



# **Sova Capital Limited – in Special Administration**

## **CASS Asset Return Process**

23 March 2022

David Philip Soden, Ian Colin Wormleighton and Stephen Browne, each Insolvency Practitioners of Teneo Financial Advisory Limited, were appointed Joint Special Administrators of Sova Capital Limited (“the Company”) on 3 March 2022. The affairs, business and property of the Company are managed by the Joint Special Administrators. The Joint Special Administrators act as agents of the Company and contract without personal liability.

# Overview

## Overview

- The purpose of this document is to outline the process to return Client Money and Custody Assets to CASS clients.
- Please note that CASS Clients are those with a CASS account opened under Terms of Business B (“CASS Accounts”). The terms “Client Money” and “Client Asset”/ “Custody Assets” relate solely to CASS Accounts.
- Client Money and Custody Assets are being held safely to the order of the Joint Special Administrators and no shortfall has been identified following the reconciliation process.

## Attached documents

- In conjunction with this document, please find attached:
  1. Summary statement and agreement form for your Client Money and Client Asset positions; and
  2. A Proof of Debt form.
- A broker report as at 3 March 2022 (active clients only) will be provided separately.
- Details of how to complete the forms at point 1 and 2 above are set out in this document.

## Sanctions

- Please note that the Joint Special Administrators will comply with all applicable sanctions and therefore will not be able to make payments into or via banks which are subject to applicable sanctions or to any sanctioned individual or entity.
- We understand that the following banks operating in Russia are not currently subject to sanctions and therefore, subject to conducting your own due diligence in this regard, could be considered as alternatives if your current settlement instruction is with a bank that is subject to sanctions:
  - Tinkov/Tinkoff Bank
  - Raiffeisen Bank International
  - Citibank
  - Rosbank
  - Uralsib
  - UniCredit
- Please note that this list is based on our understanding of the position at 23 March 2022 and should not be considered definitive. You should conduct your own sanctions checks to confirm the position. In the event that any of the banks listed above become subject to sanctions before the payment date, alternative settlement instructions will need to be provided.

# Background to CASS Accounts

## Client Money Pooling

- As set out in our communications to you on 18 March, a Special Administration creates a “Primary Pooling Event” pursuant to the rules in the FCA client asset sourcebook. This means:
  - All Client Money held by the Company on 3 March 2022 is pooled into a single pool which is referred to as the Client Money Pool (“CMP”);
  - Funds in the CMP need to be reconciled to the cash that should be held for clients;
  - The CMP is returned on a pro-rata basis to clients and calculated on the amount of monies that should be held for them in the CMP as a proportionate share of the whole, less costs incurred in distributing the client monies;
  - Costs incurred in distributing client monies are apportioned to each client with reference to their proportionate share of the CMP funds held. For example, if total costs equate to 1 pence in the £ of the CMP, then a client with a CMP claim of £1,000 would receive a distribution of £990. A client with a CMP claim of £10,000 would receive a distribution of £9,900 etc;
  - Based on current information, the Joint Special Administrators have not identified any shortfall with regards to the CMP, meaning that clients will be entitled to receive their Client Money in full (less the costs described above);
  - In respect of the shortfall caused by the costs of distributing Client Money, clients will be able to submit an unsecured claim for the shortfall in the general Special Administration estate. A Proof of Debt form has been provided to you to submit your claim with your statement. Further, eligible clients are able to participate in the Financial Services Compensation Scheme (“FSCS”) in the event of a shortfall (see further details on page 7); and
  - All Client Money receipts received post pooling event on 3 March 2022 (i.e. dividend income, interest etc) are to be held separately from CMP in designated post-pooling accounts. These receipts will be returned to the respective clients and will not be pooled.

