

HALIFAX INVESTMENT SERVICES PTY LTD (IN LIQUIDATION) (Halifax AU)

HALIFAX NEW ZEALAND LIMITED (IN LIQUIDATION) (HALIFAX NZ)

INVESTOR UPDATE REGARDING FUNDING – 21 September 2020

The Courts have recently made orders (Source of Funds Orders) allowing the Liquidators to use cash balances within certain client accounts to pay for the ongoing costs of the liquidation.

It is important to note that Investors who have these cash balances will not be disadvantaged as a result of cash withdrawals from individual client accounts. When an ultimate distribution of funds is determined by the Courts, the Liquidators will calculate each investor's ultimate entitlement and account balance as if the withdrawal of funds in accordance with the Source of Funds Orders did not occur. All costs will ultimately be shared between Investors as directed by the Courts, whether the funds in individual Investor accounts were accessed.

The purpose of this notice is to provide Investors with an update in relation to the recent funding application filed by the Liquidators of Halifax AU and Halifax NZ.

Background to Source of Funds Orders

The Federal Court of Australia (FCA) and the High Court of New Zealand (NZHC) have previously made orders identifying particular Halifax AU and Halifax NZ Client Money accounts from which the Liquidators were justified in paying their ongoing remuneration, costs and expenses (including platform costs, wages, rent and legal fees) and Representative Defendants' legal fees. Most of these funds, as well as the limited Company funds of Halifax AU and Halifax NZ have now been exhausted. Accordingly, on 20 May 2020, the Liquidators filed an application requesting that the FCA and the NZHC make Orders to allow access to cash held in certain client accounts on the IB AU and IB NZ platform to fund the ongoing costs of the Liquidation.

The Source of Funds Orders are available at the following links:

FCA Orders: <https://assets.kpmg/content/dam/kpmg/au/pdf/creditors/halifax-investment-services/halifax-federal-court-orders-reasons-justice-gleeson-2-july-2020.pdf>

NZHC: <https://assets.kpmg/content/dam/kpmg/au/pdf/creditors/halifax-nz-limited/halifax-nz-judgment-high-court-nz-appointment-referee-2-july-2020.pdf>

Accessing funds in certain Investor accounts on the IB AU and IB NZ Platform

The effect of the Source of funds Orders is that certain cash balances held in client accounts on the IB AU and IB NZ platforms in the amount of approximately \$16.3 million will be transferred to segregated accounts operated by the Liquidators. Cash will be transferred from the following categories of client accounts:

1. Cash balances (in AUD, USD and NZD) from accounts that have a positive cash balance in only their base currency and no open positions (**the IB Closed Accounts**); and
2. The base currency amounts (in AUD, USD and NZD) in accounts that have open positions only in respect of cash held in multiple currencies and that have a positive balance for their base currency and all other currencies (**the IB Base Currency Accounts**).

Given all investor accounts are in close only mode, Investors are unable to execute any trades in relation to the cash held in, and to be accessed from the IB Closed Accounts and the IB Base Currency Accounts. This ensures the Investors who hold these accounts, will not suffer from the opportunity cost of not being able to execute trades with the cash that is withdrawn.

It is important to note that Investors who have cash balances of the kind outlined above will not be disadvantaged (compared with investors who do not have cash withdrawn from their accounts) as a result of cash withdrawals from individual client accounts.

Investors who hold cash in the IB Closed Accounts and the IB Base Currency Accounts will see their account balance on the platform reduce following the withdrawal of funds by the Liquidators. However, the Liquidators will keep an accurate record of all transfers out of client accounts and investors will be able to see a record of the movement of funds out of their IB AU and IB NZ accounts on the statements generated by IB. In this way, when an ultimate distribution of funds is determined by the Courts, the Liquidators will be able to calculate each investor's ultimate account balance (and entitlement) as if the transfer did not occur.

Any movements out of the IB Closed Accounts and the IB Base Currency Accounts will not ultimately affect the investors' entitlements to the distribution determined by the Courts. This is because, when the time comes for the Liquidators to make a distribution to Investors, the Liquidators will be able to calculate each investor's ultimate entitlement as if the withdrawal of funds in accordance with the Source of Funds Orders did not occur.

Message from the Liquidators

Investors would be aware that a hearing in relation to the principal issues in the proceeding is scheduled to commence on 30 November 2020 for a period of two weeks.

We would like to take this opportunity to assure Investors that we are doing everything we can to ensure that a distribution is paid to Investors as quickly as possible.

An external administration of this magnitude is necessarily costly, especially having regard to the professional and legal fees incurred by the various parties (including the Liquidators and the representative defendants) as well as the platform and operating costs necessary to maintain the operations of Halifax AU and Halifax NZ for the benefit of Investors.

A detailed breakdown of the costs incurred by the Liquidators of Halifax AU and Halifax NZ is provided in Section 10 of the Report to Investors and Creditors dated 31 August 2020 and available at the following link:

<https://assets.kpmg/content/dam/kpmg/au/pdf/creditors/halifax-investment-services/halifax-report-to-investors-creditors-31-august-2020.pdf>

Further information

Please visit the links to the following websites for a copy of all correspondence issued to investors:

Halifax AU: <https://home.kpmg/au/en/home/creditors/halifax-investment-services.html>

Halifax NZ: <https://home.kpmg/au/en/home/creditors/halifax-nz-limited.html>

Enquiries

Please direct any queries you may have via email to halifax@kpmg.com.au