



# Platform Due Diligence



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PS13/1, COBS6, TR16/1, FCA Factsheet No.11  
and FCA Factsheet

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Enquiries: [www.hubwise.co.uk/contact/](http://www.hubwise.co.uk/contact/)  
Email Sales: [sales@hubwise.co.uk](mailto:sales@hubwise.co.uk)

When researching a Platform as a possible partner, you might want to look at the following:

- the Platform provider (e.g. their reputation and financial standing)
- terms and conditions of using the Platform
- charges – including actual cost, charging structure and transparency of charges
- range of funds, tax wrappers and other products available
- range of asset classes
- functionality (e.g. the ease of switching or re-registering off Platform, or recording legacy assets)
- accessibility
- additional tools (e.g. risk profiling and asset allocation tools), and
- support services (e.g. help facilities and training)

### Hubwise Securities Limited

We think you might also want to look at:-

- corporate governance
- compliance and audit
- technology and development
- business continuity
- risk management and control
- AML and fraud
- data protection
- insurance protection
- Financial protection / compensation



## REGULATORY BACKGROUND

In June 2012 the FCA consulted on payments to Platform service providers and cash rebates from providers to consumers. They suggested changes to how Platforms used by both advised and non-advised consumers would be paid and it was here that they proposed preventing Platforms in the non-advised market from passing on rebates to consumers in cash. In PS13/1 they explained that, in line with RDR, their aim was to restrict the influence that product providers and Platforms have on the promotion of one Fund over another. At the same time they corrected the Platform service definition ( <sup>1</sup> see below) to clarify that those execution-only firms that white-label a Platform or also provide custody services are captured by the Platform service definition.

They also effectively placed the onus for ensuring that a Platform or product provider is compliant with these new rules, on the Adviser firm (**COBS 6**), though at the same time they 'cross-referenced' this by placing obligations on the Platform service to ensure that the product charges are not offset by any Adviser or Platform services.

### Due diligence began to get interesting!

More recently, the FCA carried out a thematic review of the research and due diligence processes carried out by advisory firms on the products and services they recommend to retail investors, including how they select Platforms.

**TR16/1**, released in February 2016, underlines that the onus is on Advisers to assess the suitability, not just of the products they recommend but also of the services including *Platform services*.

Interestingly it also suggests that Advisers should establish whether they can rely on information supplied by the provider and should be able to differentiate between what is promotional and what is factual. They explain that firms are entitled to rely on "factual information provided by other EEA regulated firms as part of their research and due diligence process."

Of course much of the information that is freely and easily available about Platform services is marketing material and we all produce it; our websites, our information sheets, our advertisements – these are all classified as marketing material and are designed specifically to promote our services. But, are these sources of information what you should be relying on when you're assessing the suitability of our services, according to the FCA?

### Quite possibly not!

They'll tell you about our offering, our guided architecture, our people and even our pricing; and whilst this is all very important for you in deciding whether to partner with us the FCA wants you to ask specific questions of us in order to really be able to understand the risks and benefits of using our Platform.



## Some specifics: with thanks to the FCA.

We can't carry out your due diligence for you; we can't even tell you what you should or shouldn't be looking at - but we do think we can make the whole process a little simpler for you by offering you the information, readily to hand, that the FCA suggest you should be considering.

We have started by looking at two factsheets referring to Platform services published by the FCA, **Factsheet No.011** and **Factsheet No.012**. The first of these, **Factsheet No.011**<sup>2</sup> (follow link below), was for firms who advise on or operate Platforms and look at using Platform based investments and the independence rule.

The FCA states that you should be aware of your firm's duty to comply with suitability requirements and the investor's best interests rule when making a personal recommendation to the investor. They continue saying that to meet the independence rule "firms must be able to identify investors for whom a particular Platform based service is not suitable, and advise them 'off-Platform'".

Other useful pointers within this paper include looking at whether it is in fact possible to use one Platform for all investors and still meet the independence rule. Here too the FCA reiterates that firms need to keep the range of products covered by the Platforms they use under continual review, especially if they believe they offer a whole-of-market solution.

They say that they expect it to be much easier or more likely that a firm will be able to justify using one Platform for most investors and then to consider off-Platform solutions where this might be suitable for all or part of an investor's portfolio.

