

DELEGATION

A SUMMARY
FOR
FINANCIAL
ADVISERS



A WEALTH *of* DIFFERENCE

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WEALTH SOLUTIONS



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Delegation is issued by Utmost PanEurope dac.

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Please read this document together with the **Delegation Product Guide**, **Key Features Document**, any applicable disclosure documents and our **Delegation Guide to Charges** document. A recommendation to invest should not be made on the basis of this document alone.

You should use this information together with other supporting literature to prepare a recommendation for your client, along with the client's **Personal Illustration** showing the appropriate product charges.

The information in this guide is based on our interpretation of current law and taxation practice in the UK and Ireland as at 1 July 2022, and is dependent on individual circumstances.

WHAT IS DELEGATION?

Available on a capital redemption or life assurance basis, Delegation is a single premium, international investment bond linked to an external account managed by a Discretionary Fund Manager. The underlying investments can be managed in one place and can evolve as your client's financial requirements and personal circumstances change.

WHO IS DELEGATION SUITABLE FOR?

Delegation is designed for UK resident individuals or trustee investors who wish to have their investment managed by a Discretionary Fund Manager (DFM).

Under Delegation, a policyholder cannot influence the selection of assets linked to the bond. As a result of this restricted influence, the DFM can access a much wider range of assets in line with their usual investment process, which are not available through a conventional investment bond.

The DFM will manage the external account in line with a broad investment mandate set by the client, which includes investment objectives and a risk profile.

Investment objectives set by the client must be clear and broad enough to enable the DFM to independently manage the external account. The policyholder must not indicate any specific assets they wish to invest in. However, they can stipulate those types they morally object to.

The client can alter the investment mandate up to a maximum of three times in any rolling 12 month period. The maximum number of changes is in relation to the whole bond and not the individual external account, so, where multiple DFMs are appointed, the maximum number of alterations is still three.



'External account' refers to the custody account that holds the assets managed by the DFM.

It is important that your client understands how this bond is structured and its restrictions before applying. If your client wishes to have any involvement in the selection of assets linked to their bond, then Delegation is not a suitable investment option for them.

The value of the bond can fall as well as rise and your client may get back less than invested.

Some of the funds in which the DFM can invest may carry additional risks because of the types of assets they invest in.

For more information see the **Delegation Product Guide**.

HOW COULD DELEGATION HELP YOUR CLIENTS?

Delegation could help your clients by providing:

- › gross roll-up, which offers tax-efficient growth without the same investment constraints as a UK (onshore) bond
- › tax-deferred withdrawals and assignments, which provide additional control over when and where your client pays tax
- › access to a broader range of investments not available to conventional bonds
- › a product that removes the need for day-to-day administration, leaving the management to a DFM
- › flexibility to meet changing needs and circumstances
- › potential tax efficiency.

Additional features of an international bond:

FOR INDIVIDUAL INVESTORS

The bond is a non-income producing asset, therefore UK tax residents will not need to declare any tax liability until after a chargeable event is triggered. This can be useful not just for UK resident and domiciled clients, but also for non-domiciled UK resident clients who may now have to pay to use the remittance basis of taxation. By using a bond they can potentially defer any tax until a later date.

FOR TRUSTEE INVESTORS

Additional administration benefits as the bond is a non-income producing asset, and a potential UK tax liability only arises when a chargeable event is triggered. Please be aware that on a life assurance bond, the death of the last life assured will trigger a chargeable event.

An international investment bond held in trust will normally remove the need for probate so that, on the death of the Settlor/Donor, trustees can access the bond and distribute the proceeds without any unnecessary delay.



If your client is perceived by HMRC to have influenced or is influencing the selection of assets, this could create adverse tax consequences.



For more information about the taxation of our product, see our **Guide to the Taxation of International Portfolio Bonds**.

