



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

FAQs - Distribution Plan

August 2020

This document has been prepared by the joint special administrators ("JSAs") of Reyker Securities plc (in special administration) (the "Company"/"Reyker") and provides guidance about the transfer of Custody Assets.

These FAQs contain information about the Distribution Plan and the return of Clients' Custody Assets. You are encouraged to read these FAQs in conjunction with the Distribution Plan, the Explanatory Statement and any other communications you have received from the JSAs.

Capitalised terms used herein are as defined in other documents previously circulated by the JSAs. A full glossary of key terms regarding the Special Administration can be found at <https://smithandwilliamson.com/media/6710/glossary.pdf>.

This guidance does not relate to the transfer of Client Money. Further information in respect of this process is available at <https://smithandwilliamson.com/reyker-securities-plc/>, FAQs - Client Money Distribution.

This note does not constitute legal, tax, financial or other professional advice. Clients may wish to consider seeking independent professional advice before taking any action in connection with their Custody Assets and Client Money.

Q. What is a Distribution Plan?

In order to return Custody Assets to Clients the JSAs have prepared a Distribution Plan. This document is required by legislation governing special administrations and is a document that sets out how Custody Assets will be returned to Clients as quickly and efficiently as possible.

The Distribution Plan only applies to:

- Custody Assets held by the Company; and
- Client Money that has been received after 8 October 2019 as a result of corporate actions in respect of the Custody Assets held (e.g. dividends received).

The Distribution Plan should be read in conjunction with the Explanatory Statement, which provides a more accessible explanation of the Distribution Plan. Both of these documents can be found at <https://smithandwilliamson.com/reyker-securities-plc/>.

This Distribution Plan was approved by the Committee on 31 July 2020 and must be approved by the Court before it comes into effect. The Court hearing will be held in the High Court of Justice, Business and Property Courts, Insolvency and Companies List on 16 October 2020. At the Hearing the Court will decide whether to approve the terms of the Distribution Plan.

The Distribution Plan (once approved) will enable the transfer of almost all the Custody Assets to a small number of Nominated Brokers that the JSAs have selected, partly in consultation with key stakeholders. Clients will be informed of the details of the Nominated Brokers relevant to their Custody Assets, either shortly before or after the Court Hearing.





Q. What is the difference between Custody Assets and Client Money?

Custody Assets are the individual stocks and shares and other investments that Client's hold with the Company

Client Money is the cash held for Clients by the Company as at 8 October 2019 and, collectively, forms the Client Money Pool which crystallised on the JSAs' appointment.

Collectively, these are known as Client Assets.

Q. Does this affect me?

Only Clients with Custody Assets have been notified of the publication of the Distribution Plan.

If you have Custody Assets, the Distribution Plan determines how your Custody Assets will be returned to you. The vast majority of Custody Assets will be returned to Clients in full through a transfer to one of a small number of Nominated Brokers.

For most Clients the costs of returning Custody Assets will be paid by the FSCS. However, there are a small number of Clients who are not eligible to receive FSCS compensation, and they will be provided with a Payment Options Form to enable them to determine how their Share of the Costs should be settled.

Q. What do I need to do?

1. If you have not already done so, you should log onto the Portal and submit your claim to your Custody Assets. Access to the Portal can be found at www.reykerportal.com.
2. You are encouraged to read the Distribution Plan and Explanatory Statement carefully. You may find that the Explanatory Statement provides a more accessible explanation of the Distribution Plan.
3. You do not need then to do anything further until instructed to do so by the JSAs after 16 October 2020.
4. In due course the JSAs will provide you with a Client Assets Return Statement showing your Custody Assets and Corporate Actions Assets. This document will be available through the Portal and will provide:
 - i. details of the Nominated Broker to whom your Custody Assets will be transferred;
 - ii. the ability to opt-out of the Transfer to the Nominated Broker, and instead direct the JSAs to transfer your Custody Assets to a different broker. Please note that these individual transfers will be returned at a later date once the initial stages of the Transfers to the Nominated Brokers is complete. Therefore, opting out may result in a delay in accessing your Custody Assets; and
 - iii. for a small number of Clients where it has not been possible to identify a Nominated Broker to receive their assets, these Clients will be asked to provide their instructions as to where their Custody Assets should be transferred.
5. A small number of Clients who are not eligible to receive FSCS compensation will also be provided with a Payment Options Form through the Portal. This form will provide them with details of their Share of Costs incurred in relation to the return of their Custody Assets and allow them to provide their instructions on how these costs should be settled.





Q. How and when will my Custody Assets be returned?

The JSAs have concluded that the most appropriate and efficient strategy for the return of Custody Assets is an orderly transfer to a small number of Nominated Brokers. The JSAs have selected preferred brokers for the Transfers, whose identity and contact details will be notified to Clients in due course.

Transfers to the Nominated Brokers will cover the vast majority of Custody Assets, and the JSAs will transfer Custody Assets to the Nominated Brokers as quickly as possible once the Distribution Plan has been approved, with the aim of the Transfers starting in November 2020.

