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8b CONDUCT OF BUSINESS (COBS) – MANAGEMENT

This chapter covers investment management COBS issues for the Firm only.

IMPORTANT: ARs are not permitted to conduct investment management activity or act with discretion in respect of investment decisions.

8b.1 Suitability Management Decisions

[COBS 9A.2.1 R](#) requires the Firm, where it makes a decision to invest/trade, to ensure the decision made is suitable for the client's circumstances, investment objectives and attitude to investment risk.

The Firm is authorised to manage investments for Professional Clients (investment management is not Eligible Counterparty business). The client must be categorised as either a **Per Se** Professional Client or an **Elective** Professional Client in line with COBS 3.5. Where the Firm provides an investment service to a **Per Se** Professional Client it shall be entitled to assume that in relation to the products, transactions and services for which it is so classified, the client has the necessary level of experience and knowledge for the purposes of point (c) of [COBS 9A.2.4 UK](#).

These assumptions would normally be detailed in relevant agreements.

At the point a client is first taken on and its client category is determined as an **Elective** Professional Client, the client's knowledge and experience is assessed in the context of the service and/or financial instruments then contemplated. For MiFID business, as per [COBS 3.5.3 R](#) the quantitative test must also be satisfied. This status must be regularly reviewed and in particular before providing advice the Firm must ensure that the service and/or financial instrument currently being contemplated does not fall outside that originally contemplated (in relation to which the client's knowledge and experience was assessed).

If the client does not possess sufficient knowledge and experience then the Firm cannot continue to categorise that client as an **Elective** Professional Client for the new contemplated service and/or financial instrument – the Firm may continue to categorise them as **Elective** Professional Clients for the original service and/or financial instruments.

The Firm's clients include funds it manages and those funds' investors. Funds will normally qualify as **Per Se** Professional Clients. A fund's investors will need to be assessed and confirm via the Professional Client notice whether it is a **Per Se** or **Elective** Professional Client before investing.

8b.2 Best Execution

The Firm is required to provide best execution, [COBS 11.2](#). The Firm is not obliged to provide best execution when dealing with Eligible Counterparties ([COBS 1 Annex 1 Application](#)) but is obliged to when executing or transmitting orders on behalf of Professional Clients.

[COBS 11.2A.2 R](#) obliges the Firm to ensure all reasonable steps are taken to obtain, when executing orders, the best possible result, i.e. the terms are those most favourable to its client.

[COBS 11.2A.20 R](#) requires the Firm to have in place an order execution policy (OEP) that delivers terms that are most favourable to its client. The Firm's OEP is retained as a standalone policy document, separate to this Manual – Appendix E.

8b.2.1 Client Order Handling

[COBS 11.3](#) does not apply to Eligible Counterparties ([COBS 1 Annex 1 Application](#)), but it does apply to Professional Clients. Since the Firm does not always execute orders (the broker does this as the client's agent), COBS 11.3 does not apply to the Firm in these circumstances, and these obligations lie with the broker [COBS 11.3.13 G \(2\) and \(3\)](#). The Firm is obliged to ensure orders are passed to brokers promptly and accurately recorded and allocated where applicable ([COBS 11.3.2A UK](#)). Further detail on client order handling is contained within the OEP.

8b.2.2 Record-Keeping – Client Orders and Transactions

Article 74 of the MiFID Org Regulation states: An investment firm shall, in relation to every initial order received from a client and in relation to every initial decision to deal taken, immediately record and keep at the disposal of the FCA at least the details set out in Section 1 of Annex IV to the Regulation (reproduced at [COBS 11.5A.4 UK](#)) to the extent they are applicable to the order or decision to deal in question.

Article 75 of the MiFID Org Regulation states: 'An investment firm shall, immediately after receiving a client order or making a decision to deal to the extent they are applicable to the order or decision to deal in question, record and keep at the disposal of the FCA at least the details set out in Section 2 of Annex IV' (reproduced at [COBS 11.5A.5 UK](#)).

