


Investor protection

A guide to how we keep your money and assets safe

 16 minute read

Holding cash and assets on your behalf is a responsibility that we take very seriously.

The Financial Services Compensation Scheme (FSCS) is the UK compensation fund of last resort. The FSCS may pay compensation if one of our providers or the assets held within a product fails to meet its liabilities to investors. This is usually because they cease trading or have been declared in default.

Each claim presented to the FSCS is considered on its individual merits, including reference to the way the investment or product is held and the reason for a claim being presented.

Here's some information to explain how your cash and assets are protected in each of the products you may hold in your Nucleus wrap, and what protection you can access should anything go wrong.



The information provided should be considered a guide based on our current understanding of the rules of the FSCS at the time of print. This factsheet is not intended to be a definitive guide to how the FSCS operates, or how it applies in different situations and should not be relied upon by any individual to decide on a particular course of action when considering the suitability of a particular investment.

For further information, you can contact the FSCS helpline on 0800 678 1100, write to them at the address below or visit their website at www.fscs.org.uk. www.fscs.org.uk.

[Financial Services Compensation Scheme PO Box 300, Mitcheldean GL17 1DY](http://www.fscs.org.uk)

Our internal governance for all products

We've a dedicated team in place whose sole responsibility is to ensure that all assets and money are accounted for and that we adhere to the Financial Conduct Authority's (FCA) principle 10 – "A firm must arrange adequate protection for clients' assets when it is responsible for them". The protection of client money and assets is at the forefront of everything we do at Nucleus.



What is CASS (the 'Client Assets Sourcebook)?

The principal objective of the FCA's CASS Rules is to keep Client Assets and Client Money safe in the event of a firm's failure. A fundamental requirement of the CASS Rules is that firms must keep client money separate from the firm's own money in segregated client money bank accounts and register ownership of custody assets appropriately. This ensures that client money and custody assets are ring-fenced and clearly identifiable. Ultimately, protecting clients is at the heart of these rules.

General, General gross, Isa and Jisa products

Client money



Client money for these products is held by us in compliance with the FCA CASS 7 rules.

All client money (or cash) in these products is held by us in client money trust accounts and is segregated from our own cash. We can't use any client money to pay our own expenses or to run our company.

We deposit your cash with the Prudential Regulation Authority (PRA) authorised banks in pooled accounts. This means your cash is held in accounts with the cash of other Nucleus customers. Your individual share of a pool is recorded in our detailed custody records and reflects what is shown in your wrap account summary cash balance.

To ensure the continued suitability of banks used, we regularly carry out due diligence on these banks, monitor market conditions and the service delivered by the chosen banks. We may therefore change the banks used at any time based on adverse findings identified through our oversight and due diligence of the banks used.

We diversify client money across a panel of banks to reduce the risk to customers. Diversification reduces the impact on customers if a bank fails by spreading the risk across the banks used. Diversification also reduces the risk that cash may not be available should any of the banks have system issues.

The banks that hold the pooled accounts have signed letters (trust letters) to Nucleus agreeing that the accounts are client money accounts holding cash belonging to our customers, which ensures that if Nucleus were to become insolvent no creditors of ours would be given access to client money.

Each business day we complete cash reconciliations to ensure that the total of all the individual accounts recorded in our custody records on the platform matches what we record as held at the banks. We then reconcile our records to the bank statements received.

We report our client money balances to the FCA each month.

We've an external review of client money processes carried out annually. The report from this review is submitted to the FCA.



What would happen if Nucleus, NFS Nominees or one of the banks goes into liquidation?

If we were to become insolvent and appoint liquidators your cash would be safe and returned to you from the client money trust accounts.

If there was any shortfall in the cash returned to you it would be due either to liquidators' expenses, or from poor administration or fraud by us. In this case, if you're eligible, you'll be able to claim for any shortfall in cash returned to you up to £85,000 from FSCS. Generally, the insolvency practitioner will advise you of your rights and how to claim.

If any of the banks where we hold the client money fail, we aren't required to fund any shortfall in the client money pool arising due to the bank's failure. Therefore, if the bank fails and you're eligible, you'll be able to claim any shortfall in your cash up to £120,000 from FSCS.

General, General gross, Isa and Jisa products

Client assets



Client assets are held under the FCA CASS 6 rules.

Your assets held within your Nucleus wrap can take many forms but the most common are shares in UK listed companies, investment trusts, units in funds and structured investment products. Whatever form the asset takes, we keep detailed records of your holdings in our custody records on the platform, and this is what's shown in your wrap account summary.

To ensure the segregation of assets held on your behalf from our own assets we ensure they're registered in the name of NFS Nominees Ltd, particularly where we have a direct relationship with fund managers, transfer agencies, or in the name of our approved third-party custodian's nominee.

