



THE IPS PARTNERSHIP – DIRECT CLIENT GUIDANCE

The IPS Partnership does not directly market its products and services to the general public. Clients are normally introduced to us following advice given by an Independent Financial Adviser (IFA). We are however able to accept direct clients in limited circumstances.

The two restrictions surrounding this are the initial establishment of the SIPP, and the proposed investments to be made by the SIPP.

This guidance explains how to determine whether you can establish and invest with an IPS SIPP as a direct client, or whether you must seek advice from an IFA.

If you are in any doubt about the suitability of any aspect of the IPS products, we strongly recommend that you obtain independent financial advice. If you do not already have an independent financial adviser, information can be obtained from www.unbiased.co.uk, or telephone 0800 085 3250.

1. Establishment Of An IPS SIPP

We **cannot** in any circumstances accept you as a direct client if you are planning to transfer benefits from a Final Salary (defined benefits) pension scheme. You **must** therefore seek advice from an IFA.

2. Proposed Investment By An IPS SIPP

If you intend to invest in investments which are unauthorised or unregulated by the UK Financial Services Authority (FSA) (see below for an explanation) or are offshore investments, we **cannot** accept you as a direct client **unless** you are classified as a “sophisticated investor” or “high net worth individual” (see below), and provide us with self-certification to confirm this. You must therefore seek advice from an IFA.

Unauthorised And Unregulated Investments

Under the Financial Services and Markets Act 2000, the FSA classifies investment types as those which are authorised and regulated and can therefore be promoted directly to the public, and those which are not.

Examples of regulated investments are:

- Cash deposits
- Shares listed on a recognised stock exchange
- Corporate bonds
- Units or shares in qualifying unit trusts or Open Ended Investment Companies.

Examples of unregulated investments are:

- Futures, options and contracts for difference
- Collective investment schemes which are not FSA recognised.
- Units in tax exempt unauthorised unit trusts
- Structured products

If you are in any doubt over the status of an investment you are considering, you should check carefully with the investment provider. IPS cannot be responsible for doing this.

Sophisticated Investors and High Net Worth Individuals

The Financial Promotions Order (2005) contains strict rules about the distribution and promotion of unregulated financial products to retail clients in the UK. Although these rules do not usually apply to promotions outside of the UK, unregulated investments marketed in the UK cannot be directly targeted towards retail clients.

However the rules do allow members of the public to invest in unregulated investments if the applicants have been classified as “exempt” clients in respect of the Financial Services and Markets Act (FSMA 2000).

There are effectively 2 classifications for exempt clients:

1. Sophisticated Investors

An individual is classified as a sophisticated investor where at least one of the following applies:

- They are a member of a network or syndicate of business angels and have been for at least the last six months.
- They have made more than one investment in an unlisted company in the last two years.
- They are working, or have worked in the last two years, in a professional capacity in the private equity sector, or in the provision of finance for small and medium enterprises.
- They currently, or have in the last two years, been a director of a company with an annual turnover of at least £1 million.

2. High Net Worth Individuals

An individual is classified as a High Net Worth Individual where at least one of the following applies:

- During the last financial year they had an annual income to the value of £100,000 or more.
- During the last financial year they held net assets to the value of £250,000 or more. Net assets for these purposes do **not** include:
 - Their primary residence or any loan secured on that residence.
 - Any rights under a qualifying contract of insurance within the meaning of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001.
 - Any benefits (in the form of pensions or otherwise) which are payable on the termination of their service or on death or retirement and to which they (or their dependants) are or may be entitled.

Accepting Direct Clients

Where an individual approaches IPS as a direct client, we will require a completed self-certification as a Sophisticated Investor or High Net Worth Individual either at the point of sending us their completed IPS SIPP application form or prior to making the unauthorised unregulated investment.

The correct one of the two certificates at the end of this document which applies to the individual must be completed and sent to us. We cannot proceed without this document.

