

Due diligence factsheet

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1. Background

1.1 Scrutinising your scrutiny

In February 2016, the FCA published its Thematic Review TR16/1, which assessed the quality of due diligence work carried out by advisory firms. The review criticised advisers on the grounds that their research lacked thoroughness and objectivity – often because they were biased in favour of their existing providers.

When you consider the huge upheaval involved in switching platforms, this kind of ‘status quo bias’ is perhaps not such a surprise. However, the fact is advisers are now duty-bound to ensure that any platform they recommend clearly meets the needs of their clients, and that their approach to selecting a platform – and then regularly reviewing that selection – fully complies with FCA rules and guidance.

1.2 Platforms must stand up

Of course, it is not just advisers who face an increasing regulatory burden these days; platforms are also being placed under intense scrutiny.

The regulator has been looking closely at financial performance within the platform market for some time. Analysis carried out by Deloitte LLP (published February 2012) for the then Financial Services Authority (FSA) found that the typical operating margin for advised platforms was negative.

It forecasts price transparency and increased competition would benefit the customer through improved service quality and reduced prices. In the years since then, initiatives such as the pension freedoms have seen platforms compete aggressively on price. The question is whether or not such an approach is sustainable.

Deloitte LLP’s analysis suggested that growth in assets under administration and a reduction in fixed costs would drive up platform profitability. However, in the period since its paper was published, the platform market has achieved healthy asset growth, though profitability still remains a challenge for many firms.

FinalytiQ’s research found that there is no correlation between how much a platform charges and how much profit it makes, signifying that paying extra doesn’t guarantee a stronger, safer business. Our approach – of building a sustainable business model with a fair pricing structure – means customers can invest via a platform that invests in itself. As a result, we are able to maintain and even build on the excellent service, flexibility and performance our customers have come to expect.

The focus today is very much on capital adequacy requirements. This, combined with high re-platforming costs and falling yields, means that all but the most profitable platforms may soon be forced to carefully challenge their future strategy. As FinalytiQ put it in their Advised Platform Report 2016:

“There is a systemic shift happening in the platform sector and there are serious implications for providers, advisers and more importantly clients.”

1.3 We’re all in it together

With so much to consider, and with so much importance being placed on those considerations, the prospect of undertaking platform due diligence may now seem more daunting than ever. The good news is that you are not in this alone. We regularly receive due-diligence-related queries from advisers who are in exactly the same position as you and we always endeavour to help as much as possible.

Assisting in this way has allowed us to identify the key areas that advisers seek information on, and in turn create this due diligence factsheet. Shaped by your peers and the guidance issued by the FCA, this factsheet is designed to help you navigate the due diligence process as efficiently as possible. We think you will find it very useful, but if you need any information that isn’t covered, do not hesitate to contact us on 0345 83 99 060.

2. Business model

AJ Bell provides a range of investment platforms as well as bespoke SIPP and SSAS products and ‘white label’ SIPP products for third parties.

Our platforms are at the core of the AJ Bell business, which has demonstrated a strong track record of consistent, profitable growth ever since it was founded in 1995. By continually re-investing retained profits, we aim to ensure that our business model remains robust and sustainable for many years to come. More information about the strategic direction of the business, and our financial performance, can be found at: ajbell.co.uk/investor-relations.

2.1 Ownership structure

AJ Bell is a public limited company, listed on the Main Market of the London Stock Exchange.

2.2 Company structure

AJ Bell includes AJ Bell plc and its subsidiaries.

AJ Bell Asset Management Limited is authorised and regulated by the Financial Conduct Authority.

AJ Bell Management Limited is authorised and regulated by the Financial Conduct Authority and is the scheme administrator and operator of all AJ Bell's SIPPs and Retirement Investment Accounts.

AJ Bell Securities Limited is a member of the London Stock Exchange and is authorised and regulated by the Financial Conduct Authority. It is the plan manager for all of AJ Bell's ISAs and also provides AJ Bell's GIAs.

See website for full details.

2.3 Staff

AJ Bell employs over 1,000 people, many of whom hold financial services qualifications from various professional bodies. Information about our senior members of staff can be found at: ajbell.co.uk/about-us/people.

2.4 Financial strength

The AJ Bell Group is one of the UK's largest investment platforms, with £76.1 billion of assets under administration and 491,000 customers.

