



Provision of Custody Services 6 months ending JUNE, 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 has been introduced to assist in providing an update on our financial strength relative to our regulatory capital requirement. In conjunction with this document, you may also wish to refer to that covering 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 period ending 30th April, 2025.

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 banks 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 each bank's performance, credit worthiness and reputation on a monthly basis to ensure it remains comfortable to retain client money with each institution.

No new client money accounts were opened during the reporting period, whilst the re-classification of structured deposits as a client asset rather than client money, led to the closure of the 6 accounts with Royal Bank of Canada and Goldman Sachs. Unfortunately, Barclays refused to follow our instructions to rename our accounts with them, as such necessitating our need to continue to treat these as client money arrangements.

During the period, the annual audit of each acknowledgement letter took place, this not giving rise to the need to re-issue any as a result of any identified discrepancies.

Client Money Account Breakdown 30th June, 2025

Bank	Number	Bank/Institution	Number
Santander	2	Barclays	3
Royal Bank of Scotland	6		
Handelsbanken	1		
Barclays	3		
Yorkshire Bank	3		
Al Rayan Bank	1		
Total	16	Total	3

Client Money at the Firm's Banks

Over the reporting period the firm's general client money pool was spread across five different banks, being in eight instant access accounts and two 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. The Policy was updated in February, 2025, to reflect the effectiveness of the controls, allowing us to lift the maximum permitted exposure to notice accounts from 60% to 65%. This



change enabled us to add £7.8m to “notice” increasing the total this represented to £90.5m, before finding it necessary to reduce this back to £81.2m. An increase in the overall client money pool in turn allowed us to increase this by £5m. As at 30th June, 2025, the firm’s total client money position was £217.3m, of which the structured deposit positions with Barclays represented £50.8m. Of the general client money pool (excluding Barclays), £86.2m was held in notice accounts, representing 51.8% of the total, well within the revised internally set 65% limit.

During the period, in light of 2 further cuts in the Bank of England base rate of 0.25% each, interest of 1.9% 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. As referenced earlier, we did not meet this requirement on 1 occasion.



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 compares with 8 in the previous period. It is pleasing to report that none of the breaches were of a material or significant nature. In 6 instances a client money record was deemed inaccurate for one reason or another caused by some form of human error where in each instance the circumstances giving rise to the error were reviewed and revised processes put in place if deemed appropriate. Elsewhere, there were 2 instances of delayed settlement being made and we failed to bank a client cheque on a timely basis.

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-	964.3 (1,155.8)	28.6 (33.4)	2,777 (3,054)
Residual-	44.1 (25.2)	1.2 (0.7)	148 (148)
Funds-	1,792.2 (1,759.0)	53.1 (50.9)	1,823 (1,709)
SIX-	576.0 (519.0)	17.1 (15.0)	571 (516)
Total	3,459.0 (3,459.0)	100.0	5,329 (5,427)

As at 30th June, 2025

Bracketed figures as at 31st December, 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 last year's CASS Audit Report. We also satisfied their recommendation to undertake crest reconciliations on a daily rather than monthly basis, during April. 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 9 instances where we failed to meet Client Asset related CASS rules for one reason or another, which compares with 18 for the previous reporting period. It is pleasing to report that none of these were of a material or significant nature. Each was as a consequence of an inaccurate client record (CASS 6.6.2/6.6.3), caused by some form of human error where in each instance the circumstances giving rise to the error were reviewed and 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 30th June, 2025 was determined to be £3.35m. The firm's own funds resource stood at £12.33m as at this date, representing 3.7 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

As reported in January, the extensive review of our business undertaken by Grant Thornton (GT) as new CASS Auditors, led to a larger number of issues being reported in our 2023/24 CASS Audit Report, than in previous years. Each of the 22 reported items and 15 points captured in their Management Letter has been fully acted upon, an interim update being provided to the Board each month. GT has all but concluded its 30th April, 2025 audit, the draft currently extending to cover 13 items, 5 of which are carried forward from the previous year as they remained open at the reporting date.



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

Unclaimed client money and assets occur when we have been unable to contact a client for a number of years. We may then pay or gift the money or asset to charity, observing the guidance of the FCA. It is built into the provisions of the firm's Service Terms & Conditions document, that having satisfied regulatory requirements we have the flexibility to pay away value to a charity of our choosing. Should we decide to do so, regulations make it our obligation to repay the amount given to charity, to any client who subsequently contacted the firm.

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.

It has not been necessary to report any CASS related matter to the FCA during the report period.

28th July, 2025.