

Adviser Charging – the situation for legacy assets on Elevate

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From 31 December 2012 if you give new advice on retail investment products you'll need to agree your adviser remuneration directly with your clients – known as Adviser Charging. Providers will be able to continue to pay trail commission on legacy assets in some cases.

We've developed a flexible approach to adviser charging. We have solutions in place to deal with business written pre-RDR (known as legacy assets) as well as business written post-RDR.

ADVISER CHARGING ON ELEVATE

Elevate was built with RDR in mind and most of you are already remunerated through fees you've agreed directly with your client, rather than commission. There'll be very little change for the majority of existing business and previously agreed Adviser Regular Remuneration (ARR) will continue under the new adviser charging rules.

You'll need to explicitly agree charges with your clients and set up new adviser charging agreements – we'll be communicating more on this soon.

Our **Explicit charging structure** already offers unbundled, transparent charges and explicitly agreed adviser remuneration. We'll be renaming many of the existing types of adviser remuneration (we'll let you know nearer the time). You'll also be able to set up adviser charges for new regular contributions using a new Spread Initial Adviser Charge option.

On our **Composite charging structure** we'll be making the same name changes. There will be no change to the current adviser charging structure that's in place, with the exception of Adviser Standard Regular Remuneration (ASRR).

Once the RDR changes are implemented on Elevate during Q4, if adviser remuneration has been set up using ASRR, your existing trail commission in relation to those assets will continue until any of the changes described on the next page take place.

You will then need to transition your clients to Adviser Charging.

Moving your clients to Adviser Charging will mean that you can agree the most appropriate basis for future adviser charges. Trail commission payments will stop and fund manager rebates will be directed to your clients' accounts instead.

ASRR and ARR

ADVISER STANDARD REGULAR REMUNERATION (ASRR)

Adviser Standard Regular Remuneration (ASRR) is the trail commission option available under the Composite charging structure. With ASRR, investment fund rebates are paid directly to you as commission.

ADVISER REGULAR REMUNERATION (ARR)

Adviser Regular Remuneration (ARR) is a fee payment agreed between you and your client. This is taken from your client's product wrapper cash account and is available on both bundled and unbundled structures. ARR will become known as **Ongoing Adviser Charging** when Elevate is updated in Q4.

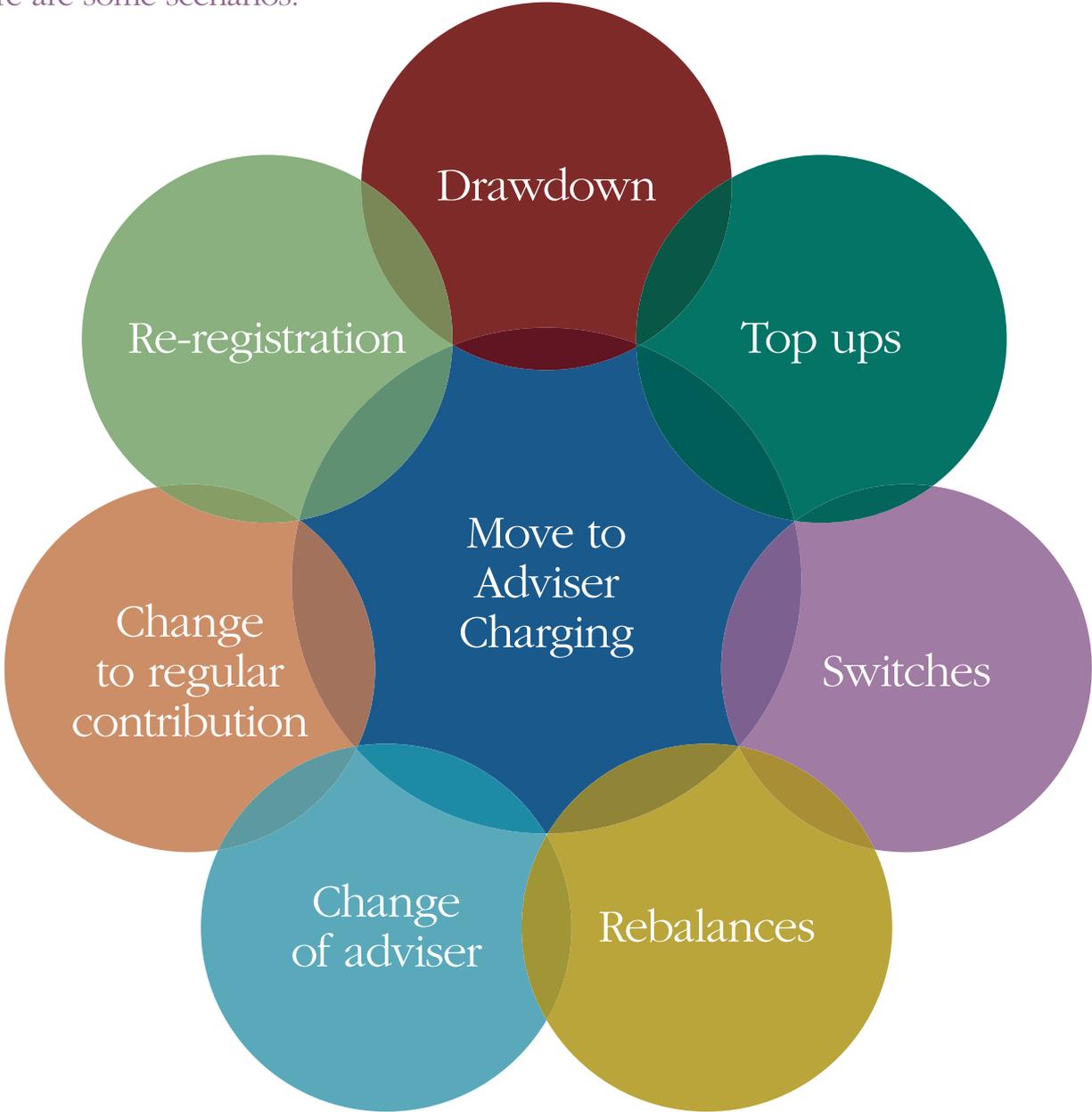
The details in this document are our current understanding and may be subject to change at a later date.