Nominee companies are non-trading companies so they can't run up liabilities of their own. Registering assets in the nominee names ensures the assets aren't seen as belonging to us, and therefore our creditors can't access any of your assets.

We maintain detailed custody records of all your investments and assets for which you'll always remain the beneficial owner.

We perform a monthly reconciliation between our client records and the records of the fund managers or sub-custodians to ensure records are correct. We also perform periodic checks of certificated stock where we hold these on your behalf.

We report our client asset balances to the FCA each month.

We have an external review of client asset processes carried out annually, and the report from this review is submitted to the FCA.

We can't use any client assets for our own purposes, we don't short sell or do stock lending.



What would happen if Nucleus, NFS Nominees, our sub-custodian or a fund manager goes into liquidation?

If we were to become insolvent and appoint liquidators your assets would be safe as they aren't registered in our name. They'll stay in the same nominee account until the liquidator settles and returns your assets back to you from the client money trust accounts.

If there was any shortfall in the assets returned to you, due to liquidators' expenses, or from poor administration or fraud by Nucleus, and if you're eligible, you'll be able to claim for any shortfall, up to £85,000 from FSCS. Generally, the insolvency practitioner will advise you of your rights and how to claim.

If any of the sub-custodians used by Nucleus fail, Nucleus are responsible for the actions of these outsourced activities and must recompense you for any losses. If Nucleus are unable to fund this shortfall, they'll generally become insolvent, and you'll be able to claim the shortfall from the FSCS up to the value of £85,000.

If the fund managers fail, your assets should be protected by the fund depository which acts in a similar way to a custodian. Nucleus isn't required to fund any shortfall arising due to the fund manager's failure, but depending on the circumstances, if you're eligible you'll be able to claim any shortfall in your assets up to £85,000 from FSCS.

What will happen if the asset falls in value or you were badly advised?

Investing involves risk. If the value of a fund or other asset falls due to market conditions you won't have access to any compensation from Nucleus or the FSCS.

If, however a fund fails, and there was some irregularity in the fund that caused it to close or fail - for example the fund was invested outside of the mandate and risk profile, there may be access to compensation for your loss from FSCS.

Nucleus don't provide advice, therefore any complaints about wrong advice must go through your adviser. However, if it's proved you were misadvised, and your adviser is unable to recompense you for your loss, you may be able to claim from the FSCS.

Sipp product



The Nucleus Sipp is a pension product therefore it isn't covered by the CASS rules. The cash and assets within the Sipp are protected under trust law.

The cash and assets in your Sipp are registered in the name of Nucleus Trustee Company Limited to ensure they're separate from Nucleus' own assets.

We deposit your cash with PRA authorised banks in pooled accounts. This means your cash is held in accounts with the cash of other Nucleus Sipp customers. Your individual share of a pool is recorded in our detailed custody records and reflects what's shown in your wrap account summary cash balance.

To ensure the continued suitability of banks used, we regularly carry out due diligence on the banks, monitor market conditions and the service delivered by the chosen banks. We may therefore change the banks used at any time based on adverse findings identified through our oversight and due diligence of the banks used.

We diversify client money across a panel of banks to reduce the risk to customers. Diversification reduces the impact on customers if a bank fails by spreading the risk across the banks used. Diversification also reduces the risk that cash may not be available should any of the banks have system issues.

The banks that hold the pooled accounts hold the accounts in the name of Nucleus trustees therefore Nucleus creditors can't have access to the cash. The trustee company is a dormant company and therefore can't run up any debt or become insolvent. The trustee company is set up only to protect the Sipp client money and assets. As a dormant company, it ensures the client money and assets are segregated from Nucleus' own cash and assets.

Each business day we complete cash reconciliations to ensure that the total of all the individual accounts recorded in our custody records on the platform matches what we record as held at the banks, and then a bank reconciliation reconciling our records to the bank statements received.

We can't use any Sipp cash or assets to pay our own expenses or to run our company.



Will there be any impact on new money being accepted and deposited, including cheques being cashed?

Yes. If Nucleus were to become insolvent and appoint liquidators, any new money will not be accepted, which includes cheques. However, your existing cash and assets would be safe and returned to you from the client trust accounts.

If there was any shortfall in the cash or assets returned to you, due either to liquidators' expenses, or from poor administration or fraud by Nucleus, if you're eligible, you'll be able to claim for any shortfall up to £85,000 from FSCS. Generally, the insolvency practitioner will advise you of your rights and how to claim.

The trustee company can't become insolvent, it's a dormant company.

If any of the banks where Nucleus hold the Sipp cash fail, Nucleus isn't required to fund any shortfall arising due to the bank's failure. Therefore, if the bank fails and you're eligible you'll be able to claim any shortfall in your cash up to £120,000 from FSCS.

