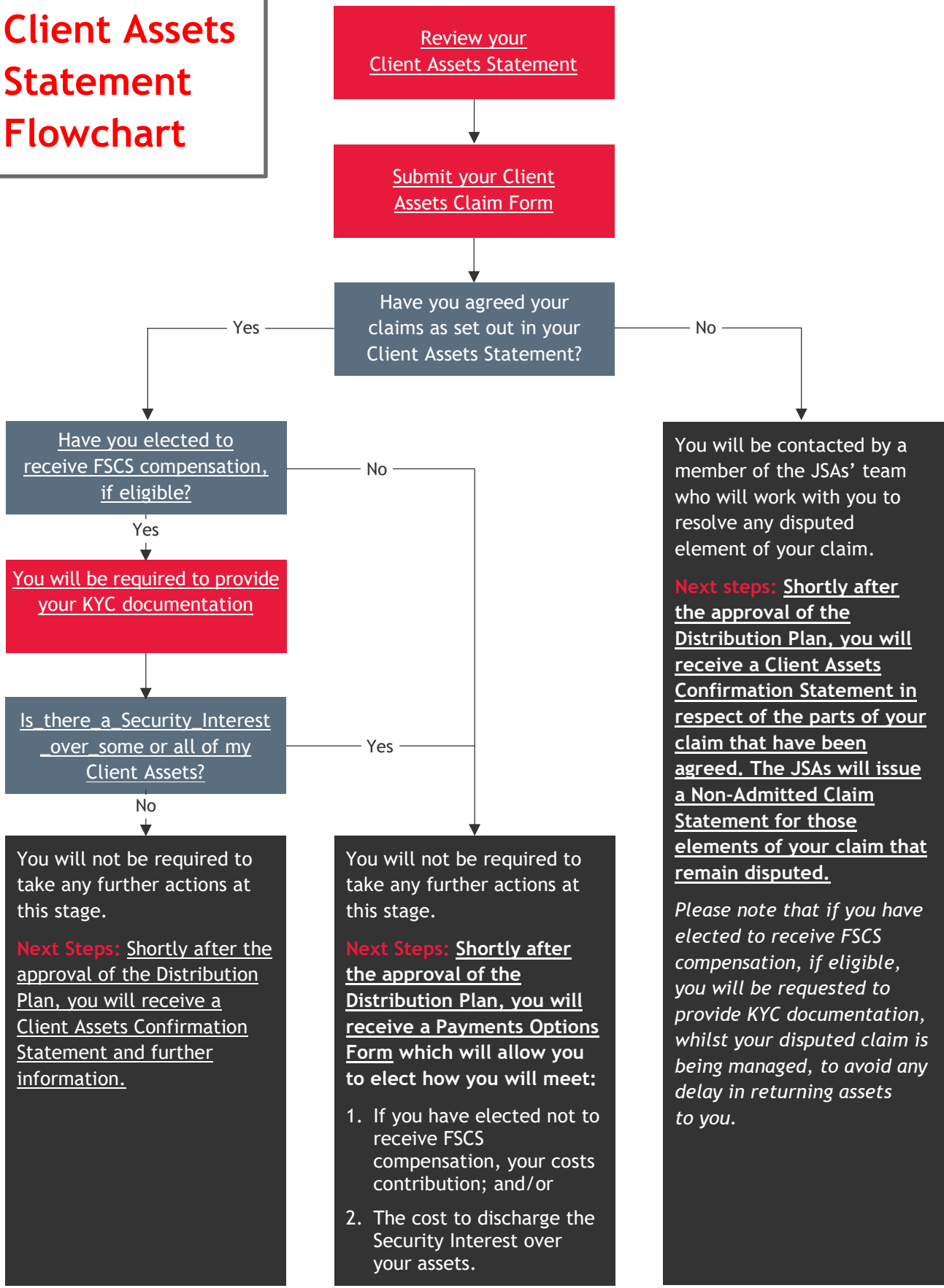


# Distribution Plan Flowchart and Frequently Asked Questions

9 May 2024

Any terms which are capitalised in this document are explained in the glossary which is at the back of this document. If you have a printed copy of this document, we suggest that you keep the glossary alongside the document to make your reading easier.

# Client Assets Statement Flowchart



Actions for Client

Decisions for Client

Outcome for Client

# Distribution Plan Flowchart

Read the Explanatory Statement the FAQs and then the Distribution Plan

If your preferred return method is Distribution - complete the Clients Assets Return Method Form.

Review your Client Assets Confirmation Statement

If not already completed and if your preferred return method is Distribution - complete the Clients Assets Return Method Form.

Transfer

Distribution

You will be required to complete the onboarding requirements of the Nominated Broker.

You will be required to provide the JSAs' team with relevant details in your Client Assets Return Method Form to allow the Distribution.

If applicable, have you completed the Payment Options Form?

No

No

If applicable, have you completed the Payment Options Form?

Not applicable or Yes

Not applicable or Yes

You will not be required to take any further actions at this stage.

**Next Steps:** You will receive an updated Client Assets Confirmation Statement informing you of your proposed Transfer Instruction Date.

You are required to complete your Payment Options form, your assets cannot be Transferred or Distributed until this is completed.

**Next Steps:** Complete your Payment Options Form.

You will not be required to take any further actions at this stage.

**Next Steps:** You will receive an updated Client Assets Confirmation Statement informing you of your proposed Distribution Instruction Date.

# 1. Review your Client Assets Statement

## Where can I find my Client Assets Statement?

If you provided the JSAs with an email address using the electronic form as requested in the JSAs' letter dated 21 November 2023, you will have been provided with access to your Client Portal, which is unique and individual to you. Your Client Assets Statement can be found in the 'Documents' section of your Client Portal. Please click on this [link](#) if you require guidance as to how to access your Client Portal and/or how to navigate to your Client Assets Statement.

If you have instructed the JSAs that your preference is to receive hard copy documents or if you have not provided the JSAs with an email address, your Client Assets Statement has been sent to you in the post.

