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10 CLIENT ASSETS

10.1 Introduction

The Firm is permitted to control but not hold client money. If it (or any of its ARs) held client money, i.e. client money was paid into a named account of the Firm or its ARs, then this would be a breach of the Firm's scope of permission. In addition, CASS 7 rules apply to holding client money and therefore it is likely that the Firm would also be in breach of these rules.

Although the Firm's permission allows it to control client money, i.e. carry out activities on client money that is in a named account of the client, in practice it does not normally do this for clients. Where it is deemed to be doing so, in line with 10.3 below, it will comply with the 'mandate' rules at [CASS 8](#) including having a list of authorised signatories for any particular client and taking appropriate security measures on any payment instruments.

As a Firm with AIFM permission, technically this permission does permit the Firm to 'hold' client assets where its management activities come under AIFMD. However, it does not have this permission for MiFID management activities. Holding such assets normally means being appointed as custodian and responsible for both safeguarding and administration of assets. However, in practice, the Firm does not carry out this activity on behalf of any fund clients.

Client assets are deemed to be legal titles to any designated investments, i.e. for securities, either physical share certificates or dematerialised (i.e. electronic) securities. If the Firm is deemed to be holding, i.e. acting as custodian for client assets rather than the appointed custodian or administrator of a fund, CASS 6 rules may apply including the safekeeping and recording of any assets.

In the event that either the Firm or its ARs receive such assets on a temporary basis, these should either be forwarded to the relevant client as soon as possible, normally within 24 hours, where this is a 'third-party' client. Or where the client is an associated entity, this must be clearly allocated to a client's files (either online or physical) within the same timescales. Whilst doing so, in line with FCA Principle 10, these assets should be kept securely, and a record maintained.

For any firms that are deemed to be acting both as custodian and carrying out 'administration' on these client assets, CASS 6 rules in the [CASS sourcebook](#) will be directly applicable to that firm.

Otherwise, the Firm is permitted to arrange for the custody and control of client assets, i.e. appoint a custodian, but not hold the client assets, in which case the procedure below must be followed.

10.2 Procedure

It is important to note again at this stage that ARs are not permitted to conduct investment management activity or act with discretion in respect of investment decisions.

Each fund shall appoint an administrator who will be responsible for calculating the net asset value (NAV) and where relevant, a separate custodian may be appointed who will be responsible for custody of the assets/money.

In practice, the fund administrator will normally take responsibility for the reconciliation of investors' funds including the calculation of NAV. The majority of investment management decisions are taking place in unlisted securities or loans which are therefore not taking place on trading markets. However, in the unlikely position that trades in listed securities take place, the following procedure would also apply.

1. The investment manager must have a record of all trading orders in the 'trading book' at the time of placing orders on a trading market or immediately after.
2. Where relevant, and an order is placed on a trading market, at the end of a trading day a trade file including all executed orders in the day must be sent to the administrator and custodian by the investment team. In practice, this will be carried out by the AR as investment adviser to (not manager of) the fund client.
3. If relevant, where a trade is placed on a trading market, on the following day the team must obtain and reconcile any broker confirmations to the trade file. Any dealing errors/abnormalities must be brought to the attention of the relevant investment manager immediately who will record any such dealing errors in the dealing error register and address the error to ensure that the client has not been disadvantaged in any manner. All discrepancies are investigated.
4. At the end of any relevant period, the investment manager (or investment adviser where the fund is a client of the AR) will reconcile all cash and investment positions with the administrator before the administrator releases the NAV.

10.3 Mandate Authorities

If the Firm or its ARs are deemed to be controlling client money under CASS 8, the investment manager will maintain an up-to-date list of the authorities granted to the Firm by its clients and any restrictions that apply – whether internally or externally imposed.

Records will be kept of all transactions entered into, and of the internal controls that are in place to ensure that these transactions are within the scope of the authority granted to us. Any documents belonging to the clients should normally only be held by the administrator. In the unlikely event that the investment manager holds client documents on a temporary basis, these will be held and transferred securely as soon as possible.