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8a CONDUCT OF BUSINESS (COBS) – ADVISORY

This chapter covers COBS issues for advised and non-advised services (i.e. arranged/execution) only. This applies to all ARs regardless of whether the clients are Funds or non-Funds.

8a.1 Suitability of Investment Advice

[COBS 9A.2.1 R](#) requires the Firm and its ARs where they are providing recommendations to ensure the advice provided is suitable for the client's circumstances, investment objectives and attitude to investment risk.

The Firm and its ARs are permitted to provide investment advice to, and arrange investments for, Professional Clients (investment advice is not Eligible Counterparty business). Where the Firm/AR 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](#).

Where that investment service comprises the provision of investment advice to a **Per Se** Professional Client, the Firm/AR shall be entitled to assume for the purposes of point (b) of [COBS 9A.2.4 UK](#) that the client is able financially to bear any related investment risks consistent with the investment objectives of that client.

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.

ARs must provide a completed Elective Professional Client notice and relevant KYC documents to the Firm for review and approval prior to the AR agreeing services with the AR's new client. Only once approval from the Firm has been received can the client be sent terms and conditions for signing.

This status must be regularly reviewed and, in particular, before providing advice, the Firm/AR 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/AR cannot continue to categorise that client as an Elective Professional Client for the new contemplated service and/or financial instrument. However, the Firm/AR may continue to categorise them as Elective Professional Clients for the original service and/or financial instruments.

Where a sustainability label is being used, the advice provided must be consistent with the defined methodology used by the Manager (in this case Midmar) to determine the assets the product invests in, including the criteria applied in determining the sustainability characteristics of those assets using the relevant robust, evidenced based standard. In addition, the advice should include details of the KPIs and other metrics used to measure alignment of the proposed investment with the product's explicit sustainability objective and state clearly how the proposed investment enables the product to meet the general and specific criteria for the relevant label.

The criteria and requirements for using a label should be a fixed agenda point at both Midmar and AR IC meetings and there should be evidence of consideration of these points at such meetings. To meet these requirements, changes to investment due diligence, recommendation, and reporting processes will be needed.

8a.2 Appropriateness for Non-Advised Services

COBS 10A.2.1R requires the Firm/AR to obtain from its client, information regarding that client's knowledge and experience in the investment field relevant to the specific type of product or service offered or demanded to enable the Firm/AR to assess whether the service or product envisaged is appropriate for the client.

As set out in COBS 10A.2.4 UK, when assessing a client's knowledge and experience, the Firm/AR will ensure the information it considers from the client includes the following to the extent appropriate to the nature of the client, the nature and extent of the service to be provided and the type of product or transaction envisaged, including their complexity and the risks involved:

- The types of service, transaction and financial instrument with which the client is familiar.
- The nature, volume, and frequency of the client's transactions in financial instruments and the period over which they have been carried out.
- The level of education, and profession or relevant former profession of the client or potential client.

The Firm/AR must not discourage the provision of information by a client/potential client for the purpose of assessing their knowledge and experience.

The Firm/AR is permitted to rely on relevant information provided by its client unless it has reason to believe it is manifestly out of date, inaccurate or incomplete. The Firm/AR may also use information it already has in its possession, subject to compliance with appropriate data protection requirements.

Depending on the circumstances, the Firm/AR may be satisfied that the client's knowledge alone is sufficient for them to understand the risks involved in a product or service. Where reasonable, the Firm/AR may infer knowledge from experience.

Subject to applicable data protection rights, the Firm/AR is under no duty to communicate its assessment to the client.

If the Firm/AR assesses the client as having insufficient knowledge and experience for the product or service, it cannot provide the product or service to which the assessment relates.

As under section 8a.1 above, the Firm/AR shall be entitled to assume that a Per Se Professional Client has the necessary experience and knowledge in order to understand the risks involved in relation to those particular investment services or transactions, or types of transaction or product, for which the client is classified as a Per Se Professional Client.

8a.3 Record-Keeping

The Firm and its ARs are required to keep orderly records of its business and internal organisation, including all appropriateness/suitability assessment, services provided and transactions arranged, for at least 5 years from the date the relationship ended or the conclusion of the transaction.