

# SVM Guidance Note

## Breach Management

December 2019

### Background

SVM has established a strong working environment structured around firmly embedded processes and procedures, professional staff conduct and a robust control framework. However, it is not possible to completely eradicate risk and errors will occasionally occur. This guidance note summarises the principles and processes that SVM will follow to resolve errors and to ensure clients are not adversely affected.

### Policy

It is SVM's policy to ensure that no client is disadvantaged as a result of an error.

It is SVM's policy to always return a portfolio to the position it would have been in had the error not occurred. Clients may keep the profits from any errors, except where these can be reasonably netted against losses incurred in correcting the same error, or where the error trade has been fully disclosed to the client who then makes an informed decision on the action to take. SVM does not permit counterparties to accommodate the costs of an error we have caused.

If a material pricing error occurs the fund and/or any impacted clients must be compensated. A full assessment of the impact to each underlying client will be carried out. If another party is responsible for the error, SVM will seek to recover the compensation from that organisation. Restated fund valuations will be published as soon as practicable.

We must notify the FCA as soon as we become aware that a material breach has occurred or is likely to occur. The Compliance Officer is responsible for notifying the FCA. The notification must be reviewed by a Director or senior manager before it is sent.

### Error reporting

SVM's operational processes and controls are designed to identify trading and pricing errors promptly. Staff must report any errors, or potential errors, to Risk & Compliance as soon as they are identified.

Full details of any material breaches will be provided to the SVM board via the quarterly compliance report. If appropriate, SVM's Conflicts of Interest committee will be asked to assess possible corrective action for an error before it is taken.

### Error log

SVM records errors on a central log maintained by the Risk & Compliance team. Individual error forms set out the circumstances behind the error, the corrective action taken and details of any process or control improvements made to reduce the risk of a similar error happening again.

All breach reports received from third parties are also recorded on the log. Risk & Compliance reviews all breach forms received and will request additional information as required.

### Compliance monitoring

The Risk & Compliance team carries out quarterly error analysis which seeks to identify any wider trends or themes emerging from errors reported during the period or the year to date. Any potential issues identified will be followed up with the relevant business area. A summary of the analysis and any action taken is included in the quarterly compliance report to the board.

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### Record Keeping

All records relating to CASS breaches will be retained for at least five years. This includes:

- Breach forms
- Notifications to the FCA
- Any subsequent correspondence with the FCA
- Copies of monthly CMAR returns (where submitted)

### Reference

- FCA Supervision sourcebook (SUP) 15.3.1, 15.3.2 and 15.3.3 – general notification requirements and SUP 15 Ann 4 – notification form
- FCA Client Assets handbook (CASS) 7.15.33 – notification requirements
- CMAR guidance