



BDO LLP

# WEALTHTEK LLP - IN INVESTMENT BANK SPECIAL ADMINISTRATION

Clients' and Creditors' Meeting

14 June 2023

IDEAS | PEOPLE | TRUST



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# INTRODUCTION

**Welcome to everyone attending in person or viewing the initial part of this meeting online.**

- Introductions
- The formal purpose of the meeting today is to vote on the JSAs' Proposals, as set out in our report dated 30 May 2023, and to vote on the establishment of a Clients' and Creditors' Committee.
- We will first provide a brief presentation summarising key aspects of the Special Administration to date and developments arising since our report of 30 May 2023.

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# AGENDA

Item	Indicative Timing
JSA's Presentation	2:00 - 2:45pm
Questions & Answers	2:45 - 3:15pm
Formal Voting	3:15 - 3:45pm

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## WHY WERE THE JSAs APPOINTED?

The FCA made the application to Court to appoint the JSAs on the grounds of 'fairness' due to its concerns related to the following areas:

- the LLP operating outside of its regulatory permissions;
- the safeguarding of Client Assets;
- misleading information provided to Clients;
- disclosure of information to the FCA; and
- the misuse of Client Assets.

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## WHAT ARE THE JSAs' DUTIES AND OBJECTIVES?

The Special Administration Objectives, as detailed in the Regulations, are as follows:

- Objective One - To ensure the return of Client Assets as soon as is reasonably practicable;
- Objective Two - To ensure timely engagement with market infrastructure bodies and the Authorities pursuant to regulation 13; and
- Objective Three - To either:
  1. rescue the Investment Bank as a going concern; or
  2. wind it up in the best interests of the creditors.

The order of work on each Objective is prioritised as the JSAs deem fit, to achieve the best result overall for Clients and Creditors.

## HOW DOES THE ROLE OF THE JSAs DIFFER FROM THE FCA?

FCA	JSAs
<ul style="list-style-type: none"><li>• Applied to Court for the appointment of JSAs in order to protect Client Assets.</li><li>• Required WealthTek to cease all regulated activity on 4 April 2023, whilst regulatory breaches were investigated.</li><li>• Conducting a regulatory and criminal investigation into both WealthTek and its principal partner, John Dance, in relation to potential regulatory breaches relating to client money and custody assets, and criminal offences of fraud and money laundering.</li><li>• Obtained a worldwide freezing order against Mr Dance's assets, in order to preserve his assets.</li></ul>	<ul style="list-style-type: none"><li>• Responsible for the management and affairs of WealthTek (i.e. they replace the previous management team).</li><li>• Working to achieve statutory objectives, in particular in relation to Objective One. The JSAs seek to achieve the best outcome for clients and creditors as a whole.</li><li>• Appointed over WealthTek only (i.e. their role does not extend to Mr Dance's personal assets and affairs).</li><li>• Powers include the ability to bring claims against third parties, but the key focus of any claim will be to achieve monetary restitution for Clients and Creditors (i.e. they are not an enforcement agency seeking to bring a criminal prosecution).</li></ul>

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## WORK UNDERTAKEN BY THE JSAs TO DATE

Key steps taken:

- Secured the Premises, and the assets and books and records located therein;
- Taken control of all known Estate Assets and Client Assets;
- Consulted with the employees, made necessary redundancies and retained a core team to assist the JSAs with their investigations and duties;
- Carried out initial investigations and made enquires of potential custodians and counterparties to identify Client Assets;
- Commenced the Client Asset Reconciliation;
- Secured funding to pursue Objective One;
- Appointed a new director (and removed the incumbent directors) in respect of WealthTek Nominees Limited;
- Carried out initial investigations, including making enquires of the LLP's professional advisers;
- Established a communications plan to ensure timely and efficient communications with Clients and Creditors;
- Liaised with the FCA, the FSCS and the LSE (i.e. the Authorities) as required; and
- Issued the required statutory notifications and report in accordance with the Regulations and the Rules.

