be received on Custody Assets that remain held with the Company on trust for its Clients. The Client Money receipts and payments account at **Appendix D** confirms the extent of Client Money distributed from the CMP, and CAI transferred from the segregated post-pooling accounts, 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. This estimate has not changed since our last report.

Whilst these costs may be deducted from the respective Client Assets in accordance with the Regulations, the JSAs anticipate that more than 99% of Clients (previously 98%) 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.

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

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

8.3 Preferential creditors

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

Preferential claims in respect of arrears of wages are capped at £800 per employee. Any amount in excess of this will be classified as an unsecured claim. Any holiday pay owing in excess of the statutory limit applied by the RPS will form part of the employee's residual preferential claim. 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 the secured creditor, the ability to pay a distribution to preferential creditors will depend upon the level of realisations from House Assets, the associated costs of such realisations and the costs incurred in respect of pursuing Objective 2 and Objective 3. Until all House Assets have been realised, the JSAs are unable to provide an indication of dividend prospects as this may prejudice future realisations.

8.4 Unsecured creditors

Unsecured creditor claims are broadly split into three categories:

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

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

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

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

8.5 The Prescribed Part

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

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

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

9. Costs of the Special Administration

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

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

Further detail in respect of these costs is provided below.

9.1 Pre-Special Administration costs

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

Charged by	Services provided	Total amount charged £	Amount paid in period £	Total amount paid* £	Amount outstanding £
S&W	Pre-administration planning	96,135	96,135	96,135	-
Foot Anstey LLP	Legal advice	65,413	32,706	32,706	32,706
Foot Anstey LLP	Legal expenses	12,530	1,154	1,154	11,376
Total		174,078	81,928	129,996	44,082

N.B. All amounts are quoted exclusive of VAT

Of the £96,135 plus VAT paid in respect of S&W's pre-administration fees, £48,067 was reimbursed to the CMP on account of the respective fee being attributable to the return of Client Money and, accordingly, paid from Client Money in a prior period in accordance with the Regulations. This means there is no longer a shortfall within the CMP on account of pre-administration fees and expenses.

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

The Ratchet Agreement sets a base cost for year 2 costs (including professional fees and certain operating costs) of £6.41 million and tiered discounts or uplifts to be applied to the JSAs' remuneration in the event that the base cost is exceeded or lower than anticipated respectively. Given the uncertainty surrounding some of the expenditure relating to the Special Administration, certain costs were excluded from the base cost calculation, such as financing costs, custody fees, the development of reykeradmin.com and Client tracing costs.

9.2.2 The JSAs' time costs to 7 October 2020

The JSAs' time costs are as follows:

Period	Total hours Hrs	Total costs £	Av. hourly rate £/hr	Fees drawn in period £
8 October 2019 to 7 April 2020	3,890	1,688,609	434	-
8 April 2020 to 7 October 2020	4,084	1,816,337	445	249,432
8 October 2020 to 7 April 2021	3,374	1,657,004	491	2,891,411
Total	11,348	5,161,950	455	3,140,843

During the report period, the JSAs have incurred time costs of £1.66 million (which includes costs of dealing with Client Money, Custody Assets and House Assets) which represents 3,374 hours at an average charge out rate of £491 per hour. The time costs for the period are in line with those estimated in the Ratchet Agreement.

Appendix F 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 F**.

Also included at **Appendix G** is a cumulative time analysis for the period from 8 October 2019 to 7 April 2021 which provides details of the JSAs' total time costs since appointment, totalling £5.16 million.

9.2.3 JSAs' remuneration drawn to date

During the report period, a total of £2.89 million was drawn from the FSCS Trust Account which relates to time costs in respect of Objective 1. No remuneration was drawn from the House Estate.

Total remuneration drawn by the JSAs as at the end of this report period is £3.14 million plus VAT, which all relates to time incurred in respect of Objective 1 and paid from the FSCS Trust Account. Of this, £249,432 was initially paid from the CMP, however, this has since been reimbursed from the FSCS Trust Account.

9.2.4 Further information on the JSAs' remuneration

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

A Creditors' and Clients' guide to the JSAs' fees can be found on the website www.ips-docs.com or, alternatively, <https://smithandwilliamson.com/reyker-securities-plc/>. Should you require a paper copy please email 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 April 2021, the JSAs have engaged the following professional advisors and agents. The following table confirms the basis of our fee arrangement with each of them which is subject to review on a regular basis.

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

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



provide are therefore not a category 2 expense (as defined within SIP 9) and do not require prior approval from the Creditors' Committee.

