

REPORT TITLE: TREASURY MANAGEMENT MID-YEAR REVIEW

28 SEPTEMBER 2017

REPORT OF PORTFOLIO HOLDER: CLLR GUY ASHTON (PORTFOLIO HOLDER
FOR FINANCE)

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WARD(S): ALL WARDS

PURPOSE

There are three main elements of this report. Firstly to make recommendations regarding the implementation of the Market in Financial Instruments Directive (MiFID II) whereby the Council must consider the impact of changes to EU financial regulation and any appropriate action the Council should take; this is to enable the efficient use of resources to maximise the return from investments within the risk appetite of the Council.

Secondly to inform the Audit Committee of the Treasury related activities over the first five months of the financial year.

Thirdly, this paper recommends amendments to the Treasury Management Strategy to allow investments in a wider range of unspecified investments subject to a clear due diligence process.

RECOMMENDATIONS:

That the Audit Committee:

1. Recommends to Full Council:

- that the potential impact on the investment strategy of defaulting to a retail client with effect from 3rd January 2018 is noted;

- that it agrees to the immediate commencement of applications for elected professional client status with all relevant institutions in order to ensure it can continue to implement an effective investment strategy; and
 - that, in electing for professional client status, it acknowledges and agrees to forgo the protections available to retail clients attached at Appendix 1; and that it delegates responsibility to the Section 151 Officer for the to complete the applications and determine the basis of the application as either full or single service.
2. Approves the Treasury Management Mid-Year Monitoring Report for 2017/18; and
 3. Recommends to Full Council:
 - that the changes to the 2017/18 Treasury Management Strategy, as detailed in section 18, be approved.

IMPLICATIONS:

1 COUNCIL STRATEGY OUTCOME

- 1.1 Treasury management is an integral part of the Council meeting all of its outcomes.

2 FINANCIAL IMPLICATIONS

- 2.1 Effective treasury management ensures both the financial security and liquidity of the Council.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 None

4 WORKFORCE IMPLICATIONS

- 4.1 None

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 None

6 CONSULTATION AND COMMUNICATION

- 6.1 None

7 ENVIRONMENTAL CONSIDERATIONS

7.1 None

8 EQUALITY IMPACT ASSESSMENT

8.1 None

9 RISK MANAGEMENT

Risk	Mitigation	Opportunities
<i>Returns from investments are too low</i>	A diversified strategy that attempts to manage the balance between liquidity risk, credit risk and yield within the Council's risk appetite.	
<i>A counterparty fails</i>	A diversified strategy that has relatively low levels of counter-party risk	
<i>Cash is not available</i>	A balanced portfolio of liquid and long term funds are held to ensure cash is available to utilise. The Council also mitigates this risk through cashflow forecasting	More accurate and immediate cashflow forecasting can help improve the return on investments through more active treasury management activity

10 SUPPORTING INFORMATION:

11 Introduction

11.1 The Treasury Management Strategy for 2017/18 is underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2011, which includes the requirement for determining a treasury strategy on the likely financing and investment activity for the forthcoming financial year.

11.2 The Code also recommends that members are informed of Treasury Management activities at least twice a year (a mid year and a year end report). This report therefore ensures that Winchester City Council (the Council) is embracing best practice in accordance with CIPFA's recommendations.

11.3 Treasury management is defined as: "the management of investments and cash flows, banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".

- 11.4 It should also be noted that a target of 1% yield was set; as at 31 August 2017, the target was exceeded with an average yield of 1.09%.

12 Economic Background

- 12.1 The following section outlines the key economic themes currently in the UK against which investment and borrowing decisions have been made in the year to date.

