



fit for purpose

April 2009

Platform providers have a responsibility under the Conduct of Business Sourcebook (COBS) to ensure the investment choices available to clients are fit for purpose.

Skandia takes this responsibility very seriously and conducts rigorous checks before adding new funds to the range – a process designed to benefit you and your clients.

Skandia aims to offer extensive choice through its fund range – and to continue to widen that choice. It is, however, of greater importance that the fund choices satisfy Skandia's due diligence criteria, which will mean limits to what can be added. The criteria in place serve to offer advisers peace of mind that their investment choices are operationally sound.

Skandia UK uses the expertise of a dedicated team within Skandia Investment Group (SIG) who are responsible for reviewing prospective new funds. Only when specific criteria are met will a fund

become available as part of Skandia's fund ranges. These are not the investment-led, research-focused fund reviews that SIG carries out within its own MultiManager funds, but rather to ensure that each fund we make available will do exactly what it says it will do, in an operationally and commercially efficient manner that is understandable and transparent to the end user.

Different platforms and life companies will have different processes (if any) for reviewing new fund additions. Understanding these differences allows you to make informed decisions about the

degree to which a platform is looking after the interests of you and your clients.

We believe that preventing inappropriate or unsuitable funds from gaining access is equally as important as how fast new funds can be added to the fund range. Our robust processes have averted funds being added to the Skandia range that have subsequently had difficulties – resulting in related negative repercussions for clients. As an open architecture provider, we can never guarantee that fund mishaps won't happen – but you can gain comfort from knowing that we are working hard on your behalf to minimise them. ●

The review of potential new funds for inclusion on our platforms includes:

Operational review

SIG ensures that the fund can be administered through Skandia. For example, our product terms and conditions commit us to giving our clients a price for their trades within a set period of their instruction. In order to meet this commitment, the underlying fund must price and deal daily and meet other minimum criteria for settlement, valuation points and electronic processing. Skandia UK asks SIG to pay attention to certain requirements to identify and report potential risks to investors. Consequently, due diligence might involve questions such as: are derivatives used to enhance returns or mitigate risks? Are a fund's fees and charges transparent and easily understood? If a fund has a performance-related fee, does it have a hurdle rate to justify the Annual

Management Charge before performance fees are taken? These issues do not necessarily preclude a fund being added to the platform, but helps Skandia UK to make an informed decision and mitigate any potential risks in terms of the information made available to advisers and clients.

Regulatory review

SIG ensures the fund is suitable for sale to retail investors in the UK or to be held by our life company, while also meeting Skandia's Treating Customers Fairly criteria. SIG checks that investors can obtain adequate information and disclosure on what they are buying within the fund literature, including fund objectives and fees.

Commercial review

As a major fund provider, Skandia uses its scale to achieve market-leading commercial

terms to the benefit of Skandia, advisers and clients. For example, SIG ensures clients purchasing funds on the SIS platform will not pay initial charges and requires fund groups to transact electronically to speed up processes and minimise dealing errors.

Legal review

Finally, Skandia will not simply sign 'standard' distribution agreements provided by fund groups, but instead will put robust legal agreements in place. These protect you and your clients as well as the Skandia UK business by ensuring operational standards are met and that fund groups will continue to make funds available on the platform. In addition, it ensures Skandia will receive sufficient notification of changes to funds that affect investors so we can keep you well-informed.

www.skandia.co.uk

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

Selestia Investment Solutions investment platform gives you access to an ISA and Collective Investment Account provided by Skandia MultiFUNDS Limited, a Collective Retirement Account and Collective Investment Bond provided by Selestia Life & Pensions Limited and an Offshore Collective Investment Bond distributed by Skandia MultiFUNDS Limited for Old Mutual International (Guernsey) Limited.

Skandia fund platform gives you access to MultiISA and MultiFUND provided by Skandia MultiFUNDS Limited and to products provided by Skandia Life Assurance Company Limited.

Skandia Life Assurance Company Limited, Skandia MultiFUNDS Limited, Skandia Investment Management Limited and Selestia Life & Pensions Limited are registered in England & Wales under numbers 1363932, 1680071, 4227837 and 4163431 respectively. Registered Office at Skandia House, Portland Terrace, Southampton SO14 7EJ, United Kingdom.

All companies are authorised and regulated by the Financial Services Authority with FSA register numbers 110462, 165359, 208543 and 207977. VAT number for all above companies is 386 1301 59.

Old Mutual International (Guernsey) Limited is regulated by the Guernsey Financial Services Commission and is licensed to write long-term business under the Insurance Business (Bailiwick of Guernsey) Law 2002. Registered number 2424. Registered Office at Fairbairn House, PO Box 121, Rohais, St Peter Port, Guernsey GY1 3HE, Channel Islands.