

Transact

March 2010 Adviser Update

www.transact-online.co.uk

This document is intended for qualified financial advisers and has not been approved for use by retail clients. It is for information purposes only and does not, and is not intended to, constitute professional advice. This is not a financial promotion.

This month we have skipped the usual Introduction to come straight to the main topic that will interest both advisers and their clients.

Topics covered in this Adviser Update:

- Transact Commission Reduction (And Pricing Restructure)
- New "Pickup Page" Functionality on the Transact website ("TOL")
- Fund Rebates
- Interest on Cash Deposits
- Fixed Term Designated Deposits
- Action Required - Change in the Normal Minimum Pension Age
- Changes to ISA Subscription Limits from 6 April 2010
- Tax Year End Arrangements

Transact Commission Reduction (And Pricing Restructure)

We quote below a press release which is being issued simultaneously with the publication of this Adviser Update and an online Newsflash.

To help our Adviser Update readers, some more detailed explanation of the content follows the press release.

PRESS RELEASE: 1st March 2010 for immediate release

TRANSACT - PRICING

Integrated Financial Arrangements plc, the operator of the Transact wrap service, announces a series of revisions to its charging structure.

In line with its policy of "client profit share", Transact clients will benefit from a reduction in some transaction commissions with effect from 1st March 2010.

Clients will also benefit from a reduction in some elements of Transact annual commissions.

Policy

- ◆ *Transact has always applied a pricing policy that ensures longevity. The sustainability of a platform is obviously crucial to its users.*
- ◆ *Since its launch in 2000, Transact has greatly increased its functionality. It has also revised prices in several areas of charging and, after another successful financial year, it is now in a position to do so again.*

Transact Charges

Transaction Commissions

- ◆ *When cash is first used to purchase an asset, Transact used to charge 0.5% (called "Transact Initial Commission"). This rate has been reduced to 0.2%.*
- ◆ *As this new rate is the same as the current rate for "Transact Switch Commission" the distinction between the two has been removed.*
- ◆ *Instead of two different rates, there is now a single rate of "Transact Buy Commission" applied to all purchase transactions.*
- ◆ *"Transact Buy Commission" will also be reduced to 0.1% for Portfolios whose average value over the prior three months was more than £1 million. This reduction will be applied by way of rebate after the end of each month.*
- ◆ *"Transact Buy Commission" will also be reduced to 0.0% for Portfolios whose average value over the prior three months was more than £2 million. This reduction will be applied by way of rebate after the end of each month.*
- ◆ *Transact does not charge (and never has) for sale transactions.*
- ◆ *All changes become effective today, 1st March 2010.*

Annual Commissions

- ◆ *Transact charged Transact Annual Commission at a standard rate (before scale discounts) of 0.6% per annum on holdings of cash that had already been subject to Transact Initial Commission. This rate has been reduced to 0.45% per annum (before scale discounts) also with effect from 1st March 2010.*

Adviser Payments

- ◆ *The alterations to Transact charges as outlined above will have no impact upon Adviser Payment rates – i.e. the payments agreed by clients to be remitted by Transact to advisers for services provided.*

Ian Taylor, Managing Director, commented:

"The essence of the Transact proposition to advisers and their clients has always been to provide the highest quality service. Nothing has changed here. Indeed, we recently continued to add to the awards we have received by winning the first New Model Adviser platform award.

Another key proposition, about which we have never been shy, is that we must be profitable. In general, advisers accept this. They understand that, in order to be around as long as their clients need us to be, and to maintain service standards and to reinvest into our business, we need to make profits.

Most platforms are operating at a loss, even after having achieved quite substantial scale. Clearly, in the long term, that is not sustainable. We believe that the platform market is in a perilous position unless it does something to correct this "suicidal" pricing.

However, there is a difference between "profitable and sustainable" and "plain greedy". So we have always tried to adapt the mix of charges and discounts to maintain a balance between the needs of all our stakeholders – our customers, our shareholders and our employees.

We are pleased again, as this announcement shows, to be able to share savings from scale and efficiencies with our customers."

Notes For Editors

[1] *Transact has been chosen by more than 4,000 independent financial planners/advisers and helps them to manage £8 billion on behalf of 90,000 mutual clients.*

[2] *For further comment please contact:*

***Ian Taylor (Managing Director) or
Malcolm Murray (Head of Marketing)***

on 020 7608 4900.

Here are some more details, by way of Q&A, to help advisers using Transact:

Which Transact charges are being reduced?

