

THE
INVESTMENT
ASSOCIATION

PRINCIPLES FOR MAINTAINING ACTIVE CLIENT RELATIONSHIPS

April 2022



Previously 'Principles for Tracing Gone-Away Customers'

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BACKGROUND

Keeping in touch with direct retail clients throughout their changing life circumstances has been a historic challenge for investment firms. More recently, the increasing digitalisation of records and the greater use of technology is making things easier for clients and firms alike to stay connected over the long-term lifecycle of the investment product.

There are obvious incentives for firms ensuring that they remain connected to their account holders – confidence in the contact details held on record for a client enables effective communication, the ability to engage and transact in a confident manner and, ultimately, the efficient winding up of deceased client's affairs. Good client service can only be delivered in these circumstances and the level of ongoing disclosure requirements mean that firms need their clients to be accessible. An effective ongoing service can lead to a client who is happy to invest time and time again. There are also significant operational benefits which makes effective administration of client accounts easier and cheaper, avoiding problems such as returned mail, unengaged clients and cash languishing uninvested.

PURPOSE OF THE PRINCIPLES

The primary purpose of this document, first published in 2018, is to set out some key Principles to aid members to maintain the currency of their client contact details.

GUIDING BEST PRACTICE PRINCIPLES

1. Definition

A firm is unlikely ever to have complete confidence that the contact details they hold for clients are correct. Individuals change their contact details and individuals might die. Furthermore, there will usually be a time period between the event and the notification of the event to the firm and at times that time period can become excessive.

Firms will have greater confidence that the contact details held are the investor's current contact details when recent contact with the investor has been successful. Conversely the firm will have less confidence when that contact has failed, or no recent contact has been attempted.

A firm will have a more confidence in the accuracy of the contact details held on their records when they have received a recent Positive Address Indicator (PAI) than they would have from the receipt of a less recent PAI. What the firm defines as a PAI and what period is considered 'recent' is a matter for the firm to determine and document in their policy. However, a PAI might include:

- The firm received a document showing the client's address from the client
- The address has recently been verified by the client e.g. on the phone
- The address has been verified via an online account
- A cheque was sent to the client's address and was presented to the bank
- The address was verified via a tracing service

Similarly, what the firm defines a Negative Address Indicator (NAI) is a matter for the firm to determine and document in their policy. However, a NAI might include;

- Postal communication returned to the firm
- Uncashed cheques
- Bounced email communication

In this document the terms 'contact details' and 'address' are used to refer to the means by which the firm effects contact, e.g. postal address and/or email address.

2. Pro-active identification and communication

An Authorised Fund Manager (AFM) might consider proactively improving the accuracy of their clients' contact details when no contact has been made for a period of time or ahead of a planned mass communication event. This could include using an external tracing service to confirm the details held by the firm.

An AFM may consider prioritising the groups of clients they proactively attempt to identify – although not exhaustive, items that could be considered are age (to proactively identify deceased cases), value of account, trigger events (i.e. JISAs approaching maturity), vulnerability and length of time since last contact.

Equally the opportunity should be taken when in routine contact with a customer to proactively check that the current suite of contact details held on record are correct.

Firms should take extra care in respect of joint accounts where correspondence is not typically sent to each holder, which increases the risk of the joint holders' contact details having been less well-maintained than primary holders' over the course of the account's life.

In all client documentation AFMs should consider reminding clients to keep their contact details up to date.

3. When the firm has lost confidence that the address they hold is the client address

There will come a point when the firm loses confidence in the address details held for a client and at this point they will determine the address held will no longer be used for communication until their confidence is restored or new address details provided. It is for firms to determine in their policies when this point is reached and the subsequent action to be taken.

Examples of these subsequent actions might include:

- Using other contact details held e.g. telephone number

- Contacting the advisor
- Checking to see if the client has any other accounts within the firm or wider group company
- Identifying the client's contact details using other available data either directly or via a specialist tracing service

4. Using a tracing service

There are many commercial tracing services available including credit reference agencies, the Electoral Roll, Royal Mail services and Department of Work and Pensions (particularly useful for tracing clients that have moved from the UK to overseas).

The [IA's Unclaimed Assets Portal](#) for retail clients searching for investments, powered by Gretel, provides a list of clients actively searching for their lost accounts.