9.3.2 Disbursements

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

Category 1 disbursements are expenses paid by S&W to third parties and are recoverable without approval. The following category 1 disbursements have been incurred, but not recovered, during the period:

Description	Obj 1 expenses incurred in period £	Obj 2&3 expenses incurred in period £	Total incurred in period £	Total paid in period £	Total expenses outstanding at period end £
IT services / suppliers (incl. Microsoft)	503	-	503	-	5,976
Travel & sustenance	-	-	-	138	1,042
TV licence renewal	-	-	-	155	-
Statutory bond	-	-	-	-	140
Postage	-	-	-	-	21
Courier	85	-	85	-	169
SAGE subscription	-	-	-	90	150
Staff training costs	380	-	380	-	380
Staff equipment & expenses	360	-	360	-	360
General suppliers	1,297	-	1,297	-	1,297
Searches	-	-	-	-	3
Total	2,625	-	2,625	-	9,538

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) - Expenses incurred with regard to IT services were overstated by £564 in prior report periods as a result of VAT being incorrectly included. The above table confirms the correct position. To date, no expenses have been reimbursed to S&W in this regard.

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

Description	Obj 1, Cat 2 expenses incurred in period £	Obj 2&3, Cat 2 expenses incurred in period £	Total Cat 2 expenses incurred in period £	Total Cat 2 expenses paid in period £	Total Cat 2 expenses outstanding £
Smith & Williamson Fund	-	-	-	-	-
Administration Limited (call centre services)	-	-	-	13,224	12,251

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.

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

Following the passing of the first resolution, the amount of £13,224 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.

During this report period, an amount of £13,224 plus VAT which was attributable to the return of Custody Assets was paid from the FSCS Trust Account. In addition, the original £13,224 paid from Client Money was repaid to the CMP.

This leaves an outstanding balance of category 2 disbursements of £12,251.

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.

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
Telephone: +44 300 678 0015
Postal address: The Insolvency Service, IP Complaints, 3rd Floor, 1 City Walk, Leeds LS11 9DA

13. Next report

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

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

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

- **Telephone:** 0800 048 9512
- **Email:** clientservices@reyker.com
- **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 May 2021





Appendices



A. Statutory information

Relevant Court	High Court of Justice, Business and Property Courts of England and Wales			
Court Reference	CR-2019-006671			
Trading Addresses	17 Moorgate, London EC2R 6AR			
Former Name(s)	Reyker Securities Limited (1 November 1985 to 6 March 1995) Finsec Services Limited (1 February 1984 to 31 October 1985) Phonerville 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%	
	Total	728,144	100%	



B. Summary of the JSAs' Proposals

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. Progress of Client Asset Transfers

Summary of Custody Assets to transfer to Nominated Brokers by number of Custody Asset lines (per client)

	Total lines to transfer	No. transferred / instructed	% transferred/ instructed
James Brearley	25,682	21,220	83%
Kin Capital	10,651	10,651	100%
Logic	1,938	1,227	63%
Pershing	5,432	5,432	100%
Thompson Taraz	5,029	3,224	64%
Total	48,732	41,754	86%

Summary of Custody Assets to transfer to Nominated Brokers by asset location

	Electronic depositaries				Other			Total
	Crest	Kas Bank	Aegon / Cofunds	Allfunds	Fund Manager	Residual (Paper)	Dual location	
Transferred	17,675	2,763	1,710	257	16	19,314	19	41,754
Not yet instructed	2	86	-	-	4,246	2,630	14	6,978
Total	17,677	2,849	1,710	257	4,262	21,944	33	48,732
% completed / instructed	100%	97%	100%	100%	0%	88%	58%	86%



