



Reyker Securities PLC (in special administration)

Joint special administrators' first progress report for the period 8 October 2019 to 7 April 2020 pursuant to Rule 122 of The Investment Bank Special Administration (England and Wales) Rules 2011

5 May 2020



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1. Glossary

Abbreviation	Description
Act	The Insolvency Act 1986.
Authorities	The Bank of England, HMRC and the FCA.
Bar Dates	The deadline for Clients to submit their claims in respect of Client Money and Custody Assets.
CASS	The FCA's "Client Assets Sourcebook" rules.
Claim Form	The form to be completed and returned to the JSAs by any Creditor or Client who wishes to submit a creditor claim (a copy is at Appendix I and 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.
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, including by way of a transfer to a subsequently nominated broker.
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 Securities Plc (in special administration).
CVA	Company voluntary arrangement, being an insolvency procedure where a company reaches a voluntary agreement with its creditors regarding the repayment of all, or part of its debts, over an agreed period of time.
Court	High Court of Justice, Business and Property Courts of England and Wales.
Creditor	Any party who is owed an amount from the Company, including i) a Client who is not entitled to participate in the Client Money Pool nor entitled to Custody Assets held by the Company; ii) a Client with a shortfall of either Client Money or Custody Assets; iii) any other creditor who is owed an amount from the Company, to include secured, preferential or ordinary unsecured creditors.
Creditors' Committee	The committee of Clients and Creditors established in order to take certain decisions on behalf of the Clients and Creditors as a whole.
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.

Abbreviation	Description
Distribution Plan	A statutory distribution plan, pursuant to the Regulations and the Rules, to facilitate the return of Custody Assets.
FCA	Financial Conduct Authority.
FSCS	Financial Services Compensation Scheme.
FSMA	The Financial Services and Markets Act 2000.
Hilco	Hilco Appraisal Limited - t/a Hilco Valuation Services.
HMRC	HM Revenue & Customs.
House Assets	The Company's own assets available for realisation to the administration estate.
IFA	Independent Financial Advisor.
Initial Meeting	The initial meeting of Clients and Creditors held at 11.00am on 16 December 2019.
Investment bank	A company based in England and Wales with permission under FSMA to carry on certain regulated activities which holds Client Assets.
The JSAs	The Joint Special JSAs, being Mark Christopher Ford, Adam Henry Stephens and Henry Anthony Shinnars of Smith & Williamson LLP.
The JSAs' Reconciliation	An independent reconciliation of the Client Money and Custody Assets completed by the JSAs but subject to ongoing checks.
LSE	London Stock Exchange.
NatWest	NatWest Bank plc, being the secured creditor.
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.
Portal	The online Client Claim Portal, available at www.reykerportal.com
PPE	Primary pooling event.
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.

Abbreviation	Description
RPS	The Redundancy Payments Service, being a government department that pays outstanding entitlements to employees in the event their employer is insolvent (subject to statutory limits).
Rules	The Investment Bank Special Administration (England and Wales) Rules 2011.
SAR	The Special Administration Regime, to include the Regulations and the Rules.
Seneca	Seneca Partners Limited
Special Administration	The Special Administration of the Company following a court order dated 8 October 2019.
SIP	Statement of Insolvency Practice (England & Wales).
SIPP	Self-Invested Personal Pension
S&W	Smith & Williamson LLP
S&WFS	Smith & Williamson Financial Services LLP
VREQ	A voluntary requirement requested by an FCA-authorized firm which is duly imposed upon its own permissions or regulated activities by the FCA.

2. Executive summary

2.1 Introduction

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

This progress report has been 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 2019 to 7 April 2020.

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

You are encouraged to read this progress report in conjunction with the Proposals, a copy of which can be found at <https://smithandwilliamson.com/en/services/restructuring-and-recovery-services/reyster-securities-plc/>

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

2.2 Summary of actions to date

The Company is now in a specialist insolvency process known as an Investment Bank Special Administration, a process only 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.

In accordance with the Legislation, we considered that the quickest and most cost-effective way for the Client Assets to be returned to Clients was for them to be transferred to a single broker by way of one wholesale transfer. This was the preferred strategy being pursued during the report period.

Since their appointment, the JSAs have:

- Taken steps to safeguard all Client Money, Custody Assets and House Assets;
- Reviewed the respective contracts, terms of business and other supporting documentation where Clients have been introduced to the Company through institutional intermediaries to identify the legal Client for the purpose of the Special Administration;
- Maintained critical operations at the Premises with a view to achieving the Objectives;
- Secured funding to ensure that all critical operations can be maintained to facilitate the transfer and return of Client Assets;
- Conducted detailed analysis on the Company's bespoke software and applications system (VAULT) and set-up a new Client referencing system;
- Instructed third-party consultants with specialist knowledge of SAR and CASS to assist with the JSAs' Reconciliation and the future transfer and return of Client Assets;

- Engaged a specialist marketing company with recent and relevant experience and, together, undertook an accelerated marketing process for the business and assets of the Company and followed up on in excess of 130 expressions of interest;
- Identified several potential acquirers and, through a thorough bid process, invited best and final bids from three parties;
- Accepted an offer for the sale and purchase of the Company's business and assets (subject to contract) and entered protracted negotiations with that proposed purchaser for an exchange of contracts in line with the agreed headline terms whilst maintaining a dialogue with other interested parties;
- Prepared and issued a sale contract to the preferred purchaser;
- Established effective lines of communication for liaising with the Company's 11,000 clients, to include the use of websites, a dedicated call centre staffed by the Company's own client services team and experienced S&W case staff and direct dialogue with a number of corporate intermediaries who referred Clients to the Company and have an ongoing relationship with them;
- Convened and held the Initial Meeting of Clients and Creditors on 16 December 2019;
- Established a Creditors' Committee (as resolved by Clients and Creditors) and met with it on a monthly basis since its constitution to discuss the progress of the Special Administration generally, the JSAs' preferred strategy and alternative options and the basis of the JSAs' remuneration;
- Completed the JSAs' Reconciliation to confirm that there is no material shortfall in Client Assets and undertaken adjustments, where required, to Client statements;
- Developed a bespoke Client Claim Portal to enable Clients to agree and submit claims for Custody Assets and Client Money online (this has been critical to ensuring the claims process is as efficient and cost-effective as possible);
- Contacted and liaised with all relevant market infrastructure bodies and Authorities, including frequent contact with both the FCA and FSCS;
- Agreed a streamlined process by which eligible Clients may receive compensation from the FSCS without the need to submit claims direct to the FSCS themselves or for the costs of the Special Administration to be deducted from their respective Client Assets in advance of a transfer;
- Written to all corporate clients that may not be eligible for FSCS compensation and requested that they complete a FSCS eligibility assessment form with a view to ensuring that eligible Clients do receive compensation;
- Set the Bar Dates in respect of Custody Assets and Client Money for Clients to submit claims via the Portal as 17.00 hours on 7 April 2020 and issued the relevant notices and statutory adverts;
- Approached alternative brokers who may accept a partial transfer of the Company's Client book and respective Client Assets should a sale of the Company's business and assets and / or a wholesale transfer to a single regulated broker not be possible;
- Commenced the drafting and development of a Distribution Plan to facilitate the transfer and return of Custody Assets.

Further detail in respect of work undertaken to date can be found at section 5 and **Appendix F**.

2.3 Anticipated timing of a transfer of Client Assets

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

Following a thorough marketing process, which involved liaising with in excess of 130 parties, the JSAs accepted an offer for the Company's business and assets on 28 January 2020 (subject to contract) from a single regulated broker and, since that date, the respective parties and their legal advisors had been working towards an exchange of contracts for the sale and purchase of the Company's business and the transfer of Client Assets.

The JSAs were working towards a completion of the sale before July 2020 in conjunction with progressing the Distribution Plan, which was also a condition of the offer, with a view to transferring Client Assets shortly thereafter. Accordingly, the JSAs commenced the requisite claims process and set the Bar Dates with respect to both Client Money and Custody Assets as at 7 April 2020 which, in accordance with the Regulations and the Rules, would permit a transfer of Custody Assets either on or shortly after 7 July 2020.

Regrettably, on 1 April 2020, the proposed purchaser communicated that it wished to withdraw its offer and would not be progressing its interest in the acquisition.

Whilst undertaking contract negotiations, the JSAs were, in accordance with the terms of acceptance of the proposed purchaser's offer, able to continue to market the business for sale and maintain a dialogue with the underbidders and other brokers who had communicated an interest in accepting a partial transfer of certain Client Assets.

This included, from early March, drafting of a Distribution Plan that provided for a wholesale transfer and another that provided for a partial return of Client Assets in order to reduce any delay in the return of Client Assets should a wholesale transfer not be possible.

As at the date of this report, whilst discussions are ongoing in respect of a sale of the Company's business and assets and a wholesale transfer of Client Assets, the JSAs consider it more likely that Client Assets will be transferred or distributed by way of a series of partial transfers rather than a wholesale transfer to a single purchaser and / or regulated broker. Therefore, the JSAs' primary strategy is now focussed on a series of partial transfers of Client Assets to as few regulated brokers as possible (on account of complexity, cost and timescales). Positive discussions have been held with a number of targeted brokers in this regard and due diligence is presently ongoing in order to ascertain the most expedient, efficient and cost-effective way of splitting the Client book in accordance with the Regulations.

The process of undertaking a series of partial transfers of Client Assets (as opposed to a wholesale transfer to a single purchaser) is more complex for numerous reasons and, depending on the approach adopted for the distribution of the CMP, will include the need for additional Client communications. This will therefore add additional time and expense to the transfer of Client Assets.

Given the recent developments, the JSAs are unable to provide any certainty on the timing of a transfer of Client Assets within this report, however, the Regulations and the Rules state that the transfer of Custody Assets may not take place sooner than three months from the respective Bar Date and a Distribution Plan is required which is dependent on court time and court availability. This means that, in any event, the transfer of Custody Assets could not be implemented sooner than 7 July 2020. Due to the Summer recess, where the courts do not hear applications (other than urgent applications) from 1 August 2020 to 30 September 2020, it is uncertain whether a Distribution Plan may be considered by the court before October 2020.

Further updates in respect of the transfer or distribution process and the anticipated timing will be made available on the JSAs' dedicated webpage at <https://smithandwilliamson.com/en/services/restructuring-and-recovery-services/reyker-securities-plc/>.

2.4 Anticipated outcome for Clients and Creditors

2.4.1 Clients

The JSAs anticipate that, other than a potential small number of exceptions, there will be a full return to Clients in respect of Custody Assets and Client Money.

The exceptions relate to a small number of Clients who may not be eligible to receive compensation in respect of any shortfalls arising from the transfer of Client Assets and the deduction of their share of certain costs of the Special Administration or, hypothetically, whose losses exceed the FSCS' compensation limit of £85,000 per claimant. The JSAs are liaising directly with any Clients that may be affected in this regard and remain of the view that no clients will exceed the compensation limit of £85,000.

The full return to Clients is only possible because of compensation paid by the FSCS to cover the shortfall which would otherwise be created by deducting certain costs of the Special Administration from Client Money and Custody Assets.

The JSAs are currently exploring, together with the Creditors' Committee, including the FSCS, the most appropriate basis and methodology for allocating the costs incurred by the JSAs in pursuing Objective 1. At present, the JSAs and the Creditors' Committee anticipate that those costs will be levied as a fixed sum per Client in relation to Custody Assets, subject to a cap of the value of the Custody Assets (where the value of the Client's Custody Assets is less than the fixed sum). Further details of these arrangements will be provided in the Distribution Plan which, in due course, will need to be approved by both the Creditors' Committee and the Court. Costs for dealing with Client Money will be levied as a fixed percentage of the Client Money balance.

2.4.2 Creditors

The outcome for creditors will be dependent upon:

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

It is too early in the process to advise on the dividend prospects of the secured, preferential and unsecured creditors of the Company as this may prejudice future realisations. Further updates will be available to creditors in due course.

