

**APT Wealth Management Limited  
Client Asset Key Information Document  
(CAKID)**

**October 2018**



## Dear Client

We are delighted to take the opportunity to give you some information on the products and services that we provide. APT Wealth Management Limited (the firm) is an investment firm authorised to hold client assets. APT Wealth Management Limited is regulated by the Central Bank of Ireland.

This document will set out key information for you as a consumer, if you have any questions or need more information we have a dedicated Investment and Compliance team on hand to answer any queries.

New Client Asset Regulations came into force 1<sup>st</sup> October 2015 under the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) Client Asset Regulations 2015 for Investment Firms since updated by the Investment Firms Regulations 2017 which are effective 3<sup>rd</sup> January 2018.

The regulations are in place to ensure that you and your assets are protected and safeguarded and to try to eliminate as much risk as possible for you the consumer. Although the Client asset regime cannot fully eliminate all risks relating to client assets e.g. fraud or negligence, they have put in place certain regulations to safeguard the handling of client assets. A copy of the regulations and guidance can be found on the Central Bank of Ireland's website.

<https://www.centralbank.ie/regulation/industry-market-sectors/client-assets>

## Key Features of Client Asset Regulations

There are 7 core features of the Client Asset Regulations which we will detail below

### **(i) Segregation**

Client Assets are held separately from the Firm's own assets. This ensures that in the event of the insolvency of the Firm your assets are safe guarded and are protected by any potential claim by creditors of the Firm.

The regulations ensure that your Client Assets are not used to fund any obligation to any another client.

### **(ii) Designation and Registration**

The Firm clearly identifies all Client Assets in its internal records and in the records of any relevant third party and ensure that they are identifiable from the Firm's own assets

### **(iii) Reconciliation**

The Firm keeps accurate books and records to enable it at any time and without delay to provide an accurate record including the total value of the Client Assets held for each client.

### **(iv) Daily Calculation**

The Firm performs a daily calculation to verify the amount held in its Pooled Accounts is equal to the amount recorded on its internal system.

The Client Funds held in segregated fixed deposit accounts is reconciled monthly. The amount of Client Funds held in unitised funds is reconciled monthly. This calculation is based on balances at the close of business the previous day and ensures that the Firm can re-produce a list of the Client Assets.

### **(v) Disclosure and Client Consent**

The Firm provides information to its clients showing where and how the Client Assets are held and the associated risks with each holding. This document and the APT Terms of Business provides information on the Firm's approach to managing Client Assets and the associated risks.

### **(vi) Risk Management**

The Firm ensures that it applies systems and controls to identify any risks under the client asset regime. It also shows how it mitigates these risks.

**(vii) Client Asset Examination**

The Firm shall ensure that its external auditor reports on the Firm's safeguarding of Client Assets on an annual basis.

**Warning**

The purpose of the Client Asset Regulations is to regulate and safeguard the Client funds and Client Financial Instruments held by APT. The purpose of this document is to inform clients about the arrangements that have been put in place by the Firm to safeguard your Client Assets.

The Regulations cannot protect the client from potential gross negligence, fraud or wilful default. The Client Asset regime does not protect you against changes in the value of your investments. In some cases you may hold some unregulated assets or be provided with services that are not regulated e.g. gold or property. Unregulated services and or assets are not covered by the Client Asset Regulations.

## What are Client Assets under the Regulations?



An investment firm holds client funds where the money has been lodged on behalf of a client of the investment firm in the name of the investment firm or any nominee of the investment firm and the investment firm has the capacity to effect transactions on that account.

Client Funds held by APT are funds held in either the pooled ARF or PRB accounts and deposits held in segregated deposit accounts.

Cheques received that payable to APT and cheques issued by APT until cashed are client Funds. Cheques that are made payable to third parties that are directly transmitted are not Client Assets.

All Client Funds received by APT shall be deposited in a Client Asset Account until invested as per the client's instructions. Until the investment decision is taken, the funds will be deposited within the timeframe permitted by the Client Asset Regulations in a designated Client Asset Account.

If it is specified in your instructions that the funds being deposited are for an unregulated service offered by the Firm, this deposit shall not be considered Client Assets and shall be held accordingly.

If APT receives funds where it is not clear which client owns such funds or there is insufficient documentation to identify the client who owns such funds APT, a determination within five working days from the initial receipt shall be made, in either identifying the client or returning the funds.

