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ARM ASSET BACKED SECURITIES SA - PROVISIONAL LIQUIDATORS APPOINTED (THE 'ISSUER')

FREQUENTLY ASKED QUESTIONS - SUBMITTED WEEK ENDED 22 NOVEMBER 2013

#### **Q 7.1**

**Will the confidentiality requirements of the sale of the Issuers' policies to FCIL prevent the accounts from being published, as they would have to include details of the consideration, and will the Provisional Liquidators obtaining legal advice on this matter delay the publication of the accounts?**

The Provisional Liquidators' appointment specifies that they are to protect and preserve the Issuer's assets. That is likely to involve compliance with confidentiality undertakings given by the Issuer prior to the order appointing the Provisional Liquidators.

The finalisation and approval of the Issuer's statutory financial statements are the sole responsibility of the directors of the Issuer. The Provisional Liquidators wish to see these financial statements finalised as soon as practicable; they contemplate reviewing drafts of those statements to ensure that any confidentiality issues are appropriately dealt with, to the extent possible.

The Provisional Liquidators will consequently be taking legal advice regarding any information in the financial statements which could potentially breach such confidentiality undertakings. It is not anticipated that this will delay the publication of the accounts.

#### **Q 7.2**

**Will the Provisional Liquidators attempt to renegotiate the terms of the sale of the Issuers' policies to FCIL?**

The Provisional Liquidators' lawyers are reviewing significant legal agreements which the Issuer entered into before their appointment. It is not possible to comment on the Issuer's legal rights until that process is complete.

#### **Q 7.3**

**Will the Provisional Liquidators please provide a summary of progress to date and their anticipated timeline for putting proposals to creditors?**

To date the main work areas in which the Provisional Liquidators and their team have been working on are as follows:

- Fulfilled statutory notification duties;
- Established communication with the FCA, MFSA and CSSF;
- Met with and provided data to the FSCS;
- Established a means of communication and engagement with Bondholders;
- Made requests for information from the directors;
- Established control of the assets; and
- Initiated the process of determining the rightful ownership of the Pending Monies.

The Provisional Liquidators reiterate the statement made to Bondholders shortly after their appointment that it will take some time for the Provisional Liquidators to establish themselves in the role within the Issuer. Issues will be progressed as quickly as possible, subject to due process.

The order appointing the Provisional Liquidators does not require them specifically to put proposals to creditors. However, as we have previously stressed, we are keen to engage with Bondholders and other creditors as much as possible. We therefore anticipate putting proposals to Bondholders and other creditors in January 2014. This timescale is broadly similar to that in an administration in the UK, and takes into account the Christmas holiday period.

#### **Q 7.4**

**Assuming a restructure of the fund is being considered, will the Provisional Liquidators please advise how many alternative proposals are being considered and provide details of who is promoting each proposal?**

Whatever strategy is put in place to return value to Bondholders/creditors will need Bondholder/creditor engagement and approval. It follows from this that the promoters of any such proposals will be disclosed to Bondholders/creditors at the relevant time.

To the extent needed, the Provisional Liquidators will engage an independent financial adviser to review and assess any formal restructuring proposals.

The Provisional Liquidators are yet to receive any formal restructuring proposals.

#### **Q 7.5**

**Will the Provisional Liquidators please explain the process they intend to adopt to determine ownership of the Pending Investors' funds, and the likely timescale for completing this process?**

The Provisional Liquidators are in the process of obtaining independent legal opinions regarding the ownership of the Pending Monies.

As previously advised, the Provisional Liquidators wish to expedite this issue. However, they are unable to provide a specific date for its conclusion at this stage.

In broad terms, at this time, the process we have adopted is as follows:

1. Review the existing legal opinions obtained by the Issuer and the instructions requesting those opinions.
2. Engagement with the Financial Conduct Authority ("FCA") as to the legal opinions it has obtained on this issue. This is necessary as the FCA has frozen these monies.
3. Obtain our own independent legal opinions in the UK and Luxembourg on the issue.
4. Assess whether these opinions together provide a clear cut answer to the issue of whether the Pending Monies belong to the Issuer or the relevant Bondholders.
5. If those opinions do not provide a clear cut answer to that issue, we will need to decide the best means of resolving the difference. This will itself depend on the legal opinions provided.
6. Although it is not possible to determine the solution at this stage, that resolution could range from a compromise of the position to be voted on by Bondholders/creditors or an application for the court to determine the issue. Based on our experience of such issues, it is not likely that the issue will have a straightforward or clear cut answer.

We would like to reiterate to Bondholders/creditors that the Provisional Liquidators are neutral on the outcome of this issue. Their concern is that the "right" solution is reached among the relevant interested parties.

The following questions are, we believe, already covered by current FAQs as published on our website:

- I am a Pending Investor; as my money was never invested I do not understand why refunding me is difficult, and I therefore request a refund immediately. Answered Q 1.8, Q 3.8, Q 6.3.
- Will the Provisional Liquidators please provide an update on the proposal to form an ad-hoc creditors' committee. Answered Q 4.2.