

EXPLANATORY STATEMENT RELATING TO A DISTRIBUTION PLAN

WEALTHTEK LLP
(IN INVESTMENT BANK SPECIAL ADMINISTRATION)

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.
IT EXPLAINS THE COURT-APPROVED DISTRIBUTION PLAN FOR THE RETURN OF
CLIENT ASSETS BY WEALTHTEK LLP**

This document is being provided to you electronically. You can view it or download it at <http://www.brportal.bdo.co.uk>. You can also ask the Joint Administrators to send you a printed copy by contacting them in one of the ways set out on page 3.

If you are in any doubt about the meaning and effect of this document, you should consult with your financial advisor, solicitor and/or other appropriate professional advisor without delay.

Contents

- 1. Your guide to this explanatory statement 2
- 2. Background: What happened to WealthTek? 4
- 3. What does the distribution plan do and when can client assets be returned? 13
- 4. What do you need to do in relation to the distribution plan? 15
- 5. What needs to happen before any transfer or distribution can be made? 18
- 6. Which client assets will be returned by a transfer?..... 20
- 7. How will a transfer of client assets work?..... 21
- 8. Which client assets will be returned by a distribution and how?..... 23
- 9. How will the costs of returning client assets be met? 24
- 10. What might make the return of client assets difficult or delayed? 36
- 11. What happens if you submit your claim late? 39
- 12. What are the releases in the distribution plan? 40
- 13. How will (pre-administration) client money be returned? 41
- Glossary 45

1. Your guide to this explanatory statement

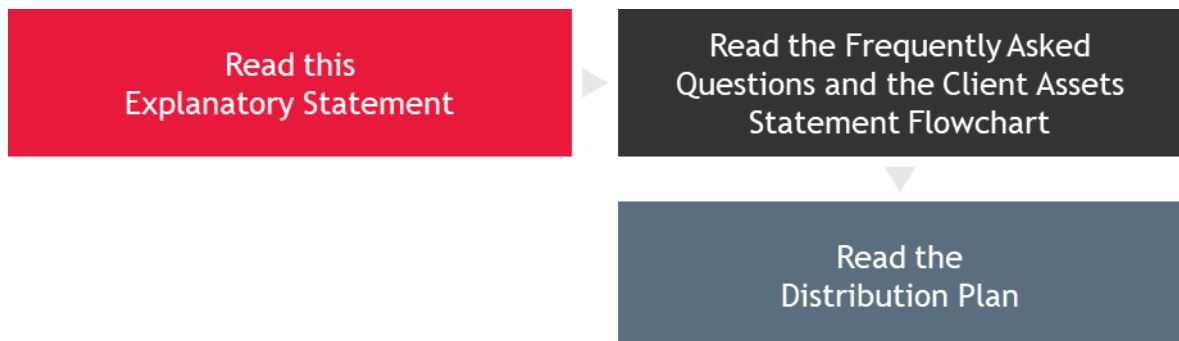
Key points and steps:

- ▶ You should read: this **explanatory statement**, the FAQs and then the **distribution plan**.
- ▶ The **distribution plan** is the legal framework for returning **client assets** to you and other clients of WealthTek. This **explanatory statement** explains the effect of the **distribution plan** and focuses on the return of **client assets** to you.
- ▶ If **you** are in any doubt about the explanations contained in this **explanatory statement** or the effect of the **distribution plan**, **you** are encouraged to obtain advice from **your** own professional advisors.
- ▶ Please contact **BDO's WealthTek client team** if **you** need more information or have any questions.

1.1. This **explanatory statement** is an easier-to-understand summary of the **distribution plan**. It explains how **client assets** (including **your** assets), held by **WealthTek** on **your** behalf, will be returned to **you** and what **you** need to do to.

1.2. The **distribution plan** does not deal with the return of **client money**, which will take place under a separate process (under the **FCA's client money rules**). The **joint administrators** are communicating with clients separately about the return of **client money**.

Our suggested approach for you to understand the distribution plan:



How should you read this explanatory statement?

1.3. Any words which are in bold in this **explanatory statement** are explained in the **glossary** which is on page 45 onwards. If **you** have a printed copy of this **explanatory statement**, we suggest that **you** keep the **glossary** alongside the **explanatory statement** to make **your** reading easier.

1.4. Although this **explanatory statement** provides **you** with useful guidance, **you** are strongly encouraged to read the **distribution plan** itself. That is the document which has been submitted to **court** for approval and, once approved, will have legal effect. The **court** has not approved, and will not approve, this **explanatory statement**. It has been drawn up by the **joint**

administrators, together with their advisors, to help **you** understand what the **distribution plan** means for **you**.

- 1.5.** This **explanatory statement** is addressed to **you** on the assumed basis that **you** are a **client** of **WealthTek**. Neither this **explanatory statement** nor any statement made in it should be taken as a representation or admission that any individual or party is a **client** of **WealthTek** when they are not in fact a **client**, as determined by the **joint administrators**.
- 1.6.** None of the **joint administrators** or their firm, members, partners, directors, officers, employees, agents, advisors or representatives has authorised any person to make any representations about the **distribution plan** which are inconsistent with the statements in this **explanatory statement** and, if any inconsistent representations are made, they should not be relied upon.
- 1.7.** Nothing in this **explanatory statement** is intended to be legal, tax, financial or other professional advice given to **you**. **You should take advice from your own professional advisors before taking any action in connection with the distribution plan.**

If you require more information or have any questions, please:



Visit the [website](#); or



Contact **BDO's WealthTek client team** by phone:
+44(0)151 351 4700 or +44(0)113 521 4470



or email Wealthtekclients@bdo.co.uk.

2. Background: What happened to WealthTek?

Key points and actions:

- ▶ **WealthTek** was placed into special administration on 6 April 2023. Since then, the **joint administrators** have been working to return to **you** the **client assets** and **client money** to which **you** are entitled.
- ▶ If:
 - **you** claim to **client assets** is agreed with the **joint administrators**.
 - **you** have paid any liabilities owed to a third party who has a valid **security interest** over **your client assets**; and
 - **you**, or (if applicable) **FSCS**, have paid **your** contribution towards the costs of returning the **client assets**,then the **client assets** to which **you** are entitled will be **transferred** to a new broker as soon as reasonably possible after the later of (i) 20 June 2024; and (ii) the date the **distribution plan** is approved by the **court**, and only after all onboarding requirements of the new broker have been satisfied.
- ▶ Even if **you** qualify as an **FSCS protected claimant**, **you** will have to still elect to receive **FSCS** compensation on **your client assets claim form** for **FSCS** to cover **your** contribution towards the costs of returning the **client assets**, the costs of distributing **client money** and any shortfalls in **client money** and **client assets** (subject to the overall **FSCS** compensation limit of £85,000).
- ▶ If **you** have not already submitted **your** claim (i.e. before the bar date of 20 March 2024), the **joint administrators** will assess it in the ordinary course, as they would if **you** had submitted **your** claim before the bar date, but **you** may not be able to receive the **client assets** to which **you** are entitled. The **joint administrators** therefore encourage **you** to **submit** your claim as soon as possible.
- ▶ **You** should make sure that **you** understand when the **joint administrators** will **transfer**, **distribute** or liquidate **your client assets**.

- 2.1. **WealthTek** was placed into investment bank special administration on 6 April 2023. This is a particular type of insolvency process for investment firms such as **WealthTek**, which seeks to ensure that the firm can be wound down in an orderly way to achieve a better outcome for clients than would be possible through a standard insolvency procedure.
 - 2.2. Since then, the **joint administrators** have worked to confirm the **client assets** held by **WealthTek** for each **client** and to make preparations to return these **client assets** under the **distribution plan**.
 - 2.3. The **distribution plan** has been carefully prepared by the **joint administrators** in conjunction with their legal advisors. The **joint administrators** are ultimately responsible for the **distribution plan** and the **joint administrators** consider that the **distribution plan** represents the best and fairest outcome for **clients** as a whole in the circumstances of **WealthTek's** special
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administration and the legal and regulatory framework within which the **joint administrators** are required to operate.

- 2.4.** The **distribution plan** has been approved by the **committee**, which includes **FSCS**. Approval by the **committee** is a formal requirement under the legislation.¹ However, individual **committee** members do not accept any responsibility to individual clients in relation to the contents of the **distribution plan**.
- 2.5.** The **joint administrators** applied to **court** on 9 May 2024 seeking approval of the **distribution plan**. If the **court** approves the **distribution plan**, the **distribution plan** will become effective in accordance with its terms. The application to **court** and accompanying witness statement by Shane Crooks, one of the **joint administrators** (which explains the factual background to the **distribution plan**), are available on the **website**.
- 2.6.** The **joint administrators** have previously shared the **distribution plan** with the **FCA**. The **joint administrators** are liaising with the **FCA** to take steps to vary certain controls the **FCA** has placed on **WealthTek** so that **WealthTek** is able to, among other matters, undertake the **transfer** or return of **client money** and **client assets** to the extent necessary for the purposes of the **distribution plan** and the special administration.
- 2.7.** The **joint administrators** have also been working to ensure that **client money** can be returned within a similar timeframe as the return of **client assets**.
- 2.8.** If **you** have agreed **your** claim to **client assets** with the **joint administrators**, and:
- ▶ **you** have paid any liabilities owed to a third party who has a valid **security interest** over **your client assets**; and
 - ▶ **your** contribution to the overall costs of returning **client assets** has been paid (noting that if **you** are an **FSCS protected claimant** who has elected to receive **FSCS** compensation in **your client assets claim form**, this will be paid by **FSCS** on **your** behalf up to the **FSCS** compensation limit - see paragraphs 2.17 to 2.19 below to understand if **you** are, or may be an **FSCS protected claimant**),

then, unless the **joint administrators** inform **you** otherwise or **you** have told the **joint administrators** in advance that **you** do not want **your client assets** to be transferred, **your client assets** will be transferred to a new broker chosen by the **joint administrators** as soon as reasonably possible after the later of (i) 20 June 2024 and (ii) the date the **distribution plan** is approved by the **court**,² and after all customer due diligence requirements of the new broker have been satisfied.

- 2.9.** For **your** information, as at the date of this **explanatory statement**, the **joint administrators** are not aware of any third party with a **security interest** over **your client assets** and so the **joint**

¹ Investment Bank Special Administration (England and Wales) Rules 2011, Rule 145.

² Investment Bank Special Administration (England and Wales) Rules 2011, Rule 144(3) and Rule 146.

administrators do not expect the condition set out in the first bullet point in paragraph 2.8 above to be relevant in **your** case.

Does the distribution plan apply to both client assets and client money?

2.10. No. The **distribution plan** does not deal with the return of **client money** held by **WealthTek** when it entered into special administration (i.e. as at 6 April 2023).

2.11. For **your** benefit, the **joint administrators** are planning to return **client money** in parallel with returns of **client assets** (together with the proceeds of, or income arising from, corporate actions occurring following **WealthTek's** entry into special administration (e.g. interest and dividends)).

2.12. A bar date for the submission of **client money** claims was also set for 20 March 2024, and the timing for the return of **client money** is planned to coincide with returns of **client assets**. Unless **you** tell the **joint administrators** otherwise, **client money** will also be transferred to a new broker chosen by the **joint administrators** as soon as reasonably possible after the later of (i) 20 June 2024 and (ii) the date the **distribution plan** is approved by the **court**, and after all customer due diligence requirements of the new broker have been satisfied.

What are the key features of the distribution plan?

