

# AUTHORISED CUSTODIAN MODEL



A WEALTH *of* DIFFERENCE

utmost<sup>™</sup>  
WEALTH SOLUTIONS

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# INTRODUCTION

## WHAT DOES THIS GUIDE COVER?

Your client has made the decision to invest in a portfolio bond with us and has asked us to appoint you as custodian of our assets.

**This guide assumes that we have appointed you as custodian and you understand our authorised custodian model. This guide does not apply to the European Wealth Bond.**

**Section 1** What is the authorised custodian model and who's involved?

**Section 2** How does the authorised custodian model work and how is it set up?

**Section 3** Ongoing maintenance and withdrawals

## In our model, what is an authorised custodian?

An authorised custodian is a professional banker or other organisation, which is authorised by its regulator to provide custodian and depository services and which we have permitted to be available within our policies.

## Enhancing your client services

Holding assets through a life assurance or redemption contract\* as a tax-efficient legal structure is an accepted practice with established legal frameworks in many jurisdictions. The custody and depository services can be performed by you as authorised custodian.

As you strive to deliver the most comprehensive service, you may also offer asset management services to ensure your clients' investments are structured efficiently and fit into their wider financial plans which can help you stand out.

At Utmost International, we can provide solutions that will help complement the investment needs of your clients.

References to Utmost International in this brochure refer to Utmost International Isle of Man Limited, or Utmost PanEurope dac.

\* this 'redemption contract' is available in certain jurisdictions of Utmost International offices only

# WHAT IS THE AUTHORISED CUSTODIAN MODEL AND WHO'S INVOLVED?

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## What is the authorised custodian model?

The authorised custodian model enables the assets that your client currently owns to be legally transferred to us (subject to our acceptance) and held in our name. The value of the assets is then used as the premium for our portfolio bonds, which are typically structured as life assurance or redemption policies. Alternatively, a cash premium can be paid into the portfolio bond as described on page 11 of this guide.

The model is often established on the recommendation of a financial adviser. The financial adviser may recommend that the client invests in a portfolio bond for reasons such as tax-efficiency and that you are appointed as authorised custodian.

The financial adviser may also recommend that your asset manager services are utilised. This would allow the client, through the portfolio bond, to access a wide range of institutional services such as investment management services, research and alternative investments. As custodian, you maintain custody of the assets and you can also be appointed as an asset manager.

## THE AUTHORISED CUSTODIAN MODEL MEANS THAT:

- › the client can request that their existing assets are transferred to us and therefore become our assets. The value of these assets is then used as the premium of the portfolio bond (the premium can also be paid as a cash lump sum if preferred).
- › you maintain custody of the assets, although the assets are now held in our name
- › deals are placed via your normal dealing desk acting on our behalf
- › your client can benefit from any increased tax-efficiency in relation to the bond
- › you can also be appointed as the asset manager.

## The complete package

Utmost International's authorised custodian model is based on the interaction of several investment professionals to provide a comprehensive, joined-up, flexible and tax-efficient investment solution. Each party has their own individual role in this process, helping to ensure strong and lasting client relationships. You may offer all aspects of the model, as a party can play more than one role. More information about these roles is provided over the following pages.

The key to this model is that the client no longer legally owns the assets. They are owned by Utmost International. The client has units within a life assurance or redemption bond. The value of those units are linked to the investment performance of the assets that the client or the asset manager choose.



# WHAT IS THE AUTHORISED CUSTODIAN MODEL AND WHO'S INVOLVED? (CONT'D)

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## About Utmost International

Utmost International is one of the leading providers of insurance-based wealth solutions through its Utmost Wealth Solutions business, and provides employee benefits through its Utmost Corporate Solutions business. Utmost International operates across the UK, Europe, Latin America, Asia and the Middle East. Its solutions are based on unit-linked insurance policies. Utmost International manages £56bn assets under administration on behalf of c. 210,000 policyholders as at 31 December 2021 and wrote £4.8bn new business in 2021.

