

ECU Debt Management Service - Client Suitability and Eligibility Policy Statement

ECU's multi-currency debt management programme is not suitable for everyone. It is important for clients not to enter the programme without fully appreciating and accepting all the associated risks and implications.

ECU does not provide clients with mortgage or investment advice and only provide information regarding its products and services. Clients are strongly recommended to obtain advice from an independent financial adviser. Before a client is accepted onto the programme, ECU's client relationship managers will discuss in detail the risks associated with currency management and ensure that the client meets ECU's 'suitability' criteria.

Client profile

The typical client profile will include all or most of the following:

- A minimum principal earner's income of £100,000 is generally required.
- 'High' or 'speculative' attitude to risk
- Investment experience and knowledge
- Readily available liquid assets – of around 20% of the loan amount recommended
- Low debt/asset ratio

Financial position

We believe that anyone considering an ECU managed multi-currency loan or mortgage should be able to withstand at least a 10-15% capital increase in the value of their loan. A managed multi-currency loan is not suitable for individuals with existing high levels of debt to assets.

ECU's multi-currency debt management programme should not, therefore, be considered by anyone who is unable to afford the financial implications of a permanent increase in the size of their loan and the resultant higher interest payments.

Attitude to risk

ECU's multi-currency debt management programme is only suitable for those:

- with a speculative attitude to risk and a high risk tolerance;
- who are able, and prepared, to tolerate sizeable adverse foreign currency movements and;
- who can comfortably absorb a significant increase in the size of their loan.

Capacity for Loss

A client's capacity for loss will be considered separately from attitude to risk. In assessing client suitability, ECU's Client Relationship Manager will also consider non-financial issues such as lifestyle and wellbeing, which may also impact a client's propensity to withstand losses.

Liquid assets

Clients considering joining ECU's multi-currency debt management programme need to have readily available liquid assets. In volatile market conditions with adverse currency movements, the sterling equivalent of a loan may increase substantially. As a result, the lending bank may require a capital payment to be made to reduce the size of the loan. Without liquid assets, this could be difficult to do.

We strongly recommend that clients have readily available liquid assets in the region of 20% of the loan amount as a safety measure.

Minimum loan requirements

- Minimum loan size of £1,000,000.
- The multi-currency loan facility to be managed must allow ECU to convert the principal of the loan into another currency or other currencies, without notice or penalty. Currencies required are: GBP, EUR, USD, AUD, CAD, JPY and CHF.
- The loan may be denominated in, or split into, up to three currencies at any one time.
- The facility offered by the lending bank must be on an interest-only basis, with loan accounts being set up in each of the major currencies.
- The multi-currency loan facilities should be funded on a short-term basis, i.e. daily or weekly until further notice.
- An absolute minimum initial margin of 10% over the initial loan advanced is required by ECU although 15% is preferable. The policy was historically 15% but was revised down to 10% on 2nd Feb 2009. This facility limit or conversion level is the level at which the bank reserves the right, but not the obligation, to convert the loan back into the home base currency. For example, an initial loan of £1m would have a minimum conversion limit set at £1,100,000 or £1,150,000.

Exceptional Cases and ECU's Sign-Off Procedure

A situation may arise where a client proposal does not strictly meet all of ECU's set policy criteria. If a potential new client meets most, but not all of ECU's requirements, it may be subject to a separate review. For example:

- Income is just below £100,000 pa
- Less than 20% 'liquid assets' available.
- Less than £1,000,000 loan facility required

Where a client fails to meet ECU's minimum criteria, the enquiry will normally be declined, however if the Client Relationship Manager feels that an exception should be made as there are compensating factors to consider, then the application should firstly be passed to the Compliance Officer for review and would be subject to ECU's Exceptional Case Sign-Off procedure.

The decision will be recorded and supported by ECU's rationale for either approving or declining the client. If the client introduction has come via a professional adviser, the reasons for concern and ECU's decision will be discussed with the adviser.