Client financial instruments for ARF and PRB clients are units held in Undertakings for Collective Investment in Transferable Securities with an investment fund manager.

## When do the Regulations apply?

All client funds received from a client for investment in either a regulated or an unregulated product shall be held in a Pooled Account pending investment. An investment firm is deemed to 'hold' client financial instruments where the investment firm-

- (a) has been entrusted by or on account of a client with those instruments, and
- (b) either

- (i) holds those instruments, including by way of holding documents of title to them, or
- (ii) entrusts those instruments to any nominee, and the investment firm has the capacity to effect transactions in respect of those instruments.

Client Assets cease to be Client Assets where:

- they are paid, or transferred, to the client whether directly or into an account with an eligible credit institution or relevant party in the name of the client (not being an account which is also in the name of the firm)
- where they are paid, or transferred, to a third party on the written instructions of the client and are no longer under the control of the firm. In addition, acting in accordance with the terms of an investment management agreement or the completion of an order or application form will be considered to be a request from the client to pay the client assets to the relevant third party.

Money transferred directly (or made payable in cheque form) to a stockbroker account is not covered by the protection of the client asset regulations as APT does not have control of the investments in these accounts.

Unregulated services and or assets are not covered by the Client Asset Regulations. For example investments in Gold and Silver bullion are not protected by the Client Asset Regulations. Client Assets received specifically for unregulated services are held separately from Client Assets that are protected under the Client Asset Regulations.

Property held by a client in their ARF is not subject to the Client Asset Regulations.

Income received from the rental of such properties will be held in an account separate to the Client Asset accounts.

## **Circumstances in which APT will hold Client Assets**

APT will hold Client Assets in a number of circumstances depending on the nature of the transaction undertaken.

### **Client Funds held by APT - Cash held in a pooled bank accounts**

Funds in these accounts can be received for onward investment. Funds received from the redemption of an investment prior to switching to another investment. Funds received from the redemption of an investment to pay APT fees. Funds received from the redemption of an investment to cover regular drawdowns.

### **Client Funds held by a third party - Deposit accounts**

In special circumstances APT will permit clients in its ARF product to hold funds in individual segregated deposit accounts. Deposits can only be held with an approved panel of banks. This panel is reviewed every six months by the Board of Directors of the Firm with appropriate analysis performed to satisfy itself that the controls in place within these organisations are robust in respect of the management of Client Assets.

### **Client Assets held by a third party – An Investment Fund Manager**

Clients with an APT ARF can hold units in funds managed by a range of investment managers selected by APT. Clients can also hold units in funds managed by other investment managers subject to APT's agreement. Clients with an APT PRB can hold units in a range of funds managed by a number of investment managers selected by APT.

### **Client Assets held in another jurisdiction**

Clients with an APT ARF can invest in the Standard Life Investments Global SICAV. Global Absolute Return Strategies Fund (GARs) fund. Units in this fund are held by the custodian The Bank of New York Mellon (Luxembourg) S.A.

## **The arrangements applying to holding of client assets and the relevant risks associated**

### **How APT holds Client Assets**

The firm holds Client Assets in a number of ways;-

#### **Pooled Bank accounts**

The pooled bank accounts operated by APT for its ARF and PRB products are all opened and maintained with Bank of Ireland. The accounts are designated under the firm's nominee company so that it is clear that they only contain client assets thus adding an extra layer of protection for you the client, for example;

**APT FS Limited ARF Client Asset Account**

**APT FS Limited PRB Client Asset Account**

#### **Segregated Deposit Accounts**

The segregated deposit accounts are with the APT approved panel of banks. These banks are Irish regulated except for Rabobank which is regulated in the Netherlands and a member of that countries deposit guarantee scheme which provides safeguards for Client Assets.

The panel of banks is reviewed on a regular basis by the firm and appropriate due diligence is conducted to ensure that they continue to be suitable to hold Client Assets.

#### **Financial Instruments**

All financial instruments are held in pooled accounts with the Investment managers. These accounts are designated under the firm's nominee company so that it is clear that they only contain client assets thus adding an extra layer of protection for you the client, for example;

**APT FS Nominees Limited ARF Client Asset Account**

**APT FS Nominees Limited PRB Client Asset Account**

When opening a Client Asset Account a facilities letter must be obtained in advance. This letter sets out the firm's relationship with a bank, investment manager and custodian.



