



THIS LETTER IS A NOTIFICATION PURSUANT TO THE FINANCIAL CONDUCT AUTHORITY'S CLIENT ASSET SOURCEBOOK RULES 6.7.2R AND 6.7.4E (CLIENT ASSETS) AND 7A.2.6AR AND 7A.2.6CE (CLIENT MONEY)

To BACSL's clients

9 May 2018

Dear Sir/Madam,

Beaufort Asset Clearing Services Limited ("BACSL") in special administration (the "Special Administration")

Client Assets and Client Money Bar Dates Notifications: 8 June 2018

What are the key points in this letter?

- An important deadline of **8 June 2018** (i.e. the Bar Dates) has been set and if you fail to take the action described immediately below by **8 June 2018** then this may adversely affect any distribution that is subsequently made to you and delay any compensation to you (if eligible) by the Financial Services Compensation Scheme ("FSCS").
- This letter contains your personalised statements setting out the administrators' understanding of the client assets and client money BACSL holds for you as at 1 March 2018, which is the date that BACSL went into administration.
- You need to check your statements very carefully and if you agree with the figures set out in the statements, you need to confirm this to the administrators either by post or through the Portal (following the instructions in this letter) by the Bar Dates of **8 June 2018**.
- If you do **NOT** agree with the figures in your statements, then you need to tell the administrators by **8 June 2018** either by the post or Portal and following the instructions set out in this letter. If you do not do this by **8 June 2018**, then this may affect the amount of client assets or client money you will receive when the client assets and client money are distributed.
- If you are eligible for FSCS compensation, you can sign up to the FSCS Compensation Proposal (see below) when confirming your agreement or disagreement to your statements to the administrators either by post or through the Portal. If you do not agree to the FSCS Compensation Proposal, then you will need to make a separate claim to the FSCS for compensation which requires the completion of an application form and could result in delays in FSCS paying your compensation.

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Background

Our letter of 12 April 2018 sets out the statutory process to allow the administrators to distribute client assets and client money. We now want to notify you of an **important deadline by which you should act and the effect of failing to act by this deadline**.

Enclosed with this letter are, among other things, two formal notices of an important deadline of **8 June 2018** (the “**Bar Dates**”), which have been set in accordance with Regulations 11 and 12A of the Investment Bank Special Administration Regulations 2011, concerning the distribution of client assets and client money in the course of the Special Administration of BACSL. This letter also provides you with notification in accordance with the Financial Conduct Authority (“**FCA**”) CASS Rules 6.7.2R and 6.7.4E (client assets) and 7A.2.6AR and 7A.2.6CE (client money).

The administrators have been working hard to put together a distribution plan, in order to allow the distribution in due course of client assets and client money in a way that gives certainty and protection to clients. The first step of the statutory process is the submission by clients of claims to client assets and client money that are held by BACSL and the setting of a deadline for receiving them. The administrators are pleased to meet this important milestone which has involved a considerable exercise to complete a number of reconciliations and resolve differences within different parts of BACSL's books and records.

The aim is to begin client asset and client money returns for most clients by distribution (i.e. payment to you) starting September 2018, in line with timescales set out in the statutory process.

What is the effect of the Bar Dates?

The effect of the Bar Dates is explained in more detail below and in the FAQ guidance document available via the client Portal. However, in short, **clients who submit their claims after 8 June 2018 are not guaranteed to have their claims taken into account when distributions are made**. The administrators will, in any event, take into account those clients' entitlements which are reflected in BACSL's books and records, including any adjustments that the administrators identify in due course. **It is therefore very important that you submit your claims for client assets and client money to BACSL on or before the Bar Dates i.e. 8 June 2018.**

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What action do you need to take?

In order to start distributing in September 2018, we are asking you by **8 June 2018** to:

1. confirm whether you agree or disagree with the figures set out in your enclosed personalised statements; and
2. confirm your agreement to be included (where eligible) in the FSCS Compensation Proposal (see below).