As a product provider, our job is to open and administer the client's portfolio bond. Once the bond has been set up, the relevant Utmost International company is the owner of the underlying investments - meaning the custody account and the underlying assets are owned in our name.

The Utmost International companies also authorise the asset manager or client to instruct you to place trades on the custody account, and issue the client and/or financial adviser with regular valuation reports showing any transactions which have been carried out.

## THE UTMOST INTERNATIONAL COMPANIES THAT PROVIDE OUR PRODUCTS INCLUDE:

### Utmost International Isle Of Man

Utmost International Isle of Man Limited has been operating in the Isle of Man since 1984. We have a long heritage in international markets and have an enviable reputation for technical and product excellence, both locally and internationally.

### Utmost PanEurope

Utmost PanEurope dac is a core part of Utmost's European business, offering offshore and cross-border investment solutions specifically designed for the European market for business within the EU jurisdictions where we have a targeted product.

### The client

The process starts with the client, who applies for a portfolio bond with us and pays us the relevant premium. They also request us to open an authorised custodian account with you. We will create terms between Utmost International and the custodian on which we will open and maintain our accounts.

Once the policy is established, Utmost International owns the assets held within the policy and you are the authorised custodian for the assets linked to the policy. The value of the client's bond reflects the value of these underlying assets.

We authorise the client or an asset manager to submit their investment instructions to you.

## You (the authorised custodian)

You, as the bank or institution authorised by the relevant regulator to provide custody or depository services, are the authorised custodian of the assets within the portfolio bond.

You are responsible for the safekeeping of the policy assets within your custody.



Utmost International is the legal and beneficial owner of the assets. To ensure that our legal and regulatory requirements are complied with, we agree the terms on which an authorised custodian holds assets and implements dealing instructions from the client or asset manager. We offer a dedicated team who handle asset reviews and can offer guidance on the acceptability of certain assets.

## WHAT ARE YOU RESPONSIBLE FOR?

### In your role as authorised custodian, you are required to:

- › provide safekeeping services
- › provide information required through Utmost International's due diligence process and which meets our due diligence requirements
- › hold the assets on Utmost International's behalf
- › handle all transactions, including the transfer of assets
- › place trades via your dealing desk following requests received by the client or asset manager
- › provide reports:
  1. provide transactional data and valuations of assets to us in an agreed electronic format
  2. provide valuations of portfolios to us (and to the client where permission is granted)
- › adhere to a defined list of permitted investments
- › deduct your charges and provide payment of the policy charges
- › inform Utmost International about the account position through electronic means, at least monthly
- › provide online access, where available, to Utmost International or the investment decision maker (for example the client or the asset manager).



# WHAT IS THE AUTHORISED CUSTODIAN MODEL AND WHO'S INVOLVED? (CONT'D)

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## The financial adviser

The financial adviser is responsible for advising, supporting and representing the client. The financial adviser may represent a new client – who they've introduced to you – or they may represent one of your existing clients who has sought advice on their investments.

The financial adviser recommends ways to structure the client's investments more efficiently – in this case, recommending they invest in a portfolio bond and use the authorised custodian facility of your institution. They may also help the client to complete the portfolio bond application form, submit it to us and carry out regular financial planning reviews.

## The asset manager

Clients often choose to delegate the complex and time-consuming process of choosing assets to an asset manager. There are two types of asset manager:

- › a fund adviser, who the client appoints (subject to our acceptance), and
- › a discretionary asset manager, who we appoint following the client's request.

The asset manager may act on either an advisory basis (meaning they provide recommendations on the selection of assets and obtain permission from the client before deals are placed with you) or a discretionary basis (meaning they have authority to place trades with you, without seeking permission from the client first). The asset manager can be an associated company of the authorised custodian.



