

Due Diligence Services For Alternative Investments

Alternative investments can add life to a clients portfolio, save tax or provide a shelter from stock market turbulence. Yet recent experience shows that their use is fraught with regulatory and reputational risks for firms and risks for investors so different from conventional market risks so as to be misunderstood or even ignored.

Due Diligence procedures are coming under increased regulatory scrutiny, with ever more emphasis being placed on the 'Best Interests Rule' for Providers as much for Investment Managers or Intermediaries.

What Due Diligence is Required?

There is no straight answer to this beyond firms needing to do more than has hitherto been the norm and the work undertaken needing to be fit for purpose.

Factors include the nature of the firm itself, the client relationships and the use the investments have in the services being offered. An Insurer providing material for IFAs and a SIPP Provider whose members receive advice elsewhere will have different requirements, and these will differ in turn to those of an Investment Manager or Adviser making suitable decisions or recommendations will all have different requirements.

Another factor is the nature of the investment in question: the underlying asset types, their legal structure, the length of any investment chain and the jurisdictions in which the constituent parts are domiciled are aspects that need to be established and in turn drive further requirements.

What Due Diligence Usually Includes...

Understanding the mechanics of the asset type and the structure of the investment vehicle or chain is the starting point to risk identification and assessment. Market Risks can include sector specific factors impacting values in private markets, exchange rate or interest rate risks whilst other risk areas include Credit Risks, Liquidity, refinancing risks and contingencies.



Clearly how the vehicle itself manages risks and the effectiveness of these arrangements are pertinent just as the structure of any investment vehicle can create specific risk factors for different classes of security.

Governance arrangements are significant when assessing likely compliance with stated investment policies, the veracity of valuation methodologies or any audit. Regulatory protections vary between investment types and jurisdictions, while the track record and standing of the parties have had an unfortunate tendency to impact investor values.



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Waterside Gate Consulting Ltd
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About Us

We are a niche Regulatory Consultancy delivering a range of solutions from strategic advice through practical implementation to representation and assurance.

You are probably an Investment Manager or smaller Asset Manager, a SIPP provider or perhaps an advisory business.

How We Can Help: Buy Side

For SIPP Providers, Investment Managers and Intermediaries, we can: -

- Undertake due diligence on particular investments
- Review such work with the passage of time
- Design due diligence procedures for your firm
- Audit the effectiveness of your current due diligence arrangements.

How We Can Help: Sell Side

For Asset Managers and Scheme Operators, we can advise and assist you in preparing Due Diligence Packs for investors and intermediaries in your distribution channels.

How We Can Help: Expert Witness

Sometimes things go wrong and investors lose money, leading to complaints, litigation and regulatory proceedings. We can assist by acting as an expert witness on the reasonableness and adequacy of any due diligence that was undertaken.

Charges

Our charges are based on an hourly rate of £125 per hour or, for larger projects, a day rate of £500 per day rising slightly for 'expert witness' work. We are always willing to provide estimates and, for easily quantifiable cases, may be able to agree a fixed project fee.



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Jonathan Purle is a seasoned Compliance & Wealth Management Professional.

He has extensive experience of investment & pension products, portfolios & services in the UK as well as complex structures & chains in various Offshore Financial Centres.

His financial services career has been broad and has included: -

- UK & Swiss Wealth Manager, Group Compliance Officer (2009-12)
- Sizeable Private Client Investment Manager & Discount Broker, Head of Compliance (2006-8)
- Large National IFA Group, Pensions Technical Manager (2001-5)



Jonathan's qualifications include: -

- Chartered Institute of Securities & Investments, Level 6 Diploma
- Fellow of the Personal Finance Society ('FPFS')
- Associate of the Chartered Insurance Institute ('ACII')
- Diploma Member of the Pensions Management Institute ('DipPMI').

In 2005, Jonathan was amongst the first 300 UK practitioners to achieve 'Chartered Financial Planner' status.