

Scheme Particulars

The Affirmative Deposit Fund for Charities

A common deposit fund

The Affirmative Deposit Fund for Charities

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1 Definitions

'ADF Online' – the system whereby Depositing Charities are granted access to their accounts with the Fund via the internet;

'average maturity date' - means the average period to maturity of the investments in the portfolio (or in the case of floating rate securities the date of the next payment of interest).

'BACS' – Bank Automated Clearing Services

'Church or Churches' - means a church or churches whose object(s) is the advancement of religion and which is a charity within the meaning of section 96(1) of the Charities Act 1993 (which may be registered with the Commissioners as charities or exempt or excepted from the obligation to register).

'the Commissioners' – the Charity Commissioners for England and Wales

'Depositing Charities' – charities depositing money in the Fund

'the Fund' – the Affirmative Deposit Fund for Charities constituted by the Scheme

'FSA' – the Financial Services Authority whose address is set out in the Schedule to these Particulars

'the Manager' – Epworth Investment Management Limited (incorporated in England & Wales under no 3052894) whose address is set out in the Schedule to these Particulars

'the Scheme' – the scheme of the Charity Commissioners for England and Wales dated 14 August 2006 establishing the Fund

'the Trustee' – HSBC Bank plc whose address is set out in the Schedule to these Particulars

2 Constitution of the Fund

- 2.1 The Affirmative Deposit Fund for Charities ("the Fund") is a Common Deposit Fund established by the Scheme. It has been established under section 25 of the Charities Act 1993 by the Commissioners with HSBC Bank plc as the Trustee and Epworth Investment Management Limited as the Manager. The Fund is a registered charity (with No 1115887). The Fund is administered for the benefit of Depositing Charities.
- 2.2 Pursuant to clause 36 of the Scheme, these Scheme Particulars have been approved by the Commissioners on 14 August 2006 and adopted by the Manager on 31 August 2006 and are now issued by the Manager.
- 2.3 Where the Scheme and these Scheme Particulars are in conflict, the provisions of the Scheme shall prevail.
- 2.4 Under section 25(2) of the Charities Act 1993, except where this is expressly excluded by the trusts of a charity, the powers of investment of every charity established in England and Wales include the power to deposit in common deposit funds.

3 Trustee

- 3.1 The Trustee (HSBC Bank plc) is appointed by the Scheme as the first Trustee. The address of the Trustee (which is also its registered office) is set out in the Schedule. The Trustee is regulated by the FSA and is authorised to carry on investment business in the United Kingdom by virtue of such regulation.
- 3.2 The Trustee shall be responsible for those aspects of the administration and management of the Fund and its property that are specified in clause 7 of the Scheme. In particular, the Trustee will monitor and supervise the Manager on a continuing basis to ensure the Manager complies with the Scheme and the Scheme Particulars. To the extent of those duties and powers, the Trustee is a charity trustee of the Fund within the meaning of the Charities Act 1993.

4 Manager

- 4.1 The Manager (Epworth Investment Management Limited) is appointed by the Scheme as the first Manager. The Manager is a specialist investment and cash manager for Churches and other charities and is regulated by the FSA. The Manager is authorised to carry on investment business in the United Kingdom by virtue of such regulation.
- 4.2 The Manager shall be responsible for those aspects of the administration and management of the Fund and its property that are specified in clause 17 of the Scheme. To the extent of those duties and powers, the Manager is a charity trustee of the Fund within the meaning of the Charities Act 1993.

The following is a summary of those duties:-

- (a) to decide which deposits are to be accepted, and give instructions to the Trustee as to their receipt and repayment and interest to be paid;
- (b) to manage the investments of the Fund, to calculate the interest due to Depositing Charities and ensure the correct calculation of this;
- (c) to make and revise the written statement of investment policy and these Scheme Particulars;
- (d) to keep a record of all the Fund's transactions such records to be available for inspection by the Trustee at all times;
- (e) to prepare a report and accounts for the Fund in respect of each accounting period as required by the Scheme and to appoint the Fund's auditors;
- (f) generally to manage and administer the Fund, except those aspects of this which the Scheme require to be done by the Trustee.