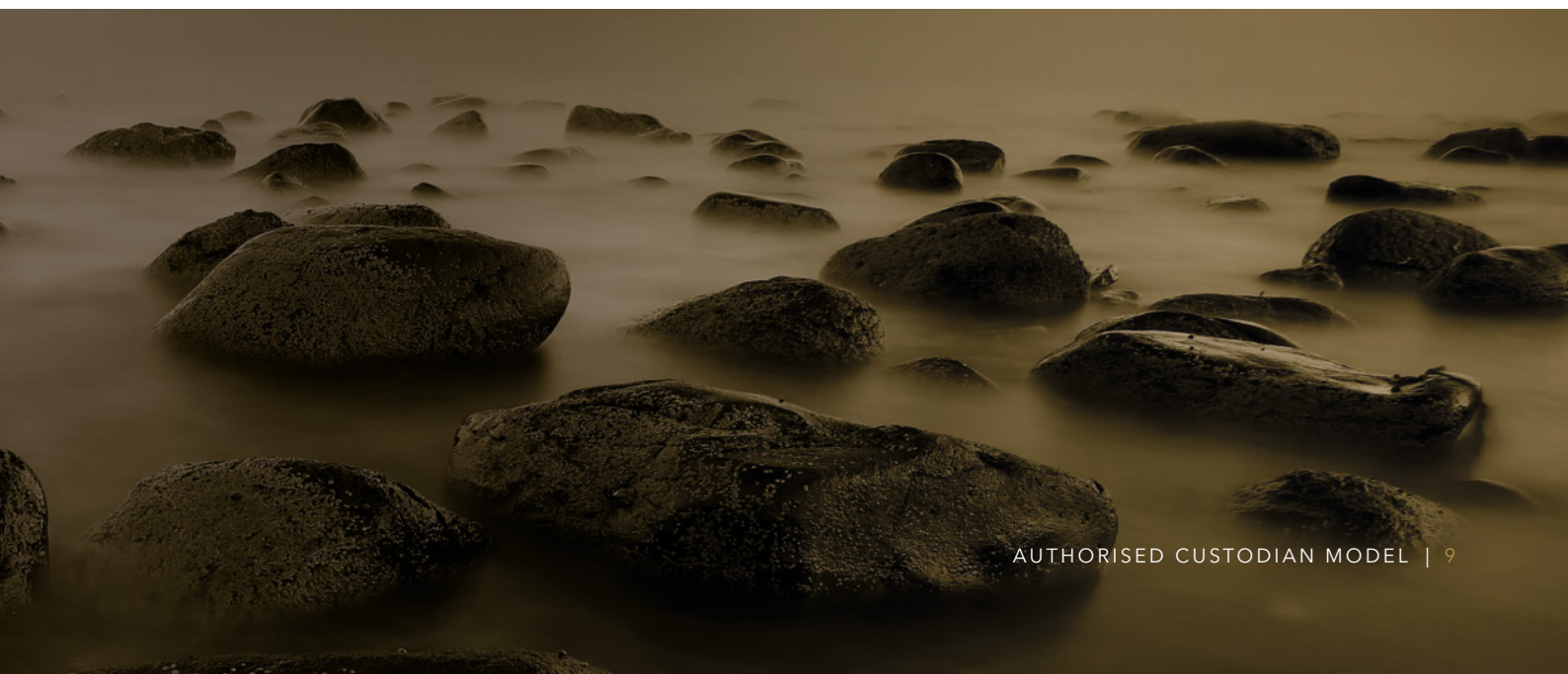
The asset manager must be appropriately licensed and regulated by the relevant authority. We will then grant the asset manager permission, subject to our investment restrictions, to place deals on Utmost International's account with you and deal directly with you, the authorised custodian. This is done through a Letter of Authorisation document which we provide (unless you prefer to provide your own document) and which is completed by us and the asset manager.


The asset manager does not have the power to withdraw funds from the account, but must make funds available for policy charges, custody charges and any withdrawals to be paid.

