

How we protect your money and assets

We take our responsibility to safeguard clients' money and assets extremely seriously. We want our clients to be confident that their money and assets are safe with us.

We are one of the UK's largest and longest-established providers of financial planning advice and discretionary investment services, helping clients to secure their financial future. We manage more than £12.2 billion¹ on behalf of individuals, families and trustees. Our business is managed conservatively with the aim of building long-term client relationships. We do not undertake principal trading by buying and selling investments for our own benefit; when trading we only do so as an agent for our clients.

We are a stable, cash generative and well-capitalised business, with a strong balance sheet. We have no external debt, and maintain a capital and liquidity position in excess of our regulatory requirements.

Financial Conduct Authority

Close Asset Management Limited ("CAM") is authorised and regulated by the Financial Conduct Authority ("FCA") and our conduct is subject to the FCA's rules including those for the protection of client money and assets ("CASS"). These rules require a strict separation of company and client money and assets. They also set out detailed requirements designed to ensure that we have robust procedures and controls in place. In the event of insolvency, client money and assets would be ring-fenced so that general creditors would have no legal right to these.

Our arrangements are designed to secure a high degree of protection for clients through diversification and prudent selection and monitoring of custodians, credit institutions and banks. Our philosophy is to select the safest possible counterparties, taking

into consideration such factors as strength of balance sheet, reputation, government backing (where applicable), management and market perception. Our client money and assets records are subject to regular reconciliations in order to ensure their accuracy.

You can check our regulatory status and permissions on the Financial Services Register at <https://register.fca.org.uk/>. Our firm reference number is 119329.

Client money

Any client money held by us is held in accordance with the provisions of the CASS rules. This means that client money is held by us on trust and segregated from our own money. This ensures that client money is ringfenced in the highly unlikely event of insolvency.

Onshore accounts – clients' money is held in the general pool in accounts at a number of banks and credit institutions. To ensure that client money accounts are separately identifiable from our corporate accounts, these accounts have trust status and "client account" in the account title. In the event of the default of a bank or credit institution (and if the client money protections fail), a retail client would be eligible to make a claim under the Financial Services Compensation Scheme ("FSCS"). Any claim would be subject to the appropriate FSCS eligibility rules and deposits limit which is currently £85,000 per person per company; therefore for a joint account the limit is £170,000. Please note that any other deposits you hold (either directly or indirectly) with banks that we use to hold client money will also be taken into account when calculating the applicable limit.

Banks and credit institutions are selected following a rigorous due diligence process. We look to provide a high degree of client money protection by diversifying client money balances with institutions that we believe to be UK "systemic" banks. Our policy is to ensure that, other than in exceptional circumstances and for periods of a short duration, each bank has no more than 20% of our client money deposits. Non-sterling balances are not a material percentage of the client money pool and are kept with the banks that we have selected to provide sub-custody for clients' overseas assets.

Offshore accounts – for our offshore clients, client money is held within a designated client money pool with a single bank. Offshore clients have provided written consent for their client money to be part of this specific pool. In the event of that bank's insolvency, clients can claim against this designated pool account and do not have a claim on the client money in the general pool used for onshore clients.

Client assets

Non-cash assets held on behalf of our clients are registered in the name of our wholly owned and controlled nominee, Lion Nominees Limited ("Lion") or are held by one of our approved sub-custodians. Lion is a non-trading company whose only purpose is holding assets on behalf of our clients; it does not incur trading liabilities of its own. Assets held by Lion are not pledged or used as collateral without the express instructions of the client.

Assets are held in a pooled account and entitlements are not identifiable by separate certificates or other documents of title. We maintain our own records to identify the extent of

¹ As at 31 July 2018.

each client's holdings in the relevant investments. Should there be a default by us, the nominee or its sub-custodian, any shortfall may be shared pro-rata among all clients whose investments are so registered.

Unit trusts and OEICs use a regulated depositary or trustee firm, independent of the fund management company, to hold the underlying investments within their funds. This means that if the fund management company gets into financial difficulty, investors' assets are protected.

