

Asset protection summary

7IM Model Portfolios on the 7IM Platform

Asset Category:	7IM Model Portfolios administered via the 7IM Platform
Structure:	<p>It is important to acknowledge that model portfolios are a service not a product and it is not therefore feasible or appropriate to summarise the protections in place in respect to all constituent investments within the service as there will be a wide, and regularly changing, portfolio of underlying securities.</p> <p>In general the 7IM Model Portfolio Service uses funds which are authorised under the UCITS Directive and which therefore involve various parties which have clear regulatory obligations to maintain the security of assets which are independent of the respective fund managers.</p>
Title Records:	<p>In common with all assets which are administered on the 7IM Platform title to securities within model portfolios are held in custody by Pershing Securities Limited (“PSL”) in their nominee vehicle which a non-trading company. The relationship between 7IM and PSL is described as Model B, which means that PSL has a clear legal relationship with and obligations to individual clients; these are included within 7IM’s Terms and Conditions.</p> <p>PSL is obliged under the Rules of the Financial Conduct to maintain custody assets separately from its own; this requirement is in place explicitly as a protection for investors in the event of the default of a custodian.</p>
Underlying Assets of Constituent Investments:	<p>As highlighted above the investments which form the 7IM Model Portfolios will generally be UCITS Funds. In common with all funds authorised under that regime there will be a custodian which is independent of the fund manager. It is not part of the investment process to consider the identity and processes of those custodians; we have to rely on the effectiveness of the regulations and the various organisations that are involved in management and operations of these funds.</p>
Depository and Custody Functions:	<p>The Depository has a key role in the oversight of the investment management of the fund and also of the activities of the custodian. Its responsibilities are detailed within the COLL Section of the Financial Conduct Authority (FCA) Handbook.</p> <p>The Depository and Custodian for each of the UCITS funds used in the construction of model portfolios is publicly available information; they will be identified within the prospectus of each fund. Should investors wish to inspect these documents the most appropriate route would be via the website of the relevant fund manager to ensure that up to date documents are being viewed.</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. This will apply in this context to both PSL and to the custodians to individual funds.</p>

Effects of the Failure of Various Parties:

As explained above 7IM holds no assets and its failure, while no doubt administratively inconvenient, would have no implications for the security of assets.

Similarly the fund managers of constituent investments would not hold any of the underlying assets as they would be in the care of the custodian. The risk therefore lies with the PSL as custodian of title to shares in underlying investments and the various custodians appointed to safeguard the underlying assets of investee funds.

Should one of those fail then the segregation of assets required act to protect investors' interests. In the event that client assets were lost during any default due to a failure to segregate assets, eligible investors may be able to make a claim on the Financial Services Compensation Scheme ("FSCS"). This scheme can pay out a maximum of £85,000 per person for any single regulated entity that defaults on its obligations.

In the context of this service it is almost certain that a number of the underlying investments will use the same custodian. In the event of the default of a custodian our interpretation of the terms of the FSCS Rules is that only one claim could be made per investor regardless of whether different fund managers were involved as the claim would be in respect of a single entity. This interpretation has never been tested by a default event in this scenario and we cannot therefore be certain that the FSCS would adopt this approach.

Useful links:

7IM

FCA Handbook, Client Assets Module:

FCA Handbook, Collective Investment Schemes Module

FSCS:

www.7im.co.uk<http://fshandbook.info/FS/html/FCA/CASS><https://www.handbook.fca.org.uk/handbook/COLL>www.fscs.org.uk