The Transact charge, which was hitherto called the Transact "Initial Commission" rate, will be reduced from 0.5% to 0.2%.

This rate will be reduced again to 0.1% for Portfolios of more than £1m in value and to nil for Portfolios of more than £2 million in value. This reduction will be applied by way of a rebate each month and the Portfolio value will be calculated as the average value over the preceding three months. The calculation will take into account all "linked" Portfolios.

In addition, Transact is reducing its Annual Commission (before the usual discounts related to Portfolio size) on what used to be called Switch Cash. The basic rate of Annual Commission on such holdings will be reduced from 0.6% to 0.45% per annum.

What are the implications of these changes for advisers?

There are a number of practical implications.

First, Transact commissions will be lower, both on transactions and on an annual basis.

Secondly, as a result of the changes in Transact commission rates on transactions, the distinction between "New" and "Switch" cash is no longer required and will be removed from the determination of Transact commissions. In future, all purchase transactions will be charged instead at a single "Buy Commission" rate of 0.2% (or less if the scale discounts apply). This makes Transact charging easier to explain to clients.

Thirdly, advisers will continue to be allowed, if they wish, to continue specifying remuneration, for both transaction and annual rates, based upon the New/Switch distinction – although this will not be compulsory. This option enables advisers to take advantage of an even more adaptable and easily operable RDR-compliant (we anticipate) adviser payment process.

What are the implications of these changes for clients?

They will pay less for Transact and continue to receive the same high standard of service.

What does this mean for the process?

The process of operating a Transact Portfolio will be cheaper and it will be easier to explain Transact's charging structure to clients.

The lower rates of Transact Buy Commission will apply automatically to all current Transact Portfolios from 1st March.

Is there anything else advisers need to know?

There will be changes to the "Adviser Payment" authorisation section of the various Transact application forms. These will have to be considered and understood (even if they are just to be dismissed).

Essentially, it will still be possible to specify different rates of Adviser Payment for New and Switch Cash if such distinction reflects the model preferred by clients and advisers. In this instance, "outputs" (such as contract notes and transaction listings) will continue to report events as they do now – "Adviser Payment – Initial" and "Adviser Payment – Switch" for example

However, it will be also be possible, simply by specifying the same rates for New and Switch Cash, for the Adviser Payment to reflect the new, simpler model. In this case "outputs" will use the new terminology of "Adviser Payment – Buy".

When will these changes begin?

We have today written to all clients and given them notice that the new terms and conditions specifying the changes to charges will come into force in thirty days – but that we will bring forward the benefit so that the reductions in Transact commissions will be applied to all Portfolios and to all completed transactions from today, 1st March 2010.

[Please note: there will be a limited number of transactions, or series of transactions, that will be "in process" by our system at the time it is changed – and these will initially be charged at the old, rather than the new, rate (i.e. at 0.5% rather than 0.2%). Unfortunately, there is little we can do to prevent this "boundary issue" and we will not be able to identify these in advance or give any advice about them. However, where these transactions should qualify for the new rates, we will automatically adjust the charges applied to the lower rate by way of rebate at a date no later than the next following monthly rebate payment.]

A copy of the client letter is quoted in full in an Appendix at the end of this article.

We have also written to all advisers that use Transact, as not all will see this Update and as there are some minor changes required to Adviser terms and conditions as a result of these changes.

Of course, whilst we have made every effort to update the charges on all forms, brochures, sales aids, illustrations and web pages and so on, there may be some minor changes still required.

But we feel it's better to have the new charges applying rather than delay the reductions until all i's have been dotted and all t's have been crossed. We do not anticipate that there will be many complaints if we have anywhere inadvertently over-stated our prices!

But please do let us know if you think we have missed anything at a detailed level.

What do advisers need to do?

If you have any paper stocks of Transact terms and conditions or KFDs, please destroy them immediately. All Transact forms that include Adviser Payment details must also be destroyed.

Revised versions of all these documents are already available for use/download on our website.

If you require replacement paper stocks, please let us know immediately and these will be sent to you.

Otherwise, you now have a simpler Transact pricing structure and more flexibility in your own pricing model - and need take no further action.

Appendix – Client Letter Copy

This is the copy of the letter sent today to all Transact Portfolio owners:

1st March 2010

Dear [Client]

IMPORTANT INFORMATION

Changes to Transact Commissions

I am writing to let you know that we are reducing the charges ("Transact Commissions") applicable to your Transact Portfolio.