Approved custodians or sub-custodians are selected by us following a rigorous due diligence process. The legal and regulatory regime applying to custodians in overseas jurisdictions may be different from that operating in the UK. We carry out regular reviews of our approved custodians in order to ensure that their service and infrastructure remains compliant with our obligations under CASS.

In the event you were to suffer financial loss as a result of us becoming insolvent, you would be able to claim under the investment business section of the FSCS. Any claim would be subject to the appropriate FSCS eligibility rules and investments limit which is currently 100% of the first £50,000 of loss per person, rising to £85,000 for claims on or after 1 April 2019.

Our understanding of current law (which can be subject to change) is that an administrator appointed to distribute client assets, in the event of insolvency, is able to recoup the costs of distributing those assets from the client assets pool. However, the FSCS would cover any costs of distribution of client assets by an appointed administrator, up to that overall investment limit for eligible claimants.

Governance

Our arrangements for the protection of client money and assets are subject to regular review by our Risk and Compliance Committee ("RCC") and its CASS Sub-Committee. The RCC is chaired by our Chief Executive and meets monthly. The CASS Sub-

Committee is chaired by the Head of CASS Oversight, who is responsible for the oversight of CASS compliance, and meets monthly. The CASS Sub-Committee's remit is to evaluate whether our CASS policies and procedures remain effective and to implement any changes that are required as a result of business or regulatory developments. In addition, our compliance team regularly monitors the effectiveness of the arrangements.

Furthermore, Close Brothers' Internal Audit department performs regular independent reviews of our CASS arrangements which are reported directly to the group's Audit Committee. An annual CASS audit is also performed by our external auditors. The auditors subsequently report their assessment of our compliance with our obligations to the FCA.

Close Brothers Group plc

Overview – We are a wholly-owned subsidiary of Close Brothers Group plc ("CBG"), a leading UK merchant banking group and a FTSE 250 company. Established in 1878, we believe our traditional merchant banking values, based on service and integrity, continue to be relevant today. CBG defines this approach to business as 'modern merchant banking' – values that are embedded in our culture and that underpin everything we do. CBG remains committed to its established business model focused on taking a sustainable approach to managing its business for the long-term. The aim is to deliver consistently high levels of service, building deep and sustainable relationships with clients and intermediaries. This client-focused approach is supported by a prudent funding, liquidity and capital position together with a low appetite for risk.

Further information on CBG's results, reports and corporate presentations is available at <https://www.closebrothers.com/investor-relations/investor-information/results-reports-and-presentations>.

Risk Management – CBG's board has overall responsibility for maintaining a system of internal control to ensure that an effective risk management and oversight process operates across the group. The risk management framework and associated governance arrangements are designed to ensure that there is a clear organisation structure with well defined, transparent and consistent lines of responsibility and effective processes to identify, manage, monitor and report the risks to which the group is, or might become, exposed. The risk framework, through key committees, including CBG's Risk Committee and Audit Committee, is the mechanism that ensures the board receives comprehensive risk information in a timely manner.

On an ongoing basis the Risk Committee, along with the Audit Committee, also reviews the adequacy and effectiveness of the group's risk management and internal control arrangements in relation to the group's strategy and risk profile for the financial year. This covers all material controls, including financial, operational and compliance controls.

Further information is available in CBG's Pillar 3 disclosures at <https://www.closebrothers.com/investor-relations/investor-information/results-reports-and-presentations>.

Please contact us if you require further information on the security of your money and assets.

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Close Brothers Asset Management is a trading name of Close Asset Management Limited (Registered number: 01644127) and Close Asset Management (UK) Limited (Registered number: 02998803). Both companies are part of Close Brothers Group plc, are registered in England and Wales and are authorised and regulated by the Financial Conduct Authority. Registered office: 10 Crown Place, London EC2A 4FT. VAT registration number: 245 5013 86.