### **The authorised custodian model**

The authorised custodian model, which also allows you to be appointed as an asset manager, can help enhance your client services and bring significant benefits to your business, enabling you to:

- › increase your share of assets, by offering an added-value service which can help to win and retain business
- › attract new clients from different sources
- › potentially increase your fees due to the gross roll-up of growth within a tax-efficient portfolio held within a bond
- › control your own administration and deliver a high level of service.





# HOW DOES THE AUTHORISED CUSTODIAN MODEL WORK AND HOW IS IT SET UP?

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## HOW DOES THE AUTHORISED CUSTODIAN MODEL WORK IN PRACTICE?

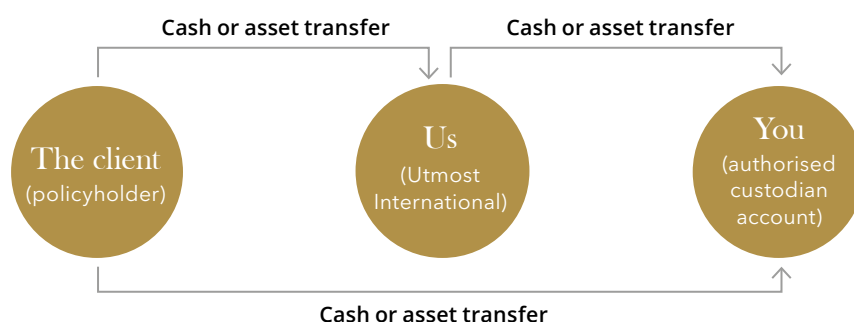
Our aim is to integrate our portfolio bonds with your existing business model. We will meet with you to exchange information, explain this relationship and perform due diligence. The terms on which you hold the assets will be discussed during this meeting and finalised by mutual agreement.

We have a variation agreement which incorporates our legal and regulatory requirements and this agreement will wrap around your standard terms and conditions on safekeeping of assets.

Once the authorised custodian model has been set up and we have opened an account with you, the relevant Utmost International company; Utmost International Isle of Man Limited, or Utmost PanEurope dac owns the assets within the portfolio bond account and you are the authorised custodian of the assets.

## HOW IS THE AUTHORISED CUSTODIAN MODEL SET UP?

1. The financial adviser meets with the client to discuss their needs. They recommend that the assets are held in an Utmost International portfolio bond and that you are appointed as the authorised custodian.
2. The client signs the Utmost International portfolio bond application form, which includes a request for Utmost International to open an authorised custodian account with you.
3. The financial adviser sends the application to us with the appropriate investment premium. The bond can be set up with a cash lump sum payment or existing assets can be transferred to us in specie, using re-registration. The client can make additional payments at any time, subject to our acceptance.
4. We let the financial adviser know when the application has been accepted by us (the bond provider).
5. Upon receipt of the application, we ask you to open an account in Utmost International's name, designated with the policy number of the bond. The account belongs to Utmost International, and you provide us with the account number which we input to our systems.
6. **You receive the investment amount in one of the following ways:**
  - › We send the investment amount to you (after adding any enhancements or deducting any initial charges).
  - › If the client has existing assets which they want to transfer to us as the premium for the bond, the client will transfer these existing assets into the UI custody account we recently opened with you. For new business funded by way of an asset transfer these assets must come from an account held in the client's name and be pre-approved by us.
  - › The premium can be paid by us to you by us agreeing that the client sends the funds directly to you – either by cash or asset transfer.



7. We issue policy documents to the financial adviser, who forwards them to the client to acknowledge receipt.
8. We let you know when trading can start on the assets linked to the bond and who is authorised to make investment decisions – for example, the client or asset manager.

# HOW DOES THE AUTHORISED CUSTODIAN MODEL WORK AND HOW IS IT SET UP? (CONT'D)

## Investment decisions

Our Letter of Authority is a Power of Attorney document which sets out who we are authorising to act on the account and on what basis. The letter limits the authority to the instruction of investment management only. It also sets out any investment restrictions that the parties involved must adhere to. A Letter of Authority is used only where the authorised custodian and the asset manager are not the same company.