D. JSAs' receipts and payments

Est. to Realise £	8 October 2020 to 7 April 2021		8 October 2019 to 7 April 2021	
	House	Objective 1	House	Objective 1
	Accounts	Accounts	Accounts	Accounts
£	£	£	£	£
RECEIPTS				
Financial Services Compensation Scheme	-	10,061,684.00	-	10,061,684.00
Repayable Loan Facility	-	300,000.00	-	2,600,000.00
Share of Costs - Custody Assets	-	17,500.00	-	17,500.00
Bank Interest Gross	66,331.73	284.8	66,477.25	1,229.34
51,812.15 Cash at Bank	-	-	51,812.15	-
Corporate Action Fees	20,732.50	-	41,337.50	-
24,369.10 Book Debts FLT	22,596.92	-	32,753.72	-
Fees re the early return of CAI	540.00	-	12,240.00	-
55,403.56 Employee & Shareholder Loans	-	-	7,379.58	-
34,792.00 Prepayments & other deposits	-	-	4,160.69	-
Cash held by Solicitors	-	-	1,680.00	-
45,000.00 Office Furniture & Equipment	-	-	1,680.00	-
Insurance Refund FLT	-	-	303.34	-
	110,201.15	10379468.8	219,824.23	12,680,413.34
PAYMENTS				
Repayable Loan Facility Redemption	-	(3,725,128.30)	-	(3,725,128.30)
JSAs' Fees & Expenses (Custody Assets)	-	(2,343,788.50)	-	(2,343,788.50)
Irrecoverable VAT	-	(854,537.36)	-	(1,072,914.20)
Agents' Fees & Expenses	-	(352,033.11)	-	(947,145.17)
JSAs' Fees & Expenses (Client Money)	-	(838,544.31)	-	(838,544.31)
Wages & Salaries	-	(111,411.29)	-	(416,293.47)
IT Suppliers	-	(118,710.82)	-	(407,591.23)
Property Costs	-	(31,750.89)	-	(310,169.03)
PAYE & NIC	-	(76,369.76)	-	(254,811.49)
Legal Fees & Expenses (Custody Assets)	-	(241,887.17)	-	(241,887.17)
Legal Fees & Expenses (Client Money)	-	(223,473.20)	-	(223,473.20)
Statutory Costs (incl. Printing)	-	(54,665.67)	-	(178,716.57)
Pre-appointment Fees & Expenses	-	(129,995.58)	-	(129,995.58)
Custody Fees - Custody Assets	-	(76,212.08)	-	(166,488.58)
Pension Contributions	-	(13,018.16)	-	(85,557.32)
VAULT 2 Development	-	(59,866.20)	-	(59,866.20)
Insurance FCR	-	(2,494.65)	-	(43,166.17)
Pre-appointment Custody Fees	-	NIL	-	(31,640.70)
Telephone & Internet	-	(9,784.33)	-	(30,014.48)
General Suppliers	-	(5,130.90)	-	(22,616.84)
Staff Benefits & Expenses	-	(5,839.79)	-	(19,978.37)
Client Tracing	-	(12,289.00)	-	(12,289.00)
Irrecoverable US Tax	-	(1,628.71)	-	(10,277.72)
Distribution Costs - Client Money	-	(12,415.41)	-	(19,166.10)
Petty Cash	-	-	-	(400.00)
Bank Charges	-	(137.25)	-	(380.15)
Subscriptions	-	(40.00)	-	(80.00)
Legal Fees - Corp Actions A/c	(2,804.00)	-	(10,004.00)	-
Agents' Fees & Expenses	0.00	-	(7,186.41)	-
VAT Irrecoverable - Corp Actions A/c	(560.80)	-	(2,000.80)	-
Irrecoverable VAT	0.00	-	(1,570.68)	-
Statutory Advertising	0.00	-	(667.00)	-
Staff Expenses & Benefits	0.00	-	(354.00)	-
Bank Charges	0.00	-	(1.65)	-
Bank Charges - Corp Actions	(0.20)	-	(0.40)	-
	(3,365.00)	(9,301,152.44)	(21,784.94)	(11,592,379.85)
Balances in Hand	106,836.15	1,078,316.36	198,039.29	1,088,033.49
REPRESENTED BY				
FSCS Trust Account				1,066,989.78
Share of Costs Collection Acct (Custody Assets)				21,043.71
Corporate Action Fees Account			41,599.58	
General House Account			156,439.71	
			198,039.29	1,088,033.49



Client Money receipts & payments for the period 8 October 2020 to 7 April 2021

CLIENT MONEY - PRIMARY POOL	GBP	AUD	CAD	CHF	DKK	EUR	JPY	NOK	PLN	SEK	USD	ZAR
Balance brought forward - 8 October 2020	19,104,669	3,404	50	28,223	-	1,766,649	5,874	41	-	190,163	599,155	468,145
RECEIPTS												
Repayment of professional fees paid from Client Money	638,674	-	-	-	-	-	-	-	-	-	-	-
Returned Client Money Distributions	128,247	-	-	-	-	66,691	-	-	-	-	-	-
Funds received in error	75,000	-	-	-	-	-	-	-	-	-	-	-
FX conversions	8,492	-	-	-	-	-	-	-	-	-	9,457	-
Client Deposits to settle overdrawn accounts	41	-	-	-	-	-	-	-	-	-	-	-
	850,455	-	-	-	-	66,691	-	-	-	-	9,457	-
PAYMENTS												
Client Money Distributions to Clients	(4,735,590)	-	-	(4,266)	-	(249,693)	-	-	-	-	(28,886)	(397,923)
Professional fees attributable to the return of Client Money	(372,868)	-	-	-	-	-	-	-	-	-	-	-
Returning funds received in error	(75,000)	-	-	-	-	-	-	-	-	-	-	-
Book Debts transferred to House Account	(22,597)	-	-	-	-	-	-	-	-	-	-	-
FX conversions	(7,365)	-	-	-	-	-	-	-	-	-	(11,533)	-
Clients' Share of Costs	(5,000)	-	-	-	-	-	-	-	-	-	-	-
Bank Charges	(249)	-	-	(66)	-	(204)	-	-	-	-	(56)	-
	(5,218,670)	-	-	(4,332)	-	(249,897)	-	-	-	-	(40,474)	(397,923)
Balances to hand	14,736,453	3,404	50	23,891	-	1,583,444	5,874	41	-	190,163	568,138	70,222
CLIENT MONEY - POST POOLING ACCOUNTS	GBP	AUD	CAD	CHF	DKK	EUR	JPY	NOK	PLN	SEK	USD	ZAR
Balance brought forward - 8 October 2020	37,575,317	21,264	23,800	1,714	1,456	687,379	14,837	271,359	2,490	3,166,370	4,179,254	-
RECEIPTS												
Corporate Action Income (incl. dividends, redemptions, etc.)	7,209,026	10,331	2,805	722	1,595	216,145	7,554	92,410	721	780,331	3,012,173	-
FX conversions	127,307	-	-	-	-	15,607	-	-	-	-	986	-
Returned Corporate Action Income	91,263	-	-	-	-	71,345	-	103,566	-	-	-	-
Funds received in error	15	-	-	-	-	-	-	-	-	-	-	-
Subscriptions received in error	-	-	-	-	-	-	-	-	-	-	-	-
	7,427,611	10,331	2,805	722	1,595	303,097	38,519	195,976	721	780,331	3,013,159	-
PAYMENTS												
Transfers of Corporate Action Income to Clients	(40,071,029)	(21,990)	(254)	-	(1,456)	(798,536)	(7,859)	(103,890)	0	(2,262,980)	(4,942,261)	-
Clients' Share of Costs	(5,000)	-	-	-	-	-	-	-	-	-	-	-
Early return of PPM fees payable to JSAs	(540)	-	-	-	-	-	-	-	-	-	-	-
FX conversions	(3,280)	-	-	(1,714)	-	(64,168)	(9,688)	(173,369)	(2,490)	(1,400)	(106,889)	-
Return of funds received in error	(300)	-	-	-	-	-	-	-	-	(35,045)	-	-
Bank Charges	-	(27)	-	-	-	(19)	-	-	-	-	(85)	-
	(40,080,149)	(22,017)	(254)	(1,714)	(1,456)	(862,723)	(17,547)	(277,259)	(2,490)	(2,299,425)	(5,049,235)	-
Post-pooling balances to hand	4,922,778	9,578	26,351	722	1,595	127,753	35,809	190,076	721	1,647,276	2,143,178	-
Total cash resource as at 7 April 2021	19,659,232	12,982	26,401	24,613	1,595	1,711,196	41,683	190,117	721	1,837,438	2,711,316	70,222
<u>Reconciles to cash at bank:</u>												
Natwest	19,087,056	9,588	565	23,891	-	1,703,302	23,106	41	-	463,955	2,496,220	-
Kas Bank	104,946	3,395	25,835	722	1,595	7,893	18,577	190,076	721	1,369,308	215,097	70,222
All Funds	67,232	-	-	-	-	-	-	-	-	4,176	-	-
Capital IOM	399,997	-	-	-	-	-	-	-	-	-	-	-
Balances to hand	19,659,232	12,982	26,401	24,613	1,595	1,711,196	41,683	190,117	721	1,837,439	2,711,316	70,222



