

**Banco Privado Portugues  
(Cayman) Limited (In Official  
Liquidation) (“BPP Cayman” or  
“the Company”)**

*Tenth Report of the Joint  
Official Liquidators*

*28 February 2015*

CAUSE NO. FSD: 166 OF 2010 (AJJ)

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# 1. Glossary of Terms and Abbreviations

<b>Term</b>	<b>Definition</b>
AR Strategy	Those Absolute Return investment strategies offered by BPP SA and BPP Cayman which included a guarantee of principal and, in many cases, return to customers
the Company or BPP Cayman	Banco Privado Portugues (Cayman) Limited (in Liquidation), a Cayman Islands registered company which formerly held a Class B Banking license issued by CIMA in 1997
Banif	Banif-Banco de Investimento, S.A.
the BoP	The Bank of Portugal
BPP Group	A Portuguese based private banking group ultimately owned by Privado Holding
BPP SA	Banco Privado Portugues, S.A., a Portuguese private bank which was placed into liquidation on 16 April 2010 and is the immediate parent of the Company.
CIMA	The Cayman Islands Monetary Authority
Client Monies	Proceeds from coupon payments, amortizations and maturities of certain custody assets received after the commencement of BPP Cayman's liquidation on 9 July 2010 and held on behalf of BPP Cayman's depositors
Close Brothers (Cayman) Limited	Provider of statutory agent and trustee services to the Company in the Cayman Islands
CMVM	The Portuguese securities market commission
the Controllers	David A K Walker and Ian D Stokoe, of PwC Corporate Finance & Recovery (Cayman) Limited ("PwC Cayman"), appointed Controllers of the Company on 27 May 2010 by CIMA
Counter-guarantee and Pledge	Purported guarantee and pledge provided by BPP SA and BPP Cayman to the Portuguese Republic on 5 December, 2008
Companies Law	The Cayman Islands Companies Law (2013 Revision)
the FEI	A special investment fund established on 31 March 2010 as an independent vehicle for the purpose of ring-fencing AR Strategy assets and liabilities from the BPP Group and enabling an orderly realization

<b>Term</b>	<b>Definition</b>
FEI Units	Equity units in the FEI allocated to former AR Strategy customers in accordance with their AR Strategy deposit claims
Republic Guarantee	Guarantee provided by the Portuguese Republic to a syndicate of six Portuguese banks on 5 December 2008, to support a €450m refinancing loan for the BPP Group
the JOLs	David A K Walker, Ian D Stokoe of PwC Corporate Finance & Recovery (Cayman) Limited (“PwC Cayman”) appointed Joint Official Liquidators of the Company on 9 July 2010. Mr. Simon Conway of PwC Cayman was subsequently appointed Joint Official Liquidator of the Company on 20 November 2014.
the Liquidation Commission	Commission nominated by the BoP and appointed by the Portuguese Commercial Court to oversee the liquidation of BPP SA, comprising Luis Máximo Dos Santos, António Silva Ferreira, and Manuel Martins Mendes Paulo
Overdraft receivables	Overdraft repayments totalling c.€100m due to BPP Cayman from special investment vehicles purportedly transferred to BPP SA and currently held in trust in the Portuguese Commercial Court of Lisbon
Privado Holding	Privado Holding, S.G.P.S., S.A., the Portuguese based ultimate holding company of the BPP Group
the SIVs	Special investment vehicles; corporate entities established by the BPP Group to act as offshore holding companies for customer investments

## ***2. Basis of Preparation and Disclaimer***

### ***2.1. Basis of Preparation***

This report has been prepared solely for the purpose of providing a report of the Joint Official Liquidators' ('JOLs') of Banco Privado Portugues (Cayman) Limited ('the Company' or 'BPP Cayman') to the Grand Court of the Cayman Islands ('the Grand Court') and the creditors of the Company.

### ***2.2. Disclaimer***

This report is strictly confidential and must not be provided to or made available, by any means, to any person other than the intended recipients, the Grand Court and the Company's creditors. This report should not be copied or disclosed to any third party or otherwise be quoted or referred to, in whole or in part, without the prior written consent of the JOLs. In the event that this report is obtained by a third party or used for any purpose other than in accordance with its statutory purpose, any such party relying on the report does so entirely at their own risk and shall have no right of recourse against the JOLs, PricewaterhouseCoopers ("PwC"), PwC Corporate Finance & Recovery (Cayman) Limited ("PwC Cayman"), PricewaterhouseCoopers Portugal ("PwC Portugal"), their partners, directors, employees, professional advisors or agents. None of the JOLs, PwC, PwC Cayman, PwC Portugal, their partners, directors, employees, professional advisors or agents accept any liability or assume any duty of care to any third party (whether it is an assignee or successor of another third party or otherwise) in respect of this report and any such party who receives a copy of this report whether from PwC, or any other source shall have no right of recourse against PwC, its partners, directors, employees, professional advisors or agents.