2.13. The **distribution plan** explains:

- ▶ how **client assets** will be **transferred** to a new broker, where they will be held on behalf of **you** and/or the **clients** entitled to them;
- ▶ how **client assets** which will not be **transferred** to a new broker will be returned to **you** or for **your** account by way of **distribution**, and the options available to **you** for **distributions**;
- ▶ how a costs reserve for the estimated costs of returning **client assets** will be shared across **clients** by each client making costs contributions and how refunds (or rebates) of costs will be calculated if the actual costs of returning **client assets** are lower than the **joint administrators'** initial estimates. For the majority of **clients**, contributions to costs will be covered in full by **FSCS** (to benefit from this, **you** would need to have elected to receive **FSCS** compensation on **your client assets claim form**³ and to be eligible for such compensation). **Clients** who elect not to receive the benefit of **FSCS** compensation and **clients** who are not eligible for **FSCS** compensation (and/or **clients** who have a **security interest** over their **client assets**), will be asked to complete a **payment options form** to agree how their cost contributions (or the amount owing by them to any third party who holds a **security interest** over their **client assets**) will be paid;
- ▶ how the proceeds of corporate actions⁴ arising from **client assets** occurring following 6 April 2023 (e.g. interest and dividends) will be returned to relevant **clients** in a way that is consistent with the return of the underlying **client assets**; and

³ See paragraphs 2.17 to 2.19 for more details.

⁴ Corporate actions are actions affecting particular securities (including rights relating to them) or the issuer of those securities which result in a change in the nature of the securities and/or result in income derived from those securities (such as dividends, payment of interest or the exercise of rights in respect of warrants).

- ▶ where there are shortfalls in particular types of **client assets**, how those shortfalls will be shared by the relevant **clients** (which will be in proportion to the number of relevant securities held by **clients**). **FSCS** will compensate **FSCS protected claimants** who are affected by any shortfalls up to an aggregate limit of £85,000 (including the costs of returning **client assets**, the costs of distributing **client money** and any shortfalls in **client money** and **client assets**).

- 2.14.** The **distribution plan** also explains other matters which allow the **joint administrators** efficiently and appropriately to deal with **client assets** and wind down the **client** estate. These include helping **clients** who disagree with the **joint administrators'** calculation of their claim to **client assets**, the return of any recoveries of, or instead of, **client assets** or **client money** made or received by the **joint administrators** and what the **joint administrators** will do with **client assets** which they are not able to return (e.g. because they are subject to government-imposed sanctions).
- 2.15.** The legislation⁵ ensures that enough time is factored into the process to give **you** a fair opportunity to submit **your** claim before any **client assets** are distributed. For example, once a bar date has been set, **client assets** cannot be returned until three months after that date.
- 2.16.** **Client assets** will be returned as soon as reasonably possible after the later of (i) 20 June 2024 and (ii) the date the **distribution plan** is approved by the **court**. Transfers and/or distributions of **client assets** will begin at this time, but only once all customer due diligence requirements of the new broker have been satisfied.

What is FSCS and who is an FSCS protected claimant?

- 2.17.** **FSCS** is a statutory compensation scheme set up for customers of failed UK authorised financial services firms (including brokers and investment banks) for the purposes of compensating customers of such firms who have suffered losses. **FSCS** covers losses for eligible claimants of up to an aggregate limit of £85,000 for certain claims claimants have against firms in default, which, for the purposes of this special administration, include the costs of returning **client assets**, the costs of distributing **client money** and any shortfalls in **client money** and **client assets**.
- 2.18.** **FSCS** is responsible for deciding who is eligible for compensation and this decision will be communicated to **you** by the **joint administrators** after **you** have submitted **your client assets claim form** and after the **distribution plan** has been approved by the **court**. The **joint administrators** anticipate that the majority of **WealthTek's clients** will be **FSCS protected claimants**. **You should indicate as soon as possible, on your client assets claim form, if you wish to receive FSCS compensation if FSCS determines that you are eligible for FSCS compensation. Even if you are eligible for compensation, you will need to have made the election on your client assets claim form in order to benefit from FSCS compensation.**
- 2.19.** Accepting **FSCS** compensation will mean that **you** assign to **FSCS** all of **your** rights and claims against **WealthTek** and any third parties arising out of the claim for which **you** are compensated. This is known as **subrogation**. **Subrogation** will not affect **your** rights to receive **client assets**

⁵ Investment Bank Special Administration Regulations 2011 and Investment Bank Special Administration (England and Wales) Rules 2011.

and **client money** and it will not reduce the amount of **your** compensation (where **you** are an **FSCS protected claimant**).

What about tax wrappers and capital gains tax?

- 2.20. Certain of the **client assets** that will be returned are subject to tax wrappers such as ISAs. Each case will turn on its facts and the nature of the **client assets** held and the tax wrappers to which they are subject, as well as the individual affairs of particular **clients**. Nevertheless, for example, there might be time-limits which apply to transferring certain types of investments to other brokers, to which **clients** should have regard. **Clients** should therefore consider their own positions carefully in order fully to understand the consequences for them of the taking of particular actions, or the failure to take any particular course of action.
- 2.21. It is important that **you** get appropriate advice on **your own tax affairs**, including what the **distribution plan** means for **you** from a tax perspective. This remains **your responsibility** throughout the process and the **joint administrators** will not have responsibility in this regard.

Are there any taxes if client assets are liquidated?

- 2.22. The **distribution plan** allows (upon either **your** instruction or in certain limited cases in the future when most **clients** have already received their **client assets**) the **joint administrators** to liquidate (i.e. to sell) **client assets**:
- ▶ to settle liabilities owed to third parties who have **security interests** over **client assets**;
 - ▶ to pay the costs of **clients** who are not **FSCS protected claimants** (or **clients** who are eligible for **FSCS** compensation and elect not to receive **FSCS** compensation); and/or
 - ▶ as an alternative to **distributing client assets**.
- 2.23. Any liquidation of **client assets** by the **joint administrators** could result in a capital gains tax liability for **you**. Any capital gains tax will be **your liability** and not the responsibility of the **joint administrators** or **WealthTek**.

How are shortfalls of client assets dealt with under the distribution plan?

- 2.24. As the **joint administrators** have reported publicly since their appointment,⁶ there were significant shortfalls in the **client assets** and **client money** held by **WealthTek** when it entered into special administration. **WealthTek** held approximately £70.6 million less in **client assets** than the amount it should have been holding on behalf of **clients** (applying valuations of **client assets** on the date **WealthTek** entered into special administration).
- 2.25. According to legislation,⁷ shortfalls in securities of the same type held in omnibus accounts (i.e. a single account which holds the **clients assets** of multiple clients) are shared equally by all clients who have claims to the same type of securities. This is the approach followed in the

⁶ In the **joint administrators**' progress report from 6 April 2023 to 5 October 2023, as filed at Companies House on 3 November 2023 (copies of which are available from Companies House online or on request from the **joint administrators**).

⁷ Investment Bank Special Administration Regulations 2011, Regulation 12.

distribution plan. This achieves a fair outcome for all similarly-affected clients of a failed brokerage firm.

- 2.26.** There is also approximately £10 million less in **client money** than the amount **WealthTek** should have been holding on behalf of **clients**. This **client money** shortfall is dealt with separately under the **FCA's client money rules**. This means that each **client** will receive a rateable **distribution of client money** held by **WealthTek** based on their **client money entitlement** (i.e. clients share shortfalls in **client money** pro rata to each client's entitlement or claim). The **FCA's client money rules** explain in detail how this will be calculated.
- 2.27.** **FSCS protected claimants are entitled to compensation for these shortfalls (subject to the overall FSCS compensation limit of £85,000). The value of these shortfalls is calculated according to the value of the client assets and client money at the time of WealthTek entering into special administration, wherever possible.**
- 2.28.** Each **client** that suffers a shortfall will have an **unsecured claim** against the general estate of **WealthTek** for that amount. A **proof of debt** will automatically be deemed to be submitted and **you** will not need to do anything further. If **FSCS** has compensated **you** for this shortfall, **FSCS** will automatically take over **your unsecured claim** against **WealthTek** (a legal process known as **subrogation**). 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**. **Subrogation** will not affect **your** rights to receive **client assets** and **client money** and it will not reduce the amount of **your** compensation (where **you** are an **FSCS protected claimant**).

Why is the distribution plan being implemented by the joint administrators?

- 2.29.** When an investment firm like **WealthTek** enters into special administration, there is a legislative process to return **client assets** and **client money** to **clients**. This means that the **joint administrators** can return **client assets** by setting a 'bar date' by which claims must be submitted by **clients** like **you**; and by implementing a **distribution plan**.
- 2.30.** Under a **distribution plan**, **client assets** can be returned in accordance with all of the information available to the **joint administrators**, including information submitted by **clients**. The return of **client assets** through the **distribution plan** ensures that **client assets** are returned without the possibility of another **client** making a later claim to them and seeking to disturb returns that have already been made.
- 2.31.** The **joint administrators** decided that a **distribution plan** is appropriate for returning **client assets** because of the circumstances of **WealthTek** and the regulatory and criminal investigations commenced by the **FCA** into **WealthTek** and Mr John Dance, a member of **WealthTek**.
- 2.32.** During their investigations, the **joint administrators** discovered multiple issues with the accuracy of **WealthTek's** books and records. The **joint administrators** were consequently unable to rely fully on **WealthTek's** books and records for the purposes of returning **client assets**. Serious problems and unfairness might have occurred if the **joint administrators** only relied on **WealthTek's** books and records when returning **client assets**, given the inaccuracies that were discovered. This meant that a significant amount of work has been done by the **joint**

administrators to decide on the best approach to take in reconciling and returning **client assets** and **client money**.

- 2.33.** An advantage of the **distribution plan** is that once a **client** receives **client assets**, the law prevents later claims from being made against those **client assets**. This means that a return of **client assets** to you is final.
- 2.34.** Having decided that it was best to use the **distribution plan**, the **joint administrators** set a bar date of 20 March 2024. This bar date was communicated to all **clients** by notice sent on 12 February 2024. In doing so, the **joint administrators** invited **clients** to submit their claims, by making available to each of them a **client assets statement** (explaining their entitlements to **client assets** and **client money** and instructions for submitting any corrections or other information to the **joint administrators**) and a **client assets claim form**.
- 2.35.** If you did not submit your claim before the bar date, the **joint administrators** encourage you to submit your claim as soon as possible. If you do not submit your claim before the **joint administrators** begin returning **client assets**, you may not be able to receive **client assets** to which you might otherwise be entitled. This is because, if the **joint administrators** have already returned all of the **client assets** to other **clients** once the bar date has passed, they would not be able to return additional **client assets** to you.
- 2.36.** After setting the bar date, the **joint administrators** then prepared the **distribution plan**, in consultation with the **committee** and **FSCS**. The **distribution plan** was approved by the **committee** on 2 May 2024 and the **court** application was filed on 9 May 2024. The application is listed to be heard on 7 June 2024. The application to **court** and accompanying witness statement by Shane Crooks, one of the **joint administrators** (which explains the factual background to the **distribution plan**), are available on the **website**.

How have discrepancies in WealthTek's books and records been resolved?

- 2.37.** Following their appointment, the **joint administrators** identified various discrepancies and inaccuracies in **WealthTek's** books and records, meaning that they were unable to rely fully on the books and records alone in order to calculate **clients'** claims to **client assets** and **client money**.
- 2.38.** Although the position of each **client** was individually considered by the **joint administrators** when calculating their claims and preparing to implement the **distribution plan**, the **joint administrators** were able to identify different fact-patterns that applied in the same or a similar way to multiple **clients**. Based on these fact-patterns, for the sake of time and efficiency, the **joint administrators** set certain factual scenarios that represented the positions of different groups of **clients** and obtained legal advice (which is confidential and subject to legal privilege) on the appropriate approach to take in determining **clients'** entitlements, given the inaccuracies that existed. The **joint administrators** aimed to strike a balance between protecting the interests of individual **clients** and achieving fairness for the **clients** as a whole.
- 2.39.** The following table is a summary of the main factual scenarios identified by the **joint administrators** and the decisions made by them as to the fairest approach to take in each case. These determinations helped the **joint administrators** clarify both what **client assets** and **client money** are held by **WealthTek** overall and the claims of individual **clients** as between themselves. Additional information on the approach taken by the **joint administrators** is included in the evidence provided to **court** in support of their application for the approval of the **distribution plan**. The application to **court** and accompanying witness statement of Shane Crooks, one of the **joint administrators** (which explains the factual background to the
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distribution plan), are available on the website. The section of the witness statement dealing with the matters summarised below is at paragraphs 40 to 69.