Notes and further information required by SIP 7

1. All House and Client Money bank accounts are interest bearing
2. Funds received into the Objective 1 account from the Repayable Loan Facility and FSCS compensation deed may only be used to defray the associated costs of pursuing Objective 1.
3. The Company's own House Assets may be used to defray the associated costs of pursuing Objective 2 and 3 (insofar as realisations permit) with any surplus to be made available to the Company's Creditors;
4. Client Money within the CMP is held separately to both House Assets and the Objective 1 funding account in designated Client accounts and held on trust for Clients;
5. Client Money received following the PPE (known as CAI) are held in Post Pooling Accounts and segregated from the CMP, House Assets, the Repayable Loan Facility and compensation advanced by the FSCS under the compensation deed
6. Unless otherwise stated, all amounts in the receipts and payments accounts are shown exclusive of any attributable VAT. VAT is not recoverable in this matter and, accordingly, where VAT is charged and paid on expenses, it is shown as irrecoverable VAT;
7. During the report period, a new Objective 1 bank account was opened, referred to as the FSCS Trust Account. This account was opened to segregate funds advanced under the FSCS compensation deed. The previous Objective 1 bank account used to receive funds under the Repayable Loan Facility is now being utilised to hold funds paid by Clients who are not FSCS Protected Claimants in respect of their Share of Costs. At the end of the report period, there was a surplus from the Repayable Loan Facility of £3,543 in this account which is due to be transferred to the FSCS Trust Account in order to ensure correct segregation of funds. The Share of Costs paid by Clients will be utilised to defray Objective 1 costs, once the final costs of the process are known.
8. During the report period, £638,674 was paid from Objective 1 funds received under the FSCS compensation deed to the CMP in order to repay professional fees (i.e. those of S&W, Foot Anstey and Seneca) previously paid from Client Money. This amount is shown as a receipt on the Client Money Receipts and Payments (page 41) and included as a payment against the respective expense type on the JSAs' receipts and payments summary (page 40).