In preparing this report the JOLs must stress that they have relied upon information provided to them by the Company, its directors, its service providers and its parent company Banco Privado Portugues SA ("BPP SA"). The JOLs note that they have only received relatively limited information relating to the material matters discussed in this Report and as such the position stated may be subject to material revision on receipt of further information. The JOLs have not performed an audit examination on this information. Except where specifically stated, the JOLs have been unable to establish the reliability of the sources of information presented to them by reference to independent evidence.

## ***3. Introduction***

### ***3.1. Introduction***

This report is the JOLs tenth report to the Grand Court and the creditors of the Company. This report should be read in conjunction with the JOLs' previous nine reports to the Grand Court and to the Company's creditors (collectively, the "Previous Reports").

### ***3.2. Purpose of the JOLs' Tenth Report***

This report of the JOLs has been prepared in order to provide a short update on the progress and conduct of the liquidation, as well as an application for the Grand Court to approve the fees of the JOLs for the period 1 August 2014 to 28 February 2015.

## ***4. Conduct of the Liquidation since 1 August 2014***

### ***4.1. Summary of actions taken since 1 August 2014***

Below is a summary of the main work-streams undertaken by the JOLs and their staff since 1 August 2014:

1. Preparation of submissions and strategy meetings in respect of litigation in the Portuguese Commercial Court over circa €100m of Overdraft receivables claimed by the Company;
2. Contacting noteholders of Gazprom 4 requesting their approval or opposition to the settlement agreement;
3. Discussions with the legal representative of Gazprom 4 noteholders litigating against BPP Cayman, BPP SA and the directors of Gazprom 4 in an attempt to put in place an amended version of the settlement agreement in order to reach the required 75% of Gazprom 4 noteholder approval;
4. Application to the Grand Court, on 20 November 2014, to seek sanction to issue a generally indorsed writ of summons against certain former directors of BPP Cayman, BPP SA and the Portuguese Republic;
5. Application to the Grand Court, on 20 November 2014, to seek the Grand Court's approval of Simon Conway's appointment as Joint Official Liquidator of BPP Cayman;
6. Application to the Grand Court, on 24 February 2015, to seek a declaration that Kendall II has no right of set-off under Cayman Islands law against sums owed to BPP Cayman under a loan agreement dated 14 October 2008, as amended on 4 November 2008 in the amount of €14.6m plus interest;
7. Meetings in Lisbon, Portugal in November 2014 and February 2015 between the JOLs and representatives of BPP SA and Gazprom 4 noteholders and debtors of the Company;
8. Recovery of investment management fees in the amount of circa €142k owed to BPP Cayman by the FEI;
9. Recovery of €316k held on deposit with The Royal Bank of Scotland plc Niederlassung Frankfurt, a former BPP Cayman custodian;
10. Agreeing settlement terms with noteholders for the wind up and allocation of segregated monies for five smaller SIVs, and return of cash to noteholders totalling circa €2.9m;
11. Ongoing liaison with BPP SA over client debt repayments and administration of these loan collections into a trust account, with recoveries totalling €6.1m and US\$2.3m as at February 2015;
12. Ongoing dialogue and correspondence with BPP Cayman's creditors, providing general updates and responses to claim specific queries;
13. Review of 6 new custody claim submissions since August 2014 in order to resolve claims on the custody asset portfolio;
14. Transfer of approximately €84k of custody assets (based on valuation at commencement of liquidation) and approximately €535k of segregated liquidity to beneficiaries, following investigation of positions and liaison with BPP SA and claimants in order to confirm title, settle outstanding debts, and resolve related positions;
15. Review of the Foreign Account Tax Compliance Act ("FATCA") and Cayman Islands Tax Information Authority Law (2014) and their implications on the Company;

16. Preparation of the JOLs' fee application and presentation to the Grand Court on 17 October 2014;
17. Annual meeting of creditors held on 28 November 2014 by teleconference, at which the JOLs' Ninth Report was presented and a general update on progress was provided; and
18. In addition to the Overdraft receivables litigation mentioned in 1 above, the JOLs and their Portuguese legal advisors continue to monitor four separate legal proceedings in Portugal, each involving claims from customers of BPP Cayman against the BPP Group of entities to which the JOLs have previously responded.



