

## Central Securities Depositories Regulation

### What is the Central Securities Depository Regulation (CSDR)?

The CSDR is EU legislation which aims to harmonise the authorisation and supervision of EU Central Securities Depositories (CSDs). This regulation applies to UK CSDs under The Central Securities Depositories Regulations 2017.

CSDs are companies that facilitate the trading, settlement, and the safekeeping and protection of client's assets on behalf of firms such as IM Asset Management Limited. The regulation does this by introducing:

- shorter settlement periods;
- strict organisational, conduct of business and prudential requirements for CSDs;
- A requirement for firms to offer individual client segregation

This legislation only applies to securities that are traded and settled through Euroclear UK and Ireland Limited (EUI) using the Crest System which include, but are not limited to Equities, UK Government Bonds and Exchange Traded Funds (ETFs).

This document explains the different levels of segregation offered to clients and the protection, risks and associated costs that apply.

The UK's CSDs is Euroclear UK and Ireland Limited.

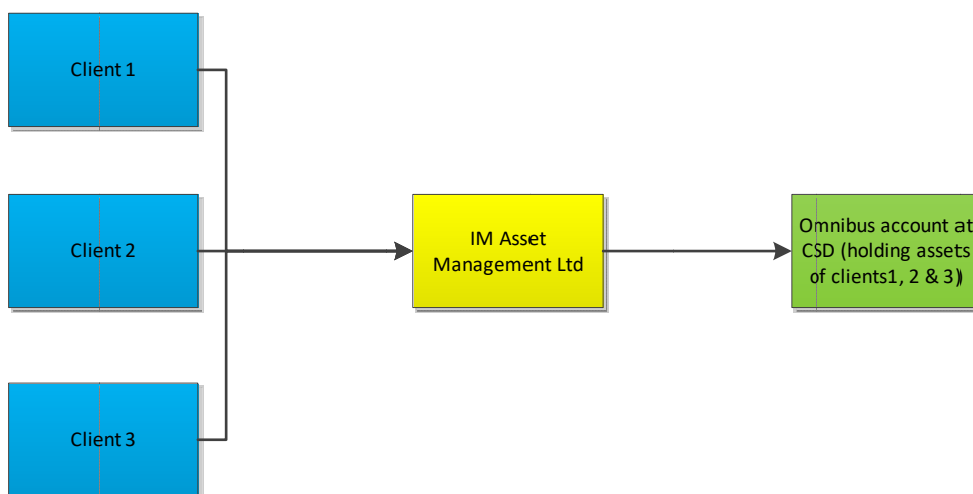
### What are the types of segregated accounts under CSDR?

CSDR requires firms, like IM Asset Management Limited, who trade through a CSD to offer its clients the choice between:-

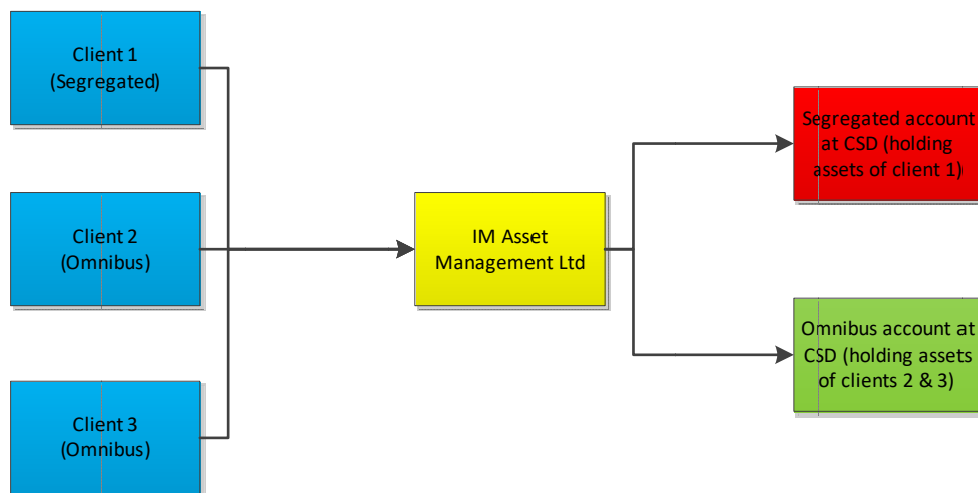
- an 'Omnibus Client Segregated Account' (OCSA) or an Omnibus Account, which is an account where securities for many clients are held on a collective basis and;
- an 'Individual Client Segregated Account' (ICSA) which is an account where securities of a single client are held separately from securities of other clients.

