



Taking a closer look at due diligence

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Taking a closer look at due diligence

Due diligence requirements continue to mature and evolve for advice firms, especially as we see regulation increase in the form of Mifid II, Prod rules, the FCA's investment platform market study and the senior managers and certification regime.

Now that the onus has been placed on adviser firms to evidence the suitability of their platforms, due diligence is a very important task and you need to be confident the platforms you use are right for your clients.

We've developed support tools and materials to help you prioritise the areas of due diligence which are most important for the successful delivery of your client proposition. Our support has been designed to help you develop a consistent approach for all of the platforms you're considering.

We also understand that due diligence can be time consuming. This is why we've created an innovative, interactive reporting tool allowing you to generate a personalised report about how we meet the needs of your clients, in minutes.

This short guide will give you an overview of the importance of due diligence and how we can support you in this process, and includes:

- A recap of the FCA's scope of due diligence, including the nine core areas of focus.
- A high-level overview of how we meet these core requirements.
- Details of our due diligence support materials and interactive tool, and how they can support you in delivering a robust due diligence report on the Nucleus platform.

Best regards,



Barry Neilson
Chief customer officer



You can find all of our due diligence and suitability support materials at nucleusfinancial.com/due-diligence

The regulator and platform due diligence

The FCA's position on due diligence is clear. It centres around how the platforms' advisers choose to work with, meet the suitability requirements of their client segments and clearly benefit the client.

Firms must complete a due diligence exercise for each of their client segments and should actively challenge their existing preferred platform, even if this means adopting a new platform for each client segment. The FCA wants firms to carry out objective assessments with robust systems and controls in place to be effective and ensure the very best outcomes for their clients.

This means that before due diligence is completed, you need to have a clear understanding of the needs and requirements for each client segment.

What does the FCA expect you to assess as part of due diligence?

There are nine key areas of focus that the FCA has identified that advisers should consider when carrying out platform due diligence. These are:

- The provider
- Functionality
- Asset classes
- Charges
- Tools
- Accessibility
- Range of funds and tax wrappers
- Terms and conditions
- Support services

We've condensed these nine areas into six key themes to help firms prioritise the areas that are most important to the delivery of their client proposition, when completing thorough platform due diligence. For each theme, there's a series of questions that platforms should be asked today to make sure the proposition is capable of delivering outstanding financial outcomes for clients now, and in the future.

This approach also satisfies the FCA that the firm has taken a robust, measured approach to choosing the most suitable platform (or platforms) to suit the financial needs of each of their client segments.

Areas of focus



Client proposition



Business model



Regulatory compliance



Organisational resilience



Technology and tools



Service and support

About us

We're Nucleus, an award winning, independent wrap platform, that allows clients to hold all of their pensions, Isas and other investments in one secure place online. We have one purpose, and that is to help advisers deliver better outcomes for their clients.

We were founded in 2006 in collaboration with a group of seven financial adviser firms. Together we set out to create a sea-change in financial services by building an alternative type of wrap platform. We did this by putting the client centre stage and creating a business that focused on the strategic alignment of advisers and their clients. Ever since then, our focus has been entirely client-led, committed to transparency and reducing complexity.

This client-centric approach means we're already aligned to the established and emerging regulatory requirements for platforms, making the due diligence process easy and straightforward. With our due diligence reporting tool you can quickly and comprehensively find out and record everything you need to know about us.

How we can help you

Our platform has been created to help you develop the best possible solutions to suit your clients' financial needs. Working with us means greater control over your clients' financial plans, direct influence over platform development and better value for you and your clients.

This guide includes more information on how our platform meets the regulator's due diligence requirements.

For more details and to use our interactive tool please go to nucleusfinancial.com/due-diligence.

How we meet your due diligence requirements

In this section we've given a brief overview of how we meet the requirements of the areas of focus for platform due diligence, referenced on page four.

For more details and to generate a personalised due diligence report based on the topics that are most relevant to your firm, go to nucleusfinancial.com/due-diligence.

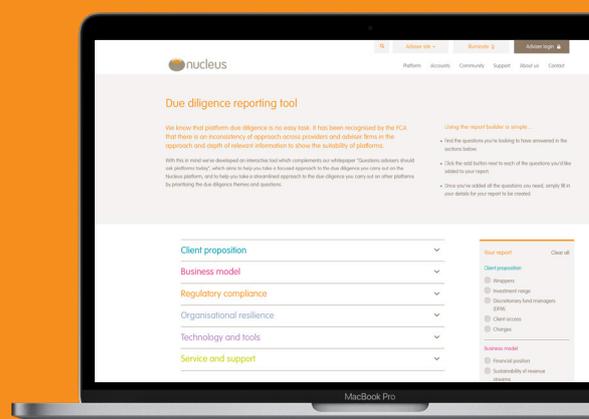
Our due diligence reporting tool

We've developed an interactive tool which helps you take a focused approach to due diligence. It also supports you in streamlining the due diligence you carry out on other platforms by prioritising the relevant themes and questions.