For clients located overseas, it may be appropriate to use a tracing agency based in the relevant jurisdiction.

Due to the costs of these services, AFMs may consider setting a de-minimis limit applied to the assets they hold on the client's behalf. The de-minimis limit should apply to the combined total of the client's cash and non-cash holdings.

Appendix 2 provides contact details for the Royal Mail and the Department of Work and Pensions.

5. Verification after a successful trace

Once a potential alternative address has been identified for a client an AFM should have a documented procedure in place to verify the new contact details. This process will largely be dependent on a risk rating of the account/owner and the risk appetite of the AFM, but potential relevant considerations are:

- Update the register directly without further verification;
- Write to the customer requesting confirmation in writing of the new contact details;
- Write to the customer requesting evidence – potentially including certification of the documentation;
- Use further electronic verification to assist;
- Telephone-based options to complete verification.

In addition, the AFM should consider their own anti-money laundering and know-your-customer requirements. An AFM should avoid including the value of the client's holding in communications until either they are confident they are dealing with the true client or have fully verified the client's identity, depending on the value involved and the firm's risk appetite.

Appendix 3 details an example letter that could be sent to a customer requesting they verify the contact details found during a tracing exercise.

6. Re-engagement communications

Once a successful trace and verification of that trace has been confirmed, the AFM should consider what, if any, historical documentation should be issued to the customer and ensure the account is updated accordingly within a timely manner. The AFM should also consider releasing cash balances that are otherwise due to the investor.

The re-engagement letter could be used to remind the client about the importance of keeping their personal details updated as per Appendix 1.

7. Reporting & governance

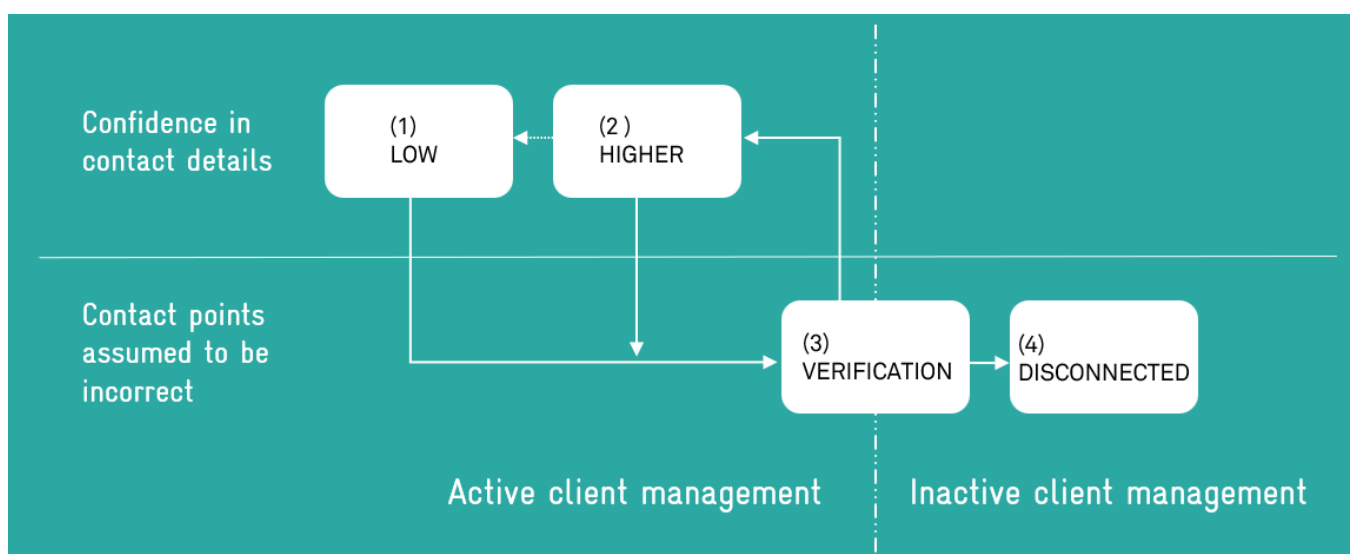
AFMs should consider naming an individual responsible for managing the reconnection process and governing the steps detailed here.

