Responsibilities & Investor Protection incl. Flowchart

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Responsibilities of the Adviser Firm

DIM selection

We shall ensure we have conducted sufficient research and due diligence on the DIM that we select to provide the Discretionary Investment Management service.

KYC and Suitability

We shall assess your circumstances and financial planning objectives, knowledge, and experience to ensure that a DIM service is appropriate. We shall ensure that the DIM service and the investment policy or investment strategy of the model portfolios we recommend are suitable such that you are able financially to bear the investment risks and have the necessary experience and knowledge to understand the risks involved in the management of the investments.

On-going suitability of the DIM service and Model portfolio

We shall ensure that the DIM service and the investment policy or investment strategy of the model portfolios we recommend remain suitable for your investment objectives and attitude to risk on at least an annual basis.

On-going monitoring of our selection and the DIM service

We shall monitor the performance of the DIM service to ensure the on-going appropriateness of our selection for your overall financial planning and investment objectives.

Reporting

You will be provided with access to an online portal and can view reports uploaded to it by either of Us, the platform, or the DIM. We shall notify you if the overall value of your portfolio depreciates by 10% (as measured from the beginning of a reporting period) and any subsequent depreciation in multiples of 10%.

Fees and charges

We shall be responsible for notifying you of the fees and charges of the DIM service we select for you.

Tax

We shall be responsible for providing advice to you on the tax implications of the DIM service.

Responsibilities of the DIM

The discretionary investment manager will:

- Manage your investments in accordance with the investment policy, investment strategy and investment mandate of the model portfolios Thanks Wealth Planning has selected for you.
- Ensure its decisions to trade and all transactions are consistent with the terms of the investment policy, investment strategy and investment mandate of the model portfolios Thanks Wealth Planning has selected for you.

The Discretionary Investment Manager will NOT:

- Provide you with financial planning or tax advice or assess your suitability for their investment management service.

Regulatory notes

Regulatory consequences of categorisation as a professional client	Our response
1. Information	
a) Communication with clients	
A firm must ensure that its communications with all clients are fair, clear, and not misleading. The way in which a firm may communicate with professional clients (about itself, its services and products, and its remuneration) may be different from the way in which the firm communications with retail clients. A firm's obligations in respect of the level of detail, medium and timing of the provision of information are different depending on whether the client is a retail or professional client.	Although the DIM may treat us as a Professional Client, we will treat you, our investor, as a retail client. We will ensure that the risks of any DIM services we select is explained to you clearly and the risks are clearly disclosed.
b) Information on costs and charges	
A firm must provide clients with information on costs and associated charges. The information provided may not be as comprehensive for professional clients as it must be for retail clients.	We will provide you with clear information on the costs and charges of any services we provide you as well as the costs and charges involved in any DIM service we may select. Under the regulatory system, we are obliged to provide you aggregated costs and charges disclosure on an annual basis. This will include all the costs and charges of investments that we have arranged for you or recommended. The costs and charges of the DIM would be included in this disclosure.
c) Disclosure of risks	

A firm is entitled to assume that a Professional Client has the requisite knowledge and experience to understand the risks involved in investing.	Although the DIM may treat us as a Professional Client, we will treat you, our investor, as a retail client. We will ensure that we assess your knowledge and experience in the investment field relevant to the specific type of investment or service we may recommend. We will also ensure that the risks of any DIM service we recommend are explained to you clearly.
2. Suitability and appropriateness	
If a firm makes a personal recommendation or manages investments for a client, it is required to obtain and consider the following information in relation to the client: The client's knowledge and experience in the investment field relevant to the specific type of investment or service. The financial situation of the client; and The client's investment objectives However, when making a personal recommendation or managing investments to or on behalf of a professional client, a firm is entitled to assume that, in relation to the products, transactions and services for which the professional client is so classified, the client has the necessary level of experience and knowledge to understand the risks involved in the transaction or in the management of his portfolio. This assumption cannot be made for a retail client and firms must assess this information separately.	We will treat you, our Investor, as a retail client. Under the regulatory system we are required to obtain and consider the following information in relation to: Your knowledge and experience in the investment field relevant to the specific type of investment or service. Your financial situation; and Your investment objectives Where we recommend You use the services of a DIM, we will ensure that the services of the DIM are suitable for you at outset and on an ongoing basis.
3. Client money	
The definition of 'client' in CASS includes 'if a person ('C1'), with or for whom the firm is conducting or intends to conduct designated investment business, is acting as agent for another person ('C2'), either C1 or C2 in accordance with the rule on agent as client COBS 2.4.3 R'. Therefore, in the absence of agreement to the contrary, the client would be the adviser and a per se professional client. A firm can obtain written acknowledgement from a professional client to confirm that their money is not subject to the client money rules (CASS 7.10.9 – 10). If a professional client opts-out, its money will be segregated from the money of the firm and	Although the professional client opt-out is available, we will not be agreeing to the opt-out and will request our money is treated as client money in accordance with the client money rules.