In summary the changes are as follows:

Transaction Commissions

- ◆ When cash is first used to purchase an asset, Transact used to charge 0.5% (called "Transact Initial Commission"). This rate has been reduced to 0.2%.
- ◆ As this new rate is the same as the current rate for "Transact Switch Commission" the distinction between the two has been removed.
- ◆ Instead of two different rates, there is now a single rate of "Transact Buy Commission" applied to all purchase transactions.
- ◆ "Transact Buy Commission" will also be reduced to 0.1% for Portfolios whose average value over the prior three months was more than £1 million. This reduction will be applied by way of rebate after the end of each month.
- ◆ "Transact Buy Commission" will also be reduced to 0.0% for Portfolios whose average value over the prior three months was more than £2 million. This reduction will be applied by way of rebate after the end of each month.
- ◆ Transact does not charge (and never has) for sale transactions.
- ◆ All changes become effective today, 1st March 2010.

Annual Commissions

- ◆ Transact charged Transact Annual Commission at a standard rate (before scale discounts) of 0.6% per annum on holdings of cash that had already been subject to Transact Initial Commission. This rate has been reduced to 0.45% per annum (before scale discounts) also with effect from 1st March 2010.

Reducing our charges means that we have to make changes to your contract(s) with Transact. We are, therefore, giving you one month's written notice that new terms and conditions documents including all the relevant changes (as described on the back of this letter) will replace the current versions on 1st April 2010.

However, we are going to start charging you the new, reduced rates with effect from today, 1st March 2010.

You do not need to take any further action. If you have any questions please do speak to your financial adviser or call one of our Client Services Managers on 020 7608 4900.

Yours sincerely

Mark Links
Head of Operations

On the reverse of the letter to clients we will provide the following summary of the changes to the Transact Terms and Conditions.

Transact Terms and Conditions for the Transact wrap service (incorporating a General Investment Account and ISA)

Definitions, Clauses 4.3(1)(ii), 4.3(2)(ii) and 4.3(3): References to "Transact Initial Commission" have been changed to "Transact Buy Commission".

Clause 5.1(1): References to "Transact Initial Commission" have been changed to "Transact Buy Commission" and we now refer to "Cash" instead of "New Cash".

New Clause 5.1(2) (Previously 5.1(3)): References to "Transact Annual Commission: New Cash" and "Transact Annual Commission: Investments and Switch Cash" now refer to "Transact Annual Commission: Cash" and "Transact Annual Commission: Investments" respectively.

We have also removed redundant wording which explained a distinction between what was charged pre and post 1st October 2008.

Clauses 6.2(1)(i)(a), 6.2(1)(i)(b) and 6.2(1)(ii):

We have not made any substantive changes; we have just added some clarifying words and removed some redundant words.

New Clause 6.2(1)(iii): We have added this new clause to explain that the relevant Adviser Payments will be reported as Adviser 'Buy' Payments if 'Initial' and 'Switch' payments are set at the same rate.

Clause 9.1(4): References to "Transact Initial Commission" have been changed to "Transact Buy Commission" and references to "Transact Switch Commission" have been deleted.

Transact Commissions Charges and Discounts Schedule

Transact Commissions Table: References to "Transact Initial Commission" have been changed to "Transact Buy Commission", references to "Transact Switch Commission" have been deleted, and the rates have been updated.

Discount Terms: Portfolios which are worth more than £2m will now be rebated the full amount of Transact Buy Commission. The rebate will be calculated and paid after the end of each month rather than at the end of each Quarter as previously stated and will be worked out by reference to the average value over the preceding three months, rather than over the preceding Quarter as previously stated.

We have also added a new discount - of 50% of Transact Buy Commission - for Portfolios worth more than £1m and less than £2m which will be worked out in the same way as the £2m+ discount described above.

The period for calculating Premium discounts is now the preceding three months rather than the preceding Quarter.

The period for calculating Platinum discounts is now the preceding six months rather than the preceding two Quarters.

Transact Onshore Bond Terms and Conditions

Definitions: Reference to "Transact Initial Commission" has been changed to "Transact Buy Commission" and we have added in a definition of "Transact Buy Commission".

Clauses 2.3(5)(i), 2.5(2), 3.1, 3.4(2)(ii), 3.5(3)(ii), 4.1(2) and 4.7: We have updated cross references to the Transact Terms and Conditions and/or have deleted some redundant words as appropriate.

New "Pickup Page" Functionality on the Transact website ("TOL")

Having just announced price cuts, there is even more good news!

