

FOR DISCRETIONARY INVESTMENT MANAGERS —

# DUE DILIGENCE GUIDE

[ Available online at [embarkplatform.co.uk](https://embarkplatform.co.uk) ]

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## BACKGROUND

The Embark Group is delighted to offer discretionary investment managers (DIMs) the opportunity to place model portfolios on the Embark platform.

The Embark platform is specifically designed to help advisers manage their mid-market segment of clients, where a low cost, highly automated solution can support their service and investment proposition.

This document has been produced to help DIMs review the Embark platform proposition and understand how model portfolios are made available to advisers and their clients.

Should you require any further information email us at: [investmentservices@embarkplatform.co.uk](mailto:investmentservices@embarkplatform.co.uk).

In factsheet 012, the Financial Conduct Authority (FCA) produced a checklist of points for financial advisers to consider when undertaking platform due diligence. This continues to be used as the basis for due diligence guides for financial advisers and therefore forms the basis for this guide with appropriate additional sections.

# 1

## THE PLATFORM PROVIDER

### WHO PROVIDES THE PLATFORM?

The Embark platform is the trading name of Embark Investment Services Limited (EISL), which is a private limited company. The Embark platform is part of the Embark Group, which has c.£33bn assets under administration for c.360,000 clients, serviced by over 600 employees at nine office locations\*. The company is led by experienced business leaders and experts from the retirement, investment, wealth management, banking and insurance sectors.

### HOW FINANCIALLY SECURE IS THE EMBARK GROUP?

The Embark platform has an AKG Financial Strength rating of B strong. The Embark Group is well capitalised and is committed to maintaining a capital adequacy ratio minimum of 125% at all times.

### WHO IS THE TECHNOLOGY SUPPLIER?

Our technology is provided by the FNZ Group. We work in partnership with them to ensure that our extensive knowledge and understanding of the financial advisory market continues to shape the Embark platform proposition.

### HOW WOULD YOU DESCRIBE THE SUSTAINABILITY OF THE PLATFORM?

The platform is based on technology from FNZ, which also provides technology to other leading industry providers. The platform operates to the highest standards in data security and disaster recovery. Upgrades to incorporate changing legislation are planned and delivered in advance.

The Embark Group is committed to long-term investment in digital technology that enables financial advisers to enhance their client propositions.

### DO YOU HAVE AN ONGOING RELATIONSHIP WITH THE REGULATOR?

Yes, the Embark Group has a close and positive working relationship with the regulator.

\*Figures are pro-forma and include the recent acquisitions of Alliance Trust Savings and Zurich businesses. All figures as at May 2020.

# 2

## TERMS & CONDITIONS

### WHO SIGNS THE TERMS & CONDITIONS?

Adviser Terms of Business must be signed by the adviser firm as part of the registration for the Embark platform. Signed Terms of Business may be returned by scanned email, however, we do require a wet signature for our records. Further instructions for signing can be found in our Adviser Firm Application Form.

The Embark platform operates without the need for a wet signature from the client. Advisers declare that the client has received and agreed to the Terms & Conditions and a Confirmation Schedule is placed in the client's Document Library. The client Terms & Conditions are available on our website.

The discretionary investment manager must agree to the DIM Terms of Business to access the platform and x-hub, which is the specific technology used for managing model portfolios. This acceptance is contained in the DIM Due Diligence and Set Up Form, which must be completed to grant DIM access to the Embark platform.

Any adviser using the model portfolios will sign a separate agreement with the DIM. Advisers should not be permitted by the DIM to use their model portfolios unless the DIM agreement is in place.

### WHO IS ELIGIBLE FOR A PLATFORM ACCOUNT?

Clients must be a UK resident, 18 years or older with a Sterling denominated bank account and have a valid email address.

### WHAT FINANCIAL SERVICES COMPENSATION SCHEME (FSCS) PROTECTION DO CLIENTS HAVE?

Clients have the maximum possible FSCS protection available depending on the type of investments held. For more information, please refer to Client Investment and Cash Protection and Compensation Guide, held in the Literature library on the Embark platform website.

### WHAT ARE THE BUSINESS CONTINUITY AND DISASTER RECOVERY PLANS?

Alongside the Embark Platform's own business continuity planning, business continuity and disaster recovery plans are managed in conjunction with FNZ. The FNZ plans are owned by FNZ's Global Head of Risk and Compliance and implemented by the FNZ Global Business Continuity Manager.