AKG Financial Analytics Ltd gave us a Platform Financial Strength rating of 'B+' in its Financial Strength Assessment report (June 2021).

When looking at financial strength, FinalytiQ's Advised Platform Report 2021 stated that:

“... AJ Bell continues to go from strength to strength”

If you would like a copy of the FinalytiQ Advised Platform Report 2021, you can download it from investcentre.co.uk/duediligence-hub.

2.5 Financial protection

All client assets are ring-fenced from business assets and held on nominee or by our professional trustee company. Clients also have access to the Financial Services Compensation Scheme (FSCS) for qualifying investments and cash.

AJ Bell Securities Limited (AJBSL) is the custodian for investments held in a GIA, an ISA and in the Funds & Shares Service in a SIPP or Retirement Investment Account. In the event of default by AJBSL following which your client incurs

a loss, they can make a claim via the FSCS for compensation, subject to certain limits.

AJ Bell Management Limited (AJBML) is the FCA-authorised Scheme Administrator of the SIPP and Retirement Investment Account. Sippdeal Trustees Limited (STL), a wholly-owned subsidiary of AJBML, is the scheme trustee. If your client incurs a loss as a result of the default of AJBML or STL, a claim could arise under the FSCS subject to limitations.

3. Service

We are committed to providing extremely high levels of service and support. Our Regional Business Development Managers, Business Development Consultants and Business Development Support team are all on hand to ease the transition of new adviser firms onto the platform, and to provide ongoing training to advisers, administrators and other users within those firms. We also have a range of user guides and videos to assist advisers in getting the most from our functionality. They can also request a 'Goto meeting' or 'Teams' with one of our Business Development team if they would like to see an online demonstration. Further information on our ongoing service levels can be found here: investcentre.co.uk/our-service.

3.1 Award-winning service and products

Each year we consistently win a range of industry awards recognising the quality of our service and products.

Some of the awards that we have recently won are:

Professional Adviser Awards

Best Platform for Advisers (AUA over £25bn) 2021



Money Marketing Awards

Provider of the Year 2023 (2022, 2021)
Best Platform 2022 (2021)
Best Retirement Provider 2022 (2021)



UK Platform Awards

Leading Retirement Proposition 2021



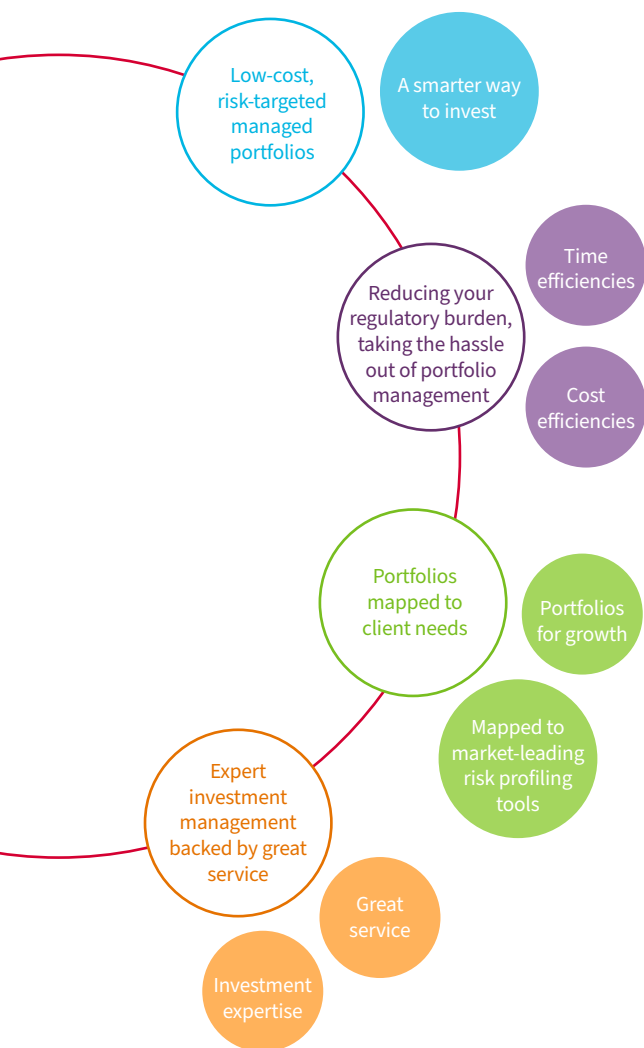
Further details of the various awards we have won are available here: <https://www.investcentre.co.uk/platform/service>