We have always striven to achieve a reduction in the amount of paper sent out by us to keep you informed and/or to meet regulatory requirements. Judging simply by the volume of requests, we know how popular any developments in this direction will be.

So we are pleased to be able to announce the first step in this direction.

From today, there is a new page on TOL (under "Housekeeping->Pickup Page") which enables advisers to download pdf, instead of paper, copies of Transact documents sent to their clients. This provides an alternative medium to those of you who would prefer not to receive the paper copies but still want to retain a pdf copy of documentation sent to your clients.

The following letters/documents are now be available for sorting and downloading:

Welcome to Transact
Transaction Confirmation (contract note)
Confirmation of Investment
Membership Certificate

New Transact Wrapper Confirmation of Additional Investment

If we have your email address, and if there are new documents, you will be sent an email notification (maximum one per day) advising you that there are new documents available for downloading.

We have designed the process to be so intuitive that you will "pick it up" (pardon the pun) in no time at all.

If you find that the online pdf copies meet your needs and that you no longer wish to receive paper copies, and/or if you wish to cancel the receipt of the email notifications, then please email salesupport@integrafinc.co.uk and we will ensure that you no longer receive paper versions and/or the email notification.

Our next steps will be to look at providing similar functionality for clients.

And, please, no jokes about the "Pickup Page" being a dating website.

Fund Rebates

During the past month we have agreed terms with the following:

- Investec - Global Bond
- SWIP - Multi Manager Optimal Multi Asset
- Collins Stewart - Continental Europe, US Equity Focus, Select Global Diversity, Affinity & Opportunity, Select Opportunity and Alternative Strategies
- Neptune - Greater China Income
- Tilney - Balanced Managed
- CIF - Global Growth & Income
- Prudential - Defensive, Cautious, Cautious Growth, Balanced and Adventurous Portfolios
- Baillie Gifford - Diversified Growth
- Sarasin Equisar - UK Thematic Opportunities
- IM - Verbatim Portfolio 3, 4, 5, 6, and 7 Portfolios
- Invesco Perpetual - European Equity
- Threadneedle - UK Corporate Bond, Retail & Institutional
- CF KB - Endeavour Absolute Return, and Balanced Total Return
- CitiFirst - UK Autocall
- FTIF - Templeton Global Total Return, Global Bond
- Nevsky - Global Emerging Markets
- Insight - Absolute Emerging Markets
- Kleinwort Benson - Elite Maximum Total Return, Universal Alpha, Absolute Return and Balanced Total Return
- CIS - Sustainable Diversified Trust

Full details of the terms on these and all other funds held on Transact can be found on Transact-Online.co.uk under "Information" and then "Investment Funds"

Interest On Cash Deposits

The annual rate of interest earned on Transact cash deposits between 1 January 2010 and 31 January 2010 was 1.04% and this has been credited to client Portfolios. The equivalent average base rate over the same period was 0.50%.

The average gross rate achieved over the three months to 31 January 2010 was 1.01% compared to the average base rate of 0.50% over the same period.

Fixed Term Designated Deposits

The offerings this month are:

6 Month Term

Investec Bank - indicative rate - 2.40%
Close Brothers - indicative rate - 1.50%

When the rates are confirmed, approximately five days before the deposit date, details will be available on TOL on the "Cash Within Transact" page or from your usual Client Service Team. The next deposit date will be **18 March 2010** and instructions by receipt of the original signed application or by copy sent by fax or scanned via secure email, must be received before 1.00pm that day.

12 Month Term

Investec Bank - Indicative rate - 3.25% - Deposit Date - **18 March 2010**
Scottish Widows Bank - Confirmed rate - 2.65% - Deposit Date - **9 March 2010**

Again, instructions, in the form described above, must be received before 1.00pm on the relevant deposit date.

5 Year Term

Scottish Widows Bank - confirmed rate - 5.15% - Deposit Date - **9 March 2010**
Investec Bank - indicative rate - 4.85% - Deposit Date - **18 March 2010**

Instructions must be received, in the form described above, before 1.00pm on the relevant deposit date.

A User Guide and Application Form are available on TOL under "Transact Forms".

Please note that the application forms require the client to be specific as to the bank and term being applied for. We are not able to accept instructions such as "best rate".

Although, the postal service in London has returned to "normal" we suggest that it would be safer to send instructions by fax, or secure email, before sending the hard copy to us.

