



## Syndicates Code of Conduct – FAQs

### 1. Introduction

#### a. What is the purpose/scope of this Code of Conduct?

The Code is a response to the increasing prominence of syndication and a desire to improve the protection and information for participants involved in syndicates. The BHA, with the full support of the ROA, has introduced a Syndicates Code of Conduct for individuals who manage, administer or promote these arrangements. The Code of Conduct will help to ensure that there is a greater transparency in how these arrangements operate and provide clarification and protection for participants.

The Code will apply to any ownership arrangement which is registered as a syndicate *and* meets certain criteria, as outlined in 1.1.

As stated in 1.4, the Code does not seek to stipulate how any syndicate should be run, save that it should meet the terms of the Code. The BHA has not sought to interfere with the commercial business of any syndicate and is only looking to ensure that the arrangement between the syndicator and members is clear and understood by all parties.

#### b. What can be expected from the BHA from a regulatory perspective?

##### i. Who to contact in the instance the Code is breached

In the instance that a participant believes the syndicator is in breach of the Code, or is concerned with their practice, they should contact the BHA via [ownership@britishhorseracing.com](mailto:ownership@britishhorseracing.com).

Depending on the nature of the complaint, contact can also be made with the Racehorse Owners Association which is able to supply advice:

ROA – 1<sup>st</sup> Floor, 75 High Holborn, London, WC1V 6LS, 0207 152 0200, [info@roa.co.uk](mailto:info@roa.co.uk)

##### ii. What will the BHA deal with?

The BHA will address all alleged breaches on a case by case basis. In all instances, for the BHA to investigate a complaint and consider further action, any evidence relevant to the breach will need to be supplied by the syndicate member.



## 2. General issues

### a. How do I know if I'm covered/ required to comply?

All ownership entities that are registered as a syndicate with the BHA and are:

- a.) managed by a syndicator who receives payment in relation to their role **and/or**
- b.) were formed through a public offering,

are required to comply with the Code.

While the Code does not cover ownership entities registered as racing clubs or partnerships, there are instances where some registered syndicates include the word/phrase *club* or *partnership/partners* in their name. For the avoidance of doubt, irrespective of the name, if the ownership entity is covered by the definition in 1.1, it is subject to the Code.

### b. Who is the/a syndicator?

As defined in 1.1.2, a Syndicator is anyone that manages, promotes or administrates a Syndicate. As per the Rules of Racing, there must be a *minimum* of one syndicator for each syndicate.

### c. What constitutes a public offering?

For the purpose of the Code, a public offering is the offer of shares in any horse(s) (leased or owned) to the general public. This is most commonly done by the syndicator, but it can be administered by someone else connected to the syndicate. The most usual ways to offer shares to the public would be through a website or an advert.

### d. How do I know if my arrangement is a syndicate or a racing club/partnership?

Fundamentally members of a syndicate share the ownership of one or more horses, while members of a club enjoy some of the benefits of being a racehorse owner, except they do not have any ownership rights of the horse(s).

While the Code makes provisions for instances where a horse may be leased, it is normally the case that in a syndicate you will purchase a share in a horse, while in a racing club you often pay a subscription fee.

In a partnership all members are registered owners and it is often a small group of friends and family. It is unlikely there will have been a public offering made.

To clarify how a specific ownership is registered please contact the syndicator/manager or alternatively the Weatherbys Ownership Desk on 01933 440 077.

- e. Who is responsible for ensuring that the syndicate adheres to the Code?

It is the syndicator's responsibility to ensure that the syndicate complies with the Code at all times.

- f. Is there a Code of Conduct for racing clubs/ partnerships?

While at present there is no Code of Conduct for either racing clubs or partnerships, the security of all owners is key to the long term success of the sport. The BHA is continuing to look at ways in which owners can be better protected in order to improve retention.

In the interim, irrespective of the how the arrangement is registered, anyone involved in racehorse ownership is strongly advised to have a written agreement in place either between themselves and the other members of a partnership or with the club manager. Within any contract/agreement similar points as outlined in 1.3 of the Code should be covered.

### **3. The contract**

- a. Why should the contract stipulate that the involvement in the syndicate is solely for enjoyment?

In the vast majority of cases racehorse owners recover only a small percentage of their costs over the course of a year and, therefore, references to terms such as "investment", which can be inferred to mean that a financial return is likely, are potentially misleading.

In addition, by clearly stating that syndicate ownership is for enjoyment, it helps to prevent the syndicator inadvertently advising on, or arranging, investments which might otherwise only be permitted if regulated under the Financial Services and Markets Act 2000.

- b. What information is required in relation to how a syndicate member may leave the syndicate?

Within the contract it should be clearly detailed whether a syndicate member can leave the syndicate before final termination. In the instance that there is an option for the syndicate member to leave, it should be outlined how they would go about doing this and also the repercussions of their decision (either financially or otherwise) both on themselves and, where relevant, the remaining syndicate members.

- c. What information is required if the horse is leased?

In the instance that the syndicated horse is leased, this must be made clear to all participants from the outset. It is advised that within the contract both the lessor and lessee are stated as well as any relevant terms of the lease.

- d. What information on the syndicate's finances should be presented to the members; what constitutes a full financial statement?

What constitutes a full financial statement will depend on how the syndicate is organised. In the instance that members of the syndicate are charged based on the costs arising and, at the end of the syndicate term members are required to meet any deficit or will be owned any surplus, the syndicator should detail both the heads of income and expenditure to participants.

