Client money

Transact

Cash held with Transact is grouped with other clients' money in accounts with a range of UK banks. This client money is safeguarded in accordance with the FCA's Client Asset ("CASS") rules, which require it to be held separately from our own cash.

All interest earned on client money is passed on to clients.

The rate of interest paid to clients across all bank accounts and for all wrappers is referred to as the blended rate. We regularly review the rates of interest earned on client money and look to improve the blended rate we pass on where we can. This requires us to have good relationships with the banks we use and to manage deposits actively. In deciding how much to hold with each bank, as well as interest rates, we have to 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.

Clients might want to manage the amount of cash held with Transact so that, if a bank fails, their loss would be protected in full by the Financial Services Compensation Scheme (FSCS). FSCS compensation is limited to £120,000 per person per bank, either directly held by the client or on their behalf through an investment service such as Transact. Therefore, to cover the "worst case scenario" of a bank failing, a client would have to consider the highest percentage of client money held with an individual bank and "gross that up to 100%" using the following formula:

£120,000 / (A/100) = £B

Where:

- A is the percentage of client money held with one bank
- B is the maximum protected by FSCS cover

For example:

If the highest percentage held by Transact with a bank is 30% and that bank fails, the maximum amount of cash protected by FSCS cover is:

£120,000 / 0.30 = £400,000

Therefore, if the client holds more than £400,000 cash with Transact in this scenario, there is the risk that some of that cash will not be recoverable from the FSCS. **Please note that the £120,000 maximum protected figure will be reduced by any cash held directly with that bank by the client, or on behalf of the client, through another investment firm.** Note also that the percentages held with each bank fluctuate frequently and, in some instances, change daily. Therefore, necessarily, the calculation above is going to be an estimation. More information about FSCS cover can be found in Transact's Client Asset and Protection Guide available to clients via Transact Online *Information > Documents*.

The table below shows the banks we currently use and the average proportion of their respective month-end deposit holdings for March, April and May. It also includes an example of the theoretical maximum protection that could be provided by the FSCS in the event of the banks' failure. The example assumes an amount of £600,000 is held in cash with Transact in a GIA, and that no deposits are held elsewhere with the banks.

Bank	March – May month end average %	Notional Client Cash Held	Amount Protected by FSCS
Barclays Bank Plc	16%	£96,000	£96,000
Cater Allen Limited	2%	£12,000	£12,000
HSBC Bank Plc	19%	£114,000	£114,000
Lloyds Bank Plc	12%	£72,000	£72,000
National Westminster Bank Plc	22%	£132,000	£120,000
Nationwide Building Society – formerly Clydesdale Bank Plc	10%	£60,000	£60,000
Royal Bank of Scotland plc	17%	£102,000	£102,000
Santander Financial Services plc	2%	£12,000	£12,000
		£600,000	**£588,000**

The blended rates for each of the last 12 months are available via Transact Online > Information > Cash Within Transact. Interest is calculated daily and is paid within 10 working days of the first working day of the month. Interest rates change periodically and can be zero or negative.

This document is based on our understanding of the relevant legislation and regulations at the time of writing. It is for information and general guidance only and does not and is not intended to constitute professional advice.

We accept no responsibility or legal liability to any person who relies on this document.