

Frequently asked questions – for clients of financial advisers

We have created this document to help answer any initial questions you may have about the consent process and the transfer of your account(s) to Rathbones Investment Management Limited (RIM) during the first half of 2025 (“Transfer Date”). Please read all the documentation that has been provided to you in your consent pack.

Your Investec Wealth & Investment (UK) contact is available to assist you with the consent process as well as answer any other questions you may have.

When should I sign the Client Transfer Agreement?

Whilst the transfer is not expected to complete until the first half of 2025, we need to ensure we have your consent well in advance so we can prepare for the transfer. To allow your account(s) to be transferred to RIM, please sign and return by post/complete online, the full Client Transfer Agreement as soon as possible, and within three weeks of receiving the consent pack.

What does signing the Client Transfer Agreement involve?

The Client Transfer Agreement is a simple form which when signed by you will give your authority for:

- the transfer of your investment management portfolio assets (stocks, shares and cash) to a newly opened RIM investment account on RIM’s standard Terms of Business;

and

- the transfer of your IW&I UK client account records and your personal details to allow RIM to set up a new account(s) based upon the information currently held by IW&I UK. This will ensure your manager continues to manage your portfolio on the same basis when joining RIM;

and

- the closure of your account and termination of your portfolio management and nominee agreements with IW&I UK, after the transfer date.

When will my account transfer to RIM?

Once we have received your consent, we will prepare your account(s) and expect the transfer to happen during the first half of 2025. Your IW&I UK contact will keep you updated as we go through this process. Until the transfer date, the management of your portfolio will remain unchanged and with IW&I UK.

Will it cost me to transfer to RIM?

There are no fees or charges for transferring to RIM. Any costs associated with the transfer of your investment assets to RIM will be borne by RIM.

What are my alternatives?

Unfortunately, it is not possible for your portfolio to remain with IW&I UK as we will no longer offer this service after the transfer date. Should you wish to transfer-out or liquidate your portfolio, please ensure you discuss this with your financial adviser and notify your investment manager. You can at no cost, either:

- Transfer to another wealth management firm of your choice. You would need to complete the relevant account opening paperwork of any such firm to affect the transfer. Once the transfer is complete your current investment manager would no longer be responsible for your investment management portfolio.
- Terminate the provision of investment services to you by IW&I UK and close your account. Your investments will be sold and the proceeds from this together with any un-invested cash will be sent to you.

This course of action may have capital gains tax, income tax, or inheritance tax implications, including the loss of business relief on qualifying assets held within an AIM account, as well as the potential loss of ISA status for some, or all of your assets.

Please be aware that if you have either a SIPP or an Offshore Bond with IW&I UK it is unlikely that we would be able to close your account with the provider, but we would not be able to provide investment management services - ***you are strongly advised to take personal financial advice in relation to these types of accounts should you not wish to consent to their transfer.***

Will the way my portfolio is managed change?

Your current investment manager will continue to manage your portfolio on the same basis. We rely upon our investment managers to use their expertise in managing portfolios according to risk parameters and objectives individually agreed with their clients. Investment managers will continue to be well supported by a central investment process, in which many are personally involved.

Will my fees change if I transfer to RIM?

You will transfer to RIM on your existing fee tariff and will be charged quarterly in arrears from the next scheduled fee date following the transfer. The precise timing of these charges differs from those of IW&I UK. Please refer to the Key Differences document for further details.

The existing fee tariff refers to the fees you have agreed to pay for either your investment management and/or financial planning service. There are certain ancillary investment management charges that are applied by IW&I UK, which, following the transfer of your portfolio to RIM, will cease to be charged. Examples of these ancillary charges include:

- External custodian charges - currently there is an annual charge per line of stock for any security that is held in custody external to IW&I UK.
- Panel of Takeovers and Mergers levy - this is a nominal charge payable on trades in securities of companies incorporated in the UK, Channel Islands or the Isle of Man and whose shares are admitted to trading on a UK regulated market or a UK multilateral trading facility.