## 4.2. Financial Position

The Receipts and Payments account in Chart 1 below provides a summary of the JOLs' asset realisations and payments since the commencement of the Controllership on 27 May 2010.

**Chart 1: Receipts and Payments 4 June 2010 to 28 February 2015**

<b>Euro Account</b>		
<b>Receipts</b>	<b>Notes</b>	<b>Euro</b>
Receipt of Segregated Monies	<b>1</b>	2,316,688
Realisation from investments	<b>2</b>	225,294
Cash available at the date of appointment	<b>3</b>	926,385
Voluntary contribution to JOLs for t/f of custody assets	<b>4</b>	267,169
Customer Settlement Proceeds	<b>5</b>	282,815
SIV Settlement Proceeds	<b>6</b>	2,038,428
Management Fees	<b>7</b>	142,027
		<b>6,198,806</b>
<b>Payments</b>		
Controllership fees - PwC Cayman		(87,717)
Controllership fees - PwC Portugal		(38,533)
Controllership fees – Legal fees Maples and Calder (Cayman Islands' legal counsel)		(8,227)
Cayman JOLs fees		(1,096,128)
PwC Portugal fees		(1,150,758)
Legal fees & disbursements - Maples and Calder		(195,658)
Legal fees & disbursements - Andrade De Matos (Portuguese legal counsel)		(443,433)
PwC Cayman disbursements		(27,612)
PwC Portugal disbursements		(32,877)
Directors Fees - SIVs		(17,276)
Reinstatement Fees - SIVs		(8,380)
Translation Fees		(20,890)
Statutory Advertising		(1,026)
Bank Charges		(4,233)
		<b>(3,132,748)</b>
<b>Balance as at 28 February 2015</b>		<b>3,066,058</b>

<b>USD Account</b>		
<b>Receipt</b>	<b>Notes</b>	<b>US\$</b>
Receipt of Segregated Monies	<b>1</b>	225,414
Realisation from investments	<b>2</b>	546,454
SIV Settlement Proceeds		194,149
Voluntary contribution to JOLs for t/f of custody assets		6,841
Funds held by Maples and Calder at date of appointment		54,124
<b>Total Receipts</b>		<b>1,026,982</b>
<b>Payments</b>		
Legal fees Maples and Calder		(550,064)
Cayman JOLs Fees		(262,080)
PwC Cayman Disbursements		(263)
Payment to service providers		(19,712)
Directors Fees - SIVs		(2,409)
Bank charges		(2,988)
Statutory advertising/Website		(2,940)
<b>Total Payments</b>		<b>(840,456)</b>
<b>Balance as at 28 February 2015</b>		<b>186,526</b>

**Notes*****Note 1: Receipt of Segregated Monies***

Following a series of meetings with BPP SA, on 4 October 2010 the JOLs recovered €2.3m and US\$0.2m from BPP SA in relation to Special Investment Vehicles (“SIVs”). As advised to the Grand Court in the 3 May 2013 application, the JOLs’ analysis of financial records has now confirmed that these monies were part of the Segregated Monies discussed in the Previous Reports. For the reasons outlined in the Previous Reports, the JOLs consider any Segregated Monies generated during the period prior to BPP Cayman’s liquidation to be part of the Company’s insolvent estate.

***Note 2: Realisation from investments***

These monies relate to amounts received in relation to realisation of proprietary investments. Based on their review of the counter guarantee and pledge the JOLs believe all of these investments are subject to the disputed pledge.

***Note 3: Cash available at date of appointment***

As noted in the Previous Reports, prior to the commencement of the liquidation, the Controllers collected €610,557 from the FEI in relation to investment management fees due to the Company. These assets are unencumbered and therefore free for use by the insolvent estate. This amount also includes recovery of €315,828 formerly held on deposit with The Royal Bank of Scotland plc Niederlassung Frankfurt, a former custodian of BPP Cayman.

***Note 4: Voluntary contributions***

As noted in the Previous Reports, voluntary contributions are collected from custody asset holders as fixed fees for BPP Cayman carrying out the transfers and transactions related to their custody asset holdings. These one-off fees are levied at €2,000 per custody asset holder.