Using the reporting tool

The tool lets you generate a personalised report answering questions on how we meet your due diligence requirements. The easy-to-use tool allows you to choose the themes that you would like to prioritise and simply select the questions that you need answered.

These will be added to a 'shopping basket', and once you've finished your selection you simply complete your details and select 'generate report', which you can download as a pdf. We'll even send you an annual reminder to complete the report again, satisfying the FCA's requirement that due diligence should be carried out on a regular basis.



To use the Nucleus due diligence reporting tool, visit nucleusfinancial.com/due-diligence-reporting



Client proposition

Choosing a platform that can support you in delivering a tailored investment solution for your clients is vital. A comprehensive suite of tax wrappers and wide range of investment options is important to offer the right amount of flexibility, to help you manage your clients' portfolios without compromise.

While pricing is important, adviser firms should look for 'value' when it comes to a platform.

Wrappers

We offer a wide range of tax wrappers and investment accounts to provide a range of solutions to meet your clients' financial needs, and tax planning requirements through all life-stages. Our range of accounts include an Isa, Jisa, Pension, General account and Onshore and Offshore bonds.

Relevant tax benefits across all product wrappers are based on our current understanding of tax law, and are subject to change and individual circumstances.

Investment range and features

Our open architecture approach provides access to over 5,000 different investment choices including unit trusts, oeics, equities, investment trusts, cash, structured products, gilts, corporate bonds and exchange traded funds. Investments can be easily added, subject to due diligence and our ability to administer them. We also offer access to over 50 discretionary fund managers (DFMs).

Please remember that the value of investments can go down as well as up and is not guaranteed, so your clients could get back less than they invest.

Client access

Clients can access their portfolios via a mobile-responsive online platform called Nucleus Go, providing at-a-glance access to commonly-requested information such as money paid in, withdrawals, fund switches, holdings, gains and losses.

As an added feature on Nucleus Go, we also offer dual branding at no extra charge.

Charges

We're proud of our fair, sustainable and transparent pricing, with no hidden surprises or hidden charges. Both product consolidation and linked family accounts help to minimise client fees.

Annual platform charge	
Up to £0.5m	0.35%
£0.5 to £1m	0.175%
£1m+	0.05%

Our tiered platform charging structure is designed to be simple for clients to understand, which means we don't have:

- Initial charges
- A minimum platform or wrapper charge
- Fund switching charge
- Exit charges
- Model portfolio charges
- Sipp or pension establishment charges
- A charge for moving into drawdown

The only additional charges are for onshore and offshore bonds and equity dealing through our trusted partners.



For more detailed information on how we can support your client proposition, visit nucleusfinancial.com/due-diligence



Business model

The platform's business model, financial position and culture are important considerations when carrying out due diligence. Taking a closer look at the balance sheet helps form a picture of the commitment to the market in the longer term, and future aspirations for investment in the platform and growth of the business.

As a platform will be intrinsic to your strategic proposition, it should integrate seamlessly into your business which is where culture is an equally important consideration alongside profitability and financial strength.

Financial position

We achieved profitability in 2012 and have delivered a profit every year since. We were admitted to the Alternative Investment Market (AIM) in 2018.

Sustainability of revenue streams

We're completely independent and don't rely on other revenue streams to strengthen our balance sheet. Our revenue is driven entirely from our platform charges and we don't generate any revenue from event-driven charges or from interest generated from cash held on account.

Cultural fit

At Nucleus, we seek relationships based on long-term mutual commitment and respect. Our users see our platform as an important strategic element in their overall client proposition which is a position we never take for granted. We work with like-minded, progressive firms who share our ambitions and values.

Everything we do is guided by our users. We make sure our users influence the shape and development of our platform, through the delivery of user sessions, platform development groups and an advisory board. At these sessions we ask users of the platform to give their thoughts and feedback on how the platform should grow and develop to meet the evolving needs of their clients.

"Our focus on sustainable profitability enables reduced pricing and continuing investment in leading technology to drive long term value for advisers and clients."