## Custody Assets

- Unlike Client Money, there is no pooling of Custody Assets.
- As such, Custody Assets will be returned on a client-by-client basis, once the costs associated with distributing Custody Assets have been received. Further details of how these costs are calculated are set out in this document at page 6.
- In respect of the costs of distributing Custody Assets, clients will be able to submit an unsecured claim for the amount in the general Special Administration estate in the same manner as described above for the CMP. A Proof of Debt form has been provided to you to submit your claim with your statement. Further, eligible clients are able to participate in the Financial Services Compensation Scheme (“FSCS”) in the event of a shortfall (see further details on page 7 and in the attached FSCS guide).

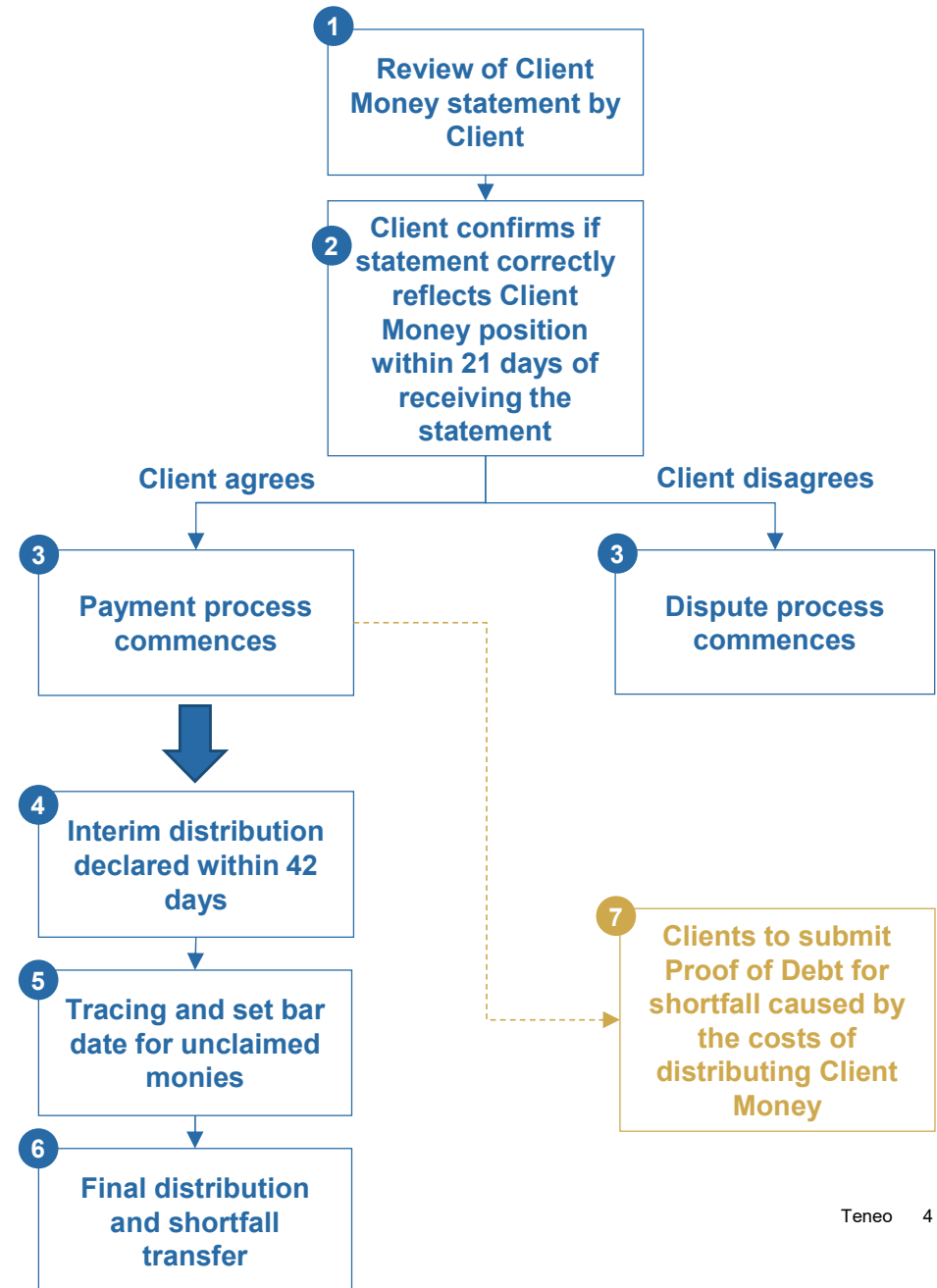
# Return Process – Client Money

## Client Money Return Process

- 1 Please review the statement of account sent with this document.
- 2 Within 21 days of receiving of receiving the statement, please confirm if the statement correctly reflects your Client Money position by ticking the relevant box on your statement (extract below) and returning a signed version to [crm@sovacapital.com](mailto:crm@sovacapital.com).

- I hereby confirm that the above figure correctly reflects my Client Money position.
- I do not agree that the above figure correctly reflects my Client Money position. I believe that the correct position is:

- 3 If you agree with the statement, the payment process outlined opposite will commence. If you do not agree with the statement, the dispute process will commence. The dispute process is a formal adjudication process where the Special Administrators will review your claim and any supporting evidence you provide, and determine whether your revised claim is accepted or rejected.
