

threesixty

May 2025

Charles Stanley & Co Ltd

Assessment report



Charles Stanley & Co Ltd

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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 investment manager (DIM), and on the regular review of such arrangements.

It is important to note the aim of the work undertaken by threesixty services Limited (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 DIM.

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

Research and due diligence are 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
3. The provider
To establish whether it is appropriate to entrust the provider with client assets

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 DIM, 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 DIMs.

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 retrofitting 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 investment 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 DIM. It is also possible that the solutions you identify for your clients may involve the services of more than one DIM. However, whether you are seeking to merely refer your clients to a DIM 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 DIM, in which you take responsibility for the suitability of advice, the process should encompass the following stages:

1. Define why you need a DIM
2. Set out the key criteria by which you will assess the DIM
3. Identify and list the DIMs 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
 - DIM's own material – Due diligence packs or brochures
 - A due diligence questionnaire sent to the DIM
6. Meet the shortlist of firms
7. Decide on which one or more DIMs to use – document why and the approval process followed by your firm's senior management
8. Monitor and record performance of the DIM(s)
9. Periodic review of DIM(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 a series of remote meetings which generally takes 2 to 3 days, and a review of various documented procedures and papers supplied by the DIM prior, during and after the meetings.

During the assessment our business risk consultant will meet with key individuals within the DIM 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 assessments involve meetings with senior representatives from Investment Management, Operations, Compliance, Risk Management, Human Relations, Training and Competence and I.T.

On occasions the DIM 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 investment 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 DIM 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 DIM. However, it will also hopefully help you to construct further questions that you may wish to ask the DIM 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.

Charles Stanley & Co Ltd: Key details

Firm name	Charles Stanley & Co Ltd
Turnover	£204.7m as of 30 September 2024
Established since	Charles Stanley's origins date back to January 1792
Funds under management	£27.2bn total assets under management as of 31 December 2024 of which £17.0bn is in relation to the firm's discretionary business
Contact details	Paul Measures – Head of Intermediary Sales & Strategic Partnerships (North) paul.measures@charles-stanley.co.uk Tom Hawkins – Head of Intermediary Sales & Strategic Partnerships (South) tom.hawkins@charles-stanley.co.uk
Useful links	www.charles-stanley.co.uk LinkedIn Twitter

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. Charles Stanley & Co Ltd is a member of the London Stock Exchange and is part of the Raymond James Financial Inc. group of companies.

In January 2022, Charles Stanley & Co Ltd (hereafter referred to as Charles Stanley) was acquired by Raymond James Financial, Inc. a leading diversified financial services company listed on the New York Stock Exchange, which as of 31 December 2024 had total client assets of US\$1.57 trillion.

Charles Stanley remains one of the oldest members of the London Stock Exchange.

Charles Stanley operates from more than 24 locations around the UK and had 910 staff as of January 2025.

2. Charles Stanley has aligned its core values with those of Raymond James and the business states these as follows:

‘We put clients first. We’re in the business of helping people achieve their dreams, support their families, and improve their communities. And that’s true for our clients, wealth managers and associates too.

We act with integrity. Our culture is rooted in the values that were part of the foundation of the firm. They are both characteristics that define Raymond James as a company and the shared attitudes of the people who make up our firm.

We think long-term. Complacency is the enemy of long-term success. As our business changes, as technology changes how we communicate, as people and their expectations change, we’re committed to evolving our services, innovating our approach and growing our business while staying true to who we are.

We value independence.’

3. Charles Stanley has been a signatory to the Women in Finance Charter since 2017. The Charter is a government led initiative designed to encourage gender balance across the financial services sector. At the time of becoming a signatory, Charles Stanley had a 28% female representation in Senior management.

In March 2024, Charles Stanley had female representation of 50% at Board level, 18% at Executive Committee level, and 43% at Staff level.

The Group has incorporated its work in relation to the Charter across a number of areas including senior management, maternity and pay policies, leadership development, recruitment and training.

In August 2024, Charles Stanley launched its new approach to Diversity, Equality and Inclusion (DE&I). The business is committed to fostering a diverse and inclusive culture where it value differences and

individuals are recognised, celebrated, and supported. The Raymond James Wealth Management DEI Council has been established (RJWM DEI Council) and it will be to build upon the work already undertaken by the Charles Stanley Diversity & Inclusion Panel and the Raymond James Engagement Committee, but under a new, collaborative structure.

The goals of the RJWM DEI Council will be to:

- Increase diversity within its senior leader population.
- Bring in a pipeline of talent from the early career stages, increasing partnerships and ensuring the recruitment strategy supports its DE&I aspirations.
- Improve the gender pay gap.

To aid the pursuit of these goals, a number of initiatives have been launched

- DE&I Advocate Group
This will be the DE&I 'think tank', providing ideas and feedback to the council and networks. The group will be the 'voice of the firm', bringing forward ideas, gathering feedback on culture, generating ideas on engagement and coordinating the DEI events.
- Inclusion Networks
A number of networks provide the platform to promote diversity by bringing together staff to share experiences and ideas, creating a safe space to promote open dialogue and idea generation as well as to gather feedback on culture and progress. Adviser Networks will support advisers and the communities they proudly represent, providing resources, strategies, and a forum for sharing ideas designed to enhance their businesses.
- Regulatory Project Team
The aim of the Regulatory Project Team is to ensure the firm's strategy, action plan, data and targets align with FCA's requirements of firms.

4. The governance structure of Charles Stanley is spearheaded by a Board of Directors which is charged with the responsibility to oversee, govern, and direct the operation of Charles Stanley in line with the Group's strategy. The Board is enhanced through six non-executive directors who help provide an objective oversight and challenge to the company's activities. It is understood that Board meetings occur most months, but threesixty was not provided with sight of the minutes and management information were presented and produced as a result of these meetings due to the confidential nature of these documents.

5. Charles Stanley has four key committees which report directly to the Board, and these are:

- 5.1 Audit Committee
- 5.2 Remuneration Committee
- 5.3 Risk Committee
- 5.4 Nomination Committee

6. The Risk Committee is responsible for ensuring that Charles Stanley has an appropriate control and risk management framework in operation, and to advise the Board on a wide number of matters pertaining to risk.
7. The Executive Committee of Charles Stanley which is responsible for the day to day running of the business and it has a number of control committees supporting and reporting into it. These include the following:
 - 7.1 Asset and Liability Committee
 - 7.2 Enterprise Risk Committee
 - 7.3 Products and Services Committee
 - 7.4 Conduct and Culture Committee
 - 7.5 CASS Committee
 - 7.6 Investment Committee
 - 7.7 Responsible Investment Committee
 - 7.8 Integration Committee

There is also the Policy Review Committee, which reports into the Enterprise Risk Committee.

8. Compliance reports are prepared by the Head of Compliance and submitted to the Joint Risk Committee on a quarterly basis, and threesixty had brief sight of the structure of a recent report submitted to the Board in order to gain a feel for its scope. The Head of Compliance confirmed that the areas covered by this report includes:
 - 8.1 Key matters
 - 8.2 Regulatory engagement
 - 8.3 Regulatory developments
 - 8.4 Compliance monitoring
 - 8.5 Financial crime
 - 8.6 Complaints
 - 8.7 Training
 - 8.8 Product distribution
 - 8.9 Policy developments
 - 8.10 Audit points
9. Charles Stanley carries out an Annual Compliance Risk Assessment (ACRA) and its purpose is to consider the current Conduct of Business risks facing the group as well as regulatory risks including:
 - 9.1 Systems and controls

9.2 Protection of client assets

9.3 Financial crime

The ACRA is constructed around the FCA Handbook and assesses what is specifically in and out of scope for Charles Stanley, and this captures, as mentioned earlier, Conduct of Business risks as well as regulatory risks.

The Head of Compliance confirmed that an enhanced approach is being taken towards risk assessment, particularly in the area of control assessments. The assessment is broken out into four sections which examines policies, staff awareness and training, the three lines of defence, and governance. These are then combined to create an overall control assessment to support the residual risk rating.

