

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

The Provisional Liquidators' monthly update to  
Bondholders and other creditors for the period 7  
July 2014 to 3 August 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>	1 June 2014 to 6 July 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 6 July 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 and 11 July 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 6 July 2014 in this report.

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

1.5 We understand that the FSCS continues to compensate a number of Bondholders, including those in Malta.

1.6 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.

1.7 Due to a number of queries the PLs have received, we feel it necessary to clarify that, as an investor, Bondholders will be no worse off, nor will they be better off, as a result of receiving compensation from the FSCS prior to any distribution than if they do not accept compensation until after the distribution.

1.8 Please note that at this stage we are unable to confirm what level of distribution will be paid until the PLs' investigations are complete.

1.9 Upon compensation, the FSCS will take an assignment of the Bondholder's entire interest in the Bond (and any allied rights) and therefore the FSCS would vote as to the exit route from the provisional liquidation process, as well as any other issues.

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

1.10 The fourth meeting of the AHC is scheduled to be held in the last week of September.

1.11 To the extent possible, the matters discussed at the AHC meetings will be communicated to the Bondholders through these monthly update reports.

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

1.12 As disclosed 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.

1.13 The PLs have received initial Luxembourg law advice on both matters, and that has been discussed on a preliminary basis with the AHC. The PLs' current intention is to make an application to the English Court for directions before the end of 2014 to determine the correct treatment of the Pending Monies. As this will impact on the distribution of ARM's assets, it is necessary to obtain directions in advance of the PLs proceeding with an exit process.

1.14 The court will want the PLs to facilitate counter arguments to be presented to the court in order to consider both sides of the argument.

### ***Restructuring proposals***

1.15 The PLs have no further update in this area.

- 1.16 If we determine that we are unable to put forward a workable restructuring proposal, nothing will prevent Bondholders from reinvesting the funds they receive from the distribution in any structure or investment vehicle they chose without the involvement of ARM or the PLs.

***Financial statements***

- 1.17 This process is now underway and we will provide copies of the audited accounts as soon as they are available.

***Investigations***

- 1.18 ARM's books and records have now been relocated to Bonn & Schmitt's premises. The PLs will review all the records in conjunction with our English lawyers as part of our investigations.
- 1.19 To the extent necessary, the PLs will require persons with information about the Issuer to attend an interview with the PLs.
- 1.20 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***

- 1.21 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 October.



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Mark Shaw  
Joint Provisional Liquidator

3 September 2014