All offices of FNZ have a Crisis Management Plan, which includes critical deadlines, communication arrangements, escalation and invocation procedures, together with the process to validate the integrity of information affected by disruption.

Business processes are ranked according to their priority in the event of an incident. Tier 1 and Tier 2 teams have a Business Impact Analysis, which is reviewed annually. Call cascade tests and workplace recovery tests are performed annually, as a minimum.

Business Continuity and Disaster Recovery plans are also independently audited by PWC under the Continuous Assurance Programme. This is a syndicated programme funded by all FNZ clients.

### IS A MINIMUM CONTRIBUTION REQUIRED?

There is an initial minimum investment amount of £5,000 for assets held in a Third Party Investment Account (TPIA).

The DIM is able to set up a minimum contribution for initial and subsequent investments into their model portfolios.

### DO YOU HAVE A COMPLAINTS PROCEDURE?

Yes, you or your client can submit complaints in writing, by email, or by calling us on the details below. Our complaints procedure follows FCA and Financial Ombudsman Service Guidelines. For further information, please visit our website.

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EH3 1EY

e. [service@embarkplatform.co.uk](mailto:service@embarkplatform.co.uk)  
t. 0330 024 2345.

### HOW DO YOU ENSURE DATA AND SYSTEM SECURITY?

All data is held in protected data centres by FNZ and is overseen by their Global Security Team. This team ensure that the highest resilience standards are in place, in accordance with global banking requirements and the General Data Protection Regulations. PWC provide an annual audit of the entire control environment.

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## CHARGES

Platform systems are hosted across two mirrored data centres in Edinburgh and London. These are synchronised through real-time data replication technology. Further backup services provide the ability to recover on tertiary hardware, if required.

Communication services between sites and client locations are resilient. This data can be accessed from our administration centres in Leicester, Salisbury, Edinburgh and Tetbury.

Our systems are protected by three lines of defence:

**1. Redundancy.** All FNZ production systems have redundancy built in, including items such as dual power supplies, Redundant Array of Independent Disks (RAID) and clustered appliances.

**2. Offsite data centres.** Dual off-site data centres provided by Pulsant act as a second line of defence, with full service failover between them and a maximum of 15 minutes data loss.

**3. Data back-up.** Data back-ups, replicated every 5 minutes, are the third line of protection.

These processes are tested annually for full disaster recovery and quarterly for data restoration.

### WHO IS THE CUSTODIAN OF THE INVESTMENTS?

The custodian is FNZ Nominees for funds. For Exchange Traded Investments (ETIs), Listed Securities and Investment trusts, the custodian is Embark Investment Services Nominee Limited (EISNL).

### CAN I ASSESS YOUR ORDER EXECUTION POLICY?

Yes, this document is available in the Literature Library on the Embark platform website. The cut off times for funds is 10.00am for a 12-noon valuation point. There are two daily cut off times for ETIs, where trades will be aggregated and sent to market. These are at 10.00am and 3pm.

### HOW DO THE CHARGES WORK?

The charging structure for the Embark platform is highly competitive and designed to be simple and straightforward.

An annual platform fee (Ongoing Platform Charge) is applied based on the assets held in the client's account.

This charge is applied to the value of the account(s) your client has with us. The charge is split into specific bands depending on the value of the account at the time the charge is applied.

Account value	Personal Pension	ISA, JISA, GIA	TPIA
£0-£150,000	0.250%	0.150%	0.150%
£150,001 - £500,000	0.225%	0.150%	0.125%
£500,001 - £1,000,000	0.200%	0.150%	0.100%
£1,000,000 AND OVER	0.150%	0.150%	0.100%

*Note: The amount to be taken from the account is calculated daily, accrued and then deducted monthly from the date the Account is opened. Our launch pricing will apply to the client for life, even if a new product is opened after the offer has ended.*

### STOCKBROKING TRADING CHARGES

The stockbroker trading charge is calculated as a percentage of the total value of the asset that has been bought or sold.

The charge is 0.07%, subject to a minimum amount of £7.50 and a maximum amount of £120. This charge is applied per individual asset transaction for each product.

