



## **Guidance Note – Managed Accounts January 2017**

### **What are Managed Accounts?**

In essence, a managed account is a personalized investment portfolio tailored to the specific needs of the account holder. This is highly individualised, unlike collective investment schemes which are professionally managed on behalf of many investors.

For example, if an investor buys ABC Mutual Funds, which invests in Company 1 and Company 2, and that investor wants to reduce the weighting of Company 1 they cannot do so, since the asset manager cannot make investment decisions based on one investor's preferences. On the other hand, with managed accounts, investors are given the freedom and ability to do what they want with the investments within the portfolio, and any investment decisions are based on the individual investor's goals and objectives. Thus, if an investor holds a managed account and wants to reduce the holdings in Company 1, they are able to do so.

Managed accounts can be on:

- a discretionary basis where the client gives a discretionary mandate to the investment manager
- an advisory basis where the investor makes the investment decision
- a standard model basis where the investor agrees to a standard risk and investment profile on a discretionary or non-discretionary basis.

### **Factors for Consideration**

The administration of managed accounts and discretionary managed accounts falls within the "Class 2: Investment Business" regulated activity. Sub classes of this category would depend on the type of business undertaken; however sub class (3) and (5) are required to act for managed accounts and for discretionary managed accounts. If the licenceholder is a stockbroker sub class (2) is also required. If the licenceholder will be administering discretionary managed accounts a sub class (4) licence would also be required.

The administration of managed accounts does require detailed monitoring, time and effort on the part of the persons administering such accounts. Advanced technology is at the forefront of competition in the managed account business in order to give prompt access to real-time investment data.

## **Application Process**

All licenceholders and applicants must have a business plan covering their actual and proposed activities. In relation to managed accounts and discretionary managed accounts the Isle of Man Financial Services Authority (“the Authority”) will have particular regard to whether the licenceholder or applicant can demonstrate the necessary competence, systems and controls.

The Authority’s website ([www.iomfsa.im](http://www.iomfsa.im)) sets out the Application Process (<http://www.iomfsa.im/authorisations/becomingregentity.xml>) and persons interested in acting for managed accounts should refer to the Authority’s General Licencing Policy (<http://www.iomfsa.im/Authorisations/licensing.xml>) for Class 2 licenceholders.

## **Other Regulatory Requirements**

All licenceholders are required to comply with the provisions of the Financial Services Rule Book which includes financial resources requirements, reporting and notification requirements. For further details you should contact the Authority or refer to the [Rule Book](#).

*Status of Guidance: The Isle of Man Financial Services Authority issues guidance for various purposes, including to illustrate best practice, to assist licenceholders to comply with legislation and to provide examples or illustrations. Guidance is, by its nature, not law, however it is persuasive. Where a person follows guidance this would tend to indicate compliance with the legislative provisions, and vice versa.*