***Note 5: Customer Settlement Proceeds***

Customer settlement proceeds relate to segregated liquidity received between 16 April 2010 and 9 July 2010 as a result of the maturity of, or dividend payments from, custody assets held on behalf of BPP Cayman's customers. As with Segregated Monies, the JOLs also consider any segregated liquidity generated from custody assets during the period prior to BPP Cayman's liquidation to be part of the Company's insolvent estate. However, as ownership of these monies is under dispute, it was decided that it was also in the best interests of the estate to seek settlement agreements regarding the segregated liquidity received between 16 April 2010 and 9 July 2010 on the same commercial terms sanctioned by the 14 May 2013 Grand Court order to avoid a prolonged and expensive litigation process in the Portuguese Courts.

***Note 6: SIV Settlement Proceeds***

These monies relate to amounts received (25% of the Segregated Monies received between 16 April 2010 and 9 July 2010) as a result of the settlement agreements primarily with the noteholders of the SIVs, HF VAR 3 and HF VAR 8, and also includes cash received as a result of settlement agreements with smaller SIVS.

***Note 7: Management Fees***

Refer to section 5.3.2 below.

# ***5. Update on Progress of Liquidation***

## ***5.1. Settlement of Segregated Monies***

As noted in Previous Reports, the JOLs agreed terms of a settlement with BPP SA and the directors of the SIV, Gazprom 4 and the agreement was formally signed on 16 July 2014. The commercial terms of the Gazprom 4 Settlement Agreement reflect those of the prior settlements as approved by the Liquidation Committee and sanctioned by the 14 May 2013 Grand Court order. The Gazprom 4 settlement offer also included a condition precedent that noteholders cease any ongoing litigation against BPP Cayman, BPP SA and Gazprom 4's directors.

The JOLs wrote to all Gazprom 4 noteholders requesting they provide their approval or rejection of the terms of the agreement within two months of the date of the settlement agreement; that is, by 15 September, 2014. As noted in Previous Reports, approval of noteholders representing a minimum of 75% of the notes issued for each SIV is also required for the settlement to take effect.

Following the expiration of the two month period, while a significant number of approvals and no rejections had been received, the 75% approval rate had not been achieved. The JOLs understand that the main reason for the 75% noteholder approval not being achieved is due to a group of Gazprom 4 noteholders that are litigating against the parties to the agreement and whose approval is required in order to reach the requisite 75% approval rate.

After prolonged discussions with the legal representative of the Gazprom 4 noteholders litigating against BPP Cayman, BPP SA and the directors of Gazprom 4, an amended agreement was recently agreed among the parties. In summary, the parties agreed to the inclusion of a condition precedent whereby the parties jointly make a filing in the ongoing civil action in Portugal which will essentially end the civil action, without prejudice to the ongoing criminal action. The parties are currently finalising the amended Gazprom 4 settlement agreement following which it is anticipated that 75% of Gazprom 4 noteholder approval will be achieved.

Upon finalisation of the Gazprom 4 settlement agreement, it is the intention of the JOLs to proceed with seeking settlement agreements on the same commercial terms sanctioned by the Grand Court 14 May 2013 order with the remaining SIVs, prioritising those with the greatest level of Segregated Monies. With that in mind, the JOLs intend now to initiate negotiations to reach agreement with BPP SA and the directors of the SIVs PICL 8 and PICL.

As mentioned in the JOLs Ninth Report, the JOLs have also entered into settlement agreements with some of the smaller SIVs in instances where there are a small number of noteholders representing over 75% of the notes issued, and where the noteholders agree to the terms of the 14 May 2013 Grand Court order. The JOLs have agreed settlements with five smaller SIVs during the period August 2014 to February 2015 resulting in a return of cash to noteholders totalling €2.9m.

## ***5.2. Set-off Issues and Collection of the Company's Assets***

### ***5.2.1. Loan Book***

As detailed in the JOLs' Previous Reports, during the course of 2012 the JOLs and their Portuguese legal counsel had a number of meetings and correspondence with the Portuguese Republic, BoP and BPP SA with the aim of establishing a cooperative solution to loan book collection and, correspondingly, the return of customers' custody assets.

The Liquidation Commission of BPP SA and the JOLs agreed an approach for resolution of these positions, which can be summarised as follows:

1. Where a custody asset client has a loan or other debt obligation to BPP Cayman they are requested to make a gross repayment (without application of set-off) into a trust account at BPP SA. Note that Client Monies can be utilized for the purposes of this repayment;
2. Following repayment into the trust account, both BPP Cayman and BPP SA will sanction and effect the transfer of the client's securities, and remaining Client Monies, to a custodian of its choice;
3. The debt repayment proceeds will be retained in the trust account at BPP SA until such time as there is a final determination in a court of relevant jurisdiction on the validity and enforceability of the Counter-guarantee and Pledge; and
4. If the Counter-guarantee and Pledge is determined to be valid and enforceable, the gross debt repayment proceeds will be remitted to the Portuguese Republic via the BoP; however,
5. If the Counter-guarantee and Pledge is determined to be invalid or unenforceable, the debt repayment proceeds will be remitted to BPP Cayman. The JOLs of BPP Cayman shall then apply set-off between the client's debts and its deposit and other valid claims against BPP Cayman and, where appropriate, shall return the net sum due to the relevant client.