Custody Assets not transferring to one of the Nominated Brokers will be returned at a later date once the initial stages of the Transfers to the Nominated Brokers is complete. This includes transfers of Custody Assets where:

- a Client has opted for them to be sent to an alternative broker; and/or
- Clients not eligible to receive FSCS compensation who have not indicated how they will settle their Share of Costs incurred in relation to the return of their Custody Assets; and/or
- it has not been possible to identify a Nominated Broker to accept the transfer due to the nature of the asset (e.g. Child Trust Funds); and/or
- Clients owe a pre administration debt to the Company and this liability remains unsettled.

Q. What assets are being held for me?

On 6 March 2020 the JSAs wrote to Clients to tell them that a statement showing their Custody Assets holdings, and Client Money balance, was available to view on the Portal. Clients were asked to login to the Portal and submit their claim for the Custody Assets and Client Money balances shown. This statement showed your Custody Assets held, and Client Money balance, at the date of the special administration on 8 October 2019.

A Soft Bar Date of 7 April 2020 was provided, which is the date by which Clients were asked to agree their claim.

In due course the JSAs will provide you with a Client Assets Return Statement, via the Portal, which will show the current number of Custody Assets. In some instances, this number may differ from the position shown on 8 October 2019 due to corporate actions that have taken place in the intervening period.

If you have not yet reviewed and agreed your Custody Assets and Client Money claim, you should log onto the Portal and review your statement, prepared based on the Company's records, and submit your claim. Access to the Portal can be found at www.reykerportal.com.





Q. What are the costs of returning Custody Assets and who is paying them?

Legislation governing the special administration regime provides that the costs of returning Custody Assets are to be paid out of Custody Assets, i.e. by Clients.

The maximum amount of each Client's Share of Costs for the return of Custody Assets will be £2,500 (the costs for returning Client Money are calculated and recovered separately), and there are mechanisms in place to enable this maximum amount to be reduced if the actual costs are lower than the estimated costs. If your Custody Assets are valued at less than your Share of Costs, then your Share of Costs will be capped at the value of your Custody Assets.

For the vast majority of Clients, these costs will be settled by the FSCS and you will receive your Custody Assets back in full.

However, for a small number of Clients who:

- have a Custody Assets and Client Money claim with an aggregate value of more than £85,000 at the date of the special administration; and/or
- are not eligible to receive FSCS compensation

the FSCS will not automatically settle part or all of their Share of Costs. These Clients will be provided with a Payment Options Form to set out what quantum of costs they must pay and to enable Clients to indicate their preference for settling these costs.

Q. Am I an FSCS Protected Claimant?

An FSCS Protected Claimant is a Client eligible to receive FSCS compensation

It is anticipated that more than 98% of Reyker's Clients will be eligible for FSCS compensation and that all individual Clients (i.e. retail, not corporate) will receive 100% of their Custody Assets back in full.

Clients with Custody Assets and Client Money with a total value of less than £85,000 (as valued at 8 October 2019) are automatically treated by the FSCS as if they have submitted a claim for compensation to the FSCS on account of it exercising its power under COMP 3.2.1A of the FCA Handbook.

Clients with Custody Assets and Client Money with a total value of equal to or greater than £85,000 (as valued at 8 October 2019) will not be treated as having automatically claimed compensation from the FSCS. Such Clients are asked as part of the online claims process to confirm whether they wish to submit a claim for FSCS compensation or not (if not already done so).

The JSAs wrote to the Company's non-individual, corporate, Clients who may not be eligible for FSCS compensation in March 2020 requesting that they complete and return an eligibility assessment form in order that the FSCS can make a final determination in this regard. Clients that have been asked to complete the form and have not yet done so, should return it:

By email: reyker.securities@smithandwilliamson.com
By post: Reyker Securities plc (in special administration), c/o Smith & Williamson,
 25 Moorgate, London, EC2R 6AY

If you are subsequently determined to not be eligible for FSCS compensation, or a proportion of your Share of Costs will exceed the £85,000 compensation limit paid by the FSCS*, the JSAs will provide you with a Payment Options Form.

** If a Client has received compensation from the FSCS for their Client Money claim of £85,000 then they will not be eligible to receive FSCS compensation for their Share of Costs in relation to Custody Assets.*





Q. I am an FSCS Protected Claimant and do not owe anything to Reyker. Do I need to do anything?

No. Your Custody Assets will be returned to one of the selected Nominated Brokers, whose details you will receive in due course.

You may choose to opt out of the Transfer to the Nominated Broker and your Custody Assets will be distributed at a later date.

We will contact you if it is not possible to Transfer your Custody Assets to one of the selected Nominated Brokers.