2.5 Next steps

2.5.1 Clients

Despite the passing of the Bar Dates, the Portal remains open for a further limited period of time. If you have not already done so, please submit your claim and, where your Custody Assets are greater than £85,000, indicate your desire to claim compensation from the FSCS, as soon as possible by logging on to the Portal at <https://reykerportal.com/login>.

Instructions on how to access the Portal and submit your claim can be found at the Reyker dedicated webpage on S&W's website at <https://smithandwilliamson.com/en/services/restructuring-and-recovery-services/reyker-securities-plc/>.

Should you have any queries in relation to submitting your claim, please contact Client Services:

By email: clientservices@reyker.com

By post: Reyker Securities plc (in special administration), c/o Smith & Williamson LLP, 25 Moorgate, London EC2R 6AY

By telephone: 0800 048 9512

For any Client who does not submit a claim via the Portal, the JSAs intend to make the transfer or distribution of Client Assets to any subsequent purchaser and / or regulated broker(s) based on the Company's records in accordance with the Regulations, however, this means that any Client who does not submit a claim will lose the opportunity to dispute any of the holdings presently shown on the Portal. Clients who have not yet submitted a claim via the Portal are, therefore, strongly encouraged to do so as soon as possible.

2.5.2 Creditors

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

If you have not already done so and wish to submit a claim against the Special Administration as a creditor, please do so using the Creditor Claim form attached at **Appendix H**. Please note, the Portal referenced above may only be used by Clients to agree their claim to Client Money and / or Custody Assets and is not designed for the submission of any other type of claims by Clients or Creditors.

2.5.3 The JSAs and their legal advisors

The JSAs and their legal advisors will:

1. continue to negotiate with interested parties in order to affect either a wholesale transfer of Client Assets to a single purchaser where possible or, more likely, a series of partial transfers to a small number of regulated brokers with the requisite regulatory permissions and expertise or a distribution of Client Assets;
2. continue to draft a Distribution Plan with a view to achieving a transfer or distribution of Custody Assets (alongside Client Money) at the earliest date possible, albeit no transfer or distribution of Custody Assets could take place before 7 July 2020 in accordance with the Regulations;
3. continue to liaise, where necessary, with Clients and the FSCS to ensure that, insofar as possible, all Clients that would be eligible for FSCS compensation have taken the necessary steps to receive such compensation in advance of any transfer of Client Assets and consult with any Clients that may not be eligible in order to determine their preference as to how their share of the costs of the Special Administration should be paid;
4. maintain the dedicated webpage with regular updates for Clients on the progress of the Special Administration and continue to meet regularly with the Creditors' Committee;
5. continue seeking to maximise realisations to the Special Administration estate for the benefit of the Company's preferential, secured and unsecured Creditors.

3. The JSAs' Proposals

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 438 Clients and Creditors attended either in person or by proxy.

At the Initial Meeting, Clients and Creditors approved the Proposals without modification and passed a resolution to form a Clients' and Creditors' Committee.

Attached at **Appendix B** is a summary of the JSAs' Proposals for achieving the JSAs' Objectives, as detailed below.

There have been no amendments to, or deviations from, the JSAs' Proposals during the course of the Special Administration to date.

4. Background and initial strategy

4.1 Events leading up to the Special JSAs' appointment

A detailed background of the Company and events leading to the appointment of the JSAs is provided in the JSAs' Proposals. For ease of reference, we provide a concise summary below:

- The Company was incorporated on 23 August 1983 with company number **01747595** and the name Phoneville Limited. The Company subsequently changed its name on 30 January 1984 and, again, on 14 October 1985 to Finsec Services Limited and Reyker Securities Limited respectively. On 6 March 1995, the Company re-registered as a public company and changed its name to Reyker Securities plc.
- Prior to the JSAs' appointment, the Company had 27 employees (including its directors) and operated from the Premises.
- The Company was a full-service investment firm, offering broker-dealer and discretionary managed services to both direct retail, financial institutional and corporate clients.
- The Company is deemed an "investment bank" within the meaning of section 232 of the Banking Act 2009 and is authorised by the FCA under number 115308. The Company was a member of the London Stock Exchange, is authorised by HMRC as an Individual Savings Account manager and is an IFPRU €730K diversified financial services institution.
- Despite a track record of year-on-year profits, the Company recorded a financial loss in the year ended 31 December 2018 of £808k and, subsequently, a loss of circa £600k for the nine months to 30 September 2019. Such losses were largely attributable by the directors to:
 - the dismissal of a statutory director and minority shareholder which resulted in both reduced revenues and legal actions being brought against the Company for unfair dismissal;
 - disbanding a loss-making service line which resulted in redundancies and additional expenses; and
 - market changes in 2018 regarding the pricing of structured products which resulted in reduced margins across certain parts of the business.
- As a result of these issues, the directors of the business foresaw potential cashflow issues in the short to mid-term and, in June 2019, pro-actively sought professional advice from insolvency practitioners at S&W and notified the FCA of its financial position shortly thereafter.
- With a view to avoiding a formal restructuring process, certain shareholders introduced a potential purchaser for the Company which had the requisite FCA permissions ("the Interested Party") whilst the Board embarked upon its own preliminary efforts to effect either a pre-packaged sale of business or an accelerated M&A process.
- After a protracted period of negotiation with the Interested Party, an agreement in principle was reached on heads of terms for a share sale. The Interested Party progressed to formal due diligence and applied to the FCA for a change in control (of the Company). Unfortunately, the sale did not progress to a conclusion and the Interested Party ultimately withdrew from the negotiation process in late September 2019.
- At that time, there were no other interested parties sufficiently advanced in the due diligence and, therefore, as the Company's cashflow could not sustain the business much longer, the Company's directors immediately notified the FCA on the position and engaged S&W to assist in the preparation of an application to Court for a special administration.
- Following the above, a VREQ was agreed by the Company with the FCA on 4 October 2019 which prevented the Company from undertaking its day to day regulated business activities and, following an application by the Company's directors immediately thereafter, the JSAs were appointed by order of the High Court on 8 October 2019, pursuant to the Regulations.

4.2 Objectives

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

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

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

The JSAs commenced work on achieving each of the three Objectives immediately following their appointment.

The JSAs are pursuing Objective 1 as a priority whilst pursuing Objectives 2 and 3 in parallel. At this stage, the JSAs consider that it is not possible to rescue the investment bank as a going concern and, therefore, in pursuing Objective 3, the JSAs are taking appropriate steps to wind up the Company's affairs.

4.3 Strategy

The Legislation is written to ensure that a fair and consistent approach is applied to all Clients in relation to both their Client Money and Custody Assets (together "Client Assets") and the return thereof.

In accordance with the Legislation, the JSAs' considered that the quickest and most cost-effective way for the Client Assets to be returned to Clients is for them to be transferred to a single broker by way of one wholesale transfer. This was the principal strategy being pursued by the JSAs during the report period. To this end, the key work undertaken can be summarised into the following workstreams:

1. Client identification and analysis;
2. Safeguarding all Custody Assets and Client Money;
3. Segregating PPE client money;
4. Undertaking the JSAs' Reconciliation in accordance with SAR;
5. Maintaining critical operations whilst reducing the Company's cost base;
6. Securing funding to maintain critical operations;
7. Engaging third party experts;
8. Implementing lines of communication with Clients, Creditors and intermediaries;
9. Exploring a sale of the Company's business and assets to facilitate the wholesale transfer of Custody Assets and Client Money to a single regulated broker;
10. Safeguarding the Company's IT and data systems;
11. Interrogating the Company's bespoke software to generate Client Statements;
12. Developing a new online Portal to enable Clients to agree their holdings of Custody Assets and Client Money;
13. Setting the Bar Dates in respect of Custody Assets and Client Money;
14. Preparing for a Distribution Plan to return Custody Assets;
15. Considering methodology for the distribution of Client Money;
16. Forming a Creditors' Committee to assist the JSAs;
17. Drafting internal policies to accommodate Client needs;
18. Liaising with the FCA, the FSCS and other Authorities and market infrastructure bodies, including the London Stock Exchange and CREST, on progress and other matters arising in the Special Administration.

The progress made by the JSAs in respect of each of the above is detailed in the next section.

5. Progress of the Special Administration to date

This section provides Clients and Creditors with an update on how the JSAs' have been pursuing the aforementioned strategy with a view to achieving the three Objectives and the progress made in the first six months to 7 April 2020.

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

5.1.1 Client identification and analysis

The JSAs' Proposals confirmed that the Company had circa 11,500 Clients, being a combination of individual retail and corporate Clients. After undertaking additional work over the last few months, the total number of Clients is presently believed to be 11,126, each of whom hold either Client Money or Custody Assets or a combination of both with the Company.

In a high number of cases, the Company provided custody accounts for Clients that were introduced via intermediary institutions. In order to understand the relationships between the Company, the intermediary institutions and the individual Client with a view to determining the correct legal identity of “the client”, it was necessary to review, in conjunction with our solicitors, the relevant contracts and supporting documentation.

It was concluded that the end individual client (as opposed to the intermediary institution) was the individual retail Client for the purposes of the Special Administration and, therefore, the majority of these individual retail Clients will qualify for FSCS compensation.

5.1.2 Safeguarding all Custody Assets and Client Money

The Company's records indicate that, as at the date of the Special Administration, the Company held Custody Assets and Client Money with a value of approximately £924 million and circa £57 million respectively (as valued at close of business on 7 October 2019).

The JSAs' principal focus has been to gain control of the assets which were under the Company's administration and to commence the JSAs' Reconciliation. The JSAs' Reconciliation was necessary in order to ensure that there were no material shortfalls in either Custody Assets or Client Money and that the Client statements, as per the Company's records, were correct.

To this end, we retained key staff and maintained certain operations from the Premises. We also engaged two professional consultants, both with the necessary experience of banking systems, CASS and SAR, to assist the JSAs in administering these assets and undertaking the JSAs' Reconciliation (further detail is provided at section 5.1.4).

Custody Assets

According to the Company's records as at the date of our appointment, the Company held Custody Assets totalling circa £924 million (as valued as at close of business on 7 October 2019). The funds are invested in 2,894 different securities and across 14,709 Client plans (a Client may hold more than one plan with the Company).

In order to verify each Clients' position and facilitate the transfer of Custody Assets, we have taken steps to secure the ongoing use of the links to Euroclear UK & Ireland settlement system and re-establish the links to Allfunds, Aegon and KAS Bank N.V. who collectively hold all the externally held Custody Assets.

Client Money

The appointment of the JSAs triggered a PPE at 14.35 hrs on 8 October 2019 whereby all Client Money held across the Company's client accounts immediately prior to the PPE are treated as pooled Client Money. In

accordance with the Client Money Rules, these monies are pooled, ring-fenced, and become the CMP. All clients with money deposited within the CMP are entitled to a share of the CMP on a pro-rata basis.

As at our appointment, the Company held in excess of £57 million across all currencies and 118 client accounts on behalf of its Clients.

Immediately upon the JSA's appointment, we contacted the Company's bankers and instructed them to freeze all client bank accounts with immediate effect. At this stage, the JSAs have not sought to exchange any foreign currency balances into sterling and anticipate that, insofar as possible, all Client Money will be transferred or returned to Clients in its native currency.

5.1.3 Segregating PPE Client Money

Following their appointment, the JSAs continue to receive cheques and direct transfers to the Company's client accounts in connection with dividend and coupon payments and corporate action monies declared and paid shortly prior to or following our appointment. These need to be deposited, reconciled and allocated to the respective Clients' accounts correctly. This work is undertaken daily.

In accordance with CASS, the JSAs have opened new bank accounts in which to deposit and hold on trust any Client Money received after the PPE. As at 7 April 2020, Client Money held in the post pooling accounts is as follows, aggregated into native currencies:

Client Money held in post-pooling accounts as at 7 April 2020

Currency	Total
GBP	25,476,132
USD	7,719,382
EUR	1,049,052
SEK	1,000,351
JPY	712,457
NOK	172,728
AUD	26,843
CHF	1,553
DKK	1,456
PLN	486
CAD	126

5.1.4 The JSAs' Reconciliation

Prior to seeking to transfer or return Client Assets, it is necessary for the JSAs' to undertake their own reconciliation in order to ascertain whether there is a material shortfall (in Client Assets) and that the Company's records are correct. The process provides an opportunity for Client accounts and statements to be brought up to date and any discrepancies identified to be corrected prior to setting the Bar Dates and commencing the claim submission process.