Scenario	Approach taken
<p>1. 'Unrecorded payments'</p> <p>Gratuitous payments had been made by WealthTek to a client from an omnibus account. The recipient client's client money entitlement in WealthTek's books and records was not reduced.</p>	<p>Appropriate deductions should be made in calculating a client's client money entitlement to reflect the client's receipt of gratuitous payments.</p> <p>If the client has no client money entitlement, or if any required deductions are more than any client money entitlement of the client that would otherwise exist, there will be a net amount owing by that client to WealthTek.</p> <p>Any amount owing to WealthTek will normally be deducted from a client's unsecured claim against WealthTek. WealthTek would have a claim against the client for the remaining amount of any gratuitous payment made which was not deducted from amounts owing to the client.</p>
<p>2. 'Transfers of certificated shares'</p> <p>A client transferred certificated shares (i.e. shares which are issued with a corresponding certificate) to WealthTek to be dematerialised (i.e. to convert shares into electronic form) and sold. WealthTek initially increased the client's client asset holding (to replicate the effect of dematerialisation) and then increased the client's client money entitlement and reduced the client's client asset holding, as if it had sold the shares. However, WealthTek continued to hold the share certificates in certificated form in the name of the client.</p>	<p>If the transfer of the certificated shares by the client to WealthTek was valid or beneficial ownership of the shares has transferred and the client received value for the transfer, the client will not be entitled to the certificated shares, but will instead be entitled to the proceeds of the sale of shares. If the transfer of the shares to WealthTek by the client was not finalised, the client must take steps to complete the transfer of the shares to WealthTek.</p> <p>If the share transfer did not take effect or was invalid, the client will retain their ownership of the certificated shares. The client will not be entitled to any client money withdrawn by them or further shares purchased in reliance on the client's increased client money entitlement. WealthTek would then have a claim against the client in an amount equal to any erroneous payment unless it can otherwise be deducted from amounts owing to the client by WealthTek.</p>
<p>3. 'Consolidating accounts'</p> <p>With certain client assets, there are discrepancies between what WealthTek holds in particular designated accounts, as recorded in its books and records, and its accounts with a third-party custodian (who holds and safeguards client assets).</p>	<p>An overall view can be taken of the total holdings of each asset type across the various accounts for the purposes of calculating clients' entitlements.</p>
<p>4. 'Client assets sold without client's knowledge'</p> <p>WealthTek sold client assets without the client's knowledge. There is now a shortfall in WealthTek's holdings of securities of the same type in an omnibus account with a third-party custodian.</p>	<p>Shortfalls in securities of the same type held in omnibus accounts are shared equally by all clients with an entitlement to those securities. Each client then has an unsecured claim against WealthTek for the shortfall they have suffered.</p>
<p>5. 'Purchase of replacement client asset'</p> <p>A client asked WealthTek to:</p> <ul style="list-style-type: none"> • Sell a client asset that had already been sold by WealthTek without the client's knowledge; and • Buy a new asset for the client, which WealthTek then purchased using client money held in an omnibus account (i.e. not necessarily using that client's own client money). 	<p>The client is permitted to claim the new asset purchased for it by WealthTek (although this new asset may itself be an asset for which there is a shortfall).</p>

Scenario	Approach taken
<p>6. 'Non-processed sale instruction'</p> <p>A client asked WealthTek to sell a certain client asset. WealthTek increased the client's client money entitlement (as if it sold the client asset) but did not honour the client's request and instead held the asset (which, in legal terms, amounts to a breach of trust).</p>	<p>Clients will be treated as if the sale in fact took place, including by owning any new asset subsequently credited to the client's account with the client's increased client money entitlement (although any new asset may be an asset in respect of which there is a shortfall). The asset wrongfully held by WealthTek should be sold by the joint administrators, for the benefit of all client money claimants.</p>

3. What does the distribution plan do and when can client assets be returned?

Key points and actions:

- ▶ Broadly, the **distribution plan** deals with the return of **your client assets** and the costs of carrying out the return process.
- ▶ **Your client assets** will be **transferred** to a new broker unless **you** notify the **joint administrators** that **you** would like **your client assets** to be **distributed**.
- ▶ If **you** have not already done so, **you** must submit **your client assets** claim form to the **joint administrators** as soon as possible.
- ▶ The **joint administrators** will be returning **client assets** as soon as reasonably possible after the later of (i) 20 June 2024; or (ii) the date the **distribution plan** is approved by the **court**, and after all onboarding requirements of the new broker have been satisfied.
- ▶ The **joint administrators** may in future set a hard bar date, being a final date for submission by **clients** of claims to **client assets**. Once any hard bar date passes, the **joint administrators** will be able to sell any **client assets** still held by **WealthTek** after the **joint administrators** have returned **client assets** to **clients** with an accepted **client assets** claim and **transfer** the proceeds to **WealthTek's** bank accounts for the benefit of **WealthTek** and its creditors (which will include any **clients** with **client assets** shortfall claims).
- ▶ The **joint administrators** may in future set a long-stop date if the **joint administrators** consider that, to the extent reasonably practicable, they have returned all **client assets** to **clients**. Once any long-stop date passes, the **joint administrators** will, irrespective of whether a hard bar date has occurred, be able to liquidate any unreturned assets and pay the proceeds to the relevant **client** or, failing this, pay the proceeds into an account maintained by the **Insolvency Service**. Once the long-stop date passes, the **joint administrators** will be automatically released from their obligation to return the **client assets**.

3.1. The **joint administrators'** intention is that **client assets** can be returned under the **distribution plan** as soon as reasonably possible. The **distribution plan** explains:

- ▶ how the **joint administrators** plan to return **client assets** held by **WealthTek** as at the date it entered into special administration, as well as any income or assets arising from corporate actions and any money representing recoveries or compensation for the benefit of **clients** received by the **joint administrators** after that date (other than compensation payable by **FSCS**); and
 - ▶ how the costs of returning **client assets** are to be met.
-

- 3.2.** The **distribution plan** sets out two ways of returning **client assets** to **clients**:
- ▶ by **transfer** by the **joint administrators** to a new broker nominated by the **joint administrators**, which will then hold **client assets** for **clients** instead of **WealthTek**. This is likely to be the way that most **client assets** will be returned (subject to the discharge of any **security interests** over **your client assets** - although see paragraph 2.9 above in that regard); or
 - ▶ otherwise, by **distribution**. This means any other return of **client assets** if they are not **transferred** to the new broker nominated by the **joint administrators**.
- 3.3.** On 12 February 2024, the **joint administrators** set a bar date of 20 March 2024 by which **you** were required to submit **your client assets claim form**. The **joint administrators** cannot return **client assets** until at least three months after the bar date i.e. 20 June 2024. The **joint administrators** are planning to begin returning **client assets** as soon as reasonably possible after the later of (i) 20 June 2024 and (ii) the date the **distribution plan** is approved by the **court**, and after all customer due diligence requirements of the new broker have been satisfied.
- 3.4.** If **you** have not submitted **your client assets claim form**, the **joint administrators** encourage **you** to do as soon as possible.
- 3.5.** The **joint administrators** are entitled to apply to **court** in future for permission to set a ‘hard’ bar date, being a final date for submission by **clients** of claims to **client assets**. If a hard bar date is set, from that date the **joint administrators** will be permitted to sell any **client assets** still held by **WealthTek** after the **joint administrators** have returned **client assets** to **clients** with an accepted **client assets** claim and **transfer** the proceeds to **WealthTek’s** bank accounts for the benefit of **WealthTek** and its creditors. If this happens, the **joint administrators** will be unable to return these **client assets** if late claims are made to them. Any late claims will then be treated as **unsecured claims** against **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**.
- 3.6.** The **distribution plan** also allows the **joint administrators** to set a long-stop date, which is a date by which the **joint administrators** will be automatically released from any obligations to return **client assets**. If, by the long-stop date (if one is set), the **joint administrators** still hold **client assets** for **clients** who have claims, irrespective of whether a hard bar date has occurred, the **joint administrators** do not have to return those assets to **clients** and will be permitted to liquidate the assets and pay any proceeds to the relevant **client** or, if that is not possible, into an account maintained by the **Insolvency Service** (after deducting the relevant costs and liabilities). The **joint administrators** anticipate that a long-stop date will be set only once they have taken all steps reasonably available to return **client assets** to **clients**. The **joint administrators** will let all **clients** know two months before any long-stop date is set.
- 3.7.** The **joint administrators** will let **clients** know of any decision to apply for **court** for permission to set a hard bar date. A hard bar date will not be set earlier than 31 January 2025. It is unclear whether it will be necessary for the **joint administrators** to set a hard bar date. This will be reviewed as the special administration of **WealthTek** and the process of returning **client assets** continue.
-

4. What do you need to do in relation to the distribution plan?

Key points and actions:

- ▶ **Your client assets statement** has been sent to **you** via the **client portal** (or by post where requested by **you**)
- ▶ If **you** have not already done so, **you** need to confirm if **you** agree with **your client assets statement** by indicating **your** agreement in the space provided on the **client assets claim form** and submitting **your client assets claim form** as soon as possible
- ▶ If **you** indicated in **your client assets claim form** that **you**:
 - Agree with **your client assets statement**, the **joint administrators** will send to **you** **your client assets confirmation statement** via the **client portal** (or by post if **you** requested that), after the **court** has approved the **distribution plan**; or
 - Disagree with **your client assets statement** and the **joint administrators** do not then agree with **your** position, the **joint administrators** will send to **you** a **non-admitted claim statement** via the **client portal** (or by post, if **you** requested that), after the **court** has approved the **distribution plan**.
- ▶ If **you** receive a **payment options form**, **you** should complete all of the steps in **your payment options form** and submit it. **Your client assets** will not be returned until **you** have submitted **your payment options form**.

- 4.1. Please read the paragraphs below and take any actions required by you as soon as possible.

If you require more information or have any questions, please:



Visit the [website](#); or



Contact BDO's WealthTek client team by phone:
+44(0)151 351 4700 or +44(0)113 521 4470



or email Wealthtekclients@bdo.co.uk.

- 4.2. You are encouraged to read the **distribution plan** after this **explanatory statement** and any other information from the **joint administrators** (including through the **website** and **client portal**).

How do you access your client assets statement?

- 4.3. If the **joint administrators** believe **you** have a valid claim, when they let **you** know of the bar date, they will have made available to **you** **your client assets statement**. **Your client assets statement** is available on the **client portal** (or it may have been sent to **you** by post, if **you** so

requested). You are encouraged to use the **client portal**, which will help make the processes described in this section 4 easier and more efficient for both you and the **joint administrators**.

- 4.4. If you have not received a link to the **client portal**, please call **BDO's WealthTek client team** on the number above, or send them an email at the email address above.

What you need to do after viewing your client assets statement?

- 4.5. You need to confirm if you agree with your **client assets statement** by indicating your agreement in the space provided on the **client assets claim form** and submitting your response before 20 March 2024. You should know that:

- ▶ by indicating on your **client assets claim form** that you agree with your **client assets statement**, you will be formally submitting your **client assets claim** to the **joint administrators**; and
- ▶ if you disagree with your **client assets statement**, you will need to explain why and you may be required to provide documents to the **joint administrators** in support of your position. You will have to provide enough information to help the joint administrators resolve any issues with you. The joint administrators will tell you what you need to provide.

- 4.6. You should have submitted your **client assets claim form** before 20 March 2024. If you have not done so, you are encouraged by the **joint administrators** to submit your **client assets claim form** as soon as possible. See paragraph 11 more generally in relation to late claims.

- 4.7. Any return of **client assets** made after the **distribution plan** is approved by the **court** cannot be reversed to fulfil any competing claims received after this date.

