

DMA BI PORTAL
SAFETY OF ASSETS



21/08/2018

SAFETY OF ASSETS

ELEMENTS TO THE SAFETY OF CLIENT ASSETS:

CASH ELEMENT FOR PRE-FUNDED TRADING OFFSHORE

DMA uses two banking institutions in the United Kingdom. HSBC and Crowns Agent Bank. DMA is further required to house a collateral line with Saxo Bank.

All client funds with HSBC and Crowns Agent are held off balance sheet. A full register of deposits, withdrawals and movements for transaction are recorded in a register along with the beneficial owner of the assets. In accordance with the South African Financial Services Conduct Authority (FSCA) and the UK Financial Conduct Authority (FCA) client money rules, these funds are held in trust separately from the Bank's and DMA's own assets and cannot be used or comingled with the assets of either DMA nor the Bank's.

Transaction are settled based on settlement cycles per exchange regulation. DMA is required to post a collateral line with its prime broker of 12%. The prime broker (Saxo Bank) is a regulated bank and cannot comingle client assets with its own assets.

Saxo Bank runs a transparent and defined risk management framework. Saxo Bank does not run a B-Book and has one of the most conservative risk management regimes in the market. Due care is taken to ensure the stability of the group and the safety of client assets.

The Board of Directors approves various policies that establish the direction for Saxo Bank's risk management practices, such as the Board Instructions, Credit Policy, Market Risk Policy, Insurance Policy, Liquidity Policy, and Information Security Policy. The Board of Directors has further established a Board Risk committee that advises the Board of Directors on matters concerning Risk Management.

Group Risk & Capital Management (GR&CM) in Saxo Bank is responsible for proactively identifying, measuring, monitoring, and reporting Saxo Bank's key risks across the Saxo Bank Group through the application of relevant models, tools, processes, and policies etc. with the aim of determining and mitigating potential losses as well as ensuring and supporting compliance with regulatory requirements.

Saxo Bank is well capitalised. Capital and Liquidity management is responsible for completing Saxo Bank Group's Internal Capital Adequacy Assessment Process (ICAAP). The purpose of the ICAAP is to determine the minimum capital that the Bank should have in order to operate with the applied risk appetite. The Controlling & Reporting team controls granted limits on market risk exposures, exposure to counterparties, trading and credit lines and other activities within the scope of the given mandate from the Board of Directors.

