

# Client Assets Key Information Document

December 2017

Goodbody Stockbrokers UC (“Goodbody Stockbrokers”) is a member of the FEXCO Group of companies and is regulated by the Central Bank of Ireland. For the purposes of this document the term “Goodbody” means any one, each or all of Goodbody Stockbrokers, a nominee company wholly owned by Goodbody Stockbrokers or a nominee company controlled by an eligible custodian or clearing house. This document provides you with key information in relation to how your assets will be held by Goodbody. This document is not marketing material. The information is required by law, pursuant to the Client Asset Regulations 2015 for Investment Firms (the “Regulations”), to help you understand how and where your assets will be held and the resulting risks arising from that along with the procedures in place in order to mitigate those risks. You are advised to read this document, prior to signing the relevant agreement with Goodbody, so that you are aware of how your assets will be held, the risks resulting from that and whether and when the protections available under the Regulations will apply or not to your assets that will be held by Goodbody.

## A. Key Features of the Regulations

The Regulations form part of the client asset protection regime introduced by the Central Bank of Ireland in 2007 under Regulation 79 of the European Communities (Markets in Financial Instruments) Regulations 2007 (“MiFID”) the purpose of which is to regulate and safeguard the handling of client assets by investment firms regulated by the Central Bank of Ireland. The Regulations are designed to strengthen the safeguards around the holding of client assets by regulated investment firms. The client asset regime provides for a framework based on what the Central Bank of Ireland regards as the seven core client asset principles of a client asset regime. These principles form the basis of the requirements which an investment firm must comply with in relation to the holding of client assets. In summary they are as follows:

### 1. Segregation

Investment firms should physically hold, or arrange for the holding of client assets separately to the firm’s own assets and maintain accounting segregation between the firm’s own assets and client assets.

### 2. Designation and Registration

Investment firms should ensure all client assets are clearly identified in its internal records and the records of third parties. The client assets must be held in a designated client asset account and be identifiable from a firm’s own assets.

### 3. Reconciliation

A firm should keep accurate books and records as are necessary to enable it, at any time, without any delay, to provide an accurate, independent record of the client assets held for each client and the total held in the client asset account. The firm should also perform a reconciliation between its internal records and those external records of any third party with whom client assets are held.

### 4. Daily Calculation

Each working day the firm should ensure the aggregate balance on its client asset bank accounts as at the close of business on the previous working day is equal to the amount of funds it should be holding on behalf of its clients.

### 5. Client Disclosure and Client Consent

Investment firms should provide information to their clients informing them as to how and where their client assets are held and the resulting risks from that. Firms are required to provide their retail clients with a Client Assets Key Information Document. Retail clients are defined in MiFID as those clients who are not professional clients. There are also a number of instances when a client’s consent needs to be obtained as to how their assets are held by or on behalf of a firm or where certain actions are to be taken in relation to those client assets.

### 6. Risk Management

Investment firms should ensure that systems and controls appropriate to identify risks in relation to client assets are established, applied and any mitigations to counteract these risks should be implemented. Firms are required to appoint a person to the role of Head of Client Asset Oversight, who is responsible for ensuring the firm complies with its obligations under the Regulations. Further to this, a firm that holds or intends to hold client assets is required to adopt a Client Asset Management Plan.

### 7. Client Asset Examination

Investment firms should engage its external auditor to report to the Central Bank of Ireland at least on an annual basis on the firm’s safeguarding of client assets.

The full text of the Regulations is available on the Central Bank of Ireland’s website, [www.centralbank.ie](http://www.centralbank.ie)

The Central Bank of Ireland has issued guidance, which may be updated from time to time, to assist investment firms to interpret and to comply with the Regulations. The full text of this guidance is available on the Central Bank of Ireland’s website, [www.centralbank.ie](http://www.centralbank.ie)

While the purpose of the client asset regime is to regulate and safeguard the handling of client assets, it should be borne in mind that it can never fully eliminate all risks relating to client assets e.g. fraud, negligence etc.

## B. What are Client Assets?

Under the client asset regime, client assets consist of client funds and client financial instruments.

Client funds means any funds, to which a client is entitled to, received from or on behalf of a client, or held by Goodbody on behalf of a client. This includes cheques or other payable orders and electronic fund receipts.

It may be the case that funds received by Goodbody from a client are made up of funds that are client funds and funds that are not client funds. In this situation the client asset regime will only apply to the funds received that are deemed to be client funds.

Client financial instruments means financial instruments such as shares, bonds, unit trusts and other instruments held by Goodbody on behalf of a client. This includes any claim, right or entitlement relating to or in respect of a client financial instrument.

