

ARM ASSET BACKED SECURITIES SA - IN PROVISIONAL LIQUIDATION

The Joint Provisional Liquidators' monthly
update to Bondholders and other creditors for
the period 25 March 2014 to 25 April 2014

Definitions

AHC	the Ad-Hoc Committee of Bondholders elected at the Bondholders' Meeting
BDO	BDO LLP
Bondholders	all those who invested money in the Issuer, irrespective of the Issue in which they invested (to include other creditors for ease of reference)
Bondholders' Meeting	the meeting of the Bondholders that took place on 3 February 2014.
CIGL or Catalyst	Catalyst Investment Group Limited
CSSF	the Commission du Surveillance du Secteur Financier, the Luxembourg financial services regulator
FCA	the Financial Conduct Authority
FCIL	Financial Credit Investment I Limited, the counterparty to the sale of the Issuer's SLS policies in 2012
FSCS	the Financial Services Compensation Scheme
Issuer	ARM Asset Backed Securities SA (in provisional liquidation)
MFSA	the Maltese Financial Services Authority
Period	25 March 2014 to 25 April 2014
Pending Investors	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)
PLs or Provisional Liquidators	the provisional liquidators, namely Mark Shaw and Malcolm Cohen of BDO
Pending Monies	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
PIG	the Pending Investors' Group
SLS	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 apprised 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 24 March 2014 were detailed in the PLs' presentation to Bondholders dated 3 February 2014 and the monthly report dated 28 March 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 report; the PLs have not therefore repeated the background of the provisional liquidation or the progress made in the period to 24 March 2014 in this report.

2 Progress of the provisional liquidation

Luxembourg liquidation application

- 2.1 As previously disclosed, a court hearing was held in the Chancery Division of the High Court of Justice on 28 March 2014, at which the PLs applied for declaratory relief in relation to the Luxembourg liquidation proceedings. The application was heard by Mr Justice Nugee. The PLs and their advisers attended the hearing.
- 2.2 The Court granted the order we requested, confirming that the application by the Luxembourg Public Prosecutor to the Luxembourg court for the commencement of Luxembourg liquidation proceedings is subject to the automatic stay on actions and proceedings against the Issuer imposed by s130(2) of the Insolvency Act 1986, which extends to proceedings in Luxembourg as a result of Articles 4 and 17 of the EC Insolvency Regulation.
- 2.3 A copy of the order made by the Court has been provided to the Luxembourg Public Prosecutor, the CSSF and the Luxembourg court.
- 2.4 The Luxembourg court was due to hand down its own judgement on 8 May 2014. Since receiving the English court judgement the Luxembourg court has reopened the hearing and invited the parties to present oral arguments. The second hearing will take place on 22 May 2014.

The FSCS claims process

- 2.5 The FSCS began sending application forms to Bondholders on 28 March 2014. The announcement confirming as such can be viewed at the following link:
<http://www.fscs.org.uk/news/2014/march/fscs-is-now-inviting-claims-ag-0kat96d1w/index.html>
- 2.6 Bondholders should receive their application forms prior to the end of April 2014. If you do not receive an application form, please contact the FSCS's Initial Contact Team on Freephone 0800 678 1100 or 0207 741 4100.

The Ad-Hoc Committee

- 2.7 The PLs have arranged for the second meeting of the AHC to be held on 13 May 2014. This was originally intended to be after the second hearing in Luxembourg which was scheduled for 8 May 2014. Since then, the second Luxembourg hearing has been rescheduled to 22 May 2014.

- 2.8 All AHC members have signed a non-disclosure agreement, which was a condition of membership to the AHC. The purpose of this was to allow the PLs openly to share information that may be confidential or legally privileged with the representatives of the Bondholders to obtain their views. Without these agreements being in place, the PLs could not disclose this information.
- 2.9 The role of the AHC members is not to canvas the views of the wider Bondholder community or to disseminate information shared at the AHC meetings. Indeed, as a result of entering into these agreements, members of the AHC are legally prohibited from sharing confidential information with third parties, including other Bondholders. The AHC acts as a 'sounding board' to the PLs; it has no formal powers and will not make decisions on behalf of the Bondholder community.
- 2.10 To the extent possible, the matters discussed at the AHC meetings will be communicated to the Bondholders through these monthly update reports.

Transfer of Bonds

- 2.11 During the Period, the PLs have continued to liaise with their legal advisers in the UK and Luxembourg to produce a protocol under which Bondholders can apply to the PLs for consent to transfer their bonds, subject to specific criteria being fulfilled.
- 2.12 The protocol was published on the PLs website on 24 April 2014, and can be viewed at the following link:

http://www.bdo.co.uk/_data/assets/pdf_file/0003/178185/Bond-Transfer-Protocol.pdf

Engagement with FCIL

- 2.13 As disclosed in the PLs' RNS dated 10 March 2014, the consideration due to the Issuer from the sale of the underlying SLS is paid over time in annual instalments, with the last instalment being due on 31 December 2021.
- 2.14 The instalment which was due on 31 December 2013 has not yet been received. The PLs and FCIL have maintained a dialogue and anticipate this instalment will be received into the PLs' UK account within the coming days.
- 2.15 FCIL has continued to be helpful in its communications and dealings with the PLs.

Engagement with the FCA

- 2.16 The PLs have continued to liaise with the FCA to find a way in which the Pending Monies might be moved out of non-interest bearing accounts. This is not a straightforward issue, as neither the PLs nor the FCA wish to change the status of the funds held. The PLs have requested a meeting with the FCA as soon as possible to discuss this issue and hopefully to determine an approach which would be acceptable both legally and commercially to all parties - and moreover which would not have unintended consequences.

Pending Monies and the ranking of bonds

- 2.17 The PLs and their UK lawyers remain in discussions with their independent legal counsel in Luxembourg on both these topics. The outcome of this advice will affect whether the PLs deem it necessary to apply to the Court for directions as to how the Pending Monies should be applied and how the bonds should rank relatively to each other in any distribution. These opinions are expected to be received by mid-May 2014.

Restructuring Proposals

- 2.18 The PLs will be considering various restructuring proposals. One of the restructuring proposals previously submitted has now been withdrawn. The PLs understand that a replacement proposal is currently being prepared.

Bondholder Queries

2.19 No queries have been submitted by the Bondholders during the Period.

3 Next report from the PLs

3.1 It is the intention of the PLs to provide their next progress report to Bondholders in the final week of May or first week of June.

Mark Shaw
Joint Provisional Liquidator
2 May 2014