

Please ask for : Carl Lever
Our ref : M/38/CRL/SD15K
Your ref :



12 September 2019

TO ALL CLIENTS

Dear Sir(s) / Madam

**SVS SECURITIES PLC (IN SPECIAL ADMINISTRATION) ("THE COMPANY" OR "SVS")
IN THE HIGH COURT OF JUSTICE BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES
CASE NUMBER 2019-005229
COMPANY REGISTERED NUMBER: 04402606**

Further to our letter dated 9 August 2019, we write to update you on the progress made by the Joint Special Administrators ("the JSAs") since our appointment on 5 August 2019.

PURPOSE OF THIS LETTER

- This letter is to notify you of the progress made by the JSAs to date (**Section A**), and to provide you with an outline of the steps the JSAs intend to take next (**Section B**).
- **You are not required to take any action in response to this letter.**
- For further information and updates please monitor our webpage - www.leonardcurtis.co.uk/SVS

SECTION A: STEPS TAKEN FOLLOWING THE APPOINTMENT OF THE JSAs

Immediately upon our appointment, the JSAs took steps to safeguard all client monies and custody assets and the Company's data systems. We have materially reduced the scale of the Company's operations and brought in relevant experts to assist us where necessary.

1) Communications with Clients following our Appointment

- In addition to our initial letter to clients dated 9 August 2019, the JSAs have set up a dedicated webpage www.leonardcurtis.co.uk/SVS, a designated email address (SVS@leonardcurtis.co.uk) and a call centre (01282 610 635) to provide clients with further information regarding the special administration and to assist with client queries.
- A Frequently Asked Questions ("FAQs") document to answer common queries that are being received from clients was also made available on our webpage on 5 August 2019 and was updated on 12 September 2019.
- To date, the JSAs have received a significant level of client contact. There have been over 20,000 webpage views, over 2,000 client emails and over 1,750 calls to the dedicated call centre.
- The JSAs are continuing to monitor the queries raised in the calls and emails being received from clients. We will continue to keep clients informed on progress through the website and further updates to the FAQs.

Leonard Curtis Recovery Limited
Company number: 4200476 (England) Reg office: Tower 12, 18/22 Bridge Street, Spinningfields, Manchester, M3 3BZ. All Recovery Limited Insolvency Practitioners, with the exception of Stuart Robb and Michelle Elliot, are licensed in the UK
Stuart Robb and Michelle Elliot are licensed in the UK by ICAS.

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2) Client Money and Custody Assets

At the date of its entry into special administration the Company's records indicated that it held custody assets with a value shown in the firm's records of around £278m and held client monies in excess of £23m. A summary of the actions taken by the JSAs as regards these custody assets and client monies is set out below:

- The appointment of the JSAs created a Primary Pooling Event ("PPE") at 12:25pm on 5 August 2019 whereby all client monies received in the client accounts prior to the PPE are treated as pooled client monies.
- We can confirm that since our appointment, the JSAs have safeguarded all client monies and custody assets held by the Company (including in excess of £23m of client monies which are subject to the PPE), and will be arranging for all client monies held by the Company as at our appointment to be transferred to new trust accounts subject to the JSAs' control.
- We have engaged specialist third-party auditors to assist the JSAs in carrying out a reconciliation of client money and custody assets from Company records to the market systems and bank accounts. Whilst there are several thousand clients, the reconciliation exercise should be completed shortly and we will keep you informed as to its progress.
- We anticipate that the vast majority of the Company's 21,000 clients are likely to be eligible for FSCS compensation for losses falling within the FSCS's £85,000 limit (see below). We therefore anticipate that the vast majority of clients will be protected in full by the FSCS for any losses they may suffer (for example as a result of the costs of the return of client money and custody assets).
- There are approximately 6,000 clients, mainly residing in China, who traded Foreign Exchange ("the FX Clients") transactions. We will be keeping the FX Clients updated as regards their eligibility to obtain compensation from the FSCS.
- There are approximately 700 transactions that were unsettled at the time of our appointment. We have been in contact with the London Stock Exchange and the stock broking clearing providers. It is expected that these transactions will be settled in due course in accordance with the default rules of the London Stock Exchange. The London Stock Exchange will contact you directly regarding this, and we will also update you on this.
- Any dividends received by the Company after the PPE are being banked in a separate trust bank account under the control of the JSAs. The dividends are therefore being safeguarded for individual clients until such time as the JSAs, are able to confirm in what manner the dividends can be paid to clients in accordance with applicable legislation.

3) Securing ongoing operations and liaison with market infrastructure

- We have secured the retention of key Company staff to ensure that the JSAs are able to operate at an appropriate level to facilitate the return of client monies and custody assets and generally to assist with the special administration.
- We are in continual contact with key market infrastructure bodies and have their ongoing co-operation, where required.

