

Security of Investments

Client money and assets held by Walker Crips

We appreciate that, in the current financial and economic climate, you may have some questions regarding the security of investments held on your behalf by firms within the Walker Crips Group plc (WCG). We hope the information below will answer some of your questions.

WCG is an independent publicly quoted company. We are not owned by a bank, nor do we provide banking services. We take a long-term and prudent view to the way our business is run, as we do to the management of our clients' assets. Walker Crips Investment Management Limited (WCIM) is a wholly owned subsidiary of WCG, is authorised and regulated by the Financial Conduct Authority (FCA), and is the company that holds your assets.

How does Walker Crips hold my money?

WCIM holds all client money in accordance with the FCA client money rules which require us to hold clients' money separately from the firm's money.

We will use reasonable skill, care and diligence in the selection, appointment, periodic review, use and monitoring of any financial institutions which hold client money. For your protection, we pool client money and deposit between several banks which are banks fully authorised and regulated by the FCA.

In the unlikely event that any of these banks default, you would be entitled to claim compensation from the UK's Financial Services Compensation Scheme (FSCS)..

To facilitate settlement of client orders, client money may be transferred to banks which are regulated and fully authorised in other geographical jurisdictions. In the unlikely event that a non UK authorised bank defaults, deposits may not be protected under the FSCS but instead are protected by similar schemes operating outside of the UK, compensation amounts may however differ from those provided by the FSCS. To ensure these banks continue to meet the standards required by WCIM and the FCA we regularly monitor the performance and financial stability of these non UK authorised banks as well as performing necessary due diligence at least annually.

We have a signed written undertaking, from all banks where client money is deposited or held pending settlement of client orders that no right of offset exists. These undertakings further protect your deposits by ensuring that they cannot be used to offset any indebtedness of WCIM or any WCIM subsidiaries.

How much protection is provided for my money?

FSCS rules have fixed the maximum compensation limit for deposits covered under the scheme at £85,000 per person, per defaulting authorised institution.

In the event of default, by a bank protected under the FSCS, you need to be aware that the compensation provided under this scheme (up to a maximum claim of £85,000 per person) would compensate you for all losses you incur in respect of that institution. The total compensation you receive would therefore compensate you for losses to money deposited on your behalf by WCIM as well as losses to any deposits you have with that institution in personal accounts opened and operated by.

In the unlikely event of WCIM entering into default, the FSCS would provide compensation up to a maximum of £50,000 per person to cover losses you incur in respect of the total value of monies and assets you deposit with WCIM.

More information on this is available on the FSCS web-site as detailed below.

What about assets held by nominee companies?

As you are probably aware, WCIM uses nominee companies (primarily W.B. Nominees Limited) to register and administer holdings on our clients' behalf. All of these nominee companies are separate legal entities and do not trade. Your investments are held in pooled accounts with assets of other clients, meaning that individual customer entitlements may not be identifiable by either separate certificates, other physical documents of title or electronic record. In the event of an irrecoverable shortfall following the default of a custodian, this loss would be shared in proportion to your original share of the assets in the pool. A nominee company takes only the legal title to the assets with you, the client, retaining the beneficial ownership.

Clients' assets that are registered in the name of one of our nominee companies are held in trust and are not regarded by third parties as belonging to WCIM or WCG. In the extremely unlikely event that any of the firms within WCG defaults, clients' assets would remain entirely separate from those of the Group and could not be used to settle any debts accrued by the firm or the Group at the time of default.

In line with FCA requirements, we reconcile all clients' holdings at least once every month for dematerialised stock and every six months for certificated stock. Furthermore, all holdings must be confirmed with you, as the beneficial owner, on an annual basis.

In certain circumstances, primarily with securities held overseas, local law and regulations may mean that the investments have to be held in a name other than W.B. Nominees Limited. As a consequence your investments may not be segregated in the way outlined above and the protection may be less.

How much protection is provided for my Investments?

FSCS rules have fixed the maximum compensation limit for investments of £50,000 per person, per authorised firm. More information on this is available on the FSCS website as detailed below.

Additional assurances and controls for safeguarding Client Money and Investments

In addition to the measures described above, WCG offers the following assurances and controls for the safeguarding of Client assets:

- WCIM's client asset processes and compliance with FCA rules are audited annually by its statutory auditors, BDO LLP (BDO). A report detailing the findings of this audit is then sent to the FCA.
- WCIM is subject to the AAF 01/06 - assurance reports on internal controls in service organisations made available to third parties reporting framework. This framework is a voluntary arrangement overseen by the Audit and Assurance Faculty of the Institute of Chartered Accountants in England and Wales (ICAEW). BDO conducts an audit of the controls it has in place to protect your assets and publishes a report demonstrating the operational effectiveness of systems and controls in place at WCIM. This report is available on request.
- WCG has established an internal audit function which is operated by Smith & Williamson LLP. Internal audit carries out client asset related work as directed by the WCG Audit Committee, with results and recommendations provided for consideration.
- WCIM is required to submit a monthly Client Money and Assets return (CMAR) to the FCA, a requirement implemented by the regulator in October 2011. This is only a requirement for medium and large sized firms (as defined by the FCA). The purpose of the CMAR is to ensure that the FCA receives regular and comprehensive information from a firm which is authorised to hold clients assets.
- WCG also adheres to the FCA capital adequacy regulations under the Capital Requirements Directive which requires that we maintain a minimum level of financial resources at all times.

What about Walker Crips Group's security of assets?

As you would expect, WCG has taken great care to ensure the quality of its insurance provision. As a result, we have specialist indemnity cover in place that will protect us and our clients in the event of fraud, misappropriation or theft of any client's assets in our custody and control, including both cash and securities. We hope that this information has addressed any concerns you may have had about money or investments held by WCIM. If you still have questions, we should be happy to answer them and would ask you to contact your usual Account Executive in the first instance. Please also refer to the websites below:

FCA Consumer Website

www.fca.org.uk/consumer

Financial Services Compensation Scheme

www.fscs.org.uk

FCA notes on the Financial Services Compensation Scheme

www.fca.org.uk/consumers/complaints-and-compensation/how-to-claim-compensation/banking-and-saving