If the fund manager fails, your assets should be protected by the fund depository which acts in a similar way to a custodian.

Nucleus isn't required to fund any shortfall arising due to the fund manager's failure, but depending on the circumstances, if you're eligible you'll be able to claim any shortfall in your assets up to £85,000 from FSCS.



What will happen if the asset falls in value, the Sipp is badly managed or you were badly advised?

Investing involves risk. If the value of a fund or other asset falls due to market conditions you won't have access to any compensation from Nucleus or the FSCS.

If, however there was some irregularity in the way the Sipp was managed that caused it to close or fail - for example the Sipp allowed investment in unregulated assets, there may be access to compensation for your loss from FSCS, if Nucleus failed to compensate you.

We don't provide advice, therefore any complaints about wrong advice must go through your adviser. However, if it's proved you were misadvised, and your adviser is unable to recompense you for your loss, you may be able to claim from the FSCS.

Nucleus APP



The Nucleus APP is a pension product therefore it isn't covered by the CASS rules. The cash and assets within the APP are protected under trust law.

The Nucleus APP is no longer open to new investors. However, it's provided by Scottish Friendly, which is an insurance company, therefore your investment in this product is protected up to 100% of the claim with no upper limit.

Onshore bond



The cash for the Countrywide Assured bond is held under the FCA CASS 7 rules.

Although you and your adviser select what is held within your bond, you actually hold the bond as a product, and therefore any protection arises as holder of the bond.

For long-term insurance contracts, the FSCS currently provides cover for 100% of the claim, with no upper limit. This applies to the onshore bonds provided by Countrywide Assured and Scottish Friendly.

In the unlikely event that a default by a bank occurs and a shortfall arises, your claim in relation to money held will be limited to a share of the money held in the designated client money account with the bank.

When investing in the onshore bond and Countrywide Assured or Scottish Friendly is deemed to be in default, the investment is protected by the FSCS and currently provides cover for 100% of the claim.

Money which is invested in the bond is kept separate from that belonging to the actual company. Countrywide Assured and Scottish Friendly may appoint a depository, custodian or similar organization. The purpose of this is to help ring-fence invested money from their own funds. If the company goes into default, the custodian in this instance would return any money. The only likely reason for any shortfall would be because of fraud or mismanagement.

Investments held in regulated OEICs or unit trusts within your bond would be held by a custodian (i.e. ring-fenced) as these would not be assets of the operator of the investment fund and therefore would be protected from creditors.

Offshore bond



Offshore bond cash and assets are held under the FCA CASS rules.

Although you and your adviser select what is held within your bond, you actually hold the bond as a product, and therefore any protection arises as holder of the bond.

Owners of the offshore bond own policies issued by RL360 in the Isle of Man, therefore don't have access to FSCS. Instead they have protection from the Isle of Man Compensation of Policyholders protection scheme, which covers an amount equal to 90% (subject to the provisions of the scheme) of the life office's liability, where they're unable to meet their financial obligations.

Unlike many protection schemes, this applies to all policyholders regardless of where they reside.

Additional information



Security of client assets and payment of administrator fees

We're required by the FCA to hold our own funds (or capital), so that we can meet the costs of an administration if we were required to stop trading and wind our business down. If the administrator can't recover their fees, in full, from our own funds, then they may be legally allowed to make charges against client assets to cover the difference, but only where the costs relate to returning those assets to clients.

In this case investors will be able to claim under the FSCS. At Nucleus, we maintain accurate books and records and have detailed operational plans to support any wind-down, both of which would limit the costs an administrator would have to incur in returning client assets to their rightful owner.



Looking after your money

We hold your cash with a panel of banks to reduce the risk to you. In the unlikely event that a bank fails, this diversification reduces any potential impact by spreading the risk across the banks used. Diversification also reduces the risk that cash may not be available should any of the banks have system issues.

The cash you hold with us is protected under the FSCS. Under FSCS rules, you could be entitled to compensation of up to £120,000 per banking licence, so by spreading your money across many different banks, you could be covered for a higher sum than if we held all your cash with a single bank.

This depends on how much cash you hold and how much of it is with each bank, and includes anything you hold directly with them, as the limits are applied per person. Also, we don't spread platform cash equally across the banks we use, and the amounts change regularly.

Please note, as your cash is held in pooled bank accounts, you may earn interest on your cash balance. We retain a part of this interest, as it helps us to keep our product charges down and continue to invest in our technology and service provision. To discover more about our approach to cash interest and the latest rates we pay, visit nucleusfinancial.com/wrap/clients/our-platform/costs-and-charges.

We only ever work with banks who have the appropriate authorisations from the UK regulators and are covered by FSCS.

For literature in alternative formats, such as Braille, large print, audio or E-text, please call us on 0131 226 9535, or via the Typetalk service on 18001 0131 226 9535.



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