

Client Assets Key Information Document (CAKID)

This document is for the benefit of clients and potential clients of Quilter Cheviot Europe Limited (“QCE”). This document is not marketing material and the following information is required by law; pursuant to the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Investment Firms) Regulations 2023 (“the Regulations”).

The purpose of this document is to help you understand how and where your assets will be held by QCE and the resultant risks arising from that along with the procedures in place in order to mitigate those risks.

It is important that you read this document and also refer to the relevant sections in QCE’s Terms and Conditions which provide more detail on how we hold your assets.

What are the Client Asset Requirements?

The Client Asset Requirements (“CAR”) are applicable to QCE and are contained within Part 6 of the Regulations. They are the legislative rules that QCE must follow in safeguarding your assets and form part of the Central Bank of Ireland’s client asset protection regime which was introduced under the European Union (Markets in Financial Instruments) Regulations 2017 (“MiFID Regulations”).

The CAR are designed to ensure that investment firms holding client assets have the necessary processes and controls in place to safeguard and protect those assets.

Key features of CAR

The CAR provides a framework based on what the Central Bank of Ireland regards as the seven core principles of the client asset protection regime. These principles form the basis of the requirements which an investment firm must comply with in relation to the holding of client assets. In summary they are as follows:

- 1. Segregation** Investment firms should physically hold or arrange for client assets to be held separately from the firm’s own assets.
- 2. Designation and Registration** An investment firm must maintain clear accounting records that differentiate between the firm’s own assets and its clients’ assets. In addition, investment firms must ensure that any assets held with third parties are held in separate client asset accounts and are registered appropriately. Any client asset accounts held with external third parties must be clearly identifiable as client asset accounts on both the firm’s records and the records of the relevant third parties. The firm is required to perform due diligence on any third parties which hold client assets on its behalf.
- 3. Reconciliation** An investment firm must keep accurate books and records to enable it, at any time and without any delay, to provide an accurate, independent record of the assets it holds for each of its clients, and the total of all client assets held in a client asset account. In order to continually ensure the accuracy of its records an investment firm must perform reconciliations between its internal records and those external records of any third party with which client assets are held.

4. Daily Calculation Each working day an investment firm must perform a calculation, based on its own internal records, to ensure that the aggregate balance on its client asset bank accounts (as at the close of business on the previous working day) is equal to the amount of funds it should be holding on behalf of its clients.

5. Client Disclosure and Client Consent An investment firm must provide information to its clients informing them how and where their assets are held and about any resultant risks. There are also a number of circumstances when a client's consent needs to be obtained as to how their assets are held by or on behalf of an investment firm.

6. Risk Management Investment firms are required to implement robust systems and controls which are appropriate to identify and mitigate risks in relation to client assets. In addition, investment firms are required to appoint an individual as the Head of Client Asset Oversight, who is responsible for ensuring that the firm maintains appropriate systems and controls to manage the firm's obligations under CAR. In order to document its arrangements in relation to client assets, a firm that holds or intends to hold client assets is also required to document and maintain a Client Asset Management Plan.

7. Client Asset Examination Investment firms are subject to an annual client asset examination by the firm's external auditors, the results of which must be reported to the Central Bank of Ireland.

The Regulations as well as further information and guidance on them and the Central Bank of Ireland's expectations regarding the treatment of client assets is available on their website: www.centralbank.ie/regulation/industry-market-sectors/client-assets

What are client assets?

Under the client asset protection regime, client assets consist of both funds and financial instruments.

Client funds means any funds to which the relevant client is beneficially entitled in relation to investment services, (i) received by the investment firm from or on behalf of a client; (ii) held by the investment firm on behalf of a client, or (iii) which a client is entitled to. This includes electronic receipts, cheques or other payable orders.

Client financial instruments generally means all types of securities such as equities, bonds, units in collective investment schemes and other non-cash assets held by the investment firm on behalf of a client. This includes any claim, right or entitlement relating to or in respect of a client financial instrument. In legal terms, it means any financial instrument as defined in the MiFID Regulations.

You should be aware that the client asset protection regime does not govern investment performance.