Action Required - Change in the Normal Minimum Pension Age

From 6 April 2010 the normal minimum age from which benefits can commence being taken from registered pension schemes will increase from 50 to 55. After this date it will only be possible to receive pension payments before age 55 if the member:

- has a protected pension age
- has a serious health conditions
- started receiving pension benefits before 6 April 2010 having reached the current minimum age of 50.

For members between 50 and 55 who have already crystallised benefits and are receiving pension payments, this change to the normal minimum pension age will not affect those payments. However, if any benefits have not been crystallised prior to 6 April 2010 they cannot now be crystallised until the member is 55.

If you have clients who are under age 55, and who wish to take some or all of their benefits prior to 6 April 2010, we must have received the necessary documentation (a completed TO20 Pensions Benefit Request, a TO21 Unsecured Pension/ Alternatively Secured Pension Transfer Instruction or a TO32 SIPP Benefit Request) and the necessary cleared funds must be in the member's pension by 1 April 2010 to enable the benefits to be crystallised in time (Friday 2 April and Monday 5 April are both bank holidays).

HM Revenue & Customs will allow an exception to this timescale for those members who will attain 50 on either the 2nd, 3rd, 4th or 5th April 2010 which allows us to accept the necessary documentation and funds up to 6 April 2010 so that benefits can be crystallised on that day but be treated as having been crystallised on the member's actual birthday.

Changes to ISA Subscription Limits From 6 April 2010

The maximum annual subscription to ISAs will increase to £10,200 from 6 April 2010. Of this new limit, up to a maximum of £5,100 can be invested in a cash ISA. This limit has been in place since 1 October 2009 for investors aged 50 and over, and for those who attained age 50 any time up to 5 April 2010. The limits will be extended to all other ISA investors from 6 April 2010.

The current ISA application forms available on the website (marked 09/09) can continue to be used following the change in April.

Tax Year End Arrangements

As the end of the tax year is approaching, we would like to inform you of our tax year end arrangements.

Office Opening Hours

Our last expected postal delivery date for the current tax year will be on Thursday 1st April.

The last day of the 2009/2010 tax year falls on Monday 5th April (Easter Monday). Our office will be open from 9.00am until 5.00pm on Friday 2nd April, Saturday 3rd April and on Monday 5th April for anyone wishing to drop applications in by hand.

Our office will be closed on Sunday 4th April.

ISA Subscriptions

Just a reminder that there is the ISA Subscriptions Report available on Transact-Online within the Reports section to help you manage your clients' investments. This will show what subscriptions, if any, have been made to a Transact ISA in the current tax year and the remaining allowance available.

New ISA Subscriptions

If your clients have subscribed to their ISA in the previous tax year, then they will not need to complete a new T008 ISA Application Form. Previous tax years' subscriptions are shown in the final column of the ISA Subscriptions Report. If there have not been any subscriptions, then one of our T008 forms (either a Stocks and Shares or Cash) will need to be completed, which can be easily done online using our Online Form Completion tool.

Please note that following the increases in the allowable contributions to ISAs, it is necessary that clients complete one of the the new ISA application forms available on Transact Online (with the reference "09/09" showing in the top left hand corner). **The old forms are no longer acceptable and will have to be returned, so to avoid delay, especially near the tax year end, please be sure that any old stocks that you might have in printed form are destroyed.**

Disposals & Purchases for CGT Purposes (relevant to the GIA only)

Any disposals or purchases that are required to be completed before the end of the 2009/2010 tax year will need to achieve a valuation point before 5th April.

For example:

- Daily dealt Collectives (Unit Trusts and OEICs) – a valid instruction must be provided no later than 1pm on Wednesday 31st March, to achieve Thursday 1st April valuation point.
- Equities (stock exchange traded) – a valid instruction must be provided no later than 1pm on Thursday 1st April, to achieve a price on 1st April.

and finally.....

We have been working on a number of changes for some months now. Besides those we are announcing today there are several others which we will announce in the next Adviser Update (or two!). As with the "Pickup Page", these developments are aimed at making your life less stressful by streamlining existing practices or introducing more functionality. As we have said many times before, nearly all the work done by our systems developers these days is in response to your requests. I think you will find that many of the matters you have raised have been, or are being, addressed. This underlines the benefit of owning our own software house and not having to stand in a queue for our turn! The fact that we were able to spend the money buying the intellectual property rights of ObjectMastery was only possible, of course, because of our profitability over the last six years.

Yours sincerely,



Malcolm F Murray
Head of Marketing