E. 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	154,372	2,389	156,760	823,925	200,000	337,672	486,253
Foot Anstey LLP	Legal expenses	-	-	-	1,314	1,314	1,314	-
South Square	Legal counsel	70,648	-	70,648	125,375	125,375	125,375	-
Seneca Partners Ltd	Marketing and assistance with negotiating a sale of the business and assets	-	-	-	199,015	-	199,015	-
Hilco Appraisal Ltd	Valuation and sale in part of the Company's physical assets	-	-	-	7,186	-	7,186	-
ERA Solutions Ltd	Employee claim assistance	-	-	-	1,470	-	-	1,470
SAR experienced consultants	Reconciliation and audit of Custody Assets and Client Money, return of Client Money, Client communications and general administration	123,895	-	123,895	245,049	123,895	245,049	-
Fourthline Ltd	SAR and CASS recruitment	44,678	-	44,678	183,531	44,678	183,531	-
Arthur Financial Ltd	IT recruitment	-	-	-	4,500	-	4,500	-
Claret Recruitment Ltd	Recruitment	96,173	-	96,173	237,388	96,173	237,388	-
Granite Star Consultancy Ltd	Consultancy	37,050	-	37,050	86,430	37,050	86,430	-
MHR International Ltd	Payroll service	397	-	397	1,332	397	1,332	-
CAPA	Property audit and business rates review	-	-	-	-	-	-	-
Marsh	Insurance brokers	2,495	-	2,495	10,978	2,495	10,978	-
Twenty Recruitment Group	IT recruitment	46,666	-	46,666	46,666	46,666	46,666	-
TOTAL		576,374	2,389	578,763	1,974,158	678,043	1,486,435	487,723

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

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

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

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



F. JSAs' time costs from 8 October 2020 to 7 April 2021

Summary

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

Classification of work function	Hours					Total hours	Time cost	Average hourly rate
	Partner / Director	Associate director	Manager/ Assistant Manager	Other professional staff	Assistants & support staff			
Objective 1: Client Monies								
Storage & back up of client data	2.25	-	-	-	-	2.25	£911.25	£405.00
Strategy & planning	-	-	9.42	-	-	9.42	£3,425.01	£363.72
Client Communications	7.43	-	64.35	158.50	-	230.28	£82,536.11	£358.41
Liaison with the committee	5.00	0.20	3.75	-	-	8.95	£5,016.00	£560.45
Client statements	-	-	0.85	-	-	0.85	£425.00	£500.00
Client identification / tracing	-	-	6.88	4.70	-	11.58	£3,874.99	£334.53
Reconciliations	-	-	0.80	1.10	-	1.90	£746.50	£392.89
Transfers / Returns / Sale	24.20	1.00	121.53	-	-	146.73	£76,389.49	£520.60
Trading matters	3.38	0.40	49.47	18.00	-	71.25	£30,526.51	£428.44
Reporting	-	-	5.33	-	-	5.33	£2,024.99	£379.69
Total	42.27	1.60	262.38	182.30	-	488.55	£205,875.84	£421.40
Objective 1: Custody Assets								
Storage & back up of client data	10.00	-	-	0.08	-	10.08	£4,065.41	£403.18
Strategy & planning	2.15	-	36.22	5.85	-	44.22	£15,958.48	£360.92
Client Communications	74.48	-	330.52	428.73	0.13	833.87	£329,284.31	£394.89
Liaison with the committee	19.98	0.80	16.58	-	-	37.37	£20,622.24	£551.89
Client statements	-	-	16.00	-	-	16.00	£7,825.00	£489.06
Client identification / tracing	0.60	-	34.70	7.00	-	42.30	£15,961.25	£377.33
Reconciliations	-	-	5.78	-	-	5.78	£2,879.99	£497.98
Open trades	-	-	0.25	-	-	0.25	£90.00	£360.00
Post pooling monies	-	2.20	112.20	1.85	-	116.25	£56,314.25	£484.42
Corporate actions	6.93	14.40	0.25	0.35	-	21.93	£13,509.89	£615.95
Transfers / Returns / Sale	450.62	645.40	253.05	5.35	-	1,354.42	£813,285.79	£600.47
Trading matters	12.13	6.03	213.95	49.98	-	282.10	£124,231.40	£440.38
Data Subject Access Requests	-	-	12.50	0.57	-	13.07	£4,678.47	£358.05
Reporting	-	7.50	10.75	0.50	-	18.75	£8,377.46	£446.80
Total	576.90	676.33	1,042.75	500.27	0.13	2,796.38	£1,417,083.94	£506.76
Objective 2: Liaison with Regulatory Bodies								
Total	3.42	-	-	16.97	-	20.38	£7,770.30	£381.21
Objective 3: Company ("House")								
Administration & planning	3.50	3.50	27.98	24.75	-	59.73	£21,160.45	£354.25
Investigations	2.78	4.18	-	-	-	6.97	£4,277.66	£614.02
Realisation of assets	0.25	0.50	0.75	-	-	1.50	£772.50	£515.00
Creditors	-	-	-	0.20	-	0.20	£63.00	£315.00
Corporate Tax	-	-	-	-	-	-	£0.00	-
Total	6.53	8.18	28.73	24.95	-	68.40	£26,273.61	£384.12
Grand Total	629.12	686.12	1,333.87	724.48	0.13	3,373.72	£1,657,003.68	£491.15