## Reporting - Trading and replication

We fully replicate all activities on our accounts held with you. This allows us to show clear valuations to our policyholders and also allows us as a life office to comply with regulation, such as solvency regulations. Our standard method of receiving this information is via an electronic feed of information between you (the authorised custodian) and Utmost International.

When your data is received we use a program that allows us to read and upload information from you into our systems. The result is seamless replication, with faster administration, accurate and timely valuations for the policyholders and fewer queries.





# ONGOING MAINTENANCE AND WITHDRAWALS

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## Valuations

We keep policyholders regularly informed about the value of their portfolio bond by sending a valuation statement each quarter. This shows the opening and closing value for each quarter, any premiums and benefits paid and the charges we have deducted.

Valuations are not 'real time' as we rely on you, as authorised custodian, to update us on any transactions made on the account.

Utmost International issues policy valuations to the policyholder and any third party as instructed by the client.

## Withdrawals and surrenders

The process for taking money out of the portfolio bond, following a partial withdrawal instruction or an instruction for full surrender (either on the request or death of the policyholder), is as follows:

**The policyholder** completes the relevant form and sends it to us to request the withdrawal. Where the request is for a full surrender, this may be submitted to us by the policyholder or by their beneficiary, enclosing a death certificate, if the policyholder has died.

**We verify** the request and update our replication of account activity and instruct you, as the authorised custodian, and the asset manager where appropriate, to liquidate the assets.

If you are happy to make third party payments, **you pay** the proceeds directly to the policyholder or their beneficiaries on our behalf depending on the instruction. Alternatively, the payment will be paid directly from us to the policyholder.

As the provider of the portfolio bond, Utmost International must be able to recover costs and charges. We therefore have strict withdrawal controls in place.

This means you are not permitted to withdraw cash or assets from the account without Utmost International's authority, even if the request comes from the asset manager, financial adviser or policyholder.



# ONGOING MAINTENANCE AND WITHDRAWALS (CONT'D)

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## Online access

Where you provide online services, a client may request online access to view our account with you by sending us a written request.

We will ask them to sign a disclaimer. We'll then provide you with our authorisation to deal with the client directly in order to grant them access and issue log in details.

## Fees and charges

To deduct your fees and the asset manager's fees:

- › You deduct your custody fee by debiting the custody account held with you.
- › If the asset manager belongs to an associated company of the custodian, fees may be deducted directly with our authority.
- › Where there is a third party asset manager, their fee will be paid to them by Utmost International.

## Deducting Utmost International's fees

- › As you are the custodian of the assets, we send a request to you to debit our fees from the account and send them to us. These requests are currently made quarterly.
- › This request is sent to you via an invoice, 4-6 weeks after each quarter end.
- › Fees are calculated using the policy's quarter-end value.

Payment to Utmost International must be made by debiting the individual custody account relevant to each policy.



If you have any queries, or want further information on anything covered within this guide, please contact your Utmost International sales contact or email us at **[IOMaccountexecutives@utmostinternational.com](mailto:IOMaccountexecutives@utmostinternational.com)**

## A WEALTH *of* DIFFERENCE

[www.utmostinternational.com](http://www.utmostinternational.com)

Calls may be monitored and recorded for training purposes and to avoid misunderstandings.

Utmost Wealth Solutions is the registered business name of Utmost International Isle of Man Limited Singapore Branch.

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Registered in Singapore Number T08FC7158E. Authorised by the Monetary Authority of Singapore to conduct life assurance business in Singapore. Member of the Life Insurance Association of Singapore. Member of the Singapore Finance Dispute Resolution Scheme.

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Utmost Wealth Solutions is registered in the Isle of Man as a business name of Utmost International Isle of Man Limited.

Utmost PanEurope dac is regulated by the Central Bank of Ireland. Registered No 311420.

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