3.2 Technical support

In order to help advisers provide their clients with the best possible service, we also offer:

- regular emailed investment pieces and technical updates, as well as analysis of topical industry issues;
- a web-based 'Infocentre', with a wealth of useful articles, updates and technical details;
- online and in-person seminars with our industry experts;
- a wide range of user guides to help advisers get the most from the platform's various features;
- online key features and FAQs – allowing advisers to quickly search for relevant topics without having to review the whole document; and
- co-branding – placing an adviser firm's logo alongside our own on website pages and literature.

We also have a Technical Team in Manchester that can provide additional technical support, while general assistance is available by phone and email from the Adviser Support Team between 9am and 5pm, Monday to Friday.



4. Investment choice

We aim to offer the widest possible choice of ways to invest. As well as providing a full SIPP and a Retirement Investment Account, we also offer an ISA, Lifetime ISA (LISA), Junior ISA (JISA), General Investment Account (GIA) and access to offshore bonds via Canada Life International, Utmost Limited and Quilter International.

4.1 Funds & Shares Service

Back in 2007, AJ Bell acquired a stockbroker with membership of the London Stock Exchange. This gave us the ability to deal in a wide variety of investments, and react quickly to any changes in demand. It also allowed us to tackle challenges like the RDR with relative ease.

Available through our SIPP, Retirement Investment Account, ISA, LISA, JISA and GIA, the Funds & Shares Service benefits from this capability by offering a comprehensive range of investments, while keeping charges low and service levels high.

The range of investments available through our Funds & Shares Service includes around 5,000 collectives (of which over 4,000 are clean share classes), investment trusts, Exchange-Traded Funds, Exchange-Traded Commodities, Exchange-Traded Notes, UK equities and gilts, warrants, structured products, VCTs, corporate bonds, eurobonds, REITs and preferential shares.

Our clean funds universe is made up of the cheapest available share class for each fund on the platform.

4.2 SIPP investment partners and off-panel investments

Our SIPP also offers access to a range of 38 investment partners. Using the SIPP, clients can also hold investments off-panel, which offers access to 'whole-of-market' investments such as access to discretionary fund managers and fixed term deposit takers. Further details of the wide range of asset types available via the off-panel option can be found here: investcentre.co.uk/investment-range/off-panel/.

4.3 The Managed Portfolio Service (MPS)

Available to advisers exclusively through the Funds & Shares Service, our Managed Portfolio Service (MPS) is provided in conjunction with AJ Bell Investments, an AJ Bell Group company with an established team of experts and a strong track record of delivering successful managed investment solutions.

4.3.1 Risk-targeted portfolios

The portfolios available through our MPS aim to provide above-inflation growth relative to the level of risk and the length of time that assets are invested. There is a range of multi-asset portfolios to choose from, each offering a blend of carefully selected, passively managed funds and ETFs from leading managers. All portfolios are designed to provide consistent returns at the targeted level of risk with appropriate diversification.

To help advisers and their clients understand the relative levels of risk targeted across the MPS range, we map each of the portfolios to leading risk profiling tools from Finametrica and Distribution Technology.

4.3.2 Oversight and governance

For additional peace of mind, our investment team is overseen by an Investment Committee that includes independent representatives who hold senior positions with some of the UK's most respected investment providers. The Investment Committee review comprehensive reporting on asset allocation, risk rating, investment performance and market commentary to ensure that the MPS meets its stated aims, and that the asset allocations are appropriate for the targeted level of risk.

4.3.3 Charging

All charges for the MPS are clearly disclosed upfront, with a simple flat charging structure across the range of portfolios. For full details of the MPS charges, please refer to our portfolio factsheet.

5. Functionality

5.1 New business

Applications for all account types can be submitted online. Where possible, we use straight-through processing to handle and validate online applications, as it allows us to automatically conduct identity and address verification checks, establish accounts and issue client welcome packs in the most efficient way possible.

