

Geneva, August 28, 2024

FlowBank Ltd., in liquidation
Circular to creditors n°1

To Whom It May Concern,

The purpose of this circular is to inform the creditors of FlowBank Ltd., in liquidation (**FlowBank** or **Bank**) of the progress and measures taken to date by WalderWyss SA, Geneva branch (**Liquidators**) in connection with FlowBank's bankruptcy proceedings.

1. Reminder of the events of June 13, 2024:

By decision of June 12, 2024, the Swiss Financial Market Authority (**FINMA**) declared FlowBank bankrupt with effect from June 13, 2024, at 08:00 a.m. (**Opening of the Bankruptcy**), and consequently withdrew FlowBank's authorisation to act as a bank and securities trader.

With effect from the Opening of the Bankruptcy:

- FlowBank's business activities ceased.
- The Bank was no longer authorised to carry out banking transactions or to act as a securities dealer.
- All payments, purchases and sales of securities could only be made by FlowBank with the authorisation of the Liquidators.
- FlowBank and its entities were prohibited from carrying out any legal act without the agreement of the Liquidators.

As soon as the Bankruptcy was opened, the Liquidators took all the necessary measures to protect the assets such as blocking the IT platforms, FlowBank's applications and the payment and intra-bank communications systems (via the SWIFT and SIC systems). All transactions after the Opening of the Bankruptcy have been cancelled and, since that date, all incoming and outgoing payments have been blocked and submitted to the Liquidators for approval.

In addition, the following actions were taken with effect from the Opening of the Bankruptcy:

- (i) Closure of CFD positions; and
- (ii) Conversion of foreign currency deposits into Swiss francs (CHF) at the rates applicable at the Opening of the Bankruptcy.

2. Overview of account balance and assets on deposit

Following the measures taken at the Opening of the Bankruptcy, the Liquidators have implemented a read-only access to FlowBank's e-banking platform so that customers can consult their account balance and the status of their security deposits.

As a result, since June 25, 2024, customers have been able to consult their account balance and the status of their assets via FlowBank's e-banking platform.

As part of the liquidation of FlowBank, the structure of customer accounts has been changed. Each account has several sub-accounts as follows:

- (i) Cash account (AAAXXX.001): this is the main account containing each customer's cash balance. Only the cash amount in this account is considered for the repayment of secured deposits.
- (ii) CFD gains account (AAAXXX.098): this account contains any cash resulting from the closure of CFD positions at the Opening of the Bankruptcy. The losses generated by the CFD positions closed at the Opening of the Bankruptcy were offset against any positive balance on the customer Cash Account (AAAXXX.001); and
- (iii) Securities and corporate actions account (AAA.099): this account contains all client securities as well as cash resulting from corporate actions or the sale of securities. This account is segregated and is not part of the bankruptcy estate.

3. Payment of secured deposits

At the Opening of the Bankruptcy, FlowBank had approximately 9'000 accounts holding secured deposits for a total amount of approximately CHF 53'500'000.00.

The Liquidators have made every effort to set up a system allowing customers to request the repayment of their secured deposits up to CHF 100'000.00 in accordance with the Federal Law on Banks and Savings Banks (*Loi sur les banques*), via FlowBank's e-banking platform in a reliable and secure manner. In the meantime, the Liquidators have processed individually the requests for repayment of secured deposits received by e-mail and post.

Since June 28, 2024, customers have been able to request the repayment of secured deposits directly on the e-banking platform, by entering all the information required for the repayment.

By August 23, 2024, the Liquidators had repaid around 5,800 accounts for a total amount of approximately CHF 45'000'000.00, representing around 84% of the total amount of secured deposits.

The process of reimbursing the secured deposits is continuing, although approximately 2,900 customers have still not claimed their secured deposits.

4. Transfer of securities to clients

At the Opening of the Bankruptcy, FlowBank held a total of approximately 1,298,359,221 financial instruments (*i.e. securities, options, futures*).

Since July 12, 2024, customers have been able to request the transfer of their securities via e-banking platform. Processing of the securities transfers began on July 15, 2024. As of August 23, 2024, the Liquidators have transferred approximately 900,000,000 financial instruments.

In this respect, the liquidators would like to inform you that the processing time for securities transfers may be long and may last several weeks or even months due to the volume of requests received by FlowBank.