### **Risks and controls to mitigate the risks**

An example of some of the risks that are applicable to Client Assets are mentioned below, the Client Asset Regulations aim to minimise the risks that could potentially affect client assets, however it should be noted that it cannot completely eliminate all risks.

#### **Counterparty Risk**

This is the risk that a counterparty will default on redeeming units invested or will abscond with client money. The risk of insolvency of the banks chosen by APT is considered to be low. The risk of insolvency by the investment managers chosen by APT is considered to be low.

Only reputable banks and Investment Managers are selected for client financial instruments.

Client assets are only invested with investment managers from a pre-approved list. This list is subject to constant review by management. However, in any firm there is always a potential risk of fraud, negligence or default

#### **Operational Risk**

This is the risk that insufficient internal processes, procedures will negatively impact client assets. The firm has comprehensive procedures, processes and checks in place to ensure that all procedures are kept up to date, reviewed and amended as needed. All procedures are subject to regular review.

#### **Risk of Fraud/ Negligence**

The risk of fraud negligence or default by APT is mitigated by strict internal controls and procedures. All payments require authorisation by two signatories. APT has procedures in place to ensure that no payments are made on behalf of a client unless the client has a sufficient balance to cover the payment.

### **IMPORTANT INFORMATION**

#### **Client Consent**

When signing the Firm's Terms of Business you agree to the following clause:-

In the case of pooled investments, your individual entitlements may not be identifiable by separate certificates, physical documents or equivalent electronic entries on the register.

In the event of an irreconcilable shortfall following any default of the eligible third party responsible for pooled investments, you may not receive your full entitlement and may share in that shortfall pro-rata.

You hereby consent to the holding of your assets in a Pooled Account as described above.

APT will use its best efforts and judgment and due care in carrying out its duties to a Client. However, APT will not be liable for any error of judgment or mistake of law or for any loss suffered by a Client save in respect of any matter resulting from gross negligence, fraud or wilful default in the performance of its duties to a Client.

### **Investor Compensation Act**

Where applicable to the product and/or service the Investor Compensation Act will apply. Further information is available from APT.

This document is reviewed as appropriate and at least annually as set out in the APT Client Assets Management Plan. The governance arrangements and appropriate role holders in the management of client assets are also set out in the Client Assets Management Plan.

Any material changes to this document shall be notified to clients within one month of the change having been made. Clients shall be notified in these circumstances of the changes made.

## Glossary

<b>“APT”, the “Firm” “we” “our” or “us”</b>	APT Wealth Management Limited
<b>“ARF”</b>	Approved Retirement Fund
<b>“Client Assets”</b>	Client Funds and Client Financial Instruments
<b>“Client Asset Account”</b>	<p>An account with a third party which has the following features:</p> <p>(a) is in the name of the investment firm or its nominee; and</p> <p>(b) includes in its title an appropriate description to distinguish assets in the account from the investment firm's own assets held elsewhere; and may include an account where the assets of multiple clients are held in the one account, this can also be known as a pools account;</p>
<b>“Client Asset Regulations”</b>	<p>On 2 January 2018, the Central Bank published the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Investment Firms) Regulations 2017 (SI 604 of 2017). These Regulations integrate updated versions of the Client Asset Regulations 2015 (SI 104 of 2015) and Investor Money Regulations 2015 (SI 105 of 2015), and came into operation on 3 January 2018.</p>
<b>“Client Financial Instruments”</b>	<p>A financial instrument as defined in Regulation 3(1) of the European Communities (Markets in Financial Instruments) Regulations 2007 (S.1. No.</p>

	<p>60 of 2007) and an investment instrument as defined in section 2(1) of the Investment Intermediaries Act 1995, which is held by an investment firm on behalf of a client and includes, without limitation, any:</p> <p>(a) client financial instrument that is held with a nominee; and</p> <p>(b) (b) claim relating to, or a right in or in respect of a financial instrument;</p>
<b>Pooled Account</b>	A Client Asset Account in which the Client Assets of more than one client are held
<b>“PRB”</b>	Personal Retirement Bond
<b>MiFID Regulations</b>	<p>The rules and regulations which apply to all authorised MiFID firms. SI No 60 2007 European Communities (Markets in Financial Instruments) Regulations 2007. Since updated by MiFID II effective as of 3<sup>rd</sup> January 2018.</p>



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