

# Client asset protection and compensation

## Guide for clients and advisers

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### Client asset protection and compensation

The Transact retail investment platform is operated by Integrated Financial Arrangements Ltd (“IFAL”).

This guide explains how your money and assets (together referred to as “client assets”) are protected as a result of the organisational arrangements of IFAL and other regulated companies within the Group, and the government compensation schemes that provide compensation.

### Client asset protection

IntegraFin Holdings plc (“IHP”) owns IFAL, IntegraLife UK Limited (“ILUK”) and IntegraLife International Ltd (“ILInt”) all of whom are regulated and who collectively provide the wrappers that comprise the Transact investment platform service. The regulated companies and the wrappers each company provides are as follows:

	IFAL	ILUK	ILInt
Wrapper types	General Investment account (GIA), ISA, LISA, JISA and Self Invested Personal Pension (SIPP)	Transact Onshore Bond, Transact Personal Pension, Executive Pension and Section 32 Buy-Out Bond	Transact Offshore Bond

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These regulated companies must follow rules designed to protect your client assets.

Money you have in your Transact portfolio is held in legally separate client money bank accounts with a minimum of five UK banks authorised and regulated by the Prudential Regulatory Authority (“PRA”) and the Financial Conduct Authority (“FCA”).

The banks have all signed legally binding documents confirming that money in these client money bank accounts belongs to IFAL customers. This ensures that if IFAL were to become insolvent, no creditors of IFAL would have any entitlement to the client money held in these bank accounts.

Your other assets are registered in the name of Transact Nominees Ltd (“Transact Nominees”) or the nominee of a third-party custodian, which means that, whilst Transact Nominees (or another nominee) is the ‘legal’ owner of the investments, you are the ‘beneficial’ owner. The difference is:

- A legal owner is the person in whose name the investment is registered;
- A beneficial owner is the person for whose benefit the investment is held.

Transact Nominees is a non-trading company so it doesn’t have any liabilities of its own and isn’t, therefore, vulnerable to insolvency. Registering assets in the name of a nominee also ensures that IFAL creditors would not be entitled to any of your assets.

Nearly all Transact’s clients are advised and when considering the protection of clients’ assets, adviser firms tend to focus on what might happen to clients’ money if a bank used by the platform fails.

The next section of this guide sets out the information that we consider to be most helpful and relevant to adviser firms when helping clients to think about this, including compensation scheme cover. Later sections consider protection provided by compensation schemes if a product provider or a Transact company fails.

## Banks

Interest earned on money in Transact portfolios is paid in full to clients. Some platforms keep a proportion of interest earned, Transact does not.

We must decide how to split the total amount of clients’ money between the banks we use. To do this we must consider a combination of factors, including:

- each bank’s financial strength and suitability
- the FCA’s diversification requirements
- clients’ anticipated liquidity requirements
- and a matrix of board-approved risk appetites
- interest rates

Each individual client’s money is deemed to be held across all of the bank accounts in the same proportion that we allocate money between the banks. If a bank goes out of business and if it is unable to return our clients’ money then, for valid claims, the Financial Services Compensation Scheme (“FSCS”) would pay compensation up to a limit of £120,000 per client per bank<sup>1</sup>

This applies to all money held by IFAL as client money – as defined by the FCA in its CASS rules - except for money held by IFAL for ILUK in onshore bonds and money held by IFAL for ILInt in offshore bonds.

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<sup>1</sup> The £120,000 FSCS limit applies to all the money (in any currency) an individual holds on deposit per bank, assuming each bank has a separate banking licence. This includes any money held in a client’s own name, such as in a current or savings account, or held with another platform for example. Temporary high balances from certain specified events (such as proceeds from the sale of a property or personal injury compensation) are covered up to a maximum of £1.4 million.

Here's how it works in practice:

- If we hold 100% of a client's money with one bank and that bank fails, up to £120,000 would be fully protected by the FSCS.
- If we hold a client's money with four banks and 25% of that money is held with each bank, then up to £480,000 would be fully protected by the FSCS (i.e. 4 x £120,000).

In theory then, the more banks that Transact uses, the greater the overall protection. In reality, however, money is held among the banks in unequal proportions. For example, IFAL may hold 25% with Barclays, 20% with Lloyds, 18% with HSBC, 15% with Santander and so on.

Bank	Q1 average	Amount held	FSCS protection
Barclays	25%	£150,000	£120,000
Lloyds	20%	£120,000	£120,000
HSBC	18%	£108,000	£108,000
Santander	15%	£90,000	£90,000
NatWest	10%	£60,000	£60,000
RBS	2%	£12,000	£12,000
Cater Allen	8%	£48,000	£48,000
Clydesdale	2%	£12,000	£12,000
		£600,000	£570,000

It's important to note that these examples exclude any deposits a client might hold off the Transact investment platform, such as in their current or savings account, or with another institution such as another platform.

Transact also offers several term deposit products provided by a range of banks. Money placed into term deposits is held with those banks by Transact Trustees Ltd ("Transact Trustees") in trust for the benefit of clients. It is not client money for the purposes of the FCA's rules because these term deposits are for three months or longer and the FCA's CASS rules restrict client money being held on deposit for longer than 95 days. Like Transact Nominees, Transact Trustees is not a trading company, which means it doesn't have liabilities of its own and, as above, isn't therefore vulnerable to insolvency.

Money held in term deposits on Transact is covered by the FSCS to the same extent as client money, meaning that deposits in all wrappers are covered except for deposits held in the Transact Onshore Bond, the Transact Section 32 Buy-Out Bond and the Transact Offshore Bond; the position for holders of the bonds is not 100% certain based on the information published by the FSCS but we currently understand that the FSCS would not consider a claim for each customer in relation to term deposit cash held in these wrappers.