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## EVENTS SINCE OUR PROPOSALS

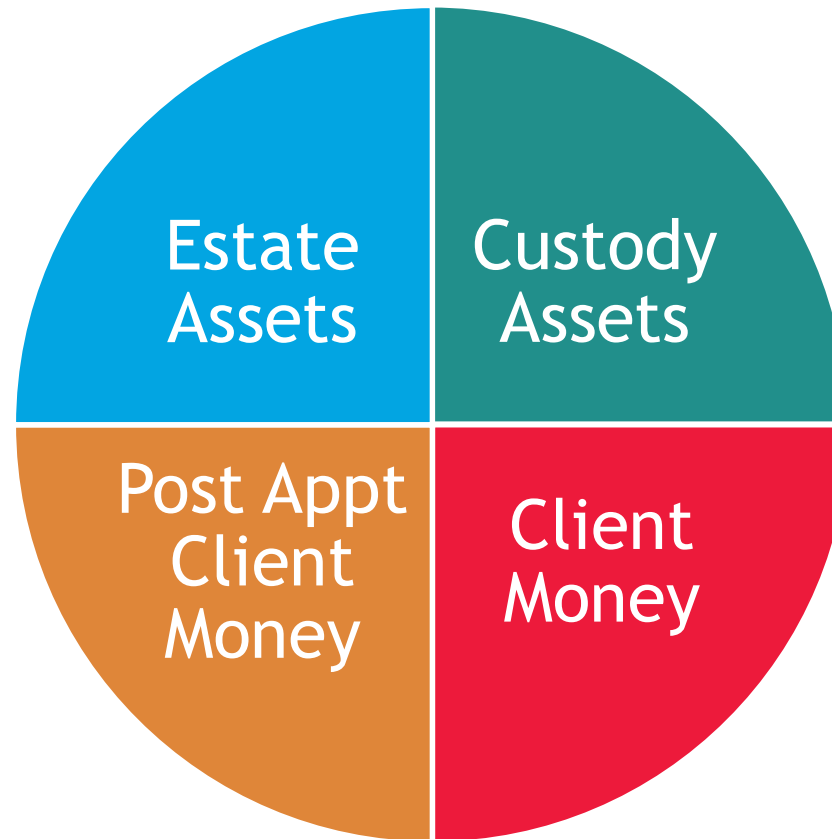
Key matters since preparing our Proposals:

- Further work on confirming Custody Assets - specifically a further £1.01m of unit trust value has been confirmed including an additional £0.35m of Surplus Assets;
- Mr Dance has confirmed that there are no additional custodians holding Client Assets;
- The FSCS has confirmed that, at the very least, some protection will be available for some Clients. We will continue to liaise with the FSCS to determine the level and breadth of compensation available; and
- On 31 May 2023, the FCA confirmed that:
  - it is conducting a regulatory and criminal investigation into both WealthTek and its principal, John Dance, which includes potential regulatory breaches relating to client money and custody assets, and criminal offences of fraud and money laundering.
  - Additionally, the FCA obtained a worldwide order freezing assets belonging to Mr Dance up to the value of £40m. The aim of this action was to preserve assets which may potentially be available for distribution or confiscation upon the conclusion of any civil or criminal proceedings brought by the FCA.
  - Northumbria Police arrested Mr Dance on 4 April in connection with the FCA's investigation, and the FCA later interviewed Mr Dance under caution.