An initial high-level review indicated that there was a need for a detailed, line by line reconciliation of each of the accounts held by the 11,126 Clients. With a view to the work being completed as early as possible, the JSAs:

- retained key staff and maintained critical operations from the Premises;

- engaged two senior, professional consultants, both with the necessary experience of banking systems, CASS and SAR, to assist the JSAs in administering these assets and undertaking the JSAs' Reconciliation; and
- Contracted additional reconciliation experts and utilised the expertise of S&W audit-trained staff.

The JSAs completed the review part of the JSAs' Reconciliation of Custody Assets and Client Money on 20 December 2019. No material shortfall was identified and the process concluded that the Company's records and Client statements were good.

Any discrepancies identified were for modest sums and the JSAs have prioritised resolving any discrepancies that may have impacted the Client Money and / or Custody Asset balances as at 8 October 2019 (being the date of the JSAs' appointment and the relevant date for the Bar Date process). The work undertaken in this regard has included:

- Correcting input errors (such as units held, stock prices and posting dates);
- Seeking to reclaim tax deducted at source on ISA investments from HMRC which had previously been paid from House Assets;
- Obtaining up to date or original certificates for physical securities;
- Considering Client queries as to historic transactions;
- Investigating and, where necessary, reversing open transactions that did not settle around the time of the JSAs' appointment.

The JSAs are satisfied that such discrepancies have now been resolved and where, in the very few applicable cases required, the respective Clients' statements adjusted to reflect this.

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

Upon the JSAs' appointment, the Company and its employees remained in situ at the Premises with a view to achieving the Objectives. Given the VREQ, the Company's regulated activities could not continue at the start of the Special Administration. The VREQ was subsequently lifted and the Company was able to conduct regulated activities, however, this has been restricted to safeguarding Client Assets.

As the Company's activities were severely restricted, it was necessary to make redundancies with a view to managing the costs of the Special Administration. The majority of staff within the Company's safe custody and client services departments were retained to assist with safeguarding Client Assets, the JSAs' Reconciliation and Client queries.

The JSAs have sought to minimise expenditure through reducing the office space occupied by the Company and terminating all non-critical supplies. The cost base continues to be closely monitored.

5.1.6 Securing funding to maintain critical operations

Given the Company had limited cash resources at the date of the JSAs' appointment, it was necessary for the JSAs to secure a loan facility in order meet the required Objective 1 expenses of the process and to maintain all critical operations at the Premises. Such funding would facilitate payment of rent, employees' salaries, insurance and key suppliers.

The JSAs spoke to a number of possible funders prior to and immediately following the commencement of the Special Administration to assess the most appropriate commercial terms. Ultimately, a loan facility was received from a specialist lender including a facility limit of £5 million. To date we have drawn down £1.8 million (as stated in our receipts and payments account attached at **Appendix D**).

5.1.7 Engaging third-party experts and agents

During the report period, the JSAs engaged several third-party experts with the requisite skills necessary to achieve the Objectives. This includes engaging two professionals with specialist banking and SAR experience to assist the JSAs with the JSAs' Reconciliation and a third-party firm, Seneca, to assist with a potential sale of the business which may expedite the return or transfer of Client Assets.

Additional detail regarding all the third-party advisors engaged in this matter is included within section 10 and Appendix E. The choice of advisors was based on their experience and ability to perform the work required, the complexity and nature of the assignment and their geographic location.

5.1.8 Implementing lines of communications with Clients & intermediaries

As the Company did not typically communicate with its Clients electronically, the JSAs have implemented a range of different methods for communicating with Clients in a co-ordinated, timely and cost-effective way. This has included issuing mass communications by post, operating a new dedicated webpage and retaining the Company's core client services team to respond to the high volume of telephone and email enquiries. The client services team has been supplemented with experienced S&W case staff at times of peak Client interactions.

To 7 April 2020, the client service team (assisted by S&W staff) has received over 9,000 inbound phone calls (with over 4,200 being received during the Bar Date period) and reviewed and responded (where necessary) to over 6,000 emails from Clients.

The designated email account is monitored during business hours with a target of responding to emails within 48 hours and high-level queries being escalated to the JSAs and their senior staff as required.

The dedicated Special Administration website has been regularly updated to include copies of issued client communications, monthly global updates and frequently asked questions. The website has been visited over 6,000 times during the report period.

Following the recent outbreak of COVID-19, additional resource and time was expended in the two weeks preceding the UK Government's enforced 'lock down' to ensure that the Company's own operations, such as Client Services, could continue to work effectively from home. This process has been managed successfully during a period of peak Client interactions.

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

Telephone: 0800 048 9512

Email: clientservices@reyker.com

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

5.1.9 Exploring a wholesale transfer of Client Assets through a sale of business

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

Immediately following their appointment, the JSAs contacted a number of parties that S&W had previously identified as potential suitors to acquire the Company's business and engaged Seneca to assist with an accelerated marketing process. Seneca are an independent investment management and corporate advisory business. As part of their advisory offering, they have experience of advising sellers and buyers of SMEs with recent experience of operating within the financial services sector.

Following a thorough marketing process, which involved liaising with in excess of 130 parties, the JSAs accepted an offer for the Company's business and assets on 28 January 2020 (subject to contract) from a single regulated broker. A detailed sale contract was issued to the proposed purchaser's solicitors on 7 February 2020. Since that date, the respective parties and their legal advisors had been working towards an exchange of contracts for the sale and purchase of the Company's business and the transfer of Client Assets. Unfortunately, on 1 April 2020, the proposed purchaser withdrew its offer. Whilst undertaking contract negotiations, the JSAs were, in accordance with the terms of acceptance of the proposed purchaser's offer (i.e. no exclusivity had been agreed), able to continue to market the business for sale and maintained a dialogue with the

underbidders and other brokers who had communicated an interest in accepting a partial transfer of certain Client Assets.

As at the date of this report, whilst discussions are ongoing in respect of a sale of the Company's business and assets and a wholesale transfer of Client Assets, the JSAs consider it more likely that Client Assets will be transferred or distributed by way of a series of partial transfers rather than a wholesale transfer to a single purchaser and / or regulated broker. Therefore, the JSAs' primary strategy is now focussed on a series of partial transfers of Client Assets to as few regulated brokers as possible (on account of complexity, cost and timescales). Positive discussions have been held with a number of targeted brokers in this regard and due diligence is presently ongoing in order to ascertain the most expedient, efficient and cost-effective way of splitting the Client book in accordance with the Regulations.

The process of undertaking a series of partial transfers of Client Assets (as opposed to a wholesale transfer to a single purchaser) is more complex for numerous reasons and, depending on the approach adopted for the distribution of the CMP, will include the need for additional Client communications. This will therefore add additional time and expense to the transfer of Client Assets.

Given the recent developments, the JSAs are unable to provide any certainty on the timing of a transfer of Client Assets within this report, however, the Regulations and the Rules state that the transfer of Custody Assets may not take place sooner than three months from the respective Bar Date and a Distribution Plan is required which is dependent on court time and court availability. This means that, in any event, the transfer of Custody Assets could not be implemented sooner than 7 July 2020. Due to the Summer recess, where the courts do not hear applications (other than urgent applications) from 1 August 2020 to 30 September 2020, it is uncertain whether a Distribution Plan may be considered by the court before October 2020.

Further updates in respect of the transfer or distribution process and the anticipated timing will be made available on the JSAs' dedicated webpage at <https://smithandwilliamson.com/en/services/restructuring-and-recovery-services/reyker-securities-plc/>.

5.1.10 Safeguarding the Company's IT and data systems

Immediately following their appointment, the JSAs consulted with key members of staff and retained the services of an IT contractor to safeguard and maintain the Company's bespoke IT systems and data sources required to achieve the Objectives of the Special Administration. We will retain all key service lines, such as CREST and Bloomberg, to achieve the Objectives.

In addition, the JSAs have retained the services of an out-sourced IT maintenance provider (Fusion Technology Solutions Limited) and S&W's internal forensic services department routinely backs-up the Company's network and servers, which includes the entire Client database.

5.1.11 Interrogating the Company's bespoke software to generate Client Statements

Although the Company's bespoke software and applications system (VAULT) met the day to day operating needs it did not include the additional reporting and functionality requirements of the JSAs. The JSAs have therefore worked with both the resident IT consultant and client services team to modify VAULT and to generate bespoke Client Statements and other reports for the purpose of the Special Administration. This has been a time intensive process and included:

- Reviewing VAULT and client data for omissions and corrections;
- Processing change of address requests and pro-actively sourcing alternative contact details where communications have been returned 'addressee gone away';
- Aggregating and consolidating client accounts into groups on VAULT so that only one statement is generated per client (as opposed to previous system of one statement per client plan - some clients hold multiple accounts which may have led to confusion if these Clients were receiving multiple statements under separate cover);
- Allocating unique client references per Client group;
- Investigating circa 400 client accounts with a negative cash balance and subsequent adjustments;
- Liaising with the IT contractor to write code to generate reports and statements in required reporting format (e.g. to aggregate client accounts, include granular detail of stock and cash balances per account and include statutory disclaimers);

- Transferring reports into dynamic pdf format and devising strategy to match the merged covering client letter to client statement in one pdf file for each client and subsequent printing;
- Sampling of stock prices and currency exchange rates to confirm statements are correct as at close of business on 7 October 2019 9 (to the best of the JSAs' knowledge).

5.1.12 Developing a bespoke Client Claim Portal

During the report period, the JSAs developed a bespoke online Portal to enable Clients to agree claims to their holdings of Client Money and Custody Assets and to confirm their desire to claim compensation from the FSCS where eligible. This has been critical to ensuring the claims process is as efficient and cost-effective as possible.

Following the review part of the JSAs' Reconciliation being completed and adjustments to Client statements being made, where necessary, Client data was uploaded to the Portal which launched with effect from 6 March 2020, thereby providing Clients with the ability to view and confirm their holdings of Client Money and Custody Assets as at 8 October 2019 (being the date of the JSAs' appointment and the relevant date for the Bar Date process).

The Portal has also served a dual purpose by allowing Clients who have Client Assets with a value equal to or greater than £85,000 (as at 8 October 2019) to indicate whether they would like to apply for FSCS compensation to cover the costs of the transfer of Client Assets. All Clients with Client Assets totalling less than £85,000 (as at 8 October 2019) have automatically been treated as having submitted a claim for compensation from the FSCS and the Portal confirmed that they do not need to take any further action in this regard. Further information in respect of how the approach to claiming FSCS compensation has been streamlined for the benefit of eligible Clients is provided at section 5.2.2.

The holdings of Client Assets listed on the Portal confirm the respective Client's holdings as at 8 October 2019 and, therefore, do not include dividends and bond coupons received after that date nor do they reflect any corporate actions post 8 October 2019. As referenced in section 5.1.3, the JSAs continue to receive all such income in designated post-pooling bank accounts segregated from the CMP.

Despite the passing of the Bar Dates, the Portal remains open for a further limited period of time. If you have not already done so, please submit your claim as soon as possible by logging on to the Portal at <https://reykerportal.com/login>.

5.1.13 Setting the Bar Dates in respect of Custody Assets and Client Money

On 6 March 2020, the JSAs provided notice of the Bar Dates under Regulation 11 (in respect of Custody Assets) and Regulation 12A (in respect of Client Money) for Clients to submit claims to holdings of Client Assets via the Client Portal. The Bar Dates expired at 5.00pm on 7 April 2020.

During the Bar Dates period, 70% of all Client accounts (being 7,832 out of 11,126) were verified and submitted.

Where Clients initially raised queries in respect of their holdings as per the Portal, these have almost exclusively been dealt with swiftly with the conclusion being that the initial statement is correct with no adjustments required. There are, however, currently 12 clients (being 0.1% of the population) who have identified issues with statements which, when investigated, will need an internal adjustment to VAULT which will then need to be reflected on the Portal.