Where dealing occurs within a discretionary model portfolio, the client will pay £1.00 for each trade made within the model.

### NON-ADVISED CLIENT ACCOUNTS

Our Accounts have been designed to be managed by a financial adviser. If a client leaves their financial adviser and does not appoint a new one, we will restrict some of the Account features.

If a client is invested in a DIM model portfolio and leaves their adviser, their assets will remain invested in the investment selection but will no longer be included in the 'model'. The DIM charge will therefore no longer be applied to the client account and the investments will no longer be updated in line with the DIM model portfolio.

## DIM CHARGES

The DIM can charge for the management of the model portfolio as an ad valorem pound sterling amount based on the latest valuation of the investments in the model portfolio.

All DIM charges paid to the DIM on behalf of the client shall be deemed to include any VAT applicable, the DIM is responsible for calculating and paying VAT to HM Revenues and Customs (HMRC) if they deem that their fee income facilitated by the Embark platform is subject to VAT.

This charge is taken from available cash within the model.

This charge is calculated daily, accrued and paid on a monthly, quarterly, semi-annually, annually or on request and payable in arrears within thirty days following the calculation.

A statement of fees can be generated by the DIM on an ad-hoc basis from the Embark platform.

## OTHER CHARGES

### **Pension Sharing Order and Death Benefit processing**

A charge of £120 including VAT is applied to each account if we are instructed to process a pension sharing or splitting order against the assets in the Embark Personal Pension.

### **Cheque handling fee**

All payments made from an Embark platform Account are paid electronically. In exceptional cases where a cheque payment is required, a Cheque Handling Fee of £36 (inc VAT) applies. (This charge does not apply to transfer value payments to other providers).

### **Manual communication charge**

A Manual Communication charge of £24 including VAT per account applies where a client does not have an active email address, or does not have a financial adviser appointed to their Account. This charge covers the cost of physically printing and posting documentation.

## ADVISER CHARGES

There are three ways adviser charging can be facilitated by the Embark platform. These are:

### **Initial adviser charge**

This is a one-off payment that can be paid either as a percentage or as a fixed monetary amount up to a maximum of 5% of any one-off contribution or cash transfer but not on regular contributions or re-registration transfers. If this charge is taken from the Personal Pension it is calculated after pension relief at source has been added.

### **Ongoing adviser charge**

Charges for the provision of ongoing advice and services can be facilitated through the Ongoing Adviser Charge.

This can be paid either as a percentage of the value of the assets in the account or as a fixed monetary amount up to a maximum of 1% per annum. Where the charge is a percentage of the value of assets, it is calculated daily, accrued and then deducted monthly, quarterly, half-yearly or yearly.

### **Ad-hoc adviser charge**

This charge can be set-up on the platform and deducted from the client account at any time.

## WHAT HAPPENS IF THERE IS INSUFFICIENT CASH AVAILABLE TO PAY CHARGES?

If there is insufficient cash available to pay charges for the platform, adviser, DIM or any other fees, the automatic disinvestment process will be applied. This enables the sale of investments to cover the outstanding charges.

## HOW IS DISINVESTMENT FROM A MODEL PORTFOLIO APPLIED?

If disinvestment is required for the adviser or platform charges, this will take place proportionately across the investments using the DIM model providers selected strategy of either 'current', where sales are made in proportion based on the investments on the day the instruction is received or 'align to target', where the sales will realign the investments to the last target allocation set.

## ARE THERE INITIAL CHARGES ON FUNDS?

There are no initial charges for the vast majority of funds on the platform.

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## RANGE OF FUNDS, TAX WRAPPERS AND OTHER PRODUCTS

### HOW MANY FUNDS ARE AVAILABLE?

There are over 4,800 mutual funds available from more than 100 fund managers. If a fund that you wish to hold within a DIM model portfolio is not currently available on the Embark platform, please contact us and we will work with the fund manager to add them.

If we have an existing fund agreement in place with a fund manager, the addition of further funds should take approximately five working days. However, if no existing agreement is in place then the addition of the funds will take longer.

### IS THE FUND RANGE CONSISTENT ACROSS ALL TAX WRAPPERS?

We offer a full open architecture platform and therefore the majority of assets are available on all products, however, some investments may be ineligible for some wrappers. In this situation the Embark platform will not make that fund available for selection.

