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Due diligence for cash solutions on Wrap

This document provides answers to the due diligence questions you may have about the new cash solutions available through the Wrap platform, powered by Bondsmith.

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For more information about cash solutions on Wrap, please speak to your usual Aberdeen contact.

If you're new to Aberdeen or unsure who your aligned contact is, get in touch with our Business Development team at **business.development@aberdeenplc.com**

Who is Bondsmith?

Bondsmith is a trading name of Bondsmith Savings Ltd, a provider of embedded savings and banking services to the wealth management and investment industry. They provide the technology that powers Aberdeen's cash solutions.

Bondsmith Savings Ltd is registered in England and Wales, No 13223331. Registered office: 124-128 City Road, London, EC1V 2NJ. Bondsmith is authorised by the Financial Conduct Authority under the Electronic Money Regulations 2011, Firm Reference 955601, for the issuing of electronic money.

Deposits placed through Aberdeen's cash solutions are held in trust accounts at the various banks in the name of Bondsmith Savings Nominees Limited.

How financially secure/strong is Bondsmith?

Bondsmith is financially secure. They are on track to reach profitability in 2024 off the back of deals with blue chip firms and leading UK adviser platforms. They also have strong backing and support and are a critical infrastructure partner of FNZ Group.

How many staff does Bondsmith employ?

Bondsmith currently employs circa 35 staff.

Describe Bondsmith's business continuity plan.

Bondsmith have an ISO 22301 aligned business continuity plan which is tested at least annually. Bondsmith maintains a detailed business continuity plan to ensure continuous operations during disasters, emergencies, and other business disruptions.

The plan details the steps the Crisis Management Team would take following an incident, covering key business services as well as people, premises, IT and core service providers.

Does Bondsmith have a disaster recovery process?

Bondsmith have a documented and tested disaster recovery process. The Bondsmith platform is designed as a fault-tolerant, event based, distributed architecture. Their disaster recovery process is rigorously and regularly tested. Their IT services are cloud-based, with the ability to immediately switch between and utilise multiple zones and regions if major disruption occurs.

How does Bondsmith ensure data and system security?

Access to Bondsmith systems and applications is limited for all users. Access by any other entity is allowable only on a minimum necessary basis. All users are responsible for reporting an incident of unauthorised use or access of the organisation's information systems. Bondsmith use a role-based access control (RBAC) model. Single sign-on (SSO) accounts are managed by the Head of Information Security on Azure AD and access to the different systems is granted based on position and need-to-know. Access to Bondsmith's production systems is temporarily granted to an employee via an Amazon Web Services (AWS) role, the request must be approved by Bondsmith's Chief Technology Officer and the access is automatically removed after 60 minutes. All access is reviewed by the Head of Information Security and/or the Head of Risk and Compliance at minimum once a month. If an access is found not to be justified, an incident ticket is raised and the access is removed, the impacted user(s) and their line manager is immediately informed of the change.

Describe Bondsmith's risk management philosophy.

The principles outlined below provide the characteristics of Bondsmith's risk management framework. These principles are the foundation for managing risk and have been considered throughout when developing the risk management framework.

Customer-focused

prioritisation of protecting customers' interests, data and financial assets.

Transparent

promotion of open and transparent communication about risks across all levels of the organisation.

Proactive ownership

assigning clear ownership of risks to specific individuals or teams within Bondsmith, holding them accountable for the risk mitigation and management.

Continuous improvement

encourage feedback and foster a culture of continuous improvement in risk management practices, adapting to the evolving risks and challenges.

How is risk management and governance structured within Bondsmith?

Bondsmith operates a 3 lines of defence model scaled to the size of their organisation. Bondsmith's Board set a risk appetite for the organisation that allows first line teams to raise, escalate or report risks for second line risk and compliance to review and monitor. First line also reports to second line governance forums who have oversight across all areas of the business. The second line reports to the Board of Directors and third line internal audit is primarily focused around ISO27001 controls at present.

How is money protected?

FSCS

The Financial Services Compensation Scheme (FSCS) pays compensation when a UK financial firm goes out of business and cannot pay you your money. It is independent of the government and the financial services industry and is free to use.

Each bank on the panel is FSCS protected. Therefore, savings can be spread across different banks and receive up to £120,000 of protection per bank. Please note that savings held outside of this service with the same banks will contribute towards the total protected amount. Some banks may share a banking licence. If there are two or more banks on the panel that share a banking licence this will be made clear.

Safeguarding measures

Both money deposited in cash deposits and money in the holding account is held on trust, for the benefit of the client. Money held in the holding account is deposited with HSBC Bank Plc. This means it is protected by the FSCS should that bank become insolvent. Should Bondsmith become insolvent any money in the holding account or in cash deposits is held on trust and safeguarded. The money is held in a segregated account that any creditors of Bondsmith cannot access. There is no limit to the level of protection through safeguarding, however some costs could be taken by the administrator if Bondsmith were to fail.

What is the Holding account?

The holding account is designed as a temporary home for clients' money while it is being deposited into or withdrawn from their savings account(s). After 90 days Bondsmith may, at their discretion, return money from the holding account to the client's nominated bank account.

Money in the holding account is held in trust by Bondsmith Savings Nominees Limited in a safeguarded bank account, with HSBC. This is also protected by the FSCS. The FSCS will compensate savers of failed banks automatically, there is no need for you or your client to do anything.

What would happen if Bondsmith were to become insolvent?

If Bondsmith were to become insolvent any money held in a savings account would not be affected and is held by a FSCS protected bank for the benefit of the client. There may be a delay in returning money to a client and fixed terms will generally be maintained to maturity. Any money in the holding account is safeguarded. The money is held in a segregated account that any creditors of Bondsmith cannot access. There is no limit to the level of protection through safeguarding, however some costs could be taken by the administrator if Bondsmith were to fail.

What would happen if one of the banks used became insolvent?

The FSCS currently provides protection up to £120,000 per individual, per authorised institution. If you hold a joint account, the protection is up to £240,000. Please note that if your client holds any deposits with the same bank or building society outside of this service, those deposits will count towards the total protected amount. The FSCS will compensate savers of failed banks automatically, there is no need for you or your client to do anything. The FSCS will check and pay compensation as soon as possible, and always within three months.

Who is responsible for the panel of banks available to my clients?

Bondsmith are responsible for selecting the panel of banks to be made available via their service, and work with various UK banks and building societies for a number of different clients to ensure the panel is broad and varied. Bondsmith carry out due diligence on the banks to ensure that they are appropriate for their target market.

Aberdeen may choose to give Bondsmith some additional criteria based on our own distributor target market by considering maximum deposit levels in conjunction with FSCS coverage.

The banks/building societies available on the panel must meet minimum criteria set by both Bondsmith and Aberdeen to be included, but clients should also ensure that they are happy to place money with a particular bank or building society.

Independent credit ratings provide a guide to the financial strength of a bank/building society, but please note that ratings are not always available and are not a guarantee that their money is safe.

You can generally find the credit ratings (where available) for the bank/building society's website.

For more information visit aberdeenadviser.com

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