External Context

- 12.2 UK Consumer Price Inflation (CPIH) for the year to July 2017 was 2.6%, unchanged since June 2017; downward contributions were mainly due to falling fuel prices. The most recent labour market data for June 2017 showed that the unemployment rate dropped to 4.4% (its lowest since records began in 1971) but the squeeze on real wages (i.e. after inflation) is intensifying and resulting in negative real wage growth. Quarter 1 GDP data released in April and revised in May and June showed economic activity growing at a much slower pace of 0.2%, and the estimates of Quarter 2 GDP data released in July and August showed the economy growing at a rate of 0.3% over the quarter. The Bank of England made no change to Bank Rate or its Quantitative Easing policy (QE) at its meeting on 2nd August 2017.
- 12.3 In the face of increasing uncertainty over the outcome of Brexit negotiations and minority Government, the Council's treasury management advisor, Arlingclose, expects the Bank of England will look through periods of high inflation and maintain its low-for-longer stance on policy interest rates for an extended period.

Financial markets

- 12.4 Gilt yields displayed some volatility with a marked uptick in late June. This was largely due to the expectation of tapering of QE in the US and Europe, which also had an impact on gilts. The FTSE 100 reached a record high of 7548 in May but dropped off slightly towards the end of Quarter 1, and down to 7438 on 31 August.

Credit background

- 12.5 UK bank credit default swaps have continued their downward trend, reaching three year lows by the end of June. Bank share prices have not moved in any particular pattern.
- 12.6 Ring-fencing, which requires the larger UK banks to separate their core retail banking activity from the rest of their business, is expected to be implemented within the next year. Hampshire County Council's Investments & Borrowing team will work with Arlingclose to manage this situation as greater clarity is provided over the following months.

13 **Market in Financial Instruments Directive (MiFID II)**

- 13.1 The European Union is changing its rules on how local authorities can access regulated financial services, through its Market in Financial Instruments Directive (MiFID II), aiming to improve the functioning of financial markets in light of the financial crisis and to strengthen investor protection. Although the UK has voted to leave the EU, MiFID II will still be implemented in the UK on 03 January 2018 for three reasons. Firstly, the UK's residents remain members of the EU and subject to its laws until the UK leaves; secondly, the UK government is in favour of strengthening investor protection; and thirdly, UK firms will wish to continue providing financial services across the EU after the UK has left the EU, so will need to comply with equivalent regulations.
- 13.2 The Financial Conduct Authority (FCA) has some discretion over how to implement this directive in the UK, and it released its final policy statement on the subject in July 2017.
- 13.3 Local authorities are currently treated by financial services firms as "professional clients", the middle of three categories, and the same as similar-sized companies. But from January 2018, the default position will be that local authorities are to be treated as "retail clients", the same as individuals and small and medium-sized enterprises, which will entail some increased protection, but at the expense of higher fees, increased paperwork and reduced market access.
- 13.4 It is expected that "opting-up" will be the most favourable position for the Council as it will allow all investment opportunities detailed within the investment strategy to be accessed, whilst being a retail investor will limit investment opportunities, for example no access to money market funds or brokers. Opting up to professional status will also allow continued access to the current asset classes the Council is invested in, without the increased fees that retail asset classes demand. Opting up will mean the Council will not be able to take advantage of the increased protections available to retail clients (retail protections are available at Appendix 1 – this list was provided by the Local Government Association and represents protections for all different types of investment, including investments not applicable under the current treasury management strategy). However, this will not be a change from the current status, as these protections are not currently afforded to professional clients.
- 13.5 Local authorities will be permitted to "opt-up" to professional client status, providing they meet the following criteria:
- the firm has assessed that the person authorised to carry out transactions on the local authority's behalf has the expertise, experience and knowledge to give reasonable assurance in light of the nature of the transactions or services envisaged, that they are capable of making their own investment decisions and understanding the risks involved;

- the size of the local authority's investment portfolio (including cash deposits) exceeds £10 million; and
- at least one of the following is true:
 - the local authority has carried out transactions, in significant size, on the relevant market at an average frequency of ten per quarter over the previous four quarters;
 - the person authorised to carry out transactions on behalf of the local authority works or has worked in the financial sector (including as a treasury manager) for at least one year in a professional position, which requires knowledge of the services envisaged; or
 - the local authority is a Local Government Pension Scheme administering authority and is acting in that capacity (this was not included in the consultation).