Scenarios when you'll need to move from ASRR to Ongoing Adviser Charging

If you advise your client to make certain changes to assets set up on ASRR before the RDR changes are implemented on Elevate during Q4 (legacy assets), you will need to transition your client from trail commission to Ongoing Adviser Charging.

If changes to a client's legacy assets are made on a non-advised basis or in relation to advice that was given before RDR (for example, the ongoing management of a model portfolio), an advised change won't have taken place so ASRR can continue.

Here are some scenarios:



What will happen once RDR changes are made to the Elevate platform in Q4

SCENARIO	SITUATION	CONSEQUENCE	ACTION
No advice given	You don't provide advice on pre-RDR assets within an ASRR charging structure.	You can continue to receive trail commission (ASRR).	Consider moving client to Ongoing Adviser Charge when you carry out their next review.
Advised change takes place	You provide advice on pre-RDR assets within an ASRR charging structure and an advised change (e.g. top up) takes place.	ASRR can no longer be paid – you'll need to change the basis of your ongoing remuneration for all assets within that product wrapper and commission will cease.	Move client from ASRR to Ongoing Adviser Charge.
Advice given but no change takes place	You provide advice on pre-RDR assets within an ASRR charging structure but no changes are made.	You can continue to receive trail commission (ASRR) as even though you have provided advice, no changes have been made to the associated assets. If you do make a charge, this will need to be through adviser charging.	Consider moving client to Ongoing Adviser Charge when you carry out their regular review.
Advised change only on part of portfolio	Your client has more than one product wrapper set up on ASRR. Advised change takes place only on assets within ONE of those wrappers.	ASRR can no longer be paid from the product wrapper where an advised change took place but the remaining product wrappers can remain on ASRR.	Consider moving all your client's product wrappers from ASRR to Ongoing Adviser Charge. This will make it simpler to manage their portfolio and create a single basis of adviser charging for the account based on your post-RDR remuneration model.

HOW WILL YOU KNOW IF ASRR WILL BE AFFECTED?

Elevate will provide you with an on-screen alert to let you know that you're about to make a change to an existing product wrapper, that means that ASRR trail commission will need to be switched off before the change can go ahead.

WHAT HAPPENS WHEN ASRR IS SWITCHED OFF?

The investment rebates previously paid to you as trail commission will be redirected to your client's account. New regular remuneration can be set up using the new adviser charging options.

Regular premiums and initial remuneration

Where regular premiums are paid into Elevate, we currently allow initial remuneration to be taken from each premium.

After RDR this will no longer be permitted because an initial adviser charge must relate to a specific total cost for the advice you provide.

Post-RDR, an adviser charge can still be paid over a longer period where it relates to a regular premium contract, using the new Spread Initial Adviser Charge option that we'll be launching later this year. The charge must relate to a specifically agreed total cost for the advice you provide. Where you have set up an existing contract where initial remuneration is paid on regular contributions, this structure can continue until:

- The existing regular premium is cancelled; or
- The existing regular premium is redirected (for example the investment instruction for the regular premium is changed).

TOP UPS TO AN EXISTING REGULAR PREMIUM CONTRACT PAYING INITIAL REMUNERATION

We will be launching new functionality later this year that will allow additional payments as a separate contribution.

This means that initial remuneration paid on regular contributions can continue on the original pre-RDR premiums being paid and if needed a Spread Initial Adviser Charge can be applied in respect of the additional regular premium.

How to change the basis of your remuneration

You can use the 'Amend Remuneration' functionality on the platform, which provides a fully automated online process that you control.

This allows you to:

- Agree and change the basis of the ongoing remuneration from ASRR to ARR – ARR will be renamed as an Ongoing Adviser Charge.
 - Produce a new **Information about Remuneration, Charges and Investment Risks** (IRCIR) to use with your client to show them the new basis of the Ongoing Adviser Charge.
 - Create an **Adviser Charge Agreement**. This is a one-time declaration which will need to be signed by your client if they want adviser charges to be facilitated through their Elevate account. We'll provide you with more information on this soon.
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Elevate Adviser Charging /

Supporting you every step of the way

We'll provide you with detailed information in the run up to implementing the RDR changes on Elevate and can assist you in transitioning to Ongoing Adviser Charging.

To speak to our experts about how we can help you, please contact:

Your usual AXA Wealth contact or call 0845 129 9993

Alternatively visit:

www.axawealth.co.uk/adviser/business-support/rdr-proposition

AXA Wealth, Winterthur Way, Basingstoke RG21 6SZ. Telephone number: 01256 470707. As part of our commitment to quality service and security, telephone calls may be recorded.

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