5 Investment Objective, Powers and Policy

- 5.1 A policy statement has been prepared by the Manager, set out in 5.2 and 5.3 below, containing the Investment Objective and Policy of the Fund. Money received from Depositing Charities is pooled and is invested in accordance with the investment policy.
- 5.2 The Fund's Investment Objective is to achieve, mainly through a portfolio of bank deposits and with minimal risk of capital loss, the higher rates of interest usually available in the London Money Market, whilst maintaining the ability of Depositing Charities to make withdrawals at short notice.
- 5.3 The Fund's Investment Policy is to invest money with banks and other institutions which meet rigorous criteria based on independent credit ratings and total asset size, with a maximum average maturity date for the investments of no more than 150 days.
- 5.4 Risk is minimised by limiting the proportion of the Fund deposited with any single bank or other institution and is also minimised through diversification by lending to banks and institutions in a number of different banking groups.
- 5.5 The Fund will not invest more than 20% of its assets with any bank or banking group with a credit rating of Aaa, and will set lower levels of investment for lesser credit rating banks. There is no restriction on the amount that may be deposited with Her Majesty's Government.
- 5.6 The Fund's benchmark, before expenses, will be the 7-day London Interbank Bid Rate (LIBID) as measured by the British Bankers Association.
- 5.7 The Scheme permits the property of the Fund to be invested in sterling denominated deposits (including sterling negotiable certificates of deposit), Treasury Bills and other UK Government guaranteed securities and Floating Rate Bonds. The Fund must maintain at least 10% of its assets in investments realisable within 5 business days and the remainder repayable within a period not exceeding two years (except floating rate securities). The average maturity date of the investments of the Fund will not exceed 150 days.
- 5.8 The Manager will publish details of its latest risk management, diversification and lending criteria on its website at www.epworthinvestment.co.uk.

6 Custody or Holding of Deposits

- 6.1 All investments of the Fund will be in the name of either the Fund, the Trustee or such other institutions, (for example, a nominee or custodian bank), as the Trustee shall nominate. Income from investments will be paid direct to the bank account of the Fund. Any certificates representing investments of the Fund will be held by the Trustee or an institution nominated by it.
- 6.2 The Custodian Trustee appointed will be HSBC Bank plc Institutional Fund Services whose address is set out in the Schedule. The Manager is not permitted to undertake the functions of a custodian or custodial delegate.

7 Depositing Charity's Status and Money Laundering Requirements

- 7.1 Any Church or other charitable organisation established in Great Britain and/or Northern Ireland may deposit its money with the Fund, unless precluded by a specific provision in its governing instrument.
- 7.2 A Depositing Charity proposing to invest in the Fund will be asked to sign a declaration of eligibility to deposit money in the Fund, which will be included in an Account Opening Form for the deposit. The declaration will say that the Depositing Charity is a charity within the meaning of section 96 of the Charities Act 1993 (which includes Churches as defined above) and will also contain an undertaking to withdraw the deposit if the organisation ceases to be charitable, together with an authority to close the Account in such an event. The Manager will require evidence of the Depositing Charity's status as a charity, whether by the supply of its registration number with the Commissioners, its exemption reference number issued by the Inland Revenue or in such other way as shall be reasonably required.
- 7.3 Following the implementation of The Criminal Justice Act 1993 and the Money Laundering Regulations 2003, the Manager is required to maintain procedures to combat money laundering. Amongst other things, this means that in certain circumstances persons acting on behalf of the Depositing Charity may be required to provide proof of identity.
- 7.4 The Manager reserves the right to seek such information in relation to any deposit as it may consider appropriate, before accepting it and the Trustee and the Manager reserve the right to decline any application for deposit or to return the deposit in its complete discretion.
- 7.5 The Trustee may at any time or from time to time call upon any Depositing Charity by notice in writing to establish to its satisfaction that the Depositing Charity is a charity. In the event of evidence not being so furnished within a reasonable time (not being more than fourteen days after the service of the notice) so as to establish to the satisfaction of the Trustee that the Depositing Charity in question is a charity, the Trustee shall close the Deposit Account and return any monies due.

8 Deposits

8.1 Deposits shall be made:-

(a) either by cheque drawn on a United Kingdom Bank or Building Society payable to The Affirmative Deposit Fund for Charities;

or

(b) by CHAPS or other direct transfer to the account of the Fund at HSBC Bank plc [address and account details] ("the Fund's Bank").