Each outcome from the assessment is then considered as to whether this should be transferred into the Compliance Monitoring Programme noted below.

The ACRA also provides greater clarity as to the respective responsibilities of Risk and Compliance. The Head of Compliance confirmed that only minor changes have been made since threesixty's last assessment, and none of a material nature.

10. The Compliance Monitoring Programme (CMP) for 2024/2025 is in place and this is constructed as follows:

10.1 There are two monitoring programmes, a core compliance programme, and a financial crime programme, with different risk assessments feeding into them. There are also detailed monitoring schedules and programme activities to provide the specifics behind the CMP.

10.2 The programme is divided between surveillance work, which seeks to ensure that the key regulatory activities are being monitored in accordance with the company's policies and procedures, and thematic based activities, which are targeted around specific risks, processes, and topical regulatory issues.

10.3 Each activity is rated using a traffic light system which enables the business to prioritise the relevance and impact of each activity.

10.4 The Head of Compliance informed threesixty previously that that the programme is supported by a series of spreadsheets which sit in the background and provide the detail behind the programme. threesixty did not request sight of an example of one of the supporting spreadsheets.

Once prepared, the CMP is presented to the Executive Committee.

11. The Annual Compliance Plan for 2024/2025 was shared with threesixty onscreen by the Head of Compliance and this acts as part of the key second line of defence structure noted above. The Head of Compliance confirmed that the Compliance Monitoring Programme and the ACRA contribute towards the creation of the Annual Compliance Plan, and it is approved by the Board Risk Committee.

12. Charles Stanley has a Risk Policy dated October 2024. This policy defines the firm's approach to risk management and its governance framework. This includes:

12.1 Explaining how the firm considers potential client harm.

12.2 Providing clarity relating to ownership and accountability for risk.

12.3 Explaining how the ICARA process acts as the primary means of monitoring the group's financial resources at any time.

Supporting this policy include the Risk Appetite Statement, Risk and Control Self-Assessments, and the Conduct Risk Policy.

13. Key risk indicators are gathered as part of a Conduct Dashboard, and this is overseen and reviewed by the Culture and Conduct Committee on a quarterly basis. Elements are subsequently escalated to both the Executive Committee and Board as and when required. The Head of Compliance confirmed that the Conduct Dashboard has been expanded upon since the last assessment.

Charles Stanley has identified a total of 20 conduct outcomes, and these are monitored and reported through the Conduct Dashboard. threesixty was informed that this has been enhanced further with the addition of diversity and inclusion.

14. A series of Risk Appetite Dashboards are in place, and together with an Incident Dashboard, capture aspects such as breaches and dealing errors, and these are examples of a suite of measures which sit alongside the Board Risk Appetite and Conduct Risk Dashboard.

15. Charles Stanley's Chief Risk Officer provided an update on Charles Stanley's risk management framework and the suite of dashboards which enable Charles Stanley to manage not only the existing risk framework, but also with a view to managing the framework as it evolves in the future. This framework underpins the work carried out by the Enterprise Risk Committee.

16. A Charles Stanley Risk Register is in place which provides a top-down view of the risks, and a corresponding risk score is generated based on a traditional impact versus likelihood assessment, and this then progresses along the lines of inherent, to residual, and ultimately through to mitigation, in order to show how the risk is either eliminated, minimised, and managed. The Risk Register is provided to the Enterprise Risk Committee and the Risk Committee on a quarterly basis.

17. Charles Stanley's policy in relation to risk management and its risk governance framework is captured within its Risk Policy and Risk Appetite Statements. The policy is challenged and approved by the Board on an annual basis. There are a number of policies supporting it including:

17.1 Risk appetite statements

17.2 Credit risk policy

17.3 Treasury policy

17.4 Conduct risk policy

17.5 Risk and Control Self-Assessment minimum standards – these ensure that material activity and process level risks are identified and managed, including the effectiveness of key controls. These assessments occur every six months.

17.6 Risk and events reporting and escalation minimum standards

17.7 Issue management minimum standards

The Chief Risk Officer confirmed that there a number of Risk Appetite Dashboards in place, with the dashboards being owned by members of the executive management teams.

18. The Board is responsible for setting a strong risk culture with a clear and consistent tone from the top, and through the Senior Management team, encouraging appropriate behaviours and collaboration on managing risks across the business. Risk management is acknowledged as being part of every member of staff's day-to-day responsibilities and is linked to their performance.
19. The Board (via the Risk Committee) retains formal ownership of the framework, sets the risk appetite for the business, and also approves policies and processes.
20. The risk management framework is focussed around the three lines of defence model, where the lines are clearly identified as:

20.1 1st Line of defence

The first line is the business itself, and therefore business line management and staff are all responsible for the identification, ownership, and management of risk on a day-to-day basis.

20.2 2nd Line of defence

The Compliance and Risk functions operate as the second line. The Risk function is responsible for the implementation and oversight of the framework, reporting to the Board and relevant Committees, and for overseeing and challenging the management of risk. The Compliance function is responsible for the oversight of regulatory compliance.

20.3 3rd Line of defence

The Internal Audit team provide the third line, and provides independent assurance that risks are effectively managed and that there is appropriate oversight. The function is outsourced to Raymond James Financial Inc. and supported by Grant Thornton.

The Chief Risk Officer confirmed that the three lines of defence have been translated into training, which has been delivered by the Risk team.

Since threesixty's last assessment, the Chief Risk Officer highlighted a number of enhancements:

a. Operational Resilience

Charles Stanley continue to develop this area, testing real life situations to make sure the business remains resilient. Examples of this include potential Winter power outages and hybrid working.

b. Middle office

There is a monitoring and oversight team which sits within the middle office to provide additional monitoring and oversight.

c. Cyber Security

Charles Stanley has access to first class cyber security tools from Raymond James.

21. The Chief Risk Officer highlighted that in addition to the monitoring undertaking by the first line of defence, there are three strands of monitoring in place – Risk, Compliance, and Internal Audit. Compliance operates a rolling programme of testing, whilst Risk and Internal Audit focus on key risk areas.
22. The Compliance Monitoring Programme includes a review programme of each branch or desk. Each review results in a compliance rating and the report is issued to the branch/desk and copied to both the relevant divisional Managing Director of Central Financial Services (CFS) and the Managing Director of IMS. All actions are discussed, logged, and tracked accordingly.

23. Charles Stanley's MIFIDPRU Disclosure for the period ending 30 September 2024 can be accessed via the company's website. This disclosure includes a section headed 'Remuneration Disclosure' and confirms that a Remuneration Committee is in place, and that this committee is chaired by an independent non-executive director. None of the Committee members have any personal financial interests in the Group (other than as shareholders) or conflicts of interest arising from cross directorships or day-to-day involvement in the running of the business. The Remuneration Committee meets at least three times per year and on an ad hoc basis as required.

The disclosure confirms that the Remuneration Committee took independent external advice from AON UK Limited for the year ending 30 September 2024.

24. The area of conflicts of interest is driven by a Conflicts Management Policy together with two corresponding registers which are separated to provide information on those conflicts which are deemed to be enduring in nature, and also specific actual conflicts. These registers are maintained by the Compliance Department.

The policy, which threesixty was informed is dated March 2025, is subject to a review annually, and identifies three ways that can be used to mitigate potential conflicts, and these include Independence Policy & Segregation of Duties, Remuneration Policies, and Chinese Walls. Due to its confidential nature, threesixty were briefly shown the firm's conflicts of interest registers.

An annual mandatory questionnaire incorporating questions relating to, amongst other aspects, conflicts of interests is issued to Charles Stanley staff for completion.

25. Charles Stanley has in place an Order Execution Policy which is dated June 2024. There is also a summary of the firm's Order Execution Policy dated May 2024 and a copy of which is available via Charles Stanley's website. The summary document is itself detailed, and describes the position at Charles Stanley, being that all clients, whether they are considered to be Retail or Professional, are relying on Charles Stanley to obtain the best outcome for their orders, based on the relationship being that of an agent/client nature.

