

The Compliance Officer
Brooklands Trustees Limited
41 Lothbury
London
EC2R 7HG

Date: 17 December 2013

Dear Sirs,

P Varley Limited Pension Scheme

The purpose of this letter is to set out our policy on pension transfer business and pension liberation, reflecting guidance from HM Revenue & Customs and The Pensions Regulator. This is relevant in respect of the block transfer of pension benefits to the above named scheme, for which we are acting as scheme practitioner.

Background

Please find enclosed a due diligence report on Pension Practitioner by way of a background to our firm.

In summary Pension Practitioner .Com operates both as a partnership and limited company and we have been administering pension schemes since 2008. We have a little over 500 small self administered schemes (SSAS) registered on our books plus a number of large defined contribution schemes. The SSAS introduced to this firm are generally from a network of accountants and financial advisors. Where the introducing firm is not regulated by the FCA or the client is direct (for example from a referral), then we pay closer scrutiny to the purpose of the scheme.

Pension liberation poses a substantial risk to our clients and industry. We have learned from our meeting with Kirsty Allsop, Head of Compliance at HMRC and general dialogue with the Pensions Regulator that small self administered schemes can represent a high risk area of target by pension liberation firms.

Trustee Identity

Where original identification documents cannot be provided, we require identification to be certified as a true copy of the original, date stamped, name of verifier, their position, name of their company and identification number. Where identity documents are not certified, copies must be verified electronically through tracesmart.

All SSAS **must only be** established through a limited company or LLP which appears on public record and the directors and shareholders of whom are verifiable. SSAS may be established by a Company registered in the UK or Rep of Ireland only (for migrant workers); we do not permit individuals to act as establisher.

Where the electronic verification system is unable to verify money laundering clearance, the client must be required to provide original or certifier documents at our Office. If we are not satisfied that the passport and identity stages can be verified we do not proceed with the initial SSAS application.

We have introduced a purpose test, this is a test designed to ascertain the purpose behind the SSAS and associated transaction and we set this out below:

SSAS Purpose Test:

For a SSAS with only one member trustee

On receipt of the SSAS set up questionnaire, we issue a set up pack to the client, including a SSAS due diligence questionnaire (DDQ); which is sent to the client's home address. The DDQ requests the following:

1. What professional advice have you taken in connection with this arrangement
2. How do the trustees intend to fund this SSAS
3. If you are transferring in a pension from another scheme, what advice has been taken on this transfer
4. Are you aware the commission being paid on the investment(s) chosen
5. What financial advice have you taken in connection with your investment selection
6. Have you been offered a financial incentive

7. We also enclose a pension liberation fact sheet issued by the Pensions Regulator and request that the member reads and signs this

On receipt of this paperwork, if we are not satisfied from the answers given that the client has taken appropriate steps to ensure that the SSAS is appropriate for their circumstances, the SSAS set up is declined and the client plus introducer (if relevant) is notified.

In connection with the two key areas concerning pension liberation and investment, we require that:

1. The client must invest with a balanced approach ensuring that there is no over-reliance on illiquid or unregulated investments. No unregulated investments into alternative products can be made unless a regulated person has signed off that investment.
2. Fraud (including pension liberation fraud and theft) .We require co-signatory firm to the trustee account, independent from any member of trustee. That firm must be registered with recognised money laundering regulator, such as the FCA, SRO, HMRC, ACCA. This is to ensure that the debit of funds are only to meet pensions and benefits in payment in accordance with scheme rules, investments are also in accordance with the SSAS due diligence questionnaire. It also helps meet MLA requirements.

For a SSAS with two or more member trustees

SSAS of two members or more are required to adhere in particular to new governance conditions on SSAS effective from 5 April 2014. We have brought that governance forward to 1 December 2013 for all our schemes. The new code of conduct improves member outcomes and applies to all SSAS for two members or more. It is also designed to help tackle pension liberation.

