

FREQUENTLY ASKED QUESTIONS

➤ What is a TTCA?

TTCA is short for “Title Transfer Collateral Arrangement”. This term is used to describe an agreement under which collateral is provided by one party (the “Collateral Provider”) to the other (the “Collateral Receiver”) on a “title transfer basis”. This means that the Collateral Receiver receives full title (i.e. legal ownership) to that collateral from the Collateral Provider. Sova Capital Limited’s (SCL) Terms of Business Version A (“TOB A”) contains TTCA provisions.

➤ What is CASS?

CASS is a term used to refer to “Client Assets” in the handbook/rulebook of the Financial Conduct Authority (“FCA”), the authority that regulates SCL. This section of the handbook/rulebook which we will refer to as the “CASS Rules” (<https://www.handbook.fca.org.uk/handbook/CASS>) sets out in detail how client money or other assets are treated and maintained by SCL for and on behalf of each client. SCL’s Terms of Business Version B (“TOB B”) contain provisions consistent with the CASS Rules, Version C (“TOB C”) also contains CASS provisions in the unlikely event of a failed trade, and SCL receive cash or assets.

➤ What is an “Execution Only” Client?

This is a client that merely instructs SCL to buy or sell securities and does not hold any money or assets with SCL.

➤ Why would I sign TOB A (which incorporates TTCA terms), rather than TOB B (which incorporates CASS terms)?

For a number of products, such as repos, stock borrowing, lending and OTC derivatives, the use of TTCA is standard market practice. Under TOB A, SCL may provide financing and prefunding of your trading activity in the knowledge that any such financing and prefunding will be covered by the collateral provided by you to SCL. If you are using TOB B, the assets you provide to SCL may not be collateral, and in this case, SCL will not be able to provide to you any financing and prefunding of your trading activity. This may limit the value of transactions you can conclude with SCL.

➤ **What is TOB C?**

TOB C is for clients that only wish to trade execution only for sales and purchase securities. This is a simplified version of our TOB B. If in the unlikely event of a failed trade and SCL receive cash or assets these will be segregated and protected under the CASS rules.

➤ **Where my money/assets are held under SCL's name in your books, how will these be identified as belonging to me?**

Under TOB A the money/assets received are recorded as belonging to SCL. SCL will keep a record of money/assets over which title has been taken and identify you as the client to whom the money/assets belong.

➤ **Where my money/assets are held under TOB B and TOB C, will these be identified in your books as belonging to me?**

Under SCL's TOB B and TOB C, any money/assets will be recorded as belonging to a client.

➤ **How will you report my money/assets to me under the different TOBs and how is it accounted for in your books?**

Your money/assets holdings under all TOBs will be reported in the same format and to the same level of detail as that contained in our current daily client statements.

➤ **Where is my collateral at any point in time?**

This will depend on the agreement in place: Under TOB A, the collateral is under the control of, and belongs to, SCL who will pool and use that collateral together with their own funds and invest in the market at their discretion until SCL is obliged to return collateral to you. Under TOB B, the money/assets will be held in a segregated account at a third party bank/custodian in line with the segregation rules contained within the CASS Rules. Under TOB C, no assets are held. However, in the unlikely event of a failed trade and SCL receive cash or assets these will be held in a segregated account at a third party bank/custodian in line with the segregation rules contained within the CASS Rules.

➤ **Is my money kept separate from other SCL clients' money or SCL's own funds under TOB A (with TTCA provisions) or TOB B/TOB C (with the segregation of your assets)?**

Under TOB A, your money cannot be placed into a client money account and will be pooled with SCL's own money, and any other money received under TOB A. Under TOB B, your money will be held separately from SCL's money in a client money account and this will be pooled with money from other SCL clients who also have TOB B/TOB C. All this money is protected as client money in accordance with the FCA CASS Rules. Under TOB C, no assets are held. However in the unlikely event of a failed trade and SCL receive cash or assets, your money will be placed into a client money account and will be pooled with money from other SCL clients who also have TOB C/TOB B. All this money is protected as client money in accordance with the FCA CASS Rules.

➤ **If I transfer my ownership rights to you, which of my rights are still protected as owner?**

Under TOB A, because title is transferred to SCL, all corresponding rights are also transferred to SCL. However, as the owner of the assets, you will have a contractual right (as described in the TOB A) to the return of equivalent assets.

