

POLICY - INTEREST ON CLIENT BANK ACCOUNT RELATING TO SIPP'S

Background

It is recognised that monies held in the client bank account are typically meant to be there pending an event or transaction (e.g. benefits to be taken, further investment to be made), and thus the money held should be of a short term nature.

It is for this reason that the client's accounts are instant access accounts, so as to satisfy the requirements of our members. In the same manner, funds that are to be held for a longer duration are suited for investment by the member into term investments or funds held on a platform.

With bank base rates having moved from zero to 4.5% over the last six months or so, this policy will allow the various members to benefit from a percentage of this interest.

As a general principle, it is envisaged that the interest allocated to a member that is eligible for interest payments will be significantly above the intra-day bank interest rate available to a retail client.

Policy - General

It is proposed that interest will be shared with eligible members on a clear and transparent basis that is formula driven. The formula recognises that there is significant work and development costs that must be carried out for the benefit of all members even when the interest rates achieved are low. However, as Bank Base Rates increase then the allocation percentage to members increases so that they benefit from these higher amounts.

The Bank of England's Monetary Policy Committee is responsible for setting the UK's Bank Base Rate (BBR), and this determines the rate of interest that the Bank of England pays to commercial banks that deposit money with them.

The BBR therefore is a significant factor as to what rates those banks will pay on funds that are held in their bank accounts.

As a business, Options / Pathlines will receive variable interest from our banking counterparties. We use this interest to help meet the running costs of your plan.

The amount of interest we share with you will be determined by the actual interest earned on a specific bank account to those eligible members. The interest rate applied to such member's funds will be based on the formula as set out below which will give an Interest Allocation Rate.

We will update and disclose the Interest Allocation rate on our website within five working days of the quarter end that applies to that previous quarter.

Interest Allocation Calculation (IAC)

A member will be eligible for an interest allocation provided that they have held at least £5,000 within the client designated bank account for the duration of the previous quarter.

The interest allocation will be a percentage of the interest actually earned on that account, based on interest rates negotiated by the UK business with the relevant bank.

Interest will be allocated to the member for the previous quarter within five working days of the quarter end.

The interest rate to be allocated to the member will be based on the Interest Allocation Calculation using a tiered basis as set out below, using the actual interest rate achieved for that bank account during the previous quarter.

This means that the interest you receive is not guaranteed to stay the same and is likely to change if the bank's change their interest rates that they pay on the funds. This interest rate can go up or down.

The quarterly dates refer to January to March, April to June, July to September and October to December.

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Interest Allocation Calculation (IAC) (Continued)

The Interest Allocation Calculation will be based on a tiered structure as follows:

BASED ON ACTUAL INTEREST RATE ACHIEVED ON THE FUNDS AT THE BANK	PROPORTION OF INTEREST PAID TO YOUR PLAN
0.5% or below	0%
0.51% - 1.00%	40%
1.01% - 2.00%	50%
2.01% - 3.00%	60%
3.01% - 4.00%	70%
4.01% - 5.00%	80%
5.01% or above	90%

The interest rates payable to your plan explained in the above table operate on a tiered basis, with the higher the actual interest rate achieved then the higher the apportionment to you.

An example of the calculation

For interest allocation for the period 1st January 2023 to 31 March 2023.

Assume for the purposes of the Interest Allocation Calculation that Options / Pathlines obtained an average annualised interest rate of 3.5% for the period from 1st January 2023 until 31st March 2023 on the funds at a particular bank.

Then the interest allocated on 7th April 2023 for a balance of £5,000 that had been held in the bank account throughout the quarter would be as follows:

ACTUAL INTEREST RATE ACHIEVED AT 3.5%	PROPORTION OF INTEREST PAID TO YOUR PLAN	INTEREST RATE ALLOCATION TO YOUR PLAN	ANNUAL INTEREST PAID BASED ON 3.5% ACTUAL INTEREST EARNED FOR £5,000 HELD FOR ONE YEAR
0.5% or below	0%	$0.5\% \times 0\% = 0.0\%$	
0.51% - 1.00%	40%	$0.5\% \times 40\% = 0.2\%$	
1.01% - 2.00%	50%	$1.0\% \times 50\% = 0.5\%$	
2.01% - 3.00%	60%	$1.0\% \times 60\% = 0.6\%$	
3.01% - 4.00%	70%	$0.5\% \times 70\% = 0.35\%$	
Total interest allocation rate		$0.0\% + 0.2\% + 0.5\% + 0.6\% + 0.35\% = 1.65\%$	$1.65\% \times 5,000 = \text{£}82.50$

This will give your plan an effective rate of interest of 1.65%.

Please note that the tier levels are set by Pathlines and are subject to change upon 30 days notice.

Interest is not paid to non-Sterling currency accounts.