

Individual Segregated Custody

1. Introduction

Individual Segregated Custody is a bespoke service that is offered by Smart Investor (as per the Barclays Smart Investor Terms at Part 3 – Our Custody Services, of Section B – Investment services provided by Barclays Investment Solutions). Before continuing with your application, please read through the following information carefully so that you can be sure the service is right for you. Smart Investor is an execution-only service and we do not offer advice or personal recommendations, so if you're not sure about investing or whether individual segregated custody is right for you, please seek independent advice. We are not legal or tax advisers and we do not provide legal or tax advice. We recommend that you obtain your own independent advice, tailored to your particular circumstances. You cannot rely on our information as a substitute for taking your own independent advice.

At present when you open an investment account with Smart Investor your investments are pooled in our Nominee Company and electronically segregated with either a Central Securities Depository [CSD] or through a Custody Agent.

Once you have made an investment in a share, fund or other asset type, these are registered in our nominee [Barclays Direct Investing Nominees Limited] and we maintain records to show which assets are held on your behalf. This means that we hold your assets, along with the rest of our customers' investments, in our nominee at the CSD or through a Custody Agent (our Omnibus Segregated Custody Account).

The Central Securities Depository Regulation (CSDR) sets out rules that govern how CSDs operate and the accounts and services that can be offered through them.

As Barclays Smart Investor is a participant of Euroclear UK&I through our nominee service, in order to comply with the Article 38 of the CSDR regulation, we are required to offer you a service that allows you to have your assets individually segregated from our other customers.

2. What this means for you

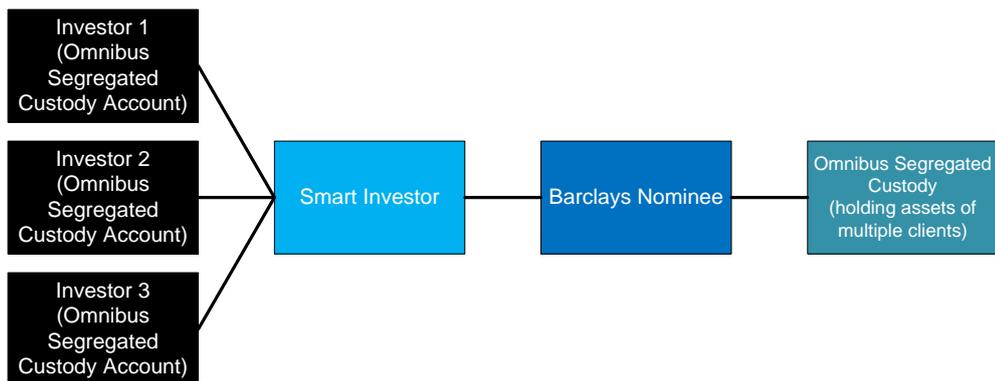
All securities are eligible for individual segregated custody, with the exception of Funds and a small number of gilts & bonds, meaning you can now ask us to move any eligible assets, held through our Nominee service, into individual segregated custody. This means that your eligible investments will be held in an Individual Segregated Custody Account. The cost of this product is £650 per month.

If you choose to open an Individual Segregated Custody Account, any eligible assets you currently own or subsequently purchase will be held in this way and be separate from both our Omnibus Segregated Custody Account and the holdings of any other customer who also opts for individual segregated custody. You can return to omnibus segregated custody at any time. Please note that Funds and a small number of gilts & bonds are not eligible for individual segregated custody.

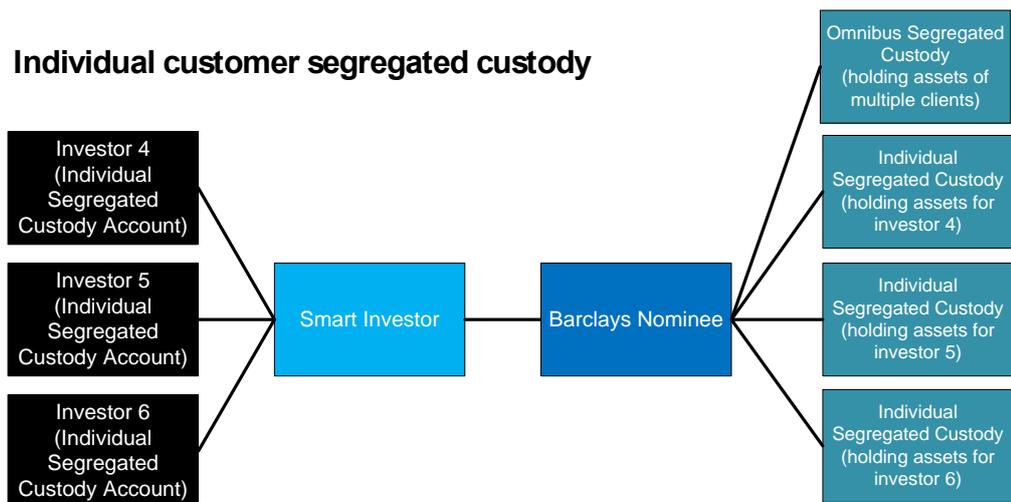
Smart Investor Investment Accounts and Individual Savings Accounts (ISAs) are eligible for individual segregated custody. This means that if you have both account types you will pay for one Individual Segregated Custody Account which covers both. Note that you will not see any difference in having individual segregated custody when viewing your portfolio on the Smart Investor website, for example, however we will note this on your regular statements.