The decisions made regarding execution venues are made through the Asset and Liability Committee and Dealing Department. The committee is responsible for issuing an annual report to the Board in respect of best execution, and it is understood that the latest report has recently been submitted to the Board.

The policy summary outlines the six primary execution factors: price, costs, speed, likelihood of execution and settlement, size and nature of the order, and any other consideration relevant to the execution of the order.

26. There is also a separate document titled 'Main Execution Venues' which provides details as to the specific venues that could be utilised by Charles Stanley. This document is dated May 2024 and is publicly available via Charles Stanley's website.
27. All Charles Stanley staff can view the various policies and procedures via 'PolicyHub', Charles Stanley's central portal.
28. A Business Change Risk Assessment is in operation which formalises the process of carrying out risk reviews on major changes and initiatives, for example new products or new operating systems.

29. It is understood that appropriate professional indemnity insurance is in place and threesixty were provided with the current certificate of insurance.
30. Charles Stanley operate an annual deep dive governance review into all products and services offered by the group. This includes but is not restricted to marketing status, periodic reviews, design, governance, target market identification, marketing approach, pricing, distribution, post-sale servicing, complaint handling, closure of account / approach to the end of product life, risk and a 'value for money' matrix. The business owner of the product or service writes the review and seeks approval from the Products and Services Committee where it is challenged and, if required, any additional points are included. The value for money matrix utilises a RAG system to assess how the product compares in terms of performance, service, governance, brand, and outcomes to a predefined peer group, resulting in an overall consumer outcome which is ultimately signed off by the Committee after discussion and challenge on a rolling annual basis.

threesixty was not provided with access to the minutes of specific management committee meetings and detailed management information, due to the confidentiality of the information contained within them. However, it was evident from discussions with various senior members of the team, including the Head of Compliance and also the Chief Risk Officer, that Charles Stanley maintains a comprehensive framework of risk management and monitoring for the business.

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

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

Review findings

Arrangements for introducing intermediary firms

1. Charles Stanley offers a choice of engagement options to suit individual clients and intermediary firms alike. Alongside the traditional Agent as Client arrangements, Charles Stanley also offers Reliance on Others as an alternative. Both engagement options are available through the use of a single Terms of Business agreement which then allows the intermediary firm to operate each individual client account on either an Agent as Client or a Reliance on Others basis depending on their own and their clients' preferences. This functionality applies to the Bespoke Discretionary Management Service, the Tailored Discretionary Management Service, AIM Inheritance Tax Solutions, and Model Portfolio Services when held on Charles Stanley's own platform.

The range of services available to clients of intermediaries include:

1.1 Bespoke Discretionary Management Service

This service has a dedicated investment manager who will work directly with the intermediary (or for introduced business, the client) in order to construct a portfolio appropriate to the client's objectives, and this can include direct equities, bonds, and collective investments. This service has been described as taking into account the DNA of the client in order to make the portfolio truly bespoke. In addition to the above options, this service can also be accessed where the intermediary introduces its investor, with the investor becoming a direct client of Charles Stanley. The minimum investment for this service would normally be a minimum of £500,000.

1.2 Tailored Discretionary Management Service

This service harnesses the combined experience of Charles Stanley's Asset Management and Research teams through the creation of 4 total return portfolios, which are then personalised by an investment manager to the specific requirements of the client and can take into account of needs such as those relating to drawdown and income requirements, and also managing across multiple account types. The service is constructed using three key elements, the Tailored Growth Portfolio, a high-income fund, and an institutional money market fund, which are then blended appropriately to meet the needs of the client. The service can be accessed through Charles Stanley's own platform and the minimum investment for this service would normally be at least £200,000.

1.3 Managed Portfolio Service

This service provides a range of Multi-Manager, Blended Managed, Dynamic Passive, and also Responsible Portfolios to choose from.

Multi-Manager Portfolios are available from a range of 5 total return and 5 income strategies and can be accessed via a range of external platforms.

Blended Portfolios provide 5 total return models and are available via a range of external platforms.

Dynamic Passive Portfolios provide 5 low-cost total return models and are available via a range of external platforms.

Responsible Portfolios provide 4 total return portfolios and are available via a range of external platforms.

The minimum investment for the Managed Portfolio Service will be determined by the particular platform used.

1.4 Inheritance Tax Portfolios

The nature of the Inheritance Tax service is to invest in shares quoted on the Alternative Investment Market (AIM) that qualify for Business Relief (BR) to gain exemption from Inheritance Tax.

Please note that in order to qualify for Business Relief the underlying investments will need to be held for a minimum of two years from the date of each individual investment and upon death. The rules for shares quoted on AIM are less demanding than those on the Official List of the London Stock Exchange, as such the investment risks are higher. The market in such companies can suffer from partial or total illiquidity, which can make it difficult, or impossible, to dispose of an investment.

The benefits of the Inheritance Tax service are subject to the current taxation rules continuing for the duration of the portfolio.

The Charles Stanley IHT Portfolio Service has been reviewed by the independent Alternative Investment Research vehicle, MICAP.

The minimum investment required to access this service is £100,000.

From 6 April 2026, AIM shares will qualify for 50% business relief, meaning a 20% effective rate of inheritance tax will apply to AIM shares.

2. Charles Stanley can provide discretionary investment management services (DIM) on two different bases:

- 2.1 On an Agent as Client basis, as permitted by COBS 2.4.3 of the FCA Rules. In an arrangement of this sort, the Adviser firm, and not the underlying investor, is treated as the 'client' of Charles Stanley.
- 2.2 Where investor portfolios are held with Charles Stanley, it can also provide its services on a Reliance on Others basis, as permitted by COBS 2.4.4 of the FCA Rules. In this instance, Charles Stanley treats the Investor as its client.

In both instances, Charles Stanley takes instructions from the Adviser firm regarding the Investor's investment needs and risk profile and deliver an investment portfolio that reflects these requirements.

Charles Stanley's role is then to manage the portfolio on an ongoing basis within the mandate and risk profile communicated to it by the Adviser. Charles Stanley remain wholly responsible for ensuring that the portfolio remains within risk mandate at all times, and it operates processes to ensure that portfolios at risk of moving outside their risk mandates are brought back into line within a timely fashion.

For portfolios on the Charles Stanley platform, it provides quarterly periodic reports to the Adviser firm. All client reports are issued to the Adviser firm and, if requested, Charles Stanley can arrange for the account to send copies directly to the Investor. Online access to portfolio valuations will also be made available to the Adviser firm and Investor if requested.

For model portfolios held on an external platform, the platform should provide client reports in accordance with its own protocols.

The default in the Terms is to treat clients on the Charles Stanley platform (including Advisers acting in an Agent as Client capacity) as Retail clients. However, where Advisers access Charles Stanley's model portfolio services via an external platform, it would classify the Adviser as a Professional (Per Se), as the Adviser's client, and a client of the platform, Investors retain the regulatory protections associated with those relationships.

Charles Stanley's policy is to invest client portfolios in investment assets that it deems appropriate for Retail clients. In the event that the resulting portfolio is unsuitable for the selected risk mandate, Charles Stanley would bear responsibility assuming no other factors were at play. Consequently, addressing complaints regarding a portfolio falling outside of the risk mandate would be the responsibility of Charles Stanley and not the Adviser.

3. When the intermediary uses the Bespoke Discretionary Management Service in an 'Agent as Client' capacity, the intermediary will become a Retail Client of Charles Stanley, and not the underlying investor.

When accessing Charles Stanley model portfolios via an external platform, the intermediary will be classified as a per se Professional Client.