- 4 If you agree with the statement, we will aim to make an interim distribution within 42 days. This will return Client Monies only to clients who have agreed or disputed and resolved.
- 5 After all engaging clients are paid, a tracing exercise will be undertaken to reconnect with uncontactable clients. The Joint Special Administrators may, if they consider it necessary to expedite the return of client money, set one or more "bar" dates for submission of claims, including a "hard bar" date by way of court application in order to close the CMP and the right to further claims.
- 6 A final distribution will be made which will include the return of any unused fee reservation made.
- 7 You will need to submit a Proof of Debt for shortfall caused by the costs of distributing Client Money. This will allow you to prove for your unsecured claim in the general Special Administration estate.



# Return Process – Custody Assets

## Custody Asset Return Process

- 1 Please review the statement of account sent with this document.
- 2 Within 21 days of receiving the statement, please confirm if the statement correctly reflects your Custody Assets position by ticking the relevant box on your statement (extract below) and returning a signed version to [crm@sovacapital.com](mailto:crm@sovacapital.com)
  - I hereby confirm that the above figure correctly reflects my Custody Asset position.
  - I do not agree that the above figure correctly reflects my Custody Asset position. I believe that the correct position is:
- 3 If you agree with the statement, the payment process outlined opposite will commence. If you do not agree with the statement, the dispute process will commence. The dispute process is the same as for Client Money.
- 4 Within 14 days of confirming that you are in agreement with the statement, please provide us with confirmation of your payment mechanism to meet your fees and your transfer instructions. Transfer instructions can be entered through Sova Smart for clients using this system.

