

The Fund Manager Code of Conduct Cheat Sheet

From November 2018

The *Fund Manager Code of Conduct* brings with it a long list of policies and procedures – some of which are new, some are updated and some haven't changed. Below we outline what these are, whether they're applicable just to those responsible for the overall operation of the fund (ROOF) and how we recommend you approach them.

1. Organisation and Structure

		New for 2018?	Applies to ROOF only
Governance Manual	Bovill recommends articulating the governance arrangements and allocation of responsibilities in a distinct governance manual		
Conflicts of Interest (COI)	Fund Manager must operate effective organisational and administrative arrangements for COI. Policy should include types of conflict, how identified and managed, a conflicts register and how disclosures made.	New	
Risk Management	Fund Manager should establish and maintain effective policies and procedures, as well as a designated risk management function. Policy should include responsibilities, reporting lines, risks specific to the Fund Manager and the fund(s) managed, and disclosure obligations. Procedure should include how risks are identified, managed and mitigated on an ongoing basis. Specific risks which should be considered include market risk, issuer and counterparty credit risk, operational risk, and liquidity risk. Bovill recommends that a risk data sheet is produced for each fund, setting out a) the nature of risks, b) the arrangements, techniques and tools used for measuring, monitoring and managing risk and c) risk limits.	New	
Delegation	Clarity given that Fund Manager should exercise due skill, care and diligence in the selection and appointment of all third-party delegates. This is a renewed focus on control over outsourcing arrangements.	Updated	

2. Staff Ethics

Personal Account Dealing (PAD)	Amendments to existing policy: relevant persons must disclose holdings semi-annually. (Also clarity given in guidance that the scope of investments covered by PAD will be securities and derivatives at a minimum, and beyond this the Fund Manager must decide and define).	Updated	
Inducements / Gifts Policy	Clarity given on scope, that written guidelines on inducements (including monetary limits) applicable to all staff and persons conducting regulated activity and all gifts, rebates or other benefits received.		

3. Fund Management

Conduct of Business	Covers best execution, order allocation, no insider dealing, house accounts and cross trades etc.		
Leverage	The ROOF Fund Manager should disclose to fund investors (i) the expected maximum level of leverage employed on behalf of the fund and (ii) the basis of calculation of leverage, which should be reasonable and prudent. The above statement encompasses the only requirement on leverage set out in the FMCC. There is no prescribed method for calculating leverage, and so the method most suitable for the Fund Manager needs to be agreed and documented.	New	ROOF only
Collateral Valuation and Management policy & Cash Collateral Reinvestment Policy	For all managers that engage in securities lending, repos, reverse repos and similar. (Not applicable to the prime broker of the Fund Manager.) The Fund Manager must put in place policy and procedures for collateral valuation, collection of variation margin, eligible collateral and haircut policies and put in place a cash collateral reinvestment policy. Associated disclosures are required by the ROOF.	New	No*
Liquidity Management Policy	The ROOF Fund Manager should establish and maintain effective liquidity policies and procedures to monitor liquidity risk of the fund(s). The liquidity of assets must be regularly assessed, stress tested and liquidity risks must be disclosed to investors along with any exceptional measures that could effect redemption rights.	New	ROOF only
Fund Termination	The ROOF Fund Manager must take due account of the interests of investors and make adequate disclosures when terminating a fund.	New	ROOF only

* Associated disclosure requirements only apply to the ROOF

4. Custody		New for 2018?	Applies to ROOF only
Appointment of Custodian	The ROOF Fund Manager should appoint a custodian that is functionally independent and exercise due skill, care and diligence in the selection, arranging and ongoing monitoring of the custodian. Specific considerations for the selection criteria are set out in the rules (see FMCC 4.2.1.) A formal custody agreement and disclosure of custody arrangements and associated risks to investors is also required.	New	ROOF only

5. Operations

Auditors and Accounts	The Fund Manager should appoint an auditor to audit the financial statements of the Fund Manager.		
	The ROOF Fund Manager should appoint an auditor to audit the financial statements of the Fund(s).	New	ROOF only
Valuation	The ROOF Fund Manager should ensure appropriate policies and procedures for independent valuation of fund assets are established. It's possible to appoint a third party to perform valuation services. Where a third party is used, due skill care and diligence is required in the selection criteria (and the Fund Manager retains responsibility). There is little additional prescription on valuation method provided and so the method most suitable for the Fund Manager should be agreed and documented. Specifically the policies and procedures must detect, prevent and correct pricing errors.	New	ROOF only
Side Pockets	The Fund Manager should put explicit controls around any segregated assets, and associated disclosure of the arrangements is required.	New	No*

* Associated disclosure requirements only apply to the ROOF

6. Dealing with Fund and Investors

Provision of Information	The Fund Manager should provide adequate information about the Fund Manager to the Fund.		
	The ROOF Fund Manager should provide adequate information about the Fund Manager and the Fund(s) to the Investors.	New	ROOF only
Complaints	Complaints must be handled in a timely manner and investigated by senior management.		

7. Marketing Activities

Issue of Marketing Materials	Clarity given that marketing materials must be clear and balanced, and contain timely and consistent information.		
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8. Fees and Expenses

Disclosure of charges	Clarity given that disclosure to investors is responsibility of the ROOF.		No*
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* Associated disclosure requirements only apply to the ROOF

9. Reporting to SFC

Reporting Obligations	Reminder that information to be provided to SFC on an ongoing basis.	Updated	
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T. +852 6111 6472
E. rthorpe@bovill.com

Rebecca Thorpe, Partner, Head of Bovill Asia

Rebecca has been helping financial services firms as a regulatory consultant for nearly twenty years across a wide range of conduct themes. Based in Hong Kong, Rebecca heads up the Asia operation of Bovill and leads the teams across Hong Kong and Singapore, helping clients with local and international regulatory issues.



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