

**Adam Stephens and Henry Shinnars both of Smith & Williamson LLP and Virgil Harsham Levy of LA Business Recovery Limited were appointed Joint Special Administrators of Strand Capital Limited - in Special Administration on 17 May 2017**

### **IMPORTANT NOTICE**

**This frequently asked question list has been prepared with limited information available to the special administrators as regard to Strand's precise circumstances.**

**The joint special administrators reserve the right to amend it as further information becomes available.**

## **FREQUENTLY ASKED QUESTIONS**

**Strand Capital Limited (in special administration)  
("Strand" or "the Company")**

**Q. What is a special administration?**

The Investment Bank Special Administration Regulations 2011 subsequently amended by The Investment Bank (Amendment of Definition) and Special Administration (Amendment) Regulations 2017 ("Special Administration Regulations") were introduced in an attempt to improve the process where an investment bank fails. An investment bank for these purposes is a firm which holds client assets and holds certain permissions from the Financial Conduct Authority ("FCA"). Strand is covered by the Special Administration Regulations.

In many respects a special administration is very similar to an ordinary administration. As such, it is subject to the supervision of the English High Court in London. However, some of the differences are set out below:

1. The special administrators have to pursue three objectives (although the order in which they appear is not important):
  - To ensure the return of client assets as soon as is reasonably practicable;
  - To engage with market bodies and regulators both here and abroad in a timely fashion; and
  - To rescue the investment bank as a going concern or to wind it up in the best interests of the creditors.

The affairs, business and property of the Company are being managed by the special administrators Adam Henry Stephens and Henry Anthony Shinnars of Smith & Williamson LLP and Virgil Harsham 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 Harsham Levy is licensed as 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.

2. As in an ordinary administration where sufficient realisations are made in respect of the firm's assets (as opposed to clients' assets) to enable dividends to be paid to creditors, the special administrators would expect to pay dividends to unsecured creditors who submit proofs of claim by the last date for proving although at this stage the special administrators are not in a position to indicate whether a dividend might be paid to unsecured creditors.
3. Any client money held by Strand forms a single client money pool in accordance with the FCA's client money rules. The joint special administrators are working to crystallise the client money pool and one of the immediate priorities of the special administrators will be to establish the claims that clients have against the client money pool to enable the distribution of the funds in the pool to clients.

Prior to applying to place the Company into Special Administration, the director of the Company took initial advice and concluded that a sale of business or transfer of clients would not be possible. Accordingly, and as a result of the Company entering into special administration, a primary pooling event of client monies has occurred. The special administrators will be working to reconcile and resolve client's entitlement.

4. A creditors' committee can be established to assist the special administrators to fulfil their functions. Membership may include both creditors and clients with claims to client assets held by the firm. A committee of between 3 and 5 members may be formed at an initial meeting of clients and creditors which will be held as soon as is reasonably practicable and, in any event (absent an order of the Court extending time), within 10 weeks of the date on which Strand went into special administration. You will be notified as soon as possible regarding this meeting at which the role of the creditors' committee will be more fully explained and if you are a creditor or client you may ask to be included in the committee.
5. By law, the costs and expenses of distributing client assets (which include the client monies in any client money pool) are to be paid out of relevant client assets. Other costs and expenses are paid out of the firm's assets.

**Q. Who is regulating the current activities being performed by the Joint Special Administrators?**

The joint special administrators are performing their duties in line with the Special Administration Regulations (and associated rules) and the FCA's rules. In addition, the Joint Special Administrators are having regular communications with the FCA on the progress and strategy of the special administration.

**Q . Which business does the special administration cover?**

Strand has been placed into special administration.

No other companies are covered by the special administration order and the special administrators are not able to advise on matters other than in respect of Strand. Please note that the special administration order was not made in respect of any subsidiaries or nominee companies of Strand.

Clients/creditors of any other businesses should speak to their usual contact.

**Q. Does Strand trade under any other names?**

No.

**Q What does Strand do?**

The Company is authorised and regulated by the FCA and is entered in the FCA's Register under 494001.

The Company is also an HMRC authorised Individual Savings Account ("ISA") under ISA manager reference: Z1880.

The Company was primarily involved in managing investments on a discretionary basis, as well as arranging transactions on instructions from Independent Financial Advisors ("IFA") and SIPP ("Self Invested Pension Plan") Providers.

**Q. Why has Strand entered special administration?**

Strand filed its application for a special administration order on 15 May 2017 because it had become insolvent. This application was subsequently approved by Court resulting in an Order for the appointment of the special administrators being made on the 17 May 2017.