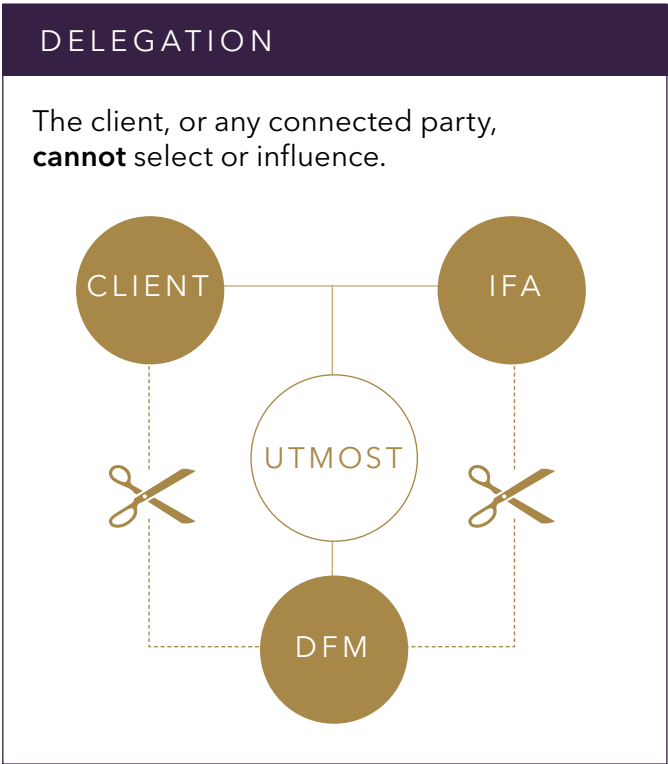
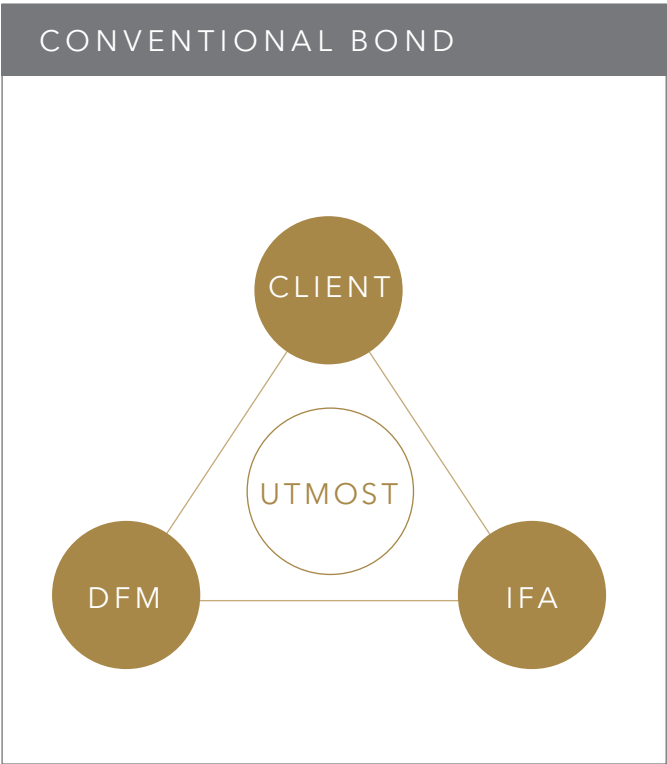
HOW DOES DELEGATION WORK?

For a bond to provide potential tax efficiency to any UK resident client, it must not be viewed as 'highly personalised'. A bond would be deemed to be 'highly personalised' and regarded as a Personal Portfolio Bond (PPB) if it met both condition A and B of s516 of chapter 9 of the 2005 Income Tax (Trading and Other Income) Act 2005 (ITTOIA). The following table shows how Delegation and conventional bonds, are not considered PPBs under these rules.

	A	B
	Assets which are not deemed acceptable under the exemptions given in s517 (the permitted categories listed in s520) are allowed to be invested in.	The policyholder, or any related person, has the 'ability to select' the linked assets.
CONVENTIONAL BOND	x	✓
DELEGATION	✓	x

Delegation fails to meet condition B, as the policy terms do not allow the policyholder, or any connected party, to select the assets which are linked to the bond. Instead, a DFM must be appointed to manage the assets held by the bond on a full discretionary basis. As a result, the relationship between the client, financial adviser and DFM differs from that of a conventional bond.

The images below show how the relationship between these parties is structured for both Delegation and a conventional bond.



Permissible assets comparison: Delegation and a conventional bond.

ALLOWABLE ASSETS	
CONVENTIONAL BOND	DELEGATION
<ul style="list-style-type: none">› Collective investment schemes (approved external funds)› Cash deposits.	<ul style="list-style-type: none">› Collective investment schemes› Cash deposits› Equities, convertibles and warrants› Government and Corporate Debt of 'investment grade'› Medium Term Notes› Partly Paid Shares› Bonds› Trading in derivatives is possible, subject to being explained in the Investment Mandate and not creating undue risk in the portfolio that may place capital greater than the amount invested at risk. <p>The DFM must trade in line with the Central Bank of Ireland's allowable asset rules as well as Utmost PanEurope dac's Investment Parameters.</p>
NON-PERMITTED ASSETS	
<p>In either case the bond cannot be linked to the following asset classes:</p> <ul style="list-style-type: none">› Private company shares› Private equity funds (standalone funds with no capital contribution may be acceptable)› Physical assets such as fine wines, yachts, property or works of art› Collectives from territories blacklisted by FATF, OECD or other similar bodies.	

