



# Choice

**Segregated  
Portfolio Service**

Open up your options  
in International  
Investments

canada *life*

International

# New opportunities for you and your clients.

**The Segregated Portfolio Service\* provides your clients with a broader range of investment opportunities, offering an additional way to invest with the potential for lower costs and better returns.**

At Canada Life, we work hard to understand your needs, putting you at the heart of everything we do. From first class technical support by our specialist sales team, to the super-efficient service from our dedicated support team, you can rest assured you're in experienced hands.

This investment option is available within the international investment bonds\* ("Accounts") provided by Canada Life International Limited and Canada Life International Assurance (Ireland) DAC ("we/us"). Under the current legislation international bonds taken out by UK residents, including our Accounts, are subject to HMRC rules on permissible assets. Under the Segregated Portfolio Service, an investment manager may step outside the usual permissible assets, such as authorised unit trusts, investment trusts, collective investment schemes and linked life funds, while still meeting HMRC regulations for international bonds.

## Suitability

This proposition is only available through an investment manager that has a suitable agreement in place with us.

Your client can only select this service if they are willing to give up all investment decision making. If they are not happy to do this, the Segregated Portfolio Service is not appropriate for them.

## Benefits of Segregated Portfolio Service

The Segregated Portfolio Service has a number of benefits for you and your clients who require more flexible investment possibilities:

- + Wider choice of investments, including direct investment into equities, gives greater scope for diversification.
- + Potential to reduce expenses by investing directly rather than through funds.
- + Opportunity to benefit from the investment manager's stock selection expertise.
- + Opportunity to create true income portfolios, with direct investment into gilts and other fixed interest assets.
- + The investment manager can also use fixed interest assets in a liability driven strategy that matches maturities to future requirements. This may be particularly useful in cases where there is a need for fixed withdrawals, such as Discounted Gift Schemes.

## What restrictions apply?

- + Your client can't invest in any assets within their Account, other than through the Segregated Portfolio Service.
- + The investment manager will manage the Account's investments in accordance with your client's risk profile and investment objective.
- + Neither your client nor you may instruct or seek to influence the decisions of the investment manager, when they purchase any asset on your client's behalf.
- + **If you or your client are found to have influenced the selection or de-selection of investments, significant adverse UK tax consequences would follow for your client. Your client's policies would be treated as 'personal portfolio bonds' for UK income tax purposes and your client would be taxed to income tax each year on a deemed 15% gain.**
- + There is a charge for using the Segregated Portfolio Service – please refer to the relevant Charges and Fees document or the Product Charges Guide for full details.

\* This investment option is available under a limited range of products as set out on page 4.



**Invest in a wider range of assets that are normally not available under HMRC Personal Portfolio Bond regulations.**

# New opportunities for you and your clients.

## What products offer Segregated Portfolio Service as standard?

Due to the compliance process that needs to be in-place, Segregated Portfolio Service is not available under every international bond.

\* It is only offered through the following range of International investment bonds;

- + Premiere Account & Premiere Europe Account
- + Premiere Discounted Trust Account & Premiere Europe Discounted Trust Account
- + Wealth Preservation Account & Wealth Preservation Europe Account
- + Controlled Access Account
- + International Portfolio Bond
- + Enhanced Estate Preservation Account
- + Estate Preservation Account
- + Inheritance Planning Account

## What it offers?

Under the Segregated Portfolio Service the investment options, in addition to those that may be held under a standard discretionary arrangement, are:

- + UK and Global Equities
- + UK Gilts
- + Government, municipal and corporate bonds
- + Eurobonds
- + Closed-ended investment schemes
- + Structured products

- + For Canada Life International Assurance (Ireland) Dac (CLIAI) other asset types allowable under the guidelines of the European Union (Insurance and Reinsurance) Regulations 2015 (S.I. 485 of 2015) (which transposed into Irish law the Solvency II Directive (Directive 2009/138/EC)) (the “Solvency II Regulations”) as well as any additional requirements set out by the Central Bank of Ireland, which is CLIAI’s regulator, subject to CLIAI’s own restrictions on acceptable asset links.
- + For Canada Life International Limited (CLI), other types allowable under the guidelines of the Isle of Man Insurance Act 2000 as well as any additional requirements set out by the Isle of Man Financial Services Authority which is CLI’s regulator, subject to CLI’s own restrictions on acceptable asset links.