The FCA writes, "even where the majority of a firm's clients have similar needs, there are probably going to be outlier clients, hence the need to recommend products off-Platform".

It is worth noting that the FCA is very clear that Platforms themselves are under no regulatory requirement to offer any particular products or even to consider whether their offering is whole-of-market or not, this is very much the duty of the Adviser. So you need to establish whether our service matches the particular offering you are marketing to your clients in this regard. We suggest you are very clear on clarifying and recording the services you offer and that you then document whether our Platform offering matches with this, or perhaps whether we partly match this and then how you 'complete' the offering (maybe elsewhere, as the FCA suggests - off-Platform?) to ensure compliance with the relevant rules.

### <sup>1</sup> Platform service:

- (a) involves arranging and safeguarding and administering investments;
- (b) distributes retail investment products which are offered to retail clients by more than one product provider; but is neither
- (c) solely paid for by Adviser charges; nor
- (d) ancillary to the activity of managing investments for the retail client.

<sup>2</sup> <https://www.fca.org.uk/static/documents/factsheets/fs011-using-Platform-based-investments.pdf>



## Factsheet No.12<sup>3</sup>

Directed at retail investment firms who already use or are considering using Platforms.

The FCA clarify what they mean when they refer to Platforms and – perhaps more relevant here – what to consider when adopting and using Platforms.

They go on to offer suggestions of where you might need to look at changes to your business operations to adopt and use Platforms successfully and how you might manage the changing risks to your firm and your clients from these changes. They look at conflicts of interest that might arise and how you might identify and manage these going forward and they also consider training and competence and how the needs of your firm, your Advisers and your staff might change through the use of Platforms.

The guidance in this factsheet will obviously be very useful to a firm considering using a Platform for the first time, but we suggest you don't skim over it if you've been using Platforms for some time – there might still be information here that you haven't covered. The FCA's thematic review **TR16/1**, which we will look at in a minute, did state that whilst there was good practice in this area, there were also many examples of poor practice. They stated that they were "disappointed to identify issues relating to Platform research and due diligence, particularly having previously published their expectations

**Factsheet No.012**".

**FCA Factsheet No.12** then details some really useful guidance on which to base your due diligence around Platform use. As a 'general' start, they suggest you might want to consider your overall business model and the type of services you offer – recognising that these might differ depending on the type of investor. They want you to consider your typical target market and approach to investor segmentation, your remuneration model and of course your existing systems and procedures.

Later in the factsheet they suggest you look at which investors "Platform use might be suitable for", stating that "irrespective of your firm's strategic decision to use a Platform, you must still consider whether a Platform is suitable and meets each investor's needs before recommending it". The next part of the factsheet focuses on how or whether use of a Platform matches with your levels of advice offered, e.g. whole-of-market. If you are calling yourself 'independent' and you wish

to use Platforms, you need to document the steps have you taken to ensure you continue to meet the FCA's requirements.

Finally, before we look at the questions you will want to ask us, the FCA wants you to think about your communication with your investors around your use of Platforms and to ensure that this meets their needs and remains of course clear, fair and not misleading.

The paper includes a whole section that hopefully we can help you with now. This is the part which deals with the information about the Platform that you should consider before you select one, as detailed in the table below.

## Factsheet No.12<sup>3</sup>



When researching a Platform as a possible partner, you might want to look at the following:

- the Platform provider (e.g. their reputation and financial standing)
- terms and conditions of using the Platform
- charges – including actual cost, charging structure and transparency of charges
- range of funds, tax wrappers and other products available
- range of asset classes
- functionality (e.g. the ease of switching or re-registering off Platform, or recording legacy assets)
- accessibility
- additional tools (e.g. risk profiling and asset allocation tools), and
- support services

<sup>3</sup> <https://www.fca.org.uk/static/documents/factsheets/fs012-Platforms-using-fund-supermarkets-and-wraps.pdf>



## HUBWISE

We would like to add a few other 'pointers' that we think you'll be wanting help with and that we can offer you at this stage to save time.

Our list, even when combined with the FCA's, may not cover everything you want to know. We would really like to meet you in person to speak about our offering and to reassure you about our compliance and our 'partnership' approach with our customers. So please don't hesitate to call us to walk through this document or to talk further about any aspects not covered here.