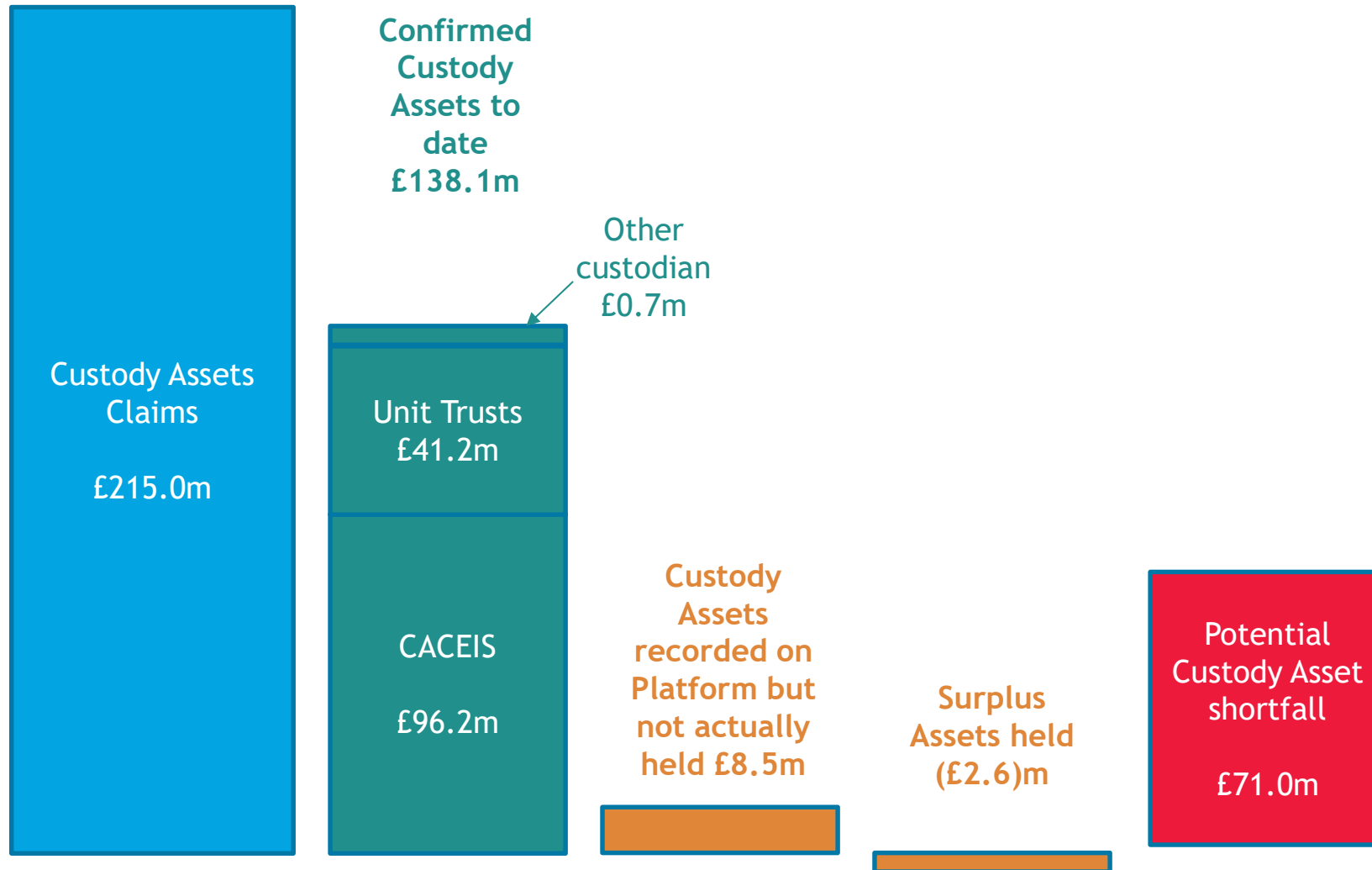


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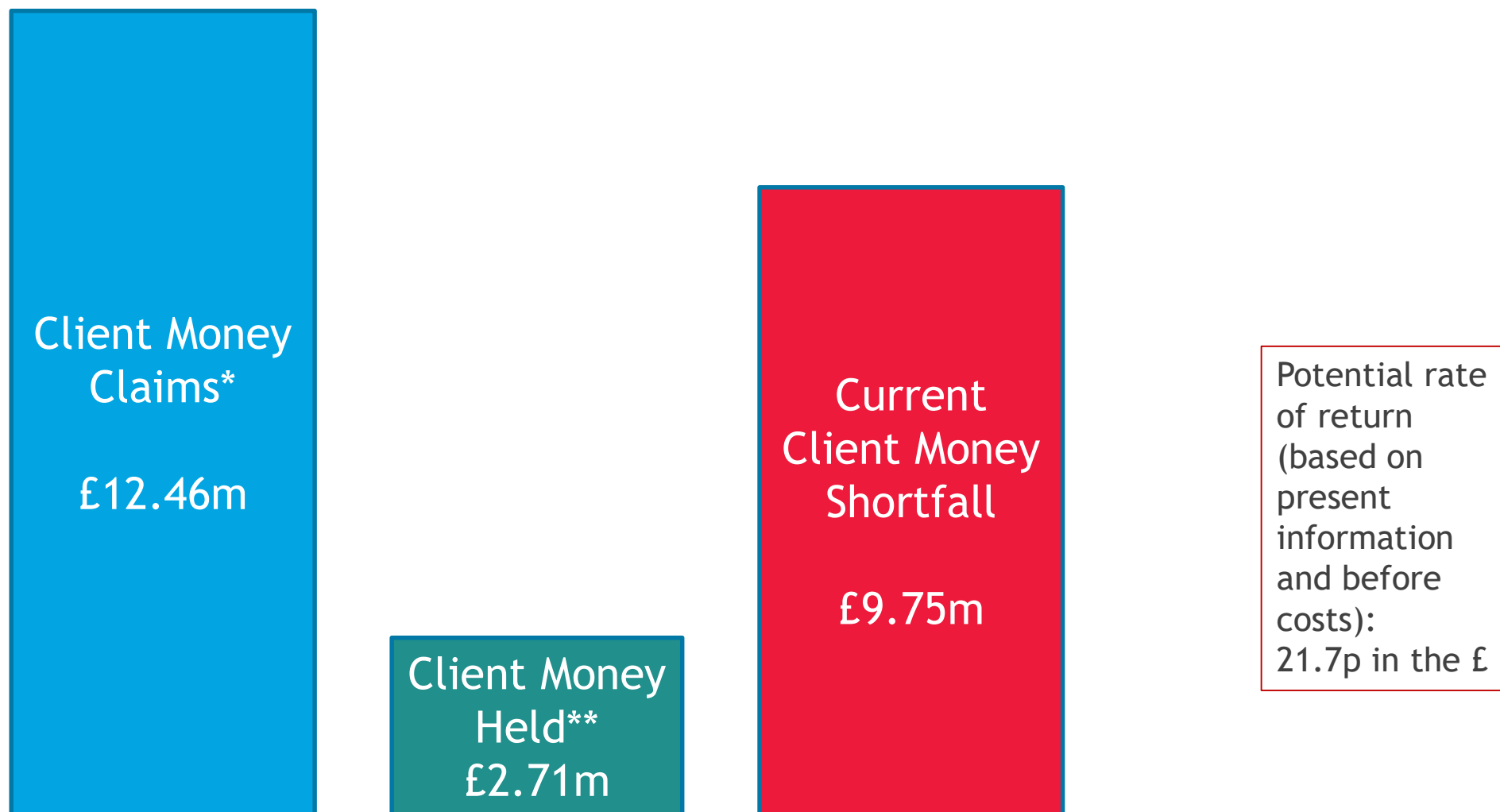
## ASSET POOLS



## CUSTODY ASSET RECONCILIATION (CURRENT POSITION)



## CLIENT MONEY RECONCILIATION (CURRENT POSITION)



\*Converted using the relevant rates as at 6 April 2023.

\*\*For illustrative purposes converted using the prevalent rates as at 6 April 2023 but held actually held in a number of currencies and subject to fluctuation.

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# TREATMENT OF SHORTFALLS

## Client Money shortfall treatment:

- Dealt with in accordance with the Rules in CASS 7 and CASS 7A
- All pre-administration Client Money is pooled (the commencement of the Special Administration is a 'primary pooling event' or 'PPE' under the Client Money Rules).
- All Clients with an agreed Client Money Claim will participate in the distribution of Client Money on a pro rata basis.
- Based on current information, this could be c21p in £ (prior to costs). This may be subject to change.
- Example: a Client with a £10,000 Client Money Claim would receive a return of c£2,100, and have a shortfall claim of £7,900 which would be an unsecured claim in Special Administration.