The roles of Charles Stanley and the intermediary are detailed within the 'Financial Adviser (Intermediary) Terms of Business Agreement' (which was last updated in May 2024) where it clearly outlines the support being provided, the responsibilities of both parties, and the sign-up process. Key points highlighted within this document include:

- 3.1. The intermediary will be responsible for obtaining the information necessary to enable it to make a recommendation as to the selection of a specific Charles Stanley service and corresponding product wrapper. This information includes 'know your client' information, investment objectives, attitude to risk and also capacity for loss.
- 3.2. Charles Stanley will be responsible for the management of the portfolio in line with the mandate provided by the intermediary. The intermediary will be the primary contact for Charles Stanley.
4. A standalone guide was created by Charles Stanley in September 2019 which explains the differences between 'Agent as Client' and 'Reliance on Others'.
5. threesixty was informed that the investment managers encourage a meeting with the intermediary and the investing client, as Charles Stanley believe in providing direct access to the investment manager, and this is different to other discretionary management firms who have different individuals performing the relationship management and investment management roles, where the latter may be less accessible to the investing client. Meetings with the investment manager are therefore available if this is the wish of the intermediary and the client.
6. Prior to entering into an agreement with the intermediary, it is expected for discussions to have taken place between the intermediary and Charles Stanley's Intermediary Sales Team to gain a full appreciation of how the intermediary operates, and therefore how Charles Stanley can add value to the intermediary's business.

7. Once the agreement has been completed, Charles Stanley will perform a number of checks including AML, LEI, adverse media, and a check of the FCA Register to ensure that the intermediary has the required permissions, and no adverse disciplinary history is evident.
8. For the Bespoke discretionary management service, an annual review is carried out by the investment manager, to ensure that the intermediary has carried out a review with the client to confirm the ongoing suitability of the portfolio being managed by Charles Stanley. This process is managed at branch level.
9. The Intermediary Sales Team provides a variety of support to intermediaries. This includes a number of regionally based Business Development Managers (BDMs) and two telephone-based BDM's. The Intermediary Sales Team also includes a Business Strategy and Market Development Manager, and two Heads of IST Strategic Partnerships.
10. The Intermediary Sales Team organise a range of activities, and some of these are outlined below.
 - 10.1. A variety of regional events are held across the UK. These events cover topical and pertinent areas including centralised investment propositions and decumulation strategies.
 - 10.2. The Head of Asset Management hosts quarterly asset management webinars to provide continuing insight into the MPS range. The webinars cover aspects such as strategic and dynamic asset allocation and help to inform intermediaries as to how they are applied to the portfolios.
 - 10.3. A number of national and local events, for example, regional breakfast meetings are held to promote networking and can be a mix of both face to face and remote based events.
 - 10.4. The 'Book of Stories' is produced for intermediaries and the most recent edition covers aspects such as the new client contract, client vulnerability, and intergenerational wealth transfer.

Charles Stanley refreshed its value of advice work in 2023, and this is carried out every three years in conjunction with AKG.

From a review of various documents provided for the assessment and discussions held with the Group Head of Sales and the Head of Sales Operations and Third-Party Governance, the respective roles and responsibilities of both parties are clearly established.

Client Communications & Financial Promotions

1. The Head of Compliance confirmed that there is a Promotions and Communications Manual in place to cover the approval of all forms of communications and financial promotions and to ensure that they are fair, clear, and not misleading. The procedures are understood to be dated August 2024 and remain up to date at the time of this review, incorporate a previously produced overview flowchart, together with guidance, examples of considerations, and an approvals checklist. These procedures provide a good depth of information for the staff at Charles Stanley which outlines the steps that would be taken prior to the approval of a financial promotion, and these include:
 - 1.1 Marketing Department review the document and then complete the first part of the shared log
 - 1.2 If the document is not deemed a financial promotion, Marketing would complete it, and Compliance would not be required to approve the document

- 1.3 If it is deemed to be a financial promotion, it is then submitted to Compliance who will then complete the second part of the shared log
 - 1.4 If amendments are required to the document, Compliance will liaise with the individual, and keep Marketing informed, until such time as they are in a position to approve the document
 - 1.5 Approving entities could also include legal, business entities, operations, and the business owner
 - 1.6 Once approved, the shared log is updated, and the final version of the document is scanned to a shared folder
 - 1.7 The original paperwork is then returned to Marketing
2. The Head of Compliance confirmed that Marketing provide the front-line sign-off for financial promotions, enabling Compliance to undertake periodic sampling as part of their second line of defence activities.
 3. threesixty was informed that a financial promotions register is in place, but it was deemed confidential in nature and hence not provided for review as part of this assessment.

From a review of the documentation provided by Charles Stanley, together with a discussion with the Head of Compliance, it appears that a clear process exists for the submission and review of financial promotions and marketing documentation for use by intermediaries with their clients.

C. Recruitment

This section aims to illustrate what procedures the DIM 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

1. The Head of Talent Acquisition provided an overview of Charles Stanley's recruitment procedures and the journey for new members of staff from initial selection through to making an offer of employment. The procedures include the following steps:
 - 1.1 The hiring manager places a requisition request together with a formal job description if a standard job specification exists for the particular role. Job descriptions are in place which are in line with the requirements of the Senior Managers and Certification Regime (SM&CR), and oversight of these is conducted by the Head of Training and Competence.
 - 1.2 Oracle Recruitment Cloud is used to capture the above requisition, and provide a straight through recruitment process.
 - 1.3 The requisition request is submitted to the HR Business Partner who will provide first line approval. If approved, the request is then submitted for approval by the Senior Manager function responsible, and finally to the Finance Team. Oracle manages the notification chain of approval.
 - 1.4 Once the requisition has been approved, the role is posted through a number of different mediums, including recruitment agencies, Charles Stanley's own website, internal advertisements, and through a variety of other media channels.
 - 1.5 The first line review of candidates is completed by the Talent Acquisition Team, and the candidates that are successful, are passed to the hiring manager for assessment.
 - 1.6 The Talent Acquisition Team arrange for initial interviews to take place, and this process will always include at least one interviewer, and no potential recruit would be offered employment unless they have been interviewed by two members of staff from Charles Stanley.
 - 1.7 The second interview tends to be held with team members, and can include scenario testing, and potentially the use of 'Predictive Index', a form of psychometric testing. To support the recruitment process, the teams also create a role profile for the new candidate, and this helps with measuring the results from the psychometric testing against the profile.
 - 1.8 A third interview may be held and is likely to be dependent upon the nature of the role and who attended the previous interviews. Face to face interviews are a key part of the recruitment process.
 - 1.9 An offer is then made to the successful candidate verbally and followed up via electronic means.
 - 1.10 For those candidates who were interviewed but unsuccessful, constructive feedback is provided.
2. threesixty was informed by Charles Stanley's Head of Talent Acquisition that the recruitment of non-executive positions is handled by external recruitment specialists.
3. The interview framework is competency based and a document is available to help with this, and accompanying this is a question bank that can be used if required. This document is not prescriptive but remains available to be used as a guide when considered appropriate.
4. Pre-employment screening for all new prospective candidates is carried out post-offer and is managed externally, including regulatory, personal, financial, and criminal checks, and the results are then

collated in a factual manner for HR to make their decision. Charles Stanley's HR department owns all the reference requirements.

5. It is understood that there is an ongoing programme of interview skills training in place, to ensure those who are involved as potential interviewers have been appropriately trained.
6. The minimum entry level for an investment manager at Charles Stanley is a level 6 qualification, and they are encouraged to strive to level 7, Chartered status, after completing three years' service.
7. Wherever possible, Charles Stanley are keen to recruit internally, and have offered apprenticeships in the past to nurture young talent into the industry.
8. threesixty was informed that individual performance is assessed bi-annually through a formal appraisal process in which the performance of every member of staff is measured against agreed goals and objectives.
9. An Employee Assistance Programme is in place which provides a point of contact for staff to call if necessary. The pandemic focussed the value of such services.
10. The Head of Talent Acquisition confirmed that Charles Stanley runs an ongoing apprenticeship programme due in late September/October 2025. Charles Stanley has worked with a charity called Open Palm for a number of years, in order to reach out to schools to talk to pupils and apprentices have been sourced from this initiative.

Based on the discussions with the Head of Talent Acquisition, who provided an insight into how an individual would be recruited by Charles Stanley, there appears to be a clearly defined process in place.

