IGUAKO CAPITAL · Group policy

Suitability and Appropriateness

Advice must fit the client, and a client must understand what it is buying. This policy sets the information gathered before advice is given, the tests applied before a recommendation is made, the concentration limits that apply to private-wealth mandates, and the written record produced for the client. It applies wherever the group advises or manages on a discretionary basis.

CODE	CATEGORY	VERSION
IGC-CC-002	Conduct and clients	3.7
EFFECTIVE	**REVIEW**	**OWNER**
2026-03-10	Annual, with a half-yearly review of the complex instrument list	Group Head of Advisory Standards

1. Purpose and scope

The group advises on private market positions, structured credit, quantitative strategies and bespoke facilities. These are illiquid or complex or both. A recommendation that is sound in the abstract can still be wrong for a particular client, and this policy exists to catch that difference before capital is committed.

Scope covers advisory mandates, discretionary mandates and any recommendation made in the course of a private-wealth relationship. It reaches 61 family relationships and every institutional advisory engagement run by Investment Banking and Private Wealth & UHNW.

Execution-only business falls outside the suitability test but remains inside the appropriateness test where an instrument is complex. Corporate finance advice to a company is governed by the mandate letter and by IGC-CC-006 rather than by this policy.

2. Definitions

Suitability is the test applied when the group advises or manages. It asks whether a recommendation meets the objectives of the client, fits the financial situation of the client and matches the knowledge and experience the client actually has.

Appropriateness is the narrower test applied when the group does not advise. It asks only whether the client has the knowledge and experience to understand the risks of the instrument in question, and it produces a warning rather than a recommendation.

Capacity for loss is the extent to which a client can absorb a fall in value without a material effect on a standard of living or an operating position. It is assessed separately from attitude to risk, which is a preference rather than a capacity.

3. Principles

Information comes first and product second. No recommendation is made before the client profile is complete. Where a client declines to provide the information, the group does not advise, and it says so in writing rather than proceeding on assumptions.

Illiquidity is the risk most often understated. Every recommendation involving a lock-up longer than 12 months carries a written explanation of the exit route, the expected timetable and the consequence of needing capital before that timetable ends.

Concentration is measured across the whole relationship rather than mandate by mandate. A client with three mandates is assessed on the aggregate position, because the aggregate is what the client owns and what the client can lose.

4. The suitability assessment

Requirement 4.1. The client profile records objectives, time horizon, liquidity needs, income requirements, existing holdings, capacity for loss, attitude to risk and relevant experience. It is signed by the client and refreshed every 12 months or on any material change.

Requirement 4.2. A single position may not exceed 25 per cent of the stated liquid net worth of a private-wealth client. A single sector may not exceed 40 per cent. Commitments to illiquid vehicles may not exceed 20 per cent in aggregate across the relationship.

Requirement 4.3. A written suitability statement reaches the client within 5 business days of the recommendation. It states what is recommended, why it fits the profile, what the risks are and what the client would have to accept in order to proceed.

Requirement 4.4. A recommendation outside the limits in requirement 4.2 requires approval by the Investment Committee and a separate written acknowledgement from the client. Approvals are limited to the transaction in question and are never granted as standing permissions.

5. Appropriateness and complex instruments

Where the group does not advise, it still tests appropriateness before executing in a complex instrument. The test covers prior transactions in similar instruments, the professional background of the client and the outcome of a short knowledge assessment completed by the client.

A client who fails the appropriateness test receives a written warning. If the client insists on proceeding, the group may execute only where the position sits within 5 per cent of stated liquid net worth and the warning has been acknowledged in writing.

Complex instruments include structured credit tranches, derivatives, private placements without a redemption right and any position whose payoff depends on the performance of another instrument. The list is maintained by the advisory standards team and reviewed twice a year.

6. Roles and responsibilities

The Group Head of Advisory Standards owns this policy and the suitability template. Advisers are accountable for the accuracy of the profiles they complete. The Head of Private Wealth is accountable for suitability across the private-wealth book as a whole.

The Investment Committee approves exceptions to the concentration limits and records its reasons. Compliance samples 40 files each quarter, weighted towards new relationships and towards positions taken close to a limit, and reports the results by adviser.

- Advisers complete and sign the client profile before any recommendation.
- Compliance samples 40 files each quarter and reports the results by adviser.
- The Investment Committee approves every exception to the concentration limits.

7. Monitoring, breaches and review

Quarterly reporting shows profiles overdue, statements issued late, exceptions approved, appropriateness warnings given and trades executed after a warning. The report is broken down by division and by adviser. The Compliance & Conduct Committee reviews it, questions any adviser with repeated exceptions, and may suspend an adviser from new mandates until the client file is corrected.

Advising without a current profile is a breach. The position is reviewed within 5 business days and, where it proves unsuitable, the client is offered a remedy decided by the General Counsel and Group Head of Compliance rather than by the division.

This policy is reviewed annually. Version 3.7 took effect on 10 March 2026 and reduced the single position limit from 30 per cent to 25 per cent. Profiles, suitability statements and approvals are retained for 10 years after the relationship ends.

Key controls

- A signed client profile is completed before any recommendation and refreshed every 12 months.
- A single position is capped at 25 per cent of stated liquid net worth for private-wealth clients.
- A single sector is capped at 40 per cent and illiquid commitments at 20 per cent in aggregate.
- A written suitability statement reaches the client within 5 business days of the recommendation.
- Exceptions require Investment Committee approval and a separate written client acknowledgement.
- Complex instruments are tested for appropriateness and the instrument list is reviewed twice a year.
- Compliance samples 40 client files each quarter, weighted to new relationships and limit cases.
- Profiles, statements and approvals are retained for 10 years after the relationship ends.

Related policies

- Client Classification and Eligibility (IGC-CC-001)
- Fair Treatment of Clients (IGC-CC-006)
- Conflicts of Interest (IGC-CC-003)
- Valuation of Investments (IGC-MT-005)