## What is my Client Assets Statement telling me?

The Client Assets Statement sets out your claim to Client Assets (Table 1) and your Client Money Entitlement (Table 2). The JSAs request that you review the information in Tables 1 and 2 and, if you agree that they accurately represent what you understood WealthTek to be holding on your behalf, you should agree your Client Assets claim and Client Money Entitlement using the Client Assets Claim Form.

As reported by the JSAs previously, there are significant shortfalls in the Client Assets and Client Money that WealthTek actually held when the JSAs were appointed in April 2023 as compared with what it should have held.

Table 3 sets out the number of units of Client Assets the JSAs expect to return to you and, if applicable, the resulting shortfall claim in respect of each asset.

As a simple illustrative example:

- ▶ Three clients all received their quarterly statement from WealthTek in January 2023 which showed that they each held 100 units in ABC plc.
- ▶ WealthTek should therefore have held 300 units in ABC plc - in fact, it only held 60 units.
- ▶ Each of those clients would have a claim for 100 units in ABC plc which would be included in Table 1 of their Client Assets Statement.
- ▶ As WealthTek only held 60 units, there is a shortfall of 240 units - or alternatively WealthTek holds 20% of the total units claimed in ABC plc - this information will be set out in Table 3 of the Client Assets Statement.
- ▶ The units held are distributed to clients on a pro rata basis, so in this example, as each client has a claim to 100 units and WealthTek holds 20% of the units, each client will receive 20 units - this is also set out in Table 3 on the Client Assets Statement.
- ▶ Each client has suffered a loss of 80 units, which will form part of their shortfall claim. These 80 units are valued at the market price of the asset, in this case ABC plc, on 6 April 2023, the date the JSAs were appointed.

Table 2 sets out your Client Money Entitlement. A number of issues will impact on the final level of Client Money available for distribution but, based on current information, the JSAs estimate that the distribution of Client Money should be at least 19p in the £. In a limited number of cases, the JSAs may have also made certain adjustments to your Client Money Entitlement arising from, for example, amounts unpaid in respect of physically-held share certificates and/or payments of sums by WealthTek to clients prior to the JSAs' appointment which were not recorded in WealthTek's books and records.

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As a simple illustrative example:

- ▶ Client A received their quarterly statement from WealthTek in January 2023 which showed that WealthTek held £110 of Client Money on their behalf. Prior to the JSAs' appointment, WealthTek made a payment of £10 to Client A, which was not reflected in WealthTek's books and records.
- ▶ Client A would have a Client Money Entitlement of £100, which would be included in Table 2 of their Client Assets Statement.
- ▶ The Client Money held by WealthTek is distributed to clients on a pro rata basis, so, in this example, as Client A has a claim to £100 and WealthTek holds 19% of the total Client Money it should have held, Client A will receive £19.
- ▶ Client A has suffered a loss of £81, which will form part of their shortfall claim.

## How has my Client Assets Statement been prepared?

The starting point for the preparation of your Client Assets Statement has been WealthTek's books and records. It is our understanding that prior to the JSAs' involvement, each client received a quarterly statement setting out their portfolio (i.e. both Client Assets and Client Money held for the client by WealthTek).

WealthTek was operating with shortfalls of both Client Assets and Client Money, which, in part, resulted in WealthTek's books and records not reflecting the reality of its holdings of Client Assets and Client Money for clients. This has caused a number of issues in determining the most appropriate way to accurately and fairly reflect each clients' claims.

To determine the JSAs' treatment of a number of the issues that have been encountered to date with the books and records, the JSAs have sought legal advice on the legal position and the approach to be taken with respect to resolving the relevant issues and have made reference to that advice in preparing your Client Assets Statement and the Client Assets Statements for other clients.

The approach taken by the JSAs in relation to these issues is explained in the witness statement that the JSAs have made in support of their application to Court for approval of the Distribution Plan. The JSAs will therefore explain to the Court that they consider their proposed approach to be the most appropriate in the circumstances of WealthTek's case.

All clients have the opportunity to read the Distribution Plan and the JSAs' witness statement, which, by their nature are in legalistic language. Nevertheless, the JSAs have prepared a plain English explanatory statement for Clients which sets out the issues and the proposed approaches by the JSAs. All Clients have the opportunity to make representations to the Court if they do not agree with any element of the Distribution Plan or the JSAs' application to Court seeking the approval of the Distribution Plan. All documents related to the Distribution Plan application can be found at this web address:

## What should I do if I haven't received my Client Assets Statement?

If you have not received your Client Assets Statement and you have previously provided the JSAs with your email address, please check your inbox and junk mail for an email from the following account [no-reply-acc-eur@portal.bdo.global](mailto:no-reply-acc-eur@portal.bdo.global). If you have received an email from that account, it will provide you with a link through which you can access your Client Portal. Once you have accessed your Client Portal, please then follow the Client Portal User Guide to navigate to your Client Assets Statement.

If you have not received an email and have not received your Client Assets Statement in the post, please inform the JSAs' team by scanning the QR code below using the camera function on a smart phone or tablet or clicking the link below and a member of the team will then contact you in order to arrange provision of your Client Assets Statement.



<https://forms.office.com/e/K8wbzL7e0j?origin=lprLink>

## 2. Submit your Client Assets Claim Form

Where can I find my Client Assets Claim Form?

Your Client Assets Claim Form can be accessed in a number of ways. If you have not already done so, you can access it by using the link below or by scanning the QR code using the camera function on a smart phone or tablet.



<https://forms.office.com/e/QqtBMLWT5>

You will also find these links on your Client Assets Statement.

If you have requested hard copy documents or did not provide the JSAs with an email address, you will have received a paper copy of your Client Assets Claim Form in the post together with your Client Assets Statement. You have the option of returning a hard copy of your Client Assets Claim Form to the JSAs in the post, or alternatively you can submit your Client Assets Claim Form electronically using the method described above.

*Please ensure that you only submit (i) a single Client Assets Claim Form and (ii) the Client Assets Claim Form either electronically or in hard copy (i.e. not both).*

What do I need to confirm on my Client Assets Claim Form?

