

**Direction**

To: Lehman Brothers International (Europe) [in administration] (the "firm")

Ref: 5021529

FRN: 147475

Of: Level 23  
25 Canada Square  
London  
E14 5LQ

Date: 25 October 2018

**Handbook Version as in force at 15 September 2008**

**Power**

1. This direction is given by the *FCA* under section 138A of the *Act*.

**Duration**

2.
  - (1) This direction takes effect on 25 October 2018.
  - (2) This direction ends on 24 October 2019.

**Rule modified**

3. The *FCA* directs that the *rules* listed below apply to the firm with the modification shown.
4. In the table below, underlining indicates the insertion of new text and striking through indicates deleted text.

Rule	Modification
CASS 7.9.6R (2)	<p>...</p> <p>(2) the <i>firm</i> must distribute that <i>client money</i> in accordance with <i>CASS 7.7.2 R</i>, so that each <i>client</i> receives a sum which is rateable to the <i>client money</i> entitlement calculated in accordance with <i>CASS 7.9.7 R</i>.</p> <p><u>(2A) For the purposes of (2B) to (2M) below:</u></p>

	<p>(a) <u>"payment details" means a client's electronic settlement instructions or current address to which the firm can send a cheque;</u></p> <p>(b) <u>"bar date" means the date specified in the firm's notices and communications to clients as the date by which clients must confirm their payment details if they have not done so since 1 July 2018; and</u></p> <p>(c) <u>"income entitlement" means a client's right, as a result of its client money entitlement, to receive distributions of interest and other gains which have accrued in respect of client money held by the firm.</u></p> <p>(2B) <u>In respect of a client who is shown in the firm's records as having a client money entitlement, and to whom the firm has not made any payments in respect of their client money entitlement, the firm must write to the client, or have written to the client since 1 July 2018, at either the address held by the firm prior to the primary pooling event or, where applicable, the updated address obtained by the firm for the client since the primary pooling event, or by sending an email to the email address held by the firm prior to the primary pooling event or, where applicable, the alternative email address obtained by the firm for the client since the primary pooling event, inviting the client to contact the firm if the client wishes to claim a client money entitlement.</u></p> <p>(2C) <u>At least 21 days after the action in (2B), the firm must ensure that notice is placed in a prominent position on the website used by the firm's administrators to communicate with the firm's clients, which remains there until the final distribution of client money, and which states that:</u></p> <p>(a) <u>regardless of whether they have previously accepted payment(s) in respect of their client money entitlements, all clients who have not confirmed their payment details since 1 July</u></p>
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	<p><u>2018 must do so by the <i>bar date</i> (which must be specified in the notice and must be at least 21 days from the date of the posting of the notice);</u></p> <p><u>(b) if a <i>client</i> has not confirmed its <i>payment details</i> since 1 July 2018 and does not do so by the <i>bar date</i> and the <i>client's</i> total remaining <i>client money</i> entitlement, together with any <i>income entitlement</i> thereon, is at least USD 25, then the <i>firm</i> intends to pay the value of the <i>client's</i> remaining <i>client money</i> entitlement and/or any <i>income entitlement</i> thereon into the Insolvency Service's Unclaimed Dividends Account in order that the <i>client</i> may claim such amount from the Insolvency Service's Unclaimed Dividends Account at any time; and upon such payment into the Insolvency Service's Unclaimed Dividends Account, the interests in <i>client money</i> of any such <i>clients</i> will cease; and</u></p> <p><u>(c) if a <i>client</i> has not confirmed its <i>payment details</i> since 1 July 2018 and does not do so by the <i>bar date</i> and the <i>client's</i> total remaining <i>client money</i> entitlement, together with any <i>income entitlement</i> thereon, is less than USD 25, then the <i>firm</i> intends to distribute <i>client money</i> without regard to the <i>client's</i> remaining <i>client money</i> entitlement and/or <i>income entitlement</i> thereon; and upon the <i>bar date</i>, the interests in <i>client money</i> of such <i>clients</i> who have not confirmed their <i>payment details</i> since 1 July 2018 and do not do so by the <i>bar date</i> will cease.</u></p> <p><u>(2D) At least 21 days after the action in (2B), where applicable, (and which can therefore be carried out before, simultaneously with, or after the action in (2C)), the <i>firm</i> must write to <i>clients</i> at either the address held by the <i>firm</i> prior to the <i>primary pooling event</i> or, where applicable, the updated address obtained by the <i>firm</i> for the <i>client</i> since the <i>primary pooling event</i>, or by sending an email to the email address held by the <i>firm</i> prior to the <i>primary pooling event</i> or, where applicable, the alternative email</u></p>