5.1.1 Illustration tools

Our suite of illustration tools helps advisers to provide clients with the information they need when applying for and funding accounts. This illustration functionality is powered by the Imago tool from Dunstan Thomas, which is one of the UK's leading financial services technology providers.

5.1.2 Funding accounts

Additional payments and top-ups to accounts can be made by cheque, direct debit and electronically. Additional electronic payments to all wrapper types, and cash switches between wrappers, can be instructed online without the need to complete any forms.

Stocks and shares ISAs can be funded using the 'bed and ISA' mechanism for listed equities.

Clients will lose out on the benefit of their employer's contributions if they choose to fund a LISA but are not saving into a qualifying/automatic enrolment pension scheme, occupational pension scheme or personal pension scheme.

5.2 Transferring assets

Transfers of assets to and from our platform are handled by dedicated teams who manage the whole process. By using the Origo Options system to electronically process cash and in specie transfers, we can significantly reduce transfer times wherever possible.

Cash and in specie transfers in and out are allowed, and we also support the re-registration of assets. Any investment transferred in specie must be a permitted investment for the chosen investment option. Additional charges apply where assets are re-registered off the platform.

5.3 Portfolio management and investment research tools

The platform provides access to a range of tools and features that can be used with all assets held in the Funds & Shares Service across all wrappers. These tools include the following.

- Bulk dealing, fund switching and model portfolios:
 - the ability to provide bulk trading instructions across some or all of an adviser's clients
 - single instruction to switch from one fund to up to six others
 - model portfolio construction and management, including ad hoc and automated rebalancing
- Research centre, with details of all funds, equities, ETFs and investment trusts available on the platform:
 - create 'watch lists' which can be exported to the Bulks and Models tool
- Portfolio x-ray, powered by Morningstar
- Investment performance analysis tool:
 - offering analysis at client and account level
 - analysing portfolios by calculating time-weighted capital and income total returns
 - user-defined time periods and benchmarks

5.4 Cash management

Cash management within the AJ Bell Investcentre product is the adviser's responsibility. However, in order to help them meet their client's cash needs, we have developed a suite of tools and easy-to-use online processes, including:

- Fund & Shares Service cash management tools
 - regular investments
 - regular disinvestments
 - regular cash movements
 - cash flow forecasting
- online cash movements for SIPP panel investment partners
- real-time cash movements to the Funds & Shares Service
- filters to monitor cash levels of clients in drawdown

By using the client filters, an adviser can identify which clients are in benefits and, of those, which ones are at risk of missing an income payment due to insufficient funds. Advisers can then visit the benefits screen to access more detailed information on their benefits payments and drawdown status. Having gained a full understanding of the client's situation, the adviser could then use our cash management tools to take action and ensure enough cash is freed up to meet their upcoming benefits payments.

We continue to develop our cash management tools and routines to make managing cash for clients as easy as possible.

5.5 Withdrawals

We try to make it as easy as possible for clients to access their money. Penalty-free withdrawals are available from our stocks and shares ISA and GIA wrappers, and our SIPP and Retirement Investment Account give customers access to a comprehensive range of affordable decumulation options. A dealing charge may apply if assets have to be sold in order to fund withdrawals.

Please note that if your client makes a withdrawal from a LISA before the age of 60 for any purpose other than to buy their first home or terminal illness, they will incur a 25% penalty charge to close their account.

5.6 SIPP and Retirement Investment Account benefits

Our SIPPs and Retirement Investment Accounts support both capped and flexi-access drawdown, as well as ad hoc and regular UFPLS payments. There are no minimum or maximum values for drawdown or other benefit types through the SIPP or Retirement Investment Account.

Access is provided to the whole of the annuity market via the open-market option.

All clients in drawdown receive annual information packs to help them understand their withdrawal options, and to assist advisers in helping them to make informed decisions. These information packs include details of the fund value and asset breakdown, information on payments to and from their SIPP or Retirement Investment Account, and a drawdown illustration where applicable.

A drawdown critical yield calculator is available within our suite of illustration tools.

5.7 Adviser charging

We make a range of options available for adviser charging, including:

- paying charges as a fixed £value amount or on an ad valorem basis
- ad hoc and regular payment options
- applying charges to investments through the Funds & Shares Service

Charges can be easily instructed or amended using one form.

