

Security of Client Money and Assets

1. Introduction

This document is designed to confirm how your client's money and Assets are protected when they invest via the Wealthtime platform.

It is important for the reader to understand that this does not constitute Investment advice regarding the suitability of any Investment product to their personal circumstances, or to Financial Advisers on the merits and viability of any Investment products made available through the platform.

2. Regulatory Framework

Wealthtime (FCA reference number 481600) is authorised and regulated by the Financial Conduct Authority (FCA).

Wealthtime is required to adhere to the Client Asset rules set out in the FCA's Client Asset Sourcebook (CASS) and the overarching requirement of the FCA's tenth Principle for Business, 'A firm must arrange adequate protection for clients' Assets when it is responsible for them'.

Wealthtime takes its responsibilities in this regard extremely seriously and has considered how best to protect client money and Assets within the arrangements it makes.

Wealthtime complies with the requirements of CASS 6 (Safe Custody Assets) and CASS 7 (Client Money) in respect of segregation of these Assets from Assets belonging to Wealthtime itself and by maintaining accurate books and records in respect of those Assets. This ensures the client Assets for each underlying customer can be easily identified.

Wealthtime is currently classified as a 'medium' CASS firm under CASS 1A. Wealthtime has allocated to a sufficiently skilled senior manager, the prescribed role of overseeing the operational effectiveness of our systems and controls to achieve CASS compliance. They also have to report to the Wealthtime board in respect of this and submit the monthly Client Money and Asset Return (CMAR) to the FCA.

Wealthtime also maintains an accurate CASS Resolution Pack as required under CASS 10. Wealthtime is required to undertake an annual CASS reasonable assurance audit, conducted by our external auditors, PKF Littlejohn LLP. This must be submitted to the FCA within the prescribed four month deadline (from the end of the audit period).

3. Safe Custody Assets

We hold the majority of our client's safe custody Assets within three custodian nominee firms dependent on the tax status of those Investments:

- Novia Gross Nominees Ltd
- Novia ISA Nominees Ltd
- Novia Net Nominees Ltd (dependent on the tax status of those Investments).

These nominee companies are wholly owned subsidiaries of Wealthtime with the sole purpose of registering legal ownership of Investments held via the service. Beneficial ownership of the Investments always remains with the underlying client. Registration in the nominee company names means the safe custody Assets are segregated from our own Assets.

Safe custody Assets held via Wealthtime's third-party stock broking partner, Winterflood Business Services (WBS) will be held in their nominee, or a nominee of their sub-custodians and are distinguishable from Assets held for other firms. We conduct periodic due diligence on WBS in compliance with the CASS 6 rules for the use of third parties.

We conduct regular reconciliations between internal client level and nominee level records (internal custody Asset reconciliation), and nominee level records against the records held by third parties e.g. fund managers (external custody Asset reconciliation). This ensures the safe custody Asset records are accurate. We also perform reconciliations on Assets held with our sub-custodian, WBS. Any differences identified during the reconciliations are promptly investigated and resolved with shortfalls appropriately funded by Wealthtime, where required.

Assets that are held with Stocktrade fall outside of Wealthtime's CASS remit. The responsibility for protection of these Assets, in respect of the CASS rules will be with Stocktrade.

The Financial Services Compensation Scheme (FSCS) in the UK recognises nominee arrangements and will, in many cases, look through them to compensate the underlying beneficial owner of the Asset in the event the fund manager fails, or in the case where Assets are held through Wealthtime’s appointed subcustodian WBS, in the event of their failure.

Where a firm is unlikely or unable to meet its liabilities, the FSCS covers two kinds of Investment loss:

- When an authorised Investment company goes out of business and cannot return Investments or money.
- Loss arising from bad Investment advice or poor Investment management.

N.B.

- Exchange traded instruments are not protected by the FSCS. There would be no compensation in the event of the failure of an Exchange Traded Instrument.
- The main instances where claims may not be paid would be where the nominee held Asset is not in respect of an eligible claimant, or to the extent an individual claim exceeds the cover provided by FSCS. Eligible claimants are typically individuals and small companies. The maximum level of compensation available from the scheme for a claim against an Investment firm is £85,000.

For Investments held by Investment firms that are authorised outside of the UK, the compensation scheme of the home country dictates the limits of compensation and circumstances of payment if that firm were to default.

The Novia Offshore Bond is provided by RL360, on the IoM, where Investors are covered for 90% of the total Investment held if RL360 were to default. RL360, is deemed the Investor for compensation purposes. As an ineligible claimant for compensation under the UK or IoM schemes, monies held as Cash may be lost in the event the deposit taker fails.