Your Client Assets Claim Form requests your confirmation of the following key points:

1. On an account-by-account basis, represented by each of your Client Account References ('CAR'), do you agree with your Client Assets claim, as set out in Table 1 of your Client Assets Statement?
2. On an account-by-account basis, represented by your Client Account Reference ('CAR'), do you agree with your Client Money Entitlement, as set out in Table 2 of your Client Assets Statement?
3. If eligible, do you wish to accept FSCS compensation?
4. Do you require one of the JSAs' team to contact you?

Your responses to questions 1 and 2 above, once your Client Assets Claim Form has been submitted, will represent the submission of your claims in respect of Client Assets and Client Money.

How do I know if my claim is correct?

The JSAs have set out your claim based on the information available to them and their investigations to date. Given the inaccuracies with the books and records of WealthTek, the JSAs suggest that clients refer to any previous correspondence they have had with WealthTek regarding their investments and consult with their financial advisers (if applicable) before agreeing their claim.

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## Is there a deadline for submitting my Client Assets Claim Form?

In the 'Documents' section of your Client Portal, or if applicable in your hard copy pack, you will find a document titled 'Bar Date Notice'. This confirms that all clients were required to submit their Client Assets Claim Form by 20 March 2024, which was the Bar Date for the submission of claims to Client Assets.

## What happens if I haven't submitted my Client Assets Claim Form by the Bar Date?

If the JSAs have provided you with a Client Assets Statement, they are aware of your potential claim and will not distribute the assets which they believe you to be entitled to even if you have not already submitted your Client Assets Claim Form before the Bar Date.

It is possible that, if you missed the Bar Date, your assets may not be returned to you in the first phase of the return, therefore there may be a delay in the return of your assets.

If you do not agree with your claims and you did not return your Client Assets Claim Form by the Bar Date you will not be entitled to disturb any return of assets that are returned after the Court has approved the Distribution Plan.

The JSAs will aim to ensure that no client misses the opportunity to submit claims to Client Assets and/or Client Money, but this must be balanced with the importance of returning assets as soon as reasonably practicable. Accordingly, the JSAs encourage all clients who have not done so already to complete and submit their Client Assets Claim Form as soon as possible.

## Can I change my mind about the decisions I make on my Client Assets Claim Form?

If you are unsure about any information you have previously submitted on your Client Assets Claim Form or if you would like to make amendments to that information, please select the relevant option scanning the QR code below using the camera function on a smart phone or tablet or clicking on the link and a member of the JSAs' team will contact you to discuss next steps.



## Will the JSAs take any action to recover my shortfall claim?

Alongside their work on the client asset reconciliation and Distribution Plan, the JSAs have continued their investigations into the circumstances which have resulted in the Client Asset shortfalls.

The JSAs have a duty to consider whether it is appropriate to pursue potential recoveries for the benefit of clients and/or creditors. This may result in legal action being taken against third parties. It has to be noted that recoveries made through litigation can be both costly and long-running.

At this stage, it is not appropriate for the JSAs to make any public statements regarding the nature of their investigations and any potential recovery actions that may be available, as this may impede our investigations and ultimately prejudice the level of recoveries we may be able to achieve.

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The JSAs appreciate that our inability to publicly share details of our investigations is frustrating for clients and creditors. We will, however, continue to closely liaise with the Clients' and Creditors' Committee (who represent the client and creditor body as a whole) in relation to this issue.

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## 3. Disagreed claims

What do I do if I disagree with my claims in respect of Client Assets and Client Money?

If there is any element of your claims as stated in your Client Assets Statement that you disagree with, please select 'No' in response to those questions on your Client Assets Claim Form. You will then be asked to provide a description as to why you disagree. Please provide as much detail as possible here, identifying which asset line(s) you disagree with and why.

Following submission of your Client Assets Claim Form, the JSAs' team will allocate a Case Manager to you, who will review your explanation and records and will contact you to discuss next steps. The Case Manager may request certain documentation from you in order to help in resolving the disputed claim.

When can I expect the JSAs' team to contact me regarding my claim?

You will receive initial contact from your Case Manager within 5 business days of submitting your Client Assets Claim Form if you have indicated that you do not agree with either (or both) of your Client Assets claim or your Client Money Entitlement, as stated on your Client Assets Statement.

Should I disagree with my claim even if I only have a small issue with my Client Assets Statement?

Yes - if there is any element of the claim information in Table 1 or Table 2 you disagree with, you should answer 'No' to the relevant question on your Client Assets Claim Form.

*Please note that the JSAs are asking you to agree, or disagree, your claims as set out in Tables 1 and 2 of your Client Assets Statement.*

We appreciate that the information in Table 3 setting out your expected returns and shortfalls might be unwelcome and cause you concern. However, clients are not being asked whether or not they agree with the level of returns and shortfalls stated in Table 3; these are a matter of fact based on the assets and money that are actually held by WealthTek.

How can I change my claim?

If you have indicated on your Client Assets Claim Form that you do not agree with either (or both) of your Client Assets claim or your Client Money Entitlement as stated on your Client Assets Statement, and you later change your mind, you can change your election by selecting the relevant option by scanning the QR code using the camera function on a smart phone or tablet or by clicking the link below. Please do not submit your Client Assets Claim Form a second time in these circumstances.



<https://forms.office.com/e/Qfjy8WEK11?origin=lprLink>

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If you have indicated on your Client Assets Claim Form that you agree with either (or both) of your Client Assets claim and your Client Money Entitlement, and you later change your mind, you can also change your election using the QR code or link above; however, please note that once your Client Assets and Client Money have been returned, you will not be able to amend your claim.

### **What documentation will I need to provide to the JSAs?**

The documents you will need to provide will vary on a case-by-case basis, as the information needed will depend on the nature of the dispute and the information that the JSAs can obtain from WealthTek's records and any other sources available to them.

If required, your Case Manager will provide you with details of the type of documentation needed in order to support your dispute and provide you with ample time to provide this to the JSAs' team.

### **How long will it take for the JSAs to resolve my dispute?**

The time it will take to resolve each dispute will be dependent on the nature of the dispute and the records available to the JSAs to allow them to either accept the disputed position or to reject the disputed position.

