

# Client Assets Key Information Document (CAKID).

## Introduction.

Harvest Financial Services Limited (HFS) is deemed authorised by the Central Bank of Ireland (CBI) under the European Union (Markets in Financial Instruments) Regulations 2017 (MiFID) as an investment firm to provide investment services and to hold client funds.

As an investment firm HFS is required to comply with applicable Irish and EU Client Asset Requirements (the CARs). Where HFS receives and / or holds client funds, HFS will only do so in accordance with the CARs. In compliance with the CARs, HFS must provide a CAKID to retail clients in a timely manner.

## An explanation of the key principles of the CARs.

The CARs govern the protection and safeguarding of client assets and are based on seven key principles which can be summarised as follows:

1. Segregation.	An investment firm shall hold client assets separate from its own assets.
2. Designation and registration.	An investment firm shall ensure that client assets are clearly identified in its internal records and in the records of third parties i.e. the client assets must be identifiable and separate from its own assets.
3. Reconciliation.	An investment firm shall keep accurate records to enable it to provide an accurate record of the client assets held by it for each client. In addition, an investment firm shall conduct reconciliations in a timely manner of its internal records against the records of third parties.
4. Daily calculation.	An investment firm shall ensure, each working day, that the aggregate balance in its client asset accounts as at the close of business on the previous working day is equal to the amount it should be holding on behalf of its clients.
5. Client disclosure and consent.	An investment firm shall provide information to its clients to inform them on how and where their client assets are held and the resulting risks. In addition an investment firm shall inform its clients in a CAKID of the circumstances in which the CARs will apply and will not apply.
6. Risk management.	An investment firm shall ensure it applies systems and controls that are appropriate to identify risks in relation to client assets. In addition, an investment firm shall put in place policies, procedures, processes and controls to counteract the identified risks.
7. Client asset examination.	An investment firm shall engage an external auditor to report at least on an annual basis on its protection and safeguarding of client assets.

The CARs and other documents produced by the CBI regarding the CARs can be found on the CBI's website at: <https://www.centralbank.ie/regulation/industry-market-sectors/client-assets>.

## What constitutes client assets under the CARs?

Client assets under the CARs are client funds and client financial instruments where:

- client funds mean any money, to which the client is beneficially entitled, received from or on behalf a client for an investment service or held by the investment firm on behalf of a client for an investment service e.g. cash, cheques, other payable orders, etc.; and
- client financial instruments mean financial instruments as defined in MiFID and investment instruments as defined in the Investment Intermediaries Act 1995 (IIA) which are held by an investment firm on behalf of a client e.g. equities, listed corporate bonds, tracker bonds, etc.

## The circumstances in which the CARs apply.

The CARs apply when HFS as an investment firm provides the investment services of deposit agent / broker, investment advice and / or receiving and transmitting orders in relation to client funds.

An example of a circumstance in which the CARs apply is where a client has made a cheque payable to HFS for the purposes of purchasing a financial instrument as defined in MiFID and / or an investment instrument as defined in the IIA.



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HFS use a euro pooled client asset account to receive and remit client assets under the CARs from and to clients. Any money in a client asset account is protected as client assets under the CARs and is covered under an investor compensation scheme. Details of the investor compensation scheme applicable to our clients are contained in our Terms of Business and on the website of The Investor Compensation Company DAC (ICCL): [www.investorcompensation.ie](http://www.investorcompensation.ie).

A client asset account means an account with a third party which is in the name of the investment firm, where the investment firm has the capacity to effect transactions on that client asset account, and the account includes in its title an appropriate description to distinguish assets in the account from the investment firm's own assets.

## The circumstances in which the CARs do not apply.

The CARs do not:

1. relate to the value of a client financial instrument; or
2. apply to any money, to which the client is beneficially entitled, received from or on behalf a client or held by the investment firm on behalf of a client which relates exclusively to an activity of the investment firm which is not an investment service i.e. an unregulated service.

HFS provide an unregulated service when:

- a. acting as a (registered) administrator of a small self administered pension scheme;
- b. acting as a qualifying fund manager of an approved (minimum) retirement fund;
- c. acting as a trustee of an exempt unit trust;
- d. acting as an administrator of the nominee services provided by our associate company, Harvest Trustees Limited; and
- e. arranging investments into unregulated investments e.g. a residential property.