8b.3 Personal Account Dealing (PAD)

[COBS 11.7A.5 UK](#) obliges the Firm to have in place and to maintain adequate arrangements relating to personal account dealing, aimed at preventing conflicts of interest, market abuse and inappropriate disclosure of otherwise confidential information about clients by partners and other members of staff. These arrangements are captured in section 3 and 4 of this Manual and in Appendices D, F, H and J.

8b.4 Valuation of Complex Illiquid Instruments

The Firm understands that it is important that investment managers are not able to influence the valuations of any funds that they manage. Any funds are valued by a third party, i.e. the fund(s') administrators. Additionally, it is important that the activities of the administrator are aligned with those of the Firm and that both parties understand the role and importance of the other. Reconciliations between the parties are carried out regularly.

8b.5 Reporting to Clients

8b.5.1 Introduction

[COBS 16A](#) requires the Firm to provide clients with certain occasional and periodic information.

[COBS 16](#), relating to non-MiFID provisions, does not apply to Eligible Counterparties ([COBS 1 Annex 1 Application](#)).

8b.5.2 Periodic Reporting

When managing investments, clients must be provided with a periodic statement.

[COBS 16A.4](#) requires the Firm, as an investment manager (performing portfolio management), to provide periodic reports to Professional Clients. [COBS 16A.4.1 UK](#) requires the Firm to supply to its investment management clients details of executed transactions (i.e. contract notes) if the client so requests.

[COBS 16.3.10R](#) specifies that in relation to non-MiFID business the Firm does not need to provide periodic statements to a client habitually resident outside the UK if the client has so requested or the Firm has taken reasonable steps to establish that the client does not wish to receive it.

The Firm must retain a record of periodic statements for 3 years from the date of despatch.

8b.5.3 Occasional Reporting

The Firm provides investment management services only therefore the COBS rules relating to occasional reporting do not apply ([COBS 16A.3](#)).

8b.5.4 Statements of Client Financial Instruments or Client Funds

The Firm is not authorised to hold or administer client assets or money. The Firm is not, therefore, required to comply with the provisions of [COBS 16A.5](#).

8b.6 Stewardship Code

The Firm is required to disclose whether it has signed up to and follows the Stewardship Code on Corporate Governance for institutional investors or if it does not follow the Code, to explain its alternative arrangements. This information is disclosed on the Firm's website.

8b.7 Shareholder Rights Directive (SRD II)

The first SRD, SRD I, came into force in 2007 and was implemented in the UK through amendments to the Companies Act 2006. SRD II made amendments to SRD I and came into force in 2017. As before, the UK implemented relevant aspects of SRD II through amendments to the Companies Act 2006 but also through the passing of a number of new statutory instruments, such as the Shareholder Rights Directive (Asset Managers and Insurers) Instrument 2019, which amended parts of SYSC 3 and 10 and COBS 2 for relevant firms. SRD II requires asset owners (institutional investors) and asset managers to make disclosures about their long-term investment strategies, their arrangements with each other and their engagement with the companies they invest in. The rules seek to improve transparency by enhancing the flow of information across the institutional investment community, and by promoting common stewardship objectives between institutional investors and asset managers.

The Directive also recognises that certain persons (related parties) may have an influence on companies they invest in, and that the nature of transactions with related parties (RPTs) may affect shareholders' assessment of company valuation. The requirements build on the accounting framework set under International Financial Reporting Standards. SRD II requires companies with shares admitted to trading on regulated markets to disclose and have other safeguards in place for material transactions with related parties.

Some of the key SRD II requirements listed in [COBS 2.2B](#) and [DTR 7.3.8R](#) include requiring firms to:

- Publicly disclose their shareholder engagement policies, and annually publish how they have implemented such policies.
- Disclose to asset owners the manager's shareholder engagement activities.

Disclose related party transactions at the latest at the time of the transaction (For UK companies with shares admitted on a regulated market).

The transparency requirements applying to asset managers, includes MiFID investment firms, AIFMs (excluding small AIFMs), UCITS management companies, self-managed UCITS funds and FCA-regulated insurers. Whilst this may not cover the full universe of institutional investor, the SRD II changes should be considered alongside the Financial Reporting Council's revisions to its Stewardship Code.