

threesixty

February 2020

Brewin Dolphin

Assessment report



Brewin Dolphin

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Purpose of this assessment report

This report is designed to assist intermediaries in carrying out their due diligence assessment prior to using the services of a discretionary fund manager (DFM), and on the regular review of such arrangements.

It is important to note the aim of the work undertaken by threesixty services LLP (threesixty), is to assess, at a high level, the adequacy of the controls and procedures the firm has established to mitigate the regulatory and business risks arising from the provision of its discretionary management service to intermediaries. The focus of the assessment is to review controls and procedures, and therefore it is only part of the overall assessment that an intermediary should carry out when looking to use the services of a DFM.

Due Diligence: What is it, and why is it so important?

Research and due diligence is seen as one of the three pillars of ensuring delivery of good outcomes and advice to clients i.e.

1. Competence: ensuring advisers are competent on the subject of the product or service concerned
2. Research and due diligence: the FCA uses these terms to refer to the processes used to assess:
 - a) The nature of the product or service, for example both investment structure and performance
 - b) The risks and benefits
 - c) The provider – to establish whether it is appropriate to entrust the provider with client assets
3. Assessing suitability: where advisers are competent and understand the individual products or service, they should be able to assess for each client if the solution is suitable.

In relation to looking at any services to be provided by a DFM, intermediaries need to understand the above factors in order to assess whether the proposed solution is suitable for their clients.

In early February 2016 the FCA issued its findings following a thematic review into firms' research and due diligence processes ([FCA - TR16/1: Assessing suitability: Research and due diligence of products and services](#)). It has provided some useful pointers for firms on what helps to ensure appropriate research and due diligence processes are in place. The review covered how firms select products, funds, platforms as well as the services of DFMs.

Whilst the FCA's findings are high level comments, the particular references that have relevance to the assessment of discretionary management services are as follows:

1. The key driver of good research and due diligence is a corporate culture of challenge. The FCA commented 'The better firms had either in-built challenge in the process and / or individuals who were knowledgeable, enthusiastic and challenged the firm's approach. Where there was no culture of challenge within the firm, the research and due diligence process showed weaknesses'.
2. The size of a firm is not a barrier to carrying out good research and due diligence.
3. Processes and tools used in research and due diligence will vary depending on the circumstances, and the FCA does not set out specific requirements. The emphasis is on the firm to take reasonable steps to ensure the solutions are suitable for their clients.
4. Research and due diligence needs robust systems and controls in order to be effective.
5. Firms need to be structured in their research and due diligence process in order to ensure that information is up to date and challenged adequately.
6. Research and due diligence should be an objective process and 'not a case of retro-fitting due diligence to justify the outcome the firm had already previously decided upon.'

The Due Diligence process

As noted previously the FCA has not set out a defined process for firms to follow when assessing the services of a discretionary fund manager. The approaches taken will vary in different circumstances, and to a large extent are influenced by the type of service the intermediary is seeking from the DFM. It is also possible that the solutions you identify for your clients may involve the services of more than one DFM. However, whether you are seeking to merely refer your clients to a DFM and chose to let them take responsibility for the suitability of advice, or you intend to advise your clients on a model portfolio operated by the DFM, in which you take responsibility for the suitability of advice, the process should encompass the following stages:

1. Define why you need a DFM
2. Set out the key criteria by which you will assess the DFM
3. Identify and list the DFMs that you will research
4. Reduce / filter the list based on your key criteria
5. Gather information – multiple sources and of various types, for example:
 - Companies House / FCA register checks
 - Accounts
 - Website and other internet information
 - 3rd party reports, for example threesixty, ARC
 - Research databases, for example Defaqto
 - DFM's own material – Due diligence packs or brochures
 - A due diligence questionnaire sent to the DFM
6. Meet the shortlist of firms
7. Decide on which one or more DFMs to use – document why and the approval process followed by your firm's senior management
8. Monitor and record performance of the DFM(s)
9. Periodic review of DFM(s) and report findings to senior management

It is important to document each stage of the process so that you are able to demonstrate the process if called upon to do so.

The threesixty assessment: Our methodology

The assessment consists of a combination of an onsite visit to the DFM which generally takes 2 to 3 days, and a review of various documented procedures and papers supplied by the DFM prior to the visit and during the visit.

During the visit our business risk consultant conducts a series of meetings with key management within the DFM from different sectors of the business to allow them to explain in more detail how their firm operates and the controls and procedures that are in place. In general the visits involve meetings with senior representatives from Investment Management, Operations, Compliance, Risk Management, Human Relations, Training and Competence and I.T.

On occasions the DFM will inform us that certain documents that we request are not available due to the confidential nature of the information they contain. In cases in which this has occurred we simply note that the document could not be provided due to the confidential nature of the information.

The threesixty assessment: The report format

The report that follows is divided into the various subject headings as follows:

- Corporate governance / systems and control
- Client and referring intermediary arrangements and financial promotions
- Recruitment
- Training & competence
- Discretionary fund management procedures
- Outsourcing
- Financial crime
- Complaints
- Business continuity

The aim is that the review of the combination of different areas of the business ensures that all the key aspects of the business are reviewed. In each section our overall focus is to attempt to explain what procedures the DFM firm has put in place to control its business, and to manage the risks so as to ensure good client outcomes can be achieved.

The threesixty assessment: How to use it

As noted above the threesixty report is only part of the information that you will need to gather within the overall due diligence process. In part it aims to provide some independent verification for you that certain key procedures and controls are in place within the DFM. However, it will also hopefully help you to construct further questions that you may wish to ask the DFM during the due diligence process.

Assessment report

threesixty has only reviewed those documents made available on our review. We have not investigated their efficacy and practical use. All reasonable precautions have been taken to ensure that the information contained is correct, threesixty services LLP does not accept any responsibility for errors, inaccuracies, omissions or any inconsistencies. This information should not be relied upon by third parties, and should not be considered as an endorsement as to individual suitability of the firm for a financial advisers' clients.

The assessment report does not include any comment on the firm's procedures in respect of holding client money, or assets, in accordance with FCA rules as this is outside the scope of our assessment.