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# TREATMENT OF SHORTFALLS

## Custody Asset shortfall treatment:

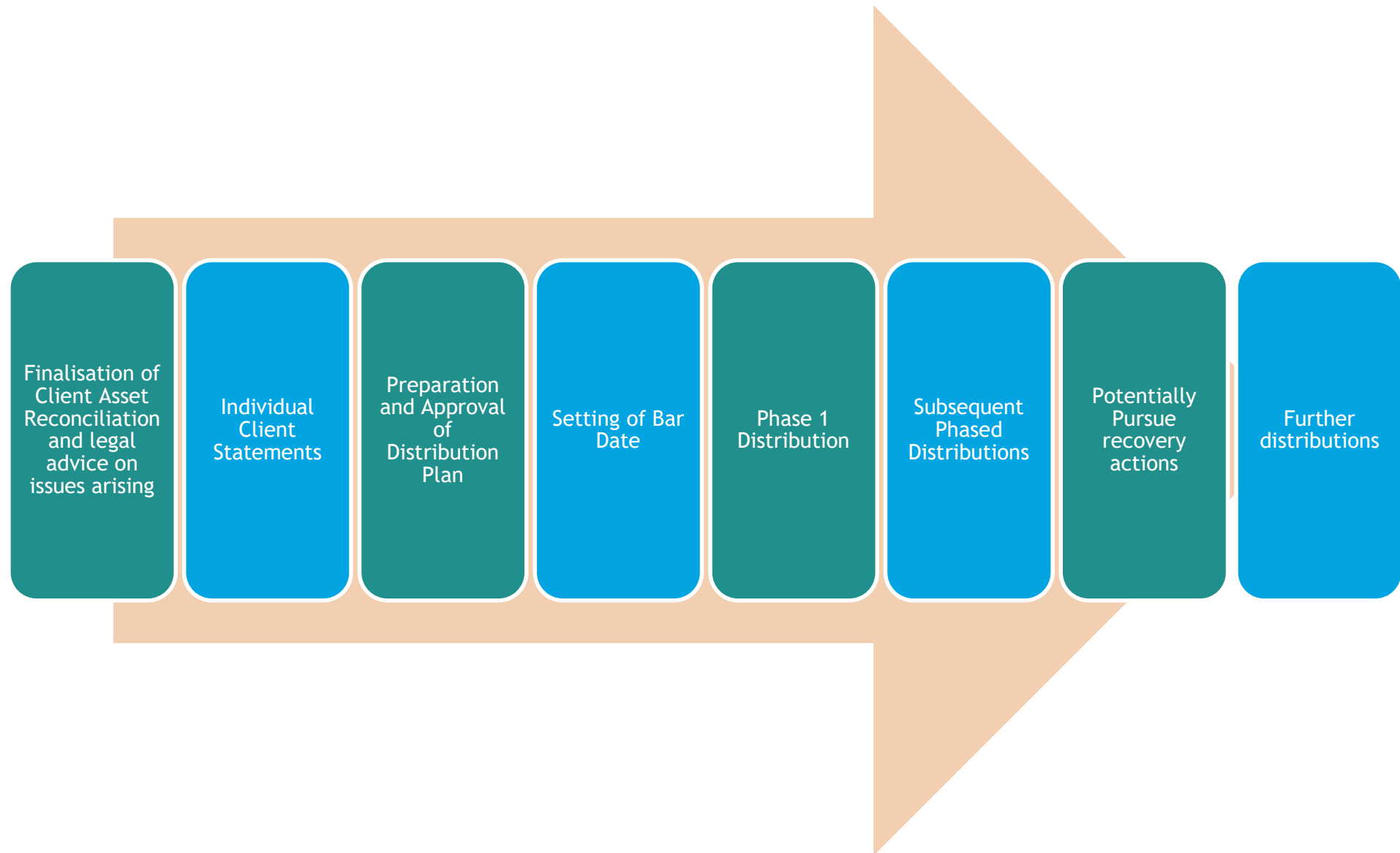
- Dealt with in accordance with CASS 6 Rules
- Each security is dealt with separately - we currently have c1,300 securities
- Shortfalls will be dealt with on a security-by-security basis
- General proposition: in the event of a shortfall, the shortfall will be borne pro rata by all clients who have an interest in that particular security. This will, however, be subject to further legal analysis.
- Example: a Client 123 holds 100 units of Security A in its portfolio. All Clients combined should hold 1,000 units of Security A. Only 500 units can be located (there being a shortfall of 500). Client 123 will only receive 50 units by way of distribution under a Distribution Plan (subject to the deduction of costs), and have a shortfall claim for the value of the further 50 units as at 6 April 2023 - this would be an unsecured claim in Special Administration.