Q. I am not eligible for FSCS compensation for some or all of my Share of Costs; how do I pay them?

If you need to pay some, or all, of your Share of Costs a Payment Options Form will be made available to you on the Portal. The Distribution Plan allows you to pay your Share of Costs by selecting one of the following options:

1. the Cash Option, under which you can pay the JSAs the amount due in GBP Sterling by bank transfer or cheque; and/or
2. the Client Money Option, under which you can instruct the JSAs to use part of your Client Money Distribution Entitlement (if applicable) to cover your Share of Costs; and/or
3. the Liquidation Option, under which you can instruct the JSAs to sell enough of your Custody Assets to cover your Share of Costs. You will be able to select which Custody Assets are sold. If this option results in a cash surplus, that surplus will be returned to you. This option may cause a delay as the mechanics to liquidate Custody Assets are more complicated.

Q. What else does the Distribution Plan cover?

The Distribution Plan will allow the JSAs to transfer the vast majority of Clients' Custody Assets to the small number of Nominated Brokers.

However, this document also details a number of more complex situations which the JSAs anticipate will only apply to a small number of Clients. These include:

- how Custody Assets that cannot be transferred to one of the small number of Nominated Brokers will be distributed by other means, and the options available to Clients who hold these assets;
- how the Costs will be shared across Clients, and how cost rebates will be calculated;
- how contractual debts owed by Clients to the Company will be paid. This affects a small number of Clients who will need to settle the amount outstanding before their Custody Assets will be transferred;
- how the proceeds of corporate actions occurring post 8 October 2020 (e.g. interest and dividends) will be transferred or distributed alongside the underlying Custody Assets;
- how any reconciliation shortfalls will be borne by the relevant Client(s). To date, such shortfalls appear to be limited; and
- how disputed claims will be resolved, the treatment of Custody Assets that may be tainted by criminal allegations and the treatment of Custody Assets that cannot be returned for any other reason.





Q. What if I disagree with any part of the Distribution Plan?

1. If you disagree with the statement of your Custody Assets and Client Money, or any amounts owed prior to the special administration

If you disagreed with the statement prepared for you on the Portal, you were asked to provide the reasons for disputing your claim, including any relevant supporting documentation.

Similarly, Clients who disputed the balance of any pre-administration amounts owed to the Company were asked to do the same.

Where the JSAs have been unable to agree any part of your claim to Custody Assets or your pre-administration amount owed (if any), we will provide you with a Reasons Statement explaining why, as soon as reasonably practicable.

You will then have 21 days from the date on which the Reasons Statement has been made available to you on the Portal to apply to the Court for the decision to be reversed or varied. If you make such an application you are asked to notify the JSAs at reyker.securities@smithandwilliamson.com as soon as possible, and in any event within 48 hours of making the application.

The 21 day period may be extended with the consent of the JSAs or by order of the Court.

You should note that the costs of making any such application will be paid by you and cannot be setoff against any pre-administration outstanding amount. Any costs incurred by the JSAs in relation to such an application will constitute part of the costs incurred in connection with the return of Custody Assets.

2. If you don't want your Custody Assets Transferred to the Nominated Broker shown, in due course, on your Client Assets Return Statement

The Client Assets Return Statement, which will be made available to you on the Portal in due course, will set out details of the Nominated Broker to whom your Custody Assets will be transferred.

You will be able to opt-out of the Transfer to the Nominated Broker and instead direct the JSAs to transfer your Custody Assets to a different broker.

However, you should note that if you opt-out of the Transfer to the Nominated Broker your Custody Assets will be returned at a later date, once the initial stages of the Transfers to the Nominated Brokers is complete.

3. If you disagree with the Distribution Plan

Clients are entitled to attend the Court hearing on approval of the Distribution Plan. The Court hearing has been listed for 16 October 2020. We will update the website with details of how you may attend Court once they are available from the Court on 15 October 2020.

In the first instance it would be helpful if you would discuss any issues you have with the Distribution Plan with the JSAs. Please email reyker.securities@smithandwilliamson.com to enable the JSAs to consider the concerns you have.





Q. What impact will the Transfers have on tax wrappers and Capital Gains Tax?

The Distribution Plan has been drafted to take account of tax wrappers, such as SIPPs and ISAs, and we do not anticipate that the tax status of such investments will be changed.

The Distribution Plan provides, in a very limited number of cases, for the JSAs to liquidate Custody Assets to either settle amounts owed to the Company prior to administration; or to settle a Client's Share of Costs; or as an alternative to distributing Custody Assets. In these circumstances, any Capital Gains Tax or Income Tax liabilities arising as a result of the liquidation of Custody Assets will be a liability of the Client and not the Company or JSAs.

Clients who are uncertain about the impact on them and the best option available to them should seek advice from their own professional advisors in connection with the tax implications of the Distribution Plan before taking any action.

If you have any queries relating to your claim to Custody Assets or the Client Money Distribution, please contact Client Services:

Telephone: 0800 048 9512

Email: clientservices@reyker.com

Disclaimer

Neither the Company or the JSAs can give Clients any advice whatsoever in respect of their investments, the transfer of their Custody Assets and/or the distribution of Client Money and nothing within this document, the Portal, or any other associated literature issued by the JSAs should be treated as such. If you are uncertain as to the best option(s) for you and your investments and the financial consequences, please seek independent professional advice.

