

Safety first: an e-Cclipse Online security report



Investors are rightfully concerned for the security of their money when they place it in the hands of others. And more than ever, investors are being asked to trust technology as much as other people.

Unfortunately, many of the investment technology systems built to date have

removed clients even further from effective day-to-day control of their money.

But now e-Cclipse Online offers investors a better way to gain all the efficiency benefits of technology without forfeiting their ownership rights.



INVESTORS HAVE ASKED US MANY QUESTIONS ABOUT HOW E-CLIPSE ACHIEVES THOSE GOALS, HERE ARE SOME ANSWERS:

1. What assets can I hold in the e-Clipse Online service?

We have designed e-Clipse to include a broad range of investment assets that can be displayed online. As well as a central cash management account, the service offers investors the opportunity to invest in:

- term deposits from major banks;
- direct shares on the ASX;
- a suite of Managed Funds administered by State Street with manager oversight and performance analysis carried out by e-Clipse online and Innova Asset Management. Asset classes such as domestic and international equities, bonds, property and infrastructure are offered;
- a Managed Accounts option, allowing investors to gain the benefit of professional funds management expertise while maintaining direct ownership of the underlying assets.

The system also enables investors to gain a more comprehensive view of their wealth with its reporting function for a number of other assets such as direct property and investments held on IDPS platforms like BT Wrap.

2. What's the difference between the tradable and reported assets on e-Clipse?

Tradable assets like ASX shares and term deposits can be bought and sold electronically in the client's name by linking to the relevant institution's web site. The purchase and sale of these assets is facilitated, tracked and reported by the UMA.

The report-only function means assets not to be transacted on e-Clipse can be included in the system's overview of a clients' wealth. Report-only assets typically shown on the UMA include manual assets such as property or your holdings on other platforms, thereby providing a consolidated view of all of your investment assets. In the case of direct property, valuation data is input manually into the e-Clipse system.

3. So is e-Clipse just another wrap platform?

Not at all.

In a typical IDPS (for Investor-Directed Portfolio Service) — also known as a Custodial Wrap — the underlying investors must cede legal ownership of their assets to the wrap platform provider.

However, e-Clipse Online, which we describe as a Unified Managed Account (UMA) service rather than a platform, allows clients to hold assets as much as possible directly in their own names.

For assets that are difficult for clients to hold directly, global bonds for example, the UMA holds these securities in purpose-built Managed Funds. In that case, the client owns units in each fund with the underlying assets custodially held by State Street Australia.

4. How do I know my Innova Managed Fund assets are safe with State Street?

State Street Australia is part of a global firm that is one of the world's largest and most respected custodians. As the custodian and administrator of the Innova Funds', State Street's role is simply to safeguard the assets it holds on behalf of the underlying e-Clipse investors.

It is important to note that a creditor of State Street Australia has no right to any asset held by State Street as custodian of the Innova Funds.

As an additional safety measure, State Street is not permitted to lend the Innova fund securities to other investors (it is a common practice for custodians to 'rent' out securities they hold under custody to other institutional investors).

5. Why is direct ownership of assets preferable?

Direct ownership of assets gives investors greater freedom, transparency and control.

Unless you have specifically delegated the authority to another party, no-one else is permitted to perform any action on your directly-held assets, which gives investors the ultimate security.

There can also be tax benefits for investors who hold shares in their own name rather than via pooled funds.

Because we have designed e-Clipse from the client's perspective, rather than for the administrative ease of a 'platform' provider, we have maximised the potential for direct ownership of assets.

6. How do I trade my ASX shares on e-Clipse?

We establish a broker-sponsored account in the name of each client with Desktop Broker, a subsidiary of the Bell Financial Group. Desktop Broker and Bell Direct are business names of Third Party Platform Pty Ltd.

The 'broker-sponsored' method of holding ASX shares offers several advantages to investors, as opposed to the 'issuer-sponsored' approach.

As well as providing investors with secure legal title, broker-sponsored accounts leave operational control of the shares with the broker, not in the hands of whatever share registry a listed company uses.

The broker-sponsored method also enables investors to administer their ASX shares from a single, central point.

Share investors using a broker-sponsored account are issued one Holder Identification Number (HIN) that is matched with every security they own. Under the issuer-sponsored approach investors receive a different Security Holder Reference Number for every share they own.

By using a HIN, for example, investors need only make one notification if their personal details change, rather than informing the share registry of each company in their portfolio.

7. How does e-Clipse manage my cashflow?

Depending on the level of service you require, you may have to establish several accounts in your name on e-Clipse. However, the system is designed to efficiently shift cash between your accounts as per the transactions you authorise.

For example, any share dividends will be sent to your cash account or reinvested if you have opted for a dividend reinvestment program.

Even where e-Clipse clients may have delegated some investment management responsibility to Innova — via the Managed Account service, for instance — the cash required to settle any transactions will only flow through direct client-owned accounts.

Neither e-Clipse, Innova, nor Fortnum hold any client monies at any time.

8. How can I be sure the e-Clipse system is doing what I tell it to?

Clients have online access to their e-Clipse account "24x7". Every transaction is permanently stored and available for clients to review. Clients can also give their trusted advisers viewing access to their e-Clipse account if they require expert assessment.

9. How secure is the information held by e-Clipse?

e-Clipse Online uses military level encryption to ensure that personal data stored on the system cannot fall into the wrong hands. In addition off-site secure hosting is used to maintain the highest possible safety and ensure system reliability.

10. What would happen if e-Clipse went into administration?

Your assets are totally safe because you have opened accounts with large institutions that have been selected to provide low counterparty risk and good service.

In the unlikely event that e-Clipse failed, you still have your bank accounts, broking accounts, State Street managed funds, your other platform assets and real estate. E-Clipse unified view of your investment portfolio is designed to help you better manage your assets and control costs but does not compromise safety.

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The logo for e-CLIPSE ONLINE features the word "e-CLIPSE" in a bold, sans-serif font, with a stylized green and blue arc above the "i" and "P". Below it, the word "ONLINE" is written in a smaller, all-caps font.