Foreign exchange and interest earned

Following the transfer of your portfolio, RIM banking charges will apply, these primarily relate to foreign exchange and interest earned on uninvested cash within portfolios. RIM can offer competitive interest rate terms by actively managing your cash using Time Deposits. Please refer to Schedule of Interest rates in the Important information for clients document.

With respect to foreign exchange, rather than placing with an external currency provider, RIM, as a bank, provides its own reference exchange rate. A reference exchange rate means the exchange rate that is used to buy and sell currency for you. If your portfolio is predominately invested in UK securities, the impact will be limited.

What about Investec (Wealth) Online?

There are 2 Investec Online versions – a version for IW&I UK clients and a version for Investec Bank clients. The wealth version will remain available for a period following the Transfer Date and you will be notified before the service closes. For clients who use Investec Online for Banking services, it will continue as usual.

RIM offers an online portal and mobile App (MyRathbones) to its clients and their advisers. If you are a registered user of Investec (Wealth) Online or would like to start using MyRathbones in the future, your IW&I UK contact will advise you on what you need to do at the appropriate time. For your added security, MyRathbones enforces multi-factor authentication for all users.

Will email addresses and telephone numbers change?

In the short-term, contact from and to your IW&I UK contact will not change. Please continue to use the same telephone number and email address.

Will you still be at the same office?

IW&I UK and RIM have offices in many similar locations and often near each other. We are assessing the best approach to accommodating both teams in one office and will communicate any change to you in good time. RIM also have offices where IW&I UK do not, one of these may be more convenient to you in the future for meeting your IW&I UK contact. Rest assured your current IW&I UK contact details, by telephone or email, will remain the same at this time.

Is there any loss of protection in my portfolio moving from IW&I UK to RIM?

Your portfolio is made up of your investments (assets) and any cash held un-invested across your account(s). Changes to the way these are protected are set out below but whether these will impact your own portfolio are dependent on your individual circumstances and the amount of cash held.

What is the impact on assets held?

There is no change to the protection of the assets held within your portfolio. Both IW&I UK and RIM hold client assets according to the Financial Conduct Authority's (FCA) Client assets and money rules (CASS). Client assets are held separately to the firm's assets.

In the event of insolvency, or other such default event, as your holding is pooled with other clients, you will have a general claim on the assets alongside other clients, which in the event of any shortfall, may result in a proportionate distribution of such assets to you that are less than your recorded holdings.

What is the impact on money held?

When your account is transferred to RIM any un-invested cash will no longer be held in accordance with the FCA CASS rules and will be held by RIM as a banking deposit. These deposits are not protected by FCA CASS rules as they were at IW&I but there are other protections in place, such as Financial Services Compensation Scheme (FSCS) protection, and regulations RIM must meet to protect consumers from risk.

Whether this will have an impact on the level of protection depends on your individual circumstances and the amount of cash held un-invested in your portfolio.

What is the difference between the two regimes?

Currently IW&I UK are required by the CASS rules to:

- Hold your money separately to IW&I UK money, in segregated client bank accounts, under a trustee arrangement at regulated banks.
- Split client money between multiple regulated banks to reduce the risk and exposure should a bank fail. Although this may not entirely eliminate any risk of loss to you in the event of a bank failure, IW&I UK feel it is a beneficial control to assist in mitigation of the risk.
- Not use client money for conducting IW&I UK business activities, under client money rules.

Your money is also ring-fenced from creditors in the unlikely event IW&I UK became insolvent.

RIM is a bank and holds any un-invested cash as banker within your portfolio, rather than holding it as client money as a trustee. This means that your money would be deposited as banker rather than being held in a segregated client account. This means the cash element of your portfolio held in either a capital or income account, is classified as a deposit and may be protected under FSCS up to £85,000 per depositor.

Please note that if you already have an account with RIM that contains a cash element the amount protected is £85,000 per investor in total across all accounts held at RIM.

There are some instances in which your money may be held in a client money account, and these are set out in Term 9.6 of RIM terms of business.

RIM do not offer retail banking services such as debit cards and cheque books, with their banking permissions designed to support their activities as your investment manager.

