

Contents

2 HIGH-LEVEL PRINCIPLES ..... 2

    2.1 Introduction ..... 2

    2.2 Treating Customers Fairly ..... 2

    2.3 Conduct Risk ..... 3

    2.4 Consumer Duty ..... 4

## 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 within its 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), and Principle 12 will not apply to the Firm nor its ARs because neither the Firm nor its ARs deal directly or indirectly with retail clients and are not considered to materially impact the outcomes of retail clients. However, 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 procedures of the Firm or its ARs are 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 TCF policy, which can be found at Appendix G. However, it also expects all ARs to either formally adopt and appropriately tailor this policy and/or implement their own similar policy. This is reviewed as part of routine monitoring.

---

## 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 structure including risk management framework, ongoing AR oversight process, and as part of its annual AR monitoring programme. Conduct risk is not defined by the FCA but is considered to be a business risk stemming from the potential misconduct of individuals associated with the firm leading to client detriment, poor outcomes and/or an adverse impact on market stability. Conduct risk can, therefore, be considered to relate to the acts or omissions of firms or individuals connected to the Firms and/or its ARs and is, as such, a wide-ranging topic.

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 training material.
- The risk that the senior management of the Firm and/or its 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, ineffective or inappropriate systems and controls and arrangements; 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 or 4 to 6-weekly), documented Firm management meetings, which all internal members attend and which are recorded/minuted.
- Quarterly risk management meetings of the senior management team.
- 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 before a decision is 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 (and investor) 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.

---

## 2.4 Consumer Duty

---

The Consumer Duty, which came into force on 31<sup>st</sup> July 2023 for new and existing products and services open to renewal, and is now in force for all products/services of in-scope firms, is part of the FCA's outcomes-based approach to regulation but represents a shift in how the FCA regulates the retail sector after being dissatisfied with the outcomes being generated for consumers against baseline requirements. It has been described as one of the biggest shake-ups to retail FS regulation. The Consumer Duty has taken on new significance in light of the cost of living crisis and increased vulnerability among retail investors.

The Consumer Duty introduces:

- A new Principle 12 (which replaces principles 6 and 7 for firms in scope):  
'A firm must act to deliver good outcomes for retail clients'.
- 3 cross-cutting rules to reinforce the new Principle:
  1. act in good faith towards retail customers,
  2. take reasonable steps to avoid causing foreseeable harm to retail customers, and
  3. take reasonable steps to enable and support retail customers to pursue their financial objectives, and
- 4 specific outcomes representing key elements of the firm and customer relationship:
  1. products and services,
  2. price and value,
  3. consumer understanding, and
  4. consumer support.

The Consumer Duty catches all firms in a distribution chain that can influence material aspects of the design, target market, or performance of a financial services product or service targeted at retail customers, even where those firms do not have a direct contractual relationship with, or treat as their regulatory client, the retail customer in question.

Following an internal review, it is the Firm's view that, based on its own business model and that of its ARs, the Firm and its ARs are not in scope of the Consumer Duty, as neither the firm nor its ARs target retail customers or materially impact outcomes for retail customers.

The Consumer Duty has a broad scope and grey areas will inevitably arise. Therefore, the Firm and its ARs should keep the scope of the Consumer Duty in mind when considering new products or services or new transactions with existing customers. If any potential exposure is identified, this should be reported to the Compliance Officer without delay.

The Firm and ARs should make reasonable efforts to target communications appropriately and ensure all potential clients can be categorised as a professional client under COBS 3.5 as early as possible in the client journey and certainly prior to providing any business literature. Relevant warnings should be included across all written communications and literature to ensure the intended target audience of a communication is clear to the recipient, intended or otherwise. Where there is any doubt about a potential or existing client including underlying investor, the Compliance Officer should be contacted without delay and the transaction put on hold until the Compliance Officer instructs otherwise.