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**WealthTek LLP (trading as WealthTek, Vertem Asset Management and Malloch Melville) – In Investment Bank Special Administration**

## **Initial Meeting Q&As**

**The JSAs' proposals indicate that there is a shortfall. Have you identified any trends in the shortfall whereby certain asset classes appear to have been 'targeted' or seen to suffer significantly more shortfalls than others?**

There are no particular trends that have been identified thus far by the JSAs, but it is still the early stages of our investigations.

**The JSAs state certain employees were retained to assist the JSAs with their duties; it appears that those employees with knowledge surrounding the Unit Trust systems were not retained given the ongoing work to identify the Unit Trust positions?**

Following their appointment, the JSAs had conversations with the employees about their existing roles and their level of knowledge about the business, before any decisions were made on redundancies and retention. It was as a result of these enquiries and conversations that the Unit Trust positions were identified. The subsequent reconciliation work was required in any event.

**At the time of the Proposals being published, the JSAs confirmed that they were awaiting confirmations in respect of 123 out of 259 Unit Trust funds. What is the current figure?**

The JSAs have received additional confirmations in the intervening period between the issuance of the Proposals and the Initial Meeting. At the time of the Initial Meeting there were 77 Unit Trusts Funds that the JSAs were still awaiting confirmations from; in other words 46 further confirmations have been received in the period.

The 259 positions equated to a value of £59m as at 6 April 2023. We have confirmed £41m in value and are awaiting confirmation on positions totalling £4m. The current shortfall on Unit Trusts is therefore understood to be £14m at present.

Exchange Traded Funds are not included in this analysis of the Unit Trusts.

**Can you provide a breakdown for the value held at Caceis across the different security types?**

Not at this meeting. The information regarding individual securities will be contained within the individual client statements, which we are working to be in a position to produce as a priority. We are not yet in a position to confirm when the statements will be produced but will provide regular updates to clients.

**The JSAs' Proposals provided detail surrounding secured funding obtained in order to pursue Objective One of the Special Administration, can you please provide detail on the terms of the debt?**



A £2m loan facility was obtained, with an interest rate of 9% over base rate. The rate reflects the fact that the loan is being provided to a company that has entered Special Administration. The JSAs approached 11 different potential funders, and accepted the offer that provided the most favourable terms.

**Is that rate applied to the entire facility, or only that which is drawn?**

A: The rate only applies to the funds that are drawn down, not to the entire facility from the outset.

**In terms of contacting clients, many clients do not use the internet and would prefer to receive hard copies. Can this be catered for in relation to future updates?**

A: We can certainly accommodate this. Any clients (or representatives on behalf of clients) who wish to receive hard copy documents of any future updates should please let the JSAs and their staff know, and we will update our records accordingly.

**Can you provide us with an update as to any developments with regards to any PI policy that Wealthtek LLP may have had in place? Does the FCA ask for a copy of this as part of the regulatory review; is this an FCA requirement?**

The JSAs' enquiries to date have not identified any PI policy in place as at the date of the Special Administration. Our investigations will continue. We are unable to comment on matters relating to the FCA's requirements.

**Many clients/advisors are aware of a third-party consultant that conducted work on Wealthtek LLP last year. Are you able to share any of the advice that came from that report, particularly in relation to the reconciliation of client assets?**

The JSAs are aware of the report, but it would not be appropriate to discuss the contents of the report at this meeting. If clients have any information in relation to this particular matter, the JSAs would be happy to receive it.

**Harcus Parker solicitors have written to the JSAs in relation to a potential legal claim being run on behalf of shareholders in one of the shares held by certain WealthTek clients. Is it the JSAs' intention to engage with them, as Harcus Parker have not received a response to date?**

Yes, it is the intention of the JSAs to engage with them. However, prior to reverting to Harcus Parker, we are working to establish the current position regarding the number of clients holding an interest in the shares and the potential shortfall, and we are also considering certain issues identified from Harcus Parker's correspondence.

**Can you explain if tax year-end packs are going to be issued to clients, how any shortfalls are going to be dealt with in these and, if there are any capital losses, how they can be claimed or when they will be established?**

When the JSAs conclude the reconciliation exercise, we will inform clients what Custody Assets they actually hold. Clients will have to seek their own tax advice.

**Are any of the JSAs' costs typically covered by the FSCS?**

The FSCS can theoretically cover certain costs of the JSAs, but this forms part of the assessment that the FSCS is currently undertaking to determine the level of compensation that may be available in relation to this matter. Consequently, at this time, the extent to which the FSCS might cover any of these costs remains unknown.

**How are the costs incurred by the JSAs allocated to the different asset pools?**

There are effectively four 'pots' over which the costs of the Special Administration are split:

1. Custody Assets
2. Client Money
3. Post-appointment Client money
4. Estate Assets

The costs and expenses incurred in dealing with each aspect are allocated against the respective pots. Particularly as regards the custody assets, a Distribution Plan will be prepared in due course which will provide details of how all the costs will be allocated and apportioned.