As stated above, despite the Bar Dates passing, the Portal will remain open for a further limited period of time. If not already done so, Clients are encouraged to submit their claim as soon as possible by logging on to the Portal at <https://reykerportal.com/login>.

5.1.14 Drafting a Distribution Plan to return Custody Assets

Under the Rules and Regulations, the JSAs are required to prepare a Distribution Plan and accompanying Explanatory Statement. These documents will be circulated to Clients in due course and will provide Clients with more information regarding (i) how the JSAs propose to transfer or distribute Custody Assets (ii) to whom Custody Assets will be transferred, (iii) how the costs of the transfer or distribution of Custody Assets are to be allocated and (iv) how the JSAs are working with the FSCS to reimburse those transfer or distribution costs for eligible Clients.

The Distribution Plan must be approved by the Creditors' Committee and then by the Court before it can be implemented.

As the sale to the proposed purchaser did not progress as hoped, the JSAs and their solicitors started drafting a Distribution Plan for a partial transfer of assets as well as a wholesale transfer ensuring that any delay caused by the sale not completing would be minimised.

Given the recent withdrawal of the proposed purchaser's offer, the JSAs and their legal advisors are now prioritising the drafting the Distribution Plan on this basis but need to understand first how the assets will be transferred or distributed to more than one broker.

The Regulations and the Rules state that the transfer or distribution of Custody Assets may not take place sooner than three months from the Bar Date. This means any transfer or distribution of Custody Assets cannot be implemented sooner than 7 July 2020.

It was hoped that a sale of the Company's business and assets to the proposed purchaser could be completed either on or around 7 July 2020 in order to facilitate a transfer of Client Assets shortly thereafter with Client Money transferring in parallel. Given the recent developments, the JSAs are unable to provide any certainty on the timing of a transfer of Client Assets within this report but continue to work towards a return as quickly as possible. Due to the Summer recess, where the courts do not hear applications (other than urgent applications) from late July 2020 to October 2020, it is now unlikely that a Distribution Plan may be considered by the court before October 2020.

5.1.15 Distribution of Client Money

The JSAs are considering how best to distribute Client Money given that a wholesale transfer of Client Assets no longer appears probable. The intention will be to either transfer or return Client Money in parallel with the Distribution Plan for Custody Assets (in accordance with Regulation 12A).

5.1.16 Forming a Creditors' Committee to assist the JSAs

At the Initial meeting of Clients and Creditors held on 16 December 2019, it was resolved that a Creditors' Committee should be established. The Committee was formally constituted with effect from 17 January 2020 following the Committee elect each returning their consents to act and signed non-disclosure agreements.

The members of the Committee are as follows:

- Compass Bank, represented by Ines Santos
- Custodian Life, represented by Bob Pain;
- FSCS, represented by Guy Enright;
- Puma Investment Management Limited, represented by Sam MacArthur; and
- Mr. Anthony Yadgaroff.

Since constitution, the Committee has met with the JSAs on a monthly basis.

In addition to the above members, representatives of the FCA are entitled and invited to attend the Committee meetings as observers.

As stated in the JSAs' Proposals, the purpose of the Committee is to represent the Client and Creditor bodies as a whole (rather than the interests of certain parties or individuals) in the Special Administration and to assist the JSAs in discharging their functions, where so required. During the report period, the Committee has been consulted on matters pertaining to the policies introduced by the JSAs for the benefit of Clients, the preferred strategy of the JSAs and the basis upon which the JSAs may be remunerated. In due course, the Committee will be required to approve the Distribution Plan proposed by the JSAs and their legal advisors.

Shortly following the report period, the Committee met on 20 April 2020 and passed a resolution that the JSAs' remuneration may be fixed by reference to the time incurred by them and their staff and that the JSAs' time costs incurred up to and including 7 April 2020, being £1,688,608 plus VAT and disbursements, are approved. Further detail is provided in section 10.

5.1.17 Drafting internal policies to accommodate Client needs

Several internal policies have been prepared by the JSAs in order to accommodate certain Client requests during the Special Administration, to include facilitating non-mandatory corporate actions and requests for

assistance due to financial hardship. In both cases, there are strict criteria that need 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.

5.2 Objective 2 – Engagement with market infrastructure bodies and the Authorities

5.2.1 Financial Conduct Authority

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

5.2.2 Financial Services Compensation Scheme

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

We have been liaising closely with the FSCS in order to streamline the process by which eligible Clients may receive compensation in order to mitigate the need for an eligible Client to submit a claim directly to the FSCS themselves and, where possible, to ensure Client Assets are transferred to any purchaser or preferred broker(s) whole.

Accordingly, the FSCS has confirmed that it has exercised its power under [COMP 3.2.1A](#) of the FCA Handbook (<https://www.handbook.fca.org.uk/handbook/COMP/3/2.html>) and has treated all Clients with Client Assets with a total value of less than £85,000 as at 8 October 2019 as if they have claimed compensation. This means:

- Clients who have Client Assets with a total value of less than £85,000 as at 8 October 2019 will have automatically been treated as having submitted a claim for compensation from the FSCS and they do not need to take any further action in this regard unless specifically contacted by the JSAs or FSCS. The JSAs are in the process of reviewing each Client's eligibility jointly with the FSCS; and
- Clients who have Client Assets with a total value as at 8 October 2019 either equal to or greater than £85,000 will not be treated as having automatically claimed compensation from the FSCS. Such Clients are asked as part of the online claims process to confirm whether they wish to submit a claim for FSCS compensation or not.

The Portal automatically determines which of the above categories a Client is deemed to fall into as part of the 'Declaration' and claim submission process and each Client only sees options relevant to them.

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

The JSAs' are working closely with the FSCS to:

- Contact all Clients that have selected 'no' to FSCS compensation on the Portal in order to ensure this is in their best interests;
- Write to any Clients that have either been deemed to have claimed or, alternatively, selected to claim compensation from the FSCS and who may not be eligible in accordance with the FSCS' eligibility criteria, e.g. corporate clients, to set out the options available to them;
- Contact all Clients who have Client Assets with a value in excess of £85,000 and who have not yet submitted a claim on the Portal and, accordingly, whether they wish to claim for FSCS compensation.

It is hoped that the extensive work and analysis undertaken at this time will result in an expedient transfer or distribution of Client Assets in due course where the majority of the costs of the Special Administration can be funded by the FSCS and limit the extent of costs to be deducted from Client Assets.

In addition to compensation matters and funding the costs of the Special Administration, the JSAs have liaised closely with the FSCS in respect of hardship cases and worked together to assist those in most need of financial assistance at this time (subject to qualifying criteria being met).

5.2.3 LSE

The JSAs have liaised with the LSE on a regular basis and received notice of the Company being in default with effect from 23 October 13:15, with membership ceasing with effect from 24 October 2019 (by letter dated 24 October 2019).

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

5.2.4 Euroclear / CREST

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

The JSAs continue to have regular contact with Euroclear to ensure that the Objectives of the Special Administration can be met, including having access to the settlement system for the purposes of transferring Custody Assets as part of any transfer or Distribution Plan.

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

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

Work undertaken by the JSAs to date includes:

- i. Making all non-retained staff redundant and assisting staff with applying for their statutory entitlements;
- ii. Liaising 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 providing guidance on their own positions and the statutory process for claims;
- iii. Issuing statutory notices of appointment as required by the Regulations and Rules and complying with statutory reporting requirements;
- iv. Implementing relevant insurance policies for the business and the Company's House Assets;
- v. Securing physical assets and instructed Hilco to provide an inventory and valuation of said assets;
- vi. Holding an initial meeting of Clients and Creditors to approve the JSAs' Proposals;
- vii. Liaising with the landlord in respect of the Company's ongoing occupation of the second floor at the Premises and the removal of its assets from the first-floor office;
- viii. Undertaking preliminary 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 achievement of Objective 1 need to remain in place.

6. House Assets

Immediately upon the JSAs' appointment, they reviewed the Company's financial position with a view to identifying all House Assets that may be realised in the administration estate for the benefit of its Creditors.

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.

Below is a summary of the progress made during the report period in realising House Assets.

6.1.1 Cash at bank (House accounts)

The Company held credit balances across three House accounts held with NatWest. As at the time of the JSAs' appointment on 8 October 2019, these balances totalled £52k. These accounts were frozen immediately upon appointment and the credit balance transferred to a new account under the control of the JSAs.

6.1.2 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 development costs of the system were capitalised and the book value in the management accounts as at 30 September 2019 was reported to be circa £1.3 million.

VAULT is currently being marketed as part of the potential sale of business and assets. We are presently unable to report on anticipated value as to do so may prejudice future realisations.

6.1.3 Office furniture & equipment

The Company has office furniture and IT equipment at the Premises. Such equipment had a book value of £119k in the draft management accounts as at 30 September 2019.

Shortly following their appointment, the JSAs instructed Hilco to undertake a valuation of the physical assets on an 'in-situ' and 'ex-situ basis' meaning whether the assets are sold as a whole in their existing location or, alternatively, assuming the assets are removed from their current location at the expense of any potential purchaser. Hilco's valuations of the unencumbered office furniture and equipment are £45,000 (in-situ) or £10,500 (ex-situ).

As the Company continues to occupy the Premises for the purpose of pursuing Objective 1, a sale of all the office furniture and equipment has not been possible, however, given the reduced scale of operations, certain furniture and equipment was sold in the report period by Hilco. The selected items realised £1,680 after the associated costs of removal were taken into consideration by the purchaser.

The consideration received has not yet been paid to the House administration account as the balance is being held by Hilco to defray, in part, their professional fees, which total £6,600 plus VAT to date.

6.1.4 Investments

The Company held 100% of the issued share capital of 30 subsidiaries, including Reyker Nominees Limited and Reyker Trust and Depository Services Limited (RTDS). In addition, the Company indirectly held 100% of the issued ordinary share capital of a further four subsidiaries and a major controlling interest in a further five companies.

A full list of all the subsidiary interests is provided at **Appendix B** (together "the Subsidiaries").

We continue to work with the directors of the relevant Subsidiaries to establish whether any have any realisable value. It is anticipated that a high percentage of the Subsidiaries will be dormant and, accordingly, the relevant directors will arrange for such companies to be struck from the Register of Companies in due course.

Should a sale of the Company's business and assets complete, it is likely to include the issued share capital of the subsidiary known as Reyker Nominees Limited, being the nominee company that acts as the custodian for the Clients' Custody Assets.

6.1.5 Artwork

The Company's management accounts referenced four items of Art owned by the Company with a book value of £25k. These items are not held at the Premises. We are working our own enquiries to locate and value these



pieces of art. It is anticipated our chattel agent, Hilco, will advise on the best route to market once the assets have been recovered.

6.1.6 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 is anticipated that approximately £25,000 may be realised. We are currently working with the Company's management team to maximise realisations in this regard.

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

6.1.7 Employee and shareholder loans

The management accounts show employee and shareholder loans totalling £55,404. It is anticipated these loans will be repaid in full to the administration estate and £6,244 has been realised during the report period.

6.1.8 Rent deposits

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

In order to minimise the costs of the Special Administration, the JSAs are not utilising the Company's first floor office and, shortly following their appointment, communicated to the landlord's agent their intention to disclaim the lease. At the landlord's request, the JSAs refrained from doing so whilst the landlord considered various options for the Premises. Its agent had mooted the possibility of asking the Company to relocate from the second-floor office to the first floor in return for a financial incentive which may have been in both the Clients' and Creditors' best interests. Such an arrangement has not come to fruition and, accordingly, the JSAs will disclaim the lease to the first floor shortly.

6.1.9 Prepayments

The Company's draft management accounts as at 30 September 2019 recorded prepayments and other deposits of £22,000.

Following an initial review of the ledger, it appears the majority of prepayments will not be realised as the associated invoices were not paid. The Company has, however, received the benefit of circa £35,000 of prepayments by virtue of the Company continuing to operate from the Premises for the purpose of achieving Objective 1.