Brewin Dolphin: Key details

Firm name	Brewin Dolphin Limited (Brewin Dolphin)
Total Income	£339m for the Group for the year to 30th September 2019
Established since	Brewin Dolphin can trace its origins back to 1762. Brewin Dolphin Limited was incorporated in 1987
Funds under management	£10bn discretionary as at 30th September 2019 Discretionary funds: £40.1 bn Client of intermediary business: £10bn Model Portfolio Service (MPS): £3.8bn
Contact details	Intermediary Sales Support team Tel: 0203 2013520 Email: SalesSupport@brewin.co.uk
Useful links	www.brewin.co.uk/financial-advisers

Assessment findings

A. Corporate governance and systems & controls

This section explains how the business is structured and managed. It seeks to explain the key procedures that control the risks within the overall business.

Review findings

1. Brewin Dolphin Ltd is a 100% owned subsidiary of Brewin Dolphin Holdings PLC ('the Group') which is a member of the FTSE 250 index. The Brewin Dolphin Group is independent and not controlled by any other organisation, and therefore does not rely upon any major partnerships or external relationships.
2. Brewin Dolphin Ltd is a member of the London Stock Exchange and is authorised and regulated by the Financial Conduct Authority as an IFPRU £125K category business. A separate subsidiary of the Group, Brewin Dolphin Wealth Management Limited is authorised and regulated by the Central Bank of Ireland to conduct investment business in Ireland.
3. Brewin Dolphin operates from a network of offices throughout the UK, Jersey and Ireland thus providing ease of access to face to face support from their team of Business Development Managers. The services provided by the Group are in relation to wealth and investment management and are provided either indirectly via intermediaries in which the underlying client is usually a private individual, or directly to private individuals, charities or corporates (including pension schemes).
4. As a listed company the Group is subject to the UK Corporate Governance Code which sets out standards of good practice in terms of board composition and development, remuneration, shareholder relations, accountability and audit.
5. The approach to risk management within the Brewin Dolphin Group is set out in the Group's report and accounts for the year ended 30th September 2019 which are available in the Investor Relations section of the company's website, www.brewin.co.uk. The section entitled 'Managing our Risks' describes the risk framework within the business, and highlights the company's assessment of the principal risks faced, and how they have taken steps to mitigate such risks. The report also includes detail on a series of Key Performance Indicators (KPIs) which the Group uses to measure the performance and controls within the business.
6. The Group accounts as of 30th September 2019 note that the Board received training sessions from external legal firms that included senior manager responsibilities, overview of the conduct rules, reasonable steps in practice and the Training and Competence policy. This was to ensure the Board was prepared for the introduction of SMCR.
7. The Pillar 3 disclosure document for the period ended 30th September 2019 was reviewed. It is also available on the Investor Relations section of the company's website. This provided detail on Brewin Dolphin Group's approach to risk, capital adequacy and risk management arrangements. It also contains detail on the firm's Remuneration Policy. The Group's Internal Capital Adequacy Assessment document was not provided for review due to the confidential nature of information within it. However, a summary of the Group's approach to risk is

contained within the Principal Risk and Uncertainties section of the Report and Accounts for the Group.

8. The Report and Accounts for Brewin Dolphin Ltd itself are available at Companies House, and the Report for the year 30 September 2019 was reviewed. The Report includes a Strategic Report that highlights the particular risks identified by the company, and the key mitigating factors in place to control the risk. The Report notes the importance of the Board fostering a risk aware culture within the firm.
9. Brewin Dolphin has implemented a framework of committees ultimately reporting to its holding board to ensure the monitoring of business and communication of issues throughout the organisation. This framework includes the following:
 - a) Executive Committee (ExCo): which comprises the Chief Executive, Chief Finance Director, Group Risk and Compliance Director, Chief Operating Officer, Group Human Resources Director, Managing Director of Financial Planning, Managing Director of Investment Solutions & Distribution and the Managing Director of Private Clients. This committee meets at least monthly, and its role is to manage the day-to-day running of the Group, including the development and implementation of strategy, monitoring of operating and financial performance, and the prioritisation and allocation of resources.
 - b) Audit Committee: which comprises at least three independent directors. This committee meets at least quarterly, and its role is to review the Group's financial reporting, and recommend to the Board that the Report and Accounts should be approved. It also reviews internal financial controls, and assesses the independence and effectiveness of the internal and external auditor.
 - c) Board Risk Committee: which comprises at least three independent directors. This committee meets at least quarterly, and its role is to oversee the Risk Management Framework of the Group. It also assists the Board in discharging its responsibilities for the integrity of the Group's internal control and risk management systems.
 - d) Remuneration Committee: which comprises at least three independent directors. This committee meets at least three times a year, and its role is to set the remuneration policy for the Group. It also sets the individual remuneration of the Executive Directors, and other staff designated as Code staff under the FCA's Remuneration Code.
 - e) Nomination Committee: which comprises at least three independent directors. This committee meets twice a year, and its role is to review the composition of the Board and its committees. It also ensures that appropriate procedures are in place for the nomination, selection, training and evaluation of directors, and that there is an effective framework for succession planning.
10. During the financial year to 30th September 2019 the effectiveness of the Board and committees was reviewed by an external consultancy firm, Lintstock Ltd.

In addition, several sub-committees have been set up which report to ExCo such as the CASS Oversight Committee, the Investment Governance Committee and the Strategic Projects

Committee. Under the Investment Governance Committee sit further committees with responsibility for different aspects of investment systems and controls:

- Asset Allocation Committee
- MPS Investment Committee
- Investment Risk Committee
- Vulnerable Clients Committee
- Funds Governance Committee
- Client Compensation Authorisation Committee
- Stewardship Committee

11. There is a strong Risk Management framework in place led by a Risk Management Committee, which reports to ExCo with additional reporting lines to the Audit Committee and Board Risk Committee. Under the Risk Management Committee sit further committees with responsibility for managing specific risks. These include:

- Business resilience group
- Policy management committee
- Order execution policy committee
- Transaction reporting committee

The Risk Management Committee reviews a Key Risk Dashboard monthly to monitor risk profile against appetite.

12. The Terms of Reference of the committees and sub-committees have been defined, and organisation charts were provided to illustrate the reporting lines of the committees.
13. Brewin Dolphin have adopted the concept of three lines of defence in relation to the management of regulation and risk.

