

Parmenion

Keeping your investments safe



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Security of your investments



Investing always comes with risk, but the one risk you don't want to worry about is whether you can trust the company you're investing with. This information will help you understand how Parmenion looks after your money and investments, and the protections that are in place in case things ever go wrong.

Four levels of protection



YOUR MONEY AND ASSETS, RING-FENCED



PARMENION'S FINANCIAL STRENGTH AND ROBUST ARRANGEMENTS



OUR REGULATOR, THE FINANCIAL CONDUCT AUTHORITY



FINANCIAL SERVICES COMPENSATION SCHEME

Important information

A firm's failure is always a unique situation and it's impossible to cover all possibilities. We've put this information together based on our understanding of the current rules and regulations. It assumes that you're an individual retail investor investing directly with Parmenion.

If you're investing with Parmenion via a third-party product such as a bond or a pension, certain protections such as the Financial Services Compensation Scheme (FSCS) may differ. You should speak to your financial adviser or product provider for more information. Protections may also differ if you're investing with us as an institution, such as a charity.

The regulatory landscape

Although millions of UK consumers invest with confidence, it's widely accepted that we need to encourage more people to invest for their futures.

Our regulator, the Financial Conduct Authority (FCA), recognises that investors need to feel confident that their money is being looked after and they won't lose their hard-earned savings due to poor administration or unscrupulous behaviour.

As a regulated firm, Parmenion has robust arrangements in place to look after our clients' money and investments in an appropriate way. We're subject to the "Client Assets Sourcebook" (also known as 'CASS'), which is the section of the FCA's rules setting out strict requirements for all regulated firms. These firms must have governance in place to make sure the requirements are met. Parmenion provides information to the FCA on a regular basis, and our internal processes and controls are subject to an independent annual audit, with the results reported to the FCA. This is a responsibility we take very seriously.

In official terms, we're known as the "custodian" of your investments.

This simply means that we are holding them on your behalf and have a responsibility to look after them. By "investments" we mean the funds and shares that you hold within your portfolios (known as 'assets'), and the cash that we hold as part of administering your account.



How does Parmenion protect my money?

When you initially invest with Parmenion, it's likely that you will send us money to buy investments, or to hold in cash as part of your portfolio so you can cover any charges. This is known as "client money."

We have to hold all client money completely separate from our own firm accounts, in specially designated bank accounts that are protected by trust law. This means that neither we nor the banks can use these accounts to cover our own expenses.

Before placing client money with any bank, Parmenion carry out due diligence to be absolutely sure that the bank is fit for purpose and there are no concerns that could put our client's money at risk.

We regularly review this due diligence to make sure that our banking partners remain appropriate, and take action if we have any concerns.

To reduce the risk of issues with a single bank, we hold client money across a number of different banks. The proportion of money held with each bank is reviewed regularly against our agreed limits and if we feel that further diversification is needed, we may open accounts with additional banks.

Each business day, we carefully check our records to make sure the total client money we're holding matches the amounts allocated to each client, and the total across all our bank accounts. We conduct these reconciliations to the penny, and any significant concerns must be reported to the FCA right away.

If you'd like an up-to-date list of our banking partners, please get in touch.

How does Parmenion protect my assets?

When Parmenion buys assets on your behalf, these appear in our internal systems in your name.

However, the actual assets are registered in the name of Parmenion Nominees Limited. This is a separate legal entity from our main Parmenion company, with the sole purpose of holding assets on behalf of our clients. This means that in the unlikely event of Parmenion failing as a business, our clients' assets are ring-fenced and covered by the maximum available protection.

Where you're buying listed investments (e.g. exchange-traded funds) through Parmenion, they'll be held with our external stockbroking partner who also acts as our sub-custodian. Similar to our banking arrangements, we must make sure that any sub-custodians we use are fit for purpose and don't pose any risk to our clients' assets. Our sub-custodian is subject to the same FCA CASS rules, so they must also have arrangements in place to protect all client assets that they hold.

As with client money, Parmenion carries out regular reconciliations to match our records of the assets that we're holding with those of the fund managers and any sub-custodians. Any discrepancies are investigated immediately, and appropriate action is taken to avoid any risk to our pool of client assets.

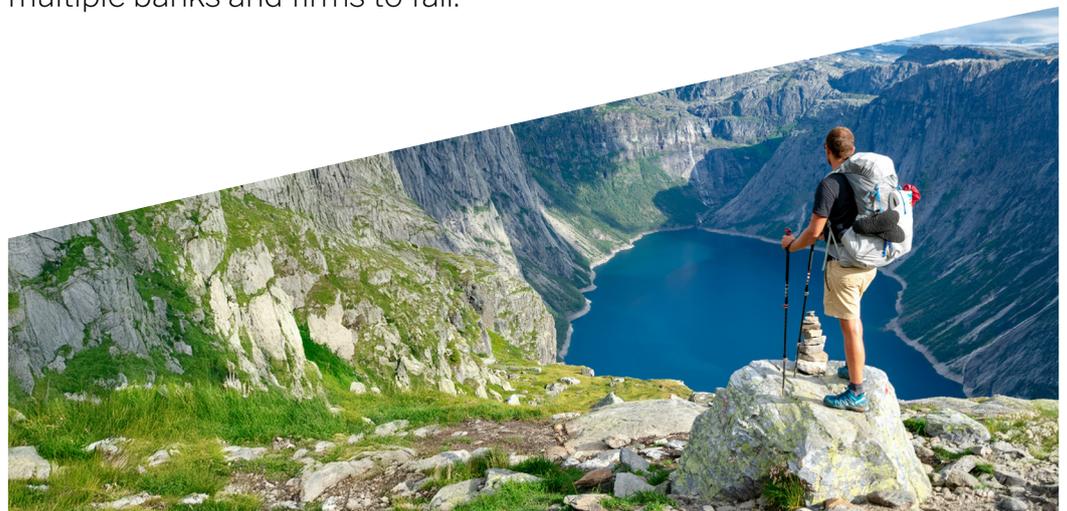


How can I be confident in Parmenion as a firm?

Over the past decade or so, regulators across the world have raised the bar significantly when it comes to how much capital investment firms and banks need to hold to be able to operate on a day-to-day basis, even in times of significant upheaval.

The FCA requires regulated firms to calculate an amount based on the size of the firm and the type of business they conduct. If that type of business is considered higher risk, the firm must hold a higher level of capital to protect against unexpected events. Firms need to undertake regular stress testing to understand the impact if a significant event were to occur, such as a stock market crash or a large downturn in business.

This approach aims to significantly reduce the risk of another UK banking crisis like the one in 2008, where a “domino effect” caused multiple banks and firms to fail.



What would happen if Parmenion were to fail?

In the unlikely event of Parmenion failing as a firm, we have arrangements in place to make sure any money and assets we hold on your behalf are ring-fenced from our main business and can't be accessed by our creditors.

The money held in our client money accounts would stay in the banks and the investments held by our nominee company and sub-custodian wouldn't be affected.

The failure of an investment firm will always be a complex and unique situation. In simple terms, an insolvency practitioner will be appointed to wind up the company and try to minimise the impact on clients. This is likely to involve transferring the clients