

Asset protection summary

7IM portfolio securities and cash

Asset Category:	Securities held within a 7IM Portfolio	Cash held within a 7IM Portfolio
Custodian:	<p>Pershing Securities Limited (Pershing).</p> <p>Pershing is authorised and regulated by the Financial Conduct Authority (FCA).</p> <p>Pershing is ultimately a wholly owned subsidiary of Bank of New York Mellon Corporation. BNY is one of the largest custody service providers in the world; it is responsible for over US\$30 trillion of assets.</p> <p>7IM clients utilising the services of Pershing have a direct relationship with Pershing as the “Custodian” referred to in our client terms and conditions, which incorporate Pershing’s terms of business. By agreeing to our terms and conditions, clients necessarily enter into an agreement with Pershing.</p>	
Where are your investments and cash held?	<p>Securities are registered in the name of a nominee company controlled by Pershing or by a member of Pershing’s group.</p> <p>As Pershing’s nominee company is a non-trading entity used solely for holding investments separately, it does not carry on any other business and incur financial liabilities.</p>	<p>Cash held within portfolios is administered by Pershing.</p> <p>Pershing is authorised and regulated by the FCA with specific authorisation to hold and control Client Money.</p> <p>Pershing places client money awaiting reinvestment with third party banks. In order to protect clients’ cash, they have put in place a number of safeguards to mitigate risk.</p>
How are assets segregated?	<p>Pershing is authorised and regulated by the FCA and therefore subject to the rules of the FCA. The Client Assets module of the FCA Handbook requires that client assets are segregated from those of the regulated entity, i.e. Pershing and 7IM. This requirement is in place explicitly as a protection for investors in the event of the default of a custodian.</p> <p>It is an FCA requirement that the auditors of all regulated firms specifically report, annually, to the regulator regarding the adequacy of systems and controls applying to their custody activities.</p>	<p>Client money is held in a client money bank account, which is an account kept separate from Pershing’s own funds.</p> <p>Pershing uses a broad range of international banks and financial institutions to ensure that placements are well diversified from a risk perspective.</p> <p>It is an FCA requirement that the auditors of all regulated firms specifically report, annually, to the regulator regarding the adequacy of systems and controls applying to their custody activities.</p>

What happens in the event of a default?

In the event that Pershing was subject to an insolvency event, we would expect that the segregation arrangements explained above would preserve client assets and enable them to be returned to investors in due course by an administrator/ receiver.

The nominee structure means that, while 7IM can buy and sell assets as well as complete the necessary paperwork on your behalf, Pershing as custodian and 7IM recognise that clients retain beneficial ownership of the assets.

As Pershing is part of a major international custody services provider, the parent entity may take action to ensure the preservation and return of client assets in such a situation. Clearly, however, 7IM is not in a position to provide any detailed commentary or guarantee of such action; that would be a matter for BNY to consider.

The failure of 7IM would have no direct impact on the security or integrity of client assets.

In the event of the failure of Pershing to meet its obligations, the segregation of assets referred to above prevents access to them by administrators or receivers.

What compensation arrangements are in place?

In the unlikely event that client monies were lost during any default due to a failure to segregate assets, clients could make a claim on the Financial Services Compensation Scheme (**FSCS**). This scheme can pay out a maximum of £85,000 per person.

Client money is placed with banks on a pooled basis in Pershing's own name, segregated as client assets, but guidance from the FSCS is that, in the unlikely event of a default, the compensation scheme for deposits with banks would apply as if the cash were held on a non-pooled basis in the names of investors. It should be noted that this is guidance only and the FSCS reserves the right to determine eligibility for each case, applying eligibility criteria to any investor claims. The current limit on FSCS compensation for bank deposits is £85,000 per investor.

Useful links:

7IM:	www.7im.co.uk
Pershing:	www.pershing.com/uk/en
Bank of New York Mellon:	www.bnymellon.com
FCA Collective Investment Schemes Module:	http://fshandbook.info/FS/html/FCA/COLL
FCA Handbook, Client Assets Module:	http://fshandbook.info/FS/html/FCA/CASS
FSCS:	www.fscs.org.uk/