We issue a booklet to trustees which covers:

- investment
- managing costs
- administration
- regulatory requirements
- operational procedures
- communications
- corporate activity relevant to the scheme
- retirement, including members' options at retirement

In connection with the two key areas concerning pension liberation and investment for SSAS with more than 2 members, we require:

1. Clear roles and responsibilities for investment decision-making and governance. We require the trustees to seek professional advice and provide a statement of investment principles (SIP). The statement of investment principles requires assets to be invested predominantly in regulated asset classes and a regulated firm is attached to the SIP.
2. Fraud (including pension liberation fraud and theft) .We require an independent firm as co-signatory to the trustee account. That firm must be registered with recognised money laundering regulator, such as the FCA, SRO, HMRC. This is to ensure that the debit of funds are only to meet pensions and benefits in payment in accordance with scheme rules, investments are also in accordance with the SSAS statement of investment principles.

Policy on Employer related investments

About one third of SSAS are set up for an employer related loan. Where an employer related loan is required, this can represent the highest risk of pension liberation and as such we require at outset before the loan is made that:

1. An independent valuation of the security to be provided for the employer related loan from a registered accountant with the ACCA.
2. A credit check on the Sponsoring Employer in connection with the serviceability by Experian.
3. A solicitor to provide the pension scheme loan and legal charge paperwork.
4. The payment of the loan is only released once the legal charge has been registered.

3rd party unconnected loans are not permitted under our SSAS. Investments into unconnected private concerns for SSAS where the recommendation has not been given by an FCA regulated firm are also not permitted. I understand that there will be no employer related investment in connection with this Scheme.

Money Laundering Checks

We receive copy bank account statements and since 1 December 2013 are compulsory signatory to SSAS bank accounts.

On receipt of quarterly bank account statements debits out are reconciled against scheme transaction file and any erroneous payment is taken up with the trustees within 14 days. There are two circumstances (subject to exceptions, below) when we submit an internal report or a suspicious activity report (SAR) as appropriate, namely:

1. When we have been asked to provide services in relation to a transaction where we suspect relates to money laundering or terrorism financing. In such circumstances, we indicate in the Report that we require consent to provide such services, and as such refrain from doing so until we receive actual or deemed consent.
2. When we actually know or suspect or there are reasonable (objective) grounds to know or suspect that another person is engaged in money laundering or terrorist financing, whether or not we wish to act for such person. The person in question could be a client, a colleague or third party.

The duties to report do not apply if:

- The information which forms the basis of our knowledge or suspicion or the reasonable grounds to know or suspect came to us other than in the course of business, for example, on a social occasion.
- The information came to us in privileged circumstances that is, in order for us to provide pension advice, such as explaining a client's tax liability to HMRC, except when we judge that our advice has been sought to enable the client to commit a criminal offence or avoid detection.
- We have a reasonable excuse for not reporting, in which case we must report as soon as reasonable in the circumstances.

I, as the ML Officer will report on to the MLA Office via an online form:

<https://www.gov.uk/government/policy-teams/anti-money-laundering-and-counter-financing-of-terrorism>.

Scheme Rules

Our scheme rules do not permit the following:

- The payment of benefits to a member before age 55; other than in serious ill-health.
- The payment of a pension commencement lump sum greater than 25% of uncrystallised rights, such to a lifetime allowance limit (or statutory protection).
- The payment of any funds which would otherwise create an unauthorised payment charge on the member and/or sponsoring employer.

Pension Transfers

On receipt of a pension discharge form from a member, we issue the following for completion:

1. Pension Regulator Liberation fact sheet
2. Pension indemnity form
3. Pension transfer purpose form

The pension transfer forms given above are sent direct to the member at their home address. On receipt back of that signed paperwork, we then review the information given. In particular, we will **not apply** for a pension transfer where:

1. The member wishes to make a third party unconnected loan.
2. The member wishes to make an employer related investment which has not met the test set out above.
3. Where the member wishes to invest into unregulated products which have not been signed off by an Independent Financial Advisor or equivalent firm. (See also statement of investment principles above).
4. The member requires that the surrender value be transferred into a bank account, which is not the main trustee account and therefore there is no independent co-account signatory.

Once we are satisfied by these checks, we will then apply for the pension transfer.

On receipt of the pension transfer, the trustees can only invest the funds in accordance with the investments stated at outset. Accounts with Metro Bank, require us (or a vetted independent third party) to be a co-signatory to the account as a condition of account operating policy. We also have a similar policy with Church House Trust.

I trust that this sets out clearly our risks controls on pension liberation and transfer business.

Yours sincerely



Brad Davis
Designed Money Laundering Control Officer
For Pension Practitioner .Com

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