

Contents

2 HIGH-LEVEL PRINCIPLES.....	2
2.1 Introduction.....	2
2.2 Treating Customers Fairly.....	2
2.3 Conduct Risk.....	3

2 HIGH-LEVEL PRINCIPLES

2.1 Introduction

The FCA operates an **outcomes-focused approach** to regulation, where it measures defined outcomes and acts on the results with relevant firms where results indicate intervention is needed. Outcomes-focused regulation means, amongst other things, looking at what firms must achieve by way of outcomes for the benefit of clients but also the public interest.

This Manual reflects the FCA's approach of focusing on, and taking quick action to achieve, the best outcomes for clients as well as the Firm's approach to compliance with the detailed rules in the FCA's Handbook.

It is the responsibility of all partners, staff members and ARs to be familiar with the FCA Principles for Businesses (see section 1.3). **The Principles are to be adhered to at all times by all partners, staff members and ARs, both in letter and in spirit.** This imposes an additional responsibility beyond the requirement to comply with the procedures set out in this Manual. It will never be adequate to defend conduct that fails to conform to the Principles simply by maintaining that that conduct satisfied the prescribed procedures; compliance with both at all times is mandatory.

It is the Firm's policy that whereas the Principles for Businesses are expressed as obligations on the Firm itself, these are also to be treated as directly applicable to all ARs of the Firm and all individuals within the Firm and an AR. Not all of the Principles will be equally relevant to each individual (e.g. many in the Firm will have nothing to do with the maintenance of the Firm's financial resources – Principle 4), but the Principles are to be interpreted broadly and, where in any doubt, regarded as applicable. Some of the Principles are directly relevant to all (e.g. conducting the Firm's business with integrity) and must be borne in mind at all times. Staff members must report to the Compliance Officer if:

- They know or suspect that they have or anyone else in the Firm or an AR has breached any of the Principles.
- They consider that any of the Firm's procedures is inconsistent with the Principles.
- They are asked, directly or indirectly, to act in a way that they consider breaches any Principle.

Breaches of the Principles can lead to disciplinary action by the FCA against the Firm and damage to the Firm's reputation. Every individual is responsible for taking all reasonable steps to prevent any of these situations arising by strict adherence to the Principles at all times. Failure to do so will be treated as a breach of contract and may lead to dismissal, AR termination and/or withdrawal of FCA approval.

2.2 Treating Customers Fairly

The Firm and its ARs are obliged to treat all customers/clients fairly (Principle 6). It is the responsibility of the Firm's/AR's senior management to ensure that this is being done. Senior management must ensure that a Treating Customers Fairly (TCF) culture is implemented and embedded throughout the Firm and its ARs. The Firm acknowledges that it is the responsibility of everyone in the Firm and within its ARs to deliver TCF.

The Firm has its own policy in regard to TCF. This policy can be found at Appendix G. However, it also expects all ARs to either adopt this policy and/or implement their own similar policy.

2.3 Conduct Risk

The Firm considers conduct risk both for itself and its ARs on an ongoing basis as part of its corporate governance and AR supervision structure and as part of its annual AR monitoring programme. Conduct risk is not defined by the FCA but is described as ‘what good looks like’. Conduct risk can also be considered to relate to behaviours and events which could occur and could lead to poor or negative regulatory outcomes for clients.

The Firm’s definition of conduct risk can include but is not exclusive to:

- The risk that the Firm does not recognise, manage or mitigate any potential conflict of interest which could occur in relation to the AR hosting model and does not align its primary obligations to the underlying clients or investors of the ARs, rather than the ARs themselves.
- The risk of ARs not understanding their responsibilities under, and the regulatory limitations relating to, the AR–principal arrangement, as detailed in the AR agreement and initial training material.
- The risk that the senior management of the ARs are not fit and proper – see FIT criteria.
- The risk that the Firm’s oversight processes, both internal and those for its ARs, are ineffective.

More granular risks that underpin the Firm’s definition include: non-competent staff or failure of staff to maintain their competence and capability; lack of documented and effective procedures, systems and controls; and staff acting without appropriate permissions/authorisation or outwith internally agreed authorities. It could also relate to ineffective business models and inappropriate firm culture.

To identify, manage and minimise these risks where possible, and address these issues, there is an appropriate Firm corporate governance framework including:

- Regular (monthly to 6-weekly), documented Firm management meetings, which all internal members attend and which are recorded/minuted.
- A Primary Contact structure so that each AR has an allocated member of the compliance team to act as a central point of contact for defined compliance oversight responsibilities.
- A documented AR onboarding and due diligence process which includes a risk assessed questionnaire to be completed prior to review and a decision being taken to onboard an AR.
- A documented AR monitoring process including at least annual risk-based formal reviews including financial assessment of the AR and F&P checks (i.e. honesty, competence and financial soundness) on AR Approved Persons.
- A structured and risk-assessed monthly AR reporting process, based on quantifiable KPIs on which all ARs are assessed and a consolidated report produced.
- Quarterly feedback to ARs on the above monthly reporting process and KPIs.
- A documented escalation process highlighting steps that may be taken to manage any non-compliance of the ARs with the Firm’s overall oversight and contractual arrangements.
- Appropriate due diligence and staff competence assessments prior to approval.
- Documented procedures, including ‘know your client’ and client categorisation procedures.
- Initial and ongoing compliance training, and regular guidance and information on regulatory trends and developments issued to ARs and staff.
- A transparent complaints process.
- Control over financial promotions and relevant initial and ongoing training.
- Operational controls and clear restrictions over investment management activities.