

Kaupthing Singer & Friedlander (Isle of Man) Limited (“KSF (IOM)”)

Q&As as at 27 November 2008

The answers here are drafted in general terms and do not constitute legal advice as to your situation. Events are moving rapidly and as more information becomes available some of these answers may be superseded. The Financial Supervision Commission (“the Commission”) will publish updates through its website www.fsc.gov.im as more information becomes available.

What is the current status of KSF (IOM)?

On the evening of 8 October, following consultation with the Commission, the Board of KSF (IOM) resolved that it should apply for the company to be wound up. At that point KSF (IOM) stopped trading and the Commission suspended KSF’s banking licence.

On the morning of 9 October, a joint petition was presented to the High Court by KSF (IOM) and the Commission for the appointment of a “liquidator provisionally”. Michael Simpson of Pricewaterhouse Coopers, 60 Circular Road, Douglas, Isle of Man, IM1 1SA was appointed by the Court. This petition and related affidavits may be viewed at <http://www.fsc.gov.im/ViewNews.gov?page=lib/news/fsc/kaupthingupdate2.xml>.

On 20 November Peter Spratt of Pricewaterhouse Coopers (London) was appointed as joint liquidator provisionally.

Does that mean that KSF (IOM) will be wound up?

The process is not automatic. Winding-up would require a separate order of the Court, at which point a liquidator would be appointed. The petition for winding-up was originally adjourned to 24 October. However, at the hearing on 24 October the petition was further adjourned to 27 November and subsequently to 29 January 2009.

KSF told me that it had received a guarantee from the Icelandic parent bank Kaupthing hf. How could it fail?

There has been extensive media comment on the status of Icelandic banks and the state of the Icelandic economy, which may have affected Kaupthing hf’s ability to honour the guarantee. The Chief Minister has issued [a statement on this matter](#) which can be found on our website.

The UK Government has also issued an announcement via the HM Treasury website dated 9 October: http://www.hm-treasury.gov.uk/press_103_08.htm. Parts of this document are relevant to the Isle of Man’s position, but the Isle of Man is not covered by the UK’s deposit protection scheme which is operated by the FSCS.

The “liquidator provisionally” indicated at a public meeting that there had been expressions of interest from potential buyers for some or all of KSF’s business. What are the prospects of this?

If the “liquidator provisionally” was to receive an offer which he regarded as commercially acceptable, the Commission would of course address its regulatory acceptability as a matter of urgency.

I gave instructions for my money to be transferred out of KSF (IOM) but it has not arrived. How do I find out what has happened?

This matter has been commented on by the “liquidator provisionally” in his statement dated 5 November 2008, which may be viewed via KSF’s website at <http://www.kaupthingsingers.co.uk/Pages/4015>.

I have recently changed address and do not know if KSF(IOM) has updated its records. To whom should I write?

You should write to the “liquidator provisionally”. Michael Simpson of Pricewaterhouse Coopers, 60 Circular Road, Douglas, Isle of Man, IM1 ISA. It might be helpful to enclose supporting evidence of the old and new address.

I have savings in KSF. What will happen if it is wound up?

Two main things would happen:

1. The liquidator would set out to establish who has a claim as a creditor and continue his existing efforts (as liquidator provisionally) to recover assets. These assets would then be used to meet the various claims (in whole or in part);
2. The Depositors Compensation Scheme (“DCS”) would take effect, following a meeting of the Scheme Manager, which determined that an event of default had occurred.

The Compensation of Depositors Regulations set levels of compensation for depositors. The current [DCS Regulations \(as amended\)](#) and a [description of the DCS](#) are both on the Commission’s website. Amendments made on 23 October extend coverage under the scheme to a wider group of depositors.

At the time of writing (27 November) an event of default has not yet been declared. If KSF (IOM) was wound up and/or an event of default was declared, you should expect to be contacted by the liquidator and/or the DCS manager.

Will I get my money back immediately?

There will be a delay while claims are established. Please see the [description of the DCS](#) on the Commission’s website.

We have a joint account. Would we each have a claim on the DCS?

Joint account holders are treated separately. For more details, please see the [description of the DCS](#) on the Commission’s website.

I also have a mortgage with KSF(IOM). What will happen?

The Depositors' Compensation Scheme provides for a process of netting-off between loans and deposits. The liquidator provisionally made the following statement on 13 October:

“The purpose of the Liquidation Order is to seek to ensure the best long term solution can be adopted for customers and creditors. KS&FIOM will continue to manage its current loan book and the Liquidator Provisionally will be seeking to find purchasers for KS&FIOM’s business and loan book to maximise recovery for customers and creditors. The existing mortgage/loan agreements of borrowers remain in place, the repayment profile of your mortgage/loans is not being changed and you are not being expected to refinance elsewhere. Borrowers should continue to make payments in the usual way.”

I have a unit linked long term insurance policy underwritten by an Isle of Man authorised insurer. The value of my policy is linked to assets which include deposits in KSF(IOM); what is my position?

The legal owner of any deposit placed with KSF(IOM) by an Isle of Man authorised insurer would ordinarily be the insurance company and not the individual policyholder. As a unit linked policy the value of your policy will depend on the valuation of the underlying assets including those held in KSF(IOM). It is the role of the liquidator to determine any amount ultimately payable to the insurance company in settlement of the deposits held by the company in KSF(IOM).

I have a fixed term deposit with a bank which is called a “bond” – will this be treated the same as a bond in which I have invested through an insurance company?

Probably not. If your “bond” is a fixed term deposit account in the name of an individual depositor, it is likely that KSF(IOM) marketed the product as a “bond”, but it is in fact a deposit account, albeit for a fixed period. If you have any doubts, you may wish to contact KSF(IOM) to check how your account is shown in their records.