You can do this by using BACSL's online portal at <https://dm.pwc.com/BeaufortClientClaims>. The FSCS will not be able to pay compensation automatically unless you agree to the FSCS Compensation Proposal. If you do not agree, this will likely result in deductions being made from your entitlement as shown in your Statements. Further information is provided below.

How do you submit your claim?

We have built an interactive portal that can be accessed by clients online (the "**Portal**"). The Portal is a user-friendly and easy to use system that allows you to access information about your personal client assets and client money entitlement as at 1 March 2018, which is the date that BACSL went into administration. We hope that this will make it easy to understand what BACSL's books and records say your entitlement is, which will help with a smoother distribution to clients. The Portal will be further developed and customised to suit the specific circumstances required but it is ready now for the first step in the process. The Portal is now open. For instructions on how to access the Portal please see the accompanying FAQ Document.

Two personalised client statements ("**Statements**") recording your entitlement to client assets and money are now available to you on the Portal. They have been created based on the holdings described in BACSL's books and records.

Your Statements

The Statements record our assessment of your entitlement, based on the information contained in the books and records of BACSL. Your individual Statements confirm the following information:

- your account number, and the contact details that BACSL presently holds for you;

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- in the client money Statement, client money that BACSL's books and records show was held on your behalf as at 1 March 2018, stipulating the currency in which it is held; and
- in the client assets Statement, the equities holdings that BACSL's books and records describe as being held on your behalf as at 1 March 2018.

It is important to note that the Statements record client assets and client money that were held on your behalf as at 1 March 2018 i.e. the date BACSL entered into Special Administration. This reflects your entitlement to client assets and client money according to the books and records of BACSL, and does not necessarily reflect the quantity of shares or sums of money that will be returned to you in the course of any distribution.

Reconciliation of BACSL's Books and Records

In the course of examining BACSL's books and records to arrive at the figures contained in your Statement, we have done the following:

- we have examined regulatory confirmations that BACSL had submitted to the FCA. This was an important starting point for the administrators to review and assess the sufficiency of the client assets and client money held for clients, compared to what was thought to be owed to them. This process highlighted some relatively modest deficiencies in both the client assets and client money holdings;
- prior to the Special Administration, and in the course of its business, BACSL outsourced their platform for managing clients' holding data to a third party, and we have obtained information as at 1 March 2018 from that third party;
- we have subsequently carried out an assessment of BACSL's records and reconciled these to the FCA confirmations and third party statements and updated the statements where appropriate;
- client assets and client money were, as at the date of the Special Administration, substantially complete save for a limited number of isolated deficiencies; and

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- client assets and client money holdings have been updated for corporate actions up until to 1 March 2018 (for example, to reflect dividends paid, or changes in share structures).

If you have any queries in relation to the manner in which the administrators and their team have reconciled the client assets and money holdings in BACSL's books and records, please contact the team using the details provided below.

Shortfalls

As we have explained previously, in the absence of a surplus of funds within BACSL's segregated resources and in accordance with the governing legislation, relevant costs will need to be deducted from clients' entitlements to client assets and client money. Furthermore, a shortfall may arise in respect of the distributions received by you as compared to the entitlement shown in your Statements where your entitlement relates to certain client assets and client money which a number of deficiencies have been identified in the reconciliation process for those client assets and/or client monies. You may also receive less by way of distribution in circumstances where BACSL's records indicate that an amount is owed by you to the firm thereby reducing the entitlement shown on your Statements.

Notwithstanding the above, we are of the view that a vast majority of clients will recover their entitlement in full in due course as the majority of clients are likely to be eligible for FSCS compensation, up to an amount of £50,000. Regrettably, however: (i) clients not eligible for FSCS compensation will face a loss on their client assets and client money; and (ii) we estimate that around 700 clients with client money and client assets together valued in excess of approximately £150,000 may experience a loss on their entitlement in excess of the FSCS' £50,000 compensation limit.