**Clients should be aware that the above examples are not exhaustive and if Goodbody is in doubt as to whether something is a client financial instrument or not and whether the client asset regime applies or not, Goodbody will be prudent in its approach and will act in the best interests of its clients.**

Clients should be aware that the client asset regime does not relate to the value of a client investment.

## C. Application of the Regulations

The circumstances in which the client asset regime **will apply** are as follows:

### (i) Client funds

Goodbody will be deemed to hold client funds and therefore those client funds will be subject to the client asset regime where:

- funds have been lodged on behalf of a client of Goodbody to a client asset account maintained by Goodbody in the name of Goodbody with an eligible third party under the Regulations.
- Goodbody is able to effect transactions on that client asset account.

### (ii) Client financial instruments

Goodbody will be deemed to hold client financial instruments and therefore those client financial instruments will be subject to the client asset regime where:

- the client financial instruments have been entrusted to Goodbody by or on account of a client of Goodbody; and
- Goodbody holds those client financial instruments, including by holding the documents of title to them.
- Goodbody is able to effect transactions in respect of those client financial instruments.

Some of the circumstances in which the client asset regime **will not apply** are as follows:

- in respect of funds received exclusively for an activity of Goodbody that is not a regulated financial service;
- where a client of Goodbody transfers full ownership of client assets to Goodbody for the purpose of securing or otherwise covering present or future, actual or contingent or prospective obligations as such client assets should no longer be regarded as belonging to the client;
- where Goodbody receives a cheque, or other payable order made payable to a third party and Goodbody directly transmits that cheque or other payable order to that third party;
- where funds are due and payable to Goodbody itself in accordance with certain provisions set out in the Regulations and the guidance; and
- where a cheque or other payable order received is not honoured by the paying third party.

Some of the circumstances in which client assets **will cease to** be client assets and therefore no longer subject to the client asset regime are as follows:

- where the client assets are paid, or transferred, to the client whether directly or into an account with a third party in the name of the client (not being an account which is also in the name of Goodbody); and where the client assets are paid, or transferred, to a third party on the instruction of the client and are no longer under the control of Goodbody.

Client assets may also not be subject to the client asset regime due to the nature of how the assets are held. An example of this is where the client holds the asset in a share certificate in the client's own name, and Goodbody is not holding it in its safe custody arrangements.

**Clients should be aware that the above examples are not exhaustive and if Goodbody is in doubt as to whether the client asset regime applies or not in relation to client assets, Goodbody will be prudent in its approach and will act in the best interests of its clients.**

## D. Holding of Client Assets

Goodbody is deemed to hold client assets where they have been lodged or entrusted to Goodbody by or on behalf of a client and where Goodbody holds those client assets on behalf of that client.

In circumstances where Goodbody receives funds which comprises of a mixture of client funds and other funds (e.g. funds for unregulated financial services), it shall first pay all of the funds into the client asset account and subsequently withdraw such funds which has been identified as non-client funds. Where Goodbody receives client funds but is not in a position to identify which client owns such client funds, Goodbody will instruct the return of those client funds within 5 working days of receipt.

Client financial instruments must be clearly distinguished from other financial instruments and all title documents relating to client financial instruments shall be held by Goodbody. Sufficient records should be kept in relation to receipt, registration, retention and withdrawal of such instruments.

In the event that client assets are received by Goodbody and the documentation relating to that client account does not comply with that required, then the client assets will be returned following receipt.

### How client assets will be held by Goodbody

#### 1. Goodbody holds client assets itself

##### (a) Client funds

Goodbody may hold client funds for a period of up to 24 hours from the initial receipt of the client funds before the client funds are lodged in bank accounts in the name of Goodbody that are designated as client asset accounts held with a variety of eligible third parties.

##### (b) Client financial instruments

Client assets are held with third parties under the control of Goodbody and are held in designated client asset accounts.

Documents of title, including share certificates, are held in a secure safe with restricted access.

#### 2. Client assets held through a third party e.g. an eligible entity (i.e. a regulated bank) under the Regulations or an eligible custodian

Prior to first receiving client assets which are to be held by a third party, Goodbody will inform the client in writing of certain information in relation to that third party including the name and address of the third party, the measures taken by Goodbody to ensure the protection of the client assets and any relevant investor compensation scheme applicable to Goodbody.

