



TD Wealth Institutional 2012

**Assurance report
on internal controls**
(AAF 01/06)

FOR THE PERIOD 12 MONTHS TO 31 DECEMBER 2012

TD Wealth Institutional is a trading name of TDWCS LLP, which is authorised and regulated by the Financial Services Authority, a member of the London Stock Exchange. Registered in England No. OC301316.

Registered office: Exchange Court, Duncombe Street, Leeds LS1 4AX.



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Section 1

Introduction

TD Wealth Institutional is pleased to present its AAF 01/06 report for the period 1 January 2012 to 31 December 2012. The report describes the control environment and control objectives with regard to the outsourced clearing and settlement services we provide and sets out the control procedures established to meet these objectives.

TD Wealth Institutional is focused on maintaining a strong control and compliance environment throughout the organisation. We consider this to be a key objective, as effective control of business risk is a vital component of the quality service we are committed to delivering to all of our Partners in today's fast-changing and complex business environment.

The intention of the report is to allow our Partners and their auditors to understand the means by which we conduct our business and how effectively we control our risks. This report is based upon the framework set out in the Technical Release AAF 01/06 on assurance reports on the internal controls of service organisations made available to third parties, issued by the Audit and Assurance Faculty of the Institute of Chartered Accountants in England and Wales.



Section 2

Report by the Members

As members of TD Wealth Institutional, we are responsible for the identification of control objectives relating to customers' assets and related transactions in the provision of outsourced clearing and settlement services and the design, implementation and operation of TD Wealth Institutional's control procedures to provide reasonable assurance that the control objectives are achieved.

In carrying out these responsibilities we have regard not only to the interests of clients, but also to those of the owners of the business and the general effectiveness and efficiency of the relevant operations.

We have evaluated the effectiveness of TD Wealth Institutional's control procedures, having regard to the Institute of Chartered Accountants in England and Wales' Technical Release AAF 01/06. Appendix 1 of the Technical Release AAF 01/06 does not provide specific control objectives for outsourced clearing and settlement services. Therefore the control objectives within the scope of this report are a combination of those relating to custody, investment management and transfer agency activities within Appendix 1 of the Technical Release AAF 01/06.

We set out in this report a description of the relevant control objectives, together with the related control procedures which operated during the period 1 January 2012 to 31 December 2012 and confirm that:

- the report describes fairly the control procedures that relate to the control objectives referred to previously in place as at 31 December 2012;

- the control procedures described are suitably designed such that there is reasonable assurance that the specified control objectives would be achieved if the described control procedures were complied with satisfactorily; and
- the control procedures described were operating with sufficient effectiveness to provide reasonable assurance that the related control objectives were achieved during the specified period.

We confirm that we have reviewed the controls in place and that the controls have operated as described in this document throughout the year ended 31 December 2012. Any exceptions to this statement where controls have not achieved the expected outcome have been noted and acknowledged by individual management responses offered within Section 8 of this report.



Jason Robinson
Chief Executive Officer
TD Wealth Institutional
5 April 2013

Signed on behalf of the Members of TDWCS LLP

Section 3

Overview

TD Wealth Institutional is a subsidiary of TD Bank Group, one of the Top 10 banks in North America servicing approximately 22 million customers in a number of locations in key financial centres around the globe.

TD Wealth Institutional is a leading UK provider of value added outsourced clearing and settlement services to wealth managers, institutional and retail brokers, banks and fund managers. TD Wealth Institutional supplies a complete business process infrastructure to handle portfolio management, order management, execution, clearing, custody administration and settlement.

We pride ourselves on delivering a flexible, responsive and professional service that allows partners to move quickly and easily between service models as their business needs evolve.

At TD Wealth Institutional we take a partnership approach to partner relationships, fully embracing their specific business model in order to take responsibility for the areas outsourced to us. We continually update our systems and service offerings to reflect the latest regulatory and market changes, relieving our partners of this costly and time consuming burden.

Because we are specialists in outsourced clearing and settlement, offering unrivalled depth of functionality and service, our partners can rely on TD Wealth Institutional to manage their mission-critical clearing and settlement processes, empowering them to focus on their core business.

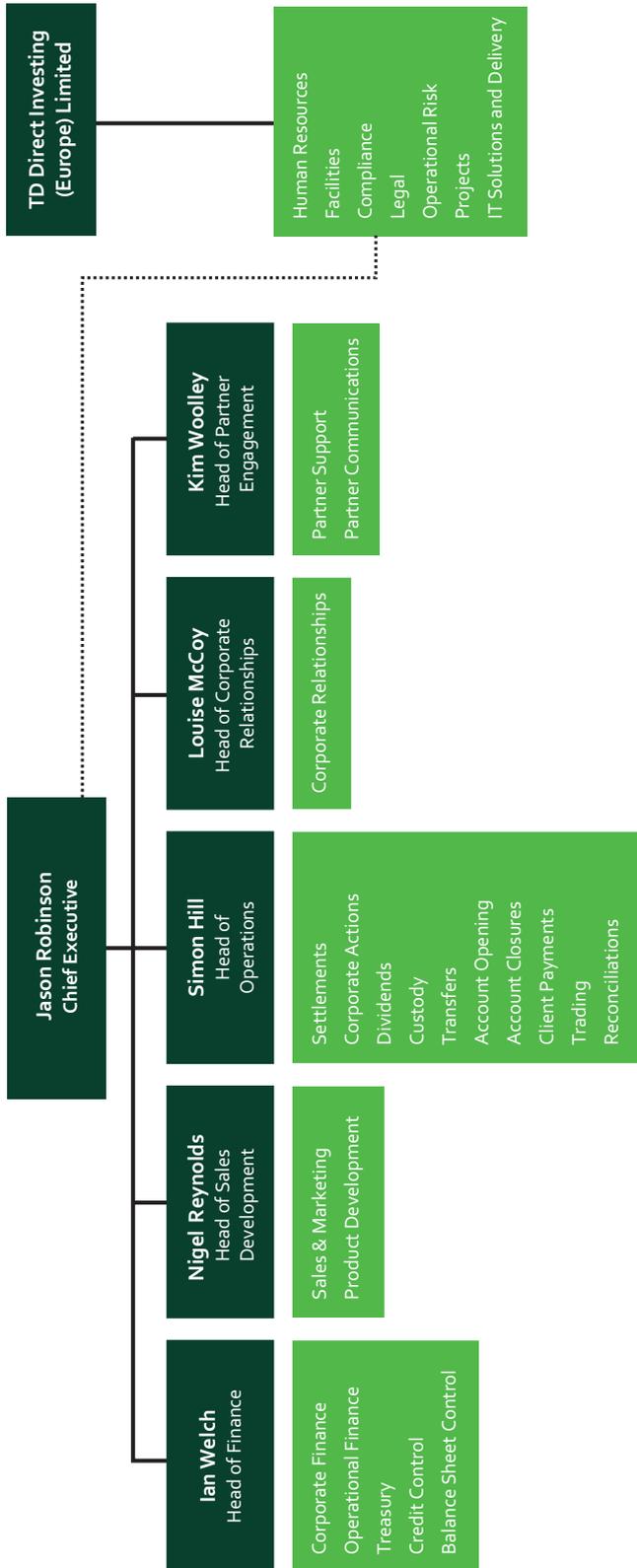
The services provided by TD Wealth Institutional are underpinned by FIGARO, which is a real-time, multicurrency processing platform supporting the operations of many financial services firms in the UK. We are experienced in providing third party interfaces and have the technical expertise to analyse new requirements and develop efficient solutions. FIGARO comprises a range of fully integrated software components built around a common, real-time transactional database. FIGARO's flexibility and modular architecture allow TD Wealth Institutional to react to new business opportunities swiftly. Our people also have the expertise to react quickly and deliver reliable solutions when partners require software development.