FSCS Compensation Proposal

We have worked closely with the FSCS in order to simplify the process for FSCS to compensate eligible clients. We have agreed that for eligible clients with a shortfall (including reserves for costs), the FSCS will provide compensation up to the value of £50,000 so as to meet the shortfalls that would otherwise be deducted from eligible clients' entitlements and without it being necessary for clients to separately submit a claim to the FSCS in most cases (the "**FSCS Compensation Proposal**"). To benefit from this arrangement thereby avoiding the need for: (i) you to submit a separate compensation claim to the FSCS; and (ii) the administrators to deduct shortfalls from your entitlement that would ultimately be covered by the FSCS compensation limit of £50,000, you will need to agree, by ticking the relevant box when submitting your

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claim via the Portal to the FSCS Compensation Proposal.

If you do not agree to the FSCS Compensation Proposal when submitting your claim then: (i) we will be required to deduct all shortfalls from your entitlement; (ii) you will be removed from the automatic compensation route; (iii) you will have to submit a separate compensation claim to the FSCS which may require the completion of an application form; and (iv) this could result in delays in FSCS paying your compensation. Clients may opt in to the FSCS Compensation Proposal even if they do not agree with the entitlement stated in the Portal.

What to do Next

If you disagree with your Statement

If you disagree with the holdings and balances as shown in the enclosed Statements, you should:

- inform us of this fact by 8 June 2018, via the method described below;
- explain why you consider your entitlement differs; and
- provide us with evidence in support of that explanation.

If you disagree with the administrators' assessment of your entitlement to client assets and client money, and claim a higher sum, the administrators may require you to provide evidence in support of your position.

Should you fail to notify the administrators of your disagreement prior to the passing of the Bar Dates, the administrators will have to calculate your distribution by reference to the entitlement set out in the Statements, which reflect what we believe to be your entitlement, based on the books and records of BACSL. Any distribution subsequently made to you would therefore be made on that basis. Failure to notify us of your disagreement by 8 June may also delay any FSCS compensation that you may be entitled to.

If you notify us that you disagree with our assessment of your entitlement to client assets and client money, we will endeavour to discuss this with you as soon as practicable, but it remains absolutely necessary for you to have notified us of your disagreement in the prescribed manner prior to the passing of the Bar Dates.

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If you agree with your Statements

If you agree with the Statements, please confirm your agreement with the accuracy of the Statements via the method described below. The more clients that do so, the more this will aid a smooth and fast return of client assets and client money in the course of the administration. In agreeing with your Statements, you are confirming that they give an accurate picture of your entitlements to client assets and client money as at 1 March 2018.

For clients eligible for FSCS protection, your agreement may also be taken by the FSCS as conclusive in respect of any entitlement that you may have in the Special Administration and the amounts by reference to which a compensation claim may be calculated and limited.

The Portal

The administrators have arranged for the establishment of the Portal, which is now live and can be accessed at <https://dm.pwc.com/BeaufortClientClaims>.

The Portal is the easiest method by which you can confirm whether you agree with your Statements. If you disagree with your entitlement as detailed in your Statements, the Portal contains sections for you to complete that require you to explain why, and allow you to upload any documents that you may wish to attach to your response as supporting evidence.

In these circumstances, we strongly encourage you to provide as much information as you are able so that we can assess and resolve the issues you raise as quickly as possible and in time for the anticipated September distribution. If you tick the box to confirm that you do not agree with your Statements and subsequently submit the form, BACSL's client service team will thereafter seek to resolve any queries with you.

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Future Statements

As mentioned above, your Statements reflect what we understand to be your entitlement to client assets and client money as at 1 March 2018, but your entitlement may change over time (for example, if dividends were paid after 1 March 2018 on shares held by you or if any corrections need to be made arising from any queries you have raised). The administrators therefore intend to provide updated statements to clients in the course of preparing to make distributions, and to make these available via the Portal (or where necessary the post). We envisage that additional statements will build on the Statements enclosed with this letter, and will:

- identify on the face of the statements clients who are eligible for FSCS compensation;
- account for accruing interests for corporate actions arising since our appointment, for example the receipt of dividends with a view to distributing these with the distribution starting in September 2018;
- reflect corrections arising from queries you have raised on the Statements provided under cover of this letter; and
- take into account any reserve for costs and distributions already made at the date of the future statement.

