

FREQUENTLY ASKED QUESTIONS – INVESTORS OF HALIFAX NEW ZEALAND LIMITED

1. **What happened at the watershed meeting of creditors of Halifax New Zealand Limited (Halifax NZ)?***
2. **What happened at the second meeting of creditors of Halifax Investment Services Pty Limited (Halifax AU)?***
3. **What progress has been made by the Liquidators since the watershed meeting of creditors?***
4. **What is the status of my trading position?**
5. **Will I get my money back?***
6. **How long will it take for investors to receive a distribution?***
7. **Are the shares I purchased using my Halifax account held in my own name?***
8. **How am I able to participate in the Court process and ensure that my views are heard?***
9. **Should I close out my positions? Will cash or shares be treated more favourably in terms of an allocation of funds to client accounts?***
10. **How will you deal with the fact that my position is moving daily based on market movements?**
11. **Are IB investors able to claim under the Securities Investor Protection Corporation (SIPC) policy?***
12. **How do I know if I am a creditor of Halifax NZ or Halifax AU?***
13. **What investigations have been conducted so far?***
14. **How do I access my account statements?**
15. **I am a broker, will my commissions be paid?***
16. **I am having issues logging into my MT5 account?**
17. **I am an IB investor, I can see my shares and cash sitting in my account. Why is my account affected by the liquidation?***
18. **How extensive does the co-mingling appear between Halifax AU, Halifax NZ and investors?***
19. **What is the FMA doing?**
20. **What will happen next in the liquidation?***

21. Am I considered a 'secured creditor' or a 'creditor' for the purposes of the POD form?*
22. I am an unsecured creditor. How do I lodge a claim?*
23. If I submitted a POD during the Administration, do I need to submit another POD?*
24. If I have questions who should I call?

** denotes this question has been added since the investor FAQ dated 24 January 2019*

1. What happened at the watershed meeting of creditors for Halifax NZ?*

At the Watershed Meeting of Creditors held on 22 March 2019, creditors resolved that the Company be wound up and Morgan Kelly, Phil Quinlan and Stewart McCallum were appointed Liquidators.

A webcast recording of the meeting has been uploaded to the FH website, link as follows:

<https://www.ferrierhodgson.com/au/creditors/halifax-new-zealand-limited>

2. What happened at the second meeting of creditors for Halifax AU?*

At the second meeting of creditors held on 20 March 2019, creditors resolved that the Company be wound up and Morgan Kelly, Phil Quinlan and Stewart McCallum were appointed Liquidators.

A transcript of the minutes has been uploaded to the FH website, link as follows:

<https://www.ferrierhodgson.com/au/creditors/halifax-investment-services-pty-ltd>

3. What progress has been made by the Liquidators since the watershed meeting of creditors?*

The Liquidators are continuing with their investigations in relation to the reasons for the deficiency in client funds. As part of this, further tracing work is being undertaken to understand the flow of funds from investors through the Halifax account structure, including Halifax AU and Halifax NZ. It is likely that this tracing work will be presented to the Court in support of our application for a pooling order.

4. What is the status of my trading position?

All investors' accounts remain frozen in 'Close Only' mode – i.e. it is not possible to enter into new positions, nor is it possible to withdraw money from client accounts, however it is possible to close out current positions.

5. Will I get my money back?*

Given the deficiency in client funds, it appears that there is likely to be a shortfall to investors from trust assets. Investors will have an unsecured claim in the Company in the event of a shortfall in trust assets, however any return to unsecured creditors is contingent on future recoveries of Company assets.

We estimate that a dividend of approximately **85 to 95 cents** in the dollar will be payable to investors of Halifax AU and Halifax NZ in their capacity as beneficiaries with an entitlement to claim trust monies.

This estimate is preliminary only and may be subject to revision. In particular, it may be impacted by market movements in the value of open positions and directions from the Court as to the date on which investor claims should be crystallised.

6. How long will it take for investors to receive a distribution?*

This will largely be dependent on the length of time taken to obtain directions from the Court. However, it is likely that the process of making the application to Court and making a distribution to investors will take at least 12 months, possibly longer.