Goodbody's policy in relation to the selection of third parties is to maintain the highest standards for its clients, this is achieved by conducting a detailed due diligence review during the selection process. Goodbody's aim is that with prudent use of selected third parties it delivers a high quality service to its clients whilst maintaining critical oversight of its functions. This in turn will allow Goodbody to meet its responsibilities as a firm to comply with regulatory requirements and mitigate against risk. Any third party nominated by Goodbody to hold client assets must be approved by a dedicated internal committee of Goodbody.

The policy of Goodbody will be to deposit client assets with a third party where the following criteria are met:

- (i) Goodbody is satisfied that the client's rights are not affected by any legal, regulatory or market practices relevant to the holding of client assets with that third party; and
- (ii) Goodbody has exercised due skill, care and diligence in the selection and appointment of that third party; and
- (iii) Goodbody is satisfied that the third party can hold client assets in designated client asset accounts in accordance with the Regulations. Clients should be aware that as an exception to this criteria (iii) and in relation to client financial instruments, it may not be possible under the law of the jurisdiction in which client financial instruments are held with a third party for them to be held in a way that they can be separately identifiable from the financial instruments of the third party or Goodbody. Clients should be further aware that, in such a scenario, certain additional risks may arise in relation to how such client financial instruments are held.

(i), (ii) and (iii) above are together the **"third party assessment criteria"**.

Client assets are held with third parties under the control of Goodbody and are held in designated client asset accounts. Each of these third parties is a regulated entity with either the Central Bank of Ireland or an equivalent European Economic Area ("EEA") or United States ("US") regulator. The third parties are either subject to the client asset regime in Ireland or governed by similar regimes with equivalent protections in other EEA states or in the US.

Goodbody will ensure that a funds facilities letter or a financial instruments facilities letter is entered into with the third party holding client assets and that regular reviews are carried out to ensure compliance with the Regulations. This letter is an agreement which sets out the terms on which the client assets are held by the third party in accordance with the Regulations.

Goodbody has outsourced its clearing, settlement and safekeeping arrangements to Pershing Securities International Limited ("Pershing"), which is ultimately owned by The Bank of New York Mellon. Pershing is independently regulated by the Central Bank of Ireland and is a member of the Irish Stock Exchange.

### 3. Client assets held in another jurisdiction

Prior to depositing client assets outside of Ireland, Goodbody will provide the client with a statement in writing before taking any action in relation to those client assets setting out certain information including that the client assets will be subject to the law of a jurisdiction other than Ireland, that the legal and regulatory regime applying to the third party with whom the client asset account is held may be different to that of Ireland and that the rights of the client relating to those client assets may differ accordingly. Goodbody must obtain the prior written consent of the client before depositing client financial instruments with a third party outside of Ireland.

Goodbody will not deposit any client assets with a third party outside of Ireland which does not regulate the holding and safekeeping of client financial instruments or client funds unless the nature of the client assets or of the investment services connected to those client assets requires that the client assets be deposited in such a country and the client has given prior written consent to such an arrangement.

Where client assets are held outside of Ireland the Compensation Scheme relevant to that jurisdiction should apply to the holding of those client assets. Should you have any concerns regarding the Compensation Scheme arrangements that may apply where client assets are held outside of Ireland we recommend that you take independent legal advice.

## E. Arrangements for the Holding of Client Assets

Please also refer to the information contained in section D.

### (a) Client funds

Client funds are held in bank accounts in the name of Goodbody and are designated as client asset accounts. These funds are held with a variety of institutions. This currently includes regulated financial institutions in Ireland and the EEA. Further details are available on request from Goodbody or in the relevant client agreement.

### (b) Client financial instruments

Financial instruments such as shares, bonds, unit trusts and other instruments may be registered in the name of Goodbody and may be held electronically or in physical form. The third parties with whom client assets are held in electronic form includes Bank of New York Mellon Limited and Clearstream Banking Luxembourg. Euroclear UK and Ireland (CREST) is the electronic registration and settlement system for certain financial instruments in the UK and Irish marketplace. It provides Goodbody, as a CREST member, with a means to hold financial instruments securely in an electronic form on behalf of its clients. Unit Trusts may also be held by reputable fund managers/administrators on their register. Documents of title, including share certificates, are held in a secure safe with restricted access.