Considering Investments

When you are not receiving advice from an IFA, and you are deciding whether to proceed with an investment, there are a number of questions you should ask yourself:

1. Do you understand that you have received no advice from IPS, but are deciding to proceed with the investment based on information provided by the investment provider?
2. Do you understand the charges associated with the investment?
3. Have you read and understood the terms and conditions of the investment?
4. Are you comfortable with the level of risk of the investment, and that although higher risk investments can mean higher returns, there is no guarantee of this and you may get back less than you invested?
5. Do you understand that past performance of the investment is no guide to future performance?
6. Do you understand you may not easily be able to sell the investment, and this could affect your ability to take pension benefits if there are not sufficient other liquid assets?
7. Do you understand that in the event of your death, investments may need to be sold to pay benefits to your beneficiaries, and the price obtained may be less than the full value of the investment?
8. Do you understand that if the investment consists of "taxable property" such as residential property, and HM Revenue & Customs considers this not to be a genuinely diverse commercial vehicle, there may be a tax charge and you would be liable for this?

Please note that under our duty of care, IPS has the right to refuse any investment you may wish to make on the grounds that we believe it could be taxable by HM Revenue & Customs, it has some other onerous terms which are not in your best interests, or you do not genuinely qualify as a Sophisticated Investor or High Net Worth Individual.

If you do not qualify to be able to establish or invest with your IPS SIPP as a direct client, and you seek advice from an IFA, it would then be the responsibility of the IFA to certify whether you have sufficient knowledge to be able to understand the risks involved in the proposed investment and that you have been made aware of the loss of regulatory protection by being exempted from FSMA 2000. We will ask the IFA to provide confirmation to this effect.

IPS still reserves the right to refuse an investment even after advice has been sought from an IFA.

July 2009



STATEMENT FOR SELF-CERTIFIED SOPHISTICATED INVESTORS

I declare that I am a self-certified sophisticated investor for the purposes of the Financial Services and Markets Act (Financial Promotion) Order 2005.

I understand that this means:

- (a) I can receive financial promotions that may not have been approved by a person authorised by the Financial Services Authority;
- (b) the content of such financial promotions may not conform to rules issued by the Financial Services Authority;
- (c) by signing this statement I may lose significant rights;
- (d) I may have no right to complain to either of the following:
 - the Financial Services Authority; or
 - the Financial Ombudsman Scheme;
- (e) I may have no right to seek compensation from the Financial Services Compensation Scheme.

I am a self-certified sophisticated investor because at least one of the following applies:

- (a) I am a member of a network or syndicate of business angels and have been so for at least the last six months prior to the date below;
- (b) I have made more than one investment in an unlisted company in the two years prior to the date below;
- (c) I am working, or have worked in the two years prior to the date below, in a professional capacity in the private equity sector, or in the provision of finance for small and medium enterprises;
- (d) I am currently, or have been in the two years prior to the date below, a director of a company with an annual turnover of at least £1 million.

I accept that I can lose my property and other assets from making investment decisions based on financial promotions.

I am aware that it is open to me to seek advice from someone who specialises in advising on investments.

Signature: Print Name:
Date:



STATEMENT FOR SELF-CERTIFIED HIGH NET WORTH INDIVIDUAL

I declare that I am a certified high net worth individual for the purposes of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005.

I understand that this means:

- (a) I can receive financial promotions that may not have been approved by a person authorised by the Financial Services Authority;
- (b) the content of such financial promotions may not conform to rules issued by the Financial Services Authority;
- (c) by signing this statement I may lose significant rights;
- (d) I may have no right to complain to either of the following:
 - the Financial Services Authority; or
 - the Financial Ombudsman Scheme;
- (e) I may have no right to seek compensation from the Financial Services Compensation Scheme.

I am a certified high net worth individual because at least one of the following applies:

- (a) I had, during the financial year immediately preceding the date below, an annual income to the value of £100,000 or more;
- (b) I held, throughout the financial year immediately preceding the date below, net assets to the value of £250,000 or more. Net assets for these purposes do not include:
 - the property which is my primary residence or any loan secured on that residence;
 - any rights of mine under a qualifying contract of insurance within the meaning of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001;
 - any benefits (in the form of pensions or otherwise) which are payable on the termination of my service or on my death or retirement and to which I am (or my dependants are), or may be, entitled.

I accept that I can lose my property and other assets from making investment decisions based on financial promotions.

I am aware that it is open to me to seek advice from someone who specialises in advising on investments.

Signature: Print Name:

Date: