

## Summary minutes

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**Meeting:** Meeting of investors and creditors of Providence Investment Funds PCC Ltd ("PIF")

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**Held on:** 25 June 2018 at 2pm

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**Location:** Beau Séjour Centre, Guernsey

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**Chairman:** Alex Adam ("AA") (the "Joint Administration Manager")

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**Present:** Mathew Newman ("MN")

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### Presentation by the Joint Administration Manager

AA delivered the presentation of the Joint Administration Manager to investors and creditors. This presentation is available at [www.deloitte.com/uk/providence](http://www.deloitte.com/uk/providence).

### Questions from investors:

### Case against the PIF auditor

Questions were raised on what progress had been made on the claim against the auditor for PIF and what the potential outcomes would result.

AA stated that no proceedings had been issued at this point and that they would be potentially quite soon. AA suggested that as a result of the investigations to date that they were confident that a beneficial outcome would be achieved for the fund's investors. AA stated there was scope for a settlement rather than full court proceedings. MN suggested that, although not party to the insurance arrangements of the auditor, it was in all parties' interest to settle in this case.

AA stated that thus far two letters had been issued to the auditor and that a third was being sent at the time of the meeting. This third letter was more fulsome in scope than previous correspondence.

### Other parties at fault

A number of questions were raised relating to what extent had the Joint Administration Managers looked into the potential fault of other service providers (such as legal counsel), the directors or to Trust Corporation of the Channel Islands (TCCI).

AA suggested that the Joint Administration Managers had started their investigations with the auditor as they would have the means to pay unlike the directors. MN suggested that bringing a claim against legal counsel would be more difficult than other alternatives. AA stated that TCCI had been placed on notice but no significant investigations had been made at this time. AA suggested that the claims would be

structured around a number of factors in deciding the amount of liability, this included the timing and level of responsibility to the fund.

## **Flow of monies**

A question was raised regarding whether there is an ability for investors to reclaim investment monies due to them because such monies could be viewed as proceeds of crime.

AA advised that this was not possible do this given the current legislation in place. MN explained that there are currently very limited clawback provisions in Guernsey/UK compared to the US. AA explained that such legislation is only in early stages of development at this time.

## **Terms of litigation agreement**

A question was raised concerning what the material terms of the litigation funding agreement were and whether they would be available to investors.

AA explained that the sharing of such information was restricted by the Court Order made on 7 August 2017 by Lt. Bailiff Marshall. All the information that the Joint Administration Managers would be able to disclose was publicly available as this formed part of the Court Order in question.

## **Income tax treatment for dividends**

An investor explained that there has been correspondence between investors and the Guernsey Income Tax Office (ITO) regarding the treatment of dividend income during the time PIF was actively trading.

AA explained that the ITO had been in contact with the Joint Administration Managers and that they would provide the information that the ITO needed to provide advice to investors regarding the treatment of the dividend income.

## **Policy inquiry**

A question was raised in relation to the progress of the police investigation and to what stage this had progressed regarding the directors.

AA explained that the Joint Administration Managers were providing information to the authorities subject to official requests. AA pointed out that the police investigation is ongoing and that it is likely, due to the complex nature of the case, that it will take further time to progress investigations. AA explained that the US authorities would likely progress more quickly as there were substantially more resources available to them.

## **GFSC**

A question was raised concerning the role of the GFSC and any liability they may have in this case.

AA advised that the Joint Administration Managers cannot comment on the actions of the GFSC. AA explained that, similarly to other regulators, the GFSC have a statutory exculpation from any liability incurred from their actions. Therefore unless evidence was found that the GFSC had deliberately caused harm to the investors (acting in bad faith) there would be no recourse available to the Joint Administration Managers.

## **Outcome of US-based principals investigations**

Questions were raised concerning the outcome of the investigations into the US-based directors and subject to being found guilty if any assets would be placed into a pot for the investors.

AA advised that this was unlikely given that it did not appear to be the case that these directors had any substantial levels of assets or that they had been found by the US authorities. AA explained that this pot of assets would likely be consumed in full by any costs of the US authorities.

## **Further meetings**

A question was raised of the Joint Administration Managers about when another meeting could be expected.

AA explained that the Joint Administration Managers wanted to minimise the costs of the administration and that any regular meetings would increase costs and not be as effective as meeting on an ad hoc basis where material developments had occurred.