When CAR applies and when CAR does not apply

The CAR **applies** where an investment firm receives and holds client funds and client financial instruments, in connection with the regulated investment services that it provides. In particular, the CAR applies where:

- client funds and client financial instruments have been entrusted to the firm (or its nominee);
- cheques are held by the firm in relation to client funds received from clients before they are deposited at the bank;
- unrepresented cheques are recorded by the firm representing amounts due to a client;
- documents of title in relation to client financial instruments are held by the firm in physical form; and
- client funds and financial instruments have been deposited on behalf of a client into a client asset account maintained by the investment firm (in its name) with an eligible third party under the CAR, and the investment firm is able to effect transactions on that client asset account.

Some of the circumstances to which the CAR **does not apply** are as follows:

- where an investment firm receives a cheque, or other payable order made payable to a third party and it directly transmits that cheque or other payable order to that third party;
- where a cheque, or other payable order received from a client is not honoured by the paying bank;
- where funds become, or are already, due and payable to the investment firm itself (e.g., fees);
- where a client defaults on its obligations to the investment firm (as outlined in its terms and conditions);
- where client assets are not held with the investment firm (i.e., if a client has arranged their own custody arrangements); and
- where funds received are not in connection with the regulated investment services that the investment firm provides.



Client assets **will cease to be** subject to the CAR where client assets are no longer held by the investment firm and are paid, or transferred, to the client, or to the order of the client. This may be directly into an account with a third party in the name of the client (not being an account which is also in the name of the investment firm), or to a third party on the instruction of the client. In both cases the assets are deemed to be no longer under the control of the investment firm.

How are my funds held?

Client funds will be held by us either in pooled client asset settlement accounts or pooled client asset deposit accounts. These accounts are held with regulated third party financial institutions or credit institutions. The third parties where QCE holds client funds are set out on our website at <https://www.quiltercheviot.com/car/>.

All client accounts are held in the name of QCE with a clear designation in the title to specify that the accounts are client asset accounts. This title is recorded on QCE's own records and the records of each relevant third party where client asset accounts are held.

Client funds are protected by the detailed rules laid out in the CAR, including obligations relating to the segregation of them from an investment firm's own funds, accurate record keeping, regular reconciliations between the firm's records and the third party, and counterparty due diligence.

It may be the case that funds received by QCE from a client are made up of funds that are client funds and funds that are not client funds (for example if an amount is paid for fees). In this situation the CAR will only apply to the funds received that are client funds. For the funds received that are not client funds, if these are received as a mixed remittance, the investment firm must first pay all of the funds into a client asset account and then subsequently withdraw any funds which are not client funds. For fees due to the firm, the CAR will only apply until the amount received for the fees becomes due and payable to the investment firm.

Where QCE receives client funds but is not in a position to allocate them to a client account, our policy is to attempt to return those client funds to the remitter within 5 working days of receipt.

How are my financial instruments held?

Financial instruments such as equities, bonds, units in collective investment schemes and other instruments may be held electronically or in physical form.

Physical assets (i.e. documents of title) are held in a secure safe with strict controls and restricted access. Where possible, physical assets are registered in the name of QCE's nominee company but it is our policy to minimise the amount of nominee holdings held in paper format so we only accept such holdings where they cannot be held electronically.

The third parties with which QCE holds client financial instruments in electronic form are: Bank of New York Mellon SA/NV, Dublin Branch ("BNY Mellon") and Euroclear UK and International Limited ("CREST").

A. Client Financial Instruments - CREST Shares in UK companies, UK and US Exchange Traded Funds, UK government bonds, CREST Depository Interests (including those of Irish companies) and Depository Interests are generally held within CREST. CREST is the Central Securities Depository for the UK. CREST provides for real-time settlement of securities and is one of the largest and most technically advanced settlement systems in the world. QCE's nominee company is a participant of CREST and appears on the share registers for these assets.

B. Client Financial Instruments - BNY Mellon Non-UK and non-Irish foreign shares, non-UK and non-Irish foreign ETFs, government and corporate bonds and fund units are held with QCE's global custodian, BNY Mellon. They are held in accounts specifically designated as QCE client asset accounts. BNY Mellon in turn may arrange for these holdings to be held with various sub-custodians in local markets with account names dictated by the naming convention in those local markets. BNY Mellon undertakes reviews of its sub-custodians on a regular basis. QCE operates a number of pooled client accounts with BNY Mellon which means that any assets held on your behalf with BNY Mellon are held in accounts containing assets owned by our other clients. These client asset accounts do not contain assets belonging to QCE.