13.6 Considering these criteria, the Council should be able to opt up to professional client status to maintain the most favourable investment position possible, but this will be decided on a per investment basis in conjunction with the Council's Finance team. Significant work will be undertaken over the months to January 2018 to achieve this aim. So as to enable the opt-up process a number of recommendations have been included on pages 1 and 2 of this report.

13.7 Applications can be made in respect of either all of the services offered by the institution (even if not already being accessed) or a particular service only. A local authority may wish to do the latter where the institution offers a wide range of complex instruments which the authority does not currently use and there is no intention to use the institution again once the current relationship has come to an end. It is recommended that officers determine the most appropriate basis of the application, either via full or single service.

13.8 Authorities are not required to renew elections on a regular basis but will be required to review the information provided in the opt-up process and notify all institutions of any changes in circumstances which could affect their status.

14 Investments

14.1 The Council holds invested funds representing income received in advance of expenditure plus balances and reserves held. The Council is currently investing according to a low risk, high quality lending list as outlined in its Treasury Management Strategy.

14.2 The transposition of European Union directives into UK legislation places the burden of rescuing failing EU banks disproportionately onto unsecured local authority investors through potential bail-in of unsecured bank deposits. (The outcome of the EU referendum does not alter the UK's legislated bail-in resolution regime.)

- 14.3 Given the increasing risk and continued low returns from short-term unsecured bank investments, it is the Council's aim to further diversify into more secure and/or higher yielding asset classes. The majority of the Council's surplus cash was previously invested in short-term unsecured bank deposits, certificates of deposit and money market funds.
- 14.4 The Council's investment holding was £54.7m at 31 August 2017 which was £3.2m (6.6%) lower than the same time last year. The table below shows investment activity for the Council as at 31 August 2017 in comparison to the reported investment activity as at 31 March 2017:

Table 1: Investment activity in 2017/18

	Asset value on 31/03/17 £m	Asset value on 31/08/17 £m	Average Rate/Yield on 31/08/17 %	Average Life on 31/08/17 Years
Short term investments				
- Banks and Building Societies:				
- Unsecured	6.0	12.2	0.42	0.22
- Secured	6.0	5.0	0.72	0.46
- Money Market Funds	2.0	6.5	0.21	0.00
- Local Authorities	18.0	13.0	0.55	0.45
- Corporate Bonds	3.0	-	-	-
	35.0	36.7	0.47	0.29
Long term investments				
- Banks and Building Societies:				
- Secured	4.0	7.0	0.55	2.02
- Local Authorities	-	4.0	1.00	2.48
	4.0	11.0	0.72	2.18
High yield investments				
- Pooled Property Funds *	5.0	5.0	4.49	n/a
- Pooled Equity Funds *	2.0	2.0	5.98	n/a
	7.0	7.0	4.91	n/a
TOTAL INVESTMENTS	46.0	54.7	1.09	0.59
Increase/ (Decrease) in Investments £m		8.7		

* Yield represents the average of each investment class' most recent dividend payments as a percentage of the asset value.

- 14.5 In comparison to the 2016/17 year end position, during 2017/18 to date the Council has been able to allocate a higher proportion of its cash balances to long term investments – this has contributed towards a greater overall average interest rate as at 31 August 2017. In addition the most recent pooled fund dividends have produced a good return.

- 14.6 The investments in pooled property and equity funds allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. The funds which are operated on a variable net asset value (VNAV) basis offer diversification of investment risk, coupled with the services of a professional fund manager; they also offer enhanced returns over the longer term but are more volatile in the short term. All of the Council's pooled fund investments are in the funds' distributing share classes which pay out the income generated.
- 14.7 The pooled funds' performance and suitability in meeting the Council's investment objectives are monitored regularly and discussed with Arlingclose.