During the period August 2014 to February 2015 the JOLs and BPP SA have dealt with 12 such custody asset cases and have collected in circa €1m of debt repayments. To date debt repayments totalling circa €6.2m and US\$2.3 are currently being held in the trust account at BPP SA.

The JOLs have continued their review and investigations of the Company's asset base to determine asset recovery opportunities for the BPP Cayman liquidation estate and ultimately the return of assets to creditors.

### ***5.2.2. Kendall II SA***

On 14 October 2008, BPP Cayman and Kendall II, S.A. ("Kendall II"), a limited liability company formed under Belgium law, entered into a loan agreement where BPP Cayman would make available to Kendall II an advance of €11m to be used for the short term cash requirements of Kendall II. On 4 November 2008, BPP Cayman and Kendall II entered into an amendment agreement to increase the loan amount to €15m (the "Loan Agreement").

Prior to the Company's liquidation, Kendall II drew down a total of circa €14.6m under the Loan Agreement and no repayments under the Loan Agreement have since been made to BPP Cayman by Kendall II.

On 10 July 2010 the JOLs wrote to the directors of Kendall II demanding full repayment of the outstanding loan inclusive of interest of circa €1.9m. Kendall II responded to the JOLs by letter dated

27 December 2013 recognising the debt of principal owed in the amount of circa €14.6m, but disputed the level of interest that had accrued. In the same letter Kendall II claimed statutory set-off under Cayman Islands law against the amounts it recognised as owed to BPP Cayman under the Loan Agreement. Kendall II explained in its letter that a total of 13 creditors of BPP Cayman had assigned to Kendall II claims in the liquidation of BPP Cayman worth circa €16.3m resulting in Kendall II becoming a net creditor of BPP Cayman in its liquidation.

The JOLs again wrote to Kendall II by letter dated 19 February 2014 explaining the interest calculation made on the outstanding loan principal under the Loan Agreement, as well as the fact that interest continues to accrue. The JOLs also explained that under Cayman Islands law rights of set-off are only possible where both the claim in question and its assignment were extant at the time of the commencement of the liquidation. The JOLs further explained that as the liquidation of BPP Cayman commenced on 9 July 2010, there is no basis under Cayman Islands law for Kendall II to assert a right of set-off with respect to the purported assignments entered into after commencement of the BPP Cayman liquidation and again demanded full repayment of the loan and interest due.

By way of the JOLs 19 February 2014 letter, the JOLs provided Kendall II with 21 days substantively to respond, failing which the JOLs reserved their rights to take further action, including legal action, without further notice to protect BPP Cayman's interest under the Loan Agreement. As at the date of this report, the JOLs have received no formal response from Kendall II.

In order to take the necessary legal steps in Belgium to enforce BPP Cayman's rights under the Loan Agreement against Kendall II, the JOLs sought a declaration from the Grand Court that Kendall II has no right of set-off under Cayman Islands law. By order of the Grand Court dated 24 February 2015, it was ordered that Kendall II has no right of set-off under Cayman Islands law against sums owed to BPP Cayman under the Loan Agreement.

### ***5.2.3. Investment Management Fees***

As detailed in Previous Reports, investment management fees totalling €775,676 owed to BPP Cayman, which resulted from historical transactions between BPP Cayman and the SIVS, were included in the AR Strategy liabilities transferred into the FEI. In July 2010 €610,557 was transferred to the BPP Cayman liquidation estate. During the period September 2014 to February 2015 the JOLs recovered additional investment management fees from the FEI totalling €142,027. A balance of €23,092 still remains outstanding.

## ***5.3. Ongoing Litigation***

As discussed in detail in the Previous Reports, BPP Cayman is a party to proceedings seeking the recovery of circa €100m of overdraft repayments currently held in trust in the Portuguese Commercial Court of Lisbon ("Lisbon Court").

The Overdraft receivables litigation in the Portuguese Commercial Court is now being heard and the JOLs and their Portuguese and Cayman Islands legal advisors have spent considerable time on:

- Investigation of the documentary evidence around the purported Counter-guarantee, Pledge and transfer of Overdraft receivables;
- Preparation and review of detailed submissions and legal opinions in support of the Company's pleadings; and
- Strategy development and liaison with proposed expert witnesses.

