



Provision of Custody Services 6 months ending DECEMBER, 2025

The purpose of this document is to provide current and potential users of James Brearley's custody services with information on how successful we have been in meeting the FCA's CASS regulatory requirements over this period. An additional section provides an update on our financial strength relative to our regulatory capital requirement.

In conjunction with this document, you may also wish to refer to the document that covers our service standards relating to our Pro Icon and Outsourced Administration services.

The Prescribed Responsibility for CASS, as defined within the Senior Manager & Certification Regime, over the reporting period, has been held by David Hannis. The firm's Operations Director, Simon Trippier, has had responsibility for CASS Operational Oversight. The FCA's Principle 10, requires a firm to arrange adequate protection for clients' assets. The FCA set out detailed rules explaining how this is to be satisfied in their Client Asset custody rules (CASS 6) and Client Asset money rules (CASS 7).

James Brearley has analysed the FCA's rules and put these into day to day practice as part of its responsibilities for safeguarding clients' investments and cash. The information below is not everything that we do to comply with the rules but describes the most important aspects.

The firm must appoint a duly qualified and experienced CASS Auditor each year, to undertake an independent audit and review of the firm's compliance with the CASS handbook, in its safeguarding of client money and assets. The CASS Auditor must also produce a report which is in turn submitted to the FCA on an annual basis. For the 12 months ending 30th April 2026, Grant Thornton will again act in the capacity as the firm's CASS Auditor, as they did for the 12 months periods ending 30th April 2025 and 30th April 2024.

Regulatory Permissions

Over the reporting period, James Brearley has held the following regulatory permissions, fundamental in the provision of providing its custody services:-

- Safeguarding and administration of assets (without arranging)
- Client Money
- Safeguarding and administration of assets (arranging)

Client Money

The client money rules (CASS 7) apply to a firm that receives or holds client money, in whatever form. A firm must introduce adequate organisational arrangements to minimise the risk of the loss of client money or of rights in connection with client money, as a result of misuse of client money, fraud, poor administration inadequate record keeping or negligence. James Brearley therefore maintains the following arrangements:-



Keeping Client Money Separate from the Firm's Own Money

Under the CASS rules, James Brearley keeps client money in trust for the benefit of the client. James Brearley always keeps all client money separate from that of James Brearley's own money (the 'normal approach' to segregation of client money, as defined by the FCA). Client money is received into one of several accounts and with the odd exception is then pooled with the money of other clients in designated client money bank accounts. Prior to depositing funds into an account, James Brearley obtains letters from each bank, in the form prescribed by the FCA, to acknowledge that the money in each client bank account is clients' money, with James Brearley acting as trustee.

James Brearley assesses each bank considered for holding an element of the "general client money pool", to make sure it is suitable before placing client money with it. The opening of any account with a new bank, is also subject to Board approval. We then undertake a similar in-depth review on an annual basis. James Brearley also monitors the performance, credit worthiness and reputation of each bank we have client money with on a monthly basis to ensure it remains comfortable to retain funds with each institution.

During the period, there was one instance when client money was inadvertently transferred to the firm's account with that bank, being down to human error. See Client Money related CASS breaches for further details.

No new client money accounts were opened during the reporting period, whilst we decided to close the account with Handelsbanken and the termination of a commercial arrangement led to the closure of a Royal Bank of Scotland account.

Client Money Account Breakdown 31st December, 2025

Bank	Number	Bank/Institution	Number
Santander	2	Barclays	3
Royal Bank of Scotland	5		
Barclays	3		
Yorkshire Bank	3		
Al Rayan Bank	1		
Total	14	Total	3

Client Money at the Firm's Banks

Over the reporting period the firm's general client money pool was spread across four different banks, being in eight instant access accounts and three 90/95 day notice accounts. Over the reporting period our standard monitoring controls over the level of funds held in the 90/95 day notice arrangements, have again worked well and ensured compliance with the firm's Banking Segregation Policy for much of the period. However, a reduction in the total client money pool during late October/ early November did give rise to the "notice" exposure exceeding the 65% cap built into the Banking Segregation Policy for a number of days. This prompted notice being given on £10m to Santander on 29th October, this in follow up to a £5m notice issued to Barclays a couple of weeks earlier.



As at 31st December, 2025, the firm's total client money position was £205.8m, of which the structured deposit positions with Barclays represented £47.0m. Of the general client money pool (excluding Barclays), £100.8m was held in notice accounts, representing 63% of the total, being within the internally set limit of 65%. After accounting for the £15m on which notice had been given, this reduces to 54%.

During the period, in light of 2 further cuts in the Bank of England base rate of 0.25% each, interest of 1.25% is currently paid on client cash balances.

Making Sure Client Money Records and Cash Resources are Correct

James Brearley records all clients' money so that the amount of client money due to each client can be determined at any time. The firm makes sure it has enough money to repay all client money at any point in time. It does this by reconciling each day the individual client money records to the amount of client money held in total. The reconciliation process, undertaken daily, is twofold:

The Internal Client Money Reconciliation. This reconciliation is designed to make sure that the total of client entitlements to money when added together is equal to the total client money James Brearley is holding on its clients' behalf. James Brearley uses the Individual Client Balance method (as defined by the FCA) to calculate the client money requirement as at the close of business for each business day.