8.2 Deposits by CHAPS or other direct transfer will only be accepted for same day value if the Manager is notified before 9:30am on a business day that the money is to be expected and it arrives at the Fund's Bank before midday.

8.3 No minimum sum is required to open an account, nor is there a maximum amount for a deposit.

8.4 The Manager is entitled to assume that the persons signing the Account Opening Form as trustees or officials of the Church or charity organisation concerned, are duly authorised to open an account in the Church/charitable organisation's name and to transfer money to that account.

8.5 The Manager and the Trustee reserve the right to decline any application to open an account or to close the same, without giving any reason.

8.6 Having been appointed Registrar of the Fund by the Trustee, the Manager will hold a record of the accounts of all Depositing Charities, with details of the amounts deposited and the dates the deposits were made, the dates and amounts of interest credited and withdrawals.

8.7 Term deposits may be accepted by arrangement with the Manager.

8.8 Term deposits will normally be informally matched against specific deposits in the money market ("the matching exercise"). The matching exercise does not give the depositor any additional security or any additional rights over any other deposit in the Fund.

8.9 The Manager does not intend to create legally separate pools of assets for Depositing Charities that are making deposits of large amounts of money or for longer fixed durations. Any purported "segregation" will be for the purposes of the Fund's internal administration and the calculation of interest rates only, and is not intended to create a segregated trust.

9 The Authorised Signatories and Correspondent

9.1 The Account Opening Form will require one or more authorised signatories to be nominated, and contains an acknowledgement that the Manager may act on the instructions of the authorised signatory or signatories.

9.2 A Depositing Charity will be required also to notify the Manager of the name and address of its correspondent (who may be an authorised signatory).

9.3 A Depositing Charity should notify the Manager of any change in the authorised signatories or correspondent in writing and the Trustee and the Manager shall not be liable for any loss arising where they have acted on the instructions of the authorised signatories for the time being properly notified to the Manager.

9.4 Any notice or other document required to be served upon a Depositing Charity shall be deemed to have been duly given if sent by post to or left at the address of its correspondent appearing on the Register of Deposit Accounts. Any notice or document so served by post shall be deemed to have been received two days after that on which it was posted and in proving such service, it shall be sufficient to prove that envelope or wrapper containing such notice or document was properly addressed, stamped or posted.

10 Withdrawals

- 10.1 Except for term deposits, Depositing Charities may make withdrawals of any amount standing to their credit with the Fund (subject to 10.6 below) from the Fund without penalty or notice.
- 10.2 Withdrawal requests should be in writing on the form obtainable from the Manager and signed by the authorised signatories for the account.
- 10.3 Withdrawal requests received by the Manager by 9:30am will be processed on the day of receipt, otherwise they will be processed on the next business day.
- 10.4 Payment will be made to the Depositing Charity's nominated bank account by BACS.
- 10.5 The Manager may, on request, arrange for withdrawals to be sent by CHAPS (subject to reimbursement of the cost by the Depositing Charity).
- 10.6 The Manager reserves the right to require 7 days notice of withdrawals in exceptional circumstances.

11 Interest and Statements

- 11.1 The interest distribution rate on an account is declared daily by the Manager and takes account of the management charges. Interest is applied retrospectively to the daily balance of each account from the day the deposit is made up to (but excluding) the day of withdrawal. On the last day of each calendar month, interest is credited to the Depositing Charity's account.
- 11.2 The daily and average monthly interest distribution rates are published on the internet at the following address:
www.epworthinvestment.co.uk
- 11.3 Statements of each Depositing Charity's account will be sent to the correspondent quarterly, or in the event that a Depositing Charity has elected to have access to its account via the internet through ADF Online, six monthly. Statements of account may be sent at such more frequent intervals as may be agreed between the Depositing Charity and the Manager.
- 11.4 The Manager will send confirmation of the first deposit made by a Depositing Charity within two days of receipt of this, but will not provide written confirmation of further deposits or withdrawals, except on statements referred to in paragraph 11.3.
- 11.5 The Manager shall at any reasonable time upon reasonable request notify to a Depositing Charity the total amount outstanding to its credit and any interest accrued thereon.