### Hubwise - AN INTRODUCTION

Hubwise Securities Limited is a wholly owned subsidiary of Hubwise Holdings Limited, our parent company. The company was incorporated on 29 November 2011; company number 6071374 - Certificate of Incorporation is available upon request.

Hubwise is:-

- FCA Regulated;
- A Member Firm of the London Stock Exchange;
- ISA Plan Manager;
- A Member of CREST; and
- A Member of the Wealth Management Association.

Hubwise was developed by a group of highly experienced Financial services industry professionals including:-

- Stockbroking and Clearing Service CEO's;
- IFAs; and
- a COO and a CTO of a large clearing and settlement services provider

all of whom were inspired to develop an intuitive and comprehensive Platform for the IFA and investment communities.

The Hubwise Platform is intelligent by design and because we own our software we are able to deliver a high level of flexibility and functionality whilst maintaining unprecedented levels of automation – this keeps our Platform service costs extremely competitive at the same time as enabling us to deliver new standards of service to both intermediaries and their clients.

We think you might also want to look at:-

- corporate governance
- compliance and audit
- technology and development
- business continuity
- risk management and control
- AML and fraud
- data protection
- insurance protection
- financial protection / compensation



## Regulation

Hubwise Securities Limited is authorised and regulated by The Financial Conduct Authority – Registration Number 502619.

Our FCA regulatory permissions enable us to carry out our day-to-day business with the appropriate authority and include permission to: -

- hold client money;
- to safeguard and administer (provide custody for) assets for professional and retail customers;
- to arrange deals for professional and retail customers and to deal as agent for these two classes of customers ourselves; and
- to arrange for and to send dematerialised instructions (this is required to settle electronically and to deal with registration and Crest) on behalf of both professional and retail customers.

All client cash is held in client bank accounts (Client Accounts) with FCA authorised UK Banks, Building Societies or other institutions. Hubwise may choose from these but currently use Bank of Scotland, NatWest Bank and Barclays Bank. Client bank accounts are designated as trust accounts and are segregated from Hubwise's own monies. They may include the balances of other clients but are operated and administered in accordance with FCA CASS (Client Money) Rules. If one of those Banks fails or becomes insolvent the client may be entitled to claim compensation under the FSCS up to £85,000 of any loss. The level of compensation will be reduced if the client already holds an account with the Bank.

Hubwise is responsible for the safe custody of all assets held in Client Accounts. Such investments are registered in the name of a nominee company which will normally be Hubwise's wholly owned subsidiary Hubwise Nominees Limited. Occasionally, as may be required for certain customers and certain asset classes, another nominee company may be selected in accordance with the FCA rules and with the agreement of the introducing intermediary. Hubwise Nominees

Limited is a non-trading "dormant" company set up to hold investments on behalf of Investors.

Hubwise are responsible and liable for its nominee to the same extent as for its own acts including for the avoidance of doubt, losses arising from fraud, wilful default or negligence. Investors' investments will be registered in the same name as those of other investors<sup>4</sup> (pooled together with other investor investments). Hubwise have insurance in place for Professional Indemnity and Crime as well as an agreement between Securities and Nominees [APPENDIX 1] to further strengthen asset security. The FSCS also provides compensation of up to £50,000 per investor for eligible claimants in respect of UK Securities and Funds held in custody.

Hubwise has never had a FCA action or investigation taken or carried out against it or its employees since incorporation.

Hubwise Securities Limited is authorised by the FCA as a BIPRU €125k limited licence firm and, as the only regulated company within the group, is the only group entity subject to the ICAAP process. Hubwise Securities Limited has no trading-book exposure as it acts only as agent in order to place aggregated deals with Fund Managers for collective investments and market counterparties to place deals in securities. Hubwise Securities Limited does not provide investment advice or deal as principal at any time.

Hubwise directors determine the business strategy and appetite to risk and are responsible for design and implementation of the firm's risk management framework, based largely on an Internal Capital Adequacy Assessment Process<sup>4</sup> ("ICAAP"), which is regularly reviewed and updated. Hubwise Securities Limited also reports on financial risk management objectives and policies within its annual accounts and within those of its parent company, Hubwise Holdings Limited. Hubwise Securities Limited Report to Directors and Financial Statements Jan 2015 and Hubwise Holdings Limited Report to Directors and Financial Statements January 2015 is attached

<sup>4</sup> See Pillar III at <http://www.hubwise.co.uk/pillar-iii-disclosure/>



[**APPENDIX 2** and **APPENDIX 3**]. The overall group risk appetite is extremely low and Hubwise Securities Limited is exposed to minimal risk.