Claims Submitted after 8 June 2018

If you fail to submit your claim by the 8 June Bar Dates, the administrators will not be able to guarantee that your claim will be satisfied in full, or indeed *at all* in certain circumstances. On this basis, it is important that you submit your claim in accordance with the deadline of **8 June 2018**.

Where claims are submitted late, it may be possible for the administrators to consider and, where appropriate, admit late claims for distribution. However, this ultimately depends on the progress of the Special Administration at the time at which late claims are received, and available money and assets at that time, and may be at the discretion of the administrators.

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With regard to client asset claims, in circumstances where the administrators make distributions after the expiry of the Bar Dates (following court approval) and thereafter receive a late claim in respect of client assets that have already been distributed and are therefore no longer available for distribution then, except in limited circumstances, there shall be no disruption or challenge to the client assets that have already been returned to other clients albeit you will be able to submit a proof of debt in BACSL's house estate (which is the asset realisation pool available for distribution to general creditors) for the value of those client assets not returned. However, as communicated previously, from what the administrators currently know, we think it is unlikely that there will be any funds available to meet these claims.

With regard to client money claims, in circumstances where the administrators make distributions of client money after the expiry of the Bar Dates and then receive a late claim, the distributions cannot be recovered for the purposes of the late claim. If all of the client money has been distributed by the time you submit a late claim, then there will be no client money available for distribution to you albeit, as per the above regarding client assets, you will be able to submit a proof of debt in BACSL's house estate.

Questions or Concerns

We understand that you may have questions in relation to this letter. If you have any questions or concerns in relation to the Statement, the enclosed notices, or this letter, there is a team of people who are here to assist you. They can be contacted in the following ways:

- Client.Services@beaufortsecurities.com.
- 0800 063 9283 (UK) or +44 (0)20 7293 0227

Although the team will endeavour to assist you with your queries, it is important that you **do not delay** formally notifying the administrators (in the manner prescribed above) until after the Bar Dates has passed, if you disagree with your Statements. If you have questions in relation to this letter, the enclosed notices, or the Statements, we therefore encourage you to raise these questions with the team as soon as possible, and in any event well before the Bar Dates of **8 June 2018**.

A 'Frequently Asked Questions' document is available via the Portal (via <https://dm.pwc.com/BeaufortClientClaims>) which will assist with some of the most common queries, and which you should consult before contacting the team.

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CASS Communication

This letter is a notification pursuant to FCA CASS Rules 6.7.2R and 6.7.4E (client assets) and 7A.2.6AR and 7A.2.6CE (client money).

Conclusion

We strongly encourage you to submit a claim by responding to your Statements in the manner described above at your earliest convenience, and in any event **by the Bar Dates of 8 June 2018**. The administrators wish to extend their thanks to all clients of BACSL for their help in what is an important stage in the distribution process.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'Russell Downs'.

Russell Downs
Joint Special Administrator

Appendices

1. Notice of Bar Date in respect of client assets; and
2. Notice of Bar Date in respect of client money.

Frequently Asked Questions are available directly on the Portal.

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IN THE MATTER OF **BEAUFORT ASSET CLEARING SERVICES LIMITED**
IN THE MATTER OF **THE INVESTMENT BANK SPECIAL ADMINISTRATION**
REGULATIONS 2011

NOTICE OF CLIENT ASSETS BAR DATE

**UNDER REGULATION 11 OF THE INVESTMENT BANK SPECIAL
ADMINISTRATION REGULATIONS 2011**

AND

**RULE 138 OF THE INVESTMENT BANK SPECIAL ADMINISTRATION
(ENGLAND AND WALES) RULES 2011**

RUSSELL DOWNS, DOUGLAS NIGEL RACKHAM AND DAN YORAM SCHWARZMANN, of PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT, were appointed as joint special administrators (the “**Joint Special Administrators**”) of Beaufort Asset Clearing Services Limited (in special administration), with company number 06637499 (“**BACSL**”), on 1 March 2018 pursuant to an application made by the Financial Conduct Authority (the “**FCA**”) under Regulation 5(1)(h) of The Investment Bank Special Administration Regulations 2011 (the “**Regulations**”).