Detailed narrative of tasks undertaken during the report period

Objective 1: Client Money

Strategy & planning

- Internal meetings and discussions regarding the options available for a catch-up first interim, second interim and/or final Client Money distribution and the appropriate timing and mechanisms for closing the CMP
- Taking legal advice in respect of the above and the options available for closing the CMP
- Planning meetings with the IT developer regarding further development of the Portal to allow Clients to update Client Money instructions where a Client previously submitted a ‘hold until the Distribution Plan was approved’ instruction
- Weekly meetings with Reyker’s safe custody team to process and action 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 regular updates regarding the ongoing first interim distribution and uploading to the Website
- Responding to Client queries regarding the distribution of Client Money by post, email and by phone
- Preparing several post and email communications to Clients, including:
 - Notice to Clients who previously submitted a ‘hold until the Distribution Plan is approved’ instruction on their CMIF requesting that their distribution instructions be updated to confirm the approval of their Client Money being paid to their Nominated Broker or otherwise
 - Requests for additional bank account information as part of the verification and distribution process
 - Requests for assistance where a Clients’ own choice of broker to receive Client Money had not engaged or required a transfer form
- Regular briefing sessions with client services so they are well prepared to assist with the various lines of enquiry being received by Clients and to provide an opportunity to feedback other matters arising from Client queries
- Drafting formal responses to Client queries escalated by client services as requiring a written response from the JSAs
- Issuing paper copy CMIF to Clients on request
- Review of paper copy CMIFs and uploading to the Portal for processing
- Review of Client addresses and updating the VAULT database and Portal
- Reviewing and manually verifying Client bank account details where required
- Preparing and providing tax certificates upon request
- Reviewing Client death certificates and liaising with executors as necessary
- Updating FCA and FSCS with regard to progress and timescales of the Client Money distribution

Liaison with the Creditors’ Committee

- Ad hoc emails and reports to the members of the Creditors’ Committee at key milestones
- Preparing for and holding 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
- 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 and the mechanics of the proposed Ratchet Agreement (now agreed with the Creditors’ Committee)

Client statements

- Reviewing VAULT and Client data for omissions and corrections
- Posting adjustments, where necessary, following the completion of the JSAs’ Reconciliation and the Soft 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 submitted a claim to Client Money and/or a CMIF
- Liaising with third party agents who are providing Client tracing services and reviewing the results of the initial tracing exercise
- Preparing a Client tracing step-plan with the proposed steps to contact Clients that have not yet claimed Client Money or submitted instructions

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
- Development of a more detailed Client Money reconciliation as part of the 'reykeradmin.com' workstream to reconcile the split of Client Money and CAI held in designated pre-administration and post-administration bank accounts, as oppose to reconciling the overall position of total funds held

Transfers / returns / sale

- Progressed the first interim Client Money distribution, paying a distribution on a further 1,097 Client plans to both personal bank accounts and alternative brokers as designated by Clients
- Reviewed documentation received and verified additional UK and international bank accounts designated by Clients to receive Client Money
- Liaising with alternative brokers nominated by Clients to accept Client Money
- Donating funds to NHS Charities Together where instructed to by Clients
- Testing changes to the Portal with regard to CMIF and rolling out new version for Client use
- 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 closing the CMP

Trading matters (Funding / development of portal)

- Regular review of critical operations, suppliers and cost base
- Monitoring and updating the trading cashflow and projections
- Entering into a compensation deed with the FSCS and providing periodic reports to secure advances of compensation due to Clients in order to fund the necessary costs of Objective 1
- Repaying the Repayable Loan Facility (including interest and charges), to include completing all required anti-money laundering checks
- 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
- Maintaining appropriate insurance policies
- Attending to supplier queries and correspondence
- Raising, approving and monitoring purchase orders
- Negotiating terms of continued supply (where necessary) to ensure services are provided at a competitive cost
- Ensuring regulatory and control functions, as required by the FCA, are fulfilled
- Negotiating a renewal lease to the second-floor office at the Premises following the expiry of the lease in February 2021 on improved terms
- Reviewing health and safety requirements in line with new COVID-19 restrictions
- Liaising with IT and data providers to ensure continuity of services
- Ongoing review of resource requirements, including employees, contractors and suppliers
- Provision of references for former employees of the Company
- Responding to queries of former employees regarding their employment during the Special Administration
- Commenced the planning and development of a robust, cloud based software platform (known as reykeradmin.com) which will integrate the Client database, Portal and safe custody function and



facilitate improved efficiencies with regard to data-handling, reporting and maintenance and reduce costs of operation in the mid to long term

Reporting

- Drafting and issuing the second 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 the Nominated Brokers in line with the terms of the Distribution Plan
- 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 (CARS) 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
- Meetings between Reyker and S&W staff regarding integrating the Portal and VAULT (the Company's pre-administration bespoke software platform) to improve efficiency and support real time working
- Planning calls and emails with Client Investment Managers so that Client interests are best served