Three preliminary hearings were carried out in 2014, and the JOLs expect the full hearing to be scheduled for the second or third quarter of 2015.

BPP Cayman is also the respondent in four other ongoing matters in the Portuguese Courts relating to actions brought by customers.

### ***5.3.1. Cayman Islands Action***

As discussed in Previous Reports, following the filing of the JOLs' pleading in the BPP SA Liquidation on 22 November 2010, the FEI's depository company, Banif, placed the full amount of Overdraft receivables into an escrow account under the control of the Lisbon Court, and commenced proceedings in the Lisbon Court to determine the question of ownership of the Overdraft receivables.

On 13 November 2014 the Lisbon Court presiding over the Overdraft receivables proceedings held that Cayman Islands law would not be applied to the consideration of the validity of the Pledge in the Overdraft receivables proceedings. The JOLs believe that they have good arguable cases under Cayman Islands Law against the BPP Cayman directors, BPP SA and the Portuguese Republic in relation to the Pledge in general, rather than solely as it applies to the Overdraft receivables. It was in the JOLs' view that it was in the best interest of BPP Cayman's estate to bring action in the Grand Court against the Company's directors, BPP SA and the Portuguese Republic to seek to have the Pledge deemed invalid from a Cayman Islands perspective.

Given the statutory limitation periods applying in the Cayman Islands, sanction to issue a generally indorsed writ was sought by the JOLs and by order dated 20 November 2014, the Grand Court granted the JOLs the power to:

1. Issue a generally indorsed Writ of summons; and
2. Pursue the claims set out in the Writ in such manner as the JOLs consider appropriate in order to safeguard the interests of BPP Cayman's estate.

While the JOLs are unable to disclose the detailed litigation considerations in this publicly available report, it is evident that the conduct of the Company's directors in purportedly granting the Counter-guarantee and Pledge, the Portuguese Republic's conduct after intervening in the BPP banking group, and the use of funds raised under the Pledge will be key considerations in the litigation.

### ***5.4. Appointment of Simon Conway as Joint Official Liquidator***

By order dated 9 July 2010, Messrs. David A K Walker and Ian D Stokoe of PwC Corporate Finance & Recovery (Cayman) Limited ("PwC Cayman") were appointed Joint Official Liquidators of the Company. At the date of JOLs appointment, Mr. Conway held the position of Director with PwC Cayman. Subsequently, in January 2014, Mr. Conway was promoted to Partner of PwC Cayman.

Mr. Conway, as a representative of the JOLs, has coordinated the strategy of the litigation taking place in Portugal to which BPP Cayman is party to. As the liquidation of BPP SA began entering a more active phase of litigation in Portugal it was anticipated that Mr. Conway would be travelling to Portugal more frequently to continue his role. As such, in order to attend, and effectively represent BPP Cayman at the various hearings in the Portuguese courts, the JOLs were of the view that it would be preferable for Mr. Conway to have the formal role as a JOL. By order of the Grand Court dated 20 November 2014, Mr. Conway was appointed joint official liquidator of BPP Cayman with powers to act jointly and severally with the JOLs in accordance with the order dated 9 July 2010.

### ***5.5. Foreign Account Tax Compliance Act***

The United States ("US") has in recent years created various initiatives to counter tax evasion by US persons, and as part of this effort has introduced the Foreign Account Tax Compliance Act ("FATCA"), a US Law that affects non-US entities which has taken effect as at 1 January 2015. In addition, the

Cayman Islands has entered into an Intergovernmental Agreement with the US to implement FATCA and support international tax compliance.

As a result of the FATCA Intergovernmental Agreement the Company was required to register as a Foreign Financial Institution with the US Internal Revenue Service and is now responsible for ensuring that certain due diligence requirements are met and for reporting to the Cayman Islands Tax Authority (“TIA”).

Although the primary purpose of FATCA is prevention and detection of tax evasion by US persons, it has an impact on non-US structures as well. FATCA requires all foreign entities, like the Company, to be classified and documented as to their FATCA status. In addition, FATCA applies irrespective of whether the structure has US beneficial owners or US investments.

As a result of the above, the Company is now required to:

1. Undertake due diligence procedures to identify ‘Reportable Accounts’<sup>1</sup> and together with the required information report annually to the TIA; and
2. Report annually to the TIA payments made to non-participating financial institutions.

