



Strand Capital Limited - In Special Administration (“Strand”) Update for clients (and all other relevant parties) March 2018

This is an update for clients and other relevant parties.
It sets out details of the return of certain monies to clients.

The reconciliation process

A key part of the work of the Joint Special Administrators (‘JSAs’) is to undertake a reconciliation process of client money and custody assets held. As detailed within our progress report of 15th December 2017, the last date to which client assets and monies were reconciled by Strand prior to the appointment was 22nd March 2017. Based on the current reconciliation data available to them, the JSAs have been able to identify the client money and assets position at the date of the special administration, being 17th May 2017, was as follows:

Description	Investments (not including cash) Units	Cash £
Investments/Cash (as per Company records) (A)	134,078,628.601	£12,643,295.75
Investments (reconciled as at 15/12/17)	133,531,600.601	-
Newly released OWG Series D Bonds	500,104.000	-
Additional identified OWG Series D Bonds	42,079.000	-
Cash (reconciled)		£12,523,756.02
Sub-total (B)	134,073,783.601	£12,523,756.02
Difference (B-A)	(4,845.000)	(£119,539.73)
OWG Series D Bonds		
Transfer / Redemption of bonds adjustment	1,636.000	(£1,636.00)
Strand Management Fees - Due and Collectable	-	£117,396.40
Overall difference	(3,209.000)	(£3,779.33)

Please note that the above schedule is an analysis of the total number of units held of each class of client asset. It is not an indication of the current value of any asset holdings and is not determinative of the quantum of asset holdings that will be distributed through the special administration process.

As can be seen from the schedule, there have been a number of developments within the last three months. Correspondence with OWG has resulted in the release of an additional 500,104 (nominal value) bonds within the OWG Series D bonds. This, in addition to the validation of certain bonds holdings, has brought the difference between what the Company’s books and records state was the case and what the JSA’s have actually been able to unreconciled and verify down to 4,845.00 (nominal value).

Comment on the differences

In line with our previous communications, this discrepancy lies with outstanding queries in respect of the investments within the OWG bonds (Series D). It is important to note that OWG representatives have been in discussions with the JSAs to establish the discrepancies on the Series D bond holding positions and should clarify if additional bonds are due.





The client money discrepancy detailed above relates to two principal matters as follows:

- £18,087.29 - Miscalculation of the final quarter 2016 management fees; and
- £101,452.44 - An element of the OWG December 2016 bond interest received that was allocated and has already been drawn upon by specific clients and is no longer in the client money bank account. As this cash was not originally allocated by Strand on a pro-rata basis this cash allocation has to be reversed and apportioned on a pro-rata basis as part of the reconciliation process.

As stated above, it is believed these deficiencies are broadly offset by management fees due to Strand (up to 22nd March) being netted against the initial shortfall in accordance with, and as required by, the relevant CASS regulations governing client money, resulting in a current client cash shortfall position of circa £3,800, before consideration of any JSA costs.

At present, the JSAs consider that there is an additional, outstanding balance due in respect of the OWG December 2016 coupon interest payment of £549,934.01 (plus accruing interest). This amount is owed pursuant to the OWG bonds although at this time OWG and Strand have different interpretations as to which of them is responsible for paying this amount. It appears that it may be necessary to apply to Court to resolve the position.

The JSAs are working hard to resolve this dispute and are mindful that this position may generate frustration among those parties whom do not hold investments with OWG. However, the JSAs have a requirement to handle the collection and the distribution of the pool of client money strictly in accordance with the CASS regulations and cannot calculate client money balances and commence a proper client money distribution process until this position is finalised.

Compensation via the FSCS

Whilst the formal process of returning client money and assets has been hindered by the issues outlined above, the JSAs have been in continual dialogue with the Financial Conduct Authority (“FCA”) and Financial Services Compensation Scheme (“FSCS”) exploring the potential formal and informal options available to accelerate the process and mitigate the impact on clients. We thank them for their efforts.

It is through these on-going discussions with the FSCS, that a strategy has been developed to enable a compensation payment to be made by the FSCS to clients in respect of their underlying client money positions, subject to the FSCS's eligibility requirements and compensation limits. It is hoped by the FSCS, that now that the mechanics of this process have been agreed, they will be in a position to start making compensation payments to clients during the course of April/May 2018.

In order to facilitate this process, the JSAs and FSCS will be contacting the Company's clients separately to broadly verify client money holdings, eligibility and to confirm and agree the formal mechanics of this process.

Please note that there is no need for clients to proactively contact the FSCS at this stage. The FSCS will publish more information on its website and be in contact with the Company's clients where required, in due course. You should be aware that this initial contact might not be with you directly and will depend on how your client money was invested and held. For instance, if your money was invested via a SIPP operator, then we will be contacting them in the first instance and we would anticipate they would then contact you to explain the process.

The affairs, business and property of the Strand Capital Limited (“the Company”) are being managed by the special administrators Adam Henry Stephens, Henry Anthony Shinnars of Smith & Williamson LLP and Virgil Levy of LA Business Recovery Limited who act as agents of the Company and without personal liability. Adam Henry Stephens and Henry Anthony Shinnars are licensed as insolvency practitioners in the UK by the Institute of Chartered Accountants in England and Wales. Virgil Levy is licensed as an insolvency practitioner in the UK by the Insolvency Practitioners Association. Strand Capital Limited is authorised and regulated by the Financial Conduct Authority. FCA reference number: 494001. Registered in England, Company number: 03747386. Registered office: 1 Tudor Street, London, EC4Y 0AH. The word partner is used to refer to a member of Smith & Williamson LLP. A list of members is available at the registered office. Registered in England at 25 Moorgate, London EC2R 6AY No OC369631. Regulated by the Institute of Chartered Accountants in England and Wales for a range of investment business activities. A member of Nexia International, a worldwide network of independent accounting firms. To the fullest extent permitted by law, neither the Joint Special Administrators, Strand Capital Limited, Smith & Williamson LLP or LA Business Recovery Limited assume any responsibility for the content of this information only update and do not accept any personal liability in respect of this document to any party.





Whilst we appreciate the Company's clients' assistance to date, the JSAs will be asking the Company's clients to again, verify the current data the JSAs have reconciled for client money and asset holdings.

This is because the JSAs will be providing the FSCS with details of individual client balances, to enable the cash compensation payment to be made by the FSCS.

As this process will be undertaken without these client balances being verified by a formal claim process sanctioned by Court, both parties are concerned to ensure the underlying clients' positions are correct. It is for this reason the additional verification process is deemed necessary, to enable such payments to be made.

The JSA's appreciate that this update may not answer all concerns pertaining to the Special Administration process, including those raised in recent articles and publications, but we hope that the information is helpful.

Further information will be available in due course on the FSCS and our websites, namely: www.fscs.org.uk/ and www.smithandwilliamson.com/strand-capital-limited

Thank You.