Client communications

- Drafting announcements and regular updates regarding the transfer and distribution of Custody Assets and CAI and publishing on the Website
- Drafting comprehensive FAQ documents regarding the CARS and publishing on the Website
- Responding to Client queries by post, email and by phone, regarding the transfer and distribution of Custody Assets generally
- Responding to Client queries by post, email and by phone, regarding the Distribution Plan and Explanatory Statement
- Responding to Client queries by post, email and by phone, regarding CAI received since the date of administration and anticipated timing of transfer to the Nominated Brokers
- Team meetings to brief the Company's staff and S&W staff following the approval of the Distribution Plan in order to deal with Client queries as effectively as possible
- Preparing several post and email communications to Clients, including:
 - Notice regarding the approval of the Distribution Plan; and
 - Notice to Clients confirming the identity of their Nominated Broker(s) and the availability of the CARS via the Portal (or otherwise)
- Preparing a Payment Options Form for Clients who were either not FSCS Protected Claimants or whose status was yet to be determined in order that they could pay their Share of Costs (where applicable) and meet the Transfer conditions set out in the Distribution Plan;
- Issued a Payment Option Form to Clients who were either not FSCS Protected Claimants or Clients not yet approved for eligibility in order that they could pay their Share of Costs (where applicable) and meet the Transfer conditions set out in the Distribution Plan
- Review of Client addresses and updating the VAULT database
- Preparing and providing tax certificates upon request
- Reviewing Client death certificates and liaising with executors as necessary

Liaison with the Creditors' Committee

- Same as for Client Money (see above)

Client statements

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



Client identification / tracing

- Review of Clients that have not yet submitted a claim to Custody Assets
- Liaising with third party agents who are providing Client tracing services and reviewing the results of the initial tracing exercise
- Preparing a Client tracing step-plan with the proposed steps to contact Clients that have not yet claimed Custody Assets

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
- Development of a new Custody Asset reconciliation report as part of the 'reykeradmin.com' workstream

Post Pooling Accounts

- Daily sweeps of CAI received on Custody Assets (e.g. dividends, coupon payments and redemptions) to designated Post Pooling Accounts
- Daily reconciliation of CAI received into Post Pooling accounts and reporting to the FCA
- Liaising with registrars to obtain further information regarding unidentified dividend receipts
- Review of requests for early return of CAI and completing checklists in line with internal policies and processing where strict circumstances are met
- Planned and actioned the transfer of over £40 million of CAI received up to 24 December 2020 to the Nominated Brokers as part of the transfer of Custody Assets under the Distribution Plan (which included reconciling the position on over 3,800 Client plans prior to Transfer)
- Commenced preparations for a second sweep of CAI to Nominated Brokers (being CAI received up to mid-March 2021)

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

- Prepared and filed additional evidence and witness statements to support the JSAs' application to Court for the approval of the Distribution Plan and attended the hearing on 16 October 2020, at which the Distribution Plan was approved
- Settling pre-administration custody fees where security interests may otherwise have been enforced
- Concluded negotiations and data-sharing and transfer agreements with the five Nominated Brokers to ensure Clients could be on-boarded efficiently, thereby facilitating a smooth transfer of Custody Assets
- Taking legal advice and assisting Investment Managers and Nominated Brokers with the onboarding process
- Preparing, sharing and agreeing Client Asset lists with the Nominated Brokers
- Ensured all requisite settlement platforms and sub-custodian systems were accessible prior to the commencement of the Transfers (e.g. CREST)
- Posting dividend and Corporate Action Income received in CREST to Client accounts
- Liaised with sub-custodians, fund managers, Investment Managers and Nominated Brokers in preparation for the Transfer of Custody Assets from various locations (including stock held in electronic, paper and statement form)
- Worked closely with the Nominated Brokers in order to ensure that the FCA was satisfied as to the Nominated Brokers' preparedness to receive Clients and Custody Assets, immediately prior to the transferring of Custody Assets
- Assisted market regulators with their enquiries into the proposed Nominated Brokers prior to their identity being disclosed and commencement of the Transfers
- Developed the Portal to permit Clients to view their CARS (which included key information in respect of their proposed Transfer, including the identity of their Nominated Broker, Transfer date and whether



they had met the Transfer conditions set out in the Distribution Plan) and to opt-out of the Transfer and nominate their own choice of broker if they so wished

- Creating a paper-based equivalent of the CARS (which included the opt-out request form) and enhancing the internal software used by Client Services so they could generate it and post it upon request (client services continue to work from home in accordance with government guidance)
- Verifying data exported from the Portal to confirm the Client Assets and quantities which were transferring to each of the Nominated Brokers and on behalf of which Clients
- Worked with Clients, Investment Managers and the FSCS to ensure that as many Clients, eligible for FSCS compensation, as possible were identified and eligibility confirmed, and met the Transfer conditions outlined in the Distribution Plan
- Safeguarding physical share certificates
- Prepared stock transfer forms for Custody Assets held as physical certificates at the Premises and issued to third parties, being either registrars or Nominated Brokers and / or Investment Managers where agreed
- Commenced Transfers to Nominated Brokers from 29 January 2021
- Worked with Investment Managers representing significant groups of Clients that had opted out of their Transfer and had identified a new broker for their Custody Assets to be returned to by way of Distribution