4. Client Money

Client money held via Wealthtime is held within client money accounts with our banking partners which are subject to statutory trust, via the appropriate acknowledgement letter. This means that the money is segregated from Wealthtime’s own money and in the unlikely event of Wealthtime’s failure, all the deposits will remain in place with the banking partner, separate and safe from the claims of any of Wealthtime’s creditors.

When Wealthtime engages with a banking partner in respect of placing client money with them, it conducts due diligence to ensure their suitability. Once in place, periodic due diligence occurs on at least an annual basis. This due diligence is conducted in line with the requirements of the CASS rules and our own documented criteria. This ensures the financial strength and reputation of any of our banking partners is risk assessed and that they are suitable for our client’s money.

To reduce the impact of a secondary pooling event, whereby one of our banking partners ceases to trade, Wealthtime diversifies client money holdings across several banking partners, in accordance with prescribed limits that are monitored on a monthly basis. Part of our banking partner selection criteria is that we will only use banking partners with a UK banking license and are regulated by the PRA (Prudential Regulatory Authority) and/or the FCA. Under the FSCS, UK banks are covered for the first £120,000 per Investor, per authorised firm.

Country	Maximum Compensation	Notes
UK	£120,000	<ul style="list-style-type: none"> • Per Investor, per authorised firm • Joint account holders may claim up to £120,000 each. • Subject to the Investor being an eligible claimant.

Therefore, someone with £120,000 held with HSBC Bank Plc via Wealthtime will be entitled to £120,000 compensation if HSBC Bank Plc were to fail. If the Investor also held money themselves with HSBC's currently ringfenced bank, HSBC UK Bank Plc, then this money would be protected by the FSCS up to the £120,000 limit as these two banking entities are under different banking licences. However, some banks share protection across different brands, where they operate under one banking licence.

The individual position for your client can be confirmed via the Bank and Savings Protection Checker on the FSCS website. This is summarised in the table below:

The banking partners that we currently use are:

- HSBC Bank Plc (operational bank accounts).
- Investec Bank Plc (diversification accounts).
- Lloyds Bank Corporate Markets Plc (diversification accounts).
- Santander Financial Services Plc (diversification accounts).

5. Insolvency Impact Example

The following example relates to the insolvency of Beaufort Asset Clearing Services Limited (BACSL) in March 2018.

- BACSL was incorporated on 3 July 2008. Their principle activity was that of a clearing agent and custodian.
- On the 1 March 2018, the FCA placed Beaufort Asset Clearing Services Limited ('BACSL') into administration under the special administration regime.
- All Assets of BACSL were frozen including £500m of client Assets.
- In September 2018 the Court approved a distribution plan. Client Assets and money had been successfully secured with minimal shortfalls identified.
- Whilst winding up costs of circa £55m were charged to the client money estate, as per the special administration regime, the FSCS was able to make up most of any shortfalls on claims.
- In December 2020, the administrators, PwC announced that the winding up of BACSL had been approved and over 98% of clients received all or substantially all their portfolios.

5. CASS Oversight

Wealthtime also has a specific CASS Oversight Function, responsible for the oversight of the general day-to-day CASS functions and CASS governance to ensure our compliance with the CASS regulations. This is led by the Head of CASS Oversight role which is a certified role under the FCA's Senior Managers Certification Regime (SMCR).

The CASS Oversight function is part of the first line of defence and acts as a conduit for all second and third-line CASS monitoring activities and resultant actions, as well as for our external auditors and the annual CASS audit. The CASS Oversight function is also responsible for arranging and chairing the monthly CASS Governance Committee meetings, which have been granted a delegated authority from the Wealthtime executive committee.

If you require this document in an alternative format please contact us.

Wealthtime is a trading name of Novia Financial plc. Novia Financial plc is a private limited company registered in England and Wales. No. 06467886. Registered office: Royal Mead, Railway Place, Bath, BA1 1SR. Novia Financial plc is authorised and regulated by the Financial Conduct Authority. FCA Number 481600.

The Novia Offshore Bond is issued by RL360 Insurance Company Limited ('RL360') (RL360 is authorised by the Isle of Man Financial Services Authority and registered in the Isle of Man. No. 053002C Registered office International House, Cooil Road, Douglas, Isle of Man IM2 2SP) and is marketed and administered by Novia Financial plc, trading as Wealthtime.