First Line of Defence:

The first line of defence is formed of the practitioners in all parts of the business and their line management. It is their role to identify and mitigate risk on a day to day basis. Managers are supported by Business Risk Managers who work with all areas of the business to create 'Risk and Control Assessments' (RCSAs) These are used to help managers identify risk within their area of business and what controls can be used to mitigate them. In addition the Business Standards Team works with line managers to conduct a risk based rolling programme of reviews of Investment Managers to ensure that they are meeting Group standards and regulatory requirements.

Second Line of Defence:

The second line is comprised of the internal Regulation and Risk function. This department takes a risk based approach in monitoring the activities of the first line of defence.

Third Line of Defence:

The third line of defence includes the internal and external audit functions, and Group Holdings Board including non-executive directors who aim to provide the independent challenge to the first and second line policies and procedures.

14. Brewin Dolphin outsource their internal audit function to a firm of accountants, BDO. The Audit Committee approves an audit plan at the beginning of the financial year, and then receives quarterly reports on all internal audits carried out. The plan is reviewed every six months to ensure it fully covers the Group's key risks. The external auditors for Brewin Dolphin are Deloitte LLP. threesixty were provided with evidence of examples of the external independent reviews carried out in relation to the internal systems and controls within Brewin Dolphin.
15. There is an MI (Management Information) Dashboard in place which is reviewed by region, branch and then drilled down at an individual level. The Head of each branch provides comments on the MI that has been reviewed, which is in turn reviewed and challenged where appropriate by the Regional Director.
16. Each department within Brewin Dolphin produces a report to the Board on a monthly basis, which highlights any gaps and appropriate MI for the Board to consider and review. Due to the confidential nature of the reports, these were not provided for review.
17. A Risk & Control Assessment (RACA) is in place which reviews the risks to the business and a net risk assessment is then undertaken for each risk. This provides a net impact risk score and the likelihood of this actually materialising. The risk assessment provides the basis for ongoing monitoring by the internal compliance team and internal audit.
18. It was noted that Brewin Dolphin operate a Compliance Monitoring Programme that is approved by the Risk Management Committee, and ratified by the Group's Risk Committee. threesixty were informed that a review of this plan is undertaken on an annual basis. The Compliance Monitoring Programme was provided for review. The scope of review work is defined within a terms of reference agreed with stakeholders i.e. heads of departments or executive officers in charge of a function being reviewed. threesixty were not given access to the compliance reports due to the confidentiality of the information contained within them.
19. The company has in place a TCF policy which sets out the approach to ensuring the delivery of fair outcomes for its clients. It was also noted that training is provided to staff on Conduct Risk issues.
20. Brewin Dolphin address regulatory changes by setting up specific projects to handle the implementation of new procedures. Recent examples of such work involved the implementation of MIFID II, PROD, and preparation for Brexit and the Senior Managers & Certification Regime (SM&CR).
21. Culture and values

Brewin Dolphin have defined their corporate values as:

- Genuine: heartfelt advice, delivered by people who care
- Expert: skillfully facilitating important decisions
- Ambitious: making more of life's opportunities

These values were first set out in 2016. Brewin Dolphin believe these have contributed to low staff turnover and growth in the business. According to the Group Report and Accounts for 2019, culture and values play a prominent role in staff selection and induction processes. During 2019 the company held its second iteration of the Brewin Dolphin People Awards in which staff nominate individual colleagues whose work best demonstrates the firm's values in action, or who have made a particularly strong contribution to their communities.

According to the Group's 2019 accounts, significant investment was made in developing people.

22. Brewin Dolphin use an external firm to carry out surveys on client and staff satisfaction. The results are detailed in the report and accounts.
23. There is a Conflicts of Interest Policy. Due to the confidential nature of the content of the Conflicts of Interest register, this was not provided for review. An overview of Brewin Dolphin's approach to Conflicts of Interest is outlined in a section of the company's website.
24. All business procedures for Brewin Dolphin are available on the staff intranet, and threesixty were informed that these are vetted by compliance prior to posting on the intranet.
25. A Professional Indemnity Insurance policy with £100m limit of indemnity is in place which covers Brewin Dolphin as part of a Group policy.

During the review threesixty were not given access to the minutes of the various committees noted, or the management information that had been submitted to the committees due to the confidentiality of the information contained. However, from a discussion with representatives of the company, selected documents that were provided along with publicly available documents, the company would appear to have a structured approach to risk management and a risk awareness culture.

The company also appears to put considerable emphasis on the maintenance of its corporate culture and values. In addition, there was evidence of regular review of systems and controls both from internal resources and independent external experts.

B. Client and referring / introducing intermediary arrangements and financial promotions

This section looks at how the DFM deals with clients and what are the legal and procedural arrangements with introducing intermediaries. It looks at the contracts and on boarding procedure and what checks they will do on the intermediary business. It seeks to identify whether or not the process, and the responsibilities of all parties are clear.

This section also looks at how the DFM markets itself, and what controls it has to ensure that promotions are clear, fair and not misleading.

Review findings

1. Services for referring intermediaries

Brewin Dolphin has two core services which can be accessed by financial advisers. Brewin Dolphin does not accept introduced business. These core services are:

- a. Discretionary Fund Management (DFM): This is a service for financial advisers whose clients require a bespoke discretionary management service and who wish to delegate the responsibility for the day to day management of the clients' investments to a professional investment manager. The financial adviser will be responsible for fact finding, assessment of the client's investment objectives and agree one of five risk profiles with reference to Brewin Dolphin's 'Risk Guide' document. A dedicated investment manager will be appointed to manage the investments on a bespoke discretionary basis in accordance with this risk profile. This service will involve regular contact with the financial adviser and joint meetings with the client. The 'Risk Guide' also sets out the relevant benchmarks against which investment management performance will be measured.
- b. Managed Portfolio Service (MPS): This is a model portfolio service in cases where a bespoke service may not be suitable. There is no contract between Brewin Dolphin and the retail client, but between Brewin Dolphin and the Firm. The adviser is responsible for matching the clients' needs to one or more of a range of MPS portfolios created by Brewin Dolphin and operated on various third party platforms. The financial adviser is also responsible for the ongoing monitoring of the performance of the portfolios to the clients' needs. MPS performance is measured against benchmarks which are set out in the monthly factsheets. In 2019, Brewin Dolphin expanded their range of MPS from 5 models to 7 across active and passive MPS to broaden their risk range at the more cautious end of the spectrum. This service is only available from Retail Platforms and a list of those used is available from Brewin Dolphin.