It is the view of the Board that funds held by Hubwise Securities qualify as Tier 1 capital and that these ensure that the level of capital is comfortably above the BIPRU level. Currently the percentage cover is 152% for Hubwise Securities Limited.

## Our Terms & Conditions

As Hubwise only operates B2B, the Platform's Terms and Conditions (T&Cs) are generic and available upon request. These T&Cs, all web content, documentation and electronic communications (application forms, illustrations, valuations, statements, CTCs, contract notes/trade confirmations, recommendations etc) are all designed in the intermediary's branding. The General Investment Account (GIA) and NISA Accounts (Stocks and Shares NISA, Junior NISA and Flexible NISA) are also branded for the intermediary. As these services are provided to Hubwise by a third party, the Self Invested Personal Pension (SIPP), Personal Pension (PP) and Offshore Bond are branded as Hubwise products.

## Fees and Charges

### Platform remuneration

Our charges will be in accordance with the Schedule of Charges, in force at the time they are incurred, which accompanies the Platform T&Cs (available upon request). They detail interest, costs, fees, offshore bond and other charges which apply to the retail investor's account with us. Platform and Adviser charges are calculated on the value of the retail investor's assets based on the average daily Portfolio value during the previous month. The product charges applicable to the SIPP and Personal Pension are incorporated within the Hubwise SIPP and Hubwise Personal Pension Key Features Documents.

## Tax Wraps

### NISA

Hubwise Securities Limited is an ISA Plan Manager registered with HMRC, ISA Manager No. Z1723, and offer Platform users a Stocks and Shares NISA, a Junior NISA and Flexible NISA.

### SIPP and Personal Pension

Hubwise have partnered with Intelligent Money (IM) for the provision of the Hubwise SIPP and Hubwise Personal Pension. The fees for these products are specific to the Platform and are included within the relevant Key Features Documents. The account opening process is undertaken through the web front end which also makes it available on tablet and mobile phone. Illustrations, required to satisfy regulatory obligations, can also be created and sourced through the web front end. IM have over £1bn in pension assets under administration with an excellent customer service reputation and proposition.

### Offshore Bond

Hubwise and RL360° have partnered to offer an attractive offshore bond proposition. Provided by RL360° and administered via Hubwise, offshore flexibility blends seamlessly with simple online administration. RL360° is the company with which the policyholder(s) will contract. Hubwise Securities are appointed as administrator of the Bond.

RL360° is headquartered in the Isle of Man, one of the world's leading offshore financial jurisdictions, with an outstanding reputation for investor protection and security. RL360° operates in the Far East, Middle East, Africa, Emerging Europe, Latin America and the UK and has policyholders residing in over 170 countries. RL360° is part of the RL360 Group which has 60,000 policyholders, £7 billion assets under management and over 300 staff.



## Strategic Partners

Hubwise choose carefully who we partner with. We value our independence and the control we have over our service offering so actively try to keep our corporate partners to a minimum. Currently we have just three strategic partners, all chosen because we think they really enhance our customer's proposition.

## WebfinancialGroup

Key to our offering are the data, research library and decision making tools that we have through our link with Web Financial Group. Web Financial Group is an independent provider of web-based solutions for integration, presentation and promotion of market and financial data and products aimed at both retail investors and professionals. The Research Centre<sup>5</sup> provides up to date Stock Market and Company news, broker's research on most UK listed securities incorporating a menu of analytical options via Digital Look; Fund data, research and analytics from Morningstar; KIID documents from Funds Library and RSMR rated Funds factsheets.



BITA Risk<sup>6</sup> is a suite of applications geared towards addressing the needs of private Wealth Managers, investment advisors, asset managers and quant teams. Bitarisk helps support client acquisition and retention offering a comprehensive package enhancing risk profiling, client suitability (KYC), portfolio construction, investment suitability assessment, investment proposal generation and portfolio monitoring against mandate. We are delighted to bring you a tool which is normally only available to institutional houses.