Including such investments in the Accounts would normally cause it to be treated as a ‘highly personalised portfolio bond’, which would be subject to a penal tax regime. However, the Segregated Portfolio Service has been set up to allow this wider choice while still meeting HMRC regulations for international bonds.

The Accounts allow a client to invest in a choice of assets from a wide range of investment managers and deposit account providers, as well as the facility to appoint investment managers. They have the potential to provide significant tax benefits\* and as a consequence, HMRC limits the range of investments (called permitted assets) that a client can invest in to ensure that no abuse takes place. Provided funds are managed by an investment manager with no influence from the policyholder or their professional adviser, HMRC allows a wider investment choice than is typical for the Accounts.

We give investors the opportunity to take advantage of these benefits through the Segregated Portfolio Service, which is available to a small number of selected investment managers. This is not a new product, but a new investment option within the Accounts. This means that, should circumstances change, the client can switch to any of the standard investment options without surrendering the policy and losing the tax advantages.

\* The value of any tax benefit is dependent on each client’s individual circumstances.



**Potentially reduce expenses by investing directly rather than through funds.**

# How it works.

## How it compares to a standard investment manager arrangement

Under a standard investment manager's agreement, you and your client can have as much input as you wish as regards the investment choice. This can be through written instructions or personal meetings with the investment manager.

With the Segregated Portfolio Service, neither you nor your client can have any influence on the investment selections made by the investment manager. This is required so that the Account will not be treated as highly personalised.

As a result, you can give only broad investment aims to the investment manager, such as a 'focus on growth', 'income' or a 'balance of the two' or, for example, 'a general desire to avoid unethical investments.'

As always under an investment manager agreement, we are the client of the investment manager. In this case, we will also take a liaison role, passing on communications, such as valuations for the Account, to your client.

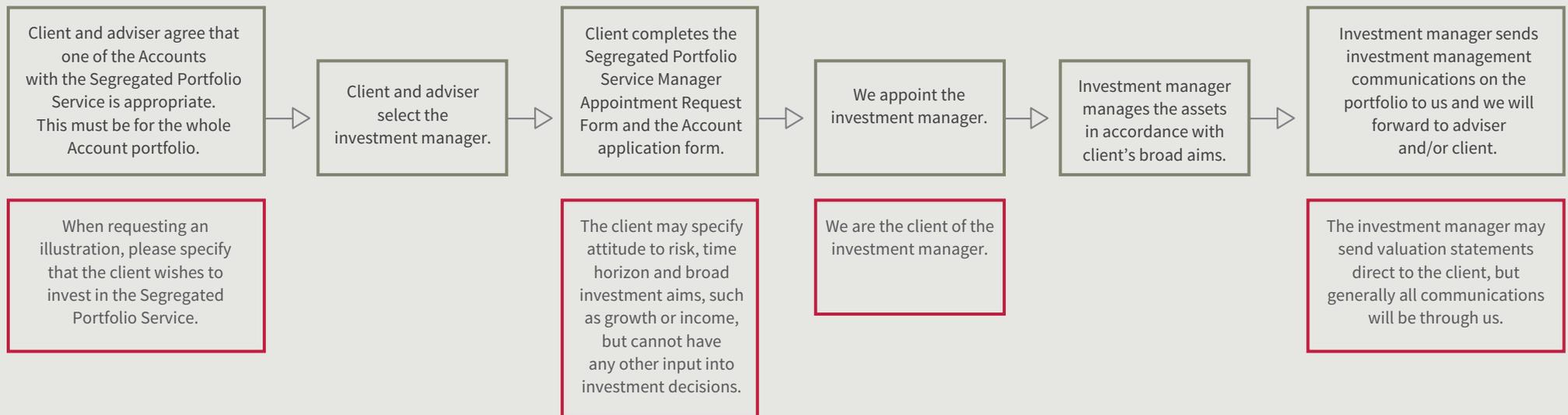
The investment manager may hold an annual review meeting with you and your client, but any discussion regarding the investments would be limited to the investment manager giving your client an outline of the performance of the portfolio. If the overall risk profile needs changing this will be articulated via us through the completion of the investment manager's appropriate forms. Your client cannot make any comment on its make-up.