From the information detailed within this application we note the following:

- During 2016 the Company's sole shareholder was seeking to dispose of its interest in the Company, as it was no longer a strategic fit with its ongoing business plan. As part of these plans a sale by management buyout was explored.
- The breakdown of this intended management buyout resulted in key senior management, who held the relevant FCA regulated controlled functions, departing the Company from March 2017.
- This, linked with the breakdown of the relationship with the

Company's trading platform provider, owned by a connected party, resulted in the appointment of the current director and the subsequent agreement with the FCA to cease carrying on regulated activity and prohibiting it from dealing with client monies and client assets.

- Substantial professional fees have been accrued in dealing with the above and related matters. These have not yet been paid in full.

Professional advice was sought by the Company's director who concluded that Strand was insolvent and that it should be placed into special administration to provide protection for the clients and creditors.

**Q. Did the Company segregate client funds in line with the Financial Conduct Authority's Handbook, Client Asset Rules ("CASS")?**

The joint special administrators are considering the available records of the Company in order to assess their compliance with CASS rules.

**Q. Does Strand have a client money or client assets deficit?**

In light of the available records the joint special administrators are unable to confirm whether or not the Company has a client money or client assets deficit at present. The special administrators are in the process of retrieving relevant information in order to reconcile the position and they shall confirm the position as soon as they are able to do so.

A significant current challenge for the special administrators is gaining full access to the client platform. This is compounded by the fact that the Company appears to have no current employees.

These issues are adversely impacting on the ability of the special administrators to undertake client reconciliations. We urge the Company's current and former personnel/contractors to make contact with the special administrators, as they may be in a position to assist.

## Specific queries if your IFA or SIPP provider used Strand's services

The below has been drafted on the basis that your SIPP provider or IFA used Strand's services.

**Q. What does this mean for me and my SIPP?**

SIPP stands for Self Invested Pension Plan.

The assets and money in your SIPP are expected to be held in the same way that they were held prior to the commencement of the special administration. However, the special administrators have various regulations and rules to follow. We have already referred to pooling and reconciliations. There are others. We draw your attention to the overriding objective of a special administration (see page 1), which will inform our approach.

**Q. What does this mean for me and my ISA?**

ISA stands for Individual Savings Account.

The assets and money in your ISA are expected to be held in the same way that they were held prior to the commencement of the special administration. However, the special administrators have various regulations and rules to follow. We have already referred to pooling and reconciliations. There are others. We draw your attention to the overriding objective of a special administration (see page 1), which will inform our approach.

**Q. I recently paid money to Strand relating to my SIPP or ISA. What will happen to that money?**

Where the money had already been invested, the investments will be held in the manner directed. This is to protect such assets in the event of this type of insolvency.

Any client monies received on or after 17 May 2017 will be held separately from the client money pool, until the beneficiaries are identified. These funds will not form part of the client money pool.

Any un-invested money received into your investment portfolio prior to the time at which Strand became insolvent is believed to be held by Strand in segregated client money accounts. This is also designed to prevent such money being claimed by creditors of an insolvent firm. These funds will not form part of the client money pool.

**Q. What will happen to my periodic contributions?**

We will continue to accept any new periodic contributions.

Any monies received on or after 17 May 2017 will be held separately from the pooled funds, until the beneficiaries are identified. These funds will not form part of the client money pool.

**Q. As a client of the Company what does this mean for me?**

The impact of the Company being placed in to special administration will depend on whether you are classified as a retail or professional client.

Retail clients are primarily private individuals holding trading accounts with the Company; investments made by retail clients are afforded greater protection under the FCA regulations and will generally have a claim against the client money pool.

Professional clients are individuals or entities that are considered to possess the experience, knowledge and expertise to make their own investment decisions and assess the risks inherent in those decisions. Under the FCA's rules, a professional client can opt-out of the client money rule protections and as a result may not receive segregated protection. Instead, these clients may be non-segregated and therefore have an unsecured creditor claim against the ordinary funds (House Estate) of the Company. If a professional client has not opted-out of the client money rules then they will receive the same treatment as a retail client.

The classification of the claim will depend on the account documentation established between the Company and client.

## Retail Clients

Please note that we believe that the majority of Strand's funds involved SIPP providers (and not retail clients)

**Q. What does this mean for retail clients with open positions/cash balances?**

All clients with any open positions had their position closed out as at the close of the markets on Wednesday 17 May 2017. On special administration, there is a pooling event under the FCA's CASS rules, which means that client money held by Strand forms a client money pool. Clients with an entitlement to that client money pool are entitled to share on a pro-rata basis the money in the client money pool.

**Q. I would like to close my account now and have the funds remitted to me - can you action this?**

The Company is unable to action requests for withdrawals from client accounts, including requests made prior to the appointment of the special administrators that remain outstanding.

If you held an account that had a cash balance and/or trade positions at the date of appointment of the special administrators you will be required to follow the claims process in order to receive a distribution for amounts owed to you.

Details of the claims process will be published on the website shortly. Unfortunately we are unable to provide any further details on possible timings or the quantum of any distributions at this time.

