

# AQUILLA NUMMUS LTD

## Safekeeping Policy

Document Reference Aquilla Nummus Ltd – Version 2

	Name	Date
Prepared by	Compliance Officer	June 2024
Reviewed by		
Approved by		

**June 2024**

**Version Tracking:**

SN	Author	Description	Date
1	Compliance Officer	Revised Policy	June 2024
2			
3			
4			
5			
6			
7			
8			
9			

**Recipients:**

- Board of Directors
- Reception & Transmission, Execution of Orders Department
- Portfolio Management Department
- Accounting Department
- Safekeeping Department
- Back Office
- Internal Auditor
- Compliance Officer / MLCO
- Risk Manager

**Relevant Legislation and References:**

- Directive D187-01 for the safeguarding of financial instruments and funds belonging to clients, product governance obligations and the rules applicable to the provision or reception of fees, commissions or any monetary or non-monetary benefits (the “Directive”), and
- CySEC Circular C458 on the enhancement of the procedures regarding safeguarding of client funds held by CIFs.

**Table of Contents**

<b>1.</b>	<b>INTRODUCTION .....</b>	<b>4</b>
<b>2.</b>	<b>GENERAL MEASURES.....</b>	<b>4</b>
<b>3.</b>	<b>SINGLE OFFICER .....</b>	<b>4</b>
<b>4.</b>	<b>CLIENT’S FUNDS .....</b>	<b>5</b>
<b>5.</b>	<b>CLIENT’S FINANCIAL INSTRUMENTS .....</b>	<b>6</b>
<b>6.</b>	<b>USE OF CLIENT’S FINANCIAL INSTRUMENTS .....</b>	<b>7</b>
<b>7.</b>	<b>USE OF PSPS AND EMIS .....</b>	<b>8</b>
<b>8.</b>	<b>USE OF TITLE TRANSFER COLLATERAL ARRANGEMENTS .....</b>	<b>8</b>
<b>9.</b>	<b>MAINTAINING A BUFFER.....</b>	<b>8</b>
<b>10.</b>	<b>RECONCILIATION OF CLIENT’S FUNDS .....</b>	<b>8</b>
<b>11.</b>	<b>SIGNATORIES OF CLIENT’S ACCOUNTS .....</b>	<b>9</b>
<b>12.</b>	<b>CONTROLS AND OVERSIGHT .....</b>	<b>9</b>
<b>13.</b>	<b>RECORD-KEEPING .....</b>	<b>10</b>

## 1. Introduction

In line with the provisions of Part II of the Directive, Aquilla Nummus Ltd (the “Company”) has established, implements and maintains effective, transparent and adequate procedures to safeguard the ownership rights of its clients, especially in the event of the Company’s insolvency, and to prevent the use of clients’ assets for its own account.

## 2. General measures

In general, the Company will apply the following measures:

- a) Appoint an officer with sufficient skill and authority with specific responsibilities for matters relating to its compliance with its obligations regarding the safeguarding of client’s assets and funds,
- b) Maintain client’s funds with EU regulated credit institutions,
- c) Maintain client’s financial instruments with EU regulated institutions,
- d) Will not hold funds with a central bank or a qualifying money market fund,
- e) Will enter into arrangements for securities financing transactions,
- f) Will not maintain merchant accounts with Payment Services Providers (“PSPs”) and Electronic Money Institutions (“EMIs”),
- g) Will not conclude title transfer financial collateral arrangements with retail clients for the purpose of securing or covering present or future, actual or contingent or prospective obligations of clients, but will conclude title transfer financial collateral arrangements with professional clients,
- h) Will not maintain a buffer of own funds into clients’ bank accounts,
- i) Perform reconciliations, the frequency of which depends on the risks to which the Company is exposed, such as the nature, volume and complexity of the business, and where and with whom the clients’ funds are held,
- j) Appoint at least two persons with combined signatory powers as the signatories of the clients’ accounts,
- k) Ensure that the internal auditor and the compliance officer, during their annual work plan, review the procedures maintained by the Company for the safeguarding of its clients’ assets, which shall include among other the verification of the accuracy and completeness of the clients’ money reconciliation. If a significant weaknesses/issue is identified by the internal auditor or the compliance officer, they shall report it to the Company’s Board of the Directors immediately in order to take immediate corrective measures.

## 3. Single officer

In line with the provisions of Paragraph 9 of the Directive, the Company has appointed Mr. Levon Ohanian, as the officer responsible for ensuring compliance with its safeguarding obligations. The said designation is adequately disclosed in the CIF electronic record (CySEC Portal). Mr. Ohanian will report to the Board, where and as needed.

