

Taylor Patterson and Client Asset Protection

Taylor Patterson, as a regulated financial services firm, has certain obligations that must be fulfilled in the handling of client money and client assets. Below are details of how Taylor Patterson meets these responsibilities:

Taylor Patterson Trustees Ltd and Taylor Patterson Associates Ltd

All assets held on behalf of Taylor Patterson SIPP and SSAS clients are registered in the names of Taylor Patterson Trustees Ltd (TPTL) plus the individual scheme member(s). TPTL is a wholly owned subsidiary of Taylor Patterson Group Ltd (TPGL).

TPTL is a non-trading company and has no assets or liabilities. TPAL is authorised and regulated by the Financial Services Authority (FSA) to hold clients' cash and other client assets. The FSA rules require that at all times client money and assets are segregated from company assets, and so are ring fenced. As a result all monies received from clients are held in a designated client account.

FSA Requirements for protection of client assets

One of the key statutory obligations of the FSA is the protection of client assets, and there are specific regulations that TPAL is required to follow. This includes notifying the FSA of a failure to perform key periodic reconciliations or to correct errors identified as part of the reconciliation process. In addition, our auditors are required to report to the FSA annually on TPAL's compliance with the Client Asset Rules, and our procedures and controls are structured to ensure compliance with these rules.

As part of our internal procedures and in accordance with FSA regulations, we write to all banks holding cash annually requesting they confirm that all money standing to the credit of those accounts are held by us as trustee.

The FSA also requires that regulated investment firms maintain a minimum amount of capital resource, the intention being that there is sufficient funds to ensure an orderly wind down or transfer of the business in the event of the company experiencing difficulties.

The calculation of the required resource is complex, but it effectively requires a minimum of the equivalent of three months expenditure. This resource requirement is higher than for firms that do not hold client money.

Segregation of client assets

If the event that TPAL ceased trading, the treatment of client money and assets would depend on the particular circumstances. In the event of the company going into liquidation, holdings would be returned to the client or transferred to an alternative company in accordance with client instructions.

If any costs were to arise in the course of this transfer, then TPAL would normally cover these costs. The minimum excess capital reserves TPAL is required to hold by the FSA at all times is for such an eventuality.

Risk management

At TPAL we take our risk management process very seriously. We have a business continuity plan that enables the firm to carry on business should a major event take place.

The firm also has a Data Protection policy and an Employee Undertaking regarding the use of confidential information. Regular credit checks are undertaken on staff handling client assets to minimise any fraudulent activity.

We take care in identifying financial institutions to invest with although we cannot and do not guarantee the solvency or continuing solvency of any insurer, investment provider or deposit taker with which we place business.

We are taking significant steps to reduce exposure for client assets by increasing the number of providers for bank deposits and introducing maximum limits on investing into individual funds. However, it will not always be possible to stay within the limits for the UK Financial Services Compensation Scheme (FSCS) compensation, as it will be dependent on the size of portfolios. Further information on this will be available on our website shortly.

THE FINANCIAL SERVICES COMPENSATION SCHEME

The following information is designed to assist clients in understanding the workings of the Financial Services Compensation Scheme.

What is the Financial Services Compensation Scheme (FSCS)?

The FSCS is an independent body established under the Financial Services and Markets Act 2000 (FSMA) and funded by levies on authorised firms. The service is free to clients.

The FSCS is independent from the Financial Services Authority (FSA), although accountable to it and ultimately to the Treasury.

Are Taylor Patterson clients protected by the FSCS?

Yes with the exception of those invested in offshore products, as other compensation schemes or regulators protect these clients but not necessarily at the same level as the UK FSCS.

What does the FSCS do?

The FSCS is the UK statutory fund of last resort for clients of authorised financial services firms. This means that the FSCS can pay compensation for financial loss if a firm is unable to pay claims against it due to insolvency or where it has insufficient assets.

Each client with whom Taylor Patterson does business with is categorised to identify the level of protection. The firm classifies clients as 'retail customers' unless we specifically inform you otherwise. The level of protection depends on the type of business and the circumstances of the claim.

What does this mean?

1. BANK DEPOSITS

Should a UK bank go into liquidation, the clients banking with them would be entitled to claim compensation through the FSCS up to a maximum of £50,000 per person.

2. CASH WITH TAYLOR PATTERSON

SIPP Bank Accounts

All of the bank providers used by Taylor Patterson for establishing SIPPs are regulated and covered by the FSCS. Bank deposits are covered for 100 per cent of their deposit up to £50,000 (for firms declared in default from 7th October 2008), however this is the total cover available to an eligible claimant in relation to all accounts held with any single bank.

At Taylor Patterson SIPPs are established in a manner which provides a clear audit trail to identify each individual member which means that the £50,000 limit is available to every member.

SSAS Bank Accounts

All of the bank providers used by Taylor Patterson for establishing SSAS are regulated and covered by the FSCS. Each member of the SSAS is covered for 100 per cent of their deposit up to £50,000 providing the sponsoring employer is deemed a small company. A small company must meet two of the following criteria (as set out in section 247 of the Companies Act 1985 or section 382 of the Companies Act 2006 as applicable):

Turnover: not more than £6.5 million

Balance sheet total: not more than £3.26 million

Total number of employees: not more than 50

Client Bank Accounts

All client accounts are regulated and covered by the FSCS. Each account can claim up to a maximum of £50,000 under the scheme per individual. So both husband and wife have two claims but care needs to be made where you have more than one account with the bank as only one claim can be made.

It is our understanding that clients who also have SIPP or SSAS trustee accounts would only be entitled to make one claim in relation to accounts held with a single bank.

3. INVESTMENT FUNDS, INSURANCE BONDS AND PLATFORMS

Investment funds

Where a client invests directly into an Investment fund then most types of investment business are covered for 100% of the first £30,000 and 90% of the next £20,000, so the maximum compensation amount would be £48,000.

Onshore Bonds

Clients invested with Life & Pension providers who are covered under the UK FSCS are entitled to claim compensation from the scheme should the product provider be unable to meet their obligations.

This depends on the type of business and the circumstances of the claim. In general, the first £2000 of a claim is protected in full. Above this amount the scheme covers payments to 90% of the policy value.

If you invest in an external fund the product provider will actually hold the investment so if that external fund is unable to meet its obligations then you do not have the right to seek compensation. The product provider's rights to recover losses caused by a breach from an external fund may not be as extensive as your rights would be if you invested directly in the underlying fund.

Offshore Bonds

For clients invested in some of the offshore products and funds, the UK FSCS does not apply. However, many will have their own compensation arrangements and TPAL can advise you of these at the time of investing.

Please note the same conditions apply as to onshore bonds where the product provider is the investor or depositor and would only make one claim for compensation. Any monies received under such a claim would be spread across all affected policies.

Fund Platforms

If a fund platform were to become insolvent retail customers would be entitled to claim up to a maximum of £48,000 per person. If the underlying fund manager were to become insolvent then monies invested by the platform on behalf of retail investors can be identified and claimed up to a maximum of £48,000 per fund manager.

Please note the above comments are our current understanding of the rules at the time of writing. For more information about the Financial Services Compensation Scheme (FSCS) please visit the regulator's website at www.fscs.org.uk.