The structure of the two different accounts is illustrated below:-

#### Omnibus Client Segregated Account



## Individual Client Segregated Account



IM Asset Management Limited registers client securities at the CSD in the name of IM Asset Management Nominees Limited designated to an Omnibus Account or Individual Client Segregated Account. IM Asset Management typically holds all client securities in an Omnibus Account unless elected otherwise under the Discretionary Management Agreement, or any other agreement signed with us.

An Omnibus Account offers the advantages of simplified settlement, administration and reconciliation processing and all clients retain their anonymity (unless a statutory disclosure is required). The Omnibus Account is a simpler and therefore a more cost effective solution to managing a number of clients' securities.

An Individual Client Segregated Account is used to keep a client's investments separate from those of other clients. The account will bear a designation that will be unique to that client and only their investments will be held within that account.

## What benefits and risks does account segregation bring to clients?

The UK has a robust existing client asset protection regime that already provides a level of protection to securities held in an omnibus account and additionally firms are subject to regular external audits. As long as records are maintained in accordance with the Financial Conduct Authority's CASS Rules, clients should receive the same level of protection from both Omnibus Accounts and Individual Client Segregated Accounts.

In the unlikely event the firm did become insolvent, regardless of whether client securities are held in an Omnibus Account or an Individual Segregated Account, they do not form part of the firm's property and are therefore protected against any creditors making claims against these securities. Securities held in the name of the firm's Nominee Company are held for the benefit of its clients who retain full beneficial entitlement. However, there are limited situations in which this may not be the case. In the event of a shortfall, under England and Wales insolvency rules, the impact on an Omnibus Account and Individual Client Segregated Account is different:-

- In the case of an Individual Client Segregated Account, the whole of any shortfall on that account would be attributable to the client for whom the account is held. It would not be shared with other clients for whom securities are held, either within their own Individual Segregated Account or in an Omnibus Account. Similarly, the client would not be exposed to a shortfall on an account held for another client or clients.
- In the case of an Omnibus Account the impact of any shortfall is shared among all clients, proportionate to their holdings.

Security Interests are a consideration when comparing an Individual Client Segregated Account against an Omnibus Account. How the firm deals with Security Interest are covered in a client's Investment Management Agreement with the firm.

## **Are firms likely to impose higher costs for holding an Individual Client Segregated Account?**

In general, the costs are higher for maintaining an Individual Client Segregated Account over an Omnibus Account due to the increased operational complexity, the time taken to administer that account and the costs associated with setting up and maintaining an individual account. IM Asset Management Limited will be charging a quarterly fee for this service. Clients will be informed of this charge before opening an Individual Client Segregated Account.

Account opening fees may be charged by the CSD for an Individual Client Segregated Account, and clients could be subject to the following fees imposed by the CSD on each account:

- a fixed one off account opening fee; and
- a fixed monthly account maintenance fee

IM Asset Management Limited does not currently intend to change the existing Omnibus Account cost structure, and does not currently add any charges levied by our UK CSD, Euroclear UK and Ireland Limited.

The costs in this section only refer to the segregation of a client account held with a CSD, it does not relate to our Portfolio Management Fee or Ongoing Advice Charge.

**Disclaimer** This Disclosure is required by UK and EU law and relates to IM Asset Management Limited and its associated nominee company, IM Asset Management Nominees Limited. Throughout this document references to "we", "our", "us" and "IMAML" are references to IM Asset Management Nominees Limited, acting as participant in the relevant Central Securities Depository "CSD" or IM Asset Management as provider of financial services.

This document is not intended to constitute legal or other advice and should not be relied upon as such. Clients should seek their own legal or other advice if they require any guidance on the matters discussed in this document.