### ARE YOU ABLE TO PROTECT ANY SPECIFIC FUNDS WHERE THE DIM HAS NEGOTIATED ACCESS TO A SPECIFIC SHARE CLASS AND THEREFORE THE FUND SHOULD ONLY BE VISIBLE AND AVAILABLE TO THE DIM?

Yes, this functionality is available.

### WHICH TAX WRAPPERS ARE AVAILABLE ON THE PLATFORM?

The Embark platform offers access to a Personal Pension, Stocks and Shares ISA, GIA and a TPIA.

The platform enables a client to hold multiple GIAs to adopt different investment strategies or save for specific events.

The platform enables the adviser to use multiple DIM model portfolios within a single wrapper.

### WHO IS RESPONSIBLE FOR ADMINISTERING THE TAX WRAPPERS AVAILABLE ON THE PLATFORM?

The tax wrappers are all administered by the Embark platform.

### IS THERE A CASH ACCOUNT AVAILABLE?

Yes, there is a cash account in each of the product wrappers. There is no central cash account.

### IS IT COMPULSORY FOR A MINIMUM AMOUNT TO BE HELD IN CASH WITHIN A MODEL PORTFOLIO?

No there is no requirement for any cash to be held within a model portfolio.

### WHAT DRAWDOWN OPTIONS ARE OFFERED?

The Embark platform offers flexi-access drawdown. Capped drawdown is not offered and applications for cases currently in capped drawdown will be converted to flexi-access drawdown as they are onboarded.

The platform supports both Pension Commencement Lump Sum (PCLS) and Uncrystallised Funds Pension Lump Sum (UFPLS).

The platform has fully integrated payroll. Regular withdrawals can be taken on any day of the month from the 1st to the 28th.

When funds are crystallised, the crystallised element holds a proportion of the total investments. Specific investments and cash do not need to be allocated to a particular arrangement, leaving advisers free to decide on the assets the clients will use to take income.

### WHAT INVESTMENT INCOME OPTIONS ARE OFFERED?

There are several options for taking investment income, all of which are automatically processed online. Investment income can be reinvested, left as available cash or taken as natural income.

When natural income is selected, options include:

- Immediate withdrawal;
- Periodic withdrawal by frequency;
- Periodic withdrawal by amount.

Payments are automatically made to the client's external nominated bank account.

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### RANGE OF ASSETS CLASSES

#### WHAT ASSET CLASSES ARE AVAILABLE?

We offer investments from a full range of asset classes, including:

- Fixed interest;
- Property;
- UK equities;
- European equities;
- US equities;
- Far East equities;
- Specialist sectors.

#### DO YOU OFFER INVESTMENTS SUCH AS ETIS, INVESTMENT TRUSTS AND LISTED SECURITIES?

Yes. Through our stockbroking partner, we can offer access to UK Equities listed on UK exchanges, ETI, UK gilts (government bonds) and UK corporate bonds and UK investment trusts.

#### IS IT POSSIBLE TO PURCHASE A FRACTION OF AN ETI?

Yes, it is possible to purchase a fraction of an ETI to 4 decimal places.

#### DO YOU OFFER STRUCTURED PRODUCTS?

No. We currently do not offer structured products.

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### FUNCTIONALITY

#### DOES THE PLATFORM SUPPORT ADVISER MODEL PORTFOLIO FUNCTIONALITY?

The platform currently does not support adviser model portfolios functionality but based on adviser feedback this may be a future development.

#### WHAT REPORTING IS AVAILABLE?

DIM reporting is managed through x-hub and the following reports are available:

- Assets under administration report;
- Tolerance violation report;
- Model fees report;
- Model cashflow report;
- Deferred activity report;
- Holding by account report;
- Holdings by investment report;
- New accounts report;
- Negative cash balances report.

Reporting is also available for both clients and advisers. Adviser can produce reports on the following:

- Total holdings;
- Cash balances;
- Asset allocation;
- Investment instructions.

These are produced in excel and can therefore be downloaded and manipulated if required.

The client reports available are:

- Portfolio valuation;
- Client transaction listing;
- Ad-hoc statement.

#### MIFID II DEPRECIATION REPORTING

##### **Are you providing reports when the portfolio depreciates by 10% or more?**

Yes, these are available in the client Document Library with an email being issued to the client to confirm that a report is available.