**Are you able to provide any guidance to IFAs whose clients might pass after 6 April 2023 - can the JSAs provide any information as to what clients should do, or will they be reliant on their own tax advisors?**

Clients will have to rely on their own tax advisors. The JSAs can facilitate the flow of information to the extent that we are able, however, we will not be able to provide any tax advice.

**Can the JSAs confirm the likelihood of dividends being paid out to clients who are reliant on those dividends for income purposes?**

The dividends represent Post-Appointment Client Money, however, the receipts are tied to the underlying securities and so, until we have been able to reconcile the position of those underlying securities, we will not be able to make any distributions from Post-Appointment Client Money. Due to the shortfalls that have been identified, it will likely be necessary for these issues to be addressed within the Distribution Plan.

**When will the Bar Date referred to as part of the upcoming Distribution Plan be set?**

The JSAs will give advanced notice of the Bar Date to provide clients with adequate time to submit their claims. A decision has not yet been made as to when the Bar Date will be set, as that will be linked to the progress of the Distribution Plan.

**Was Wealthtek Nominees Limited FCA regulated? If not, will it be covered by FSCS compensation, if available?**

WealthTek Nominees Limited is not FCA regulated. However, it is understood that, to the extent that FSCS coverage may be available, the fact that WealthTek Nominees Limited is not regulated should not impact on the over available. Clients held agreements with WealthTek LLP, which is FCA regulated. The fact that certain assets were held by a nominee company should not affect the FSCS coverage (if available).

**I was told my portfolio would be safe in a nominee account at the time I originally invested and that my holdings would be ringfenced. Was this incorrect?**

The JSAs would have to review the particular statements made by WealthTek and/or the terms of the contracts entered into with clients. However, it should be noted that WealthTek is the party that has entered into the custody arrangement with CACEIS. CACEIS does not recognise, or have any visibility, on the underlying clients. If clients have specific questions about their individual positions, the JSAs can address these on an individual basis.

**Are the FSCS Compensation guidelines available in the public domain?**

Yes, these are available in the compensation section of the FCA handbook.  
<https://www.handbook.fca.org.uk/handbook/COMP.pdf>

**With regards to portfolios that are execution only, how have shares been sold to a third party?**

Wealthtek held the securities with CACEIS, under the terms of the custody agreement. CACEIS does not recognise the underlying clients. In relation to any sales of securities, CACEIS took instructions from its client, being Wealthtek. If clients have fact specific questions about their personal positions, we can address these on an individual basis.

**Have the JSAs prepared a forecast of their costs so that clients know the impact on their portfolios?**

Not at this stage. A lot of work remains to be completed in order to determine an accurate costs estimate. Once an estimate has been prepared, the approval of the Clients' and Creditors' Committee will be required. The JSAs will not draw any costs without the proper approval of the Clients' and Creditors' Committee and/or the Court.

**Client money has seemingly gone missing, clients have been given fairly vague reasons for the Special Administration and it is not clear whether either the JSAs or the FCA are tackling the key issues behind this, or who is protecting/recovering misappropriated funds that are potentially repayable to Wealthtek.**

The JSAs have access to WealthTek's books and records and are conducting an investigation with a view to understanding why WealthTek is in this position. These investigations are of a sensitive nature. Further details will be shared with the members of the Clients' and Creditors' Committee in due course.

The JSAs cannot comment on any action taken, or to be taken, by the FCA. However, during our investigations, the JSAs will liaise with the FCA in order to obtain the best outcome for clients and creditors.

**Why is there a £40m cap on the freezing order for John Dance's assets?**

This is the FCA's freezing order, so they would be best placed to explain how the quantum was arrived at. Usually, the matter is debated in court to determine the appropriate sum, and this will have been a matter for debate between the FCA and John Dance's legal teams, ultimately decided by the judge. The JSAs were not involved in this decision.



**Wealthtek LLP was an FCA regulated business and so its clients should be able to take comfort that the FCA are regulating that business. Their processes are usually rigorous; were the FCA asleep at the wheel and, if so, who has the right to take action against them?**

How WealthTek ended up in this position is part of the JSAs' investigation. We know that the FCA had a number of concerns in respect of WealthTek, which ultimately lead it to make the Special Administration application.

In addition to the Special Administration application, the FCA is also taking action against Mr Dance.

The JSAs are unable to make any further comment in relation to the action taken by the FCA.

**Will we find out what other enforcement action or steps the FCA took?**

The FCA's statement is on its website. We are unable to comment further on behalf of the FCA. If creditors or clients have particular questions or concerns, they should address those to the FCA.

**Would individual broker's insurance be available to make a claim against - where individual brokers have brought clients onto the WealthTek platform?**

The rights available to clients against their brokers would be dependent on the terms and conditions in those agreements. The JSAs would not be able to advise in relation to these matters.

**Are you aware that some clients received the wrong documentation from the JSAs?**

We are aware of a small number of clients who were impacted and have raised this issue with our third-party mailing supplier. Any concerned clients affected by this issue should please make the JSAs and their staff aware.