

DAVY

# Frequently Asked Questions

Client Assets

## Who are we?

Established in 1926, the Davy Group is a trusted market leader in wealth management and capital markets, building rewarding relationships that last. Our vision is to be the financial services partner most trusted by our clients and most admired for our people. We are committed to delivering world-class outcomes for our clients – whether they are individuals, businesses or institutions. We are over 700 people, managing €14bn+ of our client assets, with offices in Dublin, Belfast, London, Cork, Galway and Luxembourg. We are one team, always growing, putting our clients first.

All data correct as at 31st October 2021.

## Q. What is the financial position of the Davy Group (J & E Davy Holdings Group)?

**A.** J & E Davy, trading as Davy, is a wholly owned subsidiary of the J & E Davy Holdings. As a MiFID authorised firm, Davy is required to hold a minimum level of capital calculated in accordance with regulatory requirements and we are required to report to the Central Bank of Ireland on a periodic basis as to the level of capital held.

## Q. Who regulates Davy?

**A.** J & E Davy, trading as Davy, is regulated by the Central Bank of Ireland. Davy is authorised as an investment firm under the European Union (Markets in Financial Instruments) Regulations 2017 ('MiFID II'). MiFID II is a European Union wide directive that harmonises regulation for investment services across the EU. The main objectives of MiFID II are to increase competition and consumer protection in investment services. The Central Bank of Ireland is responsible for prudential and conduct of business regulation and supervision of investment firms in Ireland. Essentially what this means is that the Central Bank of Ireland regulates Davy in respect of our corporate governance, interactions with clients, safeguarding of client assets and capital requirements, as well as other regulatory requirements.

Davy is a member of Euronext Dublin and the London Stock Exchange. In the UK, Davy is authorised by the Central Bank of Ireland and authorised and subject to limited regulation by the Financial Conduct Authority. Details about the extent of our authorisation and regulation by the Financial Conduct Authority are available on request.

## Q. What are the Client Asset Requirements (CAR)?

**A.** The Client Asset Requirements are applicable to investment firms that hold client assets. The requirements are imposed under Part 6 of S.I. No. 604 of 2017 Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Investment Firms) Regulations 2017.

A copy of the Regulations is available on the Central Bank of Ireland's website at <https://www.centralbank.ie/regulation/industry-market-sectors/client-assets>. The purpose of the client asset regime is to safeguard client assets by ensuring firms adhere to general principles and prescriptive requirements in this regard. The objectives of the client asset regime are:

- Maintaining public confidence in the client assets regime;
- Minimising the risk of loss or misuse of client assets by authorised entities;
- In the event of the insolvency of an entity, enabling the efficient and cost effective return of those assets to clients.

## Q. What safeguards are in place under Client Asset Requirements?

**A.** A. The Client Asset Requirements obliges firms that hold client assets to put in place a comprehensive range of safeguards to help protect clients' ownership rights, including the following:

- Segregation of client assets from the firm's assets;
- Record keeping to enable the firm at any time and without delay to distinguish client assets;
- Receiving assurances from the firm's counterparties before lodging client assets;
- Prompt lodgements of all client funds and prompt registration of client financial instruments to designated client asset accounts;
- Regular reconciliations between the firm's internal systems and the records of third parties that hold client assets on behalf of the firm;
- Daily cash calculations to ensure that the firm's client money resource is equal to its client money requirement;
- On-going counterparty due diligence by the firm; and
- Annual CAR audits by the firm's external auditors, which are reported to the Central Bank.

## Q. What controls are in place in Davy to safeguard my assets?

**A.** We hold all client assets in accordance with Client Asset Requirements. Some of the controls in place include:

1. **Segregation:** Assets (money and securities) that we hold on behalf of clients are segregated from Davy's own assets. The banks, custodians, and counterparties with whom we hold client assets have provided written confirmation to this effect. There is also a high level of segregation of departments and functions within Davy. One of the key controls in place is that there is a strict segregation of duties between client facing roles, operations, and Finance. Segregation of duties means in practice that Private Client Advisers or other staff members who accept orders and place trades do not have access to our client accounting system. They do not settle trades, cannot lodge money received from clients or withdraw funds from client deposit accounts. Movement of client assets within Davy are processed by our Finance Department and Custody & Settlements Department. Both departments operate entirely independently of the Private Clients Department.
2. **Reconciliation:** Client funds are reconciled daily and client financial instruments are reconciled at least monthly. We generally have electronic links in place ensuring the timely, accurate and efficient reconciliation of client assets.

