

Update from John Wright IOM 8 December 2008

The first thing I want to say is that we need to manage expectations that matters will resolve quickly and all will become clear in days or weeks. It is going to take months for the liquidators and administrators of the Kaupthing entities in Iceland, London and IOM to sort out the position between themselves and to work out how to realise the best for the creditors. The decisions will be commercially sensitive and the information certainly will be - these were banks and subject to banking confidentiality. That obligation stays with the liquidators and the court.

I know many of you are disappointed in the attitude of the liquidator and the dearth of information. Before the 27 November adjournment, I raised a series of questions with the Directors, FSC. Liquidators, Treasury and for good measure the lawyers representing the big six depositors, other banks/insurers with over £200 million at risk. I made it plain that without the answers we would not be supporting the long adjournment and could not indicate if we would be supporting liquidation or not.

I had no reply, my plea for a short adjournment was ignored, however since the 27th we have received the parent guarantee and also I have been told that the various interested parties have met and agreed who should answer which questions and that I should receive answers this week. I am awaiting notification of the advance payment scheme to be put before Tynwald at its December sitting to make a payment to all retail customers. I am also waiting for the details to why Kaupthing hf, the Icelandic parent wants to be allowed to be released from the IOM proceedings.

Part of any shortfall is the money deposited by KSF IOM in KSF London after it had been taken out of the parent in Iceland in March. At present the liquidators cannot get their hands on those funds. On 8 October the UK government passed a statutory instrument, a piece of subordinate legislation, (uksi 2008 2674) which prevented the UK administrators from making payment to any related entity. KSF IOM is a related entity. This legislation is a huge difficulty for IOM Government and the liquidators. It may be overcome politically by inter governmental talks, by court challenge, if it is unreasonable in administrative law or it breaches Human Rights by depriving property rights without compensation or under European discrimination laws. All parties, the IOM Government treasury and its adviser, the large creditors and your legal representatives are examining these options. One has a very tight deadline of 8 January. Solicitors have been briefed and Counsel appointed to give opinions, different parties may have different rights. I am working to ensure that information is shared, that the barristers speak with one another and that we end up with either one combined application or four contemporaneous applications where much is heard together.

Our next really big day will be Tynwald December sitting and how much the IOM Government is going to pay as an advance on dividend or compensation. A decision needs to be made about judicial review before 8 January 2009. Then on 15 January there will be a report to the Court and creditors as to the

outcome of the work of Alix & Partners in trying to reconstruct the business or obtain a better realisation. A further legal hearing is scheduled for 29 January.

In the meantime when there is relevant information to report it will be posted here.