**Q. Will I get my accounts statement at the expected time and in the expected format?**

Yes, you will receive one in due course. This will confirm both the value of your claim and its classification (either client money or creditor). Information will also be provided should you wish to dispute your statement.

**Q. My funds were held in a segregated account, why can't they just be returned?**

Pursuant to the FCA's CASS rules, on insolvency all client money held by Strand (including client money in segregated bank accounts) forms a single notional client money pool. Clients with a valid claim on the client money pool are entitled to share on a pro-rata basis the money in the client money pool. The overall total of client money in the client money pool and valid client claims

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against the client money pool must be established before pro-rated distributions can be made.

**Q. Do I have a claim into the client money pool?**

If you are a retail client and are owed money, you should have a claim against the client money pool.

**Q. How can I claim?**

A formal claims process is being put in place. At present we are unable to confirm the number of clients the Company has. As such, until this is established we are unable to formalise the most cost effective way of dealing with their claims.

Please regularly consult our designated website for updates on how to make a claim.

**Q. Can I make a claim to the Financial Services Compensation Scheme ("FSCS") for amounts owed to me by Strand?**

FSCS protects consumers when authorised firms fail or stop trading. It protects private individuals and small businesses if an authorised firm becomes insolvent and cannot pay claims against it .

For eligible claims, the FSCS can pay up to £50,000 in compensation per person per institution. If claims are paid by the FSCS, the FSCS will then assume those client claims against Strand. This means you assign your rights to FSCS in the administration (see below).

To the extent needed, the special administrators will work with the FSCS to determine the position. Further updates will be given as this process continues but at present no further information can be given.

**Q: If I am eligible to claim how will the payment mechanism work for claims?**

Eligible Clients may receive payments in one of two ways:

- (1) If you are eligible for compensation from the FSCS and you decide to assign your claim to the FSCS, then the FSCS will advise you on payment mechanisms separately from the joint special administrators.
  
- (2) If you decide not to assign your claim to the FSCS, or you are not eligible for compensation from the FSCS, then payments will be made by bank

transfer at the appropriate time. You will be able to confirm your bank details in due course.

More information relating to products the FSCS covers can be found at:  
<https://www.fscs.org.uk/what-we-cover/products/>

**Q. What does pro-rata mean in regards to distributions?**

Clients are paid distributions in proportion to the value of their claims. For example, if the Joint Special Administrators were to declare a distribution rate of 50 pence in the £:

- A client with a claim of £1,000 would receive a distribution of £500; and
- A client with a claim of £5,000 would receive a distribution of £2,500.

Please be aware that the above is not an indication of the anticipated level of distributions that clients will receive; it is purely an example of the mechanics of the manner of distribution.

**Q. What if I owe Strand Capital Limited money?**

You will be asked to pay.

## Professional Clients

**Q. What does this mean for professional clients with open positions/cash balances?**

All clients with any open positions currently identified by the joint special administrators had their position closed out as at the close of the markets on Wednesday 17 May 2017.

**Q. Will I get a statement of amounts due to/from me?**

Yes, you will receive one in due course. This will confirm both the value of your claim and its classification (either client money or creditor). Information will also be provided should you wish to dispute your statement.

**Q. Do I have a claim into the client money pool?**

If you are a professional client you do not have a claim against the client money pool, you will have a claim against the other assets of the company.

**Q. What if I owe Strand Capital Limited money?**

You will be asked to pay.

## General Information for clients

**Q. Where will updates and correspondence be made available?**

Updates will be posted on the Smith and Williamson website at:

<http://www.smithandwilliamson.com/strand-capital-limited>

**Q. How do I advise the special administrators of any matter?**

If you wish to advise the special administrators of any matters please email them at [strandcapital@smithandwilliamson.com](mailto:strandcapital@smithandwilliamson.com)

You can also write to them care of:

FAO: The Special Administrators  
Strand Capital Limited (in special administration)  
c/o Smith & Williamson LLP  
25 Moorgate  
London  
EC2R 6AY

## Specific queries if you are a supplier of the Company

**Q. I am a supplier of Strand, what should I do?**

The special administrators will write to you in due course regarding outstanding balances and ongoing supply.

**Q. I am a creditor of Strand, what should I do regarding outstanding balances due to me?**

Are you a supplier or a client? Suppliers and clients should please see the relevant section above.

The special administrators will write to you in due course regarding outstanding balances. However, you are welcome to write to us, giving details of your claim with supporting paperwork.

Thank you

## CONTACT DETAILS

Website: [www.smithandwilliamson.com/strand-capital-limited](http://www.smithandwilliamson.com/strand-capital-limited)

Special Administrators email: [strandcapital@smithandwilliamson.com](mailto:strandcapital@smithandwilliamson.com)

Special Administrators helpline: 020 7131 8452