Delegation, much like a conventional bond, has a Dealing Account that is set up to hold cash and used to pay charges and withdrawals. However, Delegation will also have an external account in every instance. The external account is managed by the DFM and is used to conduct transactions and hold the bond's linked assets.

INVESTMENT CONVERSION FACILITY

Whilst the product is designed to be used only with DFMs, we realise that client circumstances can change over time. This is why we offer clients the ability to request that they change their investment option.

Once the bond has been in force for a minimum of 12 months, the client can write to us to request the investment conversion facility. Subject to our agreement, this facility

will allow them to select or influence the future selection of assets linked to their bond. However, once the investment conversion has taken place, this is a one-way facility and all assets chosen must then fall within the Personal Portfolio Bond (PPB) regulations and our Investment Parameters. Please note that there is a one off charge for this facility. See our **Delegation Guide to Charges** for more information.

On our acceptance of the Conversion Request, we will instruct the existing DFM to liquidate all existing assets held at the date of acceptance. Only once all assets are liquidated will we then allow any direct trading instructions to be processed by the client or any appointed investment adviser or DFM. It is important to understand that once the investment conversion facility has been executed, it cannot be reversed.

DELEGATION ILLUSTRATIONS AND CHARGES

As well as the applicable disclosure documents, we will provide you with a **Personal Illustration** for your client. The illustration will detail product charges together with the nominated DFM's charges. However, due to the nature of these services, the charges made by the DFM can vary significantly.

ADMINISTRATION CHARGE FOR MULTIPLE DFM APPOINTMENTS	For each additional DFM appointed to manage an external account, an administration charge will apply. Please see the Delegation Guide to Charges for more details.
NOMINATED DFM'S CHARGES	<p>DFMs will typically charge an initial fee for setting up the portfolio of assets and an annual fee for managing the portfolio. The level of these charges will often be tiered in relation to the value of the external account when the specific charge is taken.</p> <p>The nominated DFM may make separate charges for each transaction (purchase/sale), or bundle charges such as dealing, custodian and management fees together. There may also be additional charges made, for example, the purchase of certain assets can incur stamp duty. The method and amount of charges differs between DFMs.</p> <p>For more detailed information on these charges, you should contact the DFM(s) that your client is considering nominating.</p>
VAT INTERPRETATION FOR DISCRETIONARY MANAGEMENT SERVICES	<p>VAT is applied within the jurisdiction where the recipient of the service is located. Delegation is sold by Utmost PanEurope dac, located in Ireland. As Utmost PanEurope dac is the legal and beneficial owner of the underlying assets, Utmost PanEurope dac appoints the DFM and is considered the DFM's client.</p> <p>Currently the Irish Revenue classifies Delegation as a Special Investment Fund, as a result the charges for discretionary management services provided by the DFM to an Irish client are VAT exempt.</p>
ILLUSTRATING ON DELEGATION	<p>We have developed a specific system to help illustrate for Delegation bonds. When you request a Personal Illustration, you can show the DFM's initial and annual fees separately, for both collective and non-collective assets. For the purposes of these illustrations we have assumed the DFM has bundled their charges (including transaction charges).</p> <p>If you are unable to provide this information we recommend that you use an annual representative cost, based on typical market practice. Where the illustration suggests a representative cost, based upon our interpretation of market practice, it remains your responsibility to ensure that the actual charge used in the Personal Illustration is appropriate to your client's circumstances.</p>



The information in this guide is based on our interpretation of current law and taxation practice in the UK and Ireland as at 1 July 2022, which could change in the future and is dependent on individual circumstances.



For more information on our product charges, please see our **Delegation Guide to Charges** document.

THE APPLICATION PROCESS FOR DELEGATION

If you and your client have decided that Delegation meets their needs, here are some subjects for discussion:

- › The investment amount, or if they wish to pay via in-specie transfer
- › The investment objectives and attitude to risk that make up their investment mandate
- › If the bond is to be held on a capital redemption or life assurance basis
- › Whether the DFM has been approved by us to manage a Delegation bond
- › The DFM's charges for managing the external account
- › The currency the bond is based in
- › If they require withdrawals (frequency and amount to be paid via Utmost)
- › How they wish to pay your charges.

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APPLY

You and your client complete:

- › the appropriate application form
- › the investment mandate for the nominated DFM
- › where applicable, the **Investor Declaration and Non-Mainstream Pooled Investments (NMPIs) Opt In** form.