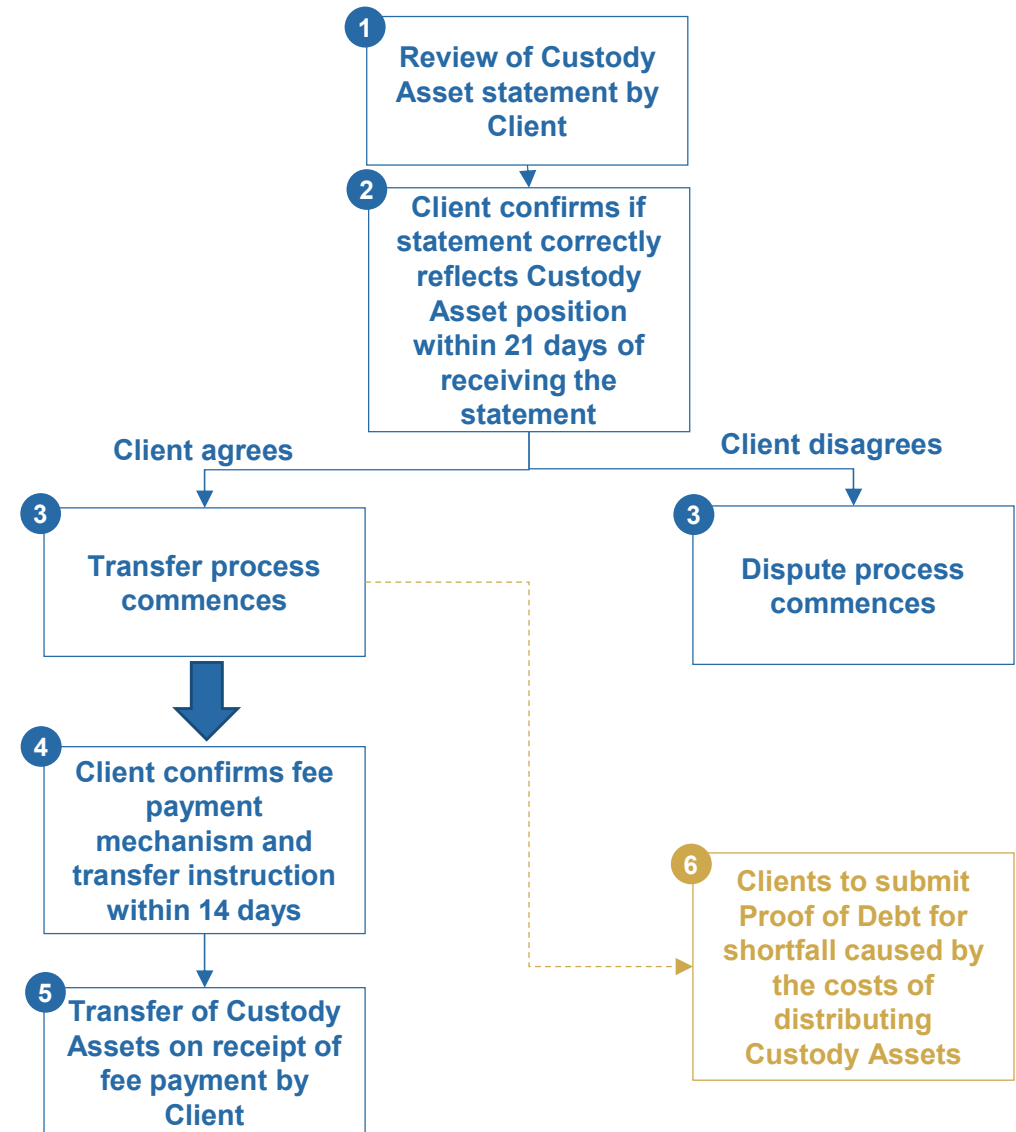
In the event that you require additional time to open an account with a new institution, please let us know by emailing [crm@sovacapital.com](mailto:crm@sovacapital.com). We will give clients reasonable time to onboard elsewhere.

Please confirm your payment mechanism by ticking the relevant box on your statement (extract below) and returning a signed version to

Please select how you wish to pay these costs by ticking one of the options below:

- Please deduct the client money and custody assets costs from my client money balance.
- Please issue me with an invoice which I will settle independently of my client money (note that the return of your client money and assets will not be authorised until settlement of both client money and custody assets costs has been received).

- 5 Once receipt of the payment of fees and your transfer instructions, we will transfer the Custody Assets as soon as reasonably practicable. Please note that this may be subject to delays from third parties accepting the transfer instructions.
- 6 You will need to submit a Proof of Debt for shortfall caused by the costs of distributing Custody Assets. This will allow you to prove for your unsecured claim in the general Special Administration estate.