<sup>5</sup> <http://hubwise.digitallook.com/>

<sup>6</sup> [www.bitastar.com/what-we-do/overview.html](http://www.bitastar.com/what-we-do/overview.html)

<sup>7</sup> <http://www.rsmgroup.co.uk/>



We have linked with Rayner Spencer Mills Research<sup>7</sup> (RSMR) to provide our Intermediaries with the RSMR Research Hub. With the continuing need to ensure suitability, a structured and robust approach to investment research and due diligence has never been more important. RSMR are committed to helping Financial Advisers find the right funds and services that allow them to provide the best solutions and outcomes. RSMR ratings are now used by over 21,000 Advisers as a badge of quality in their fund selection. RSMR have launched their Platform model portfolio service "R'folios" using Hubwise. The service offers a set of model portfolios, which are unique to our service and are designed to fit in with our existing fact find and risk profiling processes. The portfolios are continually monitored and reviewed and can be used both for new investment and as the benchmark against which to review existing portfolios. The Platform will be branded for the Adviser as will the recommended changes.

The Platform's "Campaign Manager" software will notify the investor of any recommended changes to the Model, supply RSMR justification branded as the Adviser together with supporting Fund factsheets, KIIDs and the "Portfolio Effect" (this details the transactions to be undertaken). The Investor is requested to respond electronically to confirm acceptance of the recommendation and the changes are then triggered on the appropriate date. If the Investor does not respond to the recommendation by the due date they will stay in the previous version until the next review. The Adviser has the ability to action changes outside the review period on agreement from the investor.

The Adviser will be provided with MI to confirm those investors accepting the recommendation enabling the Adviser to seek instructions from those investors that have not responded by the due date. The same "Campaign Manager" software may also be used for other investor communications such as advising on unused NISA allowances, offsetting gains or taking gains when the CGT allowance has not been used and for corporate event elections.



## Asset classes and functionality offered

The Hubwise Platform is a comprehensive offering with all key asset classes available including funds, bonds, equities, exchange traded funds, cash and foreign exchange. Our “Fund Buy List” [APPENDIX 4] consists of some 2,200 clean share class Funds from leading providers. New Funds can be added to the list subject to Hubwise obtaining a distribution agreement from the manager concerned and the funds being able to be dealt electronically.

Hubwise also has an agreement with Allfunds Bank, which allows access to a further 44,000 funds from 480 leading international fund managers on a purely automated dealing solution.

Our solution gives the Adviser the functionality that has traditionally only been available to large established financial institutions.

Our Platform enables the Advisers to set their investors up with multiple accounts and then to maintain these seamlessly.

In addition, our Platform is fully brand-able so that you can white-label our offering and register your Platform with the regulator as a trading name. Intermediaries that have the capabilities may also opt for custody of assets in their own nominee company.

Hubwise offer a full suite of management information (MI) which is available to both our intermediaries and to Fund Managers.

We also offer a fully automated link to Intelligent Office (Intelliflo). Other intermediary back office system can be updated by agreement with the provider.

## Key functions include

- Client inception
- Money Laundering (AML) using 3rd party software
- Corporate Events
- BACs withdrawals
- Web “permission based” access
- Regular investments
- Regular Withdrawals
- Risk Profiling and Monitoring tools
- “Cloud based” Document Store
- Dealing (Multi-asset)
- Client “single view” of all Assets
- CGT & CGT ‘what-if’ scenarios
- Research Centre
- Model Switching and Rebalancing
- Multi-Currency Offering
- DFM Access
- Advisor/Manager Fee Collection
- Fulfilment Facilities
- Model Portfolios
- Electronic transactions confirmations, statements, valuations, and CTCs
- “Campaign Manager” to ease Client communication
- Money Transmission via bank transfer, direct debit, debit card, cheque, third party transfers and internal transfers between Accounts



## Client Sovereignty

Our Platform Agreement and the client T&C's ensure you alone retain client ownership. The client authorises the intermediary as their agent, to appoint Hubwise for custody and dealing. Consequently, there is no tripartite agreement between the IFA or Wealth Manager, Client and Platform. Therefore, the intermediary can transfer clients' assets to another custodian without the need "to paper" the client.

## Accessibility

Our Platform is available 24/7, 365 days per year subject to planned and communicated downtime for software upgrades. This ensures that your data and your client's data are accessible securely in the office, at home or out on the road when meeting your client face-to-face.

We have tried to make our user experience as simple as possible by removing unnecessary clutter to leave you with a clean and user-friendly interface that helps you to optimise your time.