## Product providers

Investments such as mutual funds (e.g. OEICs and unit trusts) and ETFs should be protected from the failure of the provider of those products (for example, a fund manager) because FCA regulated providers must use a depository and a custodian. Shares (also known as equities) are not protected by the FSCS if the company that issued them fails, regardless of the Transact wrapper in which they are held.

A depository has an important role in investor protection and is responsible for the safekeeping of a mutual fund's assets. This requirement means that the assets of the fund are always held separately from those of the fund manager, thereby keeping them safe should the fund manager go insolvent. This separation, or "ring-fencing" of the management of the fund's assets from their ownership is the most fundamental element of investor protection provided by authorised funds. It is important to note that while this prevents the assets themselves being lost, it does not protect you from any negative investment performance of those assets, such as market losses or credit downgrades.

Where a fund manager acts dishonestly, fraudulently or negligently in the way it handles your investments the FSCS may pay compensation of up to £85,000 per person, per fund manager.

Investments held in the Transact Personal Pension Plan, the Transact Executive Pension, the Transact Onshore Bond, the Transact Section 32 Buy-Out Bond and the Transact Offshore Bond would not be covered by the FSCS; this is because those investments are owned by ILUK or ILInt (the Transact Offshore Bond). See the table on page 5 for cover provided if one of those companies fails.

	IFAL	ILUK	ILInt
Wrapper types	General Investment account (GIA), ISA, LISA, JISA and Self Invested Personal Pension (SIPP)	Transact Onshore Bond, Transact Personal Pension, Executive Pension and Section 32 Buy-Out Bond	Transact Offshore Bond
Types of investment held	<ul style="list-style-type: none"> <li>• Shares</li> <li>• Mutual Funds (inc ETFs)</li> </ul>	<ul style="list-style-type: none"> <li>• Shares</li> <li>• Mutual Funds (inc ETFs)</li> </ul>	<ul style="list-style-type: none"> <li>• Shares</li> <li>• Mutual Funds (inc ETFs)</li> </ul>
Compensation scheme and potential compensation	<ul style="list-style-type: none"> <li>• Shares are not covered by the FSCS.</li> <li>• Mutual Funds are only covered where the fund manager acts dishonestly, fraudulently or negligently</li> </ul>	<ul style="list-style-type: none"> <li>• Shares are not covered by the FSCS.</li> <li>• Mutual Funds are owned by ILUK</li> </ul>	<ul style="list-style-type: none"> <li>• Shares are not covered by the IOMFSA.</li> <li>• Mutual Funds are owned by ILInt</li> </ul>

Offshore mutual funds (based in Ireland, Luxembourg or other non-UK countries) are not covered by the FSCS compensation scheme. This is because offshore mutual funds fall outside of the jurisdiction of the FSCS.

## Transact companies

The company your assets and cash are held by determines the compensation scheme available to you. Below we have listed again the companies and wrappers within our Group, headed by IHP:

- IFAL is the operator of the Transact platform and provider of the following wrappers: General Investment Account (GIA), ISA, Lifetime ISA, Junior ISA, and Self Invested Personal Pension (SIPP) operator.
- ILUK is a UK-based insurance company and provider of the Transact Onshore Bond, Transact Personal Pension, Executive Pension and Section 32 Buy-Out Bond.
- ILInt is an Isle of Man-based insurance company providing the Transact Offshore Bond.

The table below shows the wrapper type, the associated regulatory compensation scheme and compensation limits for each company.

	IFAL	ILUK	ILInt
Wrapper types	General Investment account (GIA), ISA, LISA, JISA and Self Invested Personal Pension (SIPP)	Transact Onshore Bond, Transact Personal Pension, Executive Pension and Section 32 Buy-Out Bond	Transact Offshore Bond
Compensation scheme and potential compensation	FSCS: Maximum amount of £85,000 per claim if IFAL fails	FSCS: Maximum amount of 100% of the policy value per claim (with no upper limit) if ILUK fails	Policyholder Compensation Scheme (PCS) (managed by the Isle of Man Financial Services Authority (IOMFSA)): Maximum amount of 90% of the policy value per claim (with no upper limit) if ILInt fails

The position for failure of ILUK or ILInt is not the same as for failure of IFAL, because ILUK and ILInt are insurance companies. Further details are set out below.

### ILUK

As an insurance provider, ILUK holds your pension and onshore bond cash and other assets legally and beneficially in its own name. You, as the policyholder, only have a contractual right to the value of the policy you hold, which reflects the value of the cash and other assets.

If ILUK fails the FSCS will, in conjunction with any appointed insolvency practitioner, attempt to secure continuity of the pension or onshore bond by either transferring the assets to a third-party provider. Only where a transfer is not possible would a claim to the FSCS be required.

### ILInt

As an insurance provider, ILInt holds your offshore bond cash and other assets legally and beneficially in its own name. You, as the policyholder, only have a contractual right to the value of the policy you hold, which reflects the value of the cash and other assets.

If ILInt fails, the offshore bond is covered by the IOMFSA compensation scheme. The Scheme covers up to 90% of the value of the policy you hold.

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## FSCS contact information

Webpage:	<a href="http://www.fscs.org.uk/contact-us">www.fscs.org.uk/contact-us</a>
Telephone:	0800 678 1100

## IOMFSA contact information

Webpage:	<a href="http://www.iomfsa.im/about/contact-us/">www.iomfsa.im/about/contact-us/</a>
Telephone:	+44 (0)1624 646000



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