6.1.10 Trademarks

The Company held trademarks and domain names for the Company's use, 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. It is presently uncertain as to whether any value will be realised in respect of these assets.

7. 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. 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.

8. JSAs' receipts and payments

A summary of our receipts and payments for the report period, being from 8 October 2019 to 7 April 2020, is attached at **Appendix D**. The summary is largely self-explanatory, however, the JSAs would comment in respect of the most significant receipts and payments as follows:

8.1 Receipts

Receipts received to date include £1.8 million in respect of the first draw down of the repayable loan facility and £51,812 cash at bank received from the Company's House Accounts shortly following the JSAs' appointment.

The £1.8 million drawn down from the repayable loan facility may only be used to defray costs associated with achieving Objective 1 and, therefore, any costs directly attributable to the orderly winding down of the Company will need to be met from House Assets (insofar as realisations permit), such as the cash at bank received to date and any other future realisations.

The JSAs have also taken receipt of the Client Money held in the CMP as at the time of their appointment and segregated any additional Client Money received thereafter in the requisite post pooling accounts.

8.2 Payments

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

8.2.1 Wages and salaries

Net salaries totalling £229,748 have been paid to 7 April 2020, along with PAYE & NIC and pension contributions of £140,160 and £56,017 respectively. Additional staff benefits and expenses have also been paid in the pursuit of Objective 1, totalling £5,156.

8.2.2 Property costs

Sums paid in respect of the Premises total £134,352 during the report period which includes rent, service charges, utilities and cleaning.

8.2.3 IT Suppliers

In order to extract the required information from VAULT, generate revised Client Statements and develop the Portal, it has been necessary to secure the services of Manresa Consulting Limited, an IT consultancy that has prior experience of developing code to enhance VAULT's functionality. In addition, several undertakings have been provided to IT software and service providers, such as Bloomberg and Fusion Technology Solutions

Limited, in order to maintain critical operations and websites. A total of £130,705 plus VAT has been paid to IT Suppliers during the report period.

8.2.4 Agents' fees and expenses

The JSAs have engaged several agents to assist in achieving the Objectives of the Special Administration. Further detail in respect of the agents and professional advisors engaged is included at section 10.

During the report period, we have paid £182,545 plus VAT (where applicable) to such agents for their assistance in pursuing Objective 1. The balance of Hilco's fees in respect of valuation services will subsequently be paid from the House Account as these were incurred in pursuit of Objective 3.

8.2.5 Statutory costs

During the report period, £86,570 plus VAT was paid in respect of outsourced printing and posting (£67,986), statutory advertising (£10,524) and holding the initial meeting of Clients and Creditors at etc. venues, 155 Bishopsgate, London (£8,060). Of this, £85,903 has been incurred in pursuit of Objective 1 and paid from the repayable loan facility accordingly.

9. Estimated outcome for Clients and Creditors

9.1 Clients

The JSAs anticipate that, other than a very small number of exceptions, there will be a full return to Clients in respect of Custody Assets and Client Money.

The exceptions relate to a small number of Clients who may not be eligible to receive compensation in respect of any shortfalls arising from the transfer of Client Assets and the deduction of their share of certain costs of the Special Administration. The JSAs are liaising directly with any Clients that may be affected in this regard.

The JSAs are currently exploring, together with the Creditors' Committee, including the FSCS, the most appropriate basis and methodology for allocating the costs incurred by the JSAs in pursuing Objective 1. At present, the JSAs and the Creditors' Committee anticipate that those costs will be levied as a fixed sum per Client in relation to Custody Assets, subject to a cap of the value of the Custody Assets (where the value of the Client's Custody Assets is less than the fixed sum). Further details of these arrangements will be provided in the Distribution Plan which, in due course, will need to be approved by both the Creditors' Committee and the Court. Costs for dealing with Client Money will be levied as a fixed percentage of the Client Money balance.

9.2 Secured creditors

The Company granted security conferring both fixed and floating charges to NatWest on 4 April 2016. At the time of the JSAs' Proposals, it was understood NatWest was owed £1,976 in respect of an outstanding credit card debt. Further claims have, however, been lodged and it is understood the total indebtedness is now £8,876 including additional bank charges.

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

9.3 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 for secured creditors, the ability to pay a distribution to preferential creditors will depend upon the level of realisations from House Assets, the associated costs of such realisations and the costs incurred in respect of pursuing Objective 2 and Objective 3. Until the marketing of the Company's business and assets has been concluded, the JSAs are unable to provide an indication of dividend prospects as this may prejudice realisations.

9.4 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 or negligence;
3. Ordinary unsecured creditors, which include the claims of trade creditors, HMRC and employees' non-preferential claims (to include the subrogated claim of the RPS and any employees with residual unsecured claims).

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

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. During the report period, claims received from Creditors totalled £1.1 million.

9.5 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 the marketing of the Company's business and assets has 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.

10. Costs of the Special Administration

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

- a. The pre-Special Administration costs incurred by S&W and Foot Anstey;

Reyker Securities PLC (in special administration)

- b. The JSAs' post-appointment remuneration; and
- c. The JSAs' expenses and disbursements (to include category 1 and category 2 disbursements).

Further detail in respect of these costs is provided below.

10.1 Pre-Special Administration costs

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

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

Charged by	Services	Amount charged £	Amount paid £	Who made payment	Amount unpaid £
Smith & Williamson LLP	Pre-Administration Time-Costs	96,135	Nil	N/A	96,135
Foot Anstey LLP	Legal Advice	65,412	Nil	N/A	65,412
Total		161,547	Nil	N/A	161,547

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

The pre-Special Administration costs for both S&W and Foot Anstey have been calculated on a time cost basis. The table above confirms the extent of time charged, sums received to date and the balance of fees that remain unpaid as at the date of the Special Administration.

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

In accordance with the Regulations and Rules, the payment of the unpaid pre-Special Administration costs as an expense of the Special Administration is subject to the approval of the Creditors' Committee. At the first meeting of the Creditors' Committee held on 30 January 2020, a resolution was passed approving the unpaid pre-Special Administration costs. During the report period, no sums have been drawn in this regard.

10.2 Smith & Williamson LLP advisory work

Prior to assisting the Company with its application to Court for the Special Administration, the JSAs' advised the Company from 5 June 2019 under two engagement letters dated 5 June 2019 and 30 July 2019. This work included:

- Preparing a cash flow report for the Company;
- Assisting the Company in the provision of information to a party interested in acquiring its share capital;
- Attending meetings with the party offering to acquire the Company's share capital;
- Advising the Company in employee communications;
- Liaising with the Company's shareholder group;
- Participating, with the directors, in conference calls with the FCA;
- Attending meetings with the directors and the shareholders;

- Working with the Company and its solicitors and Counsel in consideration of claims made against the Company and its officers;
- Assisting in the establishment of a data room of information for parties interested in acquiring the business;
- Advising the Company on the options available to it;
- Assisting in the preparation of a sales memorandum for the business;
- Agreeing a list of parties to approach as possible buyers of the business;
- Marketing the business for sale; and
- Advising the Company as to discussions with interested parties.

Smith & Williamson LLP was paid £133,021.25 plus VAT for work completed in this period. Outstanding time costs relating to this period will not be recovered.

10.3 Post-Special Administration costs

10.3.1 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 Clients share of the costs); and
- Objective 2 and Objective 3, which will ordinarily be paid out of the Company's House Assets.

The basis of the JSAs' remuneration may be fixed:

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

The basis upon which the JSAs may be remunerated is a matter for the Creditors' Committee to consider and approve by way of resolution in accordance with the Regulations and Rules. During the report period, at each committee meeting, dialogue was entered into with the Creditors' Committee, which includes the FSCS, and the JSAs proposed that their remuneration be fixed on a time cost basis.

10.3.2 The JSAs' time costs to 7 April 2020

During the period from 8 October 2019 to 7 April 2020, the JSAs have incurred total time costs of £1,688,609, which represents approximately 3,890 hours at an average charge out rate of £434 per hour.

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

Shortly following the report period, the Creditors' Committee met on 20 April 2020 and passed the following resolutions with respect to the JSAs' remuneration:

1. The basis of the JSAs' remuneration in pursuit of Objectives 1, 2 and 3 be fixed in accordance with Rule 196 of the Special Administration Rules by reference to the time properly given by the JSAs and their staff in attending to matters arising in the Special Administration, calculated at the prevailing standard hourly charge out rates used at the time when the work is performed, plus VAT;
2. The JSAs' time costs incurred by the JSAs and their staff in the period 8 October 2019 to 7 April 2020, totalling £1,688,608.50 (plus VAT), are approved;
3. The basis of the JSAs' remuneration is to be kept under review and modified as appropriate for remuneration going forward which may include an incentive-based scaling of the overall recoverability



of the JSAs' time costs subject to the total costs of the special administration and the resulting cost per client; and

4. Where appropriate the JSA's are authorised to draw their fees for the period to 7 April 2020 and settle expenses for the same period in accordance with the Investment Bank Special Administration (England and Wales) Rules 2011.

At the time of writing, no sums have been drawn with respect to the above resolutions.

10.3.3 Further information on the JSAs' remuneration

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

As referenced above, the proposed rates were agreed by the Creditors' Committee by way of resolution passed on 20 April 2020 (albeit the JSAs' remuneration is to be kept under review and modified as appropriate for remuneration going forward in accordance with a further resolution requested and passed by the Creditors' Committee).

A Creditors' and Clients' guide to the JSAs' fees can be found on the website www.ips-docs.com or, alternatively, <https://smithandwilliamson.com/en/services/restructuring-and-recovery-services/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.

10.4 Expenses

10.4.1 Professional advisors' and agents' fees and expenses

During the report period, the JSAs have engaged the following professional advisors and agents. The table confirms the basis of our fee arrangement with each of them which is subject to review on a regular basis.

Name of professional Adviser	Services	Basis of fee arrangement
Foot Anstey LLP	Legal advice	Time costs plus disbursements
Seneca Partners Ltd	Marketing and assistance with negotiating a sale of the business and assets	Time costs plus disbursements
Hilco Appraisal Ltd	Valuation of the Company's physical assets	Fixed fee
ERA Solutions Ltd	Employee claim assistance	Fixed fee / employee
SAR experienced consultant	Reconciliation and audit of Custody Assets and Client Money and client communications	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
Granite Star Consultancy Ltd	Consultancy	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 since appointment, including whether they have been incurred in respect of pursuing Objective 1 and/or Objectives 2 & 3, together with confirmation as to whether those amounts have been paid or remain unpaid.

The choice of agents and advisors and the basis of their fees was based on factors including, but not limited to, their experience, the complexity of the assignment and their geographic location.

Shortly following the report period, the Creditors' Committee met on 20 April 2020 and passed the following resolutions with regard to the JSAs' key professional advisors:

1. That the professional fees of Foot Anstey LLP incurred in the period from 8 October 2019 to 7 April 2020, totalling £359,645 (plus VAT and disbursements) are approved; and
2. That 25% of the professional fees of Seneca charged on a time costs basis and incurred in the period from 8 October 2019 to 7 April 2020, being £47,125 plus VAT and disbursements, are approved for immediate payment but, in light of the aborted sale, the JSAs are requested to seek a discount on Seneca's total fees incurred in the period (being £188,500 plus VAT and disbursements) and to report back to the creditors' committee.

10.4.2 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, to date:

Description	Obj 1 expenses incurred £	Obj 2&3 expenses incurred £	Total expenses incurred £	Total expenses paid £	Total expenses outstanding £
IT services and suppliers (incl. Microsoft)	6,037	-	6,037	-	6,037
Travel & sustenance	1,180	-	1,180	-	1,180
TV licence renewal	155	-	155	-	155
Bonding	-	140	140	-	140
Postage	21	-	21	-	21
Total	7,392	140	7,532	-	7,532

Costs incurred are shown exclusive of VAT.

Category 2 disbursements are internal expenses incurred by S&W that include an element of allocated costs or a profit element. Category 2 disbursements are subject to the same approval as the JSAs' remuneration.