TD Wealth Institutional was established in 2002. At the time of this report the workforce is approximately 161 staff, based in Birmingham, UK. Our partners are headquartered in the UK, Dublin, Canada and USA.

TD Wealth Institutional is the trading name of TDWCS LLP, which is authorised and regulated by the Financial Services Authority (FSA), is licensed to hold client money, and is a member of the London Stock Exchange. TD Wealth Institutional is also an authorised ISA Plan Manager.

Section 4

Structure Chart of the Management Committee Responsible for Management of the Business





Section 5

Control Environment

The Chief Executive Officer, Management Committee and Board of TD Wealth Institutional (TDWCS LLP) have taken the view that the management of risk is best achieved by embedding the process within the business.

In respect of its control environment, the business operates a 'three lines of defence' model where senior business management, acting as the first line of defence, implement risk and control mechanisms to mitigate and manage identified and emerging risks.

As the second line of defence, the Risk and Compliance Management functions define the policies and processes for the management of operational and regulatory risk within the business. Both functions report independently to the Governance, Risk and Compliance Director and are responsible for the design and implementation of a defined Risk Management Framework which is approved by the TD Wealth Institutional Board. This includes the business risk self-assessment process, which captures departmental and business risks and other mechanisms such as Key Risk Indicator monitoring, Risk & Loss Event reporting and

thematic reviews. This enables the TD Wealth Institutional Management Committee and the Board to understand, and if necessary, escalate the more material risks into the groups' governance committee structure.

Risk is formally managed and monitored through this governance structure which, at its pinnacle, is the Enterprise Risk Management Committee ('ERMC').

The purpose of the ERMC is to oversee the management of key governance, risk and control activities via (at least) monthly meetings to understand significant existing and emerging risks and their impacts on the business. It is the final point of senior executive discussion on governance, ICAAP ('Internal Capital Adequacy Assessment Process'), risk and control issues. The ERMC endorses actions and makes recommendations to the CEO as appropriate including onward recommendations to the Boards as required.

A sub-committee structure exists to complement the ERMC and is each chaired by an Executive, with defined mandates and reporting requirements through to the ERMC.

Section 5

Control Environment

The sub-committees are as follows:

- ICAAP Committee
- Treasury Committee
- Trading Risk Committee
- Operational and Credit Risk Committee
- Technology Risk Committee
- Client Experience Committee

Relevant issues are overseen at any of the sub-committees with the more material being reported to the ERMC. Membership of those sub-committees is drawn from across all entities of the Group including TD Wealth Institutional.

The ERMC is the final executive oversight of risk matters before escalation to the Board of TDWCS LLP. The Board has established its own Risk Committee to consider the risk, compliance and governance matters as set out in its mandate.

In addition to this the Compliance department has in place a Regulatory Risk Monitoring Plan to ensure that key activities are monitored and reported to the Management Committee. The TD Wealth Institutional Compliance Officer is also a member of the ERMC and its sub-committees.

The Internal Audit function of TD Bank Group performs risk based, internal audit coverage of TD Wealth Institutional. Internal Audit acts as the third line of defence to review and test the effectiveness of the first and second lines.



Section 6

Control Objectives

1 Accepting clients

- 1.1 Client Accounts are set up in accordance with our broker-client agreements.
- 1.2 Complete and authorised client agreements are operative prior to initiating custody activity.
- 1.3 Investment holdings transferred from prior custodians are received and recorded completely, accurately and on a timely basis.
- 1.4 Adherence to ISA subscription limits is checked and recording of client information required by legislation is accurate.

2 Authorising and processing transactions

- 2.1 Investment and related cash and foreign exchange transactions are authorised, executed and recorded completely, accurately and on a timely basis.
- 2.2 Investment and related cash and foreign exchange transactions are settled and failures are resolved in a timely manner.
- 2.3 Corporate actions and voting instructions are identified, processed and recorded on a timely basis.
- 2.4 Cash receipts and payments are authorised, processed and recorded completely, accurately and on a timely basis.
- 2.5 Cheques and certificates issued are accurately generated, matched and authorised prior to despatch.
- 2.6 Dividends and related tax withholdings are accurately calculated and authorised and distributed in a timely manner.
- 2.7 Documents received are checked, sorted and distributed for processing in a timely manner.

3 Maintaining financial and other records

- 3.1 Investment income and related tax reclaims are collected and recorded accurately and on a timely basis.
- 3.2 Investments are valued using current prices obtained from independent external pricing sources and portfolio valuations are complete and distributed on a timely basis.
- 3.3 Asset positions for securities held by third parties such as sub-custodians and depositories are accurately recorded and regularly reconciled.
- 3.4 Cash positions are completely and accurately recorded and reconciled to third party data.
- 3.5 Investment management fees and other account expenses are accurately calculated and recorded.

4 Safeguarding assets

- 4.1 Physically held securities are safeguarded from loss, misappropriation and unauthorised use.
- 4.2 Uninvested cash (client money) is managed with due regard to diversification of risk and security of funds.
- 4.3 Investments are properly registered and client money is segregated.

5 Compliance monitoring

- 5.1 Sub-custodians are approved and performance standards are monitored on a timely basis.
- 5.2 Transaction errors are rectified promptly and clients treated fairly.

Section 6

Control Objectives

6 Reporting

- 6.1 Client reporting in respect of client asset holdings is complete and accurate and provided within required timescales.
- 6.2 Compensation payments are authorised, calculated and reviewed by management.

7 Restricting access to systems and data

- 7.1 Physical access to computer networks, equipment, storage media and program documentation is restricted to authorised individuals.
- 7.2 Logical access to computer systems, programs, master data, transaction data and parameters, including access by administrators to applications, databases, systems and networks, is restricted to authorised individuals via information security tools and techniques.
- 7.3 Segregation of incompatible duties is defined, implemented and enforced by logical security controls in accordance with job roles.

8 Providing integrity and resilience to the information processing environment, commensurate with the value of the information held, information processing performed and external threats

- 8.1 IT processing is authorised and scheduled appropriately and exceptions are identified and resolved in a timely manner.
- 8.2 Data transmissions between the service organisation and its counterparties are complete, accurate, timely and secure.
- 8.3 Appropriate measures are implemented to counter the threat from malicious electronic attack (e.g. firewalls, anti-virus etc.)
- 8.4 The physical IT equipment is maintained in a controlled environment.

9 Maintaining and developing systems hardware and software

- 9.1 Development and implementation of new systems, applications and software, and changes to existing systems, applications and software, are authorised, tested, approved and implemented.
- 9.2 Data migration or modification is authorised, tested and, once performed, reconciled back to the source data.

10 Recovering from processing interruptions

- 10.1 Data and systems are backed up regularly, retained offsite and regularly tested for recoverability.
- 10.2 IT hardware and software issues are monitored and resolved in a timely manner.
- 10.3 Business and information systems recovery plans are documented, approved, tested and maintained.

11 Monitoring Compliance

- 11.1 Outsourced activities are properly managed and monitored.