2. Intermediary Relationship: Discretionary Fund Management (DFM) – bespoke service

- a) An intermediary will access the discretionary fund management services of Brewin Dolphin on the basis that Brewin Dolphin will be relying on the intermediary's KYC / suitability assessment of the underlying investor (Reliance on others / agent of the client - COBS 2.4.4R).

The intermediary should inform their client of the areas they are responsible for, and those areas for which Brewin Dolphin are responsible. Brewin Dolphin's responsibility is generally limited to ensuring that the investment management service it provides meets the client's investment mandate which has been agreed with the adviser. Financial and tax planning is the responsibility of the intermediary. The intermediary is also responsible for ensuring the recommendation of a discretionary investment management service is suitable for the investor and that Brewin

Dolphin is the right partner. As highlighted above, Brewin Dolphin will seek to rely on the client information provided by the intermediary. This provides the intermediary with the comfort that they retain control of the client relationship whilst using a third party to provide the requisite discretionary fund management service.

- b) The intermediary is responsible for the suitability of the advice (initial and ongoing) which includes the suitability of the discretionary fund management service for the client. The intermediary is also responsible for obtaining the requisite know your client information (including anti-money laundering), setting the investment mandate including any investment restrictions and ensuring the mandate is suitable for the client, objectives and undertaking the risk profile assessment.
- c) Although Brewin Dolphin rely on the information provided by the intermediary, the agreement between the parties includes the requirement that Brewin Dolphin will also issue a Client Terms and Conditions to the investor to explain the investment management service it is providing. The Terms and Conditions also explain the obligations of the various parties in the arrangement. Under this arrangement, the retail client is a client of the intermediary Firm.
- d) A Terms of Business is signed between Brewin Dolphin and the intermediary for the Discretionary Fund Management Service which sets out clearly the separate responsibilities of both parties.
- e) For the Discretionary Fund Management Service an account opening form is signed by both the intermediary and client. This form is used by the financial adviser to inform Brewin Dolphin of the client's knowledge and experience, attitude to risk and objectives along with details of any restrictions the client may wish to put on the management of the investments. The risk categories noted are those described in the 'Brewin Dolphin Risk Guide for Financial Advisers', which are:
 - Cautious with lower Risk
 - Cautious with Risk
 - Diversified Risk
 - Progressive Risk
 - High Risk

3. Intermediary Relationship – Managed Portfolio Service (MPS)

- a. An intermediary will access the Managed Portfolio Services of Brewin Dolphin on the basis that the intermediary will be acting as agent of their client. In this scenario, the intermediary becomes the client of Brewin Dolphin (agent as client). The intermediary may only act in this capacity if they have been appointed by the client to act as agent on their behalf. Within this arrangement Brewin Dolphin is responsible for ensuring its investment management service meets the mandate set for each MPS. All financial and tax planning is the responsibility of the intermediary. Brewin Dolphin will rely on the instructions of the intermediary, acting as agent, and will communicate to the intermediary as their client. (The relevant FCA rule in this regard is COBS 2.4.3R). This provides the intermediary with the security that they retain

full control of the entire client relationship whilst using a third party discretionary fund management service.

- b. In this scenario, the intermediary is responsible for ensuring the recommendation of the discretionary fund management service (initial and ongoing) is suitable, know your client information (including anti-money laundering), selection of the model portfolio and, objectives and risk profile assessment.
- c. A Terms of Business is signed between Brewin Dolphin and the intermediary for the Managed Portfolio Service which sets out the responsibilities of both parties.
- d. The following sets out the respective responsibilities of intermediary and Brewin Dolphin in the process:

	INTERMEDIARY	BREWIN DOLPHIN
Suitability of advice	Yes	No
KYC	Yes	No
Risk Profile	Yes	No
Client's Investment Objectives	Yes	No
Ensuring investments meet the investment mandate	No – although the intermediary should seek confirmation from the discretionary manager on at least an annual basis that the investments selected meet the investment mandate set	Yes

- 4. Once Brewin Dolphin have performed due diligence on the intermediary, and the intermediary has agreed to follow Brewin Dolphin's processes in regard to the services offered to their clients, they are able to use the service provided by Brewin Dolphin.
- 5. Ongoing due diligence is periodically undertaken so the intermediary agreement is up to date, and a monthly check to ensure the intermediary still holds the relevant FCA permissions.
- 6. Brewin Dolphin's policy is that it will facilitate an Adviser Charge on behalf of a client where:
 - The Adviser has the appropriate FCA permissions (or equivalent regulatory authorisation) to provide investment advice to clients.
 - The client account is not an Offshore Bond i.e. Brewin Dolphin cannot facilitate adviser charging from offshore bond accounts, in these circumstances the Adviser Charge will need to be facilitated by the Product Provider.
 - For SIPP and Pension accounts, Brewin Dolphin will need written authority from the Product Provider requesting that Brewin Dolphin facilitate the Adviser Charge payment on their behalf – if there is no authorisation, the Adviser Charge will need to be facilitated directly by the Product Provider.
 - There is an Adviser Charges Agreement in place, signed by the client, authorising the facilitation of the charge. The agreement will need to clearly state the amount to be charged

(i.e. as a % of the portfolio or a fixed sum) and whether the charge is a one-off initial charge or ongoing.

7. Following the introduction of MIFID II, Brewin Dolphin require intermediaries to hold a Legal Entity Identifier (LEI). However, threesixty were informed that Brewin Dolphin can assist the intermediary in obtaining the required LEI. In addition, transaction and trade reporting are carried out by Brewin Dolphin in respect of both services – DFM and MPS.
8. Brewin Dolphin have produced a document to assist intermediaries with their due diligence of Brewin Dolphin. This Intermediary Due Diligence document includes information on the company structure, personnel, investment philosophy, risk management, service proposition and administration issues.
9. Brewin Dolphin have produced brochures explaining the core services which are available for intermediaries and their clients i.e. the Discretionary Management Service, and the Managed Portfolio Service. These brochures along with the ‘Brewin Dolphin Risk Guide for Financial Advisers’ can be accessed on the Financial Adviser’s section of the company’s website.