## MODEL PORTFOLIO FUNCTIONALITY

### How does an adviser access the model portfolios?

A separate agreement will need to be signed with the DIM to access their model portfolios. Once completed, the DIM will give an adviser access to the model portfolios.

There is no paper application or wet client signature required when investing a client into a selected model portfolio on the Embark platform.

### Describe the process for DIMs to manage model portfolios

Following the signing of the DIM Terms of Business and Terms of Use, the DIM will be given permission to log in to x-hub, which is the technology used to manage model portfolios.

There is no restriction to the number of logins, which will be made available. A Master profile will be set up, which enables a user to set up and maintain the portfolios.

In addition, logins can also be given 'read only' access.

The DIM is then able to set up and name the model portfolios. Once the portfolios have been set up, another user within the organisation must check and approve the portfolios, prior to moving them to a live status.

### Is there any limit to the number of models which can be set up?

No, there is no limit to the number of models which can be set up on the platform.

### How are portfolios rebalanced?

The following range of options is available for the ongoing management of the portfolios:

- **Frequency rebalancing:** This takes place at specified time frequency e.g. weekly, monthly, and quarterly.
- **Tolerance rebalancing:** The DIM can set up a tolerance limit for each underlying investment and once breached, the portfolio can be rebalanced to the target allocation.
- **Frequency and tolerance rebalancing:** The portfolio will be rebalanced based on whichever trigger happens first. If a tolerance rebalancing is undertaken, then the frequency will be reset to start from the point of rebalancing.
- **Manual rebalancing:** The portfolio will retain the investments and may drift to a different allocation based on market conditions but will remain in a drifted position until the DIM manually rebalances or amends the portfolio.

Full training on the set up and maintenance of DIM models will be delivered by the Embark platform.

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## ACCESSIBILITY

### WHAT IS THE AVAILABILITY OF THE PLATFORM?

The platform is available 24/7 other than for any scheduled maintenance. You will be informed in advance of any times when the platform will be unavailable via our website.

Trades can be built at any time but will only be placed during market hours.

### WHICH BACK OFFICE PROVIDERS DO THE EMBARK PLATFORM INTEGRATE WITH?

The platform currently has no integration with back office providers but this is a key phase 2 requirement.

### WHICH PROCESSES CAN BE TRANSACTED ONLINE?

A full range of over 50 processes can be transacted online such as:

- Account opening;
- Increase / decrease contributions;
- Buy / sell or switch funds;
- Manage income options;
- Set-up new products.

### CAN CLIENTS VIEW THEIR INVESTMENTS AND MAKE TRANSACTIONS ONLINE?

Clients can view their investments online but do not have the ability to transact on these.

### DOES THE PLATFORM USE STRAIGHT THROUGH PROCESSING?

Yes, the platform benefits from straight through processing for a nearly all operations with no manual intervention by the Embark platform Customer Service Team.

These processes include:

- On-boarding new clients;
- Opening new wrappers;
- Purchase and sale of assets;
- Switching and rebalancing of funds;
- Real-time dealing;
- Setting up and administering drawdown;
- Cash withdrawals.

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### ADDITIONAL TOOLS

#### WHAT ADDITIONAL TOOLS ARE AVAILABLE ON THE PLATFORM?

Most adviser firms have told us that they have their own approved tools for assessing client needs. The Embark platform has not therefore selected specific tools to integrate with the platform and avoided the additional costs, which inevitably are passed through to the clients.

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### SUPPORT SERVICES

#### WHAT RESEARCH CAPABILITY IS AVAILABLE FOR ADVISERS FOR MODEL PORTFOLIOS?

The platform is delivered by Embark Group which also encompasses The Adviser Centre and Scopic. These businesses offer financial advisers access to research covering funds, multi-asset and multi-manager propositions and DIM solutions. It can help you with your due diligence to select the most suitable DIM partner or partners for your business.

The service is available at no additional charge to financial advisers.



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Embark platform is a trading name of Embark Investment Services Limited, a company incorporated in England and Wales (company number 09955930). Embark Investment Services Limited is authorised and regulated by the Financial Conduct Authority (Financial Services Register number 737356). Registered office: 100 Cannon Street, London, EC4N 6EU.

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