Section 7

Reporting Accountants' Assurance Report



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Reporting accountants' assurance report on internal controls of service organisations to the members of TDWCS LLP

Use of report

This report is made solely for the use of the members, as a body, of TDWCS LLP, and solely for the purpose of reporting on the internal controls of TDWCS LLP, in accordance with the terms of our engagement letter dated 4 December 2012 and attached as Appendix 1.

Our work has been undertaken so that we might report to the members those matters that we have agreed to state to them in this report and for no other purpose. Our report must not be recited or referred to in whole or in part in any other document nor made available, copied or recited to any other party, in any circumstances, without our express prior written permission.

We permit the disclosure of this report, in full only, by the members at their discretion to customers of TDWCS LLP using TDWCS LLP's clearing and settlement services (the "customers"), and to the auditors of such customers, to enable customers and their auditors to verify that a report by reporting accountants has been commissioned by the members of TDWCS LLP and issued in connection with the internal controls of TDWCS LLP's clearing and settlement services, and without assuming or accepting any responsibility or liability to customers or their auditors on our part.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members as a body and TDWCS LLP for our work, for this report or for the conclusions we have formed.

Subject matter

This report covers solely the internal controls of TDWCS LLP's clearing and settlement services as described in your report as at 31 December 2012. Internal controls are processes designed to provide reasonable assurance regarding the level of control over customers' assets and related transactions achieved by TDWCS LLP in the provision of clearing and settlement services by TDWCS LLP.

Respective responsibilities

The members' responsibilities and assertions are set out on page 4 of your report. Our responsibility is to form an independent conclusion, based on the work carried out in relation to the control procedures of TDWCS LLP's clearing and settlement services as described in your report and report this to you as the members of TDWCS LLP.

Section 7

Reporting Accountants' Assurance Report

Criteria and scope

We conducted our engagement in accordance with International Standard on Assurance Engagement ("ISAE") 3000 and the Institute of Chartered Accountants in England and Wales ("ICAEW") Technical Release AAF 01/06. The criteria against which the control procedures were evaluated are the internal control objectives developed for service organisations as set out within the Technical Release AAF 01/06 and identified by the members as relevant control objectives relating to the level of control over customers' assets and related transactions in the provision of clearing and settlement services. Our work was based upon obtaining an understanding of the control procedures as described on pages 13 to 30 in the report by the members, and evaluating the members' assertions as described on page 4 in the same report to obtain reasonable assurance so as to form our conclusion. Our work also included tests of specific control procedures, to obtain evidence about their effectiveness in meeting the related control objectives. The nature, timing and extent of the tests we applied are detailed on pages 13 to 30.

Our tests are related to TDWCS LLP as a whole rather than performed to meet the needs of any or any particular customer.

Inherent limitations

Control procedures designed to address specified control objectives are subject to inherent limitations and, accordingly, errors or irregularities may occur and not be detected. Such control procedures cannot guarantee protection against (among other things) fraudulent collusion especially on the part of those holding positions of authority or trust. Furthermore, our conclusion is based on historical information and the projection of any information or conclusions in the attached report to any future periods would be inappropriate.

Conclusion

In our opinion, in all material respects:

- the accompanying report by the members describes fairly the control procedures that relate to the control objectives referred to above which were in place as at 31 December 2012;
- the control procedures described on pages 13 to 30 were suitably designed such that there is reasonable, but not absolute, assurance that the specified control objectives would have been achieved if the described control procedures were complied with; and
- the control procedures that were tested, as set out in the attachment to this report, were operating with sufficient effectiveness for us to obtain reasonable, but not absolute, assurance that the related control objectives were achieved in the period 1 January 2012 to 31 December 2012.

Deloitte LLP

Chartered Accountants
Birmingham
United Kingdom
5 April 2013

Section 8

Control Procedures and Testing Performed by Reporting Accountants

Control Objective	Control Procedures	Deloitte LLP Testing	Findings	Management Response
<p>1.1 Client Accounts are set up in accordance with our broker-client agreements and client take-ons are monitored, documented and accurately reported to the broker-client.</p>	<p>Accounts are set up following the receipt of a completed Client Account Request form from the broker-client. Client Account Requests are allocated to an individual Client Service Representative who checks and logs the client account request before processing onto FIGARO. New Client Accounts are notified to the broker-client for checking.</p> <p>The number of Client Account Requests received and accounts set up is reported to management on a daily basis to ensure timely processing.</p>	<p>A sample of 25 new client accounts were tested to check that complete instructions from the broker-client were received, completed and matched to FIGARO. Also inspected supporting documentation for evidence that the account was set up on FIGARO and that the broker-client had been duly notified.</p> <p>Reviewed the account set up log for a sample of 15 days, for evidence that the Team Leader had completed requests within timescales stated by client service level agreements.</p>	<p>No exceptions noted.</p>	<p>N/A</p>
<p>1.2 Complete and authorised client agreements are operative prior to initiating custody activity.</p>	<p>Transactions can only be executed on activated client accounts on FIGARO.</p> <p>New client accounts which have been set up are checked for accuracy the following day.</p>	<p>A sample of 25 client transactions were checked to see that the broker-client agreements by way of standardised templates had been received and instructions were completed.</p> <p>For a sample of 15 days, reviewed the daily log of new client accounts for evidence that the Team Leader had confirmed that all new accounts set up on the previous day had been set up correctly.</p>	<p>No exceptions noted.</p>	<p>N/A</p>

Section 8

Control Procedures and Testing Performed by Reporting Accountants

Control Objective	Control Procedures	Deloitte LLP Testing	Findings	Management Response
1.3 Investment holdings transferred from prior custodians are received and recorded completely, accurately and on a timely basis.	Holdings transferred from custodians are only processed on receipt of a complete Transfer Request from the broker-client. All new instructions are logged for processing and followed up with initiating correspondence to the prior custodian within 48 hours of receipt. Investment positions are confirmed with prior custodians prior to transfer. Processing of reconciliation breaks is monitored on a daily basis to ensure that any issues with transfers are identified and rectified.	For a sample of 25 transfers from third parties, inspected evidence of processing within 48 hours of receipt from the broker-client instruction and evidence of correspondence with counterparty. Reviewed the log of transfers in activity for a sample of 15 days for evidence that the Team Leader had reviewed progress of transfers in and any issues had been escalated.	No exceptions noted.	N/A
1.4 Adherence to ISA subscription limits is checked and recording of client information required by legislation is accurate.	New Client Accounts on FIGARO are set up to accept new National Insurance numbers and reject the input of duplicate National Insurance numbers. Client accounts within FIGARO are set-up with an automated limit to ensure ISA subscriptions don't exceed the maximum determined by legislation. Once every year, the submission to HM Revenue & Customs is reviewed by the broker-client on an individual account basis to ensure accurate reporting.	Checked the operation of the automated control by verifying that FIGARO rejects duplicate National Insurance numbers. Checked the operation of the automated control by verifying that FIGARO rejects any additional payments which would take a client account above the maximum limit determined by legislation. For each broker-client, checked that annual submissions to HM Revenue & Customs were completed for the last submission date and that there was evidence of review. Observed the email trail and any supporting correspondence for the Annual ISA returns for each of the broker-clients that belong to TDW. Obtained evidence that the file was reviewed by the broker-client and confirmation was sent to TDW that the information being submitted to HMRC was accurate.	No exceptions noted.	N/A