We appreciate that clients would like to have access to funds held in accounts as soon as possible. However, due to the many complex issues and matters that will require directions from the Court both in Australia and New Zealand as well as other recovery actions to be taken, it is difficult at this time to provide an estimate as to when investors can expect to receive a distribution.

Following the receipt of Court directions, we anticipate it will take at least six months to make a distribution due to the time required to:

- Liquidate remaining stock positions; and
- Adjudicate on approximately 12,600 investor claims

The Liquidators will explore the potential for any interim distribution to investors however it is not expected that this would occur prior to initial court applications being commenced, heard and determined.

7. Are the shares I purchased using my Halifax account held in my own name?

At this stage, it is apparent that the shares acquired as a result of transactions entered into by the Company's investors are held by custodians, not in the investors' names. Therefore, we need to understand the legal implications of the ownership, as well as any implications of a cash deficiency and the impact that may have on investors' abilities to trace their initial deposits through to the ultimate share purchase.

All share transactions will continue to be suspended (other than the closing out of share transactions, however as all investor accounts have been frozen, any funds resulting from this transaction will be frozen).

8. How am I able to participate in the Court process and ensure that my views are heard?*

Investors and other interested parties will be given an opportunity to be represented and have submissions made on their behalf in an application to the Court. It will be the Court that will ultimately determine the matter. All investors and creditors will be informed of the Court application and the orders being sought as well as any orders that are ultimately made by the Court.

The Liquidators are considering a mechanism to invite investor creditors who may be classified into a potential pool to come forward and have their points of view and preferences heard.

Further information in relation to this process will be provided to investors in due course.

9. Should I close out my positions? Will cash or shares be treated more favourably in terms of an allocation of funds to client accounts?*

The Liquidators are unable to provide investment advice or instructions as to whether it would be beneficial to sell shares. At this stage it is not known whether cash or shares will be treated equally in the reconciliation process. It is likely that the Liquidators will be required to seek directions from the Court to resolve this question and investors will be provided with a further update in due course.

10. How will you deal with the fact that my position is moving daily based on market movements?

The Liquidators understand that in many cases, investor positions will be changing daily. The amounts you have entered on the POD claim forms do not constitute your final claim in the liquidation. The Liquidators will undertake a claim analysis as part of the reconciliation process and investors will be updated in due course.

If you have elected to leave your account open, any gains or losses made will be determined by the Court.

11. Are IB investors able to claim under the Securities Investor Protection Corporation (SIPC) policy?*

Our investigations indicates that IB investors are unfortunately unable to claim coverage under the SIPC policy.

By way of explanation, SIPC is not an insurance company. Rather, SIPC is a US federally mandated corporation which assists to protect and provide coverage to customers on their brokerage accounts, in circumstances where their brokerage firm (who is a SIPC member broker-dealer) becomes insolvent. That is, SIPC will assist where a “member broker-dealer” enters external administration.

Interactive Brokers LLC and Halifax America LLC are SIPC members. However, these entities are not subject to the Liquidation.

Unfortunately, Halifax AU or Halifax NZ is not an SIPC member and as a result, investors cannot claim under the SIPC policy.

12. How do I know if I am a creditor of Halifax NZ or Halifax AU?*

The following table provides a summary of investor creditors and their status as beneficiaries / creditors of entities within the Halifax Group. In summary, all investors are beneficiary creditors of Halifax AU except for those creditors who have invested on the Halifax NZ IB platform.

Platform	CSA	Beneficiary creditor of	Unsecured creditor of
Halifax IB	Halifax AU	Halifax AU	Halifax AU
Halifax IB	Halifax NZ	Halifax AU	Halifax NZ
Halifax NZ IB	Halifax AU	Halifax NZ	Halifax AU
Halifax NZ IB	Halifax NZ	Halifax NZ	Halifax NZ
MT4	Halifax AU	Halifax AU	Halifax AU
MT4	Halifax NZ	Halifax AU	Halifax NZ
MT5	Halifax AU	Halifax AU	Halifax AU
MT5	Halifax NZ	Halifax AU	Halifax NZ

13. What investigations have been conducted so far?*

Whilst we have considered the underlying causes of the Company’s failure, our investigations into claims arising from those matters are still being progressed.