Table 2: High yield investments capital value at 31 August 2017

High yield investments	Principal invested £m	Market value 31/08/17 £m	Capital yield (per annum) %
Pooled property fund	5.00	5.34	-1.67
Pooled equity funds	2.00	2.01	0.45
Total	7.00	7.35	-1.10

- 14.8 Security of capital has remained the Council's main investment objective. This has been maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy for 2017/18.
- 14.9 Counterparty credit quality was assessed and monitored with reference to credit ratings (the Council's minimum long-term counterparty rating for institutions defined as having "high credit quality" is BBB+ across rating agencies Fitch, S&P and Moody's); credit default swap prices, financial statements, information on potential government support and reports in the quality financial press.
- 14.10 The average cash balances were £52.1m during the year to 31 August 2017. The average interest rate earned on the Council's investments at 31 August 2017 was 1.09%, which should be considered within the context of a low UK Base Rate of 0.25%, and very low short term money market rates.

15 Borrowing

- 15.1 The Council's underlying need to borrow as measured by the Capital Financing Requirement (CFR) at 31 March 2017 was £170m. Affordability and the "cost of carry" remained important influences on the Council's borrowing strategy alongside the consideration that, for any borrowing undertaken ahead of need, the proceeds would have to be invested in the money markets at rates of interest significantly lower than the cost of borrowing.
- 15.2 For the Council the use of internal resources in lieu of borrowing has, therefore, continued to be the most cost effective means of funding capital

expenditure. No new long-term borrowing has taken place to date in 2017/18, or is planned for the remainder of the year. This has lowered overall treasury risk by reducing both external debt and temporary investments.

- 15.3 As at 31 August 2017 the Council held £156.7m of loans, (which has not changed since the last report at 05/07/2017), as part of its strategy for funding previous years' Housing Revenue Account programmes.
- 15.4 The premia that applies to the premature repayment of the Council's Public Works Loan Board loans is still relatively expensive for the loans in the portfolio and therefore unattractive for debt rescheduling. As a consequence, no rescheduling activity has taken place. However, consideration will continue to be given to any advantageous opportunity for the Council to reduce or restructure its debt portfolio.

16 Compliance with Prudential Indicators

- 16.1 Within 2017/18 to date, the Council operated within the Prudential Indicators for 2017/18, which were set in February 2017 as part of the Council's Treasury Management Strategy Statement.

Authorised Limit and Operational Boundary for external debt

- 16.2 CIPFA's Code of Practice requires authorities to set an authorised limit for external debt, defined as the sum of external borrowing and other long-term liabilities. The annual strategy report agreed by the Council in February 2017 set an authorised limit for external debt of £201.5m.
- 16.3 This limit is based on the estimated CFR in order to enable it to be financed entirely from external borrowing should the Council's internal reserves become depleted. The limit also includes an allowance for temporary borrowing to cover normal revenue cash flow requirements and unexpected outflows or delays in receiving cash.
- 16.4 The Council has set an operational boundary for external debt reflecting the more likely scenario and consistent with the Council's capital plans and Treasury Management Strategy. Temporary breaches of 2017/18 operational boundary can take place for cash flow reasons, but any sustained breach will lead to further investigation. WCC approved an operational boundary for 2017/18 of £198.9m.

Table 3: Authorised Limit and Operational Boundary for External Debt

	Authorised Limit £m	Operational Boundary £m	2017/18 Actual £m
Borrowing	200.9	198.4	156.7
Other long-term liabilities	0.6	0.5	-
Total Debt	201.5	198.9	156.7

- 16.5 During the period to 31 August 2017 borrowing remained well within the authorised limit and operational boundary, and no new long term borrowing has been taken out.

17 Treasury Management Indicators

- 17.1 The Council measures and manages its exposures to treasury management risks using the following indicators.

Interest Rate Exposures

- 17.2 The Council has to set an upper limit on its fixed and variable interest rate exposures for both total investments and total external debt. This indicator is set to control the Council's exposure to interest rate risk. The Council approved the following upper limits on fixed and variable rate interest rate exposures, expressed as the amount of net principal borrowed or invested. None of the limits have been exceeded.