Section 8

Control Procedures and Testing Performed by Reporting Accountants

Control Objective	Control Procedures	Deloitte LLP Testing	Findings	Management Response
<p>2. Authorising and processing transactions</p> <p>2.1 Investment and related cash and foreign exchange transactions are authorised, executed and recorded completely, accurately and on a timely basis.</p>	<p>Transactions are only executed by the Front Office following the receipt of a valid order form from the broker-client.</p> <p>Orders are processed in a timely manner using an order flow diary system which is monitored by management to ensure timely execution and escalation of matters to management as required. (Note that monitoring of the dealer queues is included in the dealing Critical Function Log CFL and a print out of the dealer queue at the close of play each day is attached to the CFL).</p>	<p>For a sample of 25 investment and foreign exchange transactions, inspected that a valid instruction from the broker-client was received, executed and recorded completely, accurately and on a timely basis.</p> <p>Reviewed a sample of 15 daily reports of outstanding orders for evidence that the Team Leader had reviewed and issues had been appropriately escalated.</p>	<p>No exceptions noted.</p>	<p>N/A</p>
<p>2.2 Investment and related cash and foreign exchange transactions are settled and failures are resolved in a timely manner.</p>	<p>Exception reports which detail unmatched and alleged trades are produced and reviewed on a daily basis. Breaks are monitored and investigated on a daily basis to ensure issues are escalated as required and on a timely basis.</p> <p>A failed trades report is also run on a daily basis and a central log is maintained. Breaks are followed up with counterparties by the settlements team in order to resolve. The Settlements team monitor the number of breaks on a daily basis such that issues are escalated as required.</p>	<p>Selected a sample of 15 unmatched and alleged failed trade reports, and tested whether transactions were correctly identified, reported and resolved on a timely basis.</p> <p>Reviewed a sample of 15 daily summary breaks reports to ensure documentation of this activity and where applicable matters were drawn to the attention of management and had been reviewed by a Team Leader.</p>	<p>No exceptions noted.</p>	<p>N/A</p>

Section 8

Control Procedures and Testing Performed by Reporting Accountants

Control Objective	Control Procedures	Deloitte LLP Testing	Findings	Management Response
2.3 Corporate actions and voting instructions are identified, processed and recorded on a timely basis.	<p>Corporate actions affecting client holdings are logged in a diary system on a daily basis through reports from Crest and BBH.</p> <p>Election requirements are notified to the broker-client via a web-based system and confirmed by means of a letter. Client elections are notified by the broker-client and recorded within FIGARO which provides an audit history.</p> <p>Corporate actions are monitored to ensure that all stock and cash corporate actions are escalated to management if aged over 2 days.</p>	<p>For a sample of 25 corporate actions, inspected the notification of the action to Crest or BBH reports. Observed communication of these actions with the broker-client and vouched client elections where applicable.</p> <p>Reviewed and inspected a sample of 15 daily reports by the Corporate Actions team to ensure the process of recognising corporate actions was appropriately documented and that there was evidence of review.</p>	No exceptions noted.	N/A
2.4 Cash receipts and payments are authorised, processed and recorded completely, accurately and on a timely basis.	<p>All payments are processed following receipt of a valid instruction from the broker-client. All payments and receipts are checked and payments are authorised before being processed.</p> <p>All bank accounts are reconciled on a daily basis and issues flagged to management. The reconciling items are aged and subject to review on at least a weekly basis by a senior member of staff.</p>	<p>For a sample of 25 cash payments, inspected the supporting documentation to ensure these were authorised.</p> <p>For a sample of 15 days, inspected the Client Payments Critical Function Log for evidence that this log had been initialised to evidence completion and that issues were escalated to management appropriately. Observed that reconciling items were aged and confirmed that senior staff had reviewed such reconciliations on at least a weekly basis.</p> <p>For a sample of 25 cash receipts, inspected the supporting documentation to ensure these were checked and credited to the customer accounts on the same day.</p>	No exceptions noted.	N/A

Section 8

Control Procedures and Testing Performed by Reporting Accountants

Control Objective	Control Procedures	Deloitte LLP Testing	Findings	Management Response
<p>2.5 Cheques and certificates issued are accurately generated, matched and authorised prior to dispatch.</p>	<p>When a certificate is removed from Safe Custody, the details are verified and recorded through a two stage process requiring separate sign off from two individuals who are independent from the dispatch process.</p> <p>Cheques are logged independently from operational teams by the Data Analysis and Reporting team upon receipt into TD Wealth Institutional offices, these are then assigned to the receipts department who check and sign for all cheques received. Paying in books are completed and signed off by a Team Manager before being sent to the bank for deposit.</p> <p>Cheque payments are generated mainly from FIGARO. Cheque numbers are verified and confirmed back to FIGARO data before being sent. Manual cheques are raised in accordance with customer instructions.</p> <p>All cheques are signed off by the required authorised signatories based upon the value of the cheque and registered within the sequentially numbered cheque logs.</p>	<p>For a sample of 15 certificates sent out, observed and inspected the audit trail on FIGARO to ensure the input and verification process was done by a separate person. Reviewed the record of certificates removed from Safe Custody to ensure sign off had taken place by two individuals.</p> <p>For a sample of 15 certificates taken out of or placed into the safe, reviewed the connected correspondence and compared against the record book to confirm two individuals validated the stock movement.</p> <p>For a sample of 15 cheques, inspected that amounts were reviewed, signed off and recorded accurately within the cheque log and FIGARO.</p>	<p>No exceptions noted.</p>	<p>N/A</p>

Section 8

Control Procedures and Testing Performed
 by Reporting Accountants

Control Objective	Control Procedures	Deloitte LLP Testing	Findings	Management Response
2.6 Dividends and related tax withholdings are accurately calculated and authorised and distributed in a timely manner.	Dividends affecting client holdings are received from the Interactive Data information feed and logged in a diary system on a daily basis. Dividends are processed into FIGARO. On payment date, the dividend amount expected is reconciled to the amount received. Dividend Payment Receipt Forms are completed for each amount and are reviewed and signed off. Reconciling amounts arising from the dividend process are investigated on a timely basis and escalated through daily reporting to management.	Inspected a sample of 25 Dividend Receipt Forms for appropriate sign off to evidence that the income matched the amount expected. Inspected a sample of 15 summary reports to management for evidence that differences were drawn to the attention of management.	No exceptions noted.	N/A
2.7 Documents received are checked, sorted and distributed for processing in a timely manner.	All incoming documents received via mail or fax are processed by the Facilities team. All documents received are recorded, date stamped and distributed to relevant operational teams on a timely basis.	For a sample of 15 days, inspected the daily records of cheques and certificates received and sign off by operational teams to confirm receipt. Inspected a sample of Critical Function Logs for evidence of completion and review of all control activities and sign off by management.	No exceptions noted.	N/A