The Hubwise Platform has been designed to offer 'straight-through-processing' at all stages so that all transactional data entered by Advisers or Wealth Managers reaches our back office instantly. Clients can be granted "read only" access to view and print information on their account by a secure log-on. Client access to an execution-only version of the Platform is available to Intermediaries who offer or want to offer a D2C proposition.

The system is permission based so the intermediary can determine what functionality can be accessed by its employees.

## How we support our customers

The Operations teams provide "in house" user support and ongoing training to advisers, administrators and other users within firms. Access and permissions are determined as part of the training and implementation process.

IT support is provided to user firms and investors with password problems by a dedicated team internally.

## Hubwise corporate governance

In order to meet the systems and controls requirements of our regulator:

The Board of the Hubwise is responsible for high-level governance of the business, with quarterly board meetings to set and review a remit and strategic plan for Hubwise. Oversight is underpinned by comprehensive formal measurement and accountability against that plan via reporting of Management Information. An Executive Management Committee (EMC) is then in place and tasked with delivery of the plan that is authorised by the Board.

## Our compliance; anti-money laundering and fraud; and audit

As discussed earlier in the introduction to this document, compliance with FCA rules on suitability rests solely with the Adviser or Wealth Manager.

However, use of the Hubwise Platform with its whole-of-market offering might help firms to demonstrate a robust process to meet suitability of advice requirements and also to help with risk profiling.

In addition, a clear audit trail will be achieved as all actions carried out by Advisers or Wealth Managers on our Platform are recorded and stored against each client in a "cloud based" document vault accessible through the Adviser's or Wealth Manager's Platform interface.

Hubwise has a structured approach to compliance, including anti-money laundering and fraud. Whilst primary responsibility for anti-money laundering rests with our customer firms, we still have second-layer checking systems in place and a Money Laundering Reporting officer, appointed with oversight responsibility to ensure our FCA obligations in this area are met.

In addition Hubwise is required by the FCA to submit regular returns using "Gabriel", the regulator's online system for submission and storing of firms data. The data required includes capital adequacy, liquidity, client money and asset returns, and complaints data.

This method of reporting and the areas covered ensures the regulator is constantly able to review the company's adherence to the FCA rules and monitor the firm's financial strength.



For those Advisers or Wealth Managers that do not undertake AML at source Hubwise is able to provide an AML checking service in conjunction with SmartSearch<sup>8</sup>. Advisers using this service will have to contract direct with SmartSearch.

## Documents available upon request

### POLICY DOCUMENTS

- Best Execution
- Treating Customers Fairly and Complaint Handling
- Conflicts of interest
- Data Protection
- BCP and DR
- Business Infrastructure Security

### KEY FEATURES DOCUMENTS

- BGIA (able to be branded by intermediary)
- Stocks and Share NISA (able to be branded by intermediary)
- Junior NISA (able to be branded by intermediary)
- Hubwise SIPP
- Hubwise Personal Pension
- Hubwise Offshore Bond

### OTHER DOCUMENTS

- Certificate of Incorporation; Certificates for Professional Indemnity and Crime Insurance; Compliance Manual; Platform Terms and Conditions (unbranded) which incorporates Schedule of Charges; and RL360° Offshore Bond additional documentation.

## Our technology, its security and its development

One of the best things about Hubwise is its technology.

We have developed and maintain a fully bespoke Platform which we use to manage our business. This gives us an enviable level of control but perhaps more importantly, flexibility that enables us to continuously evolve our business offering and tailor this to the needs of our customers and their clients.

Our product is intuitive and intelligent, specifically designed to meet the needs of the IFA and investment communities. Because our Platform technology is bespoke and we design and maintain it, we are able to deliver an unrivalled level of flexibility and functionality whilst maintaining unprecedented levels of automation. Such user-led design has traditionally only been available to those institutions with fat cheque books.

Data is available at your office and/or at your home (or the client's), 24/7 and 365 days per year. The bedrock of our offering is our guided architecture web portal via which we can offer full investment servicing to our clients, including opening accounts, online applications, CGT and CGT what-ifs, BACs withdrawals, regular investments, switching and rebalancing.

Straight through processing has always been our aim – our key staff have years of experience of offering STP in multiple asset classes and it was one of the primary goals of setting up this business - to offer this to the funds market too.