- 4.8. You must indicate in the space provided on your **client assets claim form** if you wish to benefit from **FSCS** compensation if **FSCS** determines that you are eligible for compensation. If you do not indicate that you want to receive **FSCS** compensation, you will not receive **FSCS** compensation.

- 4.9. If you have confirmed that you agree with your **client assets statement** by submitting your completed **client assets claim form** in this way, you do not need to do anything further, unless you are contacted by the **joint administrators**.

What will happen after you submit your client assets claim form?

- 4.10. If you confirm on your **client assets claim form** that you:
- ▶ **agree with your client assets statement** - as soon as reasonably practicable after the **distribution plan** has been approved by the **court** the **joint administrators** will send you a **client assets confirmation statement**. The **client assets confirmation statement** will confirm the type and quantity of **client assets** and **client money** held by **WealthTek** on your behalf. It will also let you know of the process and expected date for the return of those **client assets**. The **client assets confirmation statement** will be sent to you via the **client portal** (or it can be sent to you by post, if you so request); or
 - ▶ **disagree with your client assets statement** - the **joint administrators** will try to understand why you disagree with your **client assets statement**. The **joint administrators** will decide if they agree with you as soon as practicable. If the **joint administrators** agree with any part of your claim, you will receive a **client assets confirmation statement** confirming that part of your claim (as to which, the above process will be followed). If any disagreement between you and the **joint administrators** cannot be resolved, the **joint administrators** will send you a **non-admitted claim statement** which will set out the part(s) of your claim with which they do not agree. Any **non-admitted claim statement** will be made available to you
-

via the **client portal** (or it can be sent to **you** by post, if **you** so request). The **joint administrators** will provide written reasons for their disagreement, together with **your non-admitted claim statement**. **You** will be allowed to challenge their decision by making an application to **court**. A challenge to their decision will be made at **your** own cost (unless the **joint administrators** agree or the **court** orders otherwise).

Submitting **your client assets claim form** electronically is the easiest method. **You** may also submit **your client assets claim form** by post, if **you** prefer.

What should you do when you receive a payment options form?

4.11. Not all **clients** will receive a **payment options form**. **You** will only receive a **payment options form** if:

- ▶ **FSCS** decides that **you** are not eligible for **FSCS** compensation.
- ▶ **you** are eligible for **FSCS** compensation, but **you** have elected in **your client assets claim form** that **you** do not wish to receive **FSCS** compensation; or
- ▶ **you** owe an amount to a third party who has a **security interest** over **your client assets**.

4.12. If **you** receive a **payment options form**:

- ▶ **you** should complete all of the steps in **your payment options form**; and
- ▶ **you** should submit **your payment options form**. **Your client assets** will **not** be returned until **you** have submitted **your payment options form**.

If applicable, the **payment options form** will be sent to **you** via the **client portal** following approval by the **court** of the **distribution plan**. **You** will be able to complete and submit **your payment options form** electronically. **You** may also submit **your payment options form** by post, if **you** prefer.

5. What needs to happen before any transfer or distribution can be made?

Key points and actions:

- ▶ You should familiarise yourself with the key steps in paragraph 5.1 below to ensure that the **transfer** or **distribution** of the **client assets** to which you are entitled can be made.
- ▶ If a third party has a **security interest** over **your client assets** for an amount which is owing by you, you may choose on **your payment options form** how to pay that amount.

5.1. The following steps need to happen before any **transfer** or **distribution** can be made:

- ▶ you need to submit **your client assets claim form** indicating if you agree with **your client assets statement**, or, if you do not agree with **your client assets statement**, reach an agreement with the **joint administrators**;
- ▶ if you are eligible for **FSCS** compensation, you need to submit **your client assets claim form** indicating that you want to receive **FSCS** compensation;
- ▶ if you are not eligible for **FSCS** compensation, or if you have indicated on **your client assets claim form** that you do not want to receive **FSCS** compensation, you need to submit **your payment options form** to show how you would like to pay for your costs contribution;
- ▶ you may need to take steps in order to finalise and/or fix any irregularities in any previous transfer of certificated securities to **WealthTek** (as explained in scenario 2 in paragraph 2.39). If this applies to you, you will be contacted by the **joint administrators**;
- ▶ if **your client assets** are being **transferred** to the new broker or **distributed** to another firm, you must submit the required customer due diligence documents to the new broker or the other firm, and the new broker or the other firm must confirm to the **joint administrators** that their customer due diligence processes are complete; and
- ▶ if **your client assets** are being **transferred** or **distributed** but a third party has a **security interest** over **your client assets**, payment of the amount owed to the third party must be made so the **security interest** can be discharged.

What if a third party has a security interest over your client assets?

5.2. If you owe an amount to a third party who has a **security interest** over **your client assets**, you must complete a **payment options form** and pay this amount before those **client assets** can be returned to you. Please note that **FSCS** will not pay any amount owed by you to the third party. Even if you are eligible for **FSCS** compensation and have indicated on **your client assets claim form** that you want to receive **FSCS** compensation, you will need to submit a **payment options form** explaining how you wish to pay an amount owed to a third party.

5.3. If **you** owe an amount to a third party who has a **security interest** over **your client assets**, **your** available options on the payment options form for paying the amount **you** owe are the same as those set out in paragraph 9.18 for paying **your** costs contribution (noting, however, that any **FSCS** compensation which **you** are entitled to receive cannot be used to pay amounts **you** owe to third parties). However, as described in paragraph 2.9 above, the **joint administrators** are not aware of any third party with a **security interest** over **your client assets**.

When will the joint administrators not be able to make a transfer or distribution of your client assets?

- 5.4.** The **joint administrators** cannot make a **transfer** or **distribution** of **your client assets** if:
- ▶ there is a restrictive court order, or the assets are linked to criminal activity stopping the **joint administrators** from dealing with them (these are known as **tainted client assets**); or
 - ▶ they cannot be returned because:
 - they are not currently under the **joint administrators**' control; and/or
 - the **joint administrators** have decided that they should not be returned for any other legal or practical reason (for example, the **client assets** are subject to sanctions-related restrictions),(these are known as **non-returnable client assets**).
- 5.5.** The **joint administrators** will also be unable to make a **transfer** or **distribution** of **client assets** if there is an unresolved dispute about who is entitled to those **client assets**.
-

6. Which client assets will be returned by a transfer?

Key points and actions:

- ▶ The default return method will be a **transfer** but **you** can opt instead for a **distribution** by submitting a **client assets return method form** after the date of this **explanatory statement**. The **client assets return method form** will be made available to **you** by the **joint administrators** via the **client portal** (or it can be sent to **you** by post, if **you** so request);
- ▶ At least 20 business days before a **transfer**, the **joint administrators** will update your **client assets confirmation statement** identifying which of your **client assets** will be **transferred**, including details of the new broker and the date the proposed **transfer** is intended to take effect.

6.1. The **joint administrators** expect that the majority of **client assets** will be returned by a **transfer** to the new broker, rather than by **distribution**. The default position will be that your **client assets** will be **transferred** to the new broker.

6.2. However, after the date of this **explanatory statement**, **you** can opt instead for a **distribution**, by completing and submitting the **client assets return method form**. The **client assets return method form** will be made available to **you** by the **joint administrators** via the **client portal** (or it can be sent to **you** by post, if **you** so request). Unless **you** tell the **joint administrators** otherwise by choosing a **distribution on your client assets return method form**, your **client assets** will be **transferred** to the new broker.

6.3. The **joint administrators** intend to send an update to **clients** via the **client portal** once the arrangements with the new broker for the **transfers** have been finalised and agreed and the **committee** has been consulted. The update will confirm the selection of the new broker and include a link to the new broker's website and terms of business. The **joint administrators** intend to send this update as soon as possible.

6.4. **You** may opt out of a **transfer** of your **client assets** by submitting the **client assets return method form** to the **joint administrators**. If opting out, **you** are encouraged to submit the **client assets return method form** at the earliest opportunity (and, in any event, it must be submitted at least 10 business days before the **transfer** is made).

When will you know if your client assets are going to be transferred?

6.5. At least 20 business days before a **transfer** (unless the **joint administrators** make a subsequent update to say otherwise, for example to reflect any assets arising from corporate actions), the **joint administrators** will update your **client assets confirmation statement** identifying which of your **client assets** will be **transferred**, including details of:

- ▶ the **client assets** which will be **transferred**;
 - ▶ the identity of the new broker; and
 - ▶ the date the proposed **transfer** is intended to take effect.
-

7. How will a transfer of client assets work?

Key points and actions:

- ▶ The **joint administrators** will oversee the **transfer** of the **client assets** to the new broker.
- ▶ You will be able to request:
 - before the **transfer** (by submitting your **client assets return method form**), that your **client assets** are not **transferred** to the new broker, in which case your **client assets** will be returned to you by way of **distribution**; or
 - by contacting the **joint administrators** after the **transfer**, that your **client assets** be **transferred** back to **WealthTek**.

7.1. The **joint administrators** will enter into a transfer agreement with the new broker which will allow for the **transfer** of your **client assets** and related contracts.

7.2. Under the legislation:⁸

- ▶ any contracts **transferred** will be treated as if they were made between you and the new broker.
- ▶ the new broker will be able to change the terms of the contracts without your consent if it is needed to give effect to the **transfer**; and
- ▶ the **joint administrators** are allowed to disclose to the new broker all information that relates to the **transfer**.

7.3. You will be able to request:

- ▶ before the **transfer**, that your **client assets** are not **transferred** to the new broker, in which case your **client assets** will be returned to you by way of **distribution** (as to which, see paragraph 6.2 in relation to submitting the **client assets return method form**); or
- ▶ by contacting the **joint administrators** within three months after the **transfer** for your **client assets** to be **transferred** back to **WealthTek** (this is referred to in the legislation as a 'reverse transfer') (see further paragraph 7.6 below).

7.4. The new broker may not be able to provide advisory or discretionary management services to **transferred clients**. If that is the case, **client assets** will be **transferred** to the new broker on an 'execution-only' basis. If you wish to receive advisory or discretionary management services, you may:

- ▶ choose an alternative firm that is able to provide these services after the **transfer** and make the necessary arrangements directly with the new broker for the onward **transfer** of your **client assets** to that alternative firm. The **joint administrators** are now in advanced discussions with the new broker and expect that, if an onward **transfer** is made within six

⁸ Investment Bank Special Administration Regulations 2011, Regulation 10B.

months after the date of the initial **transfer**, the new broker will not levy any exit charges; or

- ▶ request before a **transfer** that **your client assets** not be **transferred** to the new broker and are instead returned to **you** by way of **distribution**. **You** will need to identify **your** preferred broker to which the assets should be **distributed**. **You** will not be required to pay any additional costs contribution for requesting a **distribution** instead of a **transfer**.

7.5. The **joint administrators** believe that the **transfer** of **client assets** will mean that the **client assets** are released by **WealthTek** as soon as possible, and this may be the fastest way for affected **clients** to gain access to their **client assets**.

7.6. A reverse transfer is a right available to **you** under the legislation.⁹ In deciding whether to exercise this right, **you** should bear in mind that **WealthTek** is subject to restrictions imposed by the **FCA** on its ability to conduct regulated activities (which is likely to remain the case for the foreseeable future). In most cases, therefore, the **joint administrators** expect that a reverse transfer will not be a practical option for **you** if **you** wish to have ready access to **your client assets**.

⁹ Investment Bank Special Administration Regulations 2011, Regulation 10C.

8. Which client assets will be returned by a distribution and how?

Key points and actions:

- ▶ If you choose on your client assets return method form that your client assets will be distributed (i.e. not transferred to the nominated broker), you may elect to have them distributed to a custodian, liquidated or physically returned to you.