Section 8

Control Procedures and Testing Performed by Reporting Accountants

Control Objective	Control Procedures and other records	Deloitte LLP Testing	Findings	Management Response
3.1 Investment income and related tax reclaims are collected and recorded accurately and on a timely basis.	<p>Dividend receipts are recorded within FIGARO. The related tax reclaims are identified upfront by producing a monthly report from FIGARO following dividend posting.</p> <p>Reports are peer reviewed prior to submission to the broker-client and tax reclaims subsequently vouched to HMRC receipts.</p>	<p>For a sample of 2 months, reviewed the process of identifying tax related reclaims from FIGARO and confirmed that the report was peer reviewed and that the amounts were agreed to subsequent payment from HMRC.</p>	<p>No exceptions noted.</p>	<p>N/A</p>
3.2 Investments are valued using current prices obtained from independent external pricing sources and portfolio valuations are complete and distributed on a timely basis.	<p>Investments are valued using the previous day's mid-market closing price provided by Interactive Data.</p> <p>Statement requirements are recorded in a diary system to ensure that they are distributed on a timely basis in accordance with client Service Level Agreements. Statements are system generated and where requested by the broker-client validated by them prior to issue to clients. Progress against these reporting requirements is monitored by management.</p>	<p>Observed that investment prices from Interactive Data were uploaded into FIGARO appropriately for a sample number of days. Tested investment valuations for a sample of positions to third party sources.</p> <p>For a sample of 25 client statements, tested that the report was dated and sent out in line with client Service Level Agreements. Key portfolio and pricing information in the statement was tested to be consistent with underlying records. Where required, tested that the broker-client signoff was obtained prior to issuance.</p>	<p>No exceptions noted.</p>	<p>N/A</p>
3.3 Asset positions for securities held by third parties such as sub-custodians and depositories are accurately recorded and regularly reconciled.	<p>Asset positions with custodians are reconciled on a regular basis ranging from daily to monthly in line with the activity with each custodian.</p> <p>The number of breaks are reported to management on an ongoing basis which ensures any issues are escalated and can be resolved on a timely basis.</p>	<p>For a sample of 20 reconciliations across 4 days, inspected that the reconciliation of asset positions to custodian records was completed on a timely basis.</p> <p>Reviewed a sample of 4 summary reports of issues for evidence of escalation of matters to management.</p>	<p>No exceptions noted.</p>	<p>N/A</p>

Section 8

Control Procedures and Testing Performed by Reporting Accountants

Control Objective	Control Procedures	Deloitte LLP Testing	Findings	Management Response
3.4 Cash positions are completely and accurately recorded and reconciled to third party data.	All bank accounts are reconciled on a daily basis. The number of significant reconciling items are monitored by management. Reconciling items are aged and subject to review on at least a weekly basis by a senior member of staff.	For a sample of 15 days, confirmed the completion of bank reconciliations and confirmed that any issues were escalated to management. Observed that reconciling items were aged and inspected a sample of 15 Reconciliation Critical Function Logs for evidence that senior staff reviewed such reconciliations on at least a weekly basis.	No exceptions noted.	N/A
3.5 Investment management fees and other account expenses are accurately recorded, actioned and reflect client instructions.	The basis for fees and charges are input into FIGARO monthly in accordance with the broker-client agreements. FIGARO automatically calculates the fees and charges which are deducted from client account after approval from the broker-client. Certain clients send through an instruction with a breakdown of fees which are then processed accordingly.	For a sample of 2 clients, ensured that the details of fees and charges reflected on the client account was correctly applied in line with either the broker-client instruction or with the figure calculated by FIGARO.	No exceptions noted.	N/A

Section 8

Control Procedures and Testing Performed by Reporting Accountants

Control Objective	Control Procedures	Deloitte LLP Testing	Findings	Management Response
<p>4. Safeguarding assets</p> <p>4.1 Physically held securities are safeguarded from loss, misappropriation and unauthorised use.</p>	<p>All physically held securities are registered in the name of TD Wealth Institutional (UK) Nominees Ltd or TDWCS (TD Waterhouse) Nominees Ltd where the registrar has not issued updated certificates since the change of name.</p> <p>A central log of such securities is held and these are locked in a secure cabinet in a key locked room and access to both is restricted to Custody staff.</p> <p>Once every six months a physical blind stock count is carried out by a member of staff from outside the Custody team. The amount of stock recorded will then be compared to the central log of securities and issues escalated to the Senior Operations Manager.</p>	<p>Reviewed the log of securities against the physical securities.</p> <p>Validated that the securities are locked in a fireproof safe in a secure room. Observed that access to the secure room and safe was restricted to Custody staff.</p> <p>Reviewed the output of 1 of the bi-annual physical stock counts to test for evidence of review and resolution of issues through escalation to senior management.</p>	<p>No exceptions noted.</p>	<p>N/A</p>
<p>4.2 Uninvested cash (client money) is managed with due regard to diversification of risk and security of funds.</p>	<p>Treasury monitor and report the cash position through daily Liquidity and Trade reports. A Treasury Dashboard is prepared and reviewed by the Treasury Committee monthly. There is strict adherence to counterparty limits approved by the Credit Risk Management at Group in Canada. No placement is made with unauthorised counterparties.</p>	<p>Obtained a sample of 2 of the Treasury Committee papers/meeting minutes and reviewed for evidence that concentration of risk with various banks had been considered and that the counterparty limits set by Group treasury had not been breached.</p>	<p>No exceptions noted.</p>	<p>N/A</p>

Section 8

Control Procedures and Testing Performed by Reporting Accountants

Control Objective	Control Procedures	Deloitte LLP Testing	Findings	Management Response
<p>4.3 Investments are properly registered and client money is segregated.</p>	<p>Segregated client money accounts are in place for which Trust status has been confirmed with the relevant banks. Client money requirements are calculated and reconciled to cash holdings on a daily basis by the Treasury team. Shortfalls and excesses are funded or transferred from and into the Corporate Bank Account.</p> <p>Investments are held within TD Wealth Institutional (UK) Nominees Ltd and are registered into a designation which is dependent upon the client's product type.</p> <p>Following the change of name to TD Wealth Institutional (UK) Nominees Ltd, some securities may still be under the previous name of TDWCS (TD Waterhouse) Nominees Ltd.</p>	<p>Client money reconciliations for a sample of 15 days were reviewed for evidence of completion and review on a timely basis. For this sample the bank statement showing the funding or transfer of the shortfall or excess (respectively) were reviewed to ensure this occurred on the same day as identified.</p> <p>Confirmed that all accounts with custodians are held in the name of TD Wealth Institutional (UK) Nominees Ltd or TDWCS (TD Waterhouse) Nominees Ltd. For a sample of 5 physically held securities, checked that they were registered in the name of TD Wealth Institutional (UK) Nominees Ltd or TDWCS (TD Waterhouse) Nominees Ltd.</p> <p>From the most recent physical stock reconciliation, inspected and observed the exceptions and report from this process and reviewed the only exception to ensure matters arising were correctly identified and appropriately resolved.</p>	<p>No exceptions noted.</p>	<p>N/A</p>

Section 8

Control Procedures and Testing Performed by Reporting Accountants

Control Objective	Control Procedures	Deloitte LLP Testing	Findings	Management Response
<p>5. Compliance monitoring</p> <p>5.1 Sub-custodians are approved and performance standards are monitored on a timely basis.</p>	<p>Performance reports are received by Crest on a weekly basis and by UBS and Cofunds on a monthly basis. Matters arising from these reports are reviewed and investigated by management.</p>	<p>There were no new custodians approved in the year to 31 December 2012.</p> <p>Inspected a sample of 9 performance reports covering all sub-custodians throughout the year.</p> <p>A sample of 2 monthly board packs were reviewed for evidence that performance details and any issues arising were presented in monthly board packs.</p>	<p>No exceptions noted.</p>	<p>N/A</p>
<p>5.2 Transaction errors are rectified promptly and clients treated fairly.</p>	<p>When errors are identified, the position is corrected and error transactions moved to a TD Wealth Institutional error account. Clients are always put back in the position they would have been had the error not occurred after manager authorisation. Transaction errors and related payments are logged and escalated on a daily basis.</p>	<p>Reviewed a sample of 15 error forms to identify that issues were corrected promptly and resolved when they occurred. The form was checked to be consistent with the underlying systems reflecting the error. Adjustments to client accounts to rectify the position were reviewed to ensure that appropriate authorisation was received prior to amendment.</p> <p>For a sample of 15 days, reviewed the Critical Functions Logs to confirm that the errors log is considered on a daily basis and any issues raised</p>	<p>No exceptions noted.</p>	<p>N/A</p>