Mr. Levon Ohanian possesses sufficient skills and authority to discharge his duties effectively and without impediment, including the duty to report to the Company's senior management in respect of oversight of the effectiveness of the Company's compliance with the safeguarding of client assets requirements.

The single officer is responsible to check and verify the accuracy and completeness of the clients' funds reconciliations. Also, he reviews and verifies the accuracy and completeness of the clients' money reconciliation that is included in CySEC's QST-CIF Form (i.e., reconciliation tab).

#### **4. Client's funds**

Upon the receipt of funds from clients, the Company will promptly place those funds into one or more accounts (which shall be denoted as "clients' account") opened with any of the following entities:

- a) An EU credit institution, or
- b) A bank authorized in a third country.

Currently, the Company maintains client's accounts with FiBank Ltd. Clients' funds are identified separately from any accounts used to hold funds belonging to the Company.

The Company exercises all due skill, care and diligence in the selection, appointment and periodic review of the credit institutions, banks and investment firms authorised in a third country where the funds are placed and the arrangements for the holding of those funds and take into consideration the need for diversification of these funds as part of the required due diligence.

The Company considers the following when selecting a credit institution / bank where clients' funds are placed:

- a) The capital of the credit institution / bank,
- b) The amount of client funds placed, as a proportion of the credit institution's / bank's capital and deposits,
- c) The credit rating of the bank (if available), and
- d) To the extent that the information is available, the level of risk in the investment and loan activities undertaken by the credit institution / bank and its affiliated companies.

On a regular basis (and at least annually) the Company will update its due diligence of the credit institution / bank where clients' funds are placed. Additionally, the Company will consider the diversification of client funds with more than one credit institution / bank where the amounts are, for example, of sufficient size to warrant such diversification.

Where the Company deposits funds with credit institutions or banks that belong to the same group as the Company, it will limit the funds that it deposits with any such group entity or combination of any such group entities so that funds do not exceed 20% of all such funds, unless the Board of Directors determined that, in view of the nature, scale and complexity of its business, as well as the safety offered by third parties and the small balance of client's funds held, compliance is not proportionate.

Additionally, the Company maintains accounts with three (3) investment firms, namely, TCR International Limited (Cyprus), STP Partners Limited, and AM Wealth Limited where client funds and assets are held specifically for trading purposes. This arrangement is in place to mitigate the high transaction fees imposed by credit institutions when transferring funds, ensuring a more cost-effective and efficient process for executing client transactions. The allocation of funds to these investment firms is determined based on the volume of trading activities, allowing the Company to optimize liquidity management while ensuring that sufficient funds are available to meet client trading needs.

Furthermore, the Company closely monitors the funds held in these institutions on an ongoing basis to ensure compliance with regulatory requirements, safeguard client interests, and maintain adequate levels of liquidity at all times.

## **5. Client's financial instruments**

Currently, the Company holds financial instruments belonging to clients with three (3) regulated third parties, namely TCR International Limited (Cyprus), STP Partners Limited, and AM Wealth Limited.

The Company may deposit financial instruments held on behalf of clients into an account or accounts opened with a third party provided that the Company exercises all due skill, care and diligence in the selection, appointment and periodic review of the third party and of the arrangements for the holding and safekeeping of those financial instruments.

In particular, the Company considers the expertise and market reputation of the third party, as well as any legal requirements or market practices related to the holding of those financial instruments that could adversely affect clients' rights.

The Company may deposit financial instruments of clients with a third party in a third country, only if the third party is in a jurisdiction where the safekeeping of financial instruments for the account of another person is subject to specific regulation and supervision and that third party is subject to this specific regulation and supervision.

The Company will not deposit financial instruments held on behalf of clients with a third party in a third country that does not regulate the holding and safekeeping of financial instruments for the account of another person unless one of the following conditions is met:

- a) the nature of the financial instruments or of the investment services connected with those instruments requires them to be deposited with a third party in that third country,
- b) where the financial instruments are held on behalf of a professional client, that client requests the firm in writing to deposit them with a third party in that third country.

## 6. Use of client's financial instruments

The Company will not enter into arrangements for securities financing transactions in respect of the financial instruments held by it on behalf of a client or otherwise use such financial instruments for its own account or the account of any other person or client of the Company.

Any deviation from the above must be approved by the single officer, assuming that both of the following conditions are met:

- a) The client has given his prior express consent to the use of his financial instruments on specified terms, as clearly evidenced in writing and affirmatively executed by signature or equivalent, and
- b) The use of that client's financial instruments is restricted to the specified terms to which the client consents.