It is the intention of the JOLs, where applicable, to write to all BPP Cayman creditors in the near future to advise them of measures that are now required to be taken by the Company as a result of FATCA, the TIA Law (2014) and the additional customer due diligence procedures that will need to be undertaken and reported to the TIA.

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<sup>1</sup> A financial account held by one or more specified US persons or by a non-US entity with one or more controlling persons that are specified US persons.



## 6. JOLs' Fees and Expenses

### 6.1. Fees and Expenses Incurred to Date

The time costs for the period from 1 August 2014 to 28 February 2015 incurred by the JOLs total US\$387,075 and €5,440 for PwC Cayman and PwC Portugal respectively. PwC Cayman and PwC Portugal's fees have been summarised in the tables below. A detailed schedule showing the time spent, the tasks completed and the prescribed hourly rates of the JOLs and their staff for the period 1 August 2014 to 28 February 2015 is attached at Appendix 1. This time period will be the subject of the JOLs' fee application being heard on 7 April 2015.

The JOLs note that a committee meeting has been convened for 13 March 2015, to update the committee on the JOLs' progress since the last meeting and to seek approval of the JOLs' fees for the period 1 August 2014 to 28 February 2015.

**Chart 2: PwC Cayman JOLs' Fees: 1 August 2014 to 28 February 2015**

Grade	Aug. 2014 – Feb. 2015	
	Hours	Total(US\$)
Partner	318.2	238,650
Senior Manager	0.8	456
Manager	78.8	37,036
Assistant Manager	236.0	82,600
Senior Accountant	111.3	27,300
Administrator	5.9	1,033
<b>Total</b>	<b>751.0</b>	<b>387,075</b>

**Chart 3: PwC Portugal JOLs' Fees: 1 August 2014 to 28 February 2015**

Grade	Aug. 2014 – Feb. 2015	
	Hours	Total(Euro)
Senior Manager	11.0	3,520
Manager	2.0	640
Senior Accountant	8.0	1,280
<b>Total</b>	<b>21.0</b>	<b>5,440</b>

PwC Cayman and PwC Portugal have incurred disbursements in the amount of USD\$9,352 and €55.80 respectively for the period 1 August 2014 to 28 February 2015, a summary of which is below.

**Chart 4: JOLs' Disbursements: 1 August 2014 to 28 February 2015**

<b>PwC Cayman</b>	<b>US\$</b>
Travel Expenses	6,817
Courier/Postage	1,140
Notary/Apostille Costs	1,080
Statutory Filings	180
Gazette Advertising	135
<b>Total</b>	<b>9,352</b>

<b>PwC Portugal</b>	<b>€</b>
Courier/Phone/Transportation	55.80
<b>Total</b>	<b>55.80</b>

## ***7. Estimated Outcome of the Liquidation***

The JOLs do not consider it possible to provide any meaningful estimate of the outcome of the liquidation for creditors and investors at this time. This is based on the fact that any future recovery for depositors and other unsecured creditors is likely to be dependant on the outcome of litigations in Portugal, and in particular the Overdraft receivables litigation. The likelihood of success and enforcement in this matter is not possible to gauge with any certainty at this early stage given the prolonged court process anticipated by our Portuguese counsel.

## 8. *Next Steps*

The JOLs will continue to focus on the key actions required to ensure the orderly wind-up of the Company and protect the interests of creditors. In particular, the principal areas of focus will remain:

- Continuing to pursue the claim for Overdraft monies and BPP Cayman's claim in the BPP SA liquidation, in the Portuguese Commercial Court;
- Pursuing the separate challenge to the Pledge in the Cayman Islands Grand Court;
- Recovering the BPP Cayman loan book and returning custody assets to clients, where necessary through the trust account approach agreed with BPP SA; and
- Pursuing the Segregated Monies in relation to SIVs and then proceeding to unwind the SIVs themselves and return Client Monies and assets to noteholders.

Signed on behalf of the Joint Official Liquidators of  
Banco Privado Portugues (Cayman) Limited



Simon Conway  
Joint Official Liquidator  
Banco Privado Portugues (Cayman) Limited

**Appendix 1 Summary of Liquidators' Fees for the period 1 August 2014 to 28 February 2015**

Banco Privado Portugues (Cayman) Limited (In Liquidation)