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	<p><u>address obtained by the <i>firm</i> for the <i>client</i> since the <i>primary pooling event</i>, informing the <i>client</i>:</u></p> <p>(a) <u>if, after accounting for any payment(s) previously made in respect of their <i>client money</i> entitlement, they are a <i>client</i> whose total remaining <i>client money</i> entitlement, together with any <i>income entitlement</i> thereon, is at least USD 25:</u></p> <p>(i) <u>that, regardless of whether they have previously accepted payment(s) in respect of their <i>client money</i> entitlements, all <i>clients</i> who have not confirmed their <i>payment details</i> since 1 July 2018 must do so by the <i>bar date</i> (which must be specified in the notice and must be at least 21 days from the date on which the notice is sent);</u></p> <p>(ii) <u>if the <i>client</i> has not confirmed its <i>payment details</i> since 1 July 2018 and does not do so by the <i>bar date</i>, then the <i>firm</i> intends to pay the value of the <i>client's</i> remaining <i>client money</i> entitlement (together with any <i>income entitlement</i> thereon) to the Insolvency Service's Unclaimed Dividends Account in order that the <i>client</i> may claim such amount from the Insolvency Service's Unclaimed Dividends Account at any time;</u></p> <p>(iii) <u>of the contact details for the Insolvency Service's Unclaimed Dividends Account, should the <i>client</i> wish to claim the amount from the Insolvency Service's Unclaimed Dividends Account at any time once it has been paid to such account; and</u></p> <p>(iv) <u>that upon such payment into the Insolvency Service's Unclaimed Dividends Account, the <i>client's</i> interest in <i>client money</i> will cease; or</u></p> <p>(b) <u>if, after accounting for any payment(s) previously made in respect of their <i>client money</i> entitlement, they are a <i>client</i> whose total remaining <i>client money</i> entitlement, together with any <i>income entitlement</i> thereon, is less than</u></p>
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	<p><u>USD 25:</u></p> <p>(i) <u>that, regardless of whether they have previously accepted payment(s) in respect of their <i>client money</i> entitlements, all <i>clients</i> who have not confirmed their <i>payment details</i> since 1 July 2018 must do so by the <i>bar date</i> (which must be specified in the notice and must be at least 21 days from the date on which the notice is sent);</u></p> <p>(ii) <u>that if the <i>client</i> has not confirmed its <i>payment details</i> since 1 July 2018 and does not do so by the <i>bar date</i>, then the <i>firm</i> intends to distribute <i>client money</i> without regard to the <i>client's client money</i> entitlement (including any <i>income entitlement</i> thereon); and</u></p> <p>(iii) <u>that if the <i>client</i> has not confirmed its <i>payment details</i> since 1 July 2018 and does not do so by the <i>bar date</i>, then the <i>client's</i> interest in <i>client money</i> will cease upon the <i>bar date</i>.</u></p> <p><u>(2E) The firm must wait at least 21 days from the last attempted communication to a <i>client</i> under (2C) and (2D) before taking any action under (2F) or (2I) in respect of that <i>client</i>.</u></p> <p><u>(2F) After the <i>bar date</i> the <i>firm</i> may pay the value of the remaining <i>client money</i> entitlement and/or <i>income entitlement</i> of a <i>client</i> who is shown in the <i>firm's</i> records (as at the <i>bar date</i>) as having a <i>client money</i> entitlement and to whom (2D)(a) applies, into the Insolvency Service's Unclaimed Dividends Account in order that the <i>client</i> may claim such amount from the Insolvency Service's Unclaimed Dividends Account at any time, provided that the <i>firm</i> has complied with the course of action required by (2C), (2D), (2E), and where applicable (2B), and the <i>firm</i> did not receive confirmation of the <i>client's payment details</i> between 1 July 2018 and the <i>bar date</i>.</u></p>
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(2G) Upon payment by the firm to the Insolvency Service's Unclaimed Dividends Account of monies in accordance with (2F), the clients whose distributions are constituted by such payments shall cease to have an interest in client money within the meaning of CASS 7.7.2 R. Any such cessation of clients' interests in client money shall not affect the income entitlements of any other clients.

(2H) When the firm makes a payment to the Insolvency Service's Unclaimed Dividends Account in accordance with (2F) it must notify the FCA and the Insolvency Service of the total amount contributed to the Insolvency Service's Unclaimed Dividends Account and the name, address and payment amount in respect of each client whose remaining client money entitlement and/or income entitlement has been included in such payment.

(2I) The firm may make distributions of client money without regard to the client money entitlement of a client who is shown in the firm's records (as at the bar date) as having a client money entitlement and to whom (2D)(b) applies, provided that the firm has complied with the course of action required by (2C), (2D) and (2E), and where applicable (2B), and the firm did not receive confirmation of the client's payment details between 1 July 2018 and the bar date.