used by the firm in the course of its own business, and the professional client will rank only as a general creditor of the firm.	
4. Financial Ombudsman Service (FOS)	
The FOS handles complaints about investments and resolves disputes for free between financial services companies and their customers without having to go to court. The services of the Financial Ombudsman Service in the UK may not be available to professional clients, unless they are, for example, consumers, small businesses, or individuals acting outside their trade, business, craft, or profession. Given that we will be classified as a professional client and our trade is financial services, we may not be able to take a complaint on your behalf to the FOS. Given that you have no direct contractual relationship with the DIM you may not be able to take your complaint to the FOS.	We operate our own complaints procedure, a copy of which is available on request. Should you wish to make a complaint about the DIM we recommend you would need to complain to us in the first instance.
5. Financial Services Compensation Scheme (FSCS)	
The FSCS exists to protect customers of financial services firms that have failed. If a company you have been dealing with has failed and cannot pay claims against it, the FSCS can step in to pay compensation. We are a member of the UK Financial Services Compensation Scheme. You may be entitled to claim compensation from the FSCS if we cannot meet our obligations to you. This will depend on the circumstances of the claim.	Any DIM that we select will also be a member of the FSCS and your money should be protected. COMP 5.5.1 confirms that 'protected investment businesses includes: ‘designated investment business carried on by the relevant person with, or for the benefit of, the claimant (so long as that claimant has a claim), or as agent on the claimant's behalf’. COMP 12A.2.2 states: ‘If a claimant has a claim as agent for one or more principals, the FSCS must treat the principal or principals as having the claim, not the claimant’.

Lines of Investor Protection Defence

As an investor, you have protection through the financial system to protect your capital from fraud, systems, and controls. Here is a summary of some other Investor Protections you may not have been aware of.

UCITS/SICAV Structure

Regulated in EEA, the funds you are invested in offer the highest regulatory environment for retail protection in the world. Held off balance sheet of asset managers your assets do not mix.

The underlying funds selected by Timeline Portfolios Ltd are all regulated and comply with UK and EU legislation aimed at protecting the assets of our clients. For those funds managed in the UK, you will have access to both FOS, to deal with any complaints, and FSCS up to a limit of £85,000 per client per institution, if the fund defaults. For funds managed in the EEA you will have access to FOS* but will not have access to the FSCS. However, the funds are strictly regulated to ensure that all the assets are overseen by an independent company and segregated from the assets of the management company.

Some of the funds held within the recommended Timeline Portfolios Ltd portfolios may be managed in Ireland or Luxembourg, rather than the UK. This is predominantly because it costs less for funds to operate offshore, which in turn means you benefit from lower fund charges.

Being based offshore means these fund is not covered by the Financial Services Compensation Scheme (FSCS). In our view, this is no cause for concern for the reasons given below.

- The FSCS is the last line of defence for a client who is entitled to compensation where a regulated business is unable to meet its liabilities. It is limited to a maximum claim of £85,000 per person per firm, with each case assessed on its own merits.

- The FSCS covers claims against authorised firms where they are unable, or likely to be unable, to pay claims against them (such as Financial Ombudsmen Service* (FOS) awards). In general, this is likely to be because the firm is insolvent or has gone out of business. It does not cover poor investment returns.

- Timeline Portfolios Ltd only use UCITS** compliant funds within their portfolios. UCITS is a European directive that provides a regulatory framework for funds which are managed and domiciled in the EU and intended for sale to retail clients. UCITS funds are perceived as safe and well-regulated investments and are popular in Europe, South America, and Asia. UCITS standards are one of, if not the highest in the world.

To give some context, when Timeline Portfolios Ltd is assessing a fund, there are two key areas of due diligence:

- Investment Strategy risk – Timeline Portfolios Ltd has a stringent set of criteria for each fund to meet, which only includes index tracker or rules based passive asset managers with demonstratable expertise and experience. Timeline Portfolios Ltd conducts extensive due diligence to assess the processes of these firms to ensure they are aligned with our Investment Philosophy.

- Operational risk – UCITS** are highly regulated, one of the highest and most robust standards in terms of security of investors' assets. Investor's assets must be segregated from the balance sheet of the fund manager, meaning your money is safe if anything were to happen to the Fund Manager.

Overall, to be at a risk of default, a firm would have to be doing a lot of things wrong, any one of which would mean it would be unlikely to be authorised as a UCITS fund in the first place. It is therefore a vanishingly small probability that any of the funds within the recommended Timeline Portfolios Ltd portfolios would end up in this position, remembering of course that Timeline Portfolios Ltd constantly monitor the funds, so if any 'red flags' were raised at any point, they would be in a position to act accordingly.

*The Financial Ombudsman Service is a free and easy-to-use service that settles complaints between consumers and businesses that provide financial services. https://www.financial-ombudsman.org.uk ** UCITS stands for Undertakings for Collective Investment in Transferable Securities. Total assets under management in UCITS funds reached $10.14 trillion through the second quarter of 2019.

