

Standard Life Wrap and Fundzone Adviser Q&A

January 2019

Why do you choose to make suspended funds non-tradeable?

We believe in transparency and clarity for advisers and their clients especially during times of change. If we were to defer trades then these would be completed at a future date and neither you nor your client would know what price you had obtained until after the trade. By making the fund non-tradeable it ensures that when the fund is made tradeable you (and your client) would know the unit price and be best placed to make the right decision.

If a fund group suspends trading or defers withdrawals, how is Standard Life Wrap and Fundzone handling this?

We have made the decision to alter the tradability status of any fund on our platforms that are likely to remain suspended for an extended period of time to 'non-tradeable'. We have taken this approach in order to reduce the number of failed or delayed trades and prevent delays in withdrawals. As we will be unaware how long the trading may be suspended we cannot confirm what price this may be traded at when the fund reopens.

I have clients that hold a fund that was suspended and is now non-tradeable; what will happen with trading?

If you attempt to place any one-off trades in this fund the platform will not permit the trade to progress as it will be identified as a non-tradeable investment. For rebalances the trade will be ignored as the platform will identify the fund as non-tradeable, this may result in the asset allocation differing from the expected allocation.

If you have any existing regular instruction to purchase or sell holdings in these funds, the trade will attempt to go out to market, however the trade will be automatically cancelled shortly thereafter. Consideration should be given for any regular investment that will be impacted by the fund suspension; this includes sells setup to generate income as the sell will not generate the required level of income. Where the instruction is for a purchase into the fund the cash amount would remain in the relevant cash account.

If an impacted fund is contained in a model portfolio asset allocation on the Wrap platform, you can still invest into the model portfolio but not into the non-tradeable fund. The allocation to the non-tradeable fund will be allocated to the remaining funds in the model portfolio proportionately.

I instructed a trade on a suspended fund before it was set to non-tradeable; what will happen?

For both Insured & Mutual funds on our platform, if a trade was placed prior to the status being changed to non-tradeable but during the suspension it will remain unfulfilled on our platform and will be highlighted to Standard Life via our monitoring process. Subsequently Standard Life will cancel the trade, however the cancellation may not take place immediately. This applies to any trade within a suspended fund regardless of whether the fund manager has agreed to place them in a queue due to the funds being set to non-tradeable.

Will withdrawals or auto-disinvestment be affected?

If the withdrawal request is set 'Across product' and a non-tradeable fund is present, the request to disinvest from that fund will be ignored and sells will continue from the other tradeable funds as expected. It will increase the amount taken from the other funds held. Until such time as a fund suspension is lifted, monies contained with any of these funds cannot be disinvested.

If you have targeted specific funds and one or more are non-tradeable fund(s) no batch will create and the withdrawal will simply fail. This applies to monetary and percentage withdrawals where specific funds have been targeted. We will contact you to make you aware of any such failed withdrawal.

Auto-disinvestment will also ignore non-tradeable funds and will disinvest proportionally from the tradeable funds only.

Any withdrawals placed on the Wrap platform for a Managed Portfolio will progress as normal, however full redemptions will not be possible as there will be monies that cannot be removed from the non-tradeable fund. In this scenario we will move the non-tradeable fund out of the model to be held in the relevant Wrap product, allowing for complete closure of the model and ensuring no unnecessary portfolio management fees are deducted.

If a non-tradeable fund is held in a Managed Portfolio via the Wrap platform, can I still invest?

If the Managed Portfolio contains a non-tradeable fund you can still invest into the Managed Portfolio, but not into the non-tradeable fund. The Managed Portfolio will either allocate the percentage of the non-tradeable fund to cash or proportionately to the remaining funds in the target allocation, depending on how the model manager has set up the portfolio to handle non-tradeable funds.

Will holding a non-tradeable fund affect my ability to obtain a quote from the platform?

We are not able to accept requests for new and existing business quotes containing these funds. We apologise for any inconvenience this may cause. Once the fund becomes tradeable a quote can proceed as normal.

My client is in drawdown and holds a non-tradeable fund; will this affect their income?

Mutual fund

Your client will continue to receive their income. If any regular sell includes a non-tradeable fund(s) these should be replaced to ensure sufficient monies are made available in SIPP cash.

Insured fund*

Your client will continue to receive their income. However disinvestment will be applied proportionately across all tradeable funds therefore you may wish to revisit your clients disinvestment instruction.

*This assumes we use the current approach and is subject to change

I requested to in-specie transfer a suspended fund which is now non-tradeable; will this go ahead?

This is dependent on the existing provider's ability to transfer the units to us. If you require an update on a specific account, please contact either the Wrap or Fundzone adviser support teams.

My client wishes to terminate their account; how will a non-tradeable fund affect this?

The client can still instruct for their account to be closed, however any monies remaining in non-tradeable funds cannot be disinvested and will remain in situ until such time as trading suspension is lifted and tradability recommences. Once the fund becomes tradeable we will then process the remaining instruction.

How are you monitoring the status of suspended funds that have been set to non-tradeable?

We continue to work closely with fund groups who manage funds that have been suspended, so that we ensure that following commencement of trading, we can allow access to the fund as soon as possible.