## Q. How does the Davy nominee service work?

**A.** As the name suggests, the Davy nominee service operates such that our nominee company holds assets on your behalf. There are a number of practical reasons why a potential investor may wish to avail of our nominee service.

Some of the reasons are:

1. Some countries have abolished physical share certificates, which mean that shares must be held electronically.
2. We can act on your instructions immediately if we hold shares electronically;
3. You don't have to worry about losing physical share certificates or the cost of replacing them; and
4. We handle the administration associated with share ownership such as dividend collection and dealing with corporate actions.

## Q. If I have cash in my Davy account, where is it held?

**A.** Client funds will always be held either in pooled client asset settlement accounts, pooled client asset deposit accounts or individually designated client asset deposit accounts with an eligible credit institution. Further information about the credit institutions we use is available upon request.

Client funds are protected by rules laid out in Client Asset Requirements which include obligations relating to the segregation of client funds from the firm's funds, accurate record keeping, regular reconciliations between the firm's records and the eligible credit institution's, counterparty due diligence, etc. Prior to lodging client funds with an eligible credit institution, we receive a written confirmation from the credit institution that client asset accounts are legally segregated from any bank account that Davy itself may hold.

## Q. How do I transfer funds to my Davy account?

**A.** Please note that when you are transferring funds to your Davy account you should ensure that your Davy account number (seven digits) followed by your account name is added to the Payment Reference Field in your banking app. If you need to add any other details, please do so in the Remittance Info field. Adding your account number and account name will allow us to promptly and accurately lodge your funds to your Davy account

For example, if your account key is 0123456 you should in the information field on your bank portal inset "0123456 – First Name Last Name"

Davy operates a number of client asset accounts according to your underlying currency requirement. Please ensure you pick the correct currency required. Please note if you send Euro to a foreign currency account, it will be converted and held in that currency based on the receiving banks rate at the date of transfer. Your funds will then be subject to FX fluctuations

List of Client Asset Bank Accounts:

<b>EURO Client Funds</b> (not property payments)	<b>GBP Client Funds</b> (not property payments)	<b>USD Client Funds</b> (not property payments)	
<b>Beneficiary</b>	Davy		
<b>Payment Reference</b>	Davy 7digit client account number followed by account name		
<b>Beneficiary Bank</b>	Bank of Ireland, College Green, Dublin 2	BOI UK plc, London Region 301607 PO box 2124 Belfast BT1 9RS United Kingdom	Bank of Ireland, Global Markets, Dublin
<b>SWIFT</b>	BOFIE2D	BOFIGB2B	BOFIE2D
<b>Beneficiary Bank IBAN</b>	IE14BOFI900 01749777531	GB92BOFI3016 0749816887	IE15BOFI90139 442712046
<b>Remittance Info:</b>	Davy 7digit client account number followed by account name		

### **Q. If I have shares and other financial instruments in my Davy nominee account, where are these held?**

**A.** If you have financial instruments in your Davy account using the Davy nominee service, you remain at all times the “beneficial” owner of those investments, even though a company independent of the Davy Group (such as Davy’s nominated custodian) or a nominee company of the Davy Group may be registered as the “legal” owner.

Beneficial ownership arises where one party holds assets on behalf of another. The legal owner (i.e. the registered holder) has control over the asset and can, for example, buy and sell the asset on behalf of the beneficial owner. However, the legal owner in this instance is not entitled to the asset and so, while it will receive the income and capital on behalf of the beneficial owners, it will never benefit from it. The beneficial owner receives the benefits associated with ownership such as dividends and gains from the asset. Davy is obliged by law, and by the Central Bank of Ireland, to report to our nominee clients details of to the client assets it holds for them, and any benefits associated with the assets.

### **Q. If I hold a property on my account, how is it held?**

**A.** If you hold property in your Davy account using the Davy nominee service, you remain at all times the “beneficial” owner to the investment. The beneficial owner receives the benefits associated with the ownership, such as rental income, capital and gain from the asset. Davy is obliged by law and the Central Bank of Ireland, to report to our client details of all the assets we hold on their behalf.