The External Client Money Reconciliation (as defined by the FCA), which is designed to make sure the amount of money being held on behalf of clients at the firm's banks is equal to the firm's client money requirement.

Over the reporting period, the daily undertaken Internal Client Money and External Client Money Reconciliations were satisfied each day to the penny.

Dealing with discrepancies in these reconciliations as they are identified is fundamental to spotting problems quickly. The firm will use its own money to cover any shortfalls in client money, that might become apparent when undertaking these reconciliations.

Over the reporting period, whenever we identified a shortfall in the client money requirement, possibly as a result of a settlement related issue or for account debtors, appropriate firm's money was transferred to the client money account to meet this.

Receipts and payments

Client money is generally received electronically and directly into one of the firm's client money bank accounts established for this purpose. The money is credited to the account of the client to which it relates on the same business day so long as it is received before 3.30pm. Client entitlements received in relation to distributions of dividends and interest, and corporate actions, are allocated to clients' accounts as they are received. The regulatory requirement is to allocate all entitlements within 10 business days of their receipt.

This was achieved over the period, with the exception of 1 instance where we inadvertently allocated an interest receipt against the wrong stock.



We treat all money we cannot identify immediately as if it was client money. All such 'unallocated' client money is included in the client money requirement calculations contained within the Internal Client Money Reconciliation. Money which cannot be identified by day 9 following its receipt is sent back to the bank it was sent from. Similarly, payments are made directly from the client money bank accounts to the client's bank or building society account. Client money is paid to clients by electronic bank transfer, by BACS or CHAPS.

Client Money Related CASS Breaches:

Over the reporting period there were 9 identified CASS client money breaches, which is the same number of recorded issues as in the previous period. However, unfortunately 1 was material in nature, where we inadvertently transferred an amount of £15m to the firm's account with the bank, in error. This was identified the following day as part of the client money reconciliation and duly corrected. Given the significant nature of the amount concerned, a Principle 11 notification was issued to the FCA informing them of this error along with a note of the actions taken by us to help reduce the potential of the issue re-occurring. The FCA acknowledged receipt of the notification issued in August, but we have not received anything further from them on this.

Of the other 8 breaches, 3 were as a consequence of some form of wrong posting of cash resulting in an inaccurate record for the affected clients; we allocated an interest entitlement against the wrong stock; a BACs payment was not processed resulting in a late payment and on a couple of occasions we failed to post interest on cash balances to clients on a timely basis, in line with our terms & conditions.

Client Assets

The CASS 6 – custody rules - are designed primarily to restrict the intermingling of client and the firm's assets and minimise the risk of the client's assets being used by the firm without the client's agreement or contrary to the client's wishes. The CASS 6 rules also prevent client assets from being treated as the firm's assets in the event of insolvency.

How Custody of Assets is Undertaken

The firm records custody assets on behalf of clients within its pooled nominee structure or 'safe custody'. In a nominee arrangement the assets remain the property of the client.

Over the reporting period we have continued to hold the majority of client assets in the following nominee companies- James Brearley Crest Nominees Limited and Walpole St Andrew Nominees Limited. We continue to use global custody specialist, SIX for those securities settling through Euroclear and where stock settles outside of both Crest and Euroclear.

	£(m)	%	Lines
Crest-	983.5 (964.3)	28.8 (28.6)	2,811 (2,777)
Residual-	20.2 (44.1)	0.6 (1.2)	144 (148)
Funds-	1,796.5 (1,792.2)	52.6 (53.1)	1,777 (1,823)
SIX-	617.6 (576.0)	18.0 (17.1)	621 (571)
Total	3,417.8 (3,459.0)	100.0	5,353 (5,329)

As at 31st December, 2025

Bracketed figures as at 30th June, 2025



Making Sure we have the Correct Assets

An internal custody record check as defined by the FCA is carried out daily. This is undertaken using the internal custody reconciliation method as defined by the FCA. This compares the aggregate of stock held in the firm's nominee companies with the totals in each client portfolio. Any discrepancies are investigated each day and resolved on a timely basis.

Over the period under review there were no instances where an identified discrepancy was not resolved within 25 business days, being the firm's "timely basis" definition.

During the period all stock reconciliations were carried out on "settled" rather than "traded" basis, being the change recommended by our CASS Auditor, Grant Thornton, in their April 2024, CASS Audit Report. All crest reconciliations have been completed on a daily basis. Reconciliations of custody asset positions were carried out to third party statements, crest records, custodian statements, physical certificates and any other external party records that are the most appropriate and reliable for reconciliation purposes (the external custody reconciliation as defined by the FCA). Physical assets are reconciled using the Total Count Method, as defined by the FCA. All physical certificates held are verified with the registrar on a 6-monthly basis. Any discrepancies arising from the performance of reconciliations are then resolved as quickly as reasonably possible, where any items carried forward by more than a month from when they are identified are reported to the Board.