- 8.1. If, after the date of this explanatory statement and before a transfer you have informed the joint administrators by submitting the client assets return method form that you do not want your client assets to be transferred, those client assets will be returned to you by way of a distribution.
 - 8.2. You must choose one of the following options for a distribution on the client assets return method form:
 - ▶ **move to custodian:** this involves the move of some, or all, of your client assets to another custodian selected by you;
 - ▶ **liquidation:** this involves selling some, or all, of your client assets and paying the proceeds to you; and/or
 - ▶ **physical return:** this involves the return of your client assets directly to you or any person you nominate in writing to receive them provided that they are held by WealthTek in physical form. This is unlikely to be the case for most client assets.
 - 8.3. If your client assets have not been the subject of a transfer and you have not submitted your client assets return method form (if applicable) by the date on which the joint administrators send notice of the long-stop date, the joint administrators may sell enough of your client assets to pay your costs contribution.
 - 8.4. Distributions can only be made if those client assets are not tainted client assets or non-returnable client assets and if there are no pending or unresolved disputes about one or more clients' entitlements to the client assets.
-

9. How will the costs of returning client assets be met?

Key points and actions:

- ▶ It is anticipated that either **FSCS** or **you** will be required to pay £23,000 for the return of **your client assets**, although this sum may be reduced and refunds paid in future.
- ▶ If **you** qualify for **FSCS** compensation and marked 'Yes' on **your client assets claim form** to elect to receive compensation from **FSCS**, then the costs of **distribution of your client assets** will be paid by **FSCS**, subject to the **FSCS** compensation limit.
- ▶ If **you** have not already done so, **you** need to return **your client assets claim form** marking whether **you** wish to elect to receive compensation from **FSCS** as soon as possible.
- ▶ If **you** do not qualify for **FSCS** compensation or marked 'No' on **your client assets claim form**, then **you** will be provided with a **payment options form** so **you** can choose how to pay **your** costs contribution for returning **client assets**.
- ▶ If relevant to **you**, **you** will need to select an option, or rank the options in order of preference on the **payment options form**.
- ▶ **You** can choose from:
 - Cash option: **you** make a payment to the **joint administrators** for the costs of returning **your client assets**;
 - **Client money** option: **you** ask the **joint administrators** to deduct the costs of returning **client assets** from the **client money** which is being returned to **you**; and
 - Liquidation option: **you** ask the **joint administrators** to sell some of the **client assets** to cover the costs of returning the **client assets** to **you**.

What are the costs and what is your costs contribution?

9.1. When returning **client assets**, costs may be incurred in returning those assets. Under the legislation, these costs are recoverable from the **client assets** being returned.¹⁰ These costs include:

- ▶ expenses properly incurred by the **joint administrators** in returning **client assets**;
- ▶ disbursements incurred by the **joint administrators** for the returning of **client assets** (for example, any fees or charges payable to **WealthTek's** existing third-party custodian that holds the **client assets**);

¹⁰ Investment Bank Special Administration Regulations 2011, Regulation 15 (applying Insolvency Act 1986, Schedule B1, paragraph 99(3)); Investment Bank Special Administration (England and Wales) Rules 2011, Rule 135.

- ▶ the salaries or fees of any person employed by the **joint administrators** to perform services specific to the objective of returning **client assets**; and
- ▶ the **joint administrators'** fees and any approved pre-administration costs. The basis of the **joint administrators'** fees and pre-administration costs relating to returning **client assets** is required to be fixed and approved by the **committee** and, if necessary, the **court**, and so the **joint administrators** will not take payment of such amounts before the necessary approval has been obtained.

- 9.2.** The **joint administrators**, in consultation with the **committee**, have set the costs reserve for the aggregate overall costs of returning **client assets** to **clients** at £18.4 million (which does not include costs of returning **client money** to **clients**). This is a conservative estimate of the likely costs involved. The **FCA's client money rules** require the costs of returning **client money** to be deducted as a percentage share of the **client money** available for distribution to that **client** (which the **joint administrators** expect to be less than 2 per cent of each **client's client money entitlement**)¹¹.
- 9.3.** At this stage of the special administration, it is difficult to estimate precisely what the costs will be to complete the return of **client assets**. For example, the nature and extent of any litigation that may be required to be undertaken by the **joint administrators**, whether in their own names or on behalf of **WealthTek**, is yet to be determined. However, the potential costs of litigation currently account for approximately 40% of the costs reserve allocated to the return of **client assets**. When such matters become clearer and it is possible to produce reliable estimates of the costs of litigation and/or further investigations that will be needed, the **joint administrators** will be able to make more reliable and accurate assessments of the costs reserve required and, if appropriate, issue refunds in future. If the estimated potential costs of litigation are not ultimately incurred by the **joint administrators**, or can otherwise be avoided, the **joint administrators** expect the costs reserve will significantly reduce. In relation to costs and expenses on matters unrelated to returning **client assets**, please see paragraph 9.36 below.
- 9.4.** The **distribution plan** specifies that each **client's** contribution to the initial costs reserve in respect of **client assets** is to be £23,000, subject to: (i) a cap reflecting the value of the **client's** claim in respect of **client assets** held by **WealthTek**; and (ii) any reductions and refunds that may later apply.
- 9.5.** In other words, **your** costs contribution for the return of **client assets** under the **distribution plan** will be the same, irrespective of the number or value of **client assets** or amount of **client money** which is held on **your** behalf by **WealthTek** (unless the value of **your** claim to **client assets** is less than £23,000).
- 9.6.** The initial costs reserve has been set by the **joint administrators** based on their expected costs of returning **client assets**. Under the **distribution plan**, they will assess every three months whether the originally-expected costs remain realistic. It may be that returning **client assets** costs less than expected. If this is the case, a partial refund will be available that is either payable to **clients** who have paid for the return of funds, or **FSCS**. If **you** have elected to

¹¹ Chapter 7 of the **FCA's Client Assets** sourcebook in the **FCA's Handbook**, CASS 7.17.2(R)(4).

receive FSCS compensation, FSCS will benefit from the partial refund, rather than **you** (however, see paragraph 9.30 below).

- 9.7. Where **WealthTek** is holding physical certificates representing **client assets** which are registered in **your** name as part of a safekeeping arrangement, any costs involved in returning such physically-held securities have been accounted for in the overall estimate of the initial costs reserve. Accordingly, if any of **your client assets** are physical securities **you** will not pay any additional costs solely for the return of these assets.

FSCS compensation

- 9.8. In the event that **you** are an eligible claimant under the relevant regulatory rules applicable to FSCS and have elected to receive FSCS compensation, FSCS will assume the benefit of any partial refund (a legal process known as **subrogation**), meaning that any partial refund of costs will not be payable to **you** and will instead reduce the costs contributions which FSCS is liable to pay to the **joint administrators** on **your** behalf (or, towards the end of the special administration, be payable to FSCS).
- 9.9. FSCS will try to ensure that a **client** will not suffer disadvantage arising solely from their prompt acceptance of FSCS's offer of compensation or from the **subrogation** of their rights and claims to FSCS (i.e. compared to what might have been the position had the **client** delayed their acceptance or had their claims not been **subrogated** to FSCS).¹² **Subrogation** will not affect **your** rights to receive **client assets** and **client money** and it will not reduce the amount of **your** compensation (where **you** are an FSCS protected claimant).

FSCS compensation - worked examples

- 9.10. The following examples illustrate the operation in practice of FSCS compensation in relation to the return of **client assets** (and not the distribution of client money), **subrogation** rights and the implications for **clients** of the timing of their acceptance of FSCS compensation. In the examples:
- ▶ Client A and Client B each have **client assets** shortfall claims against **WealthTek** in varying amounts (different amounts in each example, for illustrative purposes), meaning they also have **unsecured claims** as creditors of **WealthTek** (because **WealthTek** is not holding all the **client assets** it should have been for those **clients**);
 - ▶ Client A and Client B are eligible to benefit from FSCS compensation and have both indicated that they wish to benefit from FSCS compensation;
 - ▶ however:
 - Client A chooses to receive FSCS compensation at an early stage, as part of the process of agreeing their claim in the portal and prior to the **court's** approval of the **distribution plan**; and
 - Client B chooses to wait before receiving FSCS compensation;
 - ▶ **clients'** costs contributions are £23,000 each;
 - ▶ FSCS pays Client A's costs contribution on its behalf. FSCS is then **subrogated** to all Client A's claims against **WealthTek** and third parties. FSCS also pays additional amounts to Client A,

¹² For example, see COMP 7.6.4R in the Compensation sourcebook of the FCA's Handbook.

to the extent of the losses suffered by Client A and subject to FSCS's compensation limit of £85,000 per client (as to which, please refer to the examples);

- ▶ Client B pays its own costs contribution;
 - ▶ the **client assets** held for both Client A and Client B are **transferred** by the **joint administrators** to a new broker following the **court's** approval of the **distribution plan**; and
 - ▶ the **joint administrators'** investigations continue and in 2025 they commence recovery claims in the **court** against third parties in respect of **client assets** that had been dissipated prior to **WealthTek's** special administration. Since these are claims to recover **client assets** and/or their proceeds (rather than claims for the benefit of ordinary creditors of **WealthTek** who only have **unsecured claims**), the claims are for the benefit of the relevant **clients** who have suffered **client assets** shortfalls, including Client A and Client B. In 2026, the **joint administrators'** claims are successful, meaning that they make substantial recoveries of **client assets** for the benefit of the relevant **clients**. There is a mechanism in the **distribution plan** for paying these subsequent recoveries to **clients**. Accordingly, in 2026, the **joint administrators** make payments to the relevant **clients** to increase their recoveries on their **client assets** claims and commensurately to decrease their **client assets** shortfall claims. Once clients receive those amounts, their **unsecured claims** also decrease (i.e. because they are not able to recover more than once for the same loss).
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EXAMPLE 1

Client A and Client B each have client assets shortfall claims of £25,000.

In 2026, the joint administrators' claim is successful and they make a 60% recovery in respect of the relevant client assets that had been lost or dissipated prior to WealthTek's special administration.

Client A	Client B
<p>Client A's overall loss is £48,000 (being its costs contribution of £23,000 plus its shortfall claim of £25,000).</p> <p>FSCS pays compensation of £48,000 to the joint administrators on behalf of Client A (in practice, £25,000 of which will then be transferred to the nominated broker for the account of Client A or otherwise distributed at Client A's instruction). Client A is now fully compensated.</p> <p>Following payment of Client A's costs contribution, the effect of subrogation is that Client A assigns all their claims against WealthTek to FSCS (i.e. £48,000).</p> <p>A 60% recovery on the client assets shortfall claim (£25,000) means that £15,000 is recovered by the joint administrators on behalf of Client A.</p> <p>Since Client A has been fully compensated and FSCS is now subrogated to its claim, the £15,000 recovery is paid by the joint administrators to FSCS and not to Client A.</p> <p>FSCS's net pay-out is therefore £33,000 (i.e. £48,000 less the £15,000 paid by the joint administrators). For the avoidance of doubt, Client A will not be required to return any of the compensation they received from FSCS and Client A will have received £48,000 from FSCS.</p>	<p>Client B's overall loss is £48,000 (being its costs contribution of £23,000 plus its shortfall claim of £25,000).</p> <p>Client B has paid their own costs contribution.</p> <p>A 60% recovery on the client assets shortfall claim (£25,000) means that £15,000 is recovered by the joint administrators on behalf of Client B.</p> <p>The joint administrators pay £15,000 directly to Client B.</p> <p>Client B's loss is then £33,000 (i.e. £48,000 less £15,000).</p> <p>Client B then decides to claim FSCS compensation in respect of their remaining loss.</p> <p>FSCS pays Client B £33,000. Client B is now fully compensated.</p> <p>FSCS's pay-out is therefore £33,000.</p> <p>(FSCS will also be subrogated to any other claims of Client B, so any future recoveries would be paid to FSCS and not Client B.)</p>

EXAMPLE 2

Client A and Client B each have client assets shortfall claims of £100,000.

In 2026, the joint administrators' claim is successful and they make a 25% recovery in respect of the relevant client assets that had been lost or dissipated prior to WealthTek's special administration.

