

## **ARM ASSET BACKED SECURITIES SA - IN PROVISIONAL LIQUIDATION**

The Provisional Liquidators' update to  
Bondholders and other creditors for the period 4  
August 2014 to 30 September 2014

## Definitions

<b>AHC</b>	the Ad-Hoc Committee of Bondholders elected at the Bondholders' Meeting
<b>BDO</b>	BDO LLP
<b>Bondholders</b>	all those who invested money in the Issuer, irrespective of the Issue in which they invested (including other creditors for ease of reference)
<b>Bondholders' Meeting</b>	the meeting of the Bondholders that took place on 3 February 2014
<b>CIGL or Catalyst</b>	Catalyst Investment Group Limited
<b>CSSF</b>	the Commission du Surveillance du Secteur Financier, the Luxembourg financial services regulator
<b>FCA</b>	the Financial Conduct Authority
<b>FCIL</b>	Financial Credit Investment I Limited, the counterparty to the sale of the Issuer's SLS policies in 2012
<b>FSCS</b>	the Financial Services Compensation Scheme
<b>Issuer</b>	ARM Asset Backed Securities SA (in provisional liquidation)
<b>MFSA</b>	the Maltese Financial Services Authority
<b>Period</b>	4 August 2014 to 30 September 2014
<b>Pending Investors</b>	those Bondholders who invested in Issues 9 to 11 and whose investment makes up the Pending Monies (the term Bondholder here is used for ease of reference and without prejudice to the determination of the issue of whether the relevant Bonds were issued or not)
<b>PLs or Provisional Liquidators</b>	the provisional liquidators, namely Mark Shaw and Malcolm Cohen of BDO (who act as agents of the Issuer and without personal liability at all times)
<b>Pending Monies</b>	the monies which were frozen by the Financial Services Authority (as it then was), representing part of Issue 9 and all of Issues 10 and 11
<b>PIG</b>	the Pending Investors' Group
<b>SLS</b>	Senior life settlement policies

## 1 Introduction

1.1 The Provisional Liquidators of the Issuer were appointed by the English High Court of Justice on 9 October 2013, under case number 6914 of 2013.

1.2 The purpose of this report is to provide Bondholders with an update as to the progress made in the provisional liquidation during the Period. The PLs are not obliged by statute to report to Bondholders in this manner, but wish all the same to do so to keep all parties updated of progress which has been made. Disclosure will not be made in respect of issues which may prejudice Bondholders' interests, for example because of legal privilege or commercial confidentiality reasons.

1.3 The events leading up to and progress made in the provisional liquidation to 4 August 2014 were detailed in the PLs' presentation to Bondholders dated 3 February 2014 and the monthly reports dated 28 March 2014, 2 May 2014, 4 June 2014, 11 July 2014 and 3 September 2014. Copies of these documents are available on the PLs' website:

<http://www.bdo.co.uk/arm-abs-sa/>

1.4 This report should be read in conjunction with that presentation and the prior reports; the PLs have not therefore repeated the background of the provisional liquidation or the progress made in the period to 4 August 2014 in this report.

### ***The FSCS claims process***

1.5 The FSCS continues to compensate Bondholders, including those in Malta. To date, compensation of over £25m has been paid to Bondholders.

1.6 At the AHC meeting held on 25 September 2014 the FSCS confirmed that over 5,000 application forms have been sent out and that they are yet to receive responses from 1,200 applicants.

1.7 The FSCS has also released a statement regarding the Standard Life investors which can be found on their website:

<http://www.fscs.org.uk/>

1.8 All Bondholders should have received their application forms now. If you have not received an application form, please contact the FSCS's Initial Contact Team on Freephone 0800 678 1100 or 0207 741 4100.

### ***The Ad-Hoc Committee***

1.9 As above, the fourth meeting of the AHC was held on 25 September 2014.

1.10 To the extent possible, the matters discussed at the AHC meetings are communicated to the Bondholders through this update report.

### ***Pending Monies, ranking of the Bonds and exit process***

1.11 As mentioned previously the PLs have been working with both their UK and Luxembourg lawyers in order to determine the optimum strategy to resolve the matters above.

1.12 The Provisional Liquidators have received initial advice from their Luxembourg lawyers in respect of both the ownership of the Pending Monies and the ranking of the Bonds. At this stage they have been unable to share the written advice with the AHC as there is a need to protect the PL's privilege; however, they understand the importance of sharing these opinions with members of the AHC and the PIG representative, both in the interests of transparency and as there may be some facts that the PLs are unaware of and that need to be considered. The PLs are currently determining a means by which they can share this information with the AHC and the PIG representative.

1.13 Whilst the opinions have not been shared with the AHC, a summary of the provisional conclusions has been provided and the AHC have provided their feedback on certain issues. The PLs believe that this can only make the process more robust and they will continue to liaise with the AHC and PIG representative prior to making an application to the English Court for directions.

- 1.14 This process is continually developing and the PLs will present any new information to their legal advisers and request that they revisit the opinions in light of any new information.
- 1.15 This may delay the application to the English Court which may slip into 2015, but adopting this approach will facilitate the development of a robust exit strategy, in order to distribute the assets.

***Restructuring proposals***

- 1.16 The PLs and their legal advisers have considered the restructuring proposals they have received and discussed them with the AHC. Following the latter it has been decided not to pursue the restructuring options further.
- 1.17 The PLs are not aware of any other restructuring proposals in the pipeline. It is therefore their considered opinion that there will be no restructuring option available.
- 1.18 Bondholders at their own free will may reinvest the funds they receive from the distribution in any structure or investment vehicle they chose, but without the involvement of ARM or the PLs.

***Financial statements***

- 1.19 As previously stated this process is now underway and we will provide copies of the audited accounts as soon as they are available.

***Investigations***


- 1.20 The PLs and Bingham McCutchen (London) LLP have attended the offices of Bonn & Schmitt to review the records collected from the previous domiciliation agent, Thewes and Reuter. A listing of the records held has been prepared and the information will be used in the investigations going forward.
- 1.21 Interviews have commenced with the directors and former directors of the Issuer and we would hope to complete the initial stage of interviews by the end of 2014.
- 1.22 As stated previously, if any Bondholders have any information they wish to share with the PLs to assist with our investigations please can they submit this via the usual email address.

***Bondholder Queries***

- 1.23 No general queries have been submitted by Bondholders during the Period. Although the formation of the AHC has changed how we engage with Bondholders, Bondholders should still feel free to submit questions to us via the usual email address of arm.abs.sa@bdo.co.uk.

**2 Next report from the PLs**

- 2.1 It is the intention of the PLs to provide their next progress report to Bondholders in the first full week of November.



Mark Shaw  
Joint Provisional Liquidator

10 October 2014