The different types of custody are shown below:

Omnibus custody



Individual customer segregated custody



The stages

Investor to Smart Investor: This is your relationship with Barclays Smart Investor. Although you have an Individual Segregated Custody Account, you own one account amongst the many we hold for other customers.

Smart Investor to Barclays Nominee: This is our relationship with our nominee service. All holdings, regardless of account type are lodged through our relationship with Barclays Direct Investing Nominees Limited.

Barclays Nominee to CSD (Euroclear UK&I): In our normal omnibus segregated custody arrangement Euroclear UK&I will view any and all holdings as being one account held by the Barclays Nominee service. If a customer opts for individual segregated custody, Euroclear UK&I will see our main Omnibus Segregated Custody Account and an additional member account for each customer who opts for individual segregated custody.

3. What type of investment accounts can individual segregated custody apply to?

Individual segregated custody can be applied to Investment Accounts and Individual Savings Accounts [ISA].

4. Asset servicing

One difference between individual segregated custody and omnibus segregated custody (also known as pooled custody) is where an investment is entitled to a fractional entitlement on a corporate action, it is possible that a customer with individual segregated custody would not benefit from that fractional entitlement. This is because the basic entitlement for any Corporate Actions will be based on the customer's Individual Segregated Custody Account holding and not the omnibus segregated custody overall total.

5. Transactions

Buy: as part of individual segregated custody, when you invest in an eligible instrument, we will ensure that your investment is held within an Individual Segregated Custody Account assigned to you, under the Barclays nominee name.

Sell: as part of individual segregated custody, when you sell an investment it is very similar to the standard process, however the asset you sell will be moved from your Individual Segregated Custody Account instead of from the Omnibus Segregated Custody Account.

Although an Individual Segregated Custody Account means that your investments are treated on an individual basis, there are some exceptions where we may carry out processes along with omnibus segregated assets, such as:

Bulk Trades – a bulk trade is where we aggregate a number of customer transactions in the same instrument e.g. where several customers place the same purchase instruction on the same day in the same instrument, we may 'bulk' these orders together in order to achieve an improved price. Once the transaction has been settled your holding would be placed in to your chosen segregated custody arrangement.

6. Transfers

If you transfer assets into your Smart Investor Investment account or ISA, we will ensure that we reflect your individual segregated custody preference. Remember Funds and some gilts & bonds are exempt from this and remain in omnibus segregated custody.

If you choose to transfer your holdings to another provider, we will follow your instruction. However, it is your responsibility to make arrangements with your new broker and fully understand the service and custody arrangements they offer and make sure that you are transferring to an individual segregated custody arrangement, if that is what you want. If you do not request this from your new broker we will transfer your individual segregated custody holdings across to them and they will likely be held in standard omnibus segregated custody or another type of custody arrangement.

7. Closures

If you have opted for individual segregated custody, it has no impact on the closure processes.

8. Changing your mind

If you have an Individual Segregated Custody Account and then decide it isn't right for you, we can amend the arrangement back to omnibus segregated custody. Please contact the Smart Investor team on 0800 279 3667.

Points of note

- a. You should fully understand the risks, levels of protection, and legal implications of an Individual Segregated Custody Account before proceeding (see next page).
- b. Where an asset purchase fails settlement there could be a delay in receiving assets.
- c. **The fee for Individual Segregated Custody Account is £650.00 per month** and will be collected by Direct Debit instruction. If you have not set this up on your Investment Account or ISA you can do so on our website; please login, navigate to Investment Settings and complete the Regular Fees section so that your fees are paid by Direct Debit. You should be aware that this fee is in addition to the standard Smart Investor custody fee. You can find further information on these within the 'Our fees' section of the Smart Investor website.

What are the risks, levels of protection, and legal implications of each custody account type?

The three main areas for consideration when comparing use of an Individual Segregated Custody Account against an Omnibus Segregated Custody Account are outlined below:

Consideration	Commentary
Insolvency	<ul style="list-style-type: none"> . Were we to become insolvent, insolvency proceedings would take place in England under English Insolvency Law. . Clients' legal entitlement to securities that we hold directly with CSDs would not be affected by our insolvency whether an Individual Segregated Custody Account or Omnibus Segregated Custody Account is selected. . For an Individual Segregated Custody Account, the client is beneficially entitled to all assets in the Individual Segregated Custody Account. . For an Omnibus Segregated Custody Account, each client is considered to have a beneficial interest in all the securities in the account proportionate to its holding of securities. . A client with Individual Segregated Custody may receive marginally faster clarity of ownership and distribution of assets in an insolvency situation, compared to a client with Omnibus Segregated Custody. However regardless of which custody arrangement used, clients' assets are fully protected under CASS rules.
Shortfalls	<ul style="list-style-type: none"> . Shortfalls may arise from administrative errors, intraday movements or counterparty default. . The whole of a shortfall on an Individual Segregated Custody Account is attributable to that client. For an Omnibus Segregated Custody Account, the shortfall is shared among clients with an interest in the security.
Security Interests	<p>Securities held in an Individual Segregated Custody Account or Omnibus Segregated Custody Account could be used if the CSD benefits from a security interest over securities held for a client potentially causing a delay in returning assets to a client or a shortfall.</p>

We're here to help

If you have further questions about individual segregated custody, or would like to apply for an Individual Segregated Custody Account, please call us on **0800 279 3667*** or **0141 352 3919***.

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