Stuart Geard, chief financial officer



For more detailed information on our business model, visit nucleusfinancial.com/due-diligence



Regulatory compliance

Prior to FCA PS13/1, the onus of evidencing platform regulatory compliance was on the platform itself. The onus is now on the adviser firm to make sure their platform complies with the relevant FCA regulations and guidance. Advisers are faced with an ever-changing regulatory landscape, with Mifid II, GDPR, Prod rules and the senior managers' regime to name but a few changes in the past few years.

This makes it more important than ever for you to carry out regular due diligence on platforms to avoid falling short of regulatory requirements, particularly if you work with a single platform for the majority of your client business. Advisory firms should not use a platform unless satisfied it complies with the relevant FCA regulations and guidance.

Disclosure of the explicit platform charges

We fully comply with the disclosure requirements in Cobs, which includes our explicit charges and relevant wrapper charges pre-sale in the terms and conditions, key features and pre-sale illustration. Post-sale the charges can be found on post-sale illustrations, quarterly statements, the annual statement of costs and charges and online at any time.

Single platform use

Our platform is designed to be flexible enough to satisfy suitability requirements when it comes to single platform use, for different client segments. We offer a wide range of account and investment options, plus a flexible pension product, which caters for accumulation and decumulation.

Mifid II

Mifid II regulations came into effect in January 2018 and we have solutions for advisers and DFMs including:

- Product governance and client categorisation
- Costs and charges for both pre and post-sale
- Periodic reporting to include quarterly statements

Product intervention and product governance sourcebook (Prod)

We have clear target market definitions for our platform and each of the available wrappers, based on Experian consumer segments. We can support you in defining client segments to ensure you're providing the most suitable proposition for your clients' needs and lifestyle.

Investment platform market study

We welcomed the outcome of this FCA work, especially as it champions our ethos of helping to deliver great client outcomes. Our platform is built to be completely client-centric, with transparency at its core. Our simple, tiered charging structure is a good example of this, we don't have any hidden charges or add any barriers to switching platforms, for example exit fees.



For more detailed information on how we meet regulatory requirements, visit nucleusfinancial.com/due-diligence



Organisational resilience

With rapid advances in technology and a greater prevalence of cyber crime, it's never been more important to conduct regular reviews of your platform's ability to safeguard your client's assets and data.

A combination of robust technological solutions, watertight security policies and staff training and compliance with regulation are vital to make sure your clients are protected.

Data protection / safeguarding client data

Data security is our highest priority, making sure we've covered all angles, both in terms of physical security and the platform architecture.

GDPR

We're fully GDPR compliant and have comprehensively embraced the guidance put in place by the ICO to enhance data security. This includes delivering data protection training to each person who comes to work for us whether they're permanent, temporary or contract staff.

Business continuity planning

Our business continuity plan is aligned to ISO 22301 with each department having individual action plans. There's also an overarching crisis management plan. The platform itself is covered by a separate business continuity plan from our technology provider, Bravura, also aligned to ISO 22301. We have comprehensive processes in place to investigate and resolve any interruptions and keep you and your clients informed where appropriate.

Security of client assets

We have robust systems and processes in place to protect client assets at all times. Our platform also has rigorous processes against fraud, and staff are trained on a regular basis. Client money and assets are protected under a combination of the FCA's Cass rules, pension rules and the arrangements operated by our bond product. For more information on how we protect client money and assets, take a look at our detailed answers on the due diligence reporting tool on the website at nucleusfinancial.com/due-diligence-reporting.



For more detailed information on our organisational resilience, visit nucleusfinancial.com/due-diligence



Technology and tools

When considering technology and development, looking at what exists currently isn't enough. It's important to find out the future plans for development of the platform, including how they're being prioritised or whether any major infrastructure maintenance or 're-platforming' is planned.

At Nucleus, we have a multi-skilled team working on a mix of platform enhancements and in-house tools to help meet the changing needs of you and your clients.

Technology

Our platform is built in partnership with Bravura, meaning we can focus on developing a unique Nucleus front-end proposition, while benefiting from the capabilities of a large, scalable technology provider delivering custodian services.

Development

Our focus is on continually improving the platform to meet the requirements of ever-changing regulation and increasingly sophisticated financial planning needs. We successfully re-platformed to next generation software in 2014, and upgraded this in 2017 and again in 2019.

In 2019, we've delivered a range of platform developments, including the launch of our Jisa, a new mobile-first client site, Nucleus Go, automated phased drawdown, streamlined trading and enhanced bulk trading.

We've exciting plans for 2020 and beyond to continue to build on our leading-edge technology.

Functionality, tools and reporting

We're used by over 1,300 active advisers (as at September 2019). We harness rich data on the platform to develop a range of tools and secure features to simplify processes and help drive greater efficiency. These tools include the ability to create bespoke model portfolios, set up rebalancing and bulk switching of investments.