4) FSCS summary, funding and costs

- The special administration is a complex statutory process, with certain timeframes determined by the relevant rules and regulations. The costs of this process will be material and would, in the ordinary course, ultimately be paid out of client money and custody assets. Clients would therefore face shortfalls as a result of the Company entering into special administration.
- We are working closely with the FSCS to streamline the process for clients, and we are able to confirm that where eligible clients would otherwise experience a shortfall of up to a value of £85,000 (for example as a result of the costs of the transfer of their custody assets and/or client monies to a nominated regulated broker (see below)), the FSCS will seek to provide compensation to eligible clients without it being necessary for a claim to be submitted in most cases. Clients may also be eligible for FSCS compensation (again subject to the aggregate £85,000 limit) for claims

they may have against the Company in respect of losses attributable to advisory and/or discretionary fund management services provided by the Company. Further information on FSCS eligibility is available here: www.fscs.org.uk/what-we-cover/eligibility-rules/.

- As noted, the JSAs currently expect that the vast majority of clients will be compensated in full by the FSCS. However, it appears there may be several hundred clients who may face shortfalls as a result of the Company's insolvency either because they are ineligible for FSCS compensation or because, owing to the value of their custody assets and/or client monies, their losses may exceed the £85,000 limit.
- The JSAs are currently exploring, together with the FSCS, the most appropriate basis and methodology for funding the special administration and for meeting and allocating the costs of returning client monies and custody assets, potentially by way of a transfer of those assets and monies to one or more nominated regulated brokers (see below). At present, the JSAs anticipate that those costs may be levied as a percentage of client money and as a fixed, capped amount for each transfer of custody assets.

SECTION B: NEXT STEPS THE JSAs INTEND TO TAKE TO ACHIEVE THE PURPOSE OF THE SPECIAL ADMINISTRATION

1) JSAs' Report and Statement of Proposals and Clients' and Creditors' Meeting

- The JSAs are required to provide clients and creditors with a statement as to how they propose to conduct the special administration within eight weeks of their appointment ("the Proposals"). The Proposals will be made available to clients on the dedicated webpage (www.leonardcurtis.co.uk/SVS) on or before 25 September 2019. Clients and creditors of the Company will be notified by email in advance of the Proposals becoming available.
- We are required by law to hold an initial meeting of clients and creditors in order to consider the Proposals and to consider the appointment and composition of any Creditors' Committee.
- The meeting will be designed so that the JSAs can present a summary of the Proposals to clients and creditors, although please note that the JSAs will only be providing a summary of those Proposals at the meeting. It will be assumed that the clients and creditors have familiarised themselves with the Proposals (available on the webpage or by post on request) ahead of the initial meeting. The meeting will also give clients and creditors an opportunity to put questions to the JSAs. At the meeting the clients and creditors will be asked to consider and vote upon the JSAs' proposals, including any modifications that an individual creditor or client might put forward on the day. The clients and creditors will also be asked to consider the appointment and composition of any Creditors' Committee, following which a vote will be taken.
- The clients' and creditors' meeting is proposed to be held at 11.00am on 10 October 2019 at Central Hall Westminster, Storey's Gate, Westminster, London SW1H 9NH. A formal invitation and full details of the actions clients and creditors need to take in order to attend, participate in and vote at the meeting will be included within the Proposals.

2) Access to an online client portal

- The Company's historic client portal in operation prior to our appointment has been shut down.
- The JSAs are currently developing a new online client portal ("the Portal") to enable clients to agree their asset holdings and money balances held by the Company. Owing to there being over 21,000 clients, this will provide the most cost effective way of dealing with client claims.
- The development work is progressing well and testing of the Portal will commence shortly. We will in due course contact all clients with details of how to access the Portal, through which clients will be able to view historic statements and confirm their asset holdings and money balances, and which will also contain guidance as to how eligibility for FSCS compensation is determined. At present, the JSAs anticipate that the Portal will be opened to clients later in the autumn.

- Please note that at present there is no need to submit details of asset holdings and money balances to the JSAs. All clients will be contacted in due course, at which time an update will be provided on the webpage. Please also note that if you are a client and have filled out a claim form, or attempted to lodge a claim via email at svs@leonardcurtis.co.uk you will still be invited to access the Portal.