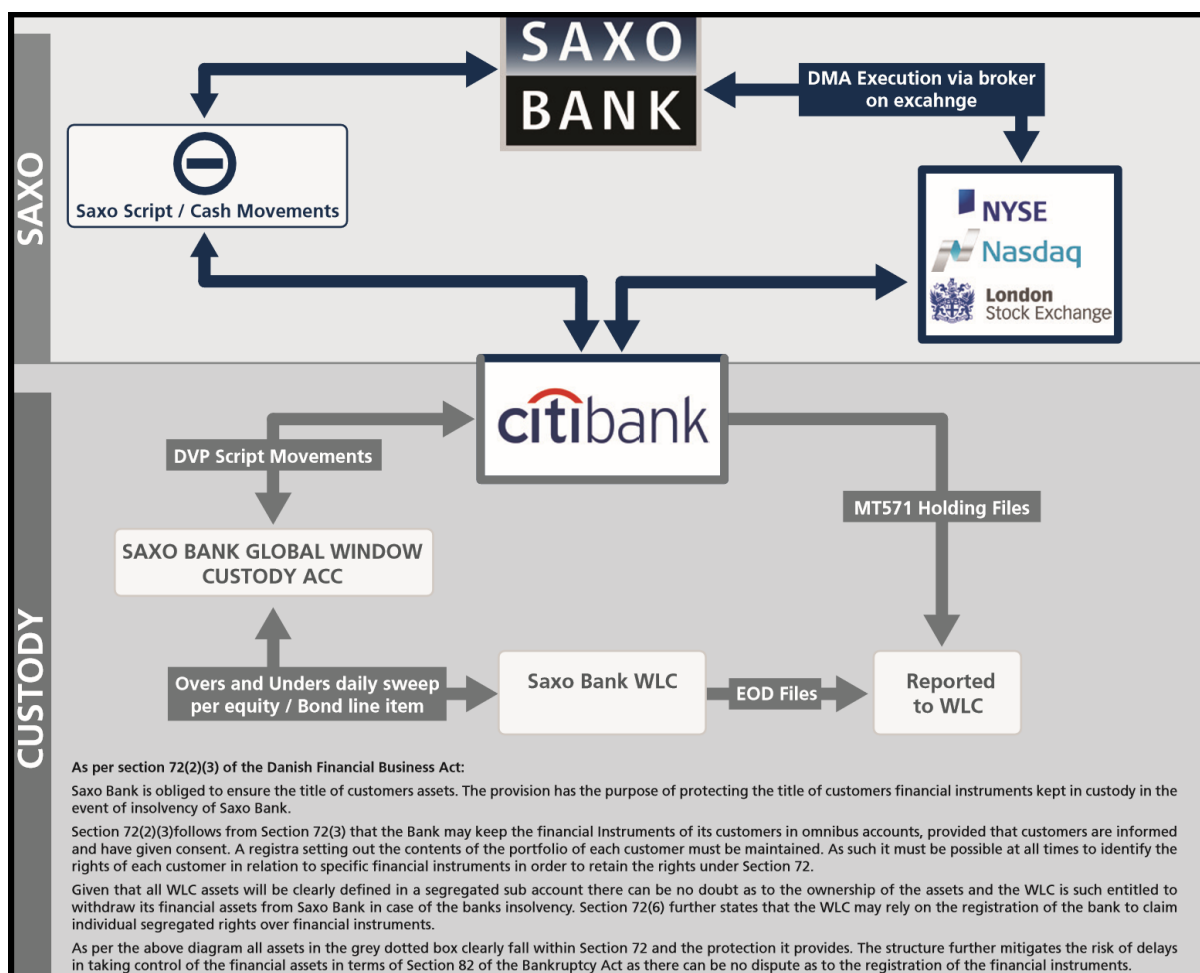
CUSTODIAN OF SCRIPT OFFSHORE

All script is held with CITI Group in the name of Saxo Bank and separated in the name of the White Label Client. A full sub-register is maintained for the beneficial owner of the assets and these assets are reported live via the available platforms.

Beneficial owner declarations are further required for the US market and DMA complies with FAIS and FICA legislation to ensure the correct identity of clients. This further includes the restrictions on 3rd party payments and transfers.

All positions are settled daily and reconciled against the custodian. All clients must pre fund their transaction. The global custodian reconciliation is matched to all prime broking and institutional brokers via sunguard intellimatch. End of day files are then delivered to the investment manager or the white label for confirmation. The live trading platforms will always reflect a true position.

Graphically the process is depicted as the following:



CASH ELEMENT FOR PRE-FUNDED TRADING ONSHORE

Client funds are paid to and held in Trust at HSBC, please see attached funding instructions for local payments. All funds are paid into an account in the name of SCM DMA Trust Account.

Where a Financial Institution/DMA receives money from its clients and that money is deposited in a trust account, those funds are deemed to be trust property. The FI Act provides that:

“despite anything to the contrary in any law or the common law, trust property invested, kept in safe custody, controlled or administered by a financial institution or a nominee company under no circumstances forms part of the assets or funds of the financial institution or nominee company”

In essence should DMA become insolvent client monies will not form part of DMA’s insolvent estate as the ownership of the client monies vests in the principal or clients themselves.

Where a client of DMA directly deposits client monies in a trust account at HSBC, this will be regarded as trust monies for purposes of the FI act, accordingly the money will be regarded as trust property and will not form part of the estate of HSBC in the unlikely event that HSBC became insolvent or was placed under curatorship.

CUSTODIAN OF SCRIPT ONSHORE

All client scrip/positions are held in safe custody with Citibank in nominee company, SCMSA Nominees. SCM DMA’s custodian Citibank has opened a Segregated Depository Account structure with Strate Ltd, our local Central Securities Depository for SCMSA Nominees. SDA’s have been setup to provide a safe keeping account structure for investors ahead of any insolvency proceedings being instituted against the participant.

Additionally SCM DMA’s reports all securities held and the beneficial owner of those securities to Strate Ltd. the local CSD who then reconcile this with the custodian Citibank to ensure there are no irregularities in what is held in the nominee company and what is being reported as client securities to Strate. This is done every Monday morning as per our regulatory requirements.

More information for SDA’s can be found here <http://www.strate.co.za/servicing-your-assets/segregated-depository-accounts>

Accordingly client securities are not then attached to the assets of either SCM DMA or Citibank and are retrievable by the client and may be moved to another participant in the event of either Citibank or SCM DMA becoming insolvent or being placed under curatorship.