Our preliminary investigations have revealed that the Company may not have traded while insolvent for a material period of time (if at all). It is likely the Company became insolvent on or after 23 November 2018, being the date Administrators were appointed to Halifax AU and the director immediately took steps to appoint Administrators to Halifax NZ.

The key issue will be to determine the value (if any) of potential recoveries and whether there are any proceedings that should be commenced in NZ. Further, Halifax NZ may claim the benefit of any recoveries in respect of potential voidable transactions identified by the Liquidators of Halifax AU.

14. How do I access my account statements?

Investors should be able to log onto the relevant trading platform as normal to download account statements. If you are having issues with doing so, please email your request to halifaxnz@linkmarketservices.com.au. Link do not have access to individual investor accounts although are able to forward your request to a Halifax staff member who will assist.

15. I am a broker, will my commissions be paid?

All claims are subject to the moratorium imposed by the Companies Act. These commissions will be assessed when formal Proofs of Debts are called.

Advisors are ordinary unsecured creditors of the Company in respect of commissions and may not have any entitlement to trust assets.

16. I am having issues logging into my MT5 account?

We have undertaken a recent upgrade to the MT5 server which resulted in the server name changing. When you log on through your computer you will automatically be redirected to the new server, but for those logging in through the mobile application this is not the case. Investors will be required to undertake the following steps:

1. Delete the app from your phone.
2. Re-install the app from the App Store for Apple or the Google Play store for Android.
3. When you go to log in the first thing it will ask for a company name, as you type "Halifax" the only option that will pop up will be halifaxcapital-live, select this.
4. Input your user number and password.

17. I am an IB investor, I can see my shares and cash sitting in my account. Why is my account affected by the liquidation?*

Our investigations indicate that funds invested by MT4 and MT5 Investors may have been used to 'top up' the accounts of IB investors (and vice versa).

In simple terms, the monies of other investors may have been used to credit the IB platform.

The reason for this co-mingling appears to be improper operation of trust accounts and improper application of client monies by Halifax AU.

18. How extensive does the co-mingling appear between Halifax AU, Halifax NZ and investors?*

Based on our preliminary investigations to date (including our review of over 10,000 transactions) it appears that:

- There is no pattern behind the transfer of funds between client accounts between Halifax NZ and Halifax AU (i.e. frequency, where funds were directed to, purpose);
- Substantial contraventions of the Client Money Rules by Halifax AU may have occurred; and
- Funds deposited by MT4 and MT5 investors may have been used to credit the accounts of IB New Zealand and Australian investors (and vice versa)

19. What is the FMA doing?

The Liquidators are working closely with the FMA to assist with their enquiries.

20. What will happen next in the liquidation?*

It is our intention to:

- Make an application to Court for directions in relation to pooling;
- Make an application to Court for directions with respect to:
 - Distributions from client trust monies including in relation to entitlements of clients; and
 - Costs and expenses of and associated with making such distributions.
- Pending it being deemed appropriate to do so and any directions and orders from the Court, we may seek to make an interim distribution to investors as soon as possible;
- Continue the investigation and potential pursuit of antecedent transactions recoveries and other actions and litigation for the benefit of creditors; and
- Continue ongoing investigations and report to the relevant authorities (including FMA).

Corresponding steps will be undertaken by the Liquidators of Halifax AU

21. Am I considered a 'secured creditor' or a 'creditor' for the purposes of the POD form?*

Investors are considered 'creditors' for the purposes of the POD form.

22. I am an unsecured creditor. How do I lodge a claim?*

If you have not received a Proof of Debt to date, please contact Link Market Services at halifaxnz@linkmarketservices.com.au and request a Proof of Debt form to be issued to you.

23. If I submitted a POD during the Administration, do I need to submit another POD?*

Creditors and investors who have already lodged a Proof of Debt during the Voluntary Administration are not required to lodge another Proof of Debt at this stage.

24. If I have questions who should I call?

Please direct any queries to Link Market Services on 0800 729 276 (within New Zealand) or by email at: halifaxnz@linkmarketservices.com.au or +61 1300 910 051 (if overseas).