➤ **What happens to my money/assets if SCL becomes insolvent?**

Under TOB A, the ownership of money and assets is transferred to SCL. In the event of SCL's insolvency, you will rank as a general creditor in respect of these amounts. Under TOB B, each client's money and assets will be held separately from SCL's money and assets. An insolvency practitioner/administrator will assess which clients are entitled to receive these client money and asset balances based on the legal agreements in place, and distribute them accordingly. Under TOB C, no assets are held. However in the unlikely event of a failed trade and SCL receive cash or assets client's money and assets will be held separately from SCL's money and assets. An insolvency practitioner/administrator will assess which clients are entitled to receive these client money and asset balances based on the legal agreements in place, and distribute them accordingly.

➤ **How do I exercise my ownership rights to participate in shareholder meetings, dividends and corporate actions? Which documents confirm my rights?**

Your rights are confirmed in both TOB A and TOB B. There are a number of provisions on dividends in the TOB (depending on type of transaction) but the key one is in clause 14 of TOB A, an extract of which is shown below. (Please see clause 14 of TOB B for the equivalent clause):

"14.4 When income is paid (including by reference to an "ex-date") in relation to any Asset held by us, it shall be held by us in accordance with Clause 12 and Clause 13 and we shall, within a reasonable period following the date of receipt of all such income due, pay and deliver a sum of Cash or Assets equivalent to such income to your Account (after deduction of any taxes or duties payable in accordance with Clause 19 (Tax))."

Other practical considerations in respect of attendance at shareholder meetings that need to be communicated are covered in the same section:

"14.1. Where Assets have been transferred to us in accordance with these Terms, the exercise of any voting rights or rights in relation to corporate actions in respect of such Assets shall be governed by the provisions of this Clause 14. 14.2 Where, in respect of any Assets transferred to us, any rights relating to conversion, sub-division, consolidation, pre-emption, rights arising under a takeover offer, rights to receive securities or a certificate which may at a future date be exchanged for securities or other rights (including those requiring election by the holder for the time being of such Assets) or any voting rights in relation thereto become exercisable, we shall use our reasonable endeavours to give you notice of any such rights arising which we deem to be material and seek your instructions as to the action to

be taken in connection therewith. We will use our reasonable endeavours to deal with voting rights and all other rights in connection with Assets in accordance with and to the extent specified in relevant instructions received by us in accordance with Clause 10 of these Terms and such instructions must be received by us no later than ten Business Days from the date you receive notice from us or such shorter period as we may specify if required by a relevant exchange. In the absence of your instructions, we may take or forbear from taking any action in relation to relevant Assets, including without limitation the exercise of rights attached thereto and the satisfaction of liabilities arising therefrom which we consider appropriate.

14.3 Where a corporate event affects some but not all of the Assets held in a pooled account, we shall allocate the Assets so affected to customers in such fair and equitable manner as we consider appropriate, including without limitation by pro rata allocation."

➤ **For TOB A clients, will SCL show borrowing of clients assets in clients' reports?**

For such clients, the title of all money/assets has been transferred to SCL. This means that there is no "borrowing" as money/assets are collateral which SCL is allowed to use for its own purposes. Therefore there is no "borrowing" recorded in any report.

➤ **Can the wording of the TOB be amended?**

Certain provisions may not be relevant in all circumstances. If certain provisions are not relevant for your specific requirements we may consider your request for changes on a case by case basis.

➤ **Can amendments be made specifically to either the TTCA terms or the CASS related terms?**

No. TOB A, TOB B and TOB C provide wording that is consistent with the CASS Rules.

➤ **Can one or more of my accounts be subject to TOB B and benefit from CASS protection while other accounts are subject to TOB A and as TTCA? If yes, is it possible to move funds between the accounts? If yes, how?**

Yes, it is possible to have one or more of your accounts CASS protected while other accounts are governed by TTCA. Funds can be moved between these types of accounts on receipt of an explicit instruction from you, and this will incur a fee (as set out in the Fees and Commission Schedule to the relevant TOB).

- **If I have a TOB A in place (with TTCA) and wish to transfer to TOB B (under which my assets would be kept in line with the segregation rules contained within FCA CASS Rules) what is the process that SCL will undertake to transfer my money and assets from non-segregated account to the segregated one?**

You will have to accept TOB B in writing first and request us to transfer money and asset from your non-segregated account to the segregated one. SCL will then review the types of assets that are being transferred and will send a letter of confirmation to you with the date of the transfer.