You can also set up alerts and notifications for your clients' accounts and there are 24 different report types available for in-depth management information. We also have an award-winning client reporting tool called Narrate, which harnesses the rich data set of the Nucleus platform to deliver an intuitive, interactive, customisable set of reports to share with your clients.



For more detailed information on our technology and tools, visit nucleusfinancial.com/due-diligence



Service and support

Service and support doesn't end at the day-to-day help you and your clients should expect as standard, it should also include a more holistic approach to practice development and technical expertise to help you create better client outcomes and grow your business.

Service

Working with us means knowing us personally. We take pride in our genuine, people-focused service, which is reflected in the core team that will work with you along every step of the way. You'll have a dedicated regional business development director (RBDD) who'll work closely with your account manager throughout the onboarding process. You'll also have a named client relations manager who is your go-to person for day-to-day support and enquiries. Your RBDD and account manager are based regionally, and you can contact your CRM by phone, email, secure messaging and Live chat so you'll always have someone to talk to throughout the onboarding process and beyond.

Practice management

As a Nucleus user you're joining a community of like-minded advisers who meet regularly to network, share their thoughts and feedback on the platform, and share best practice on relevant industry issues. You'll also have access to a range of CPD accredited events and a daily blog curated by us and authored by key industry experts. All of these initiatives together are known as illuminate, and are designed to help you grow your business and provide better value for your clients.

Technical support

You'll have access to support from our dedicated team of product technical experts, as well as access to Techlink for more complex cases. Techlink is Technical Connection's on-line knowledge management platform providing access to an extensive technical library and accredited CPD to help with your queries. All users of our platform have access to technical support.

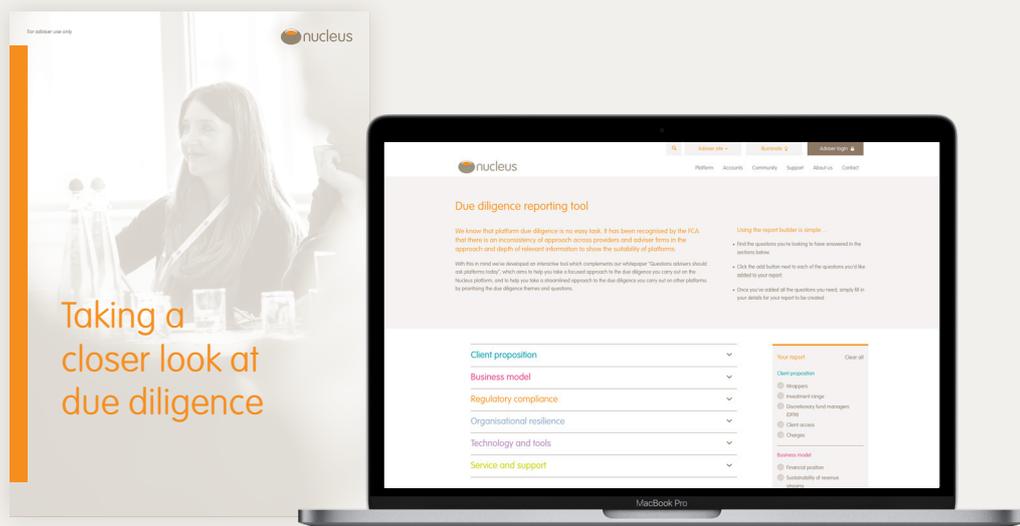


For more detailed information on our approach to service and support, visit nucleusfinancial.com/due-diligence

Could we be perfect partners?

We know that platform due diligence is no easy task. It's been recognised by the FCA that there is an inconsistency across providers and adviser firms in the approach and depth of relevant information to show the suitability of platforms.

With this in mind we've developed supporting materials to help you carry out due diligence on not only our platform, but to help you streamline your approach to the due diligence you carry out on your full panel of platforms. Our support includes:



This guide, providing an overview of the importance of due diligence to adviser firms, and how we meet the requirements of the regulators.

An interactive report building tool allowing you to generate in-depth personalised due diligence reports based on the requirements of your firm.



To learn more about how we can support you to deliver the most suitable client proposition for your client segments, get in touch with your regional business development director or account manager. They'll also be able to help with any questions you might have about due diligence on the Nucleus platform.

Finding out more

Can we help?

For any more information about us please contact your regional business development director.

➔ [Find out more – nucleusfinancial.com](https://nucleusfinancial.com)

➔ [Start using our due diligence tool at nucleusfinancial.com/due-diligence](https://nucleusfinancial.com/due-diligence)



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