What if the amount of un-invested cash is greater than the FSCS limits?

If the amount held across your RIM accounts exceeds the FSCS limits set out above, then it may not be protected in the event of an insolvency event but there are other ways RIM seek to mitigate the risk of loss.

The Bank of England's Prudential Regulatory Authority (PRA) regulations set a minimum liquidity buffer, which are reserves of highly liquid assets to be held to ensure that a bank can meet its customer's needs. This ensures that banks can continue to meet their financial obligations, including returning clients' deposits, during times of financial distress or market turbulence.

In addition to this RIM is bound by the PRA's capital requirements and the Capital Requirements Directive (CRD) and Capital Requirements Regulation (CRR) as implemented in the UK, which is an important regulatory framework that helps to ensure stability and resilience and protect consumers and investors from financial instability and risk. RIM must maintain significant capital to protect against losses by the firm and hold funds that can only be utilised in an insolvency event. There are also additional controls in place including control reporting, audit arrangements, and business continuity arrangements.

In order to meet this requirement RIM deposits client's funds across a broad range of low-risk investments, including directly with the Bank of England and UK Government Treasury Bills. As of 31st December 2023, RIM exceeded the regulatory requirement holding over 3 times the required minimum. The value of the liquidity buffer was £1.2bn, £875m in excess of the minimum requirement, and equivalent to approximately 52% of client cash deposits held.

As at 31 December 2023, RIM's total capital ratio was 20.5%, which was well above the regulatory minimum set by the PRA. In absolute values, £267m of capital was held against minimum requirement of £197m (including £53m in relation to the default-event buffer as described above) equating to surplus capital equal to 35% (£70m) of the minimum requirement.

At the consolidated Group level, the total capital ratio is 19.4%. In absolute values, £471m of capital was held against minimum requirement of £337m.

This demonstrates that RIM and the consolidated group are both well-capitalised and exceed the minimum regulatory requirements in order to ensure that customers' needs can be met even in times of stress within the financial markets.

What happens in the unlikely event of insolvency?

At IW&I UK, in the unlikely event of insolvency, the Client Money accounts would be held separate to the firm's money and be available to the insolvency practitioner to distribute to the respective clients who have a valid claim on the balance. Any shortfall of funds up to £85,000 may be compensated for under the FSCS.

If one of the banks IW&I used to hold client money went insolvent losses would be shared by clients in proportion to the share of money held with the failed bank. These losses may be compensated for under the FSCS up to a limit of £85,000 per person, per institution, subject to other balances you hold with the bank in question.

At RIM the CASS rules would not apply

- Most client banking deposits up to the first £85,000 of loss may be protected by the FSCS. The £85,000 limit is applicable per depositor.
- Cash held over the £85,000 FSCS limit per depositor would not be protected. You will become a creditor and may receive a distribution in line with the liquidator's process.
- In the case of joint accounts, the limit of £85,000 applies to each depositor. This means that two eligible depositors could claim up to a total of £170,000.
- Any compensation available will depend on your eligibility, the type of financial product or service involved, the investment and the circumstances of the claim.

Clients may be eligible for Temporary High Balance protection. FSCS protects temporary high balances in your bank account, building society account or credit union account of up to £1 million for six months. The protection begins from the date the temporary high balance is credited to an individual depositor's account, or to a client's account on an individual's behalf. This date may be earlier than the date the temporary high balance was credited to your account with the failed firm.

The FSCS would require proof of the circumstances around the high balance and any decision to compensate would be with FSCS.

Full details of the coverage of the FSCS are available at rathbones.com/financial-services-compensation-scheme

Belfast	02890 321 002	Edinburgh	0131 226 5000	Liverpool	0151 227 2030
Birmingham	0121 232 0700	Exeter	01392 204 404	London	020 7597 1234
Bournemouth	01202 208 100	Glasgow	0141 333 9323	Manchester	0161 832 6868
Bristol	01172 444 860	Guilford	01483 406 553	Sheffield	0114 275 5100
Cheltenham	01242 514 756	Leeds	0113 245 4488		