6. Price

We aim to compete strongly on price whilst still providing access to comprehensive functionality. To achieve this, our charging structure features a tiered annual custody charge ranging from 0.0–0.2% of the client's fund value, making our proposition competitive for fund values of all sizes.

6.1 Independent price appraisals

We regularly test the competitiveness of our charges through independent third-party research firms such as Platorum and the lang cat. Licensing prevents us from providing this research, but copies can be obtained by contacting the firms directly. Full details of the AJ Bell Investcentre charges and rates can be found at: investcentre.co.uk/charges.

Our regular pricing reviews also take account of the continuing viability of our business. That means balancing the customer's need for value-for-money charges against our aim to run a profitable, robust business. This ensures we can continue to invest in developing our technology, products and services.

6.2 Unbundled charges

As part of our commitment to clear and transparent charging, and to meet the requirements set out by the FCA in PS13/1, we started the process of converting bundled share class holdings to clean equivalent holdings, where possible, in Q4 2014. This process was completed in 2015. Where relevant, fund manager rebates will continue to be paid to clients in the form of units.

7. Accessibility

AJ Bell Investcentre can be accessed 24 hours a day, 7 days a week via our website: investcentre.co.uk.

7.1 Software and technology

Our platform is powered by a unique blend of in-house and proprietary software. This includes packages from leading financial software providers like GBST's Composer, JHC's Figaro and Imago from Dunstan Thomas. For both hardware and software, we use a mixture of owned and bought-in services. All these contracts have regular vendor management meetings, periodic due diligence checks and escrow agreements for software.

AJ Bell takes ultimate responsibility for all administration and our in-house technology expertise allows us to quickly react to any necessary changes in the core components of our platform. We have a strong track record of re-investing profits in technology and product development, which we intend to continue.

7.2 Data and MI solutions

We offer links to adviser back-office systems, including IRESS, Intelliflo, True Potential, Sammedia and Plum. In addition, we are able to offer standalone data files including client account valuations. Our website offers access to various bulk-data downloads, such as valuation, adviser charging and transaction data. These can be obtained ad hoc or as a regular delivery.

7.3 Client access

Each client has their own login and can update their personal details, view valuations and peruse their transaction history online. Clients can also access the Funds & Shares Service dealing website on a read-only basis, while stocks and shares ISA and GIA clients can instruct withdrawals online.



8. Security

Our systems and databases are restricted, password-protected and subject to external audit.

Initial registrations and passwords are required for online access to the AJ Bell Investcentre website before any customer information can be viewed.

Formal systems and controls are in place to ensure that data and system security is robust, with regular reviews and tests carried out. We also arrange for external experts to perform penetration testing on a regular and, if necessary, ad hoc basis.

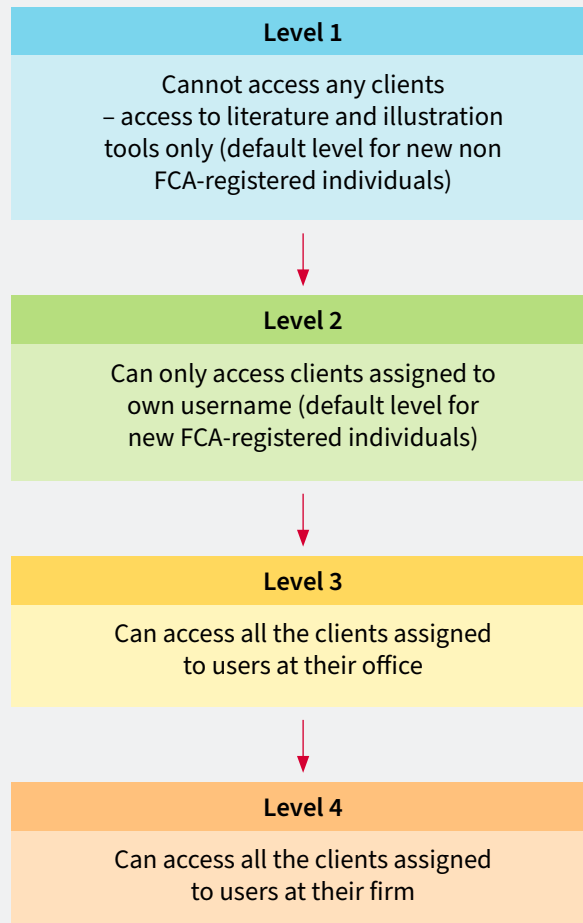
We recognise that ensuring the safety of clients' data forms a key part of advisers' product review and selection processes. We therefore have clearly documented policies to ensure that we conform to the requirements of all legislation and regulations in this regard, including the Data Protection Act 2018, as well as incorporating best practice where relevant.