All reconciliation requirements were met over the period.

Client Asset Related CASS Breaches:

There were a total of 16 instances where we failed to meet Client Asset related CASS rules for one reason or another, which compares with 9 for the previous reporting period. It is pleasing to report that none of these were of a material or significant nature. In the majority of cases (13) these were as a consequence of an inaccurate client record caused by some form of human error. On a couple of occasions an intermediary firm changed the settlement date directly with the market a bi-product of which was to create a stock shortfall, whilst finally there was an error when undertaking a physical stock reconciliation. In each instance the circumstances giving rise to the error were reviewed and a revised processes put in place if deemed appropriate.

Complaints

There have been no CASS related complaints over the period.

Stock shortfalls

If James Brearley identifies a shortfall in the assets that should be held on behalf of clients, the firm will make up the shortfall by purchasing the equivalent number of shares or units in the investment instrument. If this is not possible the firm will place cash to an equivalent value into the client money requirement until such time as the shortfall is resolved.

There were no instances over the period where the firm failed to allocate firm money to the client money pool to cover any identified stock shortfalls.



Client Assets Held by Someone Else

Any custodians used by the firm will have due diligence undertaken prior to the commencement of a custodian arrangement and thereafter at least on an annual basis.

This remains limited to SIX as reflected in the stock holdings breakdown on page 4.

Physical assets

In addition to residual stocks registered in the name of Walpole St Andrew Nominees Limited, the firm accepts share certificates from time to time, pending transfer into the firm's nominee service or pending the imminent placing of a sale instruction. These certificates are afforded the same protection as any other client asset.

Confirmation Concerning Other Possible Uses/Procedures Concerning Custody of Client Assets

The firm does not operate any stock lending processes, securities financing transactions, hold or trade any bearer stocks, operate right to use agreements and has no affiliated companies as clients, nor operate a Delivery Versus Payment (DVP) exemption as all applicable assets are deemed covered by CASS.

Other aspects applicable to both client money and assets

Financial Strength

The FCA's Overall Financial Adequacy Rule (OFAR) prescribes the level of capital a firm needs to hold, having incorporated various "K" factors, based on the level of funds that the firm has under custody, under management, is held in cash and finally the value of trades we place. The firm also looks to put to one side additional capital resulting from its identified significant risks.

James Brearley's Own Funds Threshold Requirement as at 31st December, 2025 was determined to be £2.77m. The firm's own funds resource stood at £12.87m as at this date, representing 3.6 times cover.

CASS Related Regulatory Returns

The firm ensures that all external reporting requirements to the FCA or otherwise are met completely and accurately and within the prescribed deadlines applicable. In the case of CASS this is in the form of the Client Money and Assets Return (CMAR) which needs to be submitted on a monthly basis.

Over the reporting period the firm filed a CMAR report each month on a timely basis.

CASS Audit Report

Grant Thornton (GT) our CASS Auditors, duly issued their CASS Audit Report as at 30th April, 2025, which was submitted to the FCA in August, 2025. This highlighted a total of 14 items (22 reported for 2024), with a further 9 items captured in their Management Letter (15 for 2024). Of those items in the Report, 5 were carried forward from the previous period, leading to 9 new issues, each of which had been identified by the firm, with the exception of that relating to our processing of client money interest. This item led to our need to make a subtle amendment to our Services Terms & Conditions document to the effect that interest will be credited to clients by no later than the 5th business day of the following month. The other findings were general in nature requiring



no further action on the firm's part. In reviewing the 9 items in the Management Letter, 8 were deemed to have already been addressed during the year, whilst a rationale document was put together in July covering our approach of building in a 5 day period to account for timing differences into our daily crest reconciliations.

More recently, GT has commenced its work for this year's audit.

Resolution Pack

The firm maintains a Resolution Pack, which is a collection of records and documentation describing how the firm holds client money and assets. The purpose of creating and maintaining a Resolution Pack (as required by CASS 10) is to provide a readily available tool to assist any Insolvency Practitioner in locating and returning client money and assets quickly.

Unclaimed Client Money and Assets

Over the past couple of months, we have looked to move the stock and cash of qualifying clients on our Gone Away register (have not placed a deal instruction for 12 years and not added or withdrawn funds for more than 6 years) to a new "Unclaimed Assets Account". This has in turn allowing us to close the affected accounts. The first of the intended quarterly audits has been completed between the system records and our central register. We have commenced dialogue with Grant Thornton to ensure that our proposed procedures around this account, are deemed "good practice".

CASS Related FCA Notifications

It is the firm's responsibility to inform the FCA promptly of any issues that we may reasonably expect them to be interested in, over and above certain CASS related rules which if breached must be immediately notified to the FCA.

As detailed earlier under the CASS breaches section, it was necessary to report the client money issue when we breached CASS 7.13.12, in that client money was inadvertently transferred into the firm's bank account. Since our submission in early August, 2025, we have not received anything from the FCA on this matter, over and above their standard acknowledgement.

27th January, 2026.