These should be submitted together with the client's **Personal Illustration** in addition to evidence and documentation as required.

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REVIEW

Before submission, you should ensure:

- › you have gathered all required documentation
- › your firm's details and charges along with the fully completed nomination of DFM have been captured within the application form.

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START

Once these steps have been completed, and the required application, documentation and nomination of DFM has been accepted by us, a new external account will be created. Following receipt of the premium into our account or completion of in-specie transfer, the bond will be issued.



For a full list of approved DFMs, see our **Delegation - Approved Discretionary Fund Managers** document, or contact our Welcome team on **+44 (0) 1624 653 251**

1. APPLY

- › Clients who are applying on a single or joint basis must complete the **Delegation Application Form for Individual Applicants**
- › Clients applying as a trustee must complete the **Delegation Application Form for Trustee and Corporate Trustee Applicants**.

All application forms are available on our website www.utmostinternational.com or from us on request.

In these application forms your client will:

- › specify the type of bond chosen i.e. capital redemption or life assurance. If life assurance is chosen, they must specify the number of lives assured (up to a maximum of six)
- › supply the details of the trust if applying as a trustee
- › state the investment amount
- › nominate their chosen DFM
- › confirm their investment objective and attitude to risk
- › provide evidence of the source of wealth
- › provide suitable identification and address verification
- › specify the amount and frequency of your adviser charge.

If your client would like to set up any additional adviser charge agreements, they must complete our **Adviser Charges Pack**.

SOPHISTICATED OR PROFESSIONAL INVESTORS

Sophisticated or professional investors wishing to invest in Non-Mainstream Pooled Investments (NMPs), including Unregulated Collective Investment Schemes (UCIS), must complete and submit the **Investor**

Declaration and Non-Mainstream Pooled Investments (NMPs) Opt In form along with their application form. If this form is submitted, the adviser must collect and retain evidence that confirms the client's suitability to do so.

IN-SPECIE TRANSFER

We can facilitate an in-specie transfer of assets and any cash element from an existing external discretionary managed portfolio as the investment premium in full or in part. This is subject to your client's nominated DFM confirming the assets to be retained following the transfer are ones they would usually retain as part of their standard investment criteria.

When the bond is issued, we will retain a cash amount within the bond's Dealing Account sufficient to cover three months' worth of known charges and withdrawals, including any adviser charges and bond charges. If the existing DFM holds cash as part of the portfolio of assets being transferred by way of in-specie, your client will be required to submit this cash to our Premium Collection Account. This cash will be applied to the bond's Dealing Account, less any initial charges deducted prior to the bond's issue. If the cash that we receive from the existing DFM does not cover three months' worth of known charges and withdrawals, your client will be required to transfer additional cash to our Premium Collection Account. If we do not receive sufficient funds, the Dealing Account could go overdrawn and will incur debit interest. Once the bond is in force, any cash element that we have received in surplus of three months' worth of known charges and withdrawals will be sent to the DFM for investment. Our Welcome team can calculate the approximate amount of cash required to cover charges and any withdrawals, please contact them on **+44 (0) 1624 653 251**.



If we are asked to facilitate an initial adviser charge outside of the bond, it will only be paid to you when the case issues and in the meantime no interest will accrue to you or your client.

The bond will not be issued until the DFM external account has been set up ready to accept the premium. This could be delayed if:

- › your client does not include an acceptable DFM Investment Mandate with their application
- › any part of the application, including any additional forms where applicable, are not properly completed and submitted
- › the nominated DFM's controls have not been pre-approved by us in order to manage a Delegation bond.

2. REVIEW

You must review all of the information in the application form to ensure all sections have been completed and all documentation requested is provided. It is important that you complete the 'Financial Adviser Details' section of the form in all cases. It is also important to ensure that your client has completed and signed all relevant sections of the application form.

If your client is applying as a trustee investor, the appropriate application form will contain additional questions.

You must return your client's completed application form and all other supporting documents to us at:
Utmost PanEurope dac, Navan Business Park, Athlumney, Navan, Co. Meath, C15 CCW8, Ireland.

3. STARTING THE BOND

The bond will start when all necessary documentation has been received and accepted by us and the first premium has cleared in our account.

We do not pay credit interest on premiums received prior to bond issue.

If you would like more information about our
range of products and services, call our
Welcome team on **+44 (0)1624 653 251**.
Your call may be recorded to improve our service.

CONTACT US

To find out more about Delegation please contact us.



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

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Utmost Wealth Solutions is registered in Ireland as a business name of Utmost PanEurope dac.

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ALE PR 0028 | 04/24