Client A	Client B
<p>Client A's overall loss is £123,000 (being its costs contribution of £23,000 plus its shortfall claim of £100,000).</p> <p>In light of the limit on FSCS compensation, FSCS pays £85,000 to the joint administrators on behalf of Client A (£23,000 in respect of the costs contribution and £62,000 in respect of the shortfall (which, in practice, will then be transferred to the nominated broker for the account of Client A or otherwise distributed at Client A's instruction)).</p> <p>Following payment of Client A's costs contribution, the effect of subrogation is that Client A assigns all their claims against WealthTek to FSCS (i.e. £123,000).</p> <p>A 25% recovery on the client assets shortfall claim (£100,000) means that £25,000 is recovered by the joint administrators on behalf of Client A.</p> <p>Since FSCS is now subrogated to Client A's claim, the £25,000 recovery is paid by the joint administrators to FSCS and not to Client A.</p> <p>If nothing further happened, Client A would have an uncompensated loss of £38,000 (i.e. £123,000 less £85,000).</p> <p>However, to ensure that Client A is not disadvantaged relative to Client B by reason of having accepted FSCS compensation at an early stage, FSCS pays £25,000 to Client A. Client A's uncompensated loss therefore becomes £13,000, which is the same as Client B's uncompensated loss.</p> <p>FSCS's net pay-out is £85,000.</p>	<p>Client B's overall loss is £123,000 (being its costs contribution of £23,000 plus its shortfall claim of £100,000).</p> <p>Client B has paid their own costs contribution.</p> <p>A 25% recovery on the client assets shortfall claim (£100,000) means that £25,000 is recovered by the joint administrators on behalf of Client B.</p> <p>The joint administrators pay £25,000 directly to Client B.</p> <p>Client B's loss is then £98,000 (i.e. £123,000 less £25,000).</p> <p>Client B then decides to claim FSCS compensation in respect of their remaining loss.</p> <p>In light of the limit on FSCS compensation, FSCS pays Client B £85,000, reducing their remaining uncompensated loss to £13,000.</p> <p>(FSCS will also be subrogated to any other claims of Client B, so any future recoveries would be paid to FSCS and not Client B.)</p>

EXAMPLE 3

Client A and Client B each have client assets shortfall claims of £760,000.

In 2026, the joint administrators' claim is successful and they make a 40% recovery in respect of the relevant client assets that had been lost or dissipated prior to WealthTek's special administration.

Client A	Client B
<p>Client A's overall loss is £783,000 (being its costs contribution of £23,000 plus its shortfall claim of £760,000).</p> <p>In light of the limit on FSCS compensation, FSCS pays £85,000 to the joint administrators on behalf of Client A (£23,000 in respect of the costs contribution and £62,000 in respect of the shortfall (which, in practice, will then be transferred to the nominated broker for the account of Client A or otherwise distributed at Client A's instruction)).</p> <p>Following payment of Client A's costs contribution, the effect of subrogation is that Client A assigns all their claims against WealthTek to FSCS (i.e. £783,000).</p> <p>A 40% recovery on the client assets shortfall claim (£760,000) means that £304,000 is recovered by the joint administrators on behalf of Client A.</p> <p>Since FSCS is now subrogated to Client A's claim, the £304,000 recovery is paid by the joint administrators to FSCS and not to Client A.</p> <p>If nothing further happened, Client A would have an uncompensated loss of £698,000 (i.e. £783,000 less £85,000).</p> <p>Accordingly, FSCS pays £304,000 to Client A, reducing Client A's uncompensated loss to £394,000.</p> <p>FSCS's net pay-out is £85,000.</p>	<p>Client B's overall loss is £783,000 (being its costs contribution of £23,000 plus its shortfall claim of £760,000).</p> <p>Client B has paid their own costs contribution.</p> <p>A 40% recovery on the client assets shortfall claim (£760,000) means that £304,000 is recovered by the joint administrators on behalf of Client B.</p> <p>The joint administrators pay £304,000 directly to Client B.</p> <p>Client B's loss is then £479,000 (i.e. £783,000 less £304,000).</p> <p>Client B then decides to claim FSCS compensation in respect of their remaining loss.</p> <p>In light of the limit on FSCS compensation, FSCS pays Client B £85,000, reducing their remaining loss to £394,000.</p> <p>(FSCS will also be subrogated to any other claims of Client B, so any future recoveries would be paid to FSCS and not Client B.)</p>

9.11. There are some technical points which might further explain the context to the above examples:

- ▶ if recoveries are made by the **joint administrators** in respect of **client assets**, those recoveries will be paid only to the **clients** who suffer the shortfalls in the relevant **client assets** (i.e. and not all **clients** with a **client assets** claim, including in respect of **client assets** for which there has been no recovery). For example, if client X has a client asset shortfall in relation to ABC plc shares and client Y has a client asset shortfall in relation to XYZ plc shares, if any recoveries are made by the **joint administrators** specifically in respect of ABC plc shares, client X would receive any such recoveries, but client Y would not;¹³
- ▶ recoveries in respect of **client assets** will reduce only the **client assets** claim and not the **client's** costs contribution (which is an **unsecured claim** in respect of the costs involved in the **joint administrators** returning **client assets** and not therefore a claim to particular property), which would not be reduced; and
- ▶ separately, if the **joint administrators** were to make recoveries for the benefit of **WealthTek's** general estate (in which, all creditors with an **unsecured claim** have an interest (e.g. employees of WealthTek), not just **clients** with **client assets**-related claims), these recoveries would be payable for the benefit of all creditors with **unsecured claims** and would operate to reduce all **unsecured claims** (including **clients' unsecured claims** in respect of costs contributions).

9.12. How particular recoveries will be treated for these purposes will depend on the type of claim in question and how the claim is characterised from a legal perspective (including as to who benefits from the claim). The **joint administrators** owe duties to both **clients** and creditors and will take all available steps to increase recoveries for **clients** and creditors as they think appropriate as the special administration progresses. To the extent **unsecured claims** against **WealthTek's** general estate are reduced because recoveries of **client assets** are made, not only will this benefit the relevant **clients** (whose recoveries of **client assets** will increase), but also all creditors generally (given that **unsecured claims** in respect of shortfalls will decrease, meaning that the overall **unsecured claims** on the general estate will be reduced and potentially dividends to creditors marginally higher - albeit that the **joint administrators** expect that dividends to creditors are likely to be low).

Will additional costs be charged to receive income on client assets or if the nature of the client asset has changed?

9.13. If **you** have an agreed claim in respect of **client assets** and, after 6 April 2023, **you** received or will receive in relation to those **client assets**:

- ▶ cash or securities (for example, where dividends or interest are paid in respect of a **client asset**); and/or
- ▶ certain separate **client assets** (for example, where the nature of **your client asset** changes because of a stock split or merger and acquisition activity),

these assets will be returned with or in the same manner as **your client assets** (subject to adjustments, in the case of shortfalls in **client assets**). By settling **your** costs contribution (including where **FSCS** has paid costs on **your** behalf), **you** will not be required to make

¹³ Note that this is an illustrative example only. The precise form that any recovery actions will take will be heavily fact-dependent and it is not possible at this stage to express a view as to particular clients which may stand to benefit from subsequent recoveries.

additional payments for any costs incurred by the **joint administrators** to receive future income or assets arising from corporate actions.

How do you pay your costs contribution?

- 9.14.** FSCS will pay **your costs contribution** (in addition to the costs of distributing **client money** and any shortfalls in **client money** and **client assets**, up to an aggregate limit of £85,000) if **you** are eligible to benefit from FSCS compensation and **you** have indicated that **you** wish to benefit from such FSCS compensation on **your client assets claim form**. FSCS is responsible for deciding who is eligible for compensation. It is expected that most of **WealthTek's** clients will be eligible for compensation. **You** are encouraged to indicate on **your client assets claim form** that **you** wish to benefit from FSCS compensation. If **you** have done so and FSCS determines that **you** are eligible for compensation, FSCS will pay **your costs contribution**.
- 9.15.** If **you** have indicated on **your client assets claim form** that **you** do not wish to benefit from FSCS compensation, the **joint administrators** will contact **you** to ensure that **you** understand the implications of this decision. If **you** remain content to take this approach following **your** discussion with the **joint administrators**, **you** will be issued with a **payment options form** following the **court's** approval of the **distribution plan** in order for **you** to make appropriate elections as to how **your costs contribution** will be discharged before **your client assets** can be returned.
- 9.16.** As soon as reasonably practicable after the **distribution plan** has been approved by the **court**, the **joint administrators** will notify those **clients** who are not eligible for FSCS compensation on their **client assets confirmation statement** that FSCS has decided they are not eligible.
- 9.17.** If **you** are not eligible for FSCS compensation (or if **you** are eligible for FSCS compensation and **you** do not wish to benefit from it), **you** will need to choose another option to settle **your costs contribution**, by making appropriate elections on **your payment options form**.
- 9.18.** In that event, **you** can pay for **your costs contribution** in any of the following ways (these options are the same as those available for settling amounts due to a third party with a **security interest** over **your client assets** and **you** can use them for both purposes):
- ▶ the cash option: **you** can pay to the **joint administrators** the amounts due in Sterling by cheque (which must clear) or by bank transfer;
 - ▶ the **client money** option: **you** can instruct the **joint administrators** to set off **your** liability to pay the costs contribution against the amount of any **distribution** of **client money** to which **you** would otherwise be entitled; or
 - ▶ the liquidation option: **you** can instruct the **joint administrators** to sell enough of **your client assets** to pay for the amounts due (if this option gives a cash surplus after paying the liabilities, that surplus will be returned to **you**).
- 9.19.** If **you** have selected the cash option on **your payment options form** and wish to pay by cheque, the cheque must:
- ▶ be sent to WealthTek LLP (in investment bank special administration), c/o BDO LLP, 5 Temple Square, Temple Street, Liverpool, L2 5RH;
 - ▶ be received by the **joint administrators**;
 - ▶ clear at least five business days prior to the date of any **transfer** or **distribution**; and
 - ▶ reference **your client identification code** on the back of the cheque.
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- 9.20.** If **you** are unable to cover **your** costs contribution by using only one of these options, then **you** can choose more than one cost option to settle the full amount of **your costs** contribution, but **you** must rank these options in order of preference on **your payment options form**. Each option will be used in full before a lower-ranking costs option will be used.
- 9.21.** If **you** select the liquidation option, **you** are required to either (a) give express instructions in **your payment options form** as to which assets are to be liquidated and in what quantity in order to discharge **your costs** contribution or (b) confirm that the **joint administrators** will have discretion as to which **client assets** to liquidate and when. If **you** fail to provide any such express instructions, after the **joint administrators** have tried and failed to obtain express instructions from **you**, they will have complete discretion as to the amount and type of **client assets** to sell, and the time and date on which they sell such assets.

What if your client assets are worth less than your costs contribution?

- 9.22.** The **joint administrators** will as soon as reasonably practicable following the **court's** approval of the **distribution plan**, notify those **clients** whose **client assets** are valued lower than the expected costs contribution.
- 9.23.** This valuation will be based on a reputable source used by **WealthTek** for valuing or reporting in respect of these securities or, if this is not practicable, based on the value that the **joint administrators** consider reflects a fair and reasonable price for the securities.
- 9.24.** If the valuation is less than **your costs** contribution, then **you**:
- ▶ need only pay, as **your costs** contribution, the amount of that valuation; or
 - ▶ may elect to release **WealthTek** from any obligation to return the relevant **client assets** to **you** in return for not paying **your costs** contribution (i.e. give up any rights to **your client assets**).

Will your costs contribution be treated as an unsecured claim?

- 9.25.** **Your costs** contribution will be treated as an ordinary **unsecured claim** against **WealthTek**. Where **your costs** contribution has been paid by **FSCS**, **FSCS** will have the benefit of the relevant **unsecured claim**.
- 9.26.** Where **your client assets** are worth less than **your costs** contribution and **you** elect to give up any rights to **your client assets**, a **proof of debt** will automatically be deemed to be submitted for the value of **your client assets** and **you** will not need to take any further action.
- 9.27.** As **WealthTek** has very few assets of its own, it is not currently expected that significant dividends (if any) will be paid in respect of **unsecured claims**.