(2J) Upon the bar date, each client falling within (2I) shall cease to have an interest in client money within the meaning of CASS 7.7.2 R. Any such cessation of clients' interests in client money shall not affect the income entitlements of any other clients.

(2K) When the firm makes a distribution of client money without regard to the client money entitlement of a client in accordance with (2I) it must notify the

	<p><u>FCA promptly after the distribution:</u></p> <p>(a) <u>of the names of the <i>clients</i> falling within (2I) that ceased to have an interest in <i>client money</i> in accordance with (2J); and</u></p> <p>(b) <u>the amount of <i>client money</i> that each of those <i>clients</i> falling within (2I) would have received if they had confirmed their <i>payment details</i> between 1 July 2018 and the <i>bar date</i>.</u></p> <p><u>(2L) Where the <i>firm</i> has sent a cheque to a <i>client</i> because the <i>client</i> has confirmed its <i>payment details</i> by providing a current address to which a cheque could be sent, and the <i>client</i> has not presented the cheque for payment within three months of the cheque's date, the <i>firm</i> may pay the value of that distribution into the Insolvency Service's Unclaimed Dividends Account in order that the <i>client</i> may claim such a distribution from the Insolvency Service's Unclaimed Dividends Account at any time, provided that:</u></p> <p>(a) <u>at least 30 days before the cheque's expiry date, the <i>firm</i> writes to the <i>client</i> at the relevant current address, informing the <i>client</i>:</u></p> <p>(i) <u>that should any cheque not be presented for payment within three months of the cheque's date, the amount will be contributed to the Insolvency Service's Unclaimed Dividends Account; and</u></p> <p>(ii) <u>of the contact details for the Insolvency Service's Unclaimed Dividends Account, should the <i>client</i> wish to claim the distribution amount at any time;</u></p> <p>(b) <u>at least 30 days before the cheque's expiry date, the <i>firm</i> ensures that notice is placed in a prominent position on the website used by the <i>firm's</i> administrators to communicate with the <i>firm's clients</i>, which remains there until the date on which the administration of the <i>firm</i> is completed, and which states:</u></p> <p>(i) <u>that where a <i>client</i> has received a cheque</u></p>
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	<p><u>in respect of its <i>client money</i> entitlement and/or <i>income entitlement</i> and has not presented that cheque for payment within three months of the cheque's date, the <i>firm</i> may pay the value of that distribution into the Insolvency Service's Unclaimed Dividends Account; and</u></p> <p>(ii) <u>the contact details for the Insolvency Service's Unclaimed Dividends Account should the <i>client</i> wish to claim the distribution amount at any time; and</u></p> <p>(c) <u>at the time of the payment, the <i>firm</i> notifies the FCA and the Insolvency Service of the total amount contributed to the Insolvency Service's Unclaimed Dividends Account and the name, address and distribution amount of each <i>client</i> whose distribution has been included in such payment.</u></p> <p><u>(2M) Upon payment by the <i>firm</i> to the Insolvency Service's Unclaimed Dividends Account of monies in accordance with (2L), each <i>client</i> whose distributions are constituted by such payments shall cease to have an interest in <i>client money</i> within the meaning of CASS 7.7.2 R. Any such cessation of <i>clients'</i> interests in <i>client money</i> shall not affect the <i>income entitlements</i> of any other <i>clients</i>.</u></p>
CASS 7.9.9R	<p><i>Client money</i> received by the <i>firm</i> after a <i>primary pooling event</i> must not be pooled with <i>client money</i> held in any <i>client money</i> account operated by the <i>firm</i> at the time of the <i>primary pooling event</i>. It must be placed in a <i>client bank account</i> that has been opened after that event and must be handled in accordance with the <i>client money rules</i>, and returned to the relevant <i>client</i> without delay, except to the extent that:</p> <p>(1) it is <i>client money</i> relating to a transaction that has not settled at the time of the <i>primary pooling event</i>; <del>or</del></p>



	<p>(2) it is <i>client money</i> relating to a <i>client</i>, for whom the <i>client money</i> entitlement, calculated in accordance with <i>CASS 7.9.7 R</i>, shows that <i>money</i> is due from the <i>client</i> to the <i>firm</i> at the time of the <i>primary pooling event</i>; <u>or</u></p> <p><u>(2A) the <i>client</i> has ceased to have an interest in <i>client money</i> in accordance with <i>CASS 7.9.6 R (2A) to (2M)</i>.</u></p>
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**Interpretation**

5. Interpretative provisions (including definitions) of the *Handbook* apply to this direction in the same way they apply to the *Handbook*.

Marium Mahmood Gul  
Waivers Team  
Authorisations  
Financial Conduct Authority