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

Description	Obj 1, Cat 2 expenses incurred £	Obj 2&3, Cat 2 expenses incurred £	Total Cat 2 expenses incurred £	Total Cat 2 expenses paid £	Total Cat 2 expenses outstanding £
Smith & Williamson Fund Administration Limited (Call centre services)	38,700	-	38,700	-	38,700
Total	38,700	-	38,700	-	38,700

Costs incurred are shown exclusive of VAT

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

In accordance with the Regulations and the Rules, the drawing of Category 2 disbursements is subject to the approval of the Creditors' Committee. At the first meeting of the Creditors' Committee held on 30 January 2020, a resolution was passed approving the extent of Category 2 disbursements referenced in the JSAs' Proposals. At the time of writing, no sums have been drawn in this regard.

11. 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.

12. 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/rrsgdpr.

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.

13. 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

14. Next report

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

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

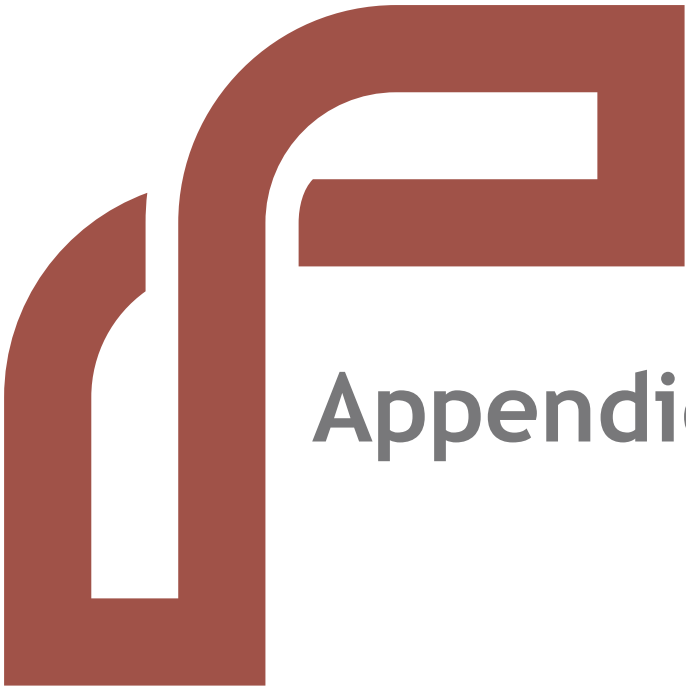
[https://smithandwilliamson.com/en/services/restructuring-and-recovery-services/reyker-securities-plc/.](https://smithandwilliamson.com/en/services/restructuring-and-recovery-services/reyker-securities-plc/)

For and on behalf of the Company



Mark Ford
Joint Special Administrator

Date: 5 May 2020



Appendices

A. Statutory information

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

B. Subsidiaries

Direct, wholly owned subsidiaries

The Company directly holds 100% of the issued ordinary share capital of the following entities:

1. Reyker Nominees Limited
2. Reyker Brokerage Limited
3. Reyker Brokerage Nominees Limited
4. Reyker BV Nominees Limited
5. Reyker Capital Limited
6. Reyker Compliance Limited
7. Reyker Crowdstake Nominees Limited
8. Reyker Europe Limited
9. Reyker Far East Limited
10. Reyker Financial Limited
11. Reyker Group Limited
12. Reyker Investment Products Limited
13. Reyker Limited
14. Reyker Online Limited
15. Reyker Online Nominees Limited
16. Reyker Property Developments Limited
17. Reyker Property Funds Limited
18. Reyker Safe Custody Limited
19. Reyker Safe Custody Nominees Limited
20. Reyker Services Limited
21. Reyker Technology Limited
22. Reyker Trustees Limited
23. Reyker USA Limited
24. Reyker Wealth Limited
25. 4thekids Limited
26. Augere Financial Limited
27. Augere International Limited
28. Lumen Group Limited
29. Reyker Trust & Depositary Nominees Limited
30. Reyker Trust & Depositary Services Limited

Indirect, wholly owned subsidiaries

The Company indirectly holds 100% of the issued ordinary share capital of the following entities:

1. Reyker Depositary Limited
2. Reyker Depositary Nominees Limited
3. Reyker SIPP Trustees Limited
4. Lumen Investment Nominees Limited

Significant, controlling interests

The Company holds a significant, controlling interest in the following entities:

1. Reyker Financial Products Limited
2. Reyker Structured Investments Limited
3. Reyker UAE Limited
4. Reyker Wealth Products Limited
5. TI Isomer Capital Nominees Limited

C. 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.



D. Receipts and payments from 8 October 2019 to 7 April 2020

House and Objective 1 funding account

Est. to Realise		House Account	Objective 1 Account	Total
£		£	£	£
RECEIPTS				
N/A	Repayable Loan Facility	-	1,800,000.00	1,800,000.00
51,812.15	Cash at Bank	51,812.15	-	51,812.15
N/A	Corporate Action Receipts	9,520.00	-	9,520.00
55,403.56	Employee & Shareholder Loans	3,152.64	-	3,152.64
N/A	Bank Interest Gross	72.09	447.86	519.95
Uncertain	Artwork	-	-	-
24,369.10	Book Debts	-	-	-
NIL	Investments	-	-	-
45,000.00	Office Furniture & Equipment	-	-	-
Uncertain	Other Debtors	-	-	-
187.31	Petty Cash	-	-	-
34,792.00	Prepayments & other deposits	-	-	-
NIL	Rent Deposits	-	-	-
Uncertain	Reyker VAULT (bespoke IT system)	-	-	-
Uncertain	Trademarks	-	-	-
Uncertain	Goodwill	-	-	-
		64,556.88	1,800,447.86	1,865,004.74
PAYMENTS				
	Wages & Salaries	-	(229,748.37)	(229,748.37)
	Agents' Fees & Expenses	-	(182,544.89)	(182,544.89)
	PAYE & NIC	-	(140,160.13)	(140,160.13)
	Property Costs	-	(134,352.15)	(134,352.15)
	IT Suppliers	-	(130,704.50)	(130,704.50)
	Irrecoverable VAT	(133.40)	(96,190.55)	(96,323.95)
	Statutory Costs	(667.00)	(85,902.53)	(86,569.53)
	Pension Contributions	-	(56,016.18)	(56,016.18)
	Insurance	-	(32,187.82)	(32,187.82)
	Telephone & Internet	-	(12,844.61)	(12,844.61)
	General Suppliers	-	(10,983.35)	(10,983.35)
	Staff Benefits & Expenses	(263.00)	(5,155.82)	(5,418.82)
	Irrecoverable US Tax	-	(3,316.35)	(3,316.35)
	Petty Cash	-	(400.00)	(400.00)
	Bank Charges	(1.25)	(359.30)	(360.55)
	Subscriptions	-	(40.00)	(40.00)
		(1,064.65)	(1,120,906.55)	(1,121,971.20)
	Balances in Hand	63,492.23	679,541.31	743,033.54



Client Money receipts & payments

	GBP	AUD	CAD	CHF	DKK	EUR	JPY	NOK	PLN	SEK	USD	ZAR
CLIENT MONEY - PRIMARY POOL												
Balance as at 8 October 2019	48,392,462	3,404	250	61,516	-	7,251,564	29,372	205	-	965,428	2,730,148	468,145
Balances to hand	48,392,462	3,404	250	61,516	-	7,251,564	29,372	205	-	965,428	2,730,148	468,145
CLIENT MONEY - POST POOLING ACCOUNTS												
RECEIPTS												
Dividend income and corporate action payments	25,284,445	26,843	126	1,553	1,456	1,049,052	712,457	172,728	486	1,000,351	7,645,132	-
HMRC tax refund	39,135	-	-	-	-	-	-	-	-	-	-	-
Funds received in error	188,272	-	-	-	-	-	-	-	-	-	2,969,982	-
Bank interest	291	-	-	-	-	-	-	-	-	-	-	-
	25,512,144	26,843	126	1,553	1,456	1,049,052	712,457	172,728	486	1,000,351	10,615,114	-
PAYMENTS												
Return of funds received in error	(35,750)	-	-	-	-	-	-	-	-	-	(2,895,732)	-
Hardship payments (excluding those paid by FSCS)	-	-	-	-	-	-	-	-	-	-	-	-
Bank charges (paid from interest rec'd in period)	(262)	-	-	-	-	-	-	-	-	-	-	-
	(36,012)	-	-	-	-	-	-	-	-	-	(2,895,732)	-
Post-pooling balances to hand	25,476,132	26,843	126	1,553	1,456	1,049,052	712,457	172,728	486	1,000,351	7,719,382	-
Total cash resource as at 7 April 2020	73,868,594	30,247	376	63,069	1,456	8,300,617	741,829	172,933	486	1,965,779	10,449,529	468,145
RECONCILES TO:												
Natwest	52,295,793	26,853	376	61,516	-	5,864,851	705,174	205	-	1,159,465	2,301,101	-
Kas Bank	21,144,767	3,395	-	1,553	1,456	2,435,766	36,655	172,728	486	806,314	8,146,880	468,145
All Funds	27,787	-	-	-	-	-	-	-	-	-	1,548	-
Capital IOM	400,246	-	-	-	-	-	-	-	-	-	-	-
	73,868,594	30,247	376	63,069	1,456	8,300,617	741,829	172,933	486	1,965,779	10,449,529	468,145



Notes and further information required by SIP 7

1. All House bank accounts are interest bearing
2. The repayable loan facility may only be used to defray the associated costs of pursuing Objective 1
3. The Company's own House Assets may be used to defray the associated costs of pursuing Objective 2 and 3 (insofar as realisations permit);
4. Client Money within the CMP is held separately to both House Assets and the Repayable Loan Facility in designated Client accounts and held on trust for Clients;
5. Client Money received following the PPE are held in Post Pooling Accounts and segregated from the CMP, House Assets and the Repayable Loan Facility.
6. All amounts in the receipts and payments account are shown exclusive of any attributable VAT. VAT is not recoverable in this matter and, accordingly, where VAT is charged and paid on expenses, it is shown as irrecoverable VAT;
7. The JSAs have not drawn any remuneration or category 2 disbursements to date. The drawing of such remuneration and disbursements requires the consent of the Creditors' Committee. Further detail in respect of resolutions passed by the Creditors' Committee in this regard can be found in section 10 of this report.



E. Expenses incurred from 8 October to 7 April 2020

Name of professional Adviser	Services	Obj 1 costs incurred £	Obj 2 & 3 incurred £	Total costs incurred £	Costs paid £	Costs outstanding £
Foot Anstey LLP	Legal advice	304,673.80	55,763.67	360,437.47	NIL	360,437.47
Seneca Partners Ltd	Marketing and assistance with negotiating a sale of the business and assets	193,433.34	-	193,433.34	NIL	193,433.34
Hilco Appraisal Ltd	Valuation and sale in part of the Company's physical assets	-	7,186.41	7,186.41	NIL	7,186.41
ERA Solutions Ltd	Employee claim assistance	-	1,470.00	1,470.00	NIL	1,470.00
SAR experienced consultant	Reconciliation and audit of Custody Assets and Client Money and client communications	38,529.01	-	38,529.01	38,529.01	NIL
Fourthline Ltd	SAR and CASS recruitment	74,566.73	-	74,566.73	74,566.73	NIL
Arthur Financial Ltd	IT recruitment	4,500.00	-	4,500.00	4,500.00	NIL
Claret Recruitment Ltd	Recruitment	47,651.65	-	47,651.65	47,651.65	NIL
Granite Star Consultancy Ltd	Consultancy	16,840.00	-	16,840.00	16,840.00	NIL
MHR International UK Ltd	Payroll services	457.50	-	457.50	457.50	NIL
CAPA	Property audit and business rates review	-	-	NIL	NIL	NIL
Marsh	Insurance brokers	TBC	TBC	TBC	TBC	TBC
		680,652.03	64,420.08	745,072.11	182,544.89	562,527.22