The Joint Special Administrators hereby give notice, in accordance with Regulation 11 of the Regulations and under Rule 138 of The Investment Bank Special Administration (England and Wales) Rules 2011 (the “**Rules**”), as follows:

1. The Joint Special Administrators consider that it is necessary, in order to expedite the return of client assets, to set a bar date of **17:00 hours (BST) on 8 June 2018** (the “**Client Asset Bar Date**”) for the submission of:
 - (a) claims to the beneficial ownership, or other form of ownership, of the client assets;
or
 - (b) claims of persons in relation to a security interest asserted over, or other entitlement to, those assets,as set out in Regulation 11(1) (a) and (b) of the Regulations (a “**Client Assets Claim**”).
2. Contingent or disputed claims are included within the Client Assets Claims described above.
3. The Joint Special Administrators gave notice in the London Gazette, on 8 March 2018, that BACSL was put into special administration on 1 March 2018 and they were appointed as special administrators. The Joint Special Administrators consider that the time between the notice of the special administration being published and the Client Asset Bar Date is a reasonable amount of time for persons to be able to calculate and submit their claims.

4. The Client Asset Bar Date only applies to client assets and does not apply to client money received or held by BACSL in accordance with rules made by virtue of section 137B of the Financial Services and Markets Act 2000. A separate notice is being provided client money. This notice does not require you to take any action in relation to any other claims you may have.
5. This notice will:
 - (a) be sent to all clients of BACSL whose claims in respect of client assets the Joint Special Administrators are aware of, provided the Joint Special Administrators have a means of contacting them;
 - (b) be sent to all those persons whom the Joint Special Administrators believe have a right to assert a security interest or other entitlement over the client assets, provided the Joint Special Administrators have a means of contacting them;
 - (c) be placed in the London Gazette;
 - (d) be advertised in The Times and the internationally distributed edition of The Times; and
 - (e) be sent to the FCA.
6. A person submitting a Client Assets Claim must do so in writing to the Joint Special Administrators and the Client Assets Claim must comply with the requirements of Rule 139 (claims as described in Regulation 11(1)(a)) or Rule 140 (claims as described in Regulation 11(1)(b)) of the Rules (as applicable).
7. Following the Client Asset Bar Date, once the Joint Special Administrators have returned client assets, with the approval of the court, the claimants to whom the assets have been returned will have acquired good title to the client assets and there shall be no disruption to those client assets that have already been returned.
8. Please note, in accordance with Regulation 11(5) and Rule 147, if you fail to submit your Client Assets Claim by the Client Assets Bar Date and if BACSL has insufficient assets of the type claimed by you, your only remedy will be to submit a proof under Rule 152 for the value of the client assets not returned to you.
9. If you believe that you have a Client Assets Claim, please submit details of your Client Assets Claim, in advance of the Client Asset Bar Date in accordance with the instructions provided to you or available at <https://www.pwc.co.uk/beaufort>.
10. Unless the court orders otherwise, every claimant who submits a Client Assets Claim under either Rule 139 or 140 of the Rules must bear the cost of making its own Client Assets Claim, including the costs incurred in providing documents or evidence or responding to requests for further information.
11. If you have been sent this notice, it does not mean that you necessarily have a Client Assets Claim or are otherwise entitled to receive a distribution of client assets.

12. Any general queries in relation to this notice should be directed to 0800 063 9283 (UK) or +44 (0)20 7293 0227. You should, however, consult your own legal and other professional advisers for advice in relation to the scope and effect of this notice.