Investment Strategy

Using Timeline Portfolios Ltd you will be invested in several thousand underlying securities across the developed world and emerging markets. Significant global diversification. They will be passive/index funds, rules based, highly liquid mutual funds. No obscure or esoteric investments. Plain vanilla but highly sophisticated. Here is a summary of the number of securities each portfolio is invested in. In practice to lose 100% of your investment all these securities (worldwide companies) will need to become insolvent.

Portfolio	Timeline Tracker	Timeline Classic	Timeline ESG Tracker	Timeline ESG Classic
0	20,815	19,575	20,648	17,192
10	25,230	32,531	24,322	27,591
20	25,230	32,531	24,322	27,591
30	25,230	32,531	24,322	27,591
40	25,230	32,531	24,322	27,591
50	25,230	32,531	24,322	27,591
60	25,230	32,531	24,322	27,591
70	25,230	32,531	24,322	27,591
80	25,230	32,531	24,322	27,591
90	25,230	32,531	24,322	27,591
100	4,415	12,956	3,674	10,399

*E.g., Portfolio 0 = 0% invested in shares, Portfolio 10 = 10% invested in shares and so on

Wrap Platform

A wrap is a web-based investment platform that allows you to hold several different investments under one roof, as well as a range of tax wrappers such as ISAs and pensions. It allows you/us to buy, sell and hold funds. All your investments will be held in accounts in your name on your selected Platform. These accounts will be segregated from the platforms own funds and will be regularly reconciled to ensure the platforms records are accurate. You will also benefit from protection through FOS and FSCS for assets held on the platform should you have a complaint against the platform, or the platform fails.

Looking first at how cash would be covered, platforms will typically hold uninvested client cash with a bank or panel of banks. If we're looking at a scenario where an authorised bank fails, cash would be protected up to £85,000 per client per banking licence. This applies to cash held within wrappers, which is important to mention. You will also need to consider what cash you hold personally, as this is aggregated with platform cash.

In terms of investment funds on a platform, UK-based fund managers are authorised by the FCA. You will therefore be protected up to £85,000 if a fund manager becomes insolvent and, as a direct result of this, you lose money. When it comes to platforms, though, it's important to remember that the insolvency of the provider doesn't directly lead to you losing money. There are other important protections outside of the FSCS, which is what I'll come onto next.

There is also, however, a system of protections in the background governed by rules such as the FCA's Client Asset Sourcebook (CASS) rules. These are designed with the purpose of keeping client funds safe if an investment platform were to become insolvent and unable to continue operating. And it might be these that provide more comfort to nervous investors.

In terms of client cash, the rules require platforms to hold cash in trust accounts with authorised UK banks. These accounts carry a client money designation, and they're monitored and reconciled daily.

As for client assets and investments, these must be held separately in the name of an authorised third-party custodian. These measures prevent client cash and assets becoming comingled with those belonging to the provider, which in turn should make it straightforward to identify and return funds belonging to investors should the worst come to the worst.

There are also capital adequacy rules that providers must adhere to in the form of the Capital Requirements Directive. This requires authorised firms to hold enough capital in reserve that they can cover any ongoing costs in the event of an extreme but plausible wind-down scenario.

These rules also require providers to assess their business risks on an ongoing basis to make sure they are holding an appropriate amount of capital in reserve. Providers will typically go over and above in terms of holding the capital needed to satisfy the minimum requirement.

Custodian

A custodian or custodian bank is a financial institution that holds customers' securities for safekeeping to prevent them from being stolen or lost. Custodians perform a wide range of services such as legal ownership of scheme assets, recording transactions in identifiable accounts, reconciliation of bank accounts, execution of documents and reporting. All designed to protect you as the investor.

Depositary

A depository can be an organization, bank, or institution that holds securities and assists in the trading of securities. The Depositary has an important role in investor protection and is responsible for the safekeeping of the 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.

The current custodians/depositary for the fund managers you will be investing in are:

Vanguard:

- UK Domiciled funds: State Street Trustees Limited
- (Ireland) Dublin Domiciled funds: Brown Brothers Harriman Trustee Services (Ireland) Ltd

Dimensional:

- UK Domiciled funds: State Street Trustees Ltd
- (Ireland) Dublin Domiciled funds: State Street Custodial Services (Ireland) Limited

iShares:

- UK Domiciled funds: Bank of New York Mellon (International) Limited

Legal & General

- UK Domiciled funds: Northern Trust Investor Services Limited

Global Systematic Investors (GSI)

- (Ireland) Dublin Domiciled funds: RBC Investor Services Bank S.A., Dublin Branch

Northern Trust

- (Ireland) Dublin Domiciled funds: Northern Trust Fiduciary Services (Ireland) Limited

HSBC

- UK Domiciled funds: State Street Trustees Ltd

Investor Protection Flowchart