Examples of circumstances in which the CARs do not apply:

- where a client has made a cheque payable to a third party. HFS will forward that cheque to that third party for and on behalf of the client;
- where a client has made a cheque payable to HFS for the purposes of purchasing an unregulated investment; and
- where a third party has remitted dividends by telegraphic transfer to HFS from an unregulated investment.

HFS can use a segregated account, which is not a client asset account, to receive and remit any money to which the client is beneficially entitled from and to the client – alternatively these monies can be returned with a request to make the cheque payable to a third party. Any money in a segregated account is not protected as client assets under the CARs and is not covered under any investor compensation scheme.

## The circumstances in which HFS will hold client assets itself, with a third party and in another jurisdiction.

Client assets are never held directly by HFS except for cheques and other payable orders which are deposited in a client asset account without delay and in any event not later than one working day after the payment was received.

HFS is not authorised to nor will hold client financial instruments.

HFS only holds client funds in a euro pooled account designated as a client asset account with a third party being a bank:

Company name:	Allied Irish Banks plc.
Trading name:	AIB.
Registered address:	Bankcentre, Ballsbridge, Dublin 4.
Internet address:	<a href="http://www.aib.ie">www.aib.ie</a> .

Client funds are covered by the Deposit Guarantee Scheme: [www.depositguarantee.ie](http://www.depositguarantee.ie).



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**The arrangements applying to the holding of client assets and the relevant risks associated with these arrangements.**

Cheques and other payable orders which are identified:

- as client funds are lodged without delay to the euro pooled client asset account with AIB and in any event not later than 1 working day after the payment was received;
- as a mixture of client funds and other money will be lodged without delay to the euro pooled client asset account with AIB and in any event not later than one working day after receipt of such payment provided that those parts not deemed to be client funds will be transferred out of the client asset account without delay; and
- as client funds where it is not clear which client owns such client funds will be lodged without delay to the euro pooled client asset account with AIB and in any event not later than one working day after receipt of such payment provided that within five working day, either HFS identifies the client concerned or HFS returns the client funds.

A pooled account means a client asset account in which the client funds of more than one client are held. Risks associated with using the pooled account include but are not limited to the following:

- administrative errors e.g. accurate records are not maintained leading to client funds of one client been allocated to another;
- shortfalls which cannot be reconciled leading to a pro - rata share of the client funds;
- misappropriation of client funds by AIB and / or by HFS i.e. fraud;
- account not recognised by liquidator as a client asset account and funds taken to discharge company liabilities;
- the Deposit Guarantee Scheme not recognising and / or limiting the claims by clients after a default by AIB; and
- the ICCL not recognising and / or limiting the claims by clients after a default by HFS.

HFS accepts no liability in the event of a default by AIB, we hold no security interests on client funds and we do not provide either collateral arrangements or security collateral.

The measures taken by HFS to mitigate the risks and to ensure the protection and safeguarding of client assets include but are not limited to the following:

- HFS hold cheques and other payable orders overnight in a safe which are lodged without delay to the euro pooled client asset account with AIB;
- HFS only hold client funds in a client asset account with a reputable bank, AIB;
- AIB is reviewed every six months where applicable risks are considered by HFS;
- the records of AIB and HFS identify the account as a client asset account;
- there is an agreement in place between AIB and HFS that the client funds in the client asset account are held by HFS in trust for the relevant clients;
- the client asset account is checked and reconciled daily by numerous employees in HFS i.e. HFS identifies who the money belongs to on internal records and makes sure that there is enough money to pay all clients by checking AIB records;
- there is documented oversight of client assets held by HFS in our Client Asset Management Plan (CAMP) which is complemented by procedures, processes and controls designed to ensure client funds are safeguarded;
- the CAMP includes specific duties which must be completed in a timely manner by the Board of HFS, by our Board Risk Committee and by our Head of Client Asset Oversight;
- independent monitoring is carried out by HFS's compliance function;
- examinations are carried out by an external auditor;
- the external auditor's reports are sent to the CBI;
- HFS makes sure it is a member of the ICCL; and
- HFS checks that AIB is a member of the Deposit Guarantee Scheme.

**The legislative information contained herein is based on Harvest Financial Services Limited's understanding of current practice as at December 2020 and may change in the future.**



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