The list of third parties with which client assets may be held by QCE is set out on our website: <https://www.quiltercheviot.com/car/>. These parties are independent of QCE. Clients should be aware that the list of third parties with whom client assets may be held is subject to change and clients should refer to our website for the most up to date list.

How does QCE monitor third party banks and custodians?

QCE's primary aim in relation to the selection of third parties for the holding of its clients' assets is to maintain the highest standards for those clients. This is achieved by conducting a rigorous and detailed due diligence review during the selection process prior to placing any client assets with the third party. Any third party nominated by QCE to hold client assets must be approved by a dedicated internal committee of QCE's parent company with appropriate representation from QCE. As well as performing an initial assessment, we conduct ongoing periodic reviews of these third parties in order to monitor their performance and continued appropriateness. Any third party we choose is appropriately authorised in the jurisdiction in which it is located and is also subject to appropriate client asset supervision. Additionally, we will only engage third parties on the basis of a detailed agreement setting out our respective rights and obligations and also ensure that either a funds facilities letter or a financial instruments facilities letter is in place prior to any deposit of client assets. These facilities letters set-out the contractual terms on which our clients' assets must be held by the third party in accordance with the CAR.

Prior to depositing client assets outside of Ireland, we will provide our client with a statement in writing setting out the relevant information. This statement will include an explanation that the client assets will be subject to the law of a jurisdiction other than Ireland and therefore the legal and regulatory regime applying to the third party with which those assets are held may be different to that of Ireland and therefore the rights of the client relating to those assets may differ accordingly. Under the CAR, we must obtain prior written consent from our clients before depositing their financial instruments with a third party outside of Ireland.

We will not deposit any client assets with a third party outside of Ireland which does not regulate the holding and safekeeping of client financial instruments or client funds unless the nature of the assets, or of the investment services connected to them, requires that they be deposited in such a country and the relevant client has given us prior written consent to such an arrangement.

QCE will not be responsible for any loss or damages suffered by you because of any error or action taken or not taken by any third parties holding client assets in accordance with the CAR, unless such loss or damage arises because we have been negligent or acted fraudulently. Should any third party holding client assets become insolvent, we will attempt to recoup such assets on behalf of our clients; however, if that third party cannot repay all the persons it owes, any shortfall may have to be shared proportionally between all its creditors (including our clients).

What other protections may be available?

If QCE was to become insolvent, you may be eligible to claim under the Investor Compensation Scheme. You will only have a right to compensation if you qualify as an eligible investor; and if we or another registered party is unable to return to you money or financial instruments that you are owed and if your loss is recognised by the Investor Compensation Scheme. The amount of compensation that you may receive will be 90% of the net amount you have lost or €20,000, whichever is less. Full details of the Investor Compensation Scheme are available on **www.investorcompensation.ie**. Any changes or updates to the scheme will be provided on the website.

If any third party holding client assets was to become insolvent the investor or deposit compensation scheme applicable in the jurisdiction where the client assets are held may apply. However, in some cases the nature of the third party client asset account we hold may not be eligible for compensation. Should you have any concerns regarding the compensation scheme arrangements that may apply to the client assets that we hold with third parties, we recommend that you take independent legal advice.

What are the main risks or limitations to safeguarding client assets?

You should note that while the CAR imposes obligations on firms to segregate client assets from their own assets and comply with other requirements, it does not protect or guarantee the value of the client assets and nor does it in any way seek to impose regulations on investments which may be unregulated or which may operate outside a regulatory environment.

The material risks relating to QCE's safeguarding of client assets are outlined below.

A. Counterparty Risk: This risk, also known as a default risk, is a risk that a counterparty will not pay what it is obligated to on a transaction pending settlement or the counterparty suffers an insolvency event or otherwise suffers from financial difficulties (default).