F. JSAs' time costs to 7 April 2020

Overview

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

JSAs' time costs incurred from 8 October to 7 April 2020

Classification of work function	Hours					Total hours	Time cost	Average hourly rate
	Partner / Associate Director	Manager/ Assistant Manager	Other professional staff	Assistants & support staff				
Objective 1: Client Monies								
Strategy and planning	20.60	1.55	10.50	7.00	-	39.65	£ 21,046.00	£ 530.79
Client communications	44.15	1.00	103.35	73.35	0.25	222.10	£ 94,336.00	£ 424.75
Client statements	4.40	-	26.90	5.65	-	36.95	£ 17,063.00	£ 461.79
Client identification / tracing	13.80	-	-	-	-	13.80	£ 9,315.00	£ 675.00
Committee liaison	3.88	5.13	14.66	-	-	23.66	£ 11,484.88	£ 485.36
Reconciliations	16.10	5.00	14.30	120.70	-	156.10	£ 35,690.25	£ 228.64
Transfers / returns / sale	26.75	0.75	2.05	-	-	29.55	£ 19,387.50	£ 656.09
Trading matters	15.65	-	61.25	1.10	-	78.00	£ 39,112.75	£ 501.45
Reporting	1.95	-	2.00	-	-	3.95	£ 1,996.25	£ 505.38
Total	147.28	13.43	235.01	207.80	0.25	603.76	£ 249,431.63	£ 413.13
Objective 1: Custody Assets								
Storage & back up of of client data	3.25	-	4.00	49.75	-	57.00	£ 15,140.00	£ 265.61
Strategy and planning	34.20	4.85	62.15	50.00	-	151.20	£ 65,160.75	£ 430.96
Client communications	162.30	11.50	421.65	386.90	0.50	982.85	£ 400,027.75	£ 407.01
Client statements	22.15	0.65	72.95	0.70	10.00	106.45	£ 47,456.00	£ 445.81
Client identification / tracing	7.90	0.50	0.20	-	-	8.60	£ 5,702.50	£ 663.08
Committee liaison	11.63	15.38	43.99	-	-	70.99	£ 34,454.63	£ 485.36
Reconciliations	41.75	-	17.05	141.05	-	199.85	£ 54,645.75	£ 273.43
Open trades	24.70	28.50	2.25	-	-	55.45	£ 32,882.50	£ 593.01
Corporate actions	14.70	51.00	18.90	0.60	-	85.20	£ 46,150.50	£ 541.67
Post Pooling Monies	12.15	40.00	38.50	-	-	90.65	£ 47,041.25	£ 518.93
Transfers / returns / sale	149.70	6.00	18.75	2.70	-	177.15	£ 113,545.50	£ 640.96
Trading matters	71.15	31.50	306.40	203.10	-	612.15	£ 257,242.50	£ 420.23
Data Subject Access Requests	-	-	2.25	0.10	-	2.35	£ 1,116.25	£ 475.00
Reporting	-	0.50	0.75	0.20	-	1.45	£ 583.00	£ 402.07
Total	555.58	190.38	1,009.79	835.10	10.50	2,601.34	£ 1,121,148.88	£ 430.99
Objective 2: Liaison with Regulatory Bodies								
Total	55.80	-	18.40	4.00	-	78.20	£ 47,161.25	£ 603.09
Objective 3: Company ("House")								
Administration & planning	75.70	49.90	178.20	41.00	0.25	345.05	£ 164,113.50	£ 475.62
Investigations	4.45	68.60	16.95	43.65	-	133.65	£ 53,702.00	£ 401.81
Realisation of assets	3.30	0.25	12.20	3.90	-	19.65	£ 9,250.00	£ 470.74
Creditors	13.55	1.10	36.45	16.75	0.70	68.55	£ 28,798.00	£ 420.10
Corporate Tax	7.40	-	-	-	-	7.40	£ 5,068.25	£ 684.90
Forensics	1.00	-	11.50	19.75	-	32.25	£ 9,935.00	£ 308.06
Total	105.40	119.85	255.30	125.05	0.95	606.55	£ 270,866.75	£ 446.57
Grand Total	864.05	323.65	1,518.50	1,171.95	11.70	3,889.85	£ 1,688,608.50	£ 434.11



Detailed narrative of tasks undertaken

Objective 1: Client Money time costs

Strategy & planning

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

Client communications

- Issuing initial letters to all Clients with Client Money notifying them of our appointment
- Drafting announcement and hosting important updates on the Company's own website
- Setting up a Client helpline number and directing calls to the Company's Client services team and S&W overflow call centre
- Setting up a dedicated email address for Client queries
- Drafting extensive FAQ document and publishing on the Company's website
- Training the Company's staff and S&W overflow call centre staff to deal with Client queries
- Preparing documents for the website to inform Clients of the Special Administration process
- Setting up systems and dealing with Client communications by email, letter and telephone
- Liaison with institutional Clients and retail corporate Clients
- Drafting and circulating second letter to Clients regarding the JSAs' Proposals and enclosing Client Statements (see below)
- Drafting and making available the JSAs' Proposals
- Convening and initial preparations for the Initial Meeting, to include sourcing an appropriate venue
- Review of Client addresses and updating the VAULT database
- Review and consideration of developing the Company's Client portal to provide Clients with information and to agree claims for distribution / transfer in due course
- Development of a bespoke online Client Claim Portal for the purpose of Clients agreeing their Client Money holdings, along with associated literature on how to use the Client Claim Portal
- Setting a Bar Date for Client Money and providing notice to all Clients
- Training S&W case staff to assist the Client Services team with Client queries by phone and email
- Answering Client queries by phone, email and post during the Bar Date period

Client statements

- Preparation of Client Statements shortly after appointment to create back up record of Client positions
- Preparation of Client Statements as at date of appointment for information and voting purposes
- Reviewing VAULT and Client data for omissions and corrections
- Liaising with IT contractor to write code to generate reports and statements in required reporting format (e.g. to aggregate Client accounts, include granular detail of stock and cash balances per account and include statutory disclaimers as a footer)
- Transferring reports into pdf format and devising strategy to match covering letter to Client statement in one pdf file for each Client and subsequent printing



- Aggregating and consolidating Client accounts into groups on VAULT so that only one statement is generated per Client (as opposed to previous system of one statement per Client plan - some Clients hold multiple accounts)
- Investigating circa 400 Client accounts with a negative cash balance and subsequent adjustments
- Sampling of stock prices and currency exchange rates to confirm statements are correct as at close of business on 7 October 2019
- Extensive discussions with directors of Reyker Trust and Depositary Services Limited, solicitors and Clients as to correct treatment of several million pounds of Client Money
- Posting adjustments, where necessary, following the completion of the JSAs' Reconciliation
- Uploading Client statements to the bespoke online Client Claim Portal for the purpose of Clients agreeing their Client Money holdings
- Investigating and resolving queries raised by Clients with regard to their holdings

Client identification / tracing

- Reviewing Client contracts to establish, with solicitors, the direct and underlying Client relationships and communicating findings to the FSCS
- Reviewing Client records to identify Clients' ownership of money held
- Processing addressee gone away letters and attempts to locate Clients through alternative communication, e.g. email and telephone where details are on file
- Processing Clients' change of address requests and undertaking necessary identity checks
- Establishing new accounts with data providers for client verification

Committee liaison

- Liaising with the nominated members in order to collate the requisite consents to act and non-disclosure agreements in order to permit the constitution of the Creditors' Committee following the initial meeting of Clients and Creditors held on 16 December 2019;
- Completing the necessary forms to constitute the Committee and filing with the Registrar of Companies;
- Preparing and holding monthly meetings of the Creditors' Committee;
- Documenting proceedings of the meetings, to include detailed minutes of matters discussed;
- Ad hoc email communication with the members of the Creditors' Committee members.

Reconciliations

- Review of Company's cash accounting system
- Initial work undertaken to reconcile Client Money to the records held in accordance with CASS regulations
- Liaising with staff as regards existing reporting and refinements required under CASS/SAR
- Discussions with HMRC about ISA matters, including obtaining information from them, and any proposed public comments which HMRC might wish to make
- Project team meetings in respect of reconciliation methods, practicalities, staffing and progression
- Sourcing appropriate professional contractors with banking and SAR experience to assist the JSAs with their own reconciliation of the Company's records, to include discussions with recruitment agents and interviewing respective candidates
- Discussions with external contractors as regards their remit and strategy for assistance on the reconciliation exercise.
- Discussions with banks (e.g. KAS bank, Allfunds, NatWest, etc.) for the purposes of gaining access to relevant information and maintenance of the Company's existing relationship with these bodies.
- Allocating additional audit resource in order to complete the initial review prior to the end of 2019
- Adjusting, where necessary, following the completion of the JSAs' Reconciliation
- Review of ISA and JISA accounts and tax considerations



Transfers / returns / sale

- Planning the strategy for the return of Client Money and seeking appropriate legal advice
- Engaging with Seneca to assist with marketing the business for sale to one or more interested parties / regulated brokers
- Preparation of sale memoranda and compiling information for data room and requests for additional information
- Liaising with Company's staff for required information
- Entering non-disclosure agreements and facilitating initial discussions with interested parties
- Seeking legal advice with regard to the terms of any future sale and basis of a transfer (e.g. use of Bar Date)
- Dealing with queries from interested parties and Seneca and managing the flow of information
- Meeting and negotiating with interested parties and facilitating due diligence
- Reviewing offers received and consulting other regulatory stakeholders
- Accepting an offer subject to contract and drafting heads of terms
- Liaising with our legal advisors in respect of drafting a sale and purchase agreement for the business and assets of the Company based on the headline agreed terms
- Maintaining a dialogue with underbidders
- Undertaking discussions with other brokers who may be interested in taking a partial transfer of Client Assets should a sale of business and a wholesale transfer not be achieved

Trading matters

- Review of critical operations and preparation of a cashflow forecast for the Special Administration period
- Discussions with prospective funders, negotiating and finalising funding terms and subsequent drawdown requests
- Managing and consulting with employees retained post Special Administration
- Holding employee group briefings and 1-2-1 meetings to update staff on progress of the Special Administration and answer any queries they may have regarding their continued employment
- Administering the Company's payroll, including associated tax related matters
- Collating and review of information regarding the Company's pension schemes and defraying the necessary monthly contributions
- Ensuring contractual benefits offered to employees and relevant insurances remain in place
- Review of critical suppliers and providing undertakings to, and liaising with, key suppliers in relation to provision of services and information post Special Administration
- Negotiating terms of continued supply where pre-appointment debts remain outstanding to suppliers
- Ensuring controlled functions, as required by the FCA, are fulfilled
- Raising, approving and monitoring purchase orders and setting up control systems for trading
- Reviewing the Company's leasehold premises and discussions with landlord required occupying less space for the purpose of the administration
- Review of rent, service charge and utility charges
- Liaising with IT and data providers to ensure continuity of services
- Dealing with all matters requiring the ongoing functioning of the business to ensure Client matters are dealt with expeditiously and in a cost-effective manner
- Conducting necessary consultancies and redundancies
- Provision of references for former employees of the Company



Objective 1: Custody Assets time costs

Strategy & planning

- Case and file set up and planning strategy for dealing with Custody Assets held
- Review of the Company's nominee and stock control systems
- Setting up Custody Asset accounts with Euroclear and other providers in relation to Client Assets, and locating and reviewing safe held assets
- Consideration of strategy as regards to physically held assets
- Obtaining Client data, reviewing transactions and dealing with charges and other issues arising
- Liaising with FSCS as regard strategy and timing of any compensation to be paid to Clients
- Planning and strategy and discussions with interested parties / brokers as regard future stock transfers
- Consideration of the repatriation of Client Assets and the Bar Date and Distribution Plan process and taking legal advice and liaising with FCA and FSCS