Section 8

Control Procedures and Testing Performed by Reporting Accountants

Control Objective	Control Procedures	Deloitte LLP Testing	Findings	Management Response
6. Reporting				
6.1 Client reporting in respect of client asset holdings is complete and accurate and provided within required timescales.	Statement requirements are recorded in a diary system to ensure that they are distributed on a timely basis in accordance with customers' service level agreements. Statements are system generated and where requested by the broker-client validated by them prior to issue to clients. Progress against these reporting requirements is monitored by management.	For a sample of 3 client statements (2 monthly and 1 quarterly), tested that the report was dated and sent out in line with the relevant timescales. Key portfolio and pricing information in the statement was agreed to be consistent with underlying records. Where required, checked that the broker-client signoff had been obtained before issuance.	No exceptions noted.	N/A
6.2 Compensation payments are authorised, calculated and reviewed by management.	All compensation payments require sign-off by an authorised person prior to them being recorded and paid. The frequency and cost of compensatory amounts is communicated to senior management meetings on a monthly basis.	For a sample of compensation payments made during the year, inspected the formal sign off against the approved authorisation limits. Reviewed the papers for a sample of 2 monthly senior management meetings for evidence that compensation payments were appropriately considered.	No exceptions noted.	N/A
7. Restricting access to systems and data				
7.1. Physical access to computer networks, equipment, storage media and program documentation is restricted to authorised individuals.	All network servers are stored in a physically secure location monitored by CCTV and for which access is only granted to authorised individuals.	Inspection of data centre. Observed that all in-scope AAF servers are located in the server room. Inspected system-generated list of personnel with server room access. Confirmed that personnel were appropriate. Inspected Third Party access to Secure Areas form.	No exceptions noted.	N/A

Section 8

Control Procedures and Testing Performed by Reporting Accountants

Control Objective	Control Procedures	Deloitte LLP Testing	Findings	Management Response
<p>7.2 Logical access to computer systems, programs, master data, transaction data and parameters, including access by administrators to applications, databases, systems and networks, is restricted to authorised individuals via information security tools and techniques.</p>	<p>Access at the network level is restricted by firewalls to appropriate protocols. Password parameters are enforced on business critical systems. User profiles are only granted by authorised business individuals according to their requirement to access the system. Access requests are governed by an appropriate set of business procedures and are recorded. Privileged access is restricted to appropriate personnel.</p>	<p>Inspected the password settings for Figaro (iSeries), Windows and UBS. Inspected a sample of 15 user access requests for Windows, Figaro and UBS. Ensured that access had been requested by appropriate personnel, and that the required access level was provided. Inspected a sample of 15 deletion requests for Windows, Figaro and UBS. Ensured that access had been removed in a timely manner. Inspected a sample of 2 access reviews for Figaro and UBS to ensure that management are monitoring that user access remains appropriate. Inspected and verified Windows and Figaro (iSeries) privileged access users. Performed enquiries with appropriate personnel to ensure this access was appropriate. This testing was not performed for third party systems (UBS) since TD Wealth Institutional staffs do not have privileged access to these. Examination of firewall configuration. (Refer to 8.3 – test 3) Examination of Windows SekChek Report.</p>	<p>Exceptions noted. One Windows user account was not deleted until 63 days after the leaver's official termination date, and a second user that left on 23 November 2012 has retained Windows access. One Figaro user was noted to have retained JOBCTL authorities (control jobs, IPL the system, start/stop sub-systems), when these should be removed as part of a daily job.</p>	<p>TD Wealth Institutional IT Management in conjunction with HR acknowledge the exception where minor isolated issues were identified around the initiation of the leaver's process. This resulted from the re-structuring and centralisation of its HR function; however, it should be noted that in all cases the IT function can demonstrate timely response to requests to remove users. We also acknowledge that the audit showed an exception where a user's access was not removed automatically; however, it should be noted the exception applied to a profile that had already been disabled and was thus not usable. An interim review discovered that the root cause was a minor defect in the profile management software and has since been remedied</p>

Section 8

Control Procedures and Testing Performed by Reporting Accountants

Control Objective	Control Procedures	Deloitte LLP Testing	Findings	Management Response
7.3 Segregation of incompatible duties is defined, implemented and enforced by logical security controls in accordance with job roles.	<p>User roles are periodically reviewed to ensure that users have appropriate levels of access required to perform their job role.</p> <p>User roles are only granted by authorised business individuals according to their requirement to access the system. Access privileges for employees who have changed responsibilities or transferred are immediately changed to reflect their new status.</p> <p>Developer access to the live environment is only enabled on request and is authorised by appropriate personnel. Access is granted for a restricted time period.</p>	<p>Examined UBS and Figaro user roles to ensure users are only granted to users according to their requirements to access the system.</p> <p>Tested granting, changing and removing user roles. (Refer to 7.2 – tests 2 and 3).</p> <p>Inspected a sample of 2 access review reports for Figaro and UBS for evidence that the appropriateness of access is periodically reviewed.</p> <p>Inspection of an example access request for developer access to the live environment to ensure appropriately authorised.</p> <p>Inspection of automated iSeries job ensuring that developer access is disabled at the end of each day.</p>	No exceptions noted.	N/A

Control Objective	Control Procedures	Deloitte LLP Testing	Findings	Management Response
8.1 IT processing is authorised and scheduled appropriately and exceptions are identified and resolved in a timely manner.	<p>Batch jobs are scheduled using automated scheduling tools. Only appropriate users can make changes to the schedule.</p> <p>Exceptions to normal processing are alerted to IT staff by an alert management system (SPY). They are promptly resolved to provide for accurate, complete and authorised processing.</p>	<p>Examined a selection of daily and weekly automated job schedules on FIGARO.</p> <p>Reviewed all users with privileged access rights to the AS400 batch schedules (i5/OS; Task Scheduler; and Robot Scheduler). Performed enquiries of appropriate personnel to ensure that these users were appropriate.</p> <p>Examined a sample of 25 SPY alerts and their resolution (refer to 10.2 – test 6).</p>	No exceptions noted.	N/A
8. Providing integrity and resilience to the information processing environment, commensurate with the value of the information held, information processing performed and external threats				

Section 8

Control Procedures and Testing Performed by Reporting Accountants

Control Objective	Control Procedures	Deloitte LLP Testing	Findings	Management Response
8.2 Data transmissions between the service organisation and its counterparties are complete, accurate, timely and secure.	<p>All communications to counterparties are sent securely. Transfer processes are monitored and alerted through SPY and promptly resolved.</p> <p>The accurateness and completeness of transfer processes is monitored by SPY.</p>	<p>Inspected encrypted VPN tunnels for 1 client to ensure that communications to counterparties are sent securely.</p> <p>Inspected Secure Gateway Manager software for evidence that data transmission is monitored in real-time.</p> <p>Tested a sample of 25 SPY alerts and their resolution (refer to 10.2 – test 4).</p>	No exceptions noted.	N/A
8.3 Appropriate measures are implemented to counter the threat from malicious electronic attack (e.g. firewalls, anti-virus etc.).	<p>Company networks are protected by firewalls. Network penetration tests are periodically performed.</p> <p>Every user PC and fileserver is protected by a virus scanner. Email is protected from viruses and spam.</p> <p>Laptops are encrypted using disk encryption.</p>	<p>Examined Symantec antivirus console settings to ensure that virus definitions were updated frequently.</p> <p>Inspected Netscreen and Cisco websites.</p> <p>Examined firewall configuration.</p> <p>Examined Intrusion Protection System.</p> <p>Examined PGP and Bcrypt software and test of sample of laptops to confirm encryption was implemented.</p>	<p>Exceptions noted.</p> <p>The Netscreen (version 6.2.0 v5) and Cisco (version 6.2) firewalls in place are not running the latest version. Examination of Netscreen and Cisco website confirmed that the latest releases are 6.3.0 and 8.6.1 respectively.</p>	<p>TD Wealth Institutional IT Management acknowledge that this exception is an accepted position. This is due to be fully remediated in a H1 2013 project which will deliver the replacement of all LAN/WAN/FW technology in TD Wealth Institutional. A full assessment of the status of these existing firewalls has been undertaken including the patching of these devices where appropriate.</p>
8.4 The physical IT equipment is maintained in a controlled environment.	<p>The machine room has an air conditioned; power protected, environmentally – monitored machine room.</p>	<p>Inspection of environmental controls in server room.</p> <p>Examined a SPY alert monitoring environmental conditions in the server room.</p>	No exceptions noted.	N/A

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Control Procedures and Testing Performed by Reporting Accountants

Control Objective	Control Procedures	Deloitte LLP Testing	Findings	Management Response
<p>9. Maintaining and developing systems hardware and software</p> <p>9.1 Development and implementation of new systems, applications and software, and changes to existing systems, applications and software, are authorised, tested, approved and implemented.</p>	<p>Application changes are authorised by management and tested in accordance with documented test plans. Test sign-off is obtained prior to promotion to live.</p> <p>Hardware and server changes are authorised by IT staff and are tested prior to promotion to live.</p>	<p>Selected a sample of 15 Figaro changes and inspected test documentation and approval emails to ensure they had been tested and authorised by appropriate personnel.</p> <p>Inspected all Figaro test environments.</p> <p>Selected a sample of 2 projects and inspected project documentation to ensure they had been tested and authorised by appropriate personnel.</p> <p>Enquired with appropriate personnel regarding the processes in place to receive notifications regarding changes made to third party systems.</p> <p>Examined 1 example of an iSeries PTF (program temporary fix) to ensure patches have been applied to the test environment before promotion to live.</p> <p>Selected a sample of 15 infrastructure changes and inspected test documentation and approval forms to ensure they had been tested and authorised by appropriate personnel.</p> <p>Tested all Windows servers to ensure that patches have been updated in a timely manner.</p>	<p>Exceptions noted.</p> <p>21 of 35 Windows servers have greater than 30 outstanding patches that have not been applied.</p> <p>Five clustered Windows servers are used as Host Integration Servers (HIS) to run live traffic going to the iSeries boxes. These servers have not been patched during the period.</p>	<p>TD Wealth Institutional IT Management acknowledge this exception. The issue was self-identified and has been closely monitored by Senior Management. Significant work has been performed to remediate this however resolution was not scheduled to be completed by the time that the audit fieldwork was completed. TD Wealth Institutional Information Security team had taken interim steps to ensure that any critical patches were known and actioned as appropriate.</p> <p>New Hardware and Software are already in place and full resolution of this issue is planned for completion by April 2013.</p> <p>This exception had been self-identified and mitigation is already underway, this is an accepted position due to these servers being actively phased out. All but 4 business partners have been removed from these servers with remaining partners already testing the replacement solution and moving to the replacement solution in Q1 of 2013.</p>

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Control Procedures and Testing Performed by Reporting Accountants

Control Objective	Control Procedures	Deloitte LLP Testing	Findings	Management Response
9.2 Data migration or modification is authorised, tested and, once performed, reconciled back to the source data.	<p>Data migration and modification is authorised by the relevant party. Tests are performed prior to migration in a separate test environment.</p> <p>Once the migration has taken place, the data is reconciled from the old to the new data structure.</p>	<p>Inspected project documentation to ensure that the introduction of a new Model B Client (Rossie House), which outsources all operational responsibility to TD Wealth Institutional, had been tested and authorised by appropriate personnel.</p> <p>Inspected an example of a data transaction log to ensure that all data migration that has occurred so far in the project has been correctly reconciled.</p>	No exceptions noted.	N/A
10. Recovering from processing interruptions				
10.1 Data and systems are backed up regularly, retained offsite and regularly tested for recoverability.	<p>Data and systems are backed up daily to media.</p> <p>Backup tapes are encrypted and are securely stored offsite.</p> <p>Backups are periodically tested for recoverability.</p>	<p>Examined all iSeries and Windows backup schedules.</p> <p>Examined SPY monitoring tool to confirm that backups were monitored (refer to 10.2 – test 6).</p> <p>Inspected backup encryption software.</p> <p>Observed backup monitoring.</p> <p>Observed Paragona3 software to ensure backup tapes are encrypted.</p> <p>Observed replication software to ensure the live iSeries is replicated to the DR site in real time.</p> <p>Observed evidence of backup tests and restores.</p>	No exceptions noted.	N/A

Section 8

Control Procedures and Testing Performed by Reporting Accountants

Control Objective	Control Procedures	Deloitte LLP Testing	Findings	Management Response
10.2 IT hardware and software issues are monitored and resolved in a timely manner.	<p>Exceptions to normal processing are alerted to IT staff by SPY. They are promptly resolved to provide for accurate, complete and authorised processing.</p> <p>A help desk function is in place to act on user queries regarding systems. Problems are recorded in a centralized problem log. Help desk personnel monitor the log to ensure a timely resolution of all such user queries.</p>	<p>Inspected a sample of 25 SPY tasks and confirmed timely resolution.</p> <p>Inspected 2 monthly OPRA reports and 5 weekly IT360 reports to ensure that management are informed of persistent issues.</p> <p>Observed SPY, OPRA and IT360 tools.</p> <p>Inspected a sample of 35 OPRA helpdesk calls and 15 IT360 calls to confirm timely resolution.</p>	<p>No exceptions noted.</p>	<p>N/A</p>
10.3 Business and information systems recovery plans are documented, approved, tested and maintained.	<p>A company-wide business continuity plan has been prepared. The plan is tested every two years.</p>	<p>Inspected business continuity plans on the BCP/DR Gateway.</p> <p>Inspected test status on the BCP/DR Gateway.</p>	<p>No exceptions noted.</p> <p>(Note: A DR Invocation occurred on 19 August 2012 following the August maintenance weekend owing to significant hardware failure on iSeries memory. iSeries data was confirmed to have replicated successfully; however, partners were unable to access front office and back office on the DR iSeries. In addition, partner websites and RSP access was unavailable due to connectivity issues between the partners and the TD Wealth Institutional network. The issue was successfully resolved following the installation of the new memory on the evening of 20 August 2012.)</p>	<p>TD Wealth Institutional IT Management acknowledge that a hardware failure can occur and significant investment is in place to monitor and manage this. On 19th August a significant incident occurred. In response to this TD Wealth Institutional have performed exhaustive investigations and held discussions with affected Partners. TD Bank has successfully challenged IBM's policy for storage of replacement parts in the UK, IBM have acknowledged this and changed their processes accordingly. The Root Cause of the communications fault has also been identified and eliminated. In line with TD best practice lessons learned meetings have also taken place and several processes at TD Wealth Institutional have been updated. Several DR tests with Partners have been held since this event to prove beyond doubt that the ability to fully and promptly recover the full IT estate is in place.</p>