PwC Corporate Finance & Recovery (Cayman) Limited

Detailed Time Analysis for the period 1 August 2014 to 28 February 2015

Category	Partner		Senior Manager		Manager		Asst. Manager		Senior Accountant		Administrator		Total Hours	Total US\$				
	Hours	Rate US\$	Hours	Rate US\$	Hours	Rate US\$	Hours	Rate US\$	Hours	Rate US\$	Hours	Rate US\$						
1 Appointment of JOLs, job acceptance, administration and billing	3.60	750	2.700	-	2.20	470	1,034	9.90	350	3,465	32.60	225/330	7,639	1.2	175	210	49.50	15,938
2 Statutory requirements - Inc statutory filings and website	45.80	750	14,850	0.30	6.80	470	3,196	2.90	350	1,015	1.40	225	315	-	175	-	27.20	16,347
3 Statutory requirements - Inc creditors meeting, review of claims, minutes and preparing reports	23.40	750	17,550	-	0.10	470	47	30.90	350	10,815	4.70	225	1,058	0.1	175	18	59.20	29,487
4 Strategy, asset realisation & Legal analysis & support	201.50	750	151,125	-	31.60	470	14,852	31.70	350	11,095	-	225	-	0.6	175	105	205.40	177,177
5 Communication - creditors and investors	8.60	750	6,450	-	6.10	470	2,867	23.80	350	8,330	0.30	225	68	-	175	-	38.80	17,715
6 Communication - BPP SA	1.90	750	1,425	-	0.10	470	47	1.30	350	455	-	225	-	-	175	-	3.30	1,927
7 Communication - Directors	-	750	-	-	-	470	-	-	350	-	-	225	-	-	175	-	-	-
8 Communication - Custodians	-	750	-	-	-	470	-	-	350	-	-	225	-	-	175	-	-	-
9 Communication - Other parties (BANK, BPP)	2.70	750	2,025	-	0.90	470	423	1.60	350	560	-	225	-	-	175	-	5.20	3,008
10 Liquidation committee correspondence, meetings and reporting	6.60	750	4,950	-	0.10	470	47	12.70	350	4,445	0.30	225	68	-	175	-	19.70	9,510
11 Realisation of custody assets	38.90	750	29,175	-	27.80	470	13,066	111.10	350	38,885	59.40	225/330	14,835	4.0	175	700	241.20	96,661
12 Investigation	1.40	750	1,050	-	1.50	470	705	2.50	350	875	0.40	330	132	-	175	-	5.80	2,762
13 Cash Management	12.70	750	9,525	-	1.40	470	658	7.10	350	2,485	12.20	225/330	3,197	-	175	-	33.40	15,865
14 Translations and review of translations	1.10	750	825	0.50	0.50	470	94	0.50	350	175	-	225	-	-	175	-	2.30	1,379
<b>Grand Total</b>	<b>318.2</b>		<b>238,650</b>	<b>0.8</b>	<b>78.8</b>		<b>37,036</b>	<b>236.0</b>		<b>82,600</b>	<b>111.3</b>		<b>27,300</b>	<b>5.9</b>		<b>1,033</b>	<b>751.00</b>	<b>387,075</b>

**Banco Privado Português (Cayman) Limited (In Liquidation)**  
**PwC Portugal**  
**Detailed Time Analysis for the period 1 August 2014 to 28 February 2015**

Category	Partner		Senior Manager		Manager		Corporate Consultant		Total	
	Time	Rate	Time	Rate	Time	Rate	Time	Rate	Total Hours	Total €
1 Appointment of JOLs, job acceptance, administration & billing	-	630	-	320	-	320	-	160	-	-
2 Statutory requirements - Inc statutory filings and website	-	630	-	320	-	320	-	160	-	-
3 Statutory requirements - Inc creditors meeting, review of claims, minutes and preparing reports	-	630	-	320	-	320	-	160	-	-
4 Strategy, project management & Legal analysis & support	-	630	4.50	320	-	320	-	160	4.50	1,440
5 Communication - creditors and investors	-	630	-	320	-	320	-	160	-	-
6 Communication - BPP SA	-	630	4.00	320	-	320	-	160	4.00	1,280
7 Communication - Directors	-	630	-	320	-	320	-	160	-	-
8 Communication - Custodians	-	630	-	320	-	320	-	160	-	-
9 Communication - Other parties (BANIF, BOP)	-	630	-	320	-	320	-	160	-	-
10 Liquidation committee correspondence, meetings and reporting	-	630	-	320	-	320	-	160	-	-
11 Realisation of custody assets	-	630	-	320	-	320	-	160	-	-
12 Investigation	-	630	-	320	-	320	-	160	-	-
13 Cash Management	-	630	-	320	-	320	-	160	-	-
14 Translations and review of translations	-	630	2.50	320	2.00	320	8.00	160	12.50	2,720
	-	0	11.00	3,520	2.00	640	8.00	1,280	21.00	5,440