## HMRC Requirements

To ensure that the Segregated Portfolio Service meets HMRC requirements, a strict compliance process must be in place.

- + The investment manager must demonstrably act independently of both you and your client.
- + Neither you nor your client may give any investment instructions to the investment manager. A declaration to this effect is required from all three parties.
- + If you and the investment manager are part of the same group, there must be a procedure in place to ensure that you do not influence the investment decisions of the investment manager.
- + All procedures must be documented and auditable on a regular basis.
- + The investment manager will be appointed and paid by us.
- + Correspondence to you and your client must be for information purposes only. All correspondence from you or your client must go through us.
- + We have the right to veto the purchase of any asset or to insist on its sale if purchased in error.

## How it works in practice





**Benefit from  
the investment  
manager's stock  
selection expertise.**

# Questions and Answers.

## **Who appoints the investment manager?**

Your client will nominate their choice of investment manager to us on the Segregated Portfolio Service Manager Appointment Request Form. Subject to approval of the request, we will then appoint the investment manager.

## **What relationship is there between my client and the investment manager?**

There is no direct relationship between them. By virtue of appointment, we are the client of the investment manager. It is critical that it can be demonstrated that your client has not been directing the specific investment of the Account. Hence there should not be any communication from your client to the investment manager.

## **Can my client have a holding with the same investment manager outside of the Account?**

Yes, your client can have an existing relationship with the same investment manager outside of the Account.

## **What relationship is there between me and the investment manager?**

You should not have any dealings with the investment manager that would in any way affect investment management decisions and a declaration must be made to this effect.

## **Can the investment manager give my client access to view their Account online?**

Yes, as long as the access only allows your client to view the Account and not to direct any changes to the investments.

## **What influence does my client or I have over the investment choices?**

Neither may have any influence or control over the actual investment choices. Your client may specify broad aims, such as attitude to risk, investment horizon and any regular withdrawal requirements, and also what other investments they hold. However, if the level of detail given meant that there were only a few options which the investment manager could select to meet the requirements, that would be deemed to be giving direction, which is not allowed.

## **How can I ensure that the investment manager is appropriate and the investments in the portfolio are suitable for my client?**

You can only use an investment manager that has signed the Segregated Portfolio Service terms with us. You must carry out your own due diligence to determine if the permitted investment managers are appropriate for your client's needs.

Your client's requirements must be captured by you on the form provided by the investment manager, which is designed to ensure that the proposition meets your obligations to your client.

Clients can specify their general requirements such as attitude to risk, length of time the investment should be held and income requirements. Any requests for specific assets or instructions that are so restrictive that they effectively control asset selection would not be acceptable.

# Questions and Answers.

## **Can my client specify any investment criteria, such as ethical constraints?**

A broad request, such as to avoid unethical investments, would be acceptable as this would simply set overall boundaries for the investment manager to work within. However, if your client specified a very narrow criteria that only a limited number of investments could meet, that would be deemed to be giving direction, which is not allowed.

## **Can I specify asset classes for the portfolio, for example income-producing assets as an aid to tax planning across different wrappers?**

Specifying a broad asset class would be acceptable, as it is merely setting overall boundaries for the investment manager. However, the requirement cannot be at such a low level that the investment manager would be left with only a limited number of options. For example, it would be acceptable to specify 'income-producing assets', but not what those assets should be, such as 'gilts' or 'corporate bonds'.