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## INDIVIDUAL CLIENT SHORTFALL STATEMENTS

- Each Client has received a Client Statement extracted from the WealthTek platform as at 6 April 2023- these figures are for voting purposes only.
- The JSAs are now investigating the accuracy of the books and records of the LLP (including the information extracted from the platform) to determine whether this has any impact on the Client Asset Reconciliation.
- This work is being carried out as a priority; however, until it has been completed we will not be able to issue individual client statements which show actual Client entitlements as a result of the shortfalls identified.

## WHAT COMES NEXT?



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## THE DISTRIBUTION PLAN

- Before any Client Money or Custody Assets can be returned, the JSAs are required to complete the Client Asset Reconciliation to confirm each Client's holdings.
- Once the JSAs' investigations, and the Client Asset Reconciliation, have been suitably advanced, the JSAs will put in place a mechanism for the return the Client Assets.
- The process for returning Custody Assets is set out in a detailed plan, known as the Distribution Plan. Amongst other matters, this will set out a process for:
  - the agreement of Client claims;
  - returning Custody Assets;
  - dealing with shortfalls; and
  - allocating costs and expenses.
- The JSAs will set a deadline for Clients to submit their claims (the Bar Date), which will then allow the JSAs to adjudicate Clients' claims to Custody Assets. Once a Bar Date has passed, any subsequent distribution of Custody Assets to Clients cannot then be disturbed by any Client who might later make a claim against those same assets.
- The draft Distribution Plan will need to be reviewed and approved by the Clients' and Creditors' Committee (if established). It must then be approved by the Court prior to implementation.



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## THE CLIENTS' AND CREDITORS' COMMITTEE

- In addition to seeking approval of the Proposals, the JSAs are asking Clients and Creditors to consider whether or not they wish to establish a Clients' and Creditors' Committee ('Committee').
- The purpose of the Committee is to:
  - Act as a consultative group, working alongside the JSAs throughout the Special Administration
  - Represent the interests of all Clients and Creditors, rather than their own interests
  - To agree the terms of the Distribution Plan prior to obtaining Court sanction.
  - Agree the basis and quantum of the remuneration of the JSAs.
- Committee members will be required to sign a confidentiality agreement before the Committee can be formally constituted.

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# QUESTIONS

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## FORMAL PURPOSE OF THE MEETING

The formal purpose of the meeting will be for Clients and Creditors to:

- (i) vote on the JSAs' Proposals;
- (ii) decide whether they wish to form a Clients' and Creditors' Committee; and
- (iii) decide who should sit on the Clients' and Creditors' Committee

The JSAs have received 89 special proxy forms and the current position of the voting in relation to the approval of the Proposals is set out below. Votes cast at the meeting will be added to provide the final outcome.

Client proxies received:

	For	Against
Resolution One	£13,862,888	-
Resolution Two	£14,068,169	-

Creditor proxies received:

	For	Against
Resolution One	£263,429	-
Resolution Two	£263,429	-

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## MECHANICS OF VOTING

You will have all received a voting form when you registered, in circumstances where you are a proxyholder for a number of clients or creditors you will have received a voting form for each client or creditor.

Please indicate how you wish to vote on each resolution on that form.

The BDO team will be standing at the exit and we request that you hand your voting forms in on the way out. The outcome of the vote will be recorded at Companies House and on the JSAs' website as soon as reasonable practicable.

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# RESOLUTION 1

## Resolution 1: For the approval of the JSAs' Proposals;

### Proposals generic to the Special Administration

It is proposed that:

1. The JSAs continue to manage the LLP's affairs, business and property as they see fit in order to achieve the Special Administration's Objectives, being:
  - Objective One - To ensure the return of Client Assets as soon as is reasonably practicable;
  - Objective Two - To ensure timely engagement with market infrastructure bodies and the Authorities pursuant to regulation 13; and
  - Objective Three - To either:
    - rescue the Investment Bank as a going concern; or
    - wind it up in the best interests of the creditors.
2. The JSAs seek the establishment of a Clients' and Creditors' Committee to represent the interests of the Creditors and Clients as a whole;
3. The JSAs may do all such things and generally exercise all powers as they, at their discretion, consider necessary in order to achieve the Objectives or to protect and preserve the assets of the LLP or its Clients, or to maximise realisations for any other purpose incidental to these Proposals;
4. Once the Objectives have been fulfilled, the JSAs will seek to conclude the Special Administration by whatever exit route is considered most appropriate at that time; and in each case to take such steps as may be required in order to obtain the JSAs' discharge from liability; and

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# RESOLUTION 1

## Proposals relevant to pursuing Objective One

It is proposed that:

5. The JSAs continue to progress and finalise (as far as possible) the Client Asset Reconciliation of Client Money and Custody Assets in order to determine each respective Client's holdings of Client Assets;
6. The JSAs continue to do all such things and generally exercise all powers as they, at their discretion, consider necessary to identify, secure, protect and preserve Client Money and Custody Assets;
7. The JSAs continue to segregate and safeguard any Client Money received following the PPE with a view to expediting the return of those monies following the completion of the Client Asset Reconciliation; and
8. The JSAs distribute Client Money and Custody Assets to Clients by way of the most efficient and cost-effective mechanism possible considering the procedures available to them within the Regulations, the Rules and the Client Money Rules, and following consultation with any appointed Clients' and Creditors' Committee.

## Proposals relevant to pursuing Objective Two

It is proposed that:

9. The JSAs continue to engage with the FSCS to establish the extent and nature of the cover that may be available to Clients.

## Proposals relevant to pursuing Objective Three

It is proposed that:

10. The JSAs will consider and, if deemed appropriate, pursue any claims, including litigation, which the LLP may have in order to maximise returns to Creditors consistent with their duties;
11. The JSAs continue to do all such things and generally exercise all powers as they, at their discretion, consider necessary to identify, secure, protect and realise Estate Assets for the benefit of Creditors; and
12. Should there be sufficient asset realisations to permit a distribution to either Preferential or Unsecured Creditors, the JSAs be authorised to agree the respective Creditors' claims and distribute funds in accordance with the Regulations and the Rules.

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## RESOLUTION 2

**Resolution 2:** For the establishment of a Clients' and Creditors' Committee (if there are sufficient Clients and Creditors willing to act).

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## NOMINATIONS FOR CLIENTS AND CREDITORS COMMITTEE

The JSAs have received the following nominations for Clients' and Creditors' Committee:

Client nominations:

- Anthony William Ingham
- David Clarke
- Jon Moody
- Jonathan Gain
- Thomas Malloch
- Vinay Bedi
- Pamela Walker

Creditor nominations:

- The Financial Services Compensation Scheme ('FSCS') - Guy Enright
- Lord Clarke Limited - Jon Moody
- Windygates Holdings Limited - Thomas Malloch

Do we have any further nominations from the floor?

Please use the second voting form to nominate your preferred members of the Committee. You may should choose up to 4 Client members and 1 Creditor member.



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## CLOSING COMMENTS

- Thank you all for your time and participation today.
- The formal outcome of the meeting will be reported as soon as practicable.
- These slides and a written version of the questions and answers will be posted on the JSAs' website in the coming days.