12 Management Charges and other Expenses

- 12.1 The Fund pays to the Manager an annual management charge based on the valuation of the Fund at the last working day of each month. The current rate of the annual management charge of 0.20% plus VAT shall accrue daily and is payable on the last day of each month. Any increase in such rate of charge must be approved first by the Commissioners in writing.

The Manager's maximum annual management charge is 0.25% (plus VAT) of the value of the Fund.

- 12.2 The Trustee is also entitled to be paid remuneration out of the Fund and may also be paid by the Fund any reasonable expenses incurred in administering and winding-up the Fund. The fees of the Trustee of the Fund shall be based on the value of the Fund and calculated as follows:-

- up to £250 Million: 0.02% per annum

- from £250 Million to £750 Million: 0.01% per annum

Any increase in the rate of fees of the Trustee must be approved first by the Commissioners in writing. When the value of the Fund is over £750 Million, no fees will be charged by the Trustee on the excess in the Fund over this amount.

- 12.3 The Trustee may retain from the income of the Fund any reasonable costs or expenses incurred in administering or winding up the Fund or otherwise. These costs will include auditors' fees and expenses, the costs (if any) of placing deposits, brokerage, taxation and compliance with statutory regulations (including charity regulation), administration and registration expenses, costs incurred in respect of deposit holders' meetings and legal and other professional fees related to the Fund.
- 12.4 Increases in the actual or maximum charges of the Trustee and the Manager, for which the Commissioners' prior written consent is needed, shall not become effective until the Depositing Charities have had notice of them for a period of 90 days. Any proposed increase in the actual or maximum amount of the Manager's or the Trustee's fees shall be subject to:-
- (a) The Manager giving notice in writing to the Depositing Charities of its intention to increase such fees
 - (b) These Scheme particulars having been revised subject to the prior written consent of the Commissioners to reflect the proposed increase
 - (c) 90 days having elapsed since the revised Scheme Particulars became available.
- 12.5 Value Added tax or other like tax chargeable from time to time (if any) on fees of this nature may be charged in addition.
- 12.6 No charge is made on the opening of an account, nor are any bank or other charges debited directly to an account except for CHAPS fees under 10.5 above. A lower fee may be agreed where a depositor has more than £5 Million deposited in his account with the Fund.
- 12.7 Payments of fees may be charged to the income of the Fund at the Trustee's discretion.

13 Register of depositors' accounts

- 13.1 The Trustee has appointed the Manager to be the Registrar.
- 13.2 A Register of the Deposit Accounts held by Depositing Charities shall be kept by the Manager on behalf of the Fund or by or under the control of the Trustee and there shall be entered in the Register of Deposit Accounts:-
- (a) the full name of each Depositing Charity;
 - (b) the full name and address of the correspondent for the Depositing Charity for the time being;
 - (c) the full names of the authorised signatories for the Deposit Account for the time being;
 - (d) the cash balance and accrued interest (if any) held in the Deposit Account by every such Depositing Charity;
 - (e) the date and amount of deposits and withdrawals;
 - (f) the date and amount of interest credited to the Deposit Account or paid away in accordance with the instructions of the Depositing Charity.
- 13.3 Any change of name or address of any Depositing Charity or of its authorised signatories and correspondent shall forthwith be notified in writing to the Manager who, on being satisfied thereon, shall alter the Register of Deposit Accounts accordingly.
- 13.4 The full name of each Depositing Charity and the full name and address of its correspondent in the Register of Deposit Accounts shall be provided by the Manager on request to the correspondent of any other Depositing Charity. By signing the Account Opening Form the Depositing Charity and its correspondent agree to such information being made available accordingly. No other information shall be available.
- 13.5 The Register of Deposit Accounts may be kept either in written form or by such other means (including electronic recording) as the Trustee may from time to time determine.

14 Accounts and Meetings of the Fund

- 14.1 Accounts are prepared half-yearly as at 30th April and 31st October in each year, and audited annually as at 31st October. The first accounting period will cover the period from 1st November 2006 to 31st October 2007. Copies are sent to all Depositing Charities.
- 14.2 The Depositing Charities shall be invited to an Annual Meeting of the Fund at which time the Trustee and the Manager shall present a report on the activities of the Fund during the previous 12 months.