The assessment did not involve a review of individual staff files due to the confidentiality of the information contained therein, and we cannot therefore comment on whether the above process is being followed.

D. Training & competence (T&C)

This section looks at how the DIM 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

1. Charles Stanley's approach towards T&C and is contained within its SM&CR Policy, which provides a high-level view of the regulatory requirements. This is then supported by a range of supporting appendices, which provide granular detail for each of the business areas.

threesixty was provided with sight of the current Training and Competence Scheme for the Investment Managements Services (IMS) which was dated October 2022. It is understood that the scheme is being reviewed and expected to be relaunched in 2025.

The Training and Competence Manager (T&C) confirmed that the policy and appendices are owned by the business and not by Compliance.

The IMS T&C Scheme covers the following areas:

- 1.1. How New Entrants attain competence.
 - 1.2. How Experienced New Entrants attain competence.
 - 1.3. Maintaining competence.
 - 1.4. Supervision.
 - 1.5. Record keeping.
2. The SM&CR Policy covers both certification and non-certification staff. In relation to the certification staff, the policy outlines five stages for these staff:
 - 2.1. New entrant
 - 2.2. Experienced New Entrant
 - 2.3. Competent – Heightened Supervision
 - 2.4. Competent – Standard Supervision
 - 2.5. Competent Enhanced Supervision

When in the 'Competent – Heightened Supervision' phase, the member of staff will have been initially signed off as competent and is then subject to an increased level of supervision for a prescribed period of time, with a raised level of management oversight in comparison with colleagues under Standard Supervision.

Once the Heightened Supervision period has been successfully completed, the individual will move into 'Standard Supervision', and this includes the ongoing oversight of line management and the application of front-line controls in accordance with the relevant Risk and Control Self-Assessment.

When Certification staff working under Standard Supervision require either further support, oversight or remedial coaching, there is the ability for them to enter the 'Enhanced Supervision' programme for a defined period of time with a view to moving back into the Standard Supervision process in due course.

3. The review of competency of staff between the categories noted above, involves a number of key performance indicators including performance against benchmarks standards, complaints, dealing errors, other errors and breaches, inappropriate conduct, CPD and also qualitative reviews.

The T&C Manager confirmed that the KPIs have been developed to build in more commercial aspects such as lead conversion, core metrics, and other areas of interest to the business such as quality assurance, personal development, and CPD.

T&C dashboards have also been developed which provide data in relation to trend analysis, including complaints, lead generation, and breaches.

4. Charles Stanley uses the Redland Insight system (now owned by Star Compliance) to capture the record keeping in relation to the certification of its staff, the annual appraisal process, and also to detail the flow of documentary evidence when individuals move between the different categories set out by the SM&CR Policy.
5. Charles Stanley conducts certification of appropriate individuals in June. Before a certificate can be issued, a number of activities will have been completed, including:

- 5.1. Annual Appraisal
- 5.2. Annual reassessment of competence including KPI review
- 5.3. Annual Personal Declaration
- 5.4. Satisfactory Credit and Criminal re-checks (and these are carried out at least every 3 years)
- 5.5. Statement of Professional Standing

It is understood that Personal Declarations and reassessments of competence will be subject to checks by Charles Stanley's quality assurance team.

6. The SM&CR Policy provides a structured hiring process which includes clear job descriptions that set out the following:
 - 6.1. Required qualifications (existing and proposed)
 - 6.2. Preferred experience levels
 - 6.3. Technical skills
 - 6.4. Cultural behaviours
7. When joining Charles Stanley, all staff, irrespective of their roles, receive a structured induction, which ensures that they are familiar with the following:
 - 7.1. The firm's services and products
 - 7.2. The firm's governance arrangements
 - 7.3. Conduct standards and culture
 - 7.4. Relevant systems
 - 7.5. Relevant policies and procedures
 - 7.6. Key staff and contacts

8. Discussions with Charles Stanley's Recruitment Consultant provided an insight into the firm's induction process, and this involves time with HR and importantly integrating immediately within the individual's designated team. There is also a monthly induction morning with sessions provided by the Chief Executive Officer and Chief Financial Officer and other senior members of each business division.
9. The T&C Manager confirmed that the business has implemented a central learning system called 'CS Learning' which contains all learning content. This system has been built internally and provides the flexibility to set mandatory aspects (for example, compliance and complaints) whilst also enabling individuals to self-select their own learning topics.

The business has developed bespoke training to complement mandatory elements of the training programme. An example of this was the anti-money laundering training presented by the MLRO. As a result of the acquisition by Raymond James, Charles Stanley now has access to additional resources to expand this programme further.

10. The T&C Manager chairs forums for key stakeholders to T&C which are held periodically and designed to discuss the future and share and discuss challenges and best practices.
11. The T&C Manager confirmed that there are two full time T&C Supervisors within Investment Management Services (IMS), and they provide a range of support, including observations and development, and work closely with the line managers, who are deemed the supervisors from a regulatory perspective.
12. The T&C Manager that the framework has continued to improve as seen through regular meetings held with peers, additional soft skills development, business development programmes, and management information has been enhanced through the use of dashboards.
13. The level of management information available to the firm has been enhanced through the use of Tableau software. This information is available for use by the management team and supervisor alike through the view of various personalised dashboards.
14. threesixty understands that full records of investment manager names and qualifications are held and maintained within Redland Insight.
15. In relation to supervision, threesixty was informed that the firm's investment managers have branch or desk heads reporting to the Directors of IMS Development, who in turn report to the Head of IMS. Competency sign off is operated through a workflow tool that requires multiple levels of sign off, including Compliance.
16. Each investment manager is required to use the CS learning platform in conjunction with the CISI portal for recording CPD and also to carry out refresher training which could be requested centrally or on an individual basis. The mandatory learning elements are set out within a plan for the coming year which is agreed with the Head of Compliance.
17. CPD is monitored and reported by the Learning and Development team on a quarterly basis and forwarded to the appropriate line managers.

threesixty's review of T&C included discussions with the Head of Compliance and the T&C Manager. Due to the confidential nature of employee records, threesixty was not given access to specific files to verify that procedures were being implemented in practice.

E. Discretionary management procedures

This section looks at the procedures and controls the DIM has put in place to carry out the DIM service. It aims to assess how they arrive at decisions when managing funds, and how do 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

Charles Stanley has documented procedures in place which provide the framework for the provision of discretionary investment management services to intermediaries and their clients. This is an important aspect as the bespoke discretionary investment management service provides portfolios which are tailored to the client's financial circumstances and objectives with no single approach being imposed by the firm as to how client funds should be managed.

1. A core set of investment principles exist upon which the resulting portfolios are based, and these include the following:
 - 1.1. Controlling the overall volatility of portfolios underpins the firm's approach to risk management.
 - 1.2. Aim to meet investment objectives with a suitable level of risk.
 - 1.3. Risk is more than just a volatility measure; it includes gauging the likelihood and extent of permanent loss of capital.
 - 1.4. Market returns are driven by a number of identifiable factors and market prices often deviate significantly from fundamental or intrinsic value in the short run.
 - 1.5. A good investment process combines a number of core elements which need to be used flexibly, for example Macro, Valuation and Momentum.
 - 1.6. The fact that asset prices can diverge from fair value supports the case for active management.
 - 1.7. Diversification is essential in order to spread investment risk. The firm builds portfolios with assets that have a low correlation to each other that it then expects to generate positive real returns after taking into account inflation.

Underlying every investment strategy created is the aim to preserve the purchasing power of a client's portfolio.

2. Charles Stanley's KnowledgeBase has replaced the Investment Management Practice Manual (IMPM) and the Asset Management Practice Manual (AMPM). Whilst threesixty understands from the IMS Head of Proposition that the content is largely unchanged, KnowledgeBase is a single source for all processes across the different business areas and available to all staff. KnowledgeBase is understood to be easier to search and has an overlay AI to help staff find the information they need.
3. The process of creating a bespoke discretionary portfolio begins by using specialist software (BITA) to generate a sample portfolio. The investment manager uses this to produce an investment proposal (again using BITA) for consideration by the client. Guidance is taken from the Investment Strategy Forum, and BITA enables the investment manager to maintain an allocation within predetermined risk and volatility parameters. The investment manager is responsible for recording all the necessary

information, and Quality Assurance carry out a document check prior to every investment being conducted.