8.1 Adviser access levels

Anybody who registers with our platform will automatically be provided with one of two default website permission levels.

Individuals who are not registered with the FCA will have access to basic website content, but no client information (Level 1 access). FCA-registered advisers, on the other hand, will be able to access all web content for any clients that are assigned to them on the system (Level 2 access).

The system also allows firms to appoint a 'nominated individual', who will be responsible for managing the security permissions of all staff according to one of four access levels:



8.2 Business continuity

AJ Bell Investcentre has a formal business continuity plan with procedures in place to ensure that business disruption is kept to a minimum should an event occur that threatens the operation of the business. AJ Bell has a designated disaster recovery site with a leading specialist provider, and key personnel from across the business have been selected to form the core business recovery team if needed. Regular disaster recovery training, testing and simulated events are carried out with the team to ensure the plan remains robust.

We also have the ability to prioritise critical functions to ensure that these can be maintained – this includes our dealers and Dealing Services Team, which are split across offices in London and Manchester.

All our staff have the ability to work remotely and complete all key tasks in a number of locations, including from home. We also maintain close engagement with our core technology providers to ensure that they have robust and reliable contingencies in place.

9. Regulatory compliance

9.1 Anti-money laundering

We have robust anti-money laundering procedures in place, and have embedded Experian checks within all of our application processes. We follow enhanced AML processes where appropriate, taking a risk-based approach to our responsibility to 'know our customer'.

All employees receive full anti-money laundering training when they start with the business, and this is followed up by regular, computer-based training refresher sessions.

9.2 Treating Customers Fairly

The importance of Treating Customers Fairly (TCF) is reinforced across the business through training, our guiding principles and our employee handbook. TCF Management Information (MI) is regularly reviewed by the senior team.

We also conduct detailed analysis on our existing book of business to challenge it and ensure we are attracting clients who fit our target market, product propositions and marketing materials. Findings are included in a TCF report, which is submitted to senior management on a quarterly basis.

We continuously seek adviser and client feedback on our products and the clarity of our literature, websites and processes. Any issues identified are considered by senior management.

9.3 Dealing with complaints

Every complaint we receive is considered individually, copied to senior management and recorded for FCA-reporting purposes. Management Information regarding complaints is reviewed by senior management on a monthly basis. This review includes full details of the category type, uphold rate and time taken to resolve.

9.4 Risk and compliance structure

We have a detailed and robust risk and compliance framework, supported by our internal (Deloitte LLP) and external (BDO LLP) auditors. A separate Audit Committee and a Risk and Compliance Committee of the Board are responsible for formal oversight of our risk management and compliance framework. A risk register is kept for senior management oversight, customer outcome focus, MI- and FCA-reporting purposes.

The compliance function is suitably experienced and resourced and reports to the Chief Risk Officer. Within the function, compliance oversight and advisory activities are appropriately segregated, and there is also a designated Money Laundering Reporting Officer who holds the FCA Senior Manager Function 17.

The compliance function delivers the Annual Compliance Plan, as approved by the Risk and Compliance Committee, and also provides appropriate reporting/escalations as per the company's formal governance arrangements – including reporting to senior management and the Board.

The Chief Risk Office holds the FCA Senior Manager Functions 3, 4 and 16.

9.5 Regulatory capital

AJ Bell is a financially strong business, and as such we do not envisage any problems with meeting the new FCA's regulatory capital requirements. It is the board's policy to look to maintain at least 150% of our regulatory capital requirement. All liquidity provisions are monitored on a monthly basis by our Finance function and formally reported to our Board.

Our Capital Requirement Regulation (CRR) Part Eight Disclosure can be found [here](#).

10. Further information

If you would like more information on any aspect of our platform, please contact us on 0345 83 99 060.