10. MiFID II implementation

DFM -Since 3 January 2018, Brewin Dolphin have provided the following documents to intermediaries:

- Ex Ante illustrations
- Depreciation Notices (10% notifications) if applicable
- Annual Costs and Charges statements

MPS - for the MPS service the relevant platform is responsible for all MIFID II reporting.

Financial promotions

In respect of the production of financial promotions Brewin Dolphin has procedures in place to approve all forms of communications / financial promotions, and ensure that they are fair, clear and not misleading. The procedures include the following:

1. There is a general summary of procedures on financial promotions which is contained within a document provided to threesixty entitled ‘Promoting Brewin Dolphin’. This includes guidance on what is a financial promotion and the process to be followed in the production, approval and record keeping of the financial promotions.
2. There is an automated process in place for the approval and logging of all financial promotions which is controlled by the compliance team.
3. As part of the process, any individual within the company can submit a promotion via Sharepoint, the firm’s intranet, for approval by a Regional Marketing Manager.
4. A risk rating of High, Medium or Low determines how the promotion is approved, and whether there needs to be a further check undertaken by the compliance department.
5. The compliance department approve all promotions which are classified as High Risk, and will check all promotions to ensure they have been correctly risk rated by the Regional Marketing Manager.

6. A full audit history is maintained with all promotions logged on a register, which can identify any trends that can be reported to the Brewin Dolphin Board on a monthly basis.

From a review of the agreements issued to the intermediary, investor clients and the associated literature, it would appear that the respective roles of both parties has been clearly set out. Brewin Dolphin appear to have set out clear procedures on how to process and control business from intermediaries working as the agent of the underlying client. In addition, the services are described on the company's website and in the documents that can be accessed from the website.

threesixty were not provided with an example of the financial promotions register, however, a copy of the internal procedures, and guidance on production and approval of promotions was supplied during the visit. From a review of this, a discussion with a member of the compliance team, and a review of examples of promotional material there appears to be a clear process in place for approving and recording all types of financial promotions.

C. Recruitment

This section aims to illustrate what procedures the DFM has in place to ensure that staff it employs are fit and proper. It looks at how the recruitment process works, and how staff are inducted into the business to ensure that they are aware of company procedures.

It will also look at remuneration policies to see if these have been clearly defined.

Review findings

An overview was provided of how staff are vetted, recruited and appraised within Brewin Dolphin. The procedures include:

1. The recruitment of all staff must be authorised by senior management which is in turn controlled by the London HR Department. threesixty were supplied with a copy of the Recruitment Authorisation form to review. The Director responsible must authorise the recruitment along with the Finance and HR departments.
2. Brewin Dolphin use the HR database, SuccessFactors, to record and monitor recruitment, staff management and training issues.
3. Brewin Dolphin use a range of employment agencies in the recruitment process depending on the role of the job being filled. Any job advertisements are approved by the HR department, Compliance and Marketing.
4. The HR department screen all CVs received based on skills, experience and requirements of the job description received and create a shortlist which is supplied to the hiring manager who decides which candidates should be interviewed.
5. HR will arrange Interviews and notify unsuccessful candidates. Based on the experience of the candidate and role being applied for case studies and technical tests are set out as part of process.
6. The hiring manager must obtain a guide to interviewing and sample questions and the candidate suitability form from the HR department. A Candidate Suitability form must be completed in respect of each interviewee, and returned to the HR department.

7. Prior to issuing an offer a completed Recruitment Authorisation form must be completed in respect of a successful candidate. This is forwarded to the HR department who issue a job offer and begin the pre-employment screening.
8. During the recruitment process the HR department keep the hiring manager updated in terms of the progress of acceptance of offers, start dates and pre-employment screening issues.
9. threesixty were provided with examples of the template documents used in the recruitment process along with a step by step guide to the recruitment of permanent and temporary staff which records the process to follow.
10. Brewin Dolphin utilise the services of an external company (Jefferson Hunt) who undertake the screening process which is then checked by the HR department.
11. Verification checks are undertaken which includes an identity check, Directorship check at Companies House, credit and DBS checks. Reference requests cover the last 10 years of employment.
12. All Investment Managers must, as a minimum, be Level 7 qualified and hold a Statement of Professional Standing (SPS) with the Chartered Institute of Securities and Investments (CISI).
13. Contracts of employment are only issued after the pre-employment vetting has been completed.
14. Once a joining date has been agreed the induction process starts, and a key element is to ensure a new joiner has information about the culture of firm. To do this the candidate is sent various documents explaining the firm, and given access to videos within information on the Brewin Dolphin's processes and culture.
15. Any candidate for a role as an Investment Manager will have an additional induction process conducted by the Learning and Development team which encompasses the assessment of competency.
16. All recruits have a mandatory 6 month probationary period depending on the role, and this may be extended if required.
17. Brewin Dolphin's remuneration policy is that staff are paid a total remuneration package which is set in January each year. The Company operates a discretionary profit share scheme, which if awarded, is paid in December.
18. Up to 10% of any profit share awarded to members of staff may be forfeited if specific TCF requirements are not achieved each year. The TCF requirements are set by the Board each year, and judgement as to achievement is at the absolute discretion of the Board through a committee set up for this purpose.
19. In addition, Brewin Dolphin have introduced a provision within contracts of employment, that for client facing staff a third of profit share above £50,000 must be paid by way of deferred shares under a deferred profit share plan. These shares have to be held for a minimum of three years and will be forfeited if an employee moves to a competitor in the three year period. The Remuneration policy is controlled by the Remuneration committee, and details can be found in the published report and accounts, and Pillar 3 disclosure document noted above.

20. Brewin Dolphin monitor staff awareness, and commitment to the culture and ethos of the company by way of annual staff engagement surveys conducted by an external company.
21. The report and accounts for the year to 30th September 2019 noted that Brewin Dolphin were continuing to work on preparation for the implementation of the Senior Managers & Certification Regime to be implemented in late 2019. This has now been implemented according to regulatory timelines.

In view of the confidentiality of employment records, threesixty's review did not involve an assessment of specific recruitment files, so we are unable to comment about the operation of the recruitment process. However, based on the discussions and review of the associated procedures, there appears to be a clear process in place which includes due diligence checks on any potential new recruit.