We also offer indexed cloud-based storage for documents, all of which can be fully branded to suit your business offering.

We care and have an obligation about the security of our systems – please review our detailed “Security Policy” document available upon request from Sales@hubwise.co.uk.

<sup>8</sup> <http://www.smartsearchuk.com/index>



## Business continuity

Hubwise take business continuity very seriously. Our key staff members have extensive experience in establishing and managing not just policies and procedures but the practical, tested, reality of how to ensure that we have workable options to continue with our operation in the event of a disaster.

We have a contract with a dedicated business continuity service office 40 miles away which offers us 25 workstations under a four hour service-level agreement.

Ongoing protection of our data is important to us and we have a tightly controlled approach to data backups and replication. We have primary and secondary data centres at separate locations to our office and both offering:-

- advanced protection against smoke, fire and water;
- maintenance of optimum temperature and humidity conditions;
- state of the art power provision and back-up; and
- continuous 24/7, 365/day on-site security with CCTV and key-card entry.

If you want to find out more about our systems – hardware and software – and how we protect them, back them up and restore them if required, the “Hubwise Systems Overview and BCP DR Provisions” is available upon request .

## Risk Management

### Credit Risk Requirement (“CRR”)

Investment trades are only executed once the client has cleared funds in the Hubwise Client bank account or when stock has completed the registration process into Hubwise’s nominee company. Currently, the only time a credit facility may be required is when investors switch from one investment into another and for some reason the sale remains unsettled. The potential effect from switching is currently considered to be low.

### Market Risk Requirement (“MRR”)

The principle activities of Hubwise Securities Ltd are to aggregate deals and execute these with fund managers and execute trades in securities with market counterparties. Hubwise Securities does not deal as principal and therefore is not significantly exposed to market movement. All trades are dealt on an execution-only basis. The only occasion where there may be some market risk is when dealing out of an incorrect market position. Such examples will be strictly controlled by the credit risk management procedures.

### Operational Risk Requirement (“ORR”)

Operational risk covers the potential impact of internal processes, people or external events that may adversely affect the company. The operational risks are accepted as minimal as Management believe the fully automated straight through process ensures that manual dealing and settlement errors do not occur. The potential operational risks have been documented, assessed and agreed by the Hubwise Holdings Ltd board as part of the ICAAP process. Risk reduction strategies, including greater automation and the use of insurance, reduce the impact of any remaining residual commercial risk.

### Compliance Risk

The compliance risk of the company is controlled through the use of robust policies, procedures, segregation of tasks, internal reviews and systems controls.



## Data Protection

Hubwise Securities Limited is registered as a Data Controller under the Data Protection Act and takes the protection of your personal data seriously. We acquire, retain, use and destroy your personal data in accordance with the Information Commissioner's Office guidance, which is then reflected in our Data Protection Policy (Data Protection Policy document is available upon request).

## Our insurances

Our parent company, Hubwise Holdings Ltd., is covered by Professional Indemnity Insurance covering up to £5,000,000. All our insurances are arranged through Willis Global Insurance and copies of our certificates of insurance are available upon request.

In addition to Professional Indemnity Insurance and as part of our risk management strategy against criminal loss, we also have a policy for insurance against crime with cover up to £1,000,000. Crime insurance is designed to protect the direct financial loss suffered by a company arising from any employee fraud or a dishonest act of a third party and we use this as part of a comprehensive risk management strategy that helps to offset the financial burden from such loss and demonstrates our awareness of a variety of threats.

## FCA protection and compensation

HM Government has a compensation fund of last resort, the Financial Services Compensation Scheme "FSCS", for customers of authorised financial services firms. If a firm becomes insolvent or ceases trading they may be able to pay limited compensation to its customers.

If one of the Banks used by Hubwise to hold Client Money fails or becomes insolvent the retail Investor may not be able to recover all the monies deposited in their Client Account(s). Currently, the FSCS limit for retail investor entitlement on the default of a bank is £75,000, per bank and per person, of any loss. The level of compensation will be reduced if the retail investor holds another account with the same defaulting Bank as the limit applies per bank overall, regardless of how many accounts an individual holds with them.

The FSCS also provides compensation of up to £50,000 per investor for eligible claimants in respect of UK Securities and Funds held in custody with a regulated firm, where that firm is declared in default.



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