Your Case Manager will work with you through this process to resolve any disputes as quickly as possible.

### **What happens if the JSAs do not agree to amend my claim?**

If the JSAs do not agree with the disputed element of your claim, after the Distribution Plan has been approved, you will be issued with a Client Assets Confirmation Statement in respect of the elements of your Client Assets and or Client Money claims you do not dispute, and a Non-Admitted Claim Statement in respect of the disputed element.

The JSAs will provide reasons why they cannot agree to the disputed element, and you will have the ability to apply to Court if you do not agree with the JSAs' decision. The costs of making such an application to Court will be borne by you.

### **Will this process cause a delay in returning my assets to me?**

The JSAs will endeavour to deal with all disputes prior to the first returns of Client Assets under the Distribution Plan. However, where this is not possible, if you have received a Client Assets Confirmation Statement in respect of your agreed positions, the JSAs will be able to return these assets whilst continuing to deal with the disputed element.

## 4. Have you elected to receive FSCS compensation, if eligible?

What is the FSCS and what compensation do they offer?

The FSCS is a statutory compensation scheme which was set up for customers of UK authorised financial services firms for the purposes of compensating customers of such firms who have suffered losses after the firm has entered into an insolvency process.

The FSCS covers losses for eligible clients of up to an aggregate limit of £85,000.

How do I know if I am eligible?

If you have indicated on your Client Assets Claim Form that you would like to receive FSCS compensation (if eligible) the JSAs' team will contact you either via email if you submitted your Client Assets Claim Form electronically or via post if you have previously requested hard copy communications. In this communication, the JSAs will request certain 'know your client' documents.

The FSCS will look at each individual case and determine the eligibility of each client. It is expected that the vast majority of clients will be eligible.

Further details regarding the FSCS's criteria in relation to eligibility can be found at <https://www.fscs.org.uk/making-a-claim/claims-process/eligibility-rules/>

What does it mean if I accept FSCS compensation?

If you are eligible for FSCS compensation and you indicate on your Client Assets Claim Form that you would like to receive FSCS compensation, the FSCS will cover your costs contribution for returning the Client Assets of £23,000 (capped, if lower, at the value of your Client Assets claim). This amount will be deducted from the £85,000 of compensation that is otherwise available to you from the FSCS. The balance of £62,000, after your costs contribution has been paid by the FSCS on your behalf, will be available to meet your shortfall claim up to that amount. The costs of returning client money will be deducted separately as a percentage share of your entitlement to Client Money (which the JSAs expect to be less than 2%).

**Example 1:** If you had a Client Assets shortfall (which is set out in Table 3 of your Client Assets Statement) of £30,000, and a Client Money shortfall of £10,000, the FSCS would cover your shortfall claim in full. (As matters stand, the Client Money shortfall is not shown on your Client Assets Statement; the extent of the Client Money shortfall will be communicated to you separately in due course).

**Example 2:** If you had a Client Assets shortfall (which is set out in Table 3 of your Client Assets Statement) of £150,000, and a Client Money shortfall of £30,000, the FSCS would not cover your shortfall claim in full and you would only receive the balance of the £62,000 after your costs contribution has been deducted. The remainder of your claims in respect of Client Assets and/or Client Money will be recorded as an unsecured claim against WealthTek. (Again, note that the Client Money shortfall is not shown on your Client Assets Statement).

In all scenarios, accepting FSCS compensation will result in an assignment of all your rights and claims against WealthTek and any third parties arising out of the claim in respect of which compensation was paid. Further details regarding that assignment can be found on the FSCS's website (<https://www.fscs.org.uk/about-us/tcs-tech-info/prod-t-and-c/invest-pay/>).

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Accepting FSCS compensation does not affect either the Client Assets that the JSAs expect to return to you as part of the Distribution Plan process or the Client Money that will be distributed to you separately.

### Can I still have FSCS compensation if I disagree my claim?

The FSCS will only compensate in respect of agreed claims; however, if you would like to receive FSCS compensation if you are eligible to do so, you should indicate this on your Client Assets Claim Form even if you do not agree with your claim, as this will help prevent any further delays once the JSAs have made a decision regarding your disputed claim.

### What does it mean if I reject FSCS compensation, if eligible, or if I am not eligible for FSCS compensation?

If you elect not to receive FSCS compensation or you are ineligible to receive FSCS compensation, you will be required to meet your costs contribution for returning assets under the Distribution Plan by other means.

After the approval of the Distribution Plan, you will receive a Payment Options Form, which allows you to select a method by which you will meet your costs contribution. On the Payment Options Form, the options will be as follows:

- ▶ Bank transfer to the JSAs' account or cheque;
- ▶ Setting off against the amount of any distribution of Client Money to which you would otherwise be entitled; or
- ▶ Providing instructions to liquidate certain of your Clients Assets.

Please note that the JSAs will not be able to return your Client Assets and/or distribute your Client Money until you have met your costs contribution for returning assets under the Distribution Plan.

### Can I change my mind after I have submitted my Client Assets Claim Form?

If you have elected not to receive FSCS compensation where you are eligible to receive FSCS compensation, but later change your mind, you can change your election by selecting the relevant option by scanning the QR code using the camera function on a smart phone or tablet or by clicking the link below. Please do not submit your Client Assets Claim Form a second time in these circumstances.



<https://forms.office.com/e/Qfjy8WEK11?origin=lprLink>

If you have elected to receive FSCS compensation (if you are eligible to receive it) but later change your mind, you can also do so using the link above. However, please note that once the FSCS has paid your costs contribution on your behalf, you will not be able to change your mind.

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## 5. You may be required to provide your KYC documentation

### Why do you need my KYC documentation and who will you share it with?

At this stage, you will only have received a request for KYC documentation if you have elected to receive FSCS compensation. The approach to KYC checks will be agreed between the JSAs, the FSCS and the Nominated Broker(s) in due course.

The JSAs are requesting this information from clients to streamline the process and to reduce the number of parties each client is required to deal with. The JSAs will contact you for your permission to share this information with any third party.