D. Training & competence (T&C)

This section looks at how the DFM sets out its training and competence regime, and reviews what processes are in place to train, assess and monitor staff and investment managers in particular in their role of dealing with clients introduced from intermediaries.

Review findings

The Brewin Dolphin T&C Scheme document dated April 2019 was provided for review along with documents used in the management and assessment of investment managers and financial advisers. The processes include:

1. Brewin Dolphin has a Learning and Development team. This team of Competence and Development Partners is tasked with providing assistance and resource to line managers in the operation of the T&C scheme.
2. A formal induction process for all newly appointed Investment Managers (IM's) also takes place. The Learning and Development team will run a one day training course for new starters.
3. New starters who have been previously assessed as competent by their previous employer must be reassessed to determine whether they meet Brewin Dolphin's standards, and if required may need to take further qualifications or training.
4. Assessment of new starters will include a role play and observation. On completion of assessment, individuals can be signed off as competent to see clients, however supervision is then set up at a level depending on the experience of the individual.
5. Investment Managers are not permitted to provide financial planning advice on retail investment products.
6. Once assessed as competent to perform the role, all Investment Managers have an interim competency assessment based review every six months, and a formal annual development review to determine any required training needs.
7. In between formal assessments line managers hold one to one meetings with investment managers on a monthly basis.
8. Formal assessments of competency form part of the overall process of ongoing supervision and are the responsibility of the line managers, who are assisted in the process by Competence and Development Partners who help facilitate training and development generally.
9. Assessments of competency are recorded on the HR SuccessFactors data base and include a review of CPD records, management information, review of work undertaken and management skills (if applicable). An individual can be assessed as being in one of three categories, i.e. not yet satisfactory: satisfactory with development, or satisfactory.
10. E-learning is provided on key regulatory topics such as Conflicts of Interest.
11. All Investment Managers must be members of the Chartered Institute of Securities and Investments (CISI), and must hold a Statement of Professional Standing (SPS) from the CISI.
12. The CISI's online professional refresher modules are utilised as part of the ongoing training of Investment Managers, and all must complete their Continuing Professional Development (CPD)

via CISI which is reviewed on an ongoing basis. Therefore a minimum level of 35 hours of CPD with 21 hours of structured CPD to be completed annually by investment managers.

13. A Management Information dashboard is utilised to link any issues from the review of the MI at Investment Manager level, which will then form part of the Investment Manager's development plan.
14. The T&C scheme notes that supervisor skills training for line managers is undertaken, with update training every 24 months for existing supervisors. The company has a defined process for reviewing MI and undertaking the relevant competency assessments in relation to supervision.
15. The appraisal process is managed by line managers who have been trained in the process. Appraisals are conducted twice a year with September being the main one, and an interim appraisal being held in February / March. The appraisal seeks to assess overall performance but with reference to adherence to the company's values as noted above as Genuine, Expert and Ambitious.
16. The appraisal process is a two way operation with staff members entering their comments on the SuccessFactors system first, and then the line manager adding their comments. This is then followed by a one to one meeting between staff member and line manager to review results.
17. Brewin Dolphin's approach is not solely to recruit experienced individuals and they have developed a range of programmes to enhance training and development within the organisation for selected individuals. These include the following:
 - Aspire Managers - A management programme using blended learning to enhance essential skills, teaching effective line management
 - Aspire Mentoring - A scheme welcoming mentees and mentors from all levels of the organisation. Aiming to find the most appropriate match for a mentoring relationship
 - A sponsored MBA programme at Cranfield School of Business
 - A bespoke Executive Leadership Programme to develop individuals at the higher levels of the organisation.
 - A year-long emerging talent programme, which aimed to give the company's up and coming talent the skills to progress through the different levels of the Group.

Based on the review of the T&C procedures, there appears to be a suitable framework for the induction and ongoing monitoring and supervision of the firm's Investment Managers. However, due to the confidentiality of staff information we were unable to review staff training files, and therefore cannot comment on the operation of the training scheme.

There is also evidence that Brewin Dolphin have developed processes to encourage staff development at various levels of the organisation, and that senior management actively monitor the success of such programmes.

E. Discretionary management procedures

This section looks at the procedures and controls the DFM has put in place to carry out the DFM service. It aims to assess how they arrive at decisions when managing funds, and how they record and monitor the process. It looks at the structure of the process including the firm's investment philosophy, investment committees, research, how decisions are implemented and the controls in place to minimise the risk of errors and loss to clients.

Review findings

The procedures to control and monitor the discretionary fund management services include the following:

1. Brewin Dolphin have an Investment Governance Committee (IGC) which is a sub-committee of the Executive Committee. Its role is to provide an investment governance framework that ensures orderly oversight of business activity, and operational risks in key service propositions offered by the Group including:
 - a. new and current products and services
 - b. changes in product / service / provider risk profiles
 - c. withdrawals and suspensions of products and services
 - d. approval of key investment process control proposals, including portfolio models matched to risk profiles, client & portfolio risk assessment exception rules, strategic asset allocation and tactical asset allocation ranges
 - e. act as a decision making and steering committee in an emergency or extraordinary market conditions which demand a Group response.
2. The IGC has agreed formal Terms of Reference last updated in April 2019 which was provided for review. The committee meets on a quarterly basis, or on an ad-hoc basis if circumstances require it. The Chair is appointed by the Executive Committee, and the Terms of Reference sets out the membership of the rest of the committee.
3. The IGC has established five sub committees which operate with such delegated authority as is set out in their individual Terms of Reference, as approved by the Committee from time to time. These are as follows:
 - i. Stewardship Committee

During 2019, Brewin Dolphin has strengthened its sustainability focus with the establishment of an over-arching Stewardship Committee. In 2019 Brewin signed a commitment to the aspirations of the United Nations Principles of Responsible Investment (UNPRI) and took membership with the Investor Forum. Under the Stewardship Committee sit the following Sub-Committees:

 - Stewardship Panel
 - Community Investment Panel
 - Socially responsible Investment Forum
 - Green Forum

The Stewardship Panel aims to ensure that clients' interests as holders of securities are protected and where appropriate, ensure proactive shareholder action is taken in the best interest of those clients. The committee meets bi-annually or on an ad-hoc basis. Its specific responsibilities are:

- The oversight of stewardship matters
- Ensuring the Group's stewardship policy is adhered to
- Regularly reviewing the policy
- Monitoring actual voting records on an exceptions basis to ensure the effectiveness of the Stewardship Policy, and
- Reviewing any stewardship matters that have been escalated for determination (for example, where the research team identifies a conflict of interest)

Brewin Dolphin have signed up to the Financial Reporting Council's UK Stewardship Code and incorporate its principles within their Stewardship Policy. More detail on Brewin Dolphin's approach to Stewardship can be accessed within the Financial Adviser section of the company's website.

ii. Asset Allocation Committee

This committee headed by the Head of Research meets on a monthly basis, and looks at macroeconomic trends and determines strategic and tactical asset allocations in investments in terms of assets and regions. In particular it is tasked with:

- Advising on and review of the asset classification policy
- Advising on and review of the formation of The Group's Strategic Asset Allocation (SAA)
- Sets the Group's Tactical Asset Allocation guidance
- Escalates any issues where the Group's investment management framework does not appear appropriate to the Committee

A briefing note is distributed to the attendees after the AAC meeting, and then minutes are distributed to the members of the IGC and Risk Management Committee. Whilst threesixty were not provided with copies of minutes, copies of the summary provided to Investment Managers after the meetings for the previous six months were provided for review.

iii. Management Portfolio Services (MPS) Investment Committee

This committee meets monthly after the AAC has agreed the tactical asset allocation. The research team then implement any guidance from the AAC to build the model portfolios. These are submitted to the MPS Investment committee for approval. Rebalancing of models are performed monthly regardless of any changes in composition of the models in order to protect against portfolio drift. The construction of the model portfolios is agreed by a committee and not any one individual.

iv. Investment Risk Committee

This committee approves elements of the investment governance framework, and provides assurance that Brewin Dolphin is compliant with the Group Investment Governance Policy.

v. Client Compensation Authorisation Group

This committee provides a mechanism for the review of financial redress identified from all sources such as (but not limited to) client complaints, detriment reviews, operating events and regulatory enquiries.

4. Following on from the AAC meeting the firm's equity strategists have a sector strategy meeting.
5. Each week there is also a detailed stock selection meeting.
6. Where fund changes are recommended or considered, these are discussed at a weekly meeting of the fund analysts.
7. Investment Managers are updated on recommendations for buy lists by a daily conference call including all offices, and minutes of the call are then emailed to all offices. Recommendations are also posted on the interactive research portal along with supporting documentary evidence.
8. In relation to bespoke discretionary management, although portfolios are tailored to each client all clients are categorised into one of the five risk profiles. This risk categorisation acts as a boundary for investment managers to work within. Brewin Dolphin would only change a client's risk category, or overall mandate, with the express agreement of the Financial Adviser.
9. Brewin Dolphin have implemented a Risk Monitoring System (BITA) which is used to monitor the construction and ongoing rebalancing of portfolios to ensure that investment managers are managing in a compliant way and within the mandate, and the defined investment policies of the company.
10. There is an order execution policy in place which is regularly reviewed and updated as appropriate.
11. Brewin Dolphin's Execution Venue report can be accessed within the Financial Adviser's section of the company's website under Order Execution / MIFID II. This notes details of the top five execution venues and outlines the company's approach to monitoring best execution. The company uses an external firm (LiquidMetrix) to benchmark transactions against available venues. Any transaction outside the set tolerance limits will be investigated and the results presented to an Order Execution Policy Committee which meets monthly to oversee order execution arrangements.
12. In relation to the custody of assets in the majority of cases Brewin Dolphin hold assets within one of their wholly owned nominee companies, or assets are held with overseas custodians. These arrangements were not reviewed, although it was noted that the company confirms that all assets are held in trust for the beneficial owners, and arrangements are regularly audited by the Group's external auditor. The company also noted that clients assets held in this way are covered by the Financial Services Compensation Scheme.
13. Brewin Dolphin use the eXimius system to produce past performance figures for the portfolios they manage on behalf of clients of intermediaries. The company has since 2016 provided live portfolio data to Asset Risk Consultants (ARC) for submission to the Private Client Indices (PCI).
14. Brewin Dolphin provide instant online access to portfolio valuations through their secure internet site, MyBrewin. The company also produce the required periodic valuations on a quarterly basis.

The review did not include detailed audit work of the operation of Brewin Dolphin's procedures nor a review of the minutes of the IGC or AAC due to the confidentiality of the information. However, based upon a review of the firm's procedures and discussions on the controls it has established, the

firm appears to have systems and controls which are consistent with its investment philosophy and approach that are reviewed on a regular basis.

F. Outsourcing

This section looks at the extent that a DFM outsources key tasks to 3rd parties, and if it does, what processes are in place to monitor this activity and minimise any adverse impact to clients.

This section is not relevant to all firms, as not all firms outsource key tasks to 3rd parties.

Review findings

It was confirmed during the scope of the assessment that Brewin Dolphin do not outsource any critical functions as defined by the FCA as part of the services offered to intermediaries. Therefore this part of the assessment was not reviewed by threesixty.

G. Financial crime, anti-money laundering, data security, fraud and the Bribery Act

This looks at how the DFM assesses its risks of being subject to financial crime, and how they mitigate the risks by way of business controls and procedures, monitoring, training and reporting.

Review findings

Brewin Dolphin have adopted a risk based approach to dealing with financial crime. The procedures include the following:

1. Financial Crime procedures are in place and are reviewed on an annual basis, or where legislative or regulatory changes occur. threesixty were given access to procedure documents in relation to Financial Crime including relevant sections of the Compliance Manual. AML procedures, dated December 2018 and Anti Bribery and Corruption procedures, dated January 2019, were reviewed.
2. Brewin Dolphin undertake an electronic check of a client's identity, wherever possible, which includes a PEP and sanctions screening for each client.
3. For the MPS, where arrangements with intermediaries are structured on the agent as client basis, Brewin Dolphin expect the intermediary to have verified the client's identity and checked the underlying documentation also.