4. Charles Stanley ensures that each client has a direct relationship with the nominated investment manager who will be managing their investments for them, as opposed to dealing with a 'relationship manager' who operates between the client and the investment manager.

Arrangements are in place such that in the event that a client's investment manager is not available, the client will be looked after by another investment manager within the local team.

5. A number of measures are used to monitor client portfolios, specifically risk outliers and concentration risk. Management information is provided through the use of Tableau software, and this is used proactively by the IMS Team.
6. The investment process meeting structure consists of the following:
 - 6.1 Strategic Asset Allocation
 - 6.2 Investment Strategy Forum
 - 6.3 Asset Allocation/Master Portfolio DAA
 - 6.4 Portfolio Changes
7. The Strategic Asset Allocation meeting takes place annually, normally around January, and considers a time horizon of 5 years. The output from this meeting is published externally and the January 2025 document was shared with threesixty by the Strategic Partnerships Business Manager.
8. Charles Stanley's Investment Strategy Forum (ISF) is chaired by the Head of Asset Management and includes the Chief Investment Officer, Chief Global Strategist, the firm's Research and Asset Management teams, and a number of Senior Investment Managers. The ISF meets quarterly to provide non-prescriptive guidance to investment managers.

threesixty was informed that the purpose of the ISF is to provide the following:

- 8.1 Investment outlook over a 12-18-month time horizon.
- 8.2 Investment themes and risk scenarios.
- 8.3 A review of how active themes perform versus strategic asset allocation.
10. The Asset Allocation/Master Portfolio DAA meeting takes place monthly and considers a time horizon of 3-18 months. It takes input from the ISF and provides, amongst other aspects, Charles Stanley's assessment of prospective asset class performance and which regions and sectors to favour.
11. The Portfolio Changes meeting also takes place monthly, the day after the Asset Allocation/Master Portfolio DAA meeting and adopts a time horizon from 3 months upwards. These meetings seek to determine the optimal implementation of active strategies using risk-based portfolio construction as well as monitor the performance of the risk adjusted returns for the active strategies that are employed across the respective portfolios. Both in the context of available instruments and deployment of risk.
12. Charles Stanley's internal research team comprises approximately 20 staff as of May 2025 and provides support in the following areas:
 - 12.1. ETFs/Passives
Passive research and ETF recommendations provided by Charles Stanley's in-house specialists

12.2. Fixed Interest Analysis

Provided by Charles Stanley’s fixed interest specialists

12.3. Collectives

Provided by the specialists in the collective investment field

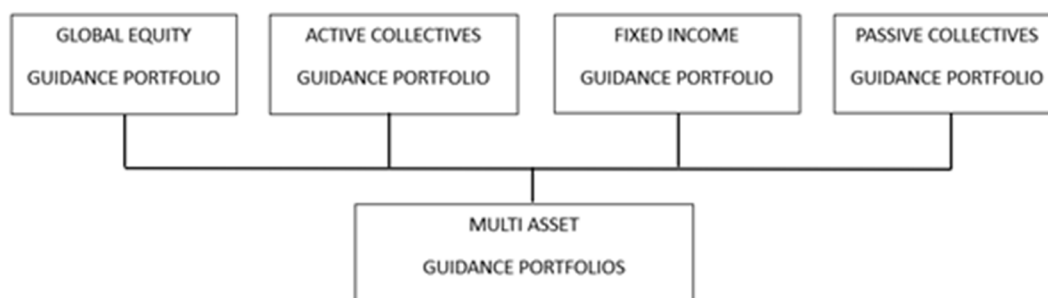
12.4. Quantitative analysis

Provided by a number of Charles Stanley specialists

12.5. Charles Stanley is not a signatory of the FRC Stewardship Code, but it endeavours to use its principles to help shape and inform its approach to stewardship and employs the services of a proxy voting service called ISS. Through its membership of ISS and the UN Principles of Responsible Investment’s Collaborative Engagement Platform, Charles Stanley is able to work collectively with other members to exert influence over industries and companies to which its clients have a direct or indirect exposure.

In its guide to responsible investing, Charles Stanley says ‘We have always had regard for non-financial factors that relate to investment decisions because of the material impact they could have on the resilience and sustainability of business models, as well as on long-term investment returns. We therefore integrate ESG factors into our investment analysis, advice and decisions’.

12.6. The Research Team provides non-prescriptive model portfolio guidance to Investment Managers via the below guidance portfolios:



12.7. Global Equity Guidance Portfolio (GEGP)

20-30 direct equity holdings (both UK & International) pulled from the Core Equity list (50-70 stocks)

12.8. Active Collectives Guidance Portfolio (ACGP)

10-15 global active collectives holdings pulled from the Active preferred list (160 funds)

12.9. Fixed Income Guidance Portfolio (FIGP)

5-10 global corporate bonds and 3-5 UK gilts pulled from the Core Bond list (25-35 bonds)

12.10. Passive Collectives Guidance Portfolio (PCGP)

Global Index Funds and Exchange Traded Products. Only European domiciled passive products are added – predominately UCITS products for all equities and bonds although there are non-UCITS products for commodities. These are still in development, but the analysis contributes to the overall construction on the Multi Asset Guidance Portfolios (MAGP)

12.11. These portfolios provide the building blocks for the Multi Asset Guidance portfolios below. The Multi-asset guidance portfolios combine our high conviction ideas across individual asset classes

whilst incorporating portfolio construction dynamics around investment risk and return as well as dynamic asset allocation and tilting. This allows us to construct the portfolios with different aims while following a consistent process and philosophical underpinning.

12.12. Multi Asset Guidance Portfolios

4 risk profiled portfolios consisting of equity exposure (both UK & International) in our highest conviction direct equities from our GEGP (approx. 12 holdings) with the balance held largely in collectives (including some passives), fixed income and alternatives. These portfolios seek to generate a total return, after fees, in excess of inflation (as measured by UK CPI) plus a spread of between 1% and 4% dependent on the level of risk that the client is willing and able to take. Delivery of the objective is to be measured over the economic cycle, typically 5-7 years.

12.13. These portfolios act as guidance to investment managers either in terms of overall portfolio construction or as a source of investment ideas. However, the respective investment teams retain the autonomy to run their respective portfolios according to the specific client needs, so this portfolio guidance is advisory in nature. External research may also be used where this can complement or ratify current internal research.

13. A 'Preferred Funds' list is maintained which combines both quantitative and qualitative analysis and also includes operational due diligence by monitoring a fund's policy and procedures. There is an annual rolling cycle of sector reviews which are carried out monthly.
14. Research meetings are held every Monday and Thursday as a minimum, and more frequently when exceptional market circumstances occur, and are hosted by the Chief Investment Officer and the Chief Global Strategist. The meetings are attended by both the Asset Management and the IMS teams and is a good example of the collaborative approach taken by the business. There is also a separate weekly meeting between Asset Management and Research held every Thursday.
15. Investment managers are free of any obligations or pressure to invest clients' assets into in-house funds or products, but in the event that they are, it is understood that there would be no element of double charging.
16. The default benchmark for a bespoke discretionary managed portfolio is an appropriate MSCI PIMFA Private Investor Index, depending on the portfolio's risk profile. For Professional Clients, the firm may use alternative indices agreed with the client or the intermediary.
17. Charles Stanley subscribes to Asset Risk Consultants (ARC) for its bespoke portfolios, IHT, MPS, and Charities.
18. Periodic reports are prepared and issued on a quarterly basis and the client also has the option to have online access to their portfolio and valuations, through a dedicated portal - 'My Charles Stanley'. Clients can also elect for transaction details (contract notes) and reports to be sent by email rather than in hard copy.
19. threesixty was informed that a dealing error log is in place, but for reasons of confidentiality, this was not available for review as part of this assessment.
20. To satisfy the requirements of Product Governance, Charles Stanley has in place a Product Distribution Policy, and this sets out the role of the Products and Services Committee together with the firm's approach to distribution governance, including the requirement to understand the products being distributed, including their potential target markets. Charles Stanley's responsibility in respect of identifying actual target markets is set out, including the factors considered.

