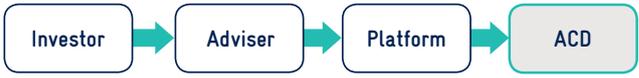




AUTHORISED CORPORATE DIRECTORS

Authorised Corporate Directors (ACDs) are responsible for the running of an investment fund. They have a duty to act in the best interests of the fund's investors, and ensure that the fund is well managed in line with regulations and with the investment objectives and policies set out in its prospectus.

that information on the fund is passed through the chain from the ACD to the investor and that relevant information about the investor that may help the ACD manage the fund is received by the ACD.



ACD MODELS

- There are two main models used for ACDs:
- The **Internal** model, where the ACD is part of the same corporate group as the investment Manager, but run separately by an independent management team (and often an independent board) to make sure that there is no conflict of interests.
 - The **Independent** model, where the ACD and investment manager are not part of the same corporate group as the investment manager who runs the fund's investments.

How the different roles and priorities are balanced in each of these models is currently being considered by both firms and the FCA.

ACDs AND INVESTMENT MANAGERS

An ACD's most important responsibility is to ensure that a fund is properly managed by the investment manager in the best interests of the fund's investors. If they feel that this is not being carried out satisfactorily, the ACD has the right to replace the investment manager.

When an **independent ACD** model is used, they must also manage the commercial realities of this process. The investment manager selects the ACD and wins the investor base. In this case, the investment manager would be indirectly ensuring that the ACD is paid for their service through the fund's fees and has the ability to replace the ACD. Strict checks are therefore in place to ensure that there cannot be undue influence over the ACD by the investment manager and the ACD must have controls in place to manage this conflict.

INVESTOR INFORMATION AND DISCLOSURE

It is unusual for investors, particularly individuals, to invest directly with the ACD. Instead, they use an intermediary, usually a platform and may also take advice from a professional adviser. It is important

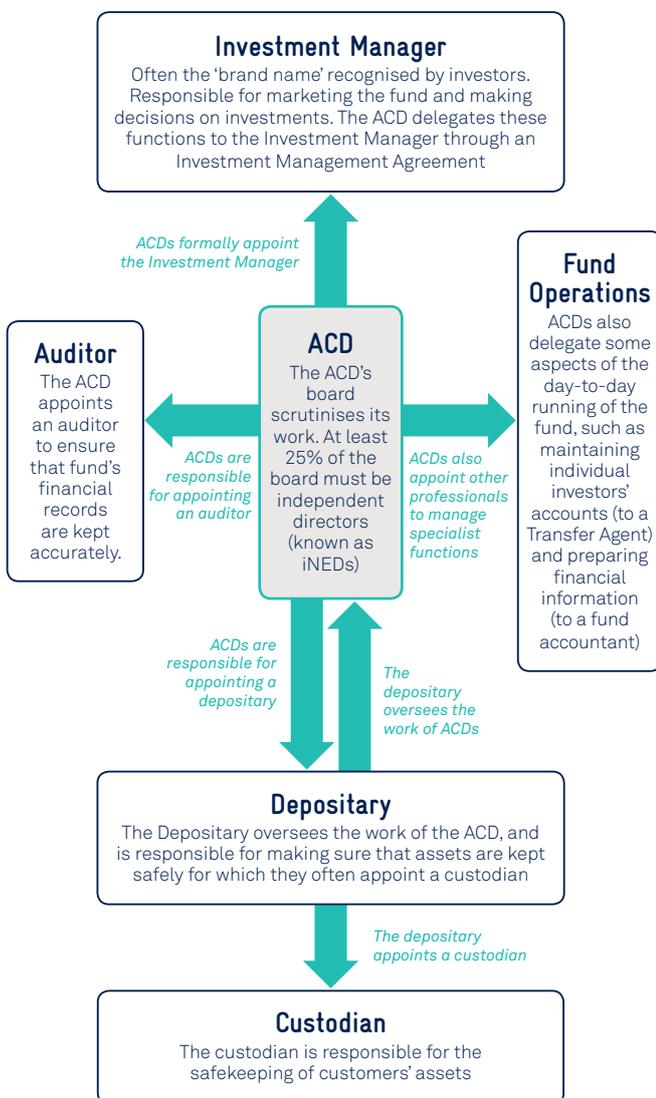
Internal ACDs must manage a different set of potential sources of conflict. They often share an ultimate governing body, senior management, and functions such as compliance with the investment managers they oversee, and they usually have a lower profile internally than investment management teams. The ACD therefore needs to ensure that it can perform an independent review of the investment manager.

The Investment Association (IA) supports UK investment management, serving savers, investors and businesses in the UK and around the world. Our 250 members manage £8.5 trillion in the UK, providing the UK with an important economic contribution in the form of export earnings, tax paid, and jobs created.

ACD AND DEPOSITARY RESPONSIBILITIES

ACDs and Depositaries can delegate many of the day-to-day functions needed to keep a fund running, but they retain the legal and regulatory responsibility for all of these activities and must effectively oversee that the activities are being performed properly.

The graphic below sets out the main responsibilities of an ACD and the ways that these are usually delegated.



OVERSIGHT

ACDs and the organisations they delegate to play such an important role in safeguarding investors' money that it is important that their work is appropriately overseen and scrutinised. This happens in four key ways:

1. The ACD's board scrutinises how funds are managed. At least 25% of a board's members must be totally independent, known as Independent Non-Executive Directors or iNEDs. These iNEDs must be prepared to challenge whether the ACD is managing the fund in the best interests of investors. They are also likely to be performing FCA-designated senior management functions under the Senior Management & Certification Regime (SMCR) and are subject to robust regulatory requirements that ensure that governance of the ACD is strengthened. It will also be common for one of the independent members of the governing body to act as Chair of the board and the firm's Risk Committee.
2. The Depository has a legal duty to oversee the work of the ACD. The Depository is independent from the ACD and has an important role in investor protection. It is responsible for the safekeeping of a fund's assets, which are held separately from those of the ACD in case the ACD becomes insolvent. The Depository also has oversight responsibilities of the ACD's operations, ensuring the fund's investments are in line with the rules and the fund's investment objective, that the fund is valued correctly and that the ACD has proper procedures to correctly process the buying and selling of units/shares by investors.
3. The ACD will check that the Investment Manager is fulfilling the roles expected of them, acting in investors' best interests.
4. Auditors certify that each fund's report & accounts present a true and fair record of the fund, such as investment holdings (including valuation and change in valuation) and details of any that have been bought and sold in the period.