Russell Downs, Douglas Nigel Rackham And Dan Yoram Schwarzmann (Joint Special Administrators of BACSL).

The Joint Special Administrators act as agents of BACSL without personal liability.

9 May 2018

IN THE MATTER OF **BEAUFORT ASSET CLEARING SERVICES LIMITED**

IN THE MATTER OF **THE INVESTMENT BANK SPECIAL ADMINISTRATION**

REGULATIONS 2011

NOTICE OF CLIENT MONEY BAR DATE

**UNDER REGULATIONS 12A and 12E OF THE INVESTMENT BANK
SPECIAL ADMINISTRATION REGULATIONS 2011**

RUSSELL DOWNS, DOUGLAS NIGEL RACKHAM AND DAN YORAM SCHWARZMANN, of PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT, were appointed as joint special administrators (the “**Joint Special Administrators**”) of Beaufort Asset Clearing Services Limited (in special administration), with company number 06637499 (“**BACSL**”), on 1 March 2018 pursuant to an application made by the Financial Conduct Authority (the “**FCA**”) under Regulation 5(1)(h) of The Investment Bank Special Administration Regulations 2011 (the “**Regulations**”).

The Joint Special Administrators hereby give notice, in accordance with Regulations 12A and 12E of the Regulations, as follows:

1. The Joint Special Administrators consider that it is necessary, in order to expedite the return of client money, to set a bar date of **17:00 hours (BST) on 8 June 2018** (the “**Client Money Bar Date**”) for the submission of client money claims (a “**Client Money Claim**”).
2. The Joint Special Administrators gave notice in the London Gazette, on 8 March 2018, that BACSL was put into special administration on 1 March 2018 and they were appointed as special administrators. The Joint Special Administrators consider that the time between the notice of the special administration being published and the Client Money Bar Date is a reasonable amount of time for persons to be able to calculate and submit their claims.
3. The Client Money Bar Date only applies to client money and does not apply to client assets. A separate notice is being provided for client assets. This notice does not require you to take any action in relation to any other claims you may have.
4. This notice will:
 - (a) be sent to all clients of BACSL whose claims in respect of client money the Joint Special Administrators are aware of, provided the Joint Special Administrators have a means of contacting them;
 - (b) be sent to all those persons whom the Joint Special Administrators believe have a right to assert a security interest or other entitlement over the client, provided the Joint Special Administrators have a means of contacting them;
 - (c) be placed in the London Gazette;

- (d) be advertised in The Times and the internationally distributed edition of The Times;
and
 - (e) be sent to the FCA.
5. Following the Client Money Bar Date, once the Joint Special Administrators have returned client money no payment or part of any payment made to any person under the distribution may be recovered for the purpose of meeting a late claim in accordance with Regulation 12A(6) of the Regulations.
 6. If you fail to submit your Client Money Claim prior to the Client Money Bar Date, the Joint Special Administrators will not be able to guarantee that your Client Money Claim will be satisfied in full, or indeed at all in certain circumstances.
 7. If you believe that you have a Client Money Claim, please submit details of your Client Money Claim, in advance of the Client Money Bar Date in accordance with the instructions provided to you or available at <https://www.pwc.co.uk/beaufort>.
 8. Unless the court orders otherwise, every claimant who submits a Client Money Claim under regulation 12A of the Regulations must bear the cost of making its own Client Money Claim, including the costs incurred in providing documents or evidence or responding to requests for further information.
 9. If you have been sent this notice, it does not mean that you necessarily have a Client Money Claim or are otherwise entitled to receive a distribution of client money.
 10. Any general queries in relation to this notice should be directed to 0800 063 9283 (UK) or +44 (0)20 7293 0227. You should, however, consult your own legal and other professional advisers for advice in relation to the scope and effect of this notice.

Russell Downs, Douglas Nigel Rackham And Dan Yoram Schwarzmann (Joint Special Administrators of BACSL).

The Joint Special Administrators act as agents of BACSL without personal liability.

9 May 2018