The statement should promote financial clarity, and as such, should reference all costs including any commission or premiums paid.

In the instance that the syndicate model involves members being charged a set fee up front and, irrespective of the cost arising, members will not be required to pay anything more, the syndicator would not necessarily be expected to detail their heads of expenditure but should properly itemise any income the horse generates (e.g. prize money). This will enable the Syndicate member to clearly identify that they have received the due amount relating to the share percentage held.

Irrespective of the model employed there are certain accounting requirements that are a necessity. For example, if VAT is charged to a syndicate member, they should be supplied with a VAT invoice carrying the relevant VAT registration number.

In addition, in order to comply with 1.3.6, further to any management costs, details should clearly specify any additional sums to be deducted from prize money or the sale of the horse. For the avoidance of doubt, reference should also be made to the named individual(s) who holds the syndicate bank account.

- e. How often should statements of the syndicate's costs and expenditure be presented to the members?

While there is no specific rule on how often financial statements should be produced, it is suggested that members are kept up to date on a regular basis. At the very least the syndicator should be supplying members with a full statement at the end of each season.

- f. Is the syndicate eligible to reclaim VAT on racing expenses?

All racehorse owners are potentially eligible to reclaim VAT on their racing expenses. Advice on the racehorse owners' VAT scheme can be found on the HMRC website [here](#).

- g. What must be detailed in the contract in relation to insurance?

Any risks the horse(s) is insured against should be stated in the contract. Typical risks against which insurance could be sought include death, injury, theft etc. More specific

policies, for example, covering unsoundness of wind, colic surgery or lifesaving surgery can also be taken out and should be stated if applicable.

The beneficiaries of any claim must also be recorded within the contract including the amount the horse is insured for.

h. What detail is required in relation to the decision making processes of the syndicate?

The process by which decisions relating to the syndicate must be laid out clearly in the contract. This should include who is responsible for making any decision and also how and when these decisions will be made and communicated.

In the instance that certain decisions, say in relation to the retirement or sale of a horse, are to be made in a different manner, this process should be clearly outlined also.

i. In addition to the matters raised in 1.3 is there anything else a syndicator should consider when drafting a contract?

In keeping with the aims of the Code, the syndicator should not mislead syndicate members by failing to provide them, within the contract, the information they require to make an informed choice. As such, the syndicator should not omit material information or provide it in a way that is unclear, ambiguous or in an untimely manner.

In addition, as suggested above, the Code does not look to dictate how a syndicate should be run, but there are certain rules of fairness that should still be adhered to. While fairness is not a rigid requirement, syndicators are recommended to consult the [Unfair Contract Terms Guidance](#) as part of drafting their syndicate contract.

j. Links to the Rules of Racing

As per 1.5, it is the syndicator's responsibility to ensure that syndicate members are made aware that they are bound by the Rules of Racing. It is recommended that particular attention is drawn to rules prohibiting the sharing of Inside Information ([Rule \(A\)36](#)) and prohibiting the lay betting of owned horses ([Rule \(E\)92](#)).

k. What are the penalties for non-compliance with the Code?

While, as stated, a failure to comply with the Code of Conduct does not in itself amount to a breach of the Rules of Racing, it would be used when considering if the syndicator is suitable to continue being registered under the Rules of Racing. As such, the BHA can cancel a Syndicator's ownership registration.

l. What happens if the syndicator is incapacitated, or a member defaults/dies?



As per the Rules of Racing, at all times there must be a *minimum* of one syndicator in place for each syndicate.

In the instance that a syndicator is incapacitated and is unable to fulfil their duties and there is not a second syndicator already attached to the syndicate, a new syndicator will need to be registered with the BHA. The process for establishing who the new syndicator will be should be outlined in the syndicate contract.

If a syndicate member defaults/dies the implications (financial or otherwise) for the remaining syndicate members should be clearly outlined in the contract.

#### **4. Trainer specific issues**

- a. If a trainer manages a syndicate, but does not receive any additional payment for their role as syndicator other than normal training fees is that entity required to comply with the Code?

If the entity is registered as a syndicate, no public offering was made and the trainer is the syndicator, but does not get paid extra for this role, the Code does not apply.

If, however, the trainer does not receive any remuneration for their role as syndicator, but does advertise for syndicate members publically, the Code does apply.

Irrespective, if the entity is registered as a racing club or a partnership the Code will not apply.

- b. General suitability to be licensed

In the instance that a syndicate for which a trainer is the syndicator is found to be in breach, following an investigation, the BHA can revoke the trainer's right to run syndicates.

A breach of the Code by a trainer acting a syndicator does not amount to enough, however, to revoke their trainer's licence, but it can be taken into account when considering their general suitability to be licenced.

#### **5. Syndicator specific issues**

- a. When does my Syndicate need to comply with the Code of Conduct?

Syndicators are required to ensure that their syndicate complies with the Code of Conduct by XXXX 2017 at the latest. Following that date the syndicate must always be in compliance.

- b. Do we still need a training agreement if we comply with the Code?

As per the Rules of Racing, a training agreement between the licenced trainer and the owner remains mandatory and is not superseded by the Syndicate Code of Conduct. Instead the



Code of Conduct should sit aside the training agreement to promote the safety of the participants.

A version of the ROA/NTF training agreement can be downloaded [here](#).

- c. By adhering to the Code does this represent endorsement of the syndicate by the BHA?

While there is no restriction on syndicates making it clear to members that they adhere to the Code of Conduct, this does not represent endorsement of the syndicate by the BHA.