AFMs should have relevant governance around the reconnection process including providing visibility via MI data to senior management and the relevant legal entity boards. This should include senior management being provided with regular data on their client portfolio and progress towards any improvement targets set.

It is important that AFMs keep good records detailing the tracing process to ensure that a good audit trail is kept of the actions taken to reunite clients with their assets.

AFMs should review annually their end-to-end process to ensure that it reflects recent market developments and good industry practice. Industry bodies and their members should be willing to share good practices to ensure adoption of the most successful methods.

An AFM should have a documented process detailing the roles and responsibilities covering the full end-to-end lifecycle of a disconnection scenario. The following diagram is a disconnection example relating to an unnotified change in the client’s postal address, but this could be used for any client contact details. Please note that this diagram does not consider all possible scenarios.



Step	Guidance
(1) Low confidence in contact details	This category is for clients that do not achieve the criteria for a high level of confidence (Step 2) but the AFM has equally <u>not</u> received any Negative Address Indicator indicating they may not be at the postal address the provider holds on record for the customer. This might include; <ul style="list-style-type: none"> Postal communication returned “return to sender” Uncashed cheques
(2) Higher confidence in contact details	An AFM has a high level of confidence in the accuracy of the client address held on their records from the receipt of a positive address indicator. This might include; <ul style="list-style-type: none"> The postal address has recently been verified by the customer A cheque was sent to the customer and presented Electronic address verification This step links into Principle 2.
(3) Verification	AFM has lost faith in the postal address and needs to verify the address to update the record or gain clarification that it is still correct. This verification step links into Principles 3, 4 and 5. Documentation can then be suppressed from being sent to the client at this point. If the address cannot be verified then Principle 7 should be taken into consideration.
(4) Disconnected	This is where the AFM no longer has confidence in the address they hold for the customer and is no longer actively trying to verify the current postal address.

APPENDIX 1

Sample communication to encourage clients to keep their contact details updated, for inclusion in prospectus, T&Cs, application forms as appropriate (Principle 2).

The importance of keeping your contact details updated

You must ensure that you provide us with any changes to your personal details (including postal/email address, telephone numbers or any other personal contact details) so we can keep in contact with you.

If you do not keep us informed of any changes and we are unable to contact you, we may not be able to carry out your instructions or manage your account effectively.

APPENDIX 2

Contact details for the Royal Mail and the Department of Work and Pensions (Principle 4).

- Royal Mail data quality service

<https://www.royalmail.com/corporate/marketing-data/data-services/data-quality>

- DWP bulk letter forwarding service

<https://www.gov.uk/government/publications/pensions-and-insurance-tracing-and-letter-forwarding-service/bulk-letter-forwarding-service-detailed-guidance>

APPENDIX 3

Sample letter to customer requesting they verify the contact details found during a tracing exercise (Principle 5).

Dear [Name],

In the past we have received returned mail from the Post Office for the address that we hold on file for you. [We/A] tracing service has identified that you may now be residing at the address above.

Please note that historically the account may have been held in one of our previous brands:

- [ABC Asset Management
- DEF Asset Management
- GHI managers]

Further information on our history can be found at [website]

If you believe this is correct then please refer to the 'What you need to do' section of this letter.

If you are not the person above, please ignore this letter and accept our apologies for contacting you.

What You Need To Do

To enable us to update your address records:

- please complete the enclosed Change of Address Form;
- (where relevant) complete the Money Laundering/Identity Verification Document slip and provide relevant identity verification documents;
- return these to us in the pre-paid envelope provided.

Identity Verification Documents [optional per provider's internal process]

As an additional security measure and to protect you from fraud, we need to verify your new address and your identity. For evidence of personal identity and residential address, please refer to the enclosed documentation guidelines for our lists of acceptable documents and return these to us with your completed forms in the pre-paid envelope provided.

A restriction is currently registered on the account as a security measure. This will be removed upon receipt of the requested information.

In the case of joint accounts, where this information is required from other holders, we will contact each one separately; the above restrictions will apply until requested documents have been received for each of the account holders.

If you have any questions please call us on [0207 123456] with your account details to hand. Our telephone lines are open XXXX to XXXX, 9am to 5.00pm.

Yours faithfully

For and on behalf of [provider name]



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