The Product Distribution Policy also links to Charles Stanley's PROD Distribution Strategy, which covers in more detail the approach to target markets and those asset classes which are restricted internally.

Due to the confidential nature of the Product Distribution Policy, threesixty was not able to have sight of this document.

21. The Products and Services Committee (PSC) meets on a regular basis and is one of Charles Stanley's core control committees and reports to the Executive Committee. The PSC is chaired by the Managing Director of CFS and is tasked to develop, periodically review, on a full value and performance basis, and oversee the distribution of products and services by the Group in compliance with the requirements of PROD and the standards set out in the Product Distribution Policy. Charles Stanley's work on Consumer Duty is channelled through the PSC and subsequently the Board.

The assessment by threesixty did not include a detailed review of the workings of the various committees or the controls noted above. However, it would appear from discussions with the Managing Director of IMS and the Head of Compliance that Charles Stanley has a structured process in place designed to manage and control the risks of its discretionary investment management services.

F. Outsourcing

This section looks at the extent that a DIM 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

1. Charles Stanley's Group Outsourcing Policy and the Group Procurement Policy provides the framework as to how the relationship with third parties are managed. This includes the engagement of third-party platforms, which would otherwise not be deemed as material outsourcing. Due to their confidential nature, threesixty were unable to view these documents as part of this assessment, but it was confirmed that the policies are aligned with both FCA and EBA guidelines on outsourcing.
2. The Enterprise Risk Committee (ERC) is responsible for overseeing the management of Charles Stanley's third-party relationships in accordance with the above policy and is chaired by the Chief Risk Officer.

The ERC is a sub-committee of the Executive Committee, and this meets up to ten times a year to oversee operational risk across the Group.

3. Controls are in place to ensure that there is appropriate oversight over the Group's material outsourcing arrangements and third-party relationships. threesixty was provided with an outline of what these controls would consist of, and these are noted below, but please note this is not an exhaustive list:
 - 3.1. The business sponsor defines the Group's business requirements and creates a case for the outsourcing
 - 3.2. A Relationship Manager is nominated who is responsible for coordinating and overseeing the day-to-day relationship
 - 3.3. An assessment of the materiality of the arrangement to the Group (and its clients / stakeholders) needs to be undertaken, using a Materiality Assessment
 - 3.4. A written contract must be in place with the service provider which is reviewed by Charles Stanley's legal department
 - 3.5. Due diligence is performed on the service provider which includes a review of its financial strength, ownership and management structure, reputational standing, as well as a number of other control checks including but not limited to Data Protection and IT security arrangements where relevant
 - 3.6. A Service Level Agreement is in place to monitor the performance of the service, with appropriate Key Performance Indicators (KPIs)
 - 3.7. Regular meetings with the service provider need to take place to review aspects such as risks, issues, and performance.
 - 3.8. A review of the supplier's business continuity plan arrangements needs to be undertaken
 - 3.9. Exit and contingency plans must be in place in the event of events such as supplier failure or termination.
 - 3.10. To support the above, the Chief Risk Officer confirmed that dashboards have been developed which are used to assist with the monitoring of Charles Stanley's outsourcing arrangements.

4. Since threesixty's last assessment, we were informed that there has been an increased use of intra group outsourcing where considered appropriate, for example, in the areas of cyber security and data privacy. These arrangements are captured via an intra group agreement, service level agreements, and they are subject to monitoring by the ERC.

As stated above, threesixty was not provided with access to review the documents relating to Charles Stanley's outsourcing arrangements as part of this assessment. However, from a discussion with the Chief Risk Officer, together with details provided during the visit, it appears that Charles Stanley has appropriate procedures in place to monitor their outsourcing arrangements.

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

This looks at how the DIM 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

1. Charles Stanley's Chief Information Security Officer (CISO) confirmed to threesixty that he leads a team of four, including himself, and together they oversee the following core areas:

- 1.1. Information security

- 1.2. Cyber security

- 1.3. Business continuity

It is anticipated that the CISO's team will increase in size as it will include staff who work for Raymond James as part of its global capability. The team's activities include threat intelligence and vulnerability management.

The continuing use of innovative technology enables the team to take a very proactive approach and therefore reflective of how seriously Charles Stanley takes the area of information and cyber security. The key highlights since the last assessment were noted as:

- a. Charles Stanley has been leveraging on the capability of Raymond James, and the two-year rolling strategy has been placed on hold whilst the phased programme of IT integration continues.
- b. AI software has been enhanced to include the analysis of hyperlinks and attachments within email inboxes.
- c. Enhanced outbound scanning has been put in place to provide additional layers of security.
- d. Password management protocols have been further strengthened together with a move to centralised passwords.

2. Charles Stanley outsourced its 'business as usual' IT activities in 2020 and this enhances the capability of the IT staff which includes the Information and Cyber Security team.

3. The area of information security is covered by documented policies, procedures, training and awareness, and through the keeping of a number of registers. Cyber security covers the internet connected aspects of the IT provision including firewalls, penetration testing, patching, and end point security.

4. The CISO confirmed that Charles Stanley continues to be aligned to the requirements and standards for information security management as set by ISO27001. This alignment takes the shape of a set of 14 top level overarching controls which are aligned to the ISO27001 top level controls. Underneath these controls are a further 114 sub controls, and these are contained within the suite of documented policies. The CISO indicated that this is likely to be reviewed in the near future.

threesixty was not provided with sight of the policies indicated earlier in this section.

5. Each fortnight, the Information Security team meets with the Business Change teams to ensure that they are involved at the initial discussion stage for any proposed changes being considered by Charles Stanley. The CISO also confirmed that regular meetings take place between the Information and Cyber Security team and the Risk Team.

6. The CISO confirmed that there is a Business Impact Assessment (BIA) which is aligned to operational resilience requirements. The most recent BIA's have been shared with Raymond James and used to determine what the business needs are.

The plans also include upstream and downstream dependencies and include the metric – Minimum Business Continuity Objective (MBCO), and this is in addition to the Maximum Tolerable Period of Disruption (MTPD).

7. The CISO is a member of The Investment Association's Operational Resilience Committee and has chaired its Cyber Resilience Committee since the summer of 2022. These committees form part of his role in terms of information gathering and the sharing of best practice on behalf of Charles Stanley.
8. A Financial Crime Policy is currently in place, but it is understood that this and the suite of related policies are with the Board for approval having been approved by the Risk Committee. The policy confirms that the Charles Stanley Group has limited appetite or tolerance for financial crime.

Charles Stanley's Money Laundering Reporting Officer (MLRO), who is also the Head of Compliance, has responsibility for ensuring an appropriate financial crime prevention framework is in place.

10. All staff are required to complete relevant elements of mandatory e-learning before completion of their probation period.
11. The 2023/2024 Annual Financial Crime Risk Assessment process is in a modular format. There are 5 modules in total including AML, fraud, Anti-Bribery and Anti-Corruption, Market Abuse and tax evasion. The corresponding controls are regularly reviewed by the MLRO and senior management across the group.
12. Compliance with the provisions of the firm's Financial Crime Policy is monitored by Compliance and Charles Stanley's Internal Audit departments.
13. Charles Stanley's Anti-Bribery and Corruption Policy has recently been reviewed and signed-off by the Risk Committee. The policy outlines 6 key principles that are examined in order to determine whether the business has adequate procedures in place.
14. In addition to the previously mentioned procedures, Charles Stanley has a Client Due Diligence and Verification of Identity Procedures Manual, and this includes details of the client risk assessment process, in addition to covering how clients should be classified including those deemed high risk and PEPs. A corresponding PEP Register is understood to be in place which is reviewed on an annual basis by the Financial Crime Team within Compliance and signed off by the designated member of the Executive Committee.
15. Client identification is performed via ID3 Global, and its outputs are checked by Quality Assurance prior to an investment being made. RDC complements this as it is used for the checking of PEPs, adverse media, and also sanctions screening on a daily basis.
16. Charles Stanley has recently had a fraud audit carried out by Grant Thornton, and it is understood from the Head of Compliance that the results were very favourable.
17. The annual Money Laundering Reporting Officer's Report for the year ending 30 September 2024 was completed, but threesixty is unable to comment as to its content.
18. The Charles Stanley Board is responsible for the group's financial crime policy and for oversight of the strategy in action.