Will my costs contribution be adjusted?

- 9.28.** On a regular basis, the **joint administrators** will determine whether **your costs** contribution should be reduced because the total amount of costs that have been, or are expected to be, incurred in returning **client assets** are less than originally estimated. This may be because the actual costs incurred are less than the **joint administrators** previously estimated or because the **joint administrators** have revised the estimate of future costs.
- 9.29.** If there is a reduction in costs, the **joint administrators** will notify **you** and:
- ▶ if **you** (as opposed to **FSCS**) have already paid **your costs** contribution, **you** will receive a partial refund (which will be the difference between the amount paid and the reduced

amount). The **joint administrators** will make any payment due in that respect as soon as reasonably practicable via electronic bank transfer to an account as advised by **you** in writing to the **joint administrators**; and

- ▶ if **you** have not already paid **your** costs contribution, **you** will only be liable for the reduced amount.

9.30. Where **FSCS** has paid **your cost contribution** on **your** behalf, any refund due as a result of a reduction in costs will be deemed to be for the benefit of **FSCS**. Where such a reduction is made and **you** have uncompensated losses exceeding the £85,000 limit on **FSCS** compensation, the amount of any refund will be passed on to **you** in the form of additional compensation up to the **FSCS** compensation limit of £85,000.

9.31. The **joint administrators** will not be entitled to increase each **client's** costs contribution above the initial amount of £23,000. This is, in part, the reason that the initial costs reserve has been set on a conservative basis.

How did the joint administrators decide on the costs?

9.32. The **joint administrators** have carefully considered the available options in relation to costs and ultimately concluded that requiring costs contributions in the same amount for all **clients** results in the fairest outcome for all **clients** generally given the circumstances of **WealthTek's** case. A particular factor involved in reaching this conclusion is that the costs incurred for each **client** are expected to be similar, irrespective of the size and value of an individual **client's** holding of **client assets**. The application to **court** and accompanying witness statement of Shane Crooks, one of the **joint administrators**, sets out in detail the **joint administrators'** consideration of the options available in relation to costs. This witness statement is available on the **website**.

9.33. The allocation of costs on the basis described above has been determined by the **joint administrators** to be appropriate having regard to (among other things):

- ▶ the anticipated difficulties, delays and incremental costs associated with a valuation-based methodology for sharing costs (that is, a methodology where costs are in proportion to the valuation of a particular **client's** holdings of **client assets**), due to the likelihood and number of valuation disputes, including with respect to any chosen date or methodology for valuation;
- ▶ it having been accepted as a fair and acceptable method of allocating costs in previous major investment bank special administrations; and
- ▶ the support of **FSCS** (which is liable to pay the required costs contributions on behalf of eligible **clients**) and the other members of the **committee** for this approach.

9.34. The costs are attributable to the costs and expenses of (among other things):

- ▶ the **joint administrators** and their team;
 - ▶ **WealthTek** employees retained for the purposes of assisting the **joint administrators** and their team in the special administration;
 - ▶ critical third-party suppliers, such as providers of software required for the purposes of returning assets to **clients**;
 - ▶ the **joint administrators'** legal advisors; and
 - ▶ the funding obtained by the **joint administrators** for the purpose of meeting the costs of returning **client assets**.
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Will the joint administrators incur additional costs unrelated to returning client assets?

- 9.35.** The costs so far described in section 9 of this **explanatory statement** relate to the **joint administrators'** costs of returning **client assets** to **clients**. In addition to those costs, the **joint administrators** have incurred, and will continue to incur, additional costs and expenses on matters unrelated to returning **client assets** to **clients**.
- 9.36.** Under the legislation, the **joint administrators'** costs and expenses incurred on matters unrelated to returning **client assets** are payable out of **WealthTek's** own assets.¹⁴

¹⁴ Investment Bank Special Administration Regulations 2011, Regulation 15 (applying Insolvency Act 1986, Schedule B1, paragraph 99(3)); Investment Bank Special Administration (England and Wales) Rules 2011, Rule 134.

10. What might make the return of client assets difficult or delayed?

Key points and actions:

- ▶ If you make a claim in respect of **client assets** that the **joint administrators** determine do not belong to you, or are not assets held by **WealthTek**, the claim will be a **non-admitted claim**.
- ▶ If you disagree with a **non-admitted claim statement**, then you will need to apply to the **court** within 21 days.
- ▶ If the **court** agrees with you, that the **client assets** are yours, then the **joint administrators** will return the **client assets** to you as soon as reasonably practicable (provided such **client assets** are not **non-returnable client assets** or **tainted client assets**).
- ▶ If the **court** disagrees with you or you do not apply to **court**, no such assets will be returned to you.
- ▶ Certain **client assets** may not be able to be returned (i) for legal reasons or (ii) if you do not complete and return your **payment options form** (if applicable) or, if you opt out of a **transfer of your client assets**, but you do not select an alternative **distribution option** in your **client assets return method form**.

What happens if I think WealthTek holds additional client assets for me?

- 10.1. Certain assets may not be on your **client assets statement** because the **joint administrators** have determined that the relevant **client assets** do not belong to you or are not **client assets** held by **WealthTek** (except in the case of a shortfall in a relevant type of **client assets**). In the **distribution plan** and in this **explanatory statement** these are referred to as **non-admitted assets**.
 - 10.2. If the **joint administrators** reject a claim from you in respect of **non-admitted assets**, they will provide you with a **non-admitted claim statement**, together with an explanation why they have rejected your claim, as soon as reasonably practicable. You will then have 21 days to apply to the **court** for the decision to be reversed or varied.
 - 10.3. If the **court** or the **joint administrators** reverse the **joint administrators'** decision in respect of assets actually held by **WealthTek** for you, the assets will be returned to you, if possible (e.g. the **client assets** are not **non-returnable client assets** or **tainted client assets**). Where these assets are to be returned, your costs contribution will need to have been paid by you or **FSCS**.
 - 10.4. If:
 - ▶ you do not apply to **court** within 21 days of receiving a **non-admitted claim statement** and the **joint administrators'** explanation for rejecting your claim;
 - ▶ you apply but the **court** rules in favour of the **joint administrators**; or
 - ▶ you abandon any application to **court**,
-

the assets claimed will not be returned to you.

- 10.5.** Separately, each **client** that suffers a **client assets** shortfall will have an **unsecured claim** against the general estate of **WealthTek** for that amount. A **proof of debt** will automatically be deemed to be submitted and **you** will not need to do anything further (see paragraph 2.28).

Fractional entitlements

- 10.6.** It will not be possible for the **joint administrators** to return **client assets** to which **you** have fractional entitlements, as opposed to claims to whole units of **client assets**. Accordingly, any **client assets** that are the subject of a proposed **transfer** or **distribution** will be rounded down to the nearest whole number of **client assets** and returned to **you** (for example, a claim to 100.1 shares in a listed company will be rounded down to 100 shares). Where it is practicable to do so, the **joint administrators** will then realise the number of the units which have been subject to the rounding down (if any) in aggregate and will pay the realised proceeds of the fractional entitlement to such **client assets** to **you** (in the example, realised proceeds with a value equal to 0.1 units will be paid to the relevant **client**).

Assets may be the subject of a dispute and may need to be withheld from being returned

- 10.7.** If there is an ongoing dispute which involves **your** entitlements to **client assets**, the **joint administrators** are not required to return these **client assets**:
- ▶ unless and until the dispute is resolved by agreement with the **joint administrators** (for example a **non-admitted claim** which is resolved in the way described above); or
 - ▶ at all, where the **joint administrators**, acting at their discretion, have lodged the disputed **client assets** with the **court**.

Assets may be classified as non-returnable client assets

- 10.8.** Even where the **joint administrators** accept a claim to **client assets**, the relevant **client assets** will not be returned if they fall within the following categories:
- ▶ they are not currently under the **joint administrators**' control (for example because **WealthTek** does not hold those **client assets**);¹⁵ and/or
 - ▶ any legal or practical reasons mean that they must be excluded from any **distribution** or **transfer** (for example, the **client assets** are subject to sanctions-related restrictions),
- these are **non-returnable client assets**.

- 10.9.** If these assets become returnable, they will then be capable of being returned to **you**.

- 10.10.** If **your non-returnable client assets** remain non-returnable (for example, because they remain outside the **joint administrators**' control or other circumstances have arisen which are preventing their return), **you** can release **WealthTek** and the **joint administrators** from any

¹⁵ These assets would be **client assets** to which **WealthTek** has a valid claim but over which the **joint administrators** have not been able to establish control. They can be distinguished from the assets which are not held by **WealthTek** at all (as to which, see paragraph 10.1).

return obligations. In this case **you** will be deemed to have submitted a **proof of debt** for an **unsecured claim** as set out in the **distribution plan**.

- 10.11.** If the assets are still **non-returnable client assets** at the long-stop date (**clients** should contact **WealthTek** for the return of their **client assets** well in advance of this date), the **joint administrators** will be automatically released from any obligation to return those **client assets** and **you** will be deemed to have submitted a **proof of debt** for an **unsecured claim** as set out in the **distribution plan**. In those circumstances, if **you** are an **FSCS protected claimant** **you** should contact **FSCS** to seek compensation from **FSCS** directly (subject to the **FSCS** compensation limit of £85,000).

Assets may be the subject of a restrictive court order or tainted due to association with criminal conduct

- 10.12.** The **joint administrators** are prevented from dealing with any assets that are tainted due to criminal conduct or are subject to restrictive court order. The **joint administrators** will let **clients** know if this applies to their assets.
- 10.13.** If the relevant **client assets** cease to be tainted, the assets will be returned to the **client**. Where these assets are to be returned, the **client's** costs contribution will need to have been paid by the **client** or **FSCS**.
- 10.14.** If the relevant **client assets** are still tainted at the long-stop date, the **joint administrators** will be released from any return obligations in relation to those assets.

Failure to complete your payment options form and/or client assets return method form

- 10.15.** If **you** receive a **payment options form** or, before a transfer **you** inform the **joint administrators** that **you** do not want **your client assets** to be transferred, **your client assets** will not be returned to **you** until **you** have (if applicable):
- ▶ submitted **your payment options form** (see paragraph 4.12); and/or
 - ▶ submitted **your client assets return method form** and selected on option for **distribution** on that form (see paragraph 8.2).
- 10.16.** Failure to complete and submit such forms may result in a delay in the return of **your client assets** or, if such forms are not completed by the date on which the **joint administrators** send notice of the **long-stop date**, the **joint administrators** may sell enough of **your client assets** to pay **your** costs contribution.
-

11. What happens if you submit your claim late?

Key points and actions:

- ▶ While **you** should have submitted **your** claim before the bar date of 20 March 2024, the **joint administrators** may be able to accommodate a late submission in limited circumstances.

- 11.1.** If **your** claim to **client assets** is received after the bar date but before a **transfer** or **distribution** has been made, the **joint administrators** will assess it in the ordinary course, as they would if **you** had submitted your claim before the bar date. The **joint administrators** are unable, however, to delay the making of planned **transfers** or **distributions**. After the bar date has passed, the risk of not being part of a **transfer** or **distribution** entirely rests with **you** and not the **joint administrators**, who are unable to accept responsibility for late claims.
- 11.2.** If **your** claim to **client assets** is received after a **transfer** or **distribution** has been made, the **joint administrators** may decide that, if it was submitted before the bar date, it would have been accepted as an agreed claim. If this happens:
- ▶ if the **client assets** in question are available to be returned and are not claimed by another **client**, they will be returned to **you**;
 - ▶ if none or only some of the **client assets** are available to be returned and are not claimed by another **client**:
 - if the assets are still available, they will be returned to **you**; or
 - if the assets are no longer available, **you** will have an **unsecured claim** against **WealthTek** equal to the value of the assets and a **proof of debt** will automatically be deemed to be submitted on **your** behalf; and
 - ▶ if these assets are to be returned to **you**, **your** costs contribution will first need to be paid by **FSCS** or **you**.