Direct Property is an unregulated asset and therefore does not come under the provisions of the Client Asset Regulations. Davy are required by the CAR to segregate client assets from all other assets, and to report the details of this segregation to clients within the quarterly client asset statement.

Funds directly related to this unregulated service do not fall under the definition of client funds within the CAR regulations and therefore they:

- a. are held separately from client assets;
- b. are not protected as client assets under the CAR; and
- c. will not be covered under the Investor Compensation Scheme.

However, Davy applies the same principles and protections on these assets and segregates them from firm assets, record these on your account and reconciles the bank accounts as per our standard practices.

### **Q. What happens to my assets in the unlikely event of the demise of Davy?**

**A.** A key pillar of the client asset legislation, and therefore our operational and control infrastructure, is the segregation of client assets from Davy’s own assets. This requirement is stringently enforced and monitored both internally by ourselves and also by our regulators. We have numerous processes and controls ensuring that segregation is achieved, and these processes and controls are subject to external verification as mentioned above. The primary purpose of this is to ensure that, in the event of the Davy Group’s demise, your assets are legally segregated from those of the firm and therefore protected from the firm’s creditors.

## **Q. Is Davy subject to external oversight?**

**A.** Yes. Davy is subject to extensive external oversight as summarised below:

1. Central Bank of Ireland: The Central Bank of Ireland supervises Davy as it is responsible for the regulation and supervision of investment firms in Ireland. As a regulated entity, we are subject to close scrutiny and frequent reviews by the Central Bank to ensure that we have met our regulatory requirements, including the detailed requirements in place with regard to the safeguarding of client assets. To help facilitate this oversight, we are required to submit regular reports to the Central Bank, one of which is a monthly report that relates specifically to client assets.
2. External audit of internal controls: We are audited by one of the “big four” audit firms. As part of their terms of engagement, our external auditors undertake a review of our internal controls annually, including those associated with the protection of client assets.
3. External audit of compliance with Client Asset Requirements: Davy is required to engage external auditors to examine the firm’s compliance with the Client Asset Requirements on an annual basis. After the completion of the audit, the external auditor must report its findings to both Davy and the Central Bank of Ireland.

## **Q. Are the controls subject to internal oversight?**

**A.** Yes. The firm has a comprehensive system of internal controls, policies and procedures that are continually evaluated for adequacy and effectiveness. In addition to intensive external oversight of our control framework from such parties as our external auditors and the Central Bank of Ireland, the firm has in place a number of independent control functions that oversee the financial and operational controls in place. These are the firm’s Client Asset Oversight Team, Compliance function, Group Risk and Internal Audit. There is also strict segregation of duties between the operational and finance areas, with additional client asset oversight conducted by the independent “Head of Client Asset Oversight”.

1. Independent Client Asset Oversight Team: Within Davy, an independent team provide oversight on client asset arrangements. This team is headed by an appointed Head of Client Asset Oversight “HCAO” - a role that requires CBI approval before an individual can take on the role. The HCAO manages a team whose sole purpose is to oversee activities regarding safeguarding of client assets. This means that events from onboarding, segregation, outward transfers and reconciliations are subject to internal reviews or mini audits. This oversight is based on an annual Client Asset Monitoring Plan which is approved annually by the Risk & Compliance Committee
2. Independent Compliance function: The Davy Compliance Department is an independent team that monitors and assesses the firm’s compliance with our legal and regulatory requirements.
3. Independent Internal Audit function: Davy has a separate and independent internal audit function which establishes, implements and maintains an audit plan to examine and evaluate the firm’s internal systems, controls and arrangements.
4. Group Risk: Group Risk, reporting to the Chief Risk Officer, oversees all the risks for the firm and ensures that the Davy Group has in place a comprehensive risk management framework.
5. Other reviews: We also seek external advice from large, reputable firms on new developments in regulation, law and information security to ensure we are in line with industry best practice. We have invested very significant amounts in leading edge technology platforms to ensure that we have robust systems to deliver the best service to clients in a secure and reliable way. This includes independent reviews of IT security (firewalls, controls over data, etc.).

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