15 Risk Warning and Temporary Suspension of Deposit Accounts

- 15.1 The Trustee and the Manager undertake to use due skill, care and diligence in carrying out their respective duties under the Scheme or as imposed by law. Whilst the Trustee and the Manager will comply with this undertaking in relation to the investment of the Fund, they cannot give guarantees regarding the repayments of deposits.
- 15.2 In the event of any temporary suspension of withdrawals being necessary, the Trustee and the Commissioners shall be informed in writing as soon as possible.
- 15.3 If a bank or other institution in which the Fund is invested fails, leading to a shortfall (or possible shortfall) in part or in whole of one or more of the investments of the Fund, the Trustee may in order to enable the Fund to continue to operate in the best interests of the Depositing Charities take the following action. The Trustee shall notify each Depositing Charity affected of their decision to allocate a proportionate share of the shortfall relative to the balance in each deposit account and to transfer it to a separate deposit account in the name of each Depositing Charity. (It should be noted that by investing in the Fund, a Depositing Charity changes the risk profile of its bank deposits, from a risk that is with a single bank or institution to a spread risk). Such separate deposit account may be frozen for a temporary period until the shortfall, if any, is ascertained but not exceeding 12 months in any event.
- 15.4 The power set out in 15.3 shall not prejudice the rights of Depositing Charities to pass an Extraordinary Resolution requiring the Trustee to wind up the Fund.
- 15.5 The monthly interest distribution rate on an account will fluctuate and past performance is no guarantee of future returns.
- 15.6 The Fund is exempt from the Financial Services and Markets Act 2000 and depositors are not eligible for the Statutory Investors Compensation Scheme or the services of the Financial Services Ombudsman. The Manager is however duly authorised under the Financial Services and Markets Act 2000.

16 Taxation

As a charity, the Fund is not liable to tax on its income under current legislation and may distribute income to Depositing Charities without deducting tax. This tax position may change.

17 Acceptance of Terms and Conditions

By completing the Application Form for deposit, the Depositing Charity acknowledges and accepts these terms and conditions and the provisions of the Scheme. Further copies of these Scheme Particulars will be provided on request to Depositing Charities.

18 Complaints

Complaints should be addressed at the first instance to the Compliance Officer of the Manager at 9 Bonhill Street, London EC2A 4PE who will endeavour to ensure that the complaint is investigated thoroughly and as soon as reasonably practical.

19 Conflict of Interest

The Manager offers investment advice services to other organisations. It may recommend investment in the Fund to its charitable clients. It shall be entitled to retain its proper fees received from its clients for such services.

20 Names, Addresses and Contacts

The names and addresses of the Trustee, the Manager, the Auditors, FSA and the principal Custodian are set out overleaf in the Schedule.

21 Amendment, Winding up and Applicable Law

- 21.1 With certain exceptions where the prior written consent of the Commissioners is required, the Manager may amend these Scheme Particulars at any time. Amendments will be notified in writing to the Depositing Charities.
- 21.2 The Trustee has the power under the Scheme to wind up the Fund at any time.
- 21.3 These Scheme Particulars are governed by and construed in accordance with English law and in the event of a conflict between these Scheme Particulars and such law, the latter shall prevail.

22 Information

- 22.1 For further information on the terms on which deposits are made with the Fund, reference should be made to the Scheme.
- 22.2 The Scheme Particulars shall be provided to Depositing Charities prior to the submission of the Application Form for deposit.
- 22.3 The Manager will provide to a Depositing Charity (if it has not already been provided), upon the submission of the Application Form for investment copies of:-
 - (a) the Scheme
 - (b) the Scheme Particulars
 - (c) the current Investment Policy referred to in paragraph 5 above.
- 22.4 The Manager will send to Depositing Charities:-
 - (a) a further copy of the Scheme on request;
 - (b) the Annual Accounts of the Fund as provided in paragraph 14 above as soon as reasonably practical following their preparation; and
 - (c) as soon as reasonably practical following any such change being made, any variation to the Scheme or these Scheme Particulars.

Schedule**Corporate Trustee**

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