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

Objective 3: Winding up the Company's affairs

Administration & Planning

- Administrative filing of statutory documents in accordance with the Rules and Regulations, including the JSAs' second progress report
- Formulating, monitoring and reviewing the Special Administration strategy as it relates to house assets and creditors, including internal and external meetings (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 reviews
- 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 solicitors regarding Company funds held in their client account
- Liaising with City of London and agents regarding refund of business rates

Creditors

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



G. JSAs' total time costs from 8 October 2019 to 7 April 2021

Summary

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

Classification of work function	Hours					Total hours	Time cost	Average hourly rate
	Partner / Director	Associate director	Manager/ Assistant Manager	Other professional staff	Assistants & support staff			
Objective 1: Client Monies								
Storage & back up of client data	3.25	-	8.00	5.75	-	17.00	£6,051.25	£355.96
Strategy & planning	29.40	1.00	59.15	6.53	-	96.08	£48,094.24	£500.55
Client Communications	81.08	4.50	451.00	584.67	19.05	1,140.30	£417,931.86	£366.51
Liaison with the committee	30.70	11.20	42.30	-	-	84.20	£45,022.25	£534.71
Client statements	3.60	5.50	39.20	4.45	-	52.75	£25,375.50	£481.05
Client identification / tracing	4.55	-	7.23	4.70	-	16.48	£7,084.49	£429.80
Reconciliations	7.85	5.20	10.00	71.15	-	94.20	£22,399.50	£237.79
Transfers / Returns / Sale	117.75	4.95	520.82	-	-	643.52	£333,071.26	£517.58
Trading matters	26.53	1.40	190.70	46.38	-	265.02	£120,009.06	£452.84
Reporting	0.75	-	13.53	-	-	14.28	£6,156.24	£431.01
Total	305.47	33.75	1,341.93	723.63	19.05	2,423.83	£1,031,195.65	£425.44
Objective 1: Custody Assets								
Storage & back up of client data	14.25	-	7.50	67.33	-	89.08	£25,370.41	£284.79
Strategy & planning	78.60	15.25	176.53	69.20	-	339.58	£151,939.27	£447.43
Client Communications	372.17	43.80	1,124.65	1,517.80	54.05	3,112.47	£1,199,316.22	£385.33
Liaison with the committee	98.58	37.30	158.23	0.75	-	294.87	£153,959.74	£522.13
Client statements	26.70	0.65	126.60	3.00	-	156.95	£75,885.25	£483.50
Client identification / tracing	18.35	0.50	36.85	7.00	-	62.70	£29,103.75	£464.17
Reconciliations	56.52	9.00	40.88	193.80	-	300.20	£88,087.10	£293.43
Open trades	24.70	28.50	2.50	-	-	55.70	£32,972.50	£591.97
Post pooling monies	12.65	54.20	231.20	3.30	-	301.35	£146,962.50	£487.68
Corporate actions	29.20	91.40	30.85	1.00	-	152.45	£84,625.75	£555.10
Transfers / Returns / Sale	821.92	1,014.55	419.13	11.55	-	2,267.15	£1,360,372.70	£600.04
Trading matters	113.42	43.63	654.62	340.73	-	1,152.40	£491,130.92	£426.18
Data Subject Access Requests	0.25	-	22.92	0.67	-	23.83	£8,912.20	£373.94
Reporting	1.20	8.00	41.05	2.87	-	53.12	£24,419.72	£459.74
Total	1,668.50	1,346.78	3,073.52	2,219.00	54.05	8,361.85	£3,873,058.04	£463.18
Objective 2: Liaison with Regulatory Bodies								
Total	70.97	7.00	27.10	25.53	-	130.60	£72,268.81	£553.36
Objective 3: Company ("House")								
Administration & planning	24.20	28.55	84.88	44.65	-	182.28	£76,373.20	£418.98
Investigations	13.08	92.23	18.30	43.65	-	167.27	£71,324.16	£426.41
Realisation of assets	1.90	12.50	13.70	9.50	-	37.60	£17,715.25	£471.15
Creditors	1.85	1.10	25.00	8.60	0.20	36.75	£14,946.25	£406.70
Corporate Tax	7.40	-	-	-	-	7.40	£5,068.25	
Total	48.43	134.38	141.88	106.40	0.20	431.30	£185,427.11	£429.93
Grand Total	2,093.37	1,521.92	4,584.43	3,074.57	73.30	11,347.58	£5,161,949.60	£454.89



H. Staffing, charging policies and charge out rates

Introduction

Detailed below are:

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

Staff allocation and the use of subcontractors

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

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

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

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

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

Use of professional advisers

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

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

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



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

Expenses

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

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

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

Charge out rates

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

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

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

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

Notes

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



www.smithandwilliamson.com

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

Smith & Williamson LLP is regulated by the Institute of Chartered Accountants in England and Wales for a range of investment business activities. A member of Nexia International. Registered in England at 25 Moorgate, London EC2R 6AY No OC369871.

Nexia Smith & Williamson Audit Limited is registered to carry on audit work and regulated by the Institute of Chartered Accountants in England and Wales for a range of Investment business activities. A member of Nexia International.



Smith & Williamson is a member of Nexia International, a worldwide network of independent accounting and consulting firms.