## **Can I continue to charge a Fund Adviser Fee?**

No, with the Segregated Portfolio Service, you are not allowed to provide any dealing instructions or influence any investment selections made on behalf of your client. You can continue to charge an adviser fee.

## **Can the Segregated Portfolio Service be used alongside a standard investment manager arrangement?**

No. Anything likely to cast doubt on the investment manager's independence in the eyes of HMRC could invalidate the Segregated Portfolio Service as a permissible investment and thereby trigger the Personal Portfolio Bond tax charge. If the bond had both a Segregated Portfolio Service portion and an investment manager portion, it might be difficult in practice to demonstrate that the two were wholly independent of each other, which would run the risk of jeopardising the arrangement. Equally, if the arrangements were wholly separate there could not be one overall strategy for the Account, which could result in duplication of assets and other inefficiencies.

## **Can the investment manager conduct an annual review with my client and discuss the Segregated Portfolio Service investments?**

Yes, although it will be important to be able to demonstrate that the meeting has not been used as a means for your client to direct any changes to the Segregated Portfolio Service investments.

## **Can my client change investment manager?**

Yes, your client can appoint a different investment manager in the same way as moving from one investment manager to another. However, the new investment manager must be on our selected list for the Segregated Portfolio Service. If your client wishes to appoint an investment manager who is not authorised to offer the Segregated Portfolio Service, the Segregated Portfolio Service option will need to be terminated and the new manager will then be able to invest only within the standard permissible assets under Personal Portfolio Bond regulations.

## **What happens if a policy is assigned to a new owner?**

If a policy is assigned to a new owner within the Segregated Portfolio Service, the assigned policy does not need to stay with the Segregated Portfolio Service. If the new owner does decide to stay with the Segregated Portfolio Service they cannot have any influence or control over the investment choices and they will be required to complete the necessary Segregated Portfolio Service paperwork before the assignment takes place.

**Can my client or I manage part of the Account ourselves, separately from the Segregated Portfolio Service portion?**

No. This is for the same reasons as given earlier – that it could jeopardise the Segregated Portfolio Service arrangement and/or hinder investment strategy.

**Can my client switch from the Segregated Portfolio Service to a standard investment option?**

Yes. Should circumstances change, your client can switch to any of the standard investment options without surrendering the policy and losing the tax advantages. However, all non-permissible assets need to be disposed of before the policyholder can start selecting assets.

**Are there any tax implications?**

If you or your client are found to have influenced the selection or de-selection of investments, significant adverse UK tax consequences would follow for your client. Your client's policies would be treated as 'personal portfolio bonds' for UK income tax purposes and your client would be taxed to income tax each year on a deemed 15% gain.

As long as a fully compliant process is in place, there are no income tax implications for the Segregated Portfolio Service that are different to those that apply to the Account. There is potentially less danger of breaching the Personal Portfolio Bond regulations and thereby incurring a penal tax charge.

As regards VAT, there is an exemption in Ireland for investment manager services relating to qualifying undertakings. This means that for CLIAI Accounts, we do not account for VAT on standard investment manager arrangements and this also applies to the Segregated Portfolio Service.

We will monitor the assets held within portfolios from time to time. If we identify any non-compliant assets, we will advise the Discretionary Fund Manager, who must dispose of the assets immediately.

This is based on our current understanding and interpretation of current legislation in the UK, Isle of Man and Ireland, and HMRC and Irish Revenue Commissioners practice, which may change. The value of an investment in the Account can fall as well as rise and your clients may receive back less than they invest. While every effort has been made to ensure the accuracy of the information contained in this document, neither we nor our representatives can accept any liability for the consequences of any action taken, or not taken, on the strength of this information.

**To find out more, talk to your usual representative or call**

**+44 (0) 1624 820200**

We may record and monitor calls. Call charges will vary.

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