### What KYC documentation do you require?

The KYC documentation required will be set out in the request sent to you via email, if you submitted your Client Assets Claim Form electronically, or via post if you submitted a hard copy version of your Client Assets Claim Form.

If you are in any doubt regarding whether the request you receive is genuine, please do not hesitate to contact the JSAs' team on 0113 521 4470 or 0151 351 4700.

### How do I give you my KYC documentation?

If you have submitted your Client Assets Claim Form electronically, you will receive an email from the JSAs requesting that you provide your KYC documentation. A link in that email will automatically produce an email for you and the subject title will automatically be populated. Please do not make any amendments to the subject title. The email itself will provide details of the information required and contain instructions as to how to attach the required information and documentation to the email prior to sending.

If you have submitted your Client Assets Claim Form in hard copy via post, you will receive a letter from the JSAs detailing the KYC documentation required. You will need to return the required information and documentation in the post.

*Please do not send original documents; we will only require copies of your documents.*

### Is my personal data safe with you?

WealthTek remains the “data controller” of your personal data under applicable data protection laws. The JSAs are implementing reasonable technical and organisational measures to safeguard your personal data.

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## 6. Is there a security interest over some of your assets?

### What is a Security Interest?

In the present context, a security interest is a proprietary interest in an asset owned by you (but held for you by WealthTek) which has been created in favour of a third party such as a custodian of assets, and which secures amounts due to that third party by you, as the owner of the asset. If a valid and effective security interest were to exist over your assets, it would be necessary to ensure that the amounts owed to the third party are paid, so that the security interest can be discharged and your assets returned to you, as the owner of the assets.

### How do I know if there is a Security Interest over my assets?

As matters stand, the JSAs are not aware of any party that holds a security interest over any of your Client Assets. It is nevertheless possible that a party will make itself known to the JSAs prior to the date of any Transfer by asserting an entitlement to rely on a security interest, in which event the JSAs would need to investigate the asserted security in order to determine whether it is valid and effective. If the security interest is determined by the JSAs to be valid and effective, the JSAs will contact the affected clients with a view to explaining the next required steps.

### What does having a Security Interest over my assets mean for me?

The JSAs do not currently expect this to be an issue for any client; however, if it is determined that some or all of your Client Assets are subject to a security interest, you will be required to discharge that security interest prior to your Client Assets being returned.

### How do I discharge the Security Interest?

A valid and effective security interest will remain in place until the amounts secured have been repaid. If there is a valid and effective security interest over your Client Assets, therefore, you will be required to complete a Payment Options Form in order to state your preferred method of paying the secured amount, so that the security interest can then be discharged. You will have the option to pay the secured amount via one of the following methods:

- ▶ Bank transfer to the JSAs' account or by cheque;
- ▶ Setting off against the amount of any distribution of Client Money to which you would otherwise be entitled; or
- ▶ Providing instructions to liquidate certain of your Clients Assets.

### Will the FSCS compensation cover the cost of releasing the Security Interest?

Unfortunately, FSCS compensation does not cover the cost of removing a security interest and therefore, if applicable, you will be required to pay the secured amount by completing the Payment Options Form and selecting from the methods described above.

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# 7. Outcome if Payment Options Form is required

## What is a Payment Options Form?

A Payment Options Form will only be made available to you in certain circumstances once the Distribution Plan has been approved by the Court.

Payment Options Forms will only be made available to the following clients:

- ▶ Those who are eligible for FSCS compensation who have elected not to receive FSCS compensation;
- ▶ Those who are ineligible for FSCS compensation; and
- ▶ Those who are required to discharge a Security Interest over their assets.

As previously noted, we expect the vast majority of clients to be eligible for FSCS compensation. In addition, the JSAs are not currently aware of any Security Interest over any of the Client Assets held by WealthTek.

## Can I complete my Payment Options Form now?

The Payment Options Form will only be made available once the Distribution Plan has been approved by the Court.

## How can I access my Payment Options Form?

If applicable, the link to your Payment Options Form will be emailed to you and a notification will appear on your Client Portal indicating that your Payment Options Form is available.

If applicable, and you have previously requested hard copy documents, your Payment Options Form will be sent to you in the post.

## What happens if I don't complete my Payment Options Form?

If a Payment Options Form is made available to you, the JSAs will not be able to return your Client Assets until you complete and submit your Payment Options Form.

If you do not complete and submit your Payment Options Form, it will cause a delay in your Client Assets being returned to you.

If the JSAs determine they have provided you with sufficient opportunities and time to complete and submit your Payment Options Form, and you have not responded, the JSAs will be able, under the Distribution Plan, to liquidate your Client Assets up to the required value, in order to meet the outstanding costs, so that the JSAs will then be able to return your remaining Client Assets.

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## If I disagree with my costs contribution what can I do?

The JSAs are required to identify the costs of the process of returning Client Assets incurred to date, and estimate the future costs of the process, in order to make adequate provision for an overall reserve for the costs of returning Client Assets. Under the applicable legislation, the JSAs' costs of returning Client Assets are payable as a priority expense deductible from Client Assets.

In the present case, the JSAs have determined that the fairest outcome is for the costs reserve to be split equally amongst all clients, no matter the size or value of their Client Assets claims to produce an equal cost per client.

Where clients are eligible and elect to receive FSCS compensation, that cost per client is paid by the FSCS to the JSAs directly on behalf of the client and deducted from the £85,000 available compensation.

Where clients are not eligible for FSCS compensation or, if eligible, have elected not to receive FSCS compensation, they will need to meet the cost per client using one of the methods set out on the Payment Options Form.

At regular intervals going forward, the JSAs will present their time costs incurred to date for approval by the Clients' and Creditors' Committee, who have the ability to approve the time costs at a level they are satisfied with. The approved time costs will then be drawn down from the costs reserve available to the JSAs for paying the costs of returning Client Assets.

Each time the JSAs request approval of their time costs, they will also revisit their initial costs estimate and update the estimate in light of actual costs that have been incurred. Where the actual costs incurred results in a reduction in the overall costs estimate, the cost per client will reduce and there is a costs rebate mechanism under the Distribution Plan that will be followed.

Please note that the cost per client will never increase, so the clients will never be asked to contribute more than the original costs contribution per client, calculated according to the JSAs' initial costs estimate.

## I don't have any means to pay either my costs contribution or to discharge any security interest

Where applicable to you, the Payment Options Form will provide you with three alternative methods to pay either your costs contribution for returning Client Assets or to pay the secured amounts required to be paid in order to discharge a security interest. These options are as follows:

- ▶ Bank transfer to the JSAs' account or cheque;
- ▶ Setting off against the amount of any distribution of Client Money to which you would otherwise be entitled; or
- ▶ Providing instructions to liquidate certain of your Client Assets.

Please note that the second and third options above will enable you to pay the required amounts by reducing your Client Money distribution or the Client Assets that will be returned to you, without requiring any fresh outlay or payment from you.

## Will this delay the return of my assets?

The requirement to complete the Payment Options Form will not result in a delay in the return of your Client Assets or the distribution of Client Money to you. However, as noted above, if you are requested to complete and submit a Payment Options Form and fail to do so, this will result in a delay in the return of your Clients Assets and/or the distribution of Client Money to you.

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## 8. Outcome if you have agreed your claim and elected to take FSCS compensation

### When will the Distribution Plan be approved?

The Distribution Plan application has been filed with Court with a hearing listed for 7 June 2024. The JSAs will provide an update as soon as practicable after the Court hearing.

### Can I see a copy of the Distribution Plan?

The Distribution Plan and the accompanying Explanatory Statement is available on the JSAs' webpage <https://www.bdo.co.uk/en-gb/insights/advisory/business-restructuring/wealthtek-administration> .

### Why can't I have my Client Assets Confirmation Statement now?

The Client Assets Statements have been prepared in anticipation of the Distribution Plan being proposed and approved by the Court.

If, in the unlikely event the Court requires a change to the approach the JSAs have taken in relation to certain of the issues encountered in respect of calculating claims and/or determining the Client Assets and/or Client Money available to be returned or distributed to clients, the JSAs may be required to make certain amendments to the Client Assets Statements that have already been issued to clients. For this reason, it would be premature prior to the approval by the Court of the Distribution Plan to issue to clients their Client Assets Confirmation Statements.

Accordingly, the JSAs will issue you with your Client Assets Confirmation Statement in respect of your Client Assets claim as soon as reasonably practicable following the approval by the Court of the Distribution Plan, if and to the extent that you have indicated your agreement via the Client Assets Claim Form of your Client Assets claim as set out in your Client Assets Statement.

### Will I receive my FSCS compensation immediately?

FSCS compensation will only be available once the Distribution Plan is approved by the Court and you have received your Client Assets Confirmation Statement. The JSAs' current expectation is that the FSCS compensation to which you are entitled (if you are eligible to receive FSCS compensation, and have indicated that you wish to receive FSCS compensation on your Client Assets Claim Form) in excess of the amount of your costs contribution (which the FSCS will have paid on your behalf, where relevant) will be transferred, together with any Client Assets or Client Money, to the Nominated Broker or, if preferred, by way of a Distribution to a new broker identified by you (see section 10 below).

### How will I get my assets back?

Further details as to how clients will receive returns of their assets is provided in the Distribution Plan and accompanying Explanatory Statement and in section 10 to this document.

The JSAs currently anticipate that the majority of WealthTek's clients will have their Client Assets and Client Money transferred to the Nominated Broker.

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## 9. Review your Client Assets Confirmation Statement

### What is a Client Assets Confirmation Statement and what is it telling me?

Your Client Assets Confirmation Statement sets out your agreed claim to Client Assets and your Client Money Entitlement. If you agreed both Table 1 and Table 2 in your Client Assets Statement your claim as stated in your Client Assets Confirmation Statement will be identical.

If you disagreed any element of your Client Assets Statement but were able to reach a resolution with the JSAs, the Client Assets Confirmation Statement will reflect that update.

If you disagreed any element of your Client Assets Statement and were unable to reach a resolution with the JSAs you may still receive a Client Assets Confirmation Statement detailing the elements of your claim which have been agreed and you will receive a Non-Admitted Claim Statement for those elements of your claim that have not been agreed.

### When will I receive my Client Assets Confirmation Statement?

The JSAs will issue the Client Assets Confirmation Statement as soon as reasonably practicable after the Court approves the Distribution Plan. The application is listed to be heard by the Court on 7 June 2024.

You will only receive a Client Assets Confirmation Statement if you have submitted a Client Assets Claim Form. If you have not yet completed this, please refer to section 2 in this document for details on how to complete this step.

### How will I receive my Client Assets Confirmation Statement?

If you have an individual Client Portal, your Client Assets Confirmation Statement will be uploaded to your portal in the same manner as your Client Assets Statement.

If you have elected to receive hardcopy correspondence you will receive copies of you Client Assets Confirmation Statement in the post.

### What do I do if I disagree with any information on my Client Assets Confirmation Statement?

If you disagree with any of the information on your Client Assets Confirmation Statement, please inform the JSAs' team by submitting the electronic form available in the link below, which asks you to set out brief details of the areas of disagreement so the JSAs can look into the query prior to contacting you.



<https://forms.office.com/e/Qfjy8WEK11?origin=lprLink>

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**Dates for my expected transfer or distribution are not included, why?**

The Client Assets Confirmation Statements will be updated with the date of the proposed Transfer to the Nominated Broker or the date of the proposed Distribution (if you have chosen Distribution on your Client Assets Return Method Form), when the information is available.

The date will depend on a number of factors, including but not limited to each client completing the documentation required to allow the Nominated Broker to onboard them.

# 10. Selecting your Client Assets return method

## What are my options?

The JSAs expect that most Client Assets will be returned by a Transfer to the Nominated Broker, rather than Distribution. The default position will be that your Client Assets will be Transferred.

However, you can choose to opt-out of a Transfer by completing and submitting a Client Assets Return Method Form and selecting a Distribution method.

A Transfer involves your Client Assets available to be returned, the return of your Client Money and if relevant your FSCS compensation being transferred to a Nominated Broker selected by the JSAs.

A Distribution is a term used to cover all other options, such as:

- You as client selecting a broker that is not the Nominated Broker where you would like your portfolio moved to.
- Instructing the JSAs to arrange for some or all your Client Assets to be liquidated and the proceeds being returned directly to you as client.

## Which return method should I choose?

The JSAs cannot provide financial advice to clients. If you have a financial adviser or trusted family member you can discuss these matters with we would encourage you to do so.

The JSAs want to provide clients with optionality and have therefore negotiated with the Nominated Broker that if clients do Transfer to the Nominated Broker they will have a period of 6 months post-transfer to move their Client Assets to an alternative broker and 3 months post-transfer to move their Client Assets back to WealthTek (a so-called “reverse transfer”), in both cases without incurring an exit fee. The JSAs hope that this balances the desire to provide clients with access to their Client Assets as soon as reasonably possible whilst also allowing clients to explore alternative options available to them.

The JSAs understand that a number of clients may either individually or with the assistance of an adviser already have chosen an alternative broker to which they would like to move their portfolio. As part of this process the JSAs will work with all alternative brokers to arrange for Client Assets to be moved. Please note that the JSAs will not have any agreements in place with alternative brokers and cannot provide any advice regarding the services they will provide or any fees that will be charged.

## How do I know if the Nominated Broker is a firm I am comfortable with holding my assets?

The JSAs are in advanced talks with the Nominated Broker, the identity of which will be confirmed as soon as a Transfer Agreement is signed with that Nominated Broker. The proposed Nominated Broker is an FCA regulated business who has all the relevant permissions in place.

The JSAs hope to be in a position to confirm the identity of the Nominated Broker prior to the Court hearing on 7 June 2024.

## What are the implications of choosing a Transfer as opposed to a Distribution?

In order to comply with their duties, the JSAs will prioritise Transfers and Distributions which will benefit the most clients, therefore if you choose a particular Distribution method, your return may be effected later than a bulk Transfer to the Nominated Broker. The JSAs will endeavour to process all Transfers and Distributions in the most efficient manner possible and will aim to avoid any undue delay.

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## How do I inform the JSAs of my choice of return method?

You can inform the JSAs of your choice of return method by accessing the electronic Client Assets Return Method Form, the link to which is below:



<https://forms.office.com/e/hLgcgcTWKK>

The JSAs are aware that a number of clients have already informally indicated that they would like to Distribute their Client Assets to an alternative broker. To allow us to efficiently return Client Assets to clients we would ask that clients provide this information using this form at their earliest convenience.

### **What is the deadline for informing the JSAs of my choice?**

The JSAs are looking to obtain details of elections as early as possible as they expect this to allow them to arrange for Transfers and Distributions to take place in a more efficient manner.

If you do not make an election then the default return option which will be stated on your Client Assets Confirmation Statement will be Transfer. Each client will have the opportunity to opt out; however, the final day to opt out will be 10 business days prior to the Transfer Instruction Date.

# 11. Sharing your KYC documents and contact details with the Nominated Broker

## Why does the Nominated Broker need my KYC documents and contact details?

The Nominated Broker will be onboarding every client whose Client Assets are to be returned via a Transfer. Therefore, the Nominated Broker will require certain Know Your Client documentation and take on forms to be provided/completed.

Your Client Assets cannot be Transferred until we receive confirmation from the Nominated Broker that their onboarding processes have been completed.

## How do I provide permission to share these details?

Shortly after the approval of the Distribution Plan, you will receive a notice from the JSAs confirming that the Distribution Plan has been approved, and if you have not at that stage opted-out of the Transfer, you will be provided with the next steps to begin the onboarding process with the Nominated Broker. As part of this notice you will be provided with the opportunity to provide your permission to share any KYC documents previously provided to the JSAs.

## What happens if I don't provide permission?

Your Client Assets cannot be Transferred until we receive confirmation from the Nominated Broker that their onboarding processes have been completed.

If you select the Transfer option, but do not provide the JSAs with permission to share your KYC documentation the Nominated Broker will request this directly.

This may result in a delay in the return of your Client Assets and ultimately if the Nominated Broker is unable to onboard you as a client, you may be ineligible for a Transfer.

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## 12. I have agreed to a transfer and provided my documents, what are the next steps?

### When will I know about the date for my transfer of assets?

The hearing of the application for the approval of the Distribution Plan is listed for 7 June 2024. After this hearing the JSAs will be able to provide a more definitive timetable for Transfers and Distributions.

The JSAs will endeavour to return Client Assets as soon as reasonably practicable after the later of (i) 20 June 2024 and (ii) the date the Distribution Plan is approved by the Court, and after all onboarding requirements of the Nominated Broker have been satisfied. Clients should be aware that this may result in a phased approach to ensure that those clients who complete the relevant paperwork are not significantly delayed by clients who may be slower to do this.

### Can I change my mind about transferring to the Nominated Broker?

In due course, clients will be provided with a Transfer Instruction Date. This is the date on which the JSAs plan to instruct the Transfer of your portfolio (please note that settlement dates may vary depending on the type of Client Assets being Transferred).

Clients can opt out of a Transfer up to 10 business days prior to the proposed Transfer Instruction Date by completing and submitting a Client Assets Return Method Form.

Please note that opting out at this late stage will result in a delay of the return of your Client Assets to you.

### When will I receive my FSCS compensation?

If you have opted in to FSCS compensation and the FSCS has confirmed you are eligible, this information will be confirmed in your Client Assets Confirmation Statement. In a small number of cases, eligibility may still be awaiting determination at the time the Client Assets Confirmation Statements are issued. Your FSCS compensation (subject to the overall £85,000 limit) will be provided to you along with your Client Assets and/or Client Money.

### Once you have transferred my assets, is there anything else I need to do?

Once the JSAs have Transferred your Client Assets, you should continue to read the updates from the JSAs which will provide information regarding any costs reductions and/or additional recoveries which may arise from any recovery actions that are being progressed in respect of the shortfall claims. As previously noted, the information made available by the JSAs in relation to recovery actions is likely to be limited, so as not to compromise any potential recoveries.