12. What are the releases in the distribution plan?

Key points and actions:

- ▶ The **distribution plan** limits legal action being taken against the **joint administrators** except where the **joint administrators** do not implement the **distribution plan** as approved by the **court**.

- 12.1.** The **distribution plan** states that **clients** will not be able to pursue any legal claim against the **joint administrators**, their firm, their advisors or the **committee** in connection with the return of **client assets**, except if the **joint administrators** fail to implement the **distribution plan** in accordance with its terms.
- 12.2.** The purpose of this restriction is to ensure that time and costs are not wasted by the **joint administrators** having to deal with claims that they should return **client assets** in a different way to that set out in the **distribution plan**. It ensures that the costs of returning **client assets** are minimised, by making sure that the **joint administrators** do not incur costs in dealing with unnecessary claims. Importantly, it enables the **joint administrators** to return **client assets** in a timely manner.
-

13. How will (pre-administration) client money be returned?

Key points and actions:

- ▶ **Clients** will be able to choose to transfer their **client money** distributions to a new broker or to receive **client money** themselves or for another firm to receive **client money** for their benefit.
- ▶ The **joint administrators** have set a bar date of 20 March 2024 by which **client money** claims should have been submitted.
- ▶ **Client money** will be returned as soon as reasonably possible after the later of 20 June 2024 and the date the **distribution plan** is approved by the **court**, and after all onboarding requirements of the new broker have been satisfied.
- ▶ If the **joint administrators** set a hard bar date, once this date passes, the **joint administrators** will be able to transfer unclaimed **client money** (after deducting the relevant costs and liabilities) into an account maintained by the **Insolvency Service**.
- ▶ Each **client** will contribute to the costs of returning **client money**.

13.1. The **distribution plan** does not deal with the return of **client money** held by **WealthTek** on behalf of clients at the time it entered into special administration (i.e. as at 6 April 2023).

13.2. Like with **client assets**, there are two methods of returning **client money** under the FCA's client money rules:¹⁶

- ▶ by 'transferring' **client money** to a new broker, who will hold the **client money** on **your** behalf. The **joint administrators** expect the majority of **client money** will be returned in this way. The **joint administrators** also expect that, where a **client's client assets** are being transferred to a new broker, that **client's client money** will probably also be transferred to the new broker; or
- ▶ otherwise, by 'distributing' **client money** to **you** or for **your** benefit (e.g. by paying it to **your** bank account).

¹⁶ Note that the return methods described in respect of **client money** do not arise under the **distribution plan** and therefore the corresponding **glossary** terms for **transfers** and **distributions** under the **distribution plan** are not used in relation to **client money** in this section.

When can the joint administrators return client money?

- 13.3.** The relevant legislation requires the **joint administrators** to conduct a **client money** reconciliation (i.e. to check the **client money** held by **WealthTek** against **clients'** claims to **client money**).¹⁷
- 13.4.** On 12 February 2024, the **joint administrators** set a bar date of 20 March 2024 for claims to **client money**. Like with **client assets**, a bar date allows the **joint administrators** to return **client money** without the possibility that a transfer or distribution might be reversed because of a later and competing claim to that money.
- 13.5.** The **joint administrators** are trying to ensure that **client money** is returned by transfer or distribution as soon as reasonably possible, consistent with their approach in relation to **client assets**, after the later of (i) 20 June 2024 and (ii) the date the **distribution plan** is approved by the **court**, and after all customer due diligence requirements of the new broker have been satisfied.
- 13.6.** The **joint administrators** are entitled to apply to **court** in future for permission to set a 'hard' bar date in respect of **client money**. The passing of a hard bar date allows the **joint administrators** to transfer unclaimed **client money** (after deducting the relevant costs and liabilities) into an account maintained by the **Insolvency Service**. To the extent claims in respect of **client money** are made after the hard bar date and insufficient **client money** is held by the **Insolvency Service** to pay those claims, any shortfalls on the **client money** claims will instead be treated as **unsecured claims**. 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**.
- 13.7.** The **joint administrators** will let **clients** know of any decision to apply to court for permission to set a hard bar date. A hard bar date will not be set earlier than 31 January 2025. It is not certain whether it will be necessary for the **joint administrators** to set a hard bar date. This will be reviewed as the special administration of **WealthTek** and the process for distributing **client money** continue.

Amounts owed to WealthTek

- 13.8.** When calculating each **client's client money entitlement**, the **joint administrators** will deduct any amounts owing by **you** to **WealthTek** (for example, amounts unpaid in respect of physically-held share certificates and/or payments by **WealthTek** to **clients** before **WealthTek** entered into special administration and not shown in **WealthTek's** books and records).
- 13.9.** These deductions will mean that for some **clients** their **client money entitlement** will be less than what they may consider it to be based on the information which was available to them from **WealthTek's** systems. If this is the case, the deductions will be reflected in **your client assets statement**.

What about the costs of returning client money?

- 13.10.** The **FCA's client money rules** require the costs of returning **client money** to be deducted as a percentage share of each **client's client money entitlement** (which the **joint administrators**

¹⁷ Investment Bank Special Administration Regulations 2011, Regulation 10H.

expect to be less than 2 per cent of each **client's client money entitlement**)¹⁸. Each **client's** share of the **joint administrators'** costs of returning **client money** includes both the actual costs and an estimate of future costs for the return of **client money** by the **joint administrators**. If the actual costs are less than the **joint administrators'** estimated future costs, each **client's** share will be reduced, and additional **client money** will be returned to **clients** in future.

- 13.11.** If **you** are eligible and have opted in to **FSCS** compensation on **your client assets claim form** and for **FSCS** to cover **your** costs contribution, **FSCS** will compensate **you** for certain losses up to a limit of £85,000, which includes the costs of returning **client assets**, the costs of distributing **client money** and any shortfalls in **client money** and **client assets**.

¹⁸ Chapter 7 of the **FCA's** Client Assets sourcebook in the **FCA's** Handbook, CASS 7.17.2(R)(4).

Signed:

Joint Administrator

Dated:

[●]

If you require more information or have any questions, please:



Visit the [website](#); or



Contact BDO's WealthTek client team by phone:
+44(0)151 351 4700 or +44(0)113 521 4470



or email Wealthtekclients@bdo.co.uk.

The affairs, business and property of **WealthTek** are being managed by the **joint administrators** acting as agents of **WealthTek** without personal liability. Shane Michael Crooks, Mark James Shaw and Emma Sayers are all qualified insolvency practitioners of BDO LLP 55 Baker Street, London, W1U 7EU.

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Glossary

We have included the below **glossary** to help **you** to understand the terms used in this **explanatory statement**. Please note that certain of these terms are simplified versions of the corresponding terms used in the **distribution plan** and it is only the **distribution plan** that has legal effect. You should therefore consult the **distribution plan** if you are unclear about the meaning of any term used in this **explanatory statement**.

BDO's WealthTek client team	means the joint administrators' team which clients can contact for further support in relation to the distribution plan , contactable by phone on 44(0)151 351 4700 or +44(0)113 521 4470 or by email at Wealthtekclients@bdo.co.uk
client	means a person for whom WealthTek has undertaken to receive or hold client assets
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 joint administrators to a client via the client portal or, if requested by the client , sent by the joint administrators to them by post. This form allows the client to indicate if they: <ul style="list-style-type: none"> ▶ Agree with their client assets statement; and ▶ Will accept compensation from FSCS (if eligible to do so).
client assets confirmation statement	means a statement: <ul style="list-style-type: none"> ▶ Made available by the joint administrators to a client on the client portal or, if requested by the client, sent by the joint administrators to them by post; and ▶ 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 joint administrators to a client via the client portal or, if requested by the client , sent by the joint administrators to them by post. This form allows the client to choose: <ul style="list-style-type: none"> ▶ Between a transfer and a distribution as their preferred method for the return of the client's client assets; and ▶ If distribution is the client's preferred return method, how the distribution will be made.

client assets statement	<p>means the statement provided to a client on or around 12 February 2024 by the joint administrators and which:</p> <ul style="list-style-type: none"> ▶ Was made available to the client on the client portal or, if requested by the client, sent by the joint administrators to them by post; and ▶ Sets out relevant information and details relating to the client's claim to client assets and the joint administrators' determination as to the client assets to which they are entitled and their client money entitlement. <p>The calculation of the client's entitlement to client assets has been based on analysis by the joint administrators of WealthTek's books and records and the resolving of issues identified by the joint administrators, together with their advisors. The client assets statement contains instructions on how to submit to the joint administrators any corrections or other information relating to the calculation of the client's entitlement to client assets</p>
client identification code	means a client's individual client identifier which has been provided to the client by WealthTek and/or the joint administrators on their client assets confirmation statement
client money	means any money which WealthTek has received or held on behalf of a client in the course of carrying out investment business
client money entitlement	means a client's entitlement to receive a distribution of client money , calculated in accordance with the FCA's client money rules
client portal	means a secure online portal accessible to a client by following the link sent to the client by the joint administrators
committee	means the Clients' and Creditors' Committee elected at the initial meeting of clients and creditors of WealthTek held on 14 June 2023
court	means the High Court of Justice in England and Wales or, if the matter is appealed, the appellate court
distribution	means the return by the joint administrators 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
distribution plan	means the court -approved distribution plan which has legal effect and explains how client assets will be returned to clients
explanatory statement	means this document
FAQS	means the Client Assets Statement Flowchart and Frequently Asked Questions as originally uploaded to the website in February 2024 (as updated from time to time)
FCA	means the Financial Conduct Authority
FCA's client money rules	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

FSCS	means Financial Services Compensation Scheme Limited
FSCS protected claimant	means a client who is eligible for compensation from FSCS and has elected to receive compensation in the client assets claim form
Insolvency Service	is an executive agency of the Department for Business and Trade, with responsibilities relating to (amongst other things) the conduct and administration of insolvent companies
joint administrators	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
non-admitted assets	means assets which a client (or putative client) claims are client assets held for them, but which, the joint administrators have determined are not held by WealthTek for that client (or putative client)
non-admitted claim	means a client assets claim in respect of non-admitted assets
non-admitted claim statement	means a statement: <ul style="list-style-type: none"> ▶ made available by the joint administrators to a client (or putative client) via the client portal or, if requested by the client (or putative client), sent by the joint administrators to them by post; ▶ setting out that a non-admitted claim that the client (or putative client) has made has not been accepted by the joint administrators
non-returnable client assets	means certain assets that are client assets , but cannot be returned due to legal or regulatory reasons
payment options form	means the form made available to a client on the client portal (or, if requested by the client , sent by the joint administrators to them by post) (except if the client is an FSCS protected claimant and there is no security interest over their client assets) 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 an FSCS protected claimant (or if they would have been eligible for FSCS compensation but have opted not to receive FSCS compensation)
proof of debt	means a form setting out the unsecured claim of a creditor in the special administration of WealthTek
security interest	means any legal or equitable interest or any other right arising by way of security in respect of a liability owed by a client to a third party
subrogation	means the process where FSCS takes over an FSCS protected claimant's rights and claims against WealthTek and any relevant third parties, after it makes any compensation payment to or for the benefit of the relevant FSCS protected claimant , and subrogated has the corresponding meaning

(An FSCS protected claimant's rights to receive client assets and client money will not be affected by subrogation.)

tainted client assets	means client assets which are the subject of a restraint order prohibiting their disposal or which the joint administrators conclude may be tainted by criminal conduct
transfer	means the transfer under the distribution plan of client assets to the new broker nominated by the joint administrators to hold on the relevant client's behalf
unsecured claim	means a claim of an ordinary unsecured creditor in the special administration of WealthTek
WealthTek	means WealthTek LLP (in investment bank special administration)
website	means https://www.bdo.co.uk/en-gb/insights/advisory/business-restructuring/wealthtek-administration
you	means you, in your capacity as a client of WealthTek (as to which, see paragraph 1.5), and your has the corresponding meaning

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