3) Potential Transfer of Custody Assets and Client Monies to Nominated Regulated Broker(s)

- We are exploring interest from a number of FCA regulated firms regarding the potential transfer of custody assets and client monies.
- If an appropriate broker could be identified who is willing to receive the whole of the custody assets and client monies that might enable the JSAs to effect an expedited transfer of custody assets and client monies to that broker, which would then enable clients to access their assets and monies more quickly.
- Unfortunately, if cash and/or assets were to be transferred to a new broker and/or otherwise distributed to clients now solely on the basis of the Company's records, without further processes being effected first, clients could be exposed to the risk of competing claims from other clients or third parties who may argue that the Company's records were not, in fact, correct. Clients might not get what they are entitled to, and distributions might need to be reversed later. The JSAs therefore currently anticipate it will not be possible to effect a transfer of custody assets and client monies without the protection afforded to clients and the JSAs through a formal bar date and distribution plan process as described below.
- If no appropriate single broker can be identified, and a series of transfers are effected to multiple brokers, the process of transferring custody assets and client monies is likely to be more protracted. This would be due to the extent of the work required to return assets on a piecemeal basis to multiple destinations.
- We summarise the bar date and distribution plan process in more detail below.

4) Plans for Distribution Programme

Proposed Distributions

- We are currently in the process of developing a programme for returning custody assets and client monies by way of an anticipated transfer of those assets and monies to one or more nominated regulated brokers. We anticipate that will include:
 - A "distribution plan" designed to facilitate the transfer of custody assets in line with the applicable regulations; and
 - A parallel process for the transfer of client monies.
- That process is summarised below.

1. Setting a Bar Date for Claims in Respect of Assets

The bar date will be set by means of a notice that will be distributed to all clients. Under the applicable legislation, the effect of the bar date is that clients who submit their claims after the bar date are not guaranteed to have their claims taken into account when distributions are made, albeit the JSAs will in any event take into account clients' entitlements insofar as they are reflected in the Company's records.

When notifying clients of the bar date, we will explain how clients can access the Portal, which will be designed to show clients what SVS's records indicate their entitlements to be, so that clients are in a position to submit any corrections or other information or documentation that they consider the JSAs ought to take into account, prior to the bar date.

2. Proposal to Return Custody Assets

We are preparing and will in due course circulate to clients (and the FCA, among others) a document setting out how the JSAs propose to go about transferring the custody assets in SVS's possession. This is a detailed, complex process and will take some time to prepare.

3. Obtaining Approval from the Creditors' Committee

We anticipate that a Creditors' Committee will be formed at the initial clients' and creditors' meeting on 10 October 2019. The function of the Creditors' Committee will be to represent all clients and creditors during the special administration and, where appropriate, the Creditors' Committee will vote on a number of resolutions proposed by the JSAs (including as to the JSAs' remuneration). Once formed, the JSAs will be required to seek and obtain the approval of the Creditors' Committee to any distribution plan, which will set out, among other things, the methodology for dealing with the costs of the transfer of custody assets, and how the JSAs will work with the FSCS to seek to meet those costs for eligible clients (to the extent permissible under the FSCS's rules).

4. Court Approval

Once the Creditors' Committee has approved the distribution plan, the JSAs will also be required to obtain the approval of the Court. This will require an application to be made to the Court in due course.

At present the JSAs are targeting obtaining court approval for a distribution plan during the first quarter of 2020.

5. Strategy as to Distribution and Return of Client Monies

The JSAs are continuing to finalise their strategy as regards the return of client monies. As we explain above, we presently envisage that will by way of a transfer of client monies to one or more nominated regulated brokers in parallel to the statutory distribution plan for the return of custody assets.

Further details regarding the return of custody assets and client monies will be contained within the JSAs' Proposals, which will be made available by 25 September 2019.

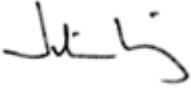
UNAUTHORISED COMMUNICATIONS TO CLIENTS

We are aware that some clients may have received unauthorised communications. At present, we are aware of two types of unauthorised communication received by clients:

- Communications from a third party claiming to be Leonard Curtis and seeking to obtain fraudulent advance payments from clients. We recommend that such literature is ignored. Any updates by the JSAs will be posted on the webpage and, in due course, the dedicated client portal mentioned below.
- Communications from Claims Management Companies ("CMCs"). The CMCs are seeking to engage clients to progress their claims for compensation from the FSCS for a significant charge. Please note that the JSAs will continue to liaise with the FSCS to compensate eligible clients directly if required, without the need to engage CMCs. We will keep you informed by way of future updates.

If you have any queries on the above, please email SVS@leonardcurtis.co.uk or contact our call centre on 01282 610 635. We advise clients to regularly check our webpage for further updates and additional information.

Yours faithfully
For and on behalf of
SVS SECURITIES PLC



JULIEN IRVING
Joint Special Administrator

Julien Irving, Andrew Poxon and Alex Cadwallader are all licensed in the UK by the Institute of Chartered Accountants in England and Wales

Notwithstanding the appointment of Special Administrators under The Investment Bank Special Administration Regulations 2011, SVS Securities PLC remains an FCA regulated entity

The affairs, business and property of the Company are being managed by the Joint Special Administrators, who act as agents of the Company without personal liability