# Distribution Costs

## Client Money

- As Client Money has been pooled, deductions from the CMP are aggregated and apportioned to each Client based on their Client Money balance as at the point of Special Administration (3 March).
- In order to provide a fixed position and to allow distributions from the CMP as early as possible, the Special Administrators intend to make a cost reservation of anticipated fees plus a 50% contingency balance. This reservation is 56 bps (i.e. 0.56%) across the CMP, and the proportional amount is reflected on the attached summary statement and agreement form.
- The cost reservation specifically includes Special Administrator fees, charged based on a standardised hourly rate card, and legal fees associated with an anticipated court application for a "hard bar date" to facilitate the closure of the CMP.
- When the Special Administrators seek to close the CMP, any unused cost reservation will be returned to the CMP and distributed to Clients proportionally in accordance with their initial Client Money balance.

## Custody Assets

- Custody Assets are not pooled. The Special Administrators' costs associated with returning Custody Assets will be apportioned between clients based on the market value of their Custody Assets as a proportion of all Custody Assets at the point of Special Administration (3 March). This fee will be applicable to all Custody Asset clients who are able to accept transfer of assets within 133 days of receiving this notice. This totals approximately 5bp (i.e. 0.05% of Custody Assets based on market value), and the proportional amount is reflected on the attached summary statement and agreement form.
- Thereafter, any Custody Assets remaining will attract a monthly charge apportioned between these remaining Custody Assets on the same market valuation basis.

## Deductions

- Where there are outstanding fees on account, these are reflected in the attached summary statement and agreement form as "Sova fees". For Custody Assets this may vary depending on transfer instructions, so will be generated immediately prior to transfer.

# Next steps

## What do you need to do now?

- Please review your statement and send back a completed signed version to [crm@sovacapital.com](mailto:crm@sovacapital.com) and [CASS.SovaCapital@teneo.com](mailto:CASS.SovaCapital@teneo.com) within 21 days of receiving the statement.
- If you wish to dispute your statement, please contact [crm@sovacapital.com](mailto:crm@sovacapital.com) and [CASS.SovaCapital@teneo.com](mailto:CASS.SovaCapital@teneo.com) as soon as possible and provide any supporting evidence.
- If you have not done so already, please confirm settlement instructions for Client Money and custodian details for Custody Assets:

### *Settlement instructions for Client Money:*

- All clients have a settlement instruction on file.
- If you wish to update your settlement instruction prior to the repayment of client monies, please provide the previously attached “Additional Bank Details” form to [crm@sovacapital.com](mailto:crm@sovacapital.com).
- If you do not wish to update your settlement instruction, no action is required by you in respect of settlement instructions.

### *Custodian details for Custody Assets:*

- You will need to provide us with new custodian details for the transfer of Custody Assets. Please enter your transfer instruction in Sova Smart where applicable. For those clients not using Sova Smart please email [crm@sovacapital.com](mailto:crm@sovacapital.com).

## Financial Services Compensation Scheme ("FSCS")

- The Financial Services Compensation Scheme ("FSCS") is the compensation scheme for customers of UK authorised financial services firms. While the purpose of the FSCS is mainly to provide assistance to private individuals, smaller businesses may also be covered. Larger businesses are generally excluded.
- Further detail on the eligibility criteria for recovering from the FSCS and the limits on compensation available under the FSCS can be found on the FSCS website, at: <https://www.fscs.org.uk/what-we-cover/investments/>. This should be read in conjunction with the FSCS Sova Capital Limited specific page at: <https://www.fscs.org.uk/making-a-claim/failed-firms/sova-capital/>. Any FSCS news or Sova Capital Limited specific updates will appear here, and clients are able to subscribe to the page in order to be notified when an update is posted.
- The Joint Special Administrators believe that certain clients may be entitled to receive compensation from the FSCS. We recommend that clients conduct their own investigations regarding their eligibility using the FSCS guide sent with this document.

## Being alert to scams

- All clients should remain alert to the possibility of fraud. If you are cold called by someone claiming to be from Sova Capital Limited or Teneo please end the call and contact us on +44 11 3396 0161.



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