19. The CISO confirmed that he provides initial training to new members of staff as part of their induction, and this includes key points for information security, cyber security, and also business continuity.

As part of its continuing investment in innovation, Charles Stanley utilises software to produce animated videos for use as internal training. Whilst there has been no recent content delivered, it is understood that the videos relating to email security and password security were well received.

20. All new members of staff are required to complete relevant elements of mandatory e-learning before completion of their probation period.
21. All existing members of staff are required to complete mandatory modules as part of the annual CPD minimum standards, and there is a wealth of information available via SharePoint. PolicyHub contains all information security and business continuity plan documents for staff to view.

The Head of Information and Cyber Security delivers information security briefings to the business designed to help keep everyone up to date.

Various 'lunch and learn' sessions are held for staff which are delivered by the Head of Information and Cyber Security and the MLRO has provided bespoke anti-money laundering training for its staff via video, and similar training is being considered in relation to market abuse and tax evasion.

22. It is understood that the Products and Services Committee captures any financial crime related concerns as part of the committee's standard review template.
23. The Head of Compliance confirmed that there is a Gifts and Hospitality Policy in place with controls where gifts and hospitality above a certain level need to be pre-approved by senior management. There is a corresponding register which it is understood has been enhanced in terms of its level of documentation, and this is reviewed monthly by Compliance.

From threesixty's discussion with the firm's Chief Information Security Officer and the Money Laundering Reporting Officer, together with access to a number of documents, it appears that Charles Stanley considers financial crime as a high priority as seen through the various measures including the ongoing training provided to all staff.

H. Complaints

This looks at how the DIM 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 DIM this may be a case of assessing how the DIM deals with complaints from the intermediary's clients, or if there is no direct relationship with investor clients how would the DIM deal with any potential complaints from the intermediary as a professional client.

Review findings

1. Charles Stanley has a Complaints Management Policy which provides the business with detailed complaints procedures catering for both internal and external use. This policy is dated July 2023 and threesixty was shown the policy onscreen by the Head of Compliance.

The above policy is subject to a scheduled review every two years, and it remains current at the time of this assessment.

The company's client facing Complaints Management Procedure is available via Charles Stanley's website and was last updated in May 2024.

2. The Head of Compliance is responsible for overseeing the firm's complaints handling procedures and is also the complaints contact as noted on the FCA register.
3. Within the Compliance Team is a dedicated Complaints and Advisory Team designed to operate independently of the business.
4. Each complaint is recorded within a complaints register which covers all areas of Charles Stanley and it is understood that this captures a comprehensive level of information. The Head of Compliance confirmed that Charles Stanley has an excellent record of complaints with the FOS.
5. Appropriate training on complaints is provided to all staff as part of their induction programme. To ensure that the knowledge and expertise of staff remains up to date, they are required to complete ongoing training and CPD. Charles Stanley has its own internal permissions structure, which ensures that staff are signed-off as competent on an annual basis. Training and competency forms part of the appraisal process.
6. As part of an initiative to help detect complaint triggers outside of obvious trends, the Monitoring and Complaints teams meet on a regular basis.

From a review of information provided, it would appear that Charles Stanley has appropriate systems and resources in place for handling client complaints. threesixty was not provided with access to the complaints register or sample complaints files due to the confidential nature of this information. It is not therefore possible to comment as to how the procedures operate in practice.

Business continuity / disaster recovery

This section looks at the arrangements the DIM 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

1. Charles Stanley's Chief Information Security Officer (CISO) informed threesixty that his team's responsibilities include business continuity, and key elements of this include the following:
 - 1.1. Charles Stanley operates a distributed workforce model which means that the business is sufficiently resilient to remove the need for dedicated office relocation facilities to be required as part of its business continuity arrangements. There is therefore less reliance upon office and transport infrastructure.
 - 1.2. There is a business continuity response plan in place for each business unit within the London office, and each branch office has its own business continuity plan and procedures.
 - 1.3. A business impact analysis (BIA) is completed annually (normally in the Autumn) in each business area. This includes a view upstream and downstream to establish dependencies where applicable.

Threesixty was informed that the Charles Stanley Business Continuity Policy was reviewed in April 2024 and is subject to a two-year review cycle. The policy is held within 'Policy Hub', and this was shown to threesixty by the Head of Group Sales as part of last year's assessment and appeared to be comprehensive in nature.

It is understood that information security policies are also reviewed on a two-yearly basis, with interim informal reviews when any required adjustments are picked up and addressed, as these are considered to be 'living' documents. The last main review took place in December 2023.

2. This policy also includes a structured response management framework which is made up of three distinct layers:

2.1. Strategic

Which involves the Board and Executive Committee and seeks to establish 'What are we going to do?'

2.2. Tactical

This involves a member of Executive Committee or a branch manager, and selected department heads, and looks to determine 'How are we going to do it?'

2.3. Operational

Which involves managers and team leaders, and these are the people who will implement the tactical plan.

The above is referred to as the Gold (strategic) Silver (tactical) and Bronze (operational) and this was triggered when the pandemic took hold of the UK. A lessons log is also being kept capturing what can be learnt from this time.

At a strategic level is the Business Continuity Incident Management Team Plan and Procedure, and this is updated annually, with the last update completed in July 2024.

- 2.4. The company's Policy Hub contains all business continuity related policies and relevant documents are also stored securely on the devices of appropriate individuals for purposes of accessibility.
3. The firm has two data centres based outside of London, and virtualised servers have been utilised for a number of years which minimise reliance upon physical servers, and this effectively means that only staff computers are held in the London office.
 4. Should an event occur, a mass notification system is in place which can be used to inform staff as to what they should do under such circumstances. The system is tested on a quarterly basis and the results are captured within team management information packs.
 5. Each department has an individual designated in relation to business continuity, whose role it is to embed the business continuity message within the department on an ongoing basis.
 6. A variety of business information and cyber security training is delivered to staff. This includes formal eLearning modules and knowledge assessments, incident response desktop exercises for staff who are appointed to provide the strategic and tactical incident responses, an annual knowledge assessment, and lunch and learn sessions. The firm's CISO believes that the message is better received if delivered personally, either physically or virtually using video conferencing platforms, threesixty understands that this is completed whenever possible. An example of this is the 'meet and greet' session as part of the monthly new joiner programme.

To support this further, Charles Stanley's intranet contains examples, hints and tips, and a glossary with the aim of trying to make it as easy as possible for staff to be engaged with the business continuity process.

7. threesixty understands that the CISO runs regular major incident scenario exercises (PowerPoint and workshop style) for the strategic (Gold) team, with the last one conducted in July 2023. The scenarios are designed to be a very challenging, multi-stage scenario, which included the bringing down of broadband at a national level and subsequent transport infrastructure disruption and confirmed the strategic (Gold) team responded very well.
8. The CISO also runs 2 tactical response test scenarios for the Silver team, as part of the business' operational resilience programme. A Silver test was completed in March 2024, and the CISO also carried out a further test in December 2024.

The CISO also confirmed that annual tabletop scenario tests are carried out.

threesixty was not provided with sight of Charles Stanley's updated Business Continuity Policy but the discussions held with the Chief Information Security Officer, confirms that the firm appears to have given business continuity and disaster recovery arrangements a high priority and its business continuity programme is supported by an engaged Executive Committee.