Client communications

- Issuing initial letters to all Clients with Custody Assets notifying them of our appointment
- Drafting announcement and hosting important updates on the Company's own website
- Setting up a Client helpline number and directing calls to the Company's Client services team and S&W overflow call centre
- Setting up a dedicated email address for Client queries
- Drafting extensive FAQ document and publishing on the Company's website
- Training the Company's staff and S&W overflow call centre staff to deal with Client queries
- Preparing documents for the website to inform Clients of the Special Administration process
- Setting up systems and dealing with Client communications by email, letter and telephone
- Liaison with institutional Clients and retail corporate Clients
- Drafting and circulating second letter to Clients regarding the JSAs' Proposals and enclosing Client Statements (see below)
- Drafting and making available the JSAs' Proposals
- Convening and initial preparations for the Initial Meeting, to include sourcing an appropriate venue
- Review of Client addresses and updating the VAULT database
- Review and consideration of developing the Company's Client portal to provide Clients with information and to agree claims for distribution / transfer in due course
- Development of a bespoke online Client Claim Portal for the purpose of Clients agreeing their Custody Assets holdings, along with associated literature on how to use the Client Claim Portal
- Setting a Bar Date for Custody Assets and providing notice to all Clients
- Training S&W case staff to assist the Client Services team with Client queries by phone and email
- Answering Client queries by phone, email and post during the Bar Date period

Client Statements

- Preparation of Client Statements shortly after appointment to create back up record of Client positions
- Preparation of Client Statements as at date of appointment for information and voting purposes
- Reviewing VAULT and Client data for omissions and corrections
- Liaising with IT contractor to write code to generate reports and statements in required reporting format (e.g. to aggregate Client accounts, include granular detail of stock and cash balances per account and include statutory disclaimers as a footer)
- Transferring reports into pdf format and devising strategy to match covering letter to Client statement in one pdf file for each Client and subsequent printing



- Aggregating and consolidating Client accounts into groups on VAULT so that only one statement is generated per Client (as opposed to previous system of one statement per Client plan - some Clients hold multiple accounts)
- Investigating circa 400 Client accounts with a negative cash balance and subsequent adjustments
- Sampling of stock prices and currency exchange rates to confirm statements are correct as at close of business on 7 October 2019
- Posting adjustments, where necessary, following the completion of the JSAs' Reconciliation
- Uploading Client statements to the bespoke online Client Claim Portal for the purpose of Clients agreeing their Custody Assets holdings
- Investigating and resolving queries raised by Clients with regard to their holdings

Client identification / tracing

- Reviewing Client contracts to establish, with solicitors, the direct and underlying Client relationships and communicating findings to the FSCS
- Reviewing Client records to identify Clients' ownership of money held
- Processing addressee gone away letters and attempts to locate Clients through alternative communication, e.g. email and telephone where details are on file
- Processing Clients' change of address requests and undertaking necessary identity checks
- Establishing new accounts with data providers for client verification

Committee liaison

- Liaising with the nominated members in order to collate the requisite consents to act and non-disclosure agreements in order to permit the constitution of the Creditors' Committee following the initial meeting of Clients and Creditors held on 16 December 2019;
- Completing the necessary forms to constitute the Committee and filing with the Registrar of Companies;
- Preparing and holding monthly meetings of the Creditors' Committee;
- Documenting proceedings of the meetings, to include detailed minutes of matters discussed;
- Ad hoc email communication with the members of the Creditors' Committee members.

Reconciliations

- Initial work undertaken to reconcile Custody Assets to the records held in accordance with CASS regulations;
- Liaising with staff as regards to existing reporting and refinements required under CASS/SAR
- Maintaining the Company's daily reconciliation procedures
- Project team meetings in respect of reconciliation methods, practicalities, staffing and progression
- Sourcing appropriate professional contractors with banking and SAR experience to assist the JSAs with their own reconciliation of the companies' records, to include discussions with agents and interviewing respective candidates
- Discussions with external contractors as regards to their remit and strategy for assistance on the reconciliation exercise.
- Discussions with Crest, Euroclear and LSE for the purposes of gaining access to relevant information and maintenance of the Company's existing relationship with these bodies.
- Allocating additional audit resource in order to complete the initial review prior to the end of 2019
- Adjusting, where necessary, following the completion of the JSAs' Reconciliation
- Review of ISA and JISA accounts and tax considerations

Open trades

- Identification and review of open trading positions and considering the impact on Client stock positions



- Liaising with FCA, the LSE, Euroclear and other bodies and counterparties as regards approach to be taken and finalising open positions
- Strategy and policy for dealing with all open trades
- Liaising with legal advisors
- Adjustments of Company records to reflect the cancellation of open positions

Corporate actions

- Correspondence and calls with Clients in relation to corporate actions requests
- Formulating a corporate actions policy, including liaising with our legal advisors
- Review of non-mandatory corporate action requests in line with internal corporate actions policy
- Executing non-mandatory corporate action requests (where possible) in conjunction with our legal advisors

Post pooling money

- Correspondence and calls with banks to set up accounts to segregate post pooling money
- Reviewing and identifying post pooling money received to date and internal sweeps as required
- Daily reconciliations of post pooling money Client accounts and posting receipts to respective Client statements
- Drafting initial process and protocol for returning post pooling money where circumstances of financial hardship are demonstrated
- Liaising with banks to remove external blocks in order to effect early return of post-pooling monies
- Legal advice regarding the treatment and return of post-pooling monies (where appropriate)

Transfers / returns / sale

- Planning the strategy for the return of Custody Assets and seeking appropriate legal advice
- Engaging with Seneca to assist with marketing the business for sale to one or more interested parties / regulated brokers
- Preparation of sale memoranda and compiling information for data room and requests for additional information
- Liaising with Company's staff for required information
- Entering non-disclosure agreements and facilitating initial discussions with interested parties
- Seeking legal advice with regard to the terms of any future sale and basis of a transfer
- Dealing with queries from interested parties and Seneca and managing the flow of information
- Meeting and negotiating with interested parties and facilitating due diligence
- Reviewing offers received and consulting other regulatory stakeholders
- Accepting an offer subject to contract and drafting heads of terms
- Liaising with our legal advisors in respect of drafting a sale and purchase agreement for the business and assets of the Company based on the headline agreed terms
- Maintaining a dialogue with underbidders
- Undertaking discussions with other brokers who may be interested in taking a partial transfer of Client Assets should a sale of business and a wholesale transfer not be achieved

Trading matters

- Securing share certificates
- Review of critical operations and preparation of a cashflow forecast for the Special Administration period
- Discussions with prospective funders, negotiating and finalising funding terms and initial drawdown
- Managing and consulting with employees retained post Special Administration



- Holding employee group briefings and 1-2-1 meetings to update staff on progress of the Special Administration and answer any queries they may have regarding their continued employment
- Administering the Company's payroll, including associated tax related matters
- Collating and review of information regarding the Company's pension schemes and defraying the necessary monthly contributions
- Ensuring contractual benefits offered to employees and relevant insurances remain in place
- Review of critical suppliers and providing undertakings to, and liaising with, key suppliers in relation to provision of services and information post Special Administration
- Negotiating terms of continued supply where pre-appointment debts remain outstanding to suppliers
- Ensuring controlled functions, as required by the FCA, are fulfilled
- Raising, approving and monitoring purchase orders and setting up control systems for trading
- Reviewing the Company's leasehold premises and discussions with landlord required occupying less space for the purpose of the administration
- Review of rent, service charge and utility charges
- Liaising with IT and data providers to ensure continuity of services
- Dealing with all matters requiring the ongoing functioning of the business to ensure Client matters are dealt with expeditiously and in a cost-effective manner
- Conducting one round of consultancies and redundancies

Data Subject Access Requests

- Dealing with data protection regulators and process for dealing with requests for information

Objective 2: Liaison with Regulatory bodies time costs

- Correspondence, calls and meetings with the FCA and FSCS
- Notification and exchanges of correspondence with LSE

Objective 3: Company ("House") time costs

Administration & Planning

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

Investigations

- Collating and review of the Company's books and records, to include financial and management accounts and bank statements
- Review of Company directorships and writing to all parties that have been directors within the 3 years' preceding the administration
- Issuing questionnaires to directors to assess reasons for the Special Administration



- Writing to the Company's bankers and obtaining copies of all bank statements for the two years preceding the Special Administration
- Preliminary review of the Company's affairs with a view to drafting a report to the Insolvency Service in accordance with the Company Directors Disqualification Act 1986
- Liaising with management to produce the director's Statement of Affairs
- Ongoing consideration as to whether any matters require further investigation and if there are any transactions or actions that may result in additional funds being recovered from third parties for the benefit of the Company's creditors
- Meeting with former director
- Further analysis regarding pre-appointment transactions and accounting practice

Realisation of assets

- Liaising with banks to freeze existing House accounts and setting up new accounts for company funds
- Arranging the transfer of cash at bank to an account under the control of the JSAs
- Collating and reviewing information regarding the Company's assets, to include management accounts and fixed asset register
- Identifying and securing Company assets, including establishing ownership of assets on site
- Making enquires of the Company's management
- Arranging ongoing insurance cover for the business and assets
- Liaising with post-appointment insurance brokers to assess risks and ensure appropriate cover is in place
- Engaging and meeting with Hilco as agent to value and realise Company assets
- Reviewing debtor ledger and debt collection strategy
- Making further enquiries with regards to artwork and other assets on balance sheet
- Review of group subsidiaries to establish whether there is any value in the Company's shareholdings
- Maintaining receipts and payments for House realisations and associated costs

Creditors

- Reviewing the inter-company creditor position between the Company and connected entities
- Collating creditor details and outstanding balances from the Company's accounts
- Notification of appointment to creditors and providing statutory notice to oversight regulatory bodies
- Correspondence and telephone calls with Company creditors
- Engaging and dealing with ERA Solutions to act as agents in relation to employee matters
- Submitting employee related claims to the Redundancy Payments Office
- Dealing with queries from employees regarding various matters relating to the Special Administration and their employment;
- Collating information and reviewing the Company's pension schemes and issuing requisite statutory notices.
- Communicating and corresponding with HM Revenue & Customs;
- Liaison with the landlord and dealing with court action in relation to creditor claims
- Noting employee claims for both voting and dividend purposes

Corporate Tax

- Providing initial advice and overview of the Company's VAT position and options and tax carry back status

Forensics

- Securing and frequent imaging Company and Client records
- Assisting with trading matters, e.g. remote working of Client Services and Safe Custody team



G. Staffing, charging policies and charge out rates

Introduction

Detailed below are policies in relation to staff allocation, the use of professional advisers and disbursement recovery. Also shown are charge out rates for the period applicable to this report.

Staff allocation

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.

Use of professional advisers

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

- The industry and/or practice area expertise required to perform the required work.
- The complexity and nature of the assignment.
- The availability of resources to meet the critical deadlines in the case.
- The charge out rates or fee structures that would be applicable to the assignment.
- The extent to which we believe that the advisers in question can add value to the assignment.

Disbursements

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

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

Details of any Category 2 disbursements incurred and/or recovered in the period covered by this report are set out in the body of this report.

S&WFS

S&WEBC is a pensions consultancy firm which specialises in providing advice to Insolvency Practitioners on their appointment in relation to all aspects of pensions. It is a division of S&WFS, a company associated with Smith & Williamson LLP.

S&WEBC may be engaged to deal with the Company's pension affairs. Payments to parties in which the joint special JSAs or their firm have an interest must be disclosed to, and approved by, creditors. Fees for their



services are accrued on a time costs basis. Consequently, details of the charge out rates for S&WEBC are provided to creditors.

Charge out rates

The rates applicable to this appointment are set out below.

Charge out rates from 1 July 2019	Restructuring & Recovery Services	Assurance & Business Services	Forensic Accounting	Corporate Tax
	£/hr	£/hr	£/hr	£/hr
Partner / Director	440 - 675	n/a	480 - 675	575 - 690
Associate Director	440 - 525	396	n/a	460
Managers	340 - 475	n/a	410 - 475	245 - 400
Other professional staff	225 - 475	265	240 - 475	115 - 200
Support & secretarial staff	125	n/a	125	60

Notes

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



H. Creditor claim form

The Investment Bank Special Administration Regulations 2011

Reyker Securities Plc (in Special Administration)

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

Please return:

By post: Reyker Securities plc (in special administration), c/o Smith & Williamson, 25 Moorgate, London, EC2R 6AY

By email: reyker.securities@smithandwilliamson.com



www.smithandwilliamson.com

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

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