If you are required to take any actions the JSAs will contact you directly and we would ask that you inform the JSAs' team if your correspondence address changes.

### What happens to my shortfall claim?

The JSAs are in the process of investigating whether any legal actions can and should be pursued for the benefit of clients suffering shortfalls. If in the future recoveries are made, they will be distributed to clients (or the FSCS, as applicable) on a pari passu basis. For example, if the shortfall claims of all clients total £80m and the JSAs are successful in making recoveries of £40m, they would pay a distribution of 50p

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in the £ on the shortfall claims. If therefore you have a shortfall claim of £20,000, you would receive £10,000, in this example.

Where a Client has accepted FSCS compensation and assigned all their rights to the FSCS, the FSCS would be legally entitled to any further recoveries; however; where the FSCS is able to recover more than the compensation that was paid to the Client or where the failure by the FSCS to pay an amount recovered would leave a Client who promptly accepted compensation or whose rights have been subrogated at a disadvantage compared to a Client who is not in that position, the recoveries will be paid to the Client. Further information on this is set out in the Explanatory Statement.

The timing of any future recoveries which may involve legal action is not yet known. Recovery actions of this type can sometimes take several years.

Once the JSAs have made all available recoveries for clients, any remaining shortfall claim of a client will be an unsecured claim against the general estate of WealthTek. As WealthTek has very few assets of its own, it is not expected that significant dividends (if any) will be paid in respect of unsecured claims.

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## Glossary

**Client Assets** means any assets or securities which WealthTek may have agreed to hold for a client, but does not include Client Money

**Client Assets Claim Form** means the form made available by the JSAs to a client via the Client Portal or, if requested by the client, sent by the JSAs to them by post. This form allows the client to indicate if they:

- (a) agree with their Client Assets Statement; and
- (b) will accept compensation from FSCS (if eligible to do so)

**Client Assets Confirmation Statement** means a statement:

- (a) made available by the JSAs to a client on the Client Portal or, if requested by the client, sent by the JSAs to them by post; and
- (b) setting out relevant information and details relating to the client's claim to Client Assets and confirming their accepted Client Assets claim and their Client Money Entitlement

**Client Assets Return Method Form** means the form made available by the JSAs to a client via the Client Portal or, if requested by the client, sent by the JSAs to them by post. This form allows the client to choose:

- (a) between a Transfer and a Distribution as their preferred method for the return of the client's Client Assets; and
- (b) if Distribution is the client's preferred return method, how the Distribution will be made

**Client Assets Statement** means the statement provided to a client on or around 12 February 2024 by the JSAs and which:

- (a) was made available to the client on the Client Portal or, if requested by the client, sent by the JSAs to them by post; and
- (b) sets out relevant information and details relating to the client's claim to Client Assets and the JSAs' determination as to the Client Assets to which they are entitled and their Client Money Entitlement.

The calculation of the client's entitlement to Client Assets has been based on analysis by the JSAs of WealthTek's books and records and the resolving of issues identified by the JSAs, together with their advisors. The Client Assets Statement contains instructions on how to submit to the JSAs any corrections or other information relating to the calculation of the client's entitlement to Client Assets.

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<b>Client Money</b>	means any money which WealthTek has received or held on behalf of a client in the course of carrying out investment business
<b>Client Money Entitlement</b>	means a client's entitlement to receive a distribution of Client Money, calculated in accordance with the FCA's Client Money Rules
<b>Client Portal</b>	means a secure online portal accessible to a client by following the link sent to the client by the JSAs
<b>Clients' and Creditors' Committee</b>	means the committee elected at the initial meeting of clients and creditors of WealthTek held on 14 June 2023
<b>Court</b>	means the High Court of Justice in England and Wales or, if the matter is appealed, the appellate court.
<b>Distribution</b>	means the return by the JSAs of Client Assets to a client or a firm chosen by the client to hold those Client Assets on its behalf, otherwise than by Transfer
<b>Distribution Plan</b>	means the court-approved distribution plan which has legal effect and explains how Client Assets will be returned to clients
<b>Explanatory Statement</b>	means the document explaining the effect of the Distribution Plan, focussing on the return of Client Assets to clients
<b>FCA</b>	means the Financial Conduct Authority
<b>FCA's Client Money Rules</b>	means the FCA rules that apply to firms when they hold Client Money and which determine how Client Money is treated and distributed when firms enter into an insolvency process
<b>FSCS</b>	means Financial Services Compensation Scheme Limited
<b>Non-Admitted Assets</b>	means assets which a client (or putative client) claims are Client Assets held for them, but which, the JSAs have determined are not held by WealthTek for that client (or putative client)
<b>JSAs</b>	means the joint special administrators appointed in respect of WealthTek, being Shane Michael Crooks, Mark James Shaw and Emma Sayers of BDO LLP, 55 Baker Street, London, W1U 7EU, and any special administrator appointed to WealthTek in addition to, or to replace one or more of, the foregoing appointees or their replacements

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<b>Non-Admitted Claim</b>	means a Client Assets claim in respect of Non-Admitted Assets
<b>Non-Admitted Claim Statement</b>	means a statement: <ul style="list-style-type: none"> <li>(a) made available by the JSAs to a client (or putative client) via the Client Portal or, if requested by the client (or putative client), sent by the JSAs to them by post;</li> <li>(b) setting out that a Non-Admitted Claim that the client (or putative client) has made has not been accepted by the JSAs</li> </ul>
<b>Payment Options Form</b>	means the form made available to certain clients on the Client Portal (or, if requested by the client, sent by the JSAs to them by post) on which the client indicates how they wish to pay any amount owing by them to a third party who has a security interest over their Client Assets or how they wish to pay their costs contribution in the event that they are not eligible for FSCS compensation (or where they are an FSCS protected claimant but have not opted for FSCS compensation)
<b>Transfer</b>	means the Transfer under the Distribution Plan of Client Assets to the new broker nominated by the JSAs to hold on the relevant client's behalf
<b>WealthTek</b>	means WealthTek LLP (in investment bank special administration)

<http://www.bdo.co.uk/>