This is because the securities transfer process is carried out manually by the teams in place. For example, the transfer of a single security necessarily requires several communications between FlowBank, its correspondent bank and the bank receiving the security to exchange the banking information required for its transfer. In some cases, and in the absence of an agreement with the correspondent bank or the receiving bank in due time, the transfer process of the security may have to be re-initiated by FlowBank, which may further extend the processing time of the request.

Every effort is being made by the Liquidators to implement an efficient and secure method of speeding up the securities transfer process.

5. Inventory of assets

On June 30, 2024, the Bank held the following assets:

- (i) CHF 169'707'457.00 in liquid assets with the Swiss National Bank and CHF 221,103,136 with other banks.
- (ii) shareholdings in the following companies:
 - (1) *London Capital Group Limited (United Kingdom) (LCG UK)* (100% ownership); and
 - (2) *LCG Capital Markets Ltd (Bahamas) (LCG Bahamas)* (100% ownership).

The Liquidators intend to take the following steps in relation to the above shareholdings:

- (i) In respect of LCG UK, the Liquidators are currently seeking a potential purchaser who would be interested in acquiring all the shares in LCG; and
- (ii) in respect of LCG Bahamas, the Liquidators wish to discontinue the operation of LCG Bahamas.

Regarding the listed securities held in Nostro form by FlowBank, please note that they have been sold and are now held by the Bank in the form of cash.

A claim has been made by Charles Henri Sabet, FlowBank's CEO, in relation to the following paintings located in the premises of FlowBank:

- (i) Roy Lichtenstein, *Two Nudes* (Nudes Series, C. 284)
- (ii) Roy Lichtenstein, *Seascape* (Landscapes Series, G. 1252, C. 210)
- (iii) Andy Warhol, *Nine Dollars* (Silkscreen, 22/35, 1982).

After examining the claims in question and the evidence provided, the Liquidators consider that Mr Sabet's claim in relation to these paintings appears to be well-founded. In accordance with art. 20 para. 2 of FINMA Banking Insolvency Ordinance (*Ordonnance de la FINMA sur l'insolvabilité bancaire*), the Liquidators will offer to the creditors the assignment of the claims in accordance with art. 260 paras. 1 and 2 of the Federal Debt Enforcement and Bankruptcy Act (*LP*) in a notice to be published in the Swiss Official Gazette of Commerce (*FOSC*).

6. Collocation procedure

To determine which creditors will participate in the distribution of the proceeds of the liquidation of FlowBank's assets, the Liquidators must draw up a list of the claims that are proven to be valid, as well as their amount and ranking (**collocation plan**).

The Liquidators inform you that the preparation of the collocation plan is ongoing. Due to the large number of potential creditors, the preparation of the collocation plan may take some time.

Each creditor will be informed of the following points:

- (i) the date on which and the conditions under which one will be able to consult the collocation plan;
- (ii) whether the claim will be admitted to the collocation plan and, if admitted, the ranking and the amount up to which it will be admitted; and
- (iii) the steps to be taken to contest the decision of the Liquidators as to the refusal to collate their claim (in whole or in part), or to contest the decision of the Liquidators as to the admission of a third-party claim.

According to the Bank's books, its customers had deposits of approximately CHF 420,000,000.00 on June 30, 2024.

7. Situation with counterparties

Continuous obligations such as rental agreements, lease contracts, etc. have not been taken over by the bankruptcy estate, unless expressly declared otherwise by the Liquidators. Only invoices for services relevant to the liquidation will be paid by the estate. All other claims arising from such contracts may be filed as bankruptcy claims.

8. Employees and office buildings

The employment contracts of only those employees required for the liquidation process have been maintained.

About the Bank's office buildings, the Liquidators have found a subsequent tenant for the lease of the Zurich offices, which will be handed over to the lessor on September 1, 2024. Regarding the Bank's offices in Geneva, the Liquidators wish to entrust the mandate for the handover of the lease to a specialised broker.

9. Place of jurisdiction

The place of jurisdiction for the bankruptcy is FlowBank's registered office in Geneva.

10. Update of information

10.1. Information updated by the liquidators

The Liquidators will inform the creditors of the progress and developments of the liquidation procedure of the bankruptcy of FlowBank by issuing circulars to the creditors and by publication on its website.

10.2. Official information and FINMA information

Official information will be published in the FOSC and on the FINMA website.

Yours faithfully,

For FlowBank Ltd., in liquidation
Walder Wyss SA, Geneva branch