



# ADMINISTRATION SERVICES

Compliance for the future of fund administration

T.BAILEY

## COLLECTIVE INVESTMENT SCHEME COMPLIANCE

Collective investment schemes in the UK are regulated by the Financial Services Authority ('FSA') and are structured in one of two legal forms. An Open Ended Investment Company ('OEIC') is legally a company, and as such it must have at least one Director. Typically, OEICs tend to have just one Director, referred to as the Authorised Corporate Director ('ACD'). The other authorised fund structure is an Authorised Unit Trust ('AUT'). An AUT is not a separate legal entity like an OEIC and has an Authorised Fund Manager ('AFM') rather than an ACD. The regulations governing OEICs and AUTs are now largely identical and an ACD and AFM are subject to the same requirements.

The ACD/ AFM must be FSA-authorized and must have the FSA permissions necessary to run the fund, as their role is to operate the fund on a day-to-day basis. The ACD/ AFM does not have to perform the investment management function itself and this is commonly outsourced for hosted funds. Similarly for hosted funds the ACD/ AFM does not tend to perform the marketing function, as this role is undertaken by the host or sponsor. Whilst some ACDs/AFMs will also outsource operational functions such as dealing, pricing and fund accounting, our administration service performs these functions under one roof – in our experience this provides our clients with a much better service.

## DUE DILIGENCE - WHY DO WE DO IT PRIOR TO TAKE-ON/LAUNCH?

When appointing a provider, it is essential that regulatory issues are carefully considered by all parties. At TB Fund Services, we understand the importance of ensuring that the funds we look after comply with the relevant regulations, and that we are geared up for relevant regulatory changes. As a part of our take-on or launch procedures, it is therefore essential that due diligence procedures are carried out as a basis for ensuring that we have the best possible understanding of your funds' requirements - going through this process contributes to a smooth and efficient take-on or launch.

## SHOULD YOU PERFORM DUE DILIGENCE ON US?

Yes absolutely, prospective clients should feel free to discuss their own due diligence requirements with us.



"Launching an OEIC is not easy but T. Bailey has been a great support. I like the fact that when you pick up the phone to discuss any issue you get someone who understands exactly what you're trying to achieve and what you need. We get all the data we require quickly. Working with T. Bailey has been a really positive experience."

Gavin Curran, Investment Manager – Doherty Pensions and Investment Consultancy.



"Many [ACD providers] now outsource the function. But your contract is with the ACD, not the firm they then commission to deliver the administration. It is essential you are confident about the ability of any administration provider to service your clients. Administration mistakes can cost time, money and client relationships. A key factor in our decision to choose T. Bailey was the fact that the administration is kept in-house and handled by a small professional team of people we know and trust."

Anthony Harding CFP, Managing Director – Anthony Harding and Partners Limited and Discovery Asset Management Limited.



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## WHAT DO WE WANT TO UNDERSTAND?

During a due diligence visit TB Fund Services typically seeks to gain an understanding of the following issues:

- Fund ownership structure
- FSA authorisation/supervision
- Compliance resource
- Procedures, systems & controls in relation to anti-money laundering
- Investment process, including use of derivatives
- Fair value pricing
- Trading and best execution policies
- Financial promotions and marketing
- Future plans for the funds
- RDR implications
- Sponsor & Investment Manager FSA authorisations
- Charging structure & TER
- Sales process
- Conflicts of interest
- Fund size (going concern)

## WHAT WOULD WE ASK TO SEE?

Documentation TB Fund Services would typically want to see may include:

- Organisation Chart
- Compliance Manual
- Details of FSA visits/ material correspondence
- Compliance monitoring programme/ reports (where applicable)
- MLRO report
- Conflicts policies (gifts/ personal account dealing)
- Complaints register (if applicable)
- TCF policy/ TCF Management information
- Latest ICAAP (if applicable)
- Derivative Risk Management Process (DRMP) (if applicable)
- Best execution policy
- Copy of latest portfolio(s) in full (including SEDOLs)
- Copy of Constitutional documents for fund(s)
  - Full prospectus
  - Instrument of Incorporation/Trust deed

## COMPLIANCE - AN ONGOING APPROACH

Clearly compliance is an issue that needs constant consideration. Post take-on, our approach involves a combination of desk-based reviews throughout the year (e.g. review of relevant financial promotions and investment eligibility), periodic meetings (e.g. attendance at Investment Committee meetings) and a fuller (usually annual) visit. We can also run workshops to ensure that our partner clients benefit from our regulatory knowledge.



## CONTACT US

Contact details - **0115 988 8210** or email **[richard.taylor@tbailey.co.uk](mailto:richard.taylor@tbailey.co.uk)**

To discuss our compliance and due diligence procedures in more detail, please contact our **Compliance Officer, Richard Taylor**. Richard has been a member of our team since its inception in 2000 and currently runs the company's compliance function. Richard has many years of authorised funds' experience including both regulatory and operational issues, and regularly attends industry events to ensure