B. Operational Risk: This refers to the risk of loss resulting from inadequate or failed internal processes, people, systems, or from external events. For every investment firm, there is a risk that its people, processes and systems are imperfect, and that losses will arise from errors and/or ineffective operations.

C. Risk of Fraud: The risk of fraud and misappropriation relates to an intentional deception made for personal gain or to damage another individual. Fraud could be perpetrated internally or externally to the firm.

D. Risk of non-compliance: The risk of failing to meet the regulatory standards required and not complying with the rules. For every investment firm there is a risk of non-compliance which could incur a regulatory sanction.

E. Risk of Pooling: As described above client assets are held on a pooled basis so there is a risk that one client's assets will be used to fund another client's transactions or that, in the event of an insolvency event, the pool may have a deficit; meaning that losses would be applied on a pro-rata basis across all clients participating in the pool.

F. Risk of Secondary Pooling: The risk that a third party holding client assets on behalf of QCE becomes insolvent. Due to the pooled nature of client asset accounts, there is a risk that if that third party cannot repay all the persons it owes; any shortfall may have to be shared proportionally between all its creditors (including QCE's clients).

What are the main controls to safeguard client assets?

Whilst no investment firm can ever fully eliminate risk, QCE is required to put in place adequate policies, procedures and controls designed to comply with the provisions of the CAR.

Accordingly, we must monitor and evaluate the adequacy and effectiveness of our systems, internal control mechanisms and client asset arrangements. As part of this oversight we must ensure that systems and controls are implemented and maintained in accordance with the CAR, and take appropriate measures to address any deficiencies we identify.

To manage this on an ongoing basis we have a comprehensive system of internal controls and risk management processes. These are supported by policies and procedures and clearly defined governance arrangements. We have also implemented a robust oversight model over the relevant processes that are carried out on our behalf by third parties (including other entities within QCE's corporate group). All of these arrangements are periodically evaluated for adequacy and effectiveness.

Overall QCE's compliance with the CAR is overseen by its Head of Client Assets Oversight and QCE's Board is ultimately responsible. The Board has delegated day-to-day oversight to various other QCE (and Quilter Cheviot Group) Committees and Forums which are charged with governing QCE's client asset arrangements and reporting back to the Board.

In addition to ongoing oversight, QCE has in place a number of independent control functions that oversee the client asset controls in place. These include the Risk, Compliance and Internal Audit functions.

As QCE is subject to external supervision by the Central Bank of Ireland we must submit a Monthly Client Assets Report to the Central Bank. In addition, QCE's external auditors must perform an annual Client Assets Examination and the result of this examination must be provided to QCE's Board and to the Central Bank of Ireland.

Quilter Cheviot

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**To find out more please contact your investment manager
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quiltercheviot.com

Investors should remember that the value of investments, and the income from them, can go down as well as up and that past performance is no guarantee of future returns. You may not recover what you invest.

Quilter Cheviot and Quilter Cheviot Investment Management are trading names of Quilter Cheviot Limited, Quilter Cheviot International Limited and Quilter Cheviot Europe Limited.

Quilter Cheviot Limited is registered in England with number 01923571, registered office at Senator House, 85 Queen Victoria Street, London, EC4V 4AB. Quilter Cheviot Limited is a member of the London Stock Exchange, authorised and regulated by the UK Financial Conduct Authority and as an approved Financial Services Provider by the Financial Sector Conduct Authority in South Africa.

Quilter Cheviot Limited has established a branch in the Dubai International Financial Centre (DIFC) with number 2084 which is regulated by the Dubai Financial Services Authority. Promotions of financial information made by Quilter Cheviot DIFC are carried out on behalf of its group entities. Accordingly, in some respects the regulatory system that applies will be different from that of the United Kingdom.

Quilter Cheviot International Limited is registered in Jersey with number 128676, registered office at 3rd Floor, Windward House, La Route de la Liberation, St Helier, JE1 1QJ, Jersey and is regulated by the Jersey Financial Services Commission and as an approved Financial Services Provider by the Financial Sector Conduct Authority in South Africa.

Quilter Cheviot Europe Limited is regulated by the Central Bank of Ireland, and is registered in Ireland with number 643307, registered office at Hambleden House, 19-26 Lower Pembroke Street, Dublin D02 WV96.