Moreover, the Company will not enter into arrangements for securities financing transactions in respect of financial instruments which are held on behalf of a client in an omnibus account maintained by a third party, or otherwise use financial instruments held in such an account for its own account or for the account of another client unless, in addition to the conditions set out in (a) & (b) above, at least one of the following conditions is met:

- a) Each client whose financial instruments are held together in an omnibus account must have given prior express consent in accordance with paragraph (a) above,
- b) The Company must have systems and controls in place which ensure that only financial instruments belonging to clients who have given prior express consent in accordance with paragraph (a) above are so used.

Where the above applies, the Company shall:

- 1 Keep details of the client on whose instructions the use of the financial instruments has been effected, as well as the number of financial instruments used belonging to each client who has given his consent to enable the correct allocation of any loss,
- 2 Conclude an agreement with clients on the measures to be taken by the Company in case the client does not have enough provision on its account on the settlement date, such as borrowing of the corresponding securities on behalf of the client or unwinding the position,

- 3 Closely monitor its projected ability to deliver on the settlement date,
- 4 Closely monitor and promptly requesting of undelivered securities outstanding on the settlement day and beyond.

## **7. Use of PSPs and EMIs**

The Company does not currently maintain merchant accounts with PSPs and/or EMIs and does not intend to.

## **8. Use of title transfer collateral arrangements**

The Company will not conclude title transfer financial collateral arrangements with retail but will do with professional clients/eligible counterparties.

The Company will take into account the following factors, when concluding title transfer collateral arrangements:

- (a) whether there is only a very weak connection between the client's obligation to the Company and the use of title transfer collateral arrangements, including whether the likelihood of a clients' liability to the Company is low or negligible;
- (b) whether the amount of client funds or financial instruments subject to title transfer collateral arrangements, far exceeds the client's obligation, or is even unlimited if the client has any obligation towards the Company; and
- (c) whether all clients' financial instruments or funds are subject to title transfer collateral arrangements, without consideration of what obligation each client has to the Company.

Where the Company uses title transfer collateral arrangements, it shall highlight to professional clients and eligible counterparties the risks involved and the effect of any title transfer collateral arrangement on the client's financial instruments and funds.

## **9. Maintaining a buffer**

The Company will not maintain a buffer of own funds into clients' bank accounts, as its business model does not envisage the maintenance of such a buffer.

## **10. Reconciliation of client's funds**

The Company will perform reconciliations, the frequency of which depends on the risks to which the Company is exposed, such as the nature, volume and complexity of the business, and where and with whom the clients' funds are held.

The used and preferred method of reconciliation is a comparison that is carried out (and any discrepancies identified) between the total balance of relevant funds as recorded by the Company within client accounts with the total balance on all safeguarding accounts

as set out on the statement or other form of confirmation issued by the credit institution / bank holding the account.

Where discrepancies arise because of reconciliations, the Company will identify the reason for those discrepancies and correct them as soon as possible by paying in any shortfall or withdrawing any excess, unless the discrepancy arises only due to timing differences between internal and external accounting systems.

Where a discrepancy cannot be immediately resolved, the Company will assume that the records that show that a greater amount of relevant funds or assets should be safeguarded are correct, until the discrepancy is resolved. The Company will be able to demonstrate that it is carrying out appropriate reconciliations and correcting discrepancies.

The Company will conduct reconciliations daily and monthly to avoid any discrepancies – ensuring all relevant funds are safeguarded and there is no co-mingling overnight. The reconciliation process results in the amount of funds safeguarded being:

- a) Sufficient to cover the relevant funds, as at the close of the previous business day, which we need to safeguard before the next daily reconciliation, and
- b) Not more than the relevant funds balance to avoid co-mingling and protect our customers

The back office or any other person designated by the senior management shall be responsible for conducting the necessary reconciliations.

## **11. Signatories of client's accounts**

At all times at least two persons with combined signatory powers shall be appointed as the signatories of the clients' accounts. The Company has appointed Vahe Gevorgyan and Levon Ohanian as joint signatories to the client's accounts. The persons involved in the preparation of reconciliations are not appointed as signatories.

## **12. Controls and oversight**

The Company maintains organizational arrangements that are sufficient to minimize the risk of the loss or diminution of relevant funds through fraud, misuse, negligence, or poor administration. The internal auditor and the compliance officer shall review the procedure maintained by the Company for the safeguarding of its clients' assets. This shall include, among other, the verification of the accuracy and completeness of the clients' money reconciliation. If a significant weakness/issue is identified by the internal auditor or the compliance officer, this should be reported to the BoD immediately in order to take immediate corrective measures.

### **13. Record-keeping**

The Company shall keep records of clients' assets for a period of at least five (5) years after the completion of all one-off transactions or the formal termination of the business relationship or, in the absence of formal termination, the completion of the last transaction carried out on behalf of the client.