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Control Procedures and Testing Performed by Reporting Accountants

Control Objective	Control Procedures	Deloitte LLP Testing	Findings	Management Response
11. Monitoring Compliance 11.1 Outsourced activities are properly managed and monitored.	SLAs are monitored to ensure compliance.	<p>Inspected a sample of 2 Cofunds IBASS reports to ensure management monitoring of SLAs.</p> <p>Inspected a sample of 2 JHC service review meeting minutes.</p> <p>Inspected UBS formal review meeting minutes and Client Satisfaction Survey scorecards for 1 of the bi-annual meetings.</p> <p>Inspected a sample of 2 CREST performance statistics.</p>	No exceptions noted.	N/A

Appendix 1 Reporting Accountants' Engagement Letter



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4 December 2012

Dear Sirs

Assurance report on internal controls of service organisations made available to third parties under AAF 01/06

Following your request that we ("Deloitte" or "us") report on your report on the control policies and procedures employed by TDWCS LLP in providing outsourced clearing and settlement services to third parties in the United Kingdom for the period 1 January 2012 to 31 December 2012, we are writing to set out our respective responsibilities, the work to be performed and the terms and conditions upon which we offer to perform such work.

Responsibilities of Members

The Members of TDWCS LLP in relation to which the reporting accountants' assurance report is to be provided ("the Organisation") are and shall be responsible for the design, implementation and operation of control procedures that provide adequate level of control over or protection for customers' assets and related transactions. The Members' responsibilities are and shall include:

- acceptance of responsibility for internal controls;
- evaluation of the effectiveness of the service organisation's control procedures using suitable criteria;
- supporting their evaluation with sufficient evidence, including documentation; and
- providing a written report ("Members' Report") of the effectiveness of the service organisation's internal controls for the relevant financial period.

In drafting this report the Members have regard to, as a minimum, the criteria specified within the Technical Release AAF 01/06 issued by the Institute of Chartered Accountants in England and Wales ("the Institute") but they may add to these to the extent that this is considered appropriate in order to meet customer's expectations.

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number 04202571 and its registered office is at 27th Floor, Leadenhall, London EC3A 2PL, United Kingdom.

Deloitte LLP is the United Kingdom member firm of Deloitte Touche Tohmatsu Limited ("DTTL"), a UK private company limited by guarantee. Other member firms are locally owned and incorporated entities. Please refer to our website for a detailed description of the legal structure of DTTL and its member firms.

Member of Deloitte Touche Tohmatsu Limited



Appendix 1

Reporting Accountants' Engagement Letter



Responsibilities of reporting accountants

It is our responsibility to form an independent conclusion, based on the work carried out in relation to the control procedures of the Organisation's outsourced third party clearing and settlement services carried out as described in the Members' report and report this to the Members.

Scope of the reporting accountants' work

We conduct our work in accordance with the procedures set out in AAF 01/06, issued by the Institute of Chartered Accountants in England and Wales (the "Institute"). Our work will include enquiries of management, together with tests of certain specific control procedures which will be set out in an appendix to our report.

In reaching our conclusion, the criteria against which the control procedures are to be evaluated are the internal control objectives developed for service organisations as set out within the AAF 01/06 issued by the Institute.

Any work already performed in connection with this engagement before the date of this letter will also be governed by the terms and conditions of this letter.

We may seek written representations from the Members in relation to matters on which independent corroboration is not available. We shall seek confirmation from the Members that any significant matters of which we should be aware have been brought to our attention.

Inherent limitations

The Members acknowledge that control procedures designed to address specified control objectives are subject to inherent limitations and, accordingly, errors or irregularities may occur and not be detected. Such procedures cannot guarantee protection against fraudulent collusion especially on the part of those holding positions of authority or trust. Furthermore, the opinion set out in our report will be based on historical information and the projection of any information or conclusions in our report to any future periods will be inappropriate.

Use of our report

Our report will, subject to the permitted disclosures set out in this letter, be made solely for the use of the Members of the Organisation, and solely for the purpose of reporting on the internal controls of the Organisation, in accordance with these terms of our engagement.

Our work will be undertaken so that we might report to the Members those matters that we have agreed to state to them in our report and for no other purpose.

Our report may be disclosed to Clients of your Organisation but we accept no responsibility towards such persons other than that in the situation described below.

Our report will be issued on the basis that it must not be recited or referred to or disclosed, in whole or in part, in any other document or to any other party, without our express prior written permission.

Appendix 1

Reporting Accountants' Engagement Letter



We permit the disclosure of our report, in full only, to existing and prospective clients of the Organisation ("the Clients") and to the auditors of the Client to enable clients and their auditors to verify that a report by reporting accountants has been commissioned by the Members and issued in connection with the internal controls of the Organisation without assuming or accepting any responsibility or liability to them on our part other than in the situation described below.

To the fullest extent permitted by law, we will not accept or assume responsibility to anyone other than the Members as a body, the Organisation and any Client to whom the extension set out below applies, for our work, for our report or for the conclusions we will have formed.

Extension of responsibility

We are however prepared to extend our assumption of responsibility to those Clients who request in writing to be bound by the relevant terms of this engagement letter as if they had signed this letter when it was originally issued including the provisions limiting liability in this letter. This will be subject to that client accepting the terms of our engagement letter and meeting our client acceptance criteria. The duty of care letter has been attached in Appendix 1. You acknowledge and agree that in the event such a letter is entered into then, unless otherwise agreed to in writing, the Client in question shall be bound by the terms of this engagement letter including those paragraphs relating to limitation of liability. In light of the administrative burden in requiring existing Clients to enter into a duty of care letter prior to them being provided with a copy of our report, we consent to the release of our report to existing Clients without a duty of care letter, on the basis that they are invited to enter into a duty of care letter, and that we do not assume or accept any responsibility or liability to them unless they enter into a duty of care letter.

Management representations

We may seek written representations from management in relation to matters for which independent corroboration is not available. We will also seek confirmation from you that any significant matters of which we should be aware have been brought to our attention.

Limitations of work

The Members acknowledge that control procedures designed to address specified control objectives are subject to inherent limitations and, accordingly, errors or irregularities may occur and not be detected. Such procedures cannot guarantee protection against fraudulent collusion especially on the part of those holding positions of authority or trust. Furthermore, our opinion will be based on historical information and the projection of any financial information or conclusions, contained in our opinion or the attached report, to any future periods is subject to the risk that changes in procedures or circumstances may alter their validity.

Terms of Business

Our standard terms of business are attached as an Appendix to this letter.

Appendix 1 Reporting Accountants' Engagement Letter

Deloitte.

Acknowledgement and Acceptance of terms

We shall be obliged if you will acknowledge receipt and your acceptance of the terms of this letter by signing and returning a copy of this letter.

Yours faithfully

Deloitte LLP

Deloitte LLP

Accepted on behalf of the Members of TDWCS LLP

Signed: _____

Name, Director: JM ROBINSON

Date: 19/12/2012