Table 4: Interest rate exposures

	2017/18 Limit	Maximum to 31 August 2017
Upper limit on fixed interest rate investment exposure	£25.0m	£6.0m
Upper limit on variable interest rate investment exposure	£100.0m	£54.8m
Upper limit on fixed interest rate borrowing exposure	£201.5m	£156.7m
Upper limit on variable interest rate borrowing exposure	£201.5m	£0.0m

- 17.3 The limit for borrowing rate exposures has been set to enable maximum policy flexibility for the potential for refinancing e.g. from variable to fixed rate borrowing. The Council's entire long-term debt portfolio is currently made up of fixed interest loans.
- 17.4 The upper limit for investment exposure rates is based on an extreme case of the total investment balances, and to allow for all of this to be held at variable rates (investments with a maturity of less than one year) if necessary.

Maturity Structure of Borrowing

- 17.5 The Code also requires the Council to set upper and lower percentage limits on the maturity structure of its long-term fixed rate borrowing during 2017/18. The following table shows the limits approved by the Council. These have been set to allow maximum flexibility in managing the debt portfolio and are consistent with the existing portfolio.

Table 5: Maturity Structure of Borrowing

	Upper	Lower	Actual
Under 12 months	25%	0%	0%
12 months and within 24 months	25%	0%	0%
24 months and within 5 years	25%	0%	0%
5 years and within 10 years	25%	0%	19%
10 years and within 20 years	50%	0%	38%
20 years and within 30 years	50%	0%	13%
30 years and within 40 years	75%	0%	13%
40 years and within 50 years	100%	0%	17%

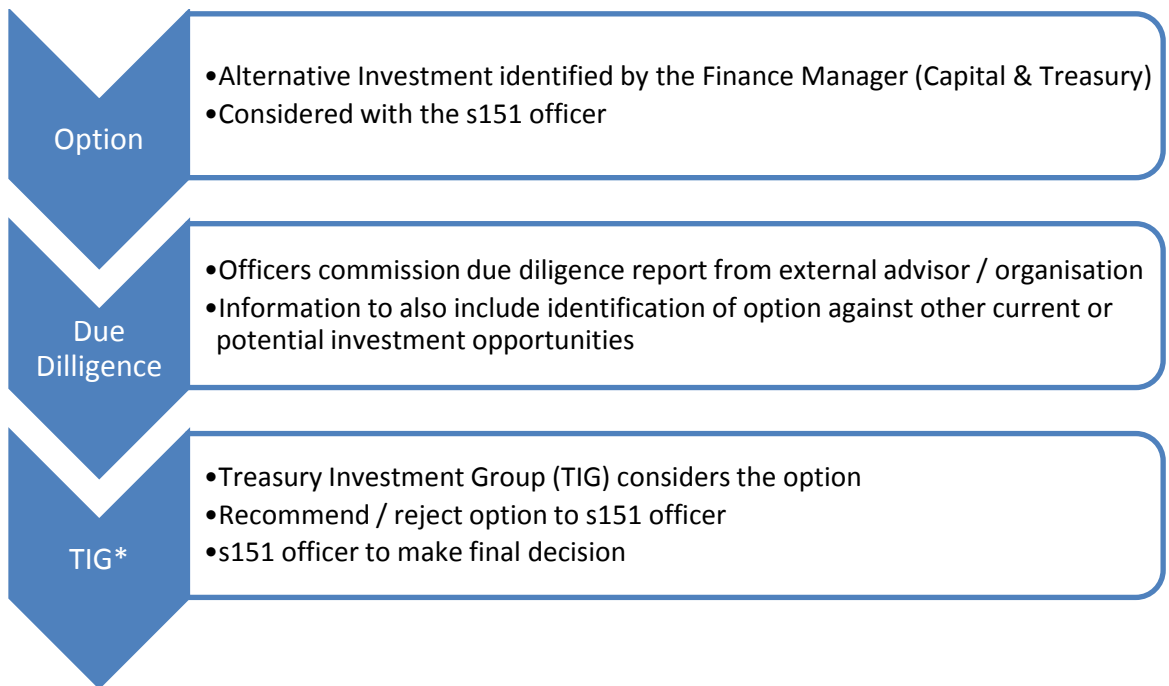
Principal Sums Invested for Periods Longer than 364 days

17.6 The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. For 2017/18 the Council restricted investments for periods of over a year to a maximum of £25m. At 31 August 2017 the Council held £18m of investments with over 364 days to their maturity.

