

# IBOSS

## DFM AGREEMENT OPTIONS

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ADVISER GUIDE | FOR PROFESSIONAL FINANCIAL ADVISERS ONLY

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There are various ways an agreement can be arranged between a financial adviser and a Discretionary Fund Manager (DFM). Two of the main options are:

### Agent as Client (AAC)

#### Reliance on Others (ROO)

There are advantages and disadvantages to both relationships, and it is vital that advisers understand the difference between the two popular DFM MPS agreements. The key objective is that the adviser, DFM and investor understand how the arrangement has been structured and the responsibilities each party has, as well as any possible implications.

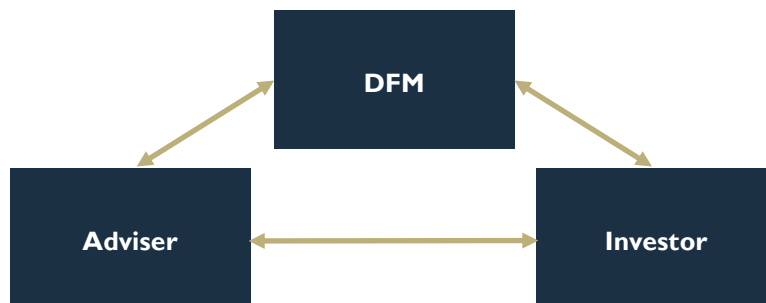
### Agent as Client (AAC)

On an ACC basis, the financial adviser is the professional client of the DFM provider and the DFM has no contractual relationship with the investor. You can see from the diagram below that the DFM relationship does not extend to the investor.



### Reliance on Others (ROO)

An alternative arrangement is known as ROO. On this basis, the underlying investor has a direct contractual relationship with both the financial adviser and the DFM provider. The DFM can rely on the suitability recommendation made by the adviser, but the DFM is responsible for delivering the investment mandate and investment management.



Under the 'Reliance on Others' rule (see COBS 2.4.4R) in providing its discretionary management service, a DFM may rely on information about the client from the financial adviser. The adviser will be responsible for ensuring that the recommendation to use a DFM is suitable for the client.

The DFM must confirm suitability on an annual basis to the client; the managed portfolio service has been managed in accordance with the objectives and investment mandate set. Responsibilities are clear.

## Considerations

Previously, there was a risk that the DFM could invest in assets suitable for professional clients rather than retail clients, creating a potential issue with suitability. However, we feel this has been elucidated under the latest consumer duty update to the COBs rules, where there is not a direct look through the distribution chain, and products must be designed to meet the needs and objectives of the target market.

Another previous consideration was the '10% depreciation reporting'. Under AAC it was the responsibility of the financial adviser to deliver to the investor and under ROO it was the DFM. However, the requirement to send these reports ceased on 18th January 2023.

Under the 'Agent as Client' relationship, the adviser is treated as a professional client of the DFM provider, which could mean the potential loss of access to the Financial Ombudsman Service (FOS) for the investor, and they could also lose their cancellation rights.

If the DFM provider fails to fulfil its obligations under the investment mandate, it is likely the adviser will take action under the agreement with the DFM and not the retail investor.

IBOSS Asset Management is required to carry out appropriate due diligence on any third parties we engage with. Including, financial advisory firms we deal with from the outset and on an ongoing basis.

Summary of issues	Agent as Client (AAC)	Reliance on Others (ROO)
Are you operating on an advisory basis?	No	Yes
Protection	Potential loss of access to FOS if the DFM fails to fulfil its obligations under the investment mandate. It is likely to fall to the adviser to take action under their agreement with the DFM. Investor loses cancellation rights.	DFM has an agreement with the investor for the Investment mandate. If the DFM does not fulfil its obligations under the investment mandate the client can complain directly to the DFM and access to FOS.
Do I need to monitor the DFM's individual investment decisions?	Yes	No
What controls and oversight should I have in place?	Sufficient to meet the terms of the agreements I have with my client and the DFM	Enough to make sure the DFM remains fit for purpose
Can the client bring a case with FOS against the DFM?	No	Yes
Do my T&Cs with a client need to specifically address a number of issues to allow me to operate under this framework?	Yes	No
Does the end client need to sign the DFM's mandate to give them discretion?	No	Yes

## IBOSS Offering

- We offer a rolling 3-month 7.5% early warning portfolio drop report, along with market updates to assist when communicating with your clients regardless of your choice of AAC or ROO.
- We provide and help with example wording for client agreements when operating AAC.
- Support from our dedicated Business Development Management team on how to make processes work best for you and to ensure you are complying with the rules to the best of your ability.



This communication is designed for professional financial advisers only and is not approved for direct marketing with individual clients. These investments are not suitable for everyone, and you should obtain expert advice from a professional financial adviser. Investments are intended to be held over a medium to long term timescale, taking into account the minimum period of time designated by the risk rating of the particular fund or portfolio, although this does not provide any guarantee that your objectives will be met. Please note that the content is based on the author's opinion and is not intended as investment advice. It remains the responsibility of the financial adviser to verify the accuracy of the information and assess whether the OEIC fund or discretionary fund management model portfolio is suitable and appropriate for their customer.

Past performance is not a reliable indicator of future performance. The value of investments and the income derived from them can fall as well as rise, and investors may get back less than they invested.

We provide the DFM MPS as both distributor and manufacturer. Details of our target market assessment can be found in our compliance investment procedures, available upon request. Each fund will be assessed independently, but it is highly unlikely that any one fund held in our portfolio will meet the target market in isolation—detail of why the inclusion collectively will be suitable is included within our research.

The DFM MPS Core range was launched 1 November 2018; other ranges have since been added. The past performance figures include simulated figures which are based on the actual performance figures/asset allocation/fund selection of the Portfolio Management Service research provided by IBOSS Limited, from 31 October 2008. The simulated past performance is not a reliable indicator of future performance.

The DFM MPS performance and displayed underlying portfolio charge is produced using the preferred share classes, this may differ from platform to platform and is shown net of fund fees only, they do not incorporate platform costs, adviser's client fee or DFM service charge.

IBOSS Asset Management is authorised and regulated by the Financial Conduct Authority. Financial Services Register Number 697866.

IBOSS Limited (Portfolio Management Service) is a non-regulated organisation and provides model portfolio research and outsourced white labelling administration service to support IFA firms, it is owned by the same group, Kingswood Holding Limited who own IBOSS Asset Management Limited.

Registered Office is the same: 2 Sceptre House, Hornbeam Square North, Harrogate, HG2 8PB. Registered in England No: 6427223.

## CONTACT INFORMATION

IAM 44.2.23

IBOSS Asset Management  
2 Sceptre House  
Hornbeam Square North  
Harrogate, North Yorkshire  
HG2 8PB

**Office:** 01423 878840  
**Email:** [enquiries@ibossltd.co.uk](mailto:enquiries@ibossltd.co.uk)  
**Website:** [www.ibossam.com](http://www.ibossam.com)

### Business Development Team

**Tracey Atkin:**  
[tracey@ibossltd.co.uk](mailto:tracey@ibossltd.co.uk) / 07719 327524  
**Kevin Morrison:**  
[kevin@ibossltd.co.uk](mailto:kevin@ibossltd.co.uk) / 07891 814345  
**Tanya Strand:**  
[tanya@ibossltd.co.uk](mailto:tanya@ibossltd.co.uk) / 07902 307277  
**Dawid Lesniowski:**  
[dawid@ibossltd.co.uk](mailto:dawid@ibossltd.co.uk) / 07907 574921