The third parties with whom client assets may be held are set out below:

Funds		
Trading Name	Registered Address	Internet Address
Allied Irish Banks plc	Bankcentre, Ballsbridge, Dublin 4, Ireland	www.aib.ie
Bank of Ireland	Head Office, 40 Mespil Road, Dublin 4, Ireland	www.bankofireland.com
Barclays Bank plc	1 Churchill Place, London E14 5HP, United Kingdom	www.barclays.co.uk
BNP Paribas	16 Boulevard des Italiens, 75009 Paris, France	www.bnpparibas.ie
Citibank Europe plc	1 North Wall Quay, Dublin 1, Ireland	www.citibank.com
Danske Bank	3 Harbourmaster Place, IFSC, Dublin 1, Ireland	www.danskebank.ie
Deutsche Bank AG	Taunusanlage 12, Frankfurt am Main, Germany	www.db.com
Goldman Sachs International Bank	Peterborough Court, 133 Fleet Street, London, EC4A 2BB, United Kingdom	www.goldmansachs.com
Investec Bank Ireland plc	The Harcourt Building, Harcourt Street, Dublin 2, Ireland	www.investec.ie
KBC Bank Ireland plc	Sandwith Street, Dublin 2, Ireland	www.kbc.ie
KBC Bank NV	Havenlaan 2, B - 1080 Brussels, Belgium	www.kbc.com
Lloyds Bank plc	25 Gresham Street, London, EC2V 7HN, United Kingdom	www.lloydsbank.com
NatWest	135 Bishopsgate, London EC2M 3UR, United Kingdom	www.natwest.com
Permanent TSB plc	56 - 59 St. Stephen's Green, Dublin 2, Ireland	www.permanenttsb.ie
The Bank of New York Mellon Limited	1 Wall Street, New York, NY 10286, United States of America	www.bnymellon.com
Ulster Bank Ireland Limited	Ulster Bank Group Centre, George's Quay, Dublin 2, Ireland	www.ulsterbank.com
Financial Instruments		
Clearstream Banking Luxembourg	Head Office, 42, Avenue JF Kennedy, Luxembourg	www.clearstream.com
Euroclear UK & Ireland	Watling House, 33 Cannon St, London EC4M 5SB, United Kingdom	www.euroclear.com
Pershing Securities International Limited	Sir John Rogerson's Quay, Grand Canal Dock, Dublin 2, Ireland	www.pershing.co.uk
The Bank of New York Mellon Limited	225 Liberty Street, New York, NY 10286, United States of America	www.bnymellon.com

**Note: The above third parties are independent parties of Goodbody**

**Clients should be aware that this list of third parties with whom client assets may be held is subject to change over time. The current list of third parties with whom client assets may be held is available on our website, [www.goodbody.ie](http://www.goodbody.ie)**

## Risks and controls to mitigate those risks in relation to the arrangements for the holding of client assets

The risks in relation to the arrangements for the holding of client assets by Goodbody is that client assets may be misappropriated either through intentional or unintentional actions from an external or internal source. A further risk is the failure to meet the regulatory standards required and incurring sanction arising from control failures or regulatory inspections.

Client funds and client financial instruments are safeguarded and ring-fenced in client designated accounts and segregated from Goodbody's assets. This segregation is in place both in the third parties and Goodbody's records. Goodbody employs extensive control and risk management processes to comply with the client asset regime. These are supported by clearly defined processes and procedures. All client asset accounts are administered by Goodbody.

Client bank accounts are reviewed and reconciled on a daily basis. All accounts which hold client financial instruments are reviewed and reconciled on a monthly basis. Certificates are also reconciled on a monthly basis. Any material items identified are reported to the relevant board of Goodbody and the Central Bank of Ireland.

Goodbody performs a risk assessment of the third parties that hold client assets on a six-monthly basis.

In addition to the Goodbody internal audit function and the normal regulatory inspections, client asset accounts are audited on an annual basis by external auditors to examine compliance with regulatory requirements and to report on same to the Central Bank of Ireland.

Client funds and financial instruments will not form part of the assets of Goodbody in the unlikely event of a liquidation of Goodbody and/or the FEXCO Group, being the group of companies that Goodbody is a member of.

**Clients should be aware that the information set out in this document in relation to the application of the client asset regime by Goodbody, when it applies and how client assets are determined and dealt with by Goodbody is not exhaustive. It should be noted that in relation to all matters concerning client assets and the application of the client asset regime, Goodbody will be prudent in its approach and will act in the best interests of its clients.**





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Goodbody Stockbrokers UC registered in Ireland No. 54223. Registered Office: Ballsbridge Park, Ballsbridge, Dublin 4, Ireland. VAT Reg No. 1410304P.

Goodbody Stockbrokers UC, trading as Goodbody, is regulated by the Central Bank of Ireland. In the UK, Goodbody is authorised and subject to limited regulation by the Financial Conduct Authority. Goodbody is a member of the Irish Stock Exchange and the London Stock Exchange. Goodbody is a member of the FEXCO group of companies. 000675\_1217