Training on Financial Crime procedures forms part of the induction process for all new staff, and is undertaken on annual basis in the form of Computer Based Training (CBT) and an associated test and internal checks undertaken to ensure all regions, branches and individuals have undertaken the test by a set date. An updated financial crime training programme is being rolled out in January 2020 which will involve more detailed training for front line staff and face to face targeted training.

4. A bi-annual money laundering report is produced and presented to the Brewin Dolphin Board by the MLRO. Due to the confidential nature of the report, this was not provided for review.
5. Written procedures are in place for the recording of any gifts and hospitality received by Brewin Dolphin employees with gifts over a certain value requiring pre-approval.
6. A review of the firm's Data Security arrangements and procedures is undertaken on an annual basis and threesixty were provided with the latest version to review dated September 2019 and as part of this:
 - a. Monitoring of the policy is carried out by the Information Security and Data Protection Officer, who reports to the Head of Risk and Regulation.
 - b. Mandatory eLearning modules are made available to all staff to carry out on an annual basis.
 - c. A Data Security Response team is in place whose main duties are to ensure that corporate, client and personal data is safe and secure.

From a review of the documents provided, and a discussion with representatives of Brewin Dolphin, the company appears to have procedures in place to monitor the risk of financial crime and these are regularly reviewed.

H. Complaints

This looks at how the DFM handles complaints and ensures that they are independently handled and that the process is fair and clear.

Depending on the arrangement the intermediary has with the DFM this may be a case of assessing how the DFM deals with complaints from the intermediaries clients, or if there is no direct relationship with investor clients how would the DFM deal with any potential complaints from the intermediary as a professional client.

Review findings

Brewin Dolphin has in place internal and external written complaints procedures with separate procedures for persons who are responsible for handling the complaints. The procedures are reviewed annually and threesixty were provided with a copy of the latest version dated June 2019.

The processes include the following aspects:

1. Complaints are handled by the Client Services Team (CST) who deal with the complaints independently, and have the autonomy to look at the root cause of the complaint and outcome free of any internal conflict.
2. An internal complaints form must be completed for each complaint received, and this is then sent to the Regulation & Risk team to record the complaint.
3. The complaint is logged onto a database and an internal report can be created which acts as the company's register which assists with looking at the root analysis overview.
4. Each complaint is subject to a four eyes check in terms of the overall overview and outcome. A further check of cases are then undertaken via an internal audit.
5. Weekly updates and progress reports are made on all complaints and a report made to senior management.
6. The CST issue a monthly report on complaints handling identifying trends, themes and any systemic failures to the Head of Investment Management and the Head of Financial Planning. There is also a quarterly report to the CEO.
7. An internal spreadsheet is maintained for all branches with a risk rating applied to each branch in terms of the date of the last training, and whether there are any specific training needs required. As a minimum, all branches receive internal training at least every three years.
8. There is a Regulatory Guidance log which looks at information and reports produced by FOS as an example, and also how the firm has dealt with complaints in the past.
9. As part of the Terms of Business provided to intermediaries, details on the complaints procedure are provided that intermediaries should follow, and the rights afforded to them under FOS where they are acting as an agent for their client.

It was noted that it is the Brewin Dolphin's policy not to disclose to third parties the number of complaints that have been received, and due to the confidential nature of the information threesixty were not given access to specific files on complaints. However, the documents that were reviewed appear to be appropriate procedures for the handling of complaints.

I. Business continuity / disaster recovery

This section looks at the arrangements the DFM has put in place to ensure that if a disaster did occur they could respond quickly, and either maintain their service to clients, or restore the service in an acceptable time frame in order to minimise any risk of loss.

Review findings

Brewin Dolphin have procedures to address the risk in terms of Business Continuity and Disaster Recovery which include:

1. A Business Continuity Policy dated September 2019. The Business Continuity Plan is approved by the Business Resilience Group (BRG) and the Risk Management Committee (RMC). This is a high level review which states that the purpose of the policy is to address threats to the business of wide ranging and growing threats including terrorist incidents, systems failures, cyber-attacks, fires, pandemic illness, supply chain issues, data breaches and infrastructure failures. There is also a Group wide Crisis Management Plan.
2. It was noted that Brewin Dolphin's business continuity arrangements aim to be aligned with the Business Continuity Management Systems (ISO 22301:2012), and the BCI Good Practice Guide.
3. The policy and the Business Continuity management arrangements are owned by the Business Continuity Manager (BCM), whose work is overseen by the Business Resilience Group (BRG) which meets on a monthly basis. The BCM submits a quarterly report to the BRG. The BRG makes recommendations to the Risk Management Committee (RMC) which ultimately reports to the Exco.
4. There is a Business Continuity & Crisis Management Plan in place for each office. The plans are the responsibility of the Head of Office who are responsible for invoking and testing the plan.
5. The Plans for each office are reviewed on an ongoing basis with a version control in place outlining the dates and changes that have taken place. At least annually a review of the effectiveness of the office's BCP will be carried out and reported to the BCM, who will include a summary in his report to the BRG.
6. The BCM visits each office on at least an annual basis to ensure the plan has been tested, and to provide any additional guidance and feedback.
7. The frequency of tests conducted by each office is dependent on the assessment of risk and impact of any potential failure of an office on the overall business. Offices are categorised as A, B or C. A being High Impact, for example London, Edinburgh and Newcastle, at which tests would be held quarterly, and other offices which are categorised as B (six monthly reviews) and C (annual reviews).
8. The latest Group report and accounts notes that in order to test the company's operational resilience, Brewin Dolphin have conducted crisis management exercises, business continuity and work area recovery site tests, and IT disaster recovery tests.
9. The BCP plans include provision for staff to either work remotely or transfer to nearby offices in the event of a crisis event at their respective offices.

10. Following reviews of a specific area a test report is produced which outlines the nature of the test, along with any lessons learnt and actions / recommendations.
11. The BCP notes the importance of staff awareness training in relation to business continuity matters.
12. Brewin Dolphin also have procedures in place to monitor the business continuity arrangements of key software and service suppliers to the company.
13. It was noted that Brewin Dolphin's internal audit function and the external auditors conduct reviews of business continuity arrangements on an annual basis.

From a review of the processes of the company it would appear that Brewin Dolphin sees Business Continuity and Disaster Recovery issues as a high priority within their business, and regularly monitor and review the arrangements in this regard on a regular basis.