18 Changes to the 2017/18 Treasury Management Strategy

18.1 In recent years, the Council has operated in a very low interest rate environment; in 2016/17, the average yield on the Council's investments was 0.81% against inflation of 2.3% as measured by the Consumer Prices Index (CPI).

18.2 The Council's Treasury Management Strategy is to ensure security of its investments as well as maintain sufficient liquidity for the Council to meet all of its financial commitments and, in this context, achieve an appropriate level of yield. In line with the current Strategy, the Council is prepared to make some alternative investments through non specified investment. It is proposed to build on the current strategy to take advantage of other opportunities that arise. Higher returns mitigate against liquidity risk; however, these types of investments present their own risks and so any such investment would be subject to an appropriate level of externally sourced due diligence. To ensure that there is a clear process for external scrutiny specifically around these alternative investments, a proposed governance structure is detailed below in order for the Council to consider such investment opportunities in a timely manner and ensure that there has been effective scrutiny over the proposed decisions. The S151 officer will consult with this group on these types of investment prior to making the final decision.



* The TIG (Treasury Investment Group) should include the following officer and member roles:

- Finance Manager (Capital & Treasury)
- Portfolio Holder (Finance)
- One other Cabinet member
- Chair of the Audit Committee
- Shadow Portfolio Holder (Finance)
- S151 officer

18.3 It is proposed that this type of alternative investment be subject to a counterparty limit of £3.5m and a maximum duration of 10 years. The proposed amendments to table 3 of the Treasury Management Strategy (CAB2630) are highlighted below:

Table 3: Approved Investment Counterparties and Limits

Credit Rating	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers Unsecured	Registered Providers Secured
UK Govt	n/a	n/a	£ Unlimited 30 years	n/a	n/a	n/a
AAA	£3.5m 5 years	£7m 20 years	£7m 30 years	£3.5m 20 years	£3.5m 20 years	£3.5m 25 years
AA+	£3.5m 5 years	£7m 10 years	£7m 25 years	£3.5m 10 years	£3.5m 10 years	£3.5m 10 years
AA	£3.5m 4 years	£7m 5 years	£7m 15 years	£3.5m 5 years	£3.5m 10 years	£3.5m 10 years
AA-	£3.5m 3 years	£7m 4 years	£7m 10 years	£3.5m 4 years	£3.5m 10 years	£3.5m 10 years
A+	£3.5m 2 years	£7m 3 years	£3.5m 5 years	£3.5m 3 years	£3.5m 5 years	£3.5m 5 years
A	£3.5m 13 months	£7m 2 years	£3.5m 5 years	£3.5m 2 years	£3.5m 5 years	£3.5m 5 years
A-	£3.5m 6 months	£7m 13 months	£3.5m 5 years	£3.5m 13 months	£3.5m 5 years	£3.5m 5 years
BBB+	£1m 100 days	£3.5m 6 months	£3.5m 2 years	£1m 6 months	£3.5m 2 years	£3.5m 2 years
None	£1m 6 months	n/a	£3.5m 25 years	£3.5m 10 years	£3.5m 5 years	£3.5m 25 years
Pooled funds	£7m per fund					

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

AUD119: Treasury Management Practices, 22 June 2015

CAB2766: Treasury Management Strategy 2016-17, 18 February 2016

AUD174: Treasury Management Mid-Year Review 2016/17, 24 November 2016

CAB2898: Treasury Management Strategy 2017-18, 8 February 2017

CAB2939: Treasury Management Outturn Report for 2016/17, 5 July 2017

Other Background Documents:-

None

APPENDICES:

Appendix 1: Warnings – loss of protections as a Professional Client

Appendix 1**Warnings - loss of protections as a Professional Client**

Professional Clients are entitled to fewer protections under the UK and EU regulatory regimes than is otherwise the case for Retail Clients. This document contains, for information purposes only, a summary of the protections that you will lose if you request and agree to be treated as a Professional Client.

1. Communicating with clients, including financial promotions

As a Professional Client the simplicity and frequency in which the firm communicates with you may be different to the way in which they would communicate with a Retail Client. They will ensure however that our communication remains fair, clear and not misleading.

2. Information about the firm, its services and remuneration

The type of information that the firm provides to Retail Clients about itself, its services and its products and how it is remunerated differs to what the firm provides to Professional Clients. In particular,

(A) The firm is obliged to provide information on these areas to all clients but the granularity, medium and timing of such provision may be less specific for clients that are not Retail Clients; and

(B) there are particular restrictions on the remuneration structure for staff providing services to Retail Clients which may not be applicable in respect of staff providing services to Professional Clients;

(C) the information which the firm provides in relation to costs and charges for its services and/or products may not be as comprehensive for Professional Clients as it would be for Retail Clients, for example, they are required when offering packaged products and services to provide additional information to Retail Clients on the risks and components making up that package; and

(D) when handling orders on behalf of Retail Clients, the firm has an obligation to inform them about any material difficulties in carrying out the orders; this obligation may not apply in respect of Professional Clients.

3. Suitability

In the course of providing advice or in the course of providing discretionary management services, when assessing suitability for Professional Clients, the firm is entitled to assume that in relation to the products, transactions and services for which you have been so classified, that you have the necessary level of experience and knowledge to understand the risks involved in the management of your

investments. The firm will assess this information separately for Retail Clients and would be required to provide Retail Clients with a suitability report.

4. Appropriateness

For transactions where the firm does not provide you with investment advice or discretionary management services (such as an execution-only trade), it may be required to assess whether the transaction is appropriate. In respect of a Retail Client, there is a specified test for ascertaining whether the client has the requisite investment knowledge and experience to understand the risks associated with the relevant transaction. However, in respect of a Professional Client, the firm is entitled to assume that they have the necessary level of experience, knowledge and expertise to understand the risks involved in a transaction in products and services for which they are classified as a Professional Client.

5. Dealing

A range of factors may be considered for Professional Clients in order to achieve best execution (price is an important factor but the relative importance of other different factors, such as speed, costs and fees may vary). In contrast, when undertaking transactions for Retail Clients, the total consideration, representing the price of the financial instrument and the costs relating to execution, must be the overriding factor in any execution.

6. Reporting information to clients

For transactions where the firm does not provide discretionary management services (such as an execution-only transactions), the timeframe for our providing confirmation that an order has been carried out is more rigorous for Retail Clients' orders than Professional Clients' orders.

7. Client reporting

Investment firms that hold a retail client account that includes positions in leveraged financial instruments or contingent liability transactions shall inform the Retail Client, where the initial value of each instrument depreciates by 10% and thereafter at multiples of 10%. These reports do not have to be produced for Professional Clients.

8. Financial Ombudsman Service

The services of the Financial Ombudsman Service may not be available to you as a Professional Client.

9. Investor compensation

Eligibility for compensation from the Financial Services Compensation Scheme is not contingent on your categorisation but on how your organisation is constituted. Hence, depending on how you are constituted you may not have access to the Financial Services Compensation Scheme.

10. Exclusion of liability

The FCA rules restrict the firm's ability to exclude or restrict any duty of liability which the firm owes to Retail Clients more strictly than in respect of Professional Clients.

11. Trading obligation

In respect of shares admitted to trading on a regulated market or traded on a trading venue, the firm may, in relation to the investments of Retail Clients, only arrange for such trades to be carried out on a regulated market, a multilateral trading facility, a systematic internaliser or a third-country trading venue. This is a restriction which may not apply in respect of trading carried out for Professional Clients.

12. Transfer of financial collateral arrangements

As a Professional Client, the firm may conclude title transfer financial collateral arrangements with you for the purpose of securing or covering your present or future, actual or contingent or prospective obligations, which would not be possible for Retail Clients.

13. Client money

The requirements under the client money rules in the FCA Handbook (CASS) are more prescriptive and provide more protection in respect of Retail Clients than in respect of Professional Clients.

It should be noted that at all times you will have the right to request a different client categorisation and that you will be responsible for keeping the firm informed of any change that could affect your categorisation as a Professional Client.