

2 Stone Buildings,
Lincoln's Inn,
London WC2A 3TH

Tel: 020 7691 4000
Fax: 020 7691 4111
DX: 191 LDE

www.edwincoe.com

law@edwincoe.com

Financial Supervision Commission
PO Box 58
Finch Hill House
Douglas
Isle of Man
IM99 1DT

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BY POST & FAX 01624689399
& BY EMAIL FSC@GOV.IM

Our Ref: DMG/DDB/KSF.1.1

Dear Sirs

Kaupthing Singer & Friedlander (Isle of Man) Limited - In Provisional Liquidation

As you know we act for a number of depositors in Kaupthing Singer & Friedlander (Isle of Man) Limited ("KSF(IoM)") many of whom are members of the Depositors' Action Group. Those depositors have lost substantial sums of money following the collapse of KSF(IoM).

Our clients are presently considering the proposals from the Isle of Man Treasury for there to be a scheme of arrangement in respect of the company. As part of that process they need to have a clear picture of what the recoverable assets of KSF(IoM) are and the extent to which any third parties may be held to account for any shortfall in the recovery of those assets.

It has become clear that there were discussions between the FSC and the UK Financial Services Authority ("FSA") about KSF(IoM), Kaupthing Singer & Friedlander (UK) Limited ("KSF(UK)") and Kaupthing hf, and the relationship between them. Discussions between the FSC and the FSA have been the subject of discussions before the select committee of the House of Commons, and are referred to in detail in the attached memorandum, which we understand emanates from the Isle of Man Treasury.

In February 2008 the FSC visited the FSA to discuss regulatory issues concerning the market conditions and a specific session related to Kaupthing.

At the end of March 2008, concerned by the deteriorating economic situation in Iceland, the FSC began discussions with the Board of KSF(IoM) which discussions were aimed at eliminating KFS(IoM)'s exposure to Iceland. KSF(IoM) offered to withdraw deposits from Kaupthing hf and instead placed those deposits with KSF(UK). According to the memorandum, the FSC thought it sensible to discuss and confirm two important points to the FSA. The first was to determine the maximum exposure that the FSA permitted KSF(UK) to have to related parties (including Kaupthing hf) and also to determine the liquidity requirements that the FSA would place upon KSF(UK) in relation to deposits made with it that had a maturity date of up to one month. We understand that the

FSA informed the FSC that the maximum exposure that the FSA permitted KSF(UK) to have with all related parties was 25% of Large Exposure Capital Base in aggregate.

We understand that the FSC's position is that KSF(IoM) funds were only permitted to be placed with KSF(UK) on the basis that KSF(UK)'s exposure to the rest of the Kaupthing Bank hf Group would be contained within the prescribed UK regulatory policies as described to the FSC by the FSA. We understand it to be the position of the FSC that these policies were not applied, were relaxed, or were breached.

It is clear the FSC has sought access to the documents in the possession of the FSA which relate the making of the Transfer Order and administration Order on 8 October 2008 in relation to KSF(UK), but that the FSA has refused to disclose these documents.

We agree with the FSC that in order for this matter to be resolved proper disclosure needs to be given by all parties concerned. It is ultimately the refusal of parties to provide information which has prevented matters from moving forward thus far. With that in mind we would be grateful if you could provide us with the following:

- Dates on which members of the FSC met with or spoke to the FSA or its officers in relation to the liquidity and/or assets of KSF(IoM), KSF(UK) and/or Kaupthing hf or any of them.
- A list of those present at each of these meetings and of those taking part in any telephone discussions between these parties.
- Copies of all memoranda and/or notes and transcripts of any such meetings or telephone discussions.
- Copies of all emails, letters and other correspondence passing between the FSC, the FSA and KSF(IoM) in relation to the liquidity and/or assets of KSF(IoM) and the transfer of funds from KSF(IoM) to KSF(UK).

You will appreciate that our clients are anxious to be fully apprised of the facts underlying the failure of KSF(IoM) before agreeing to support any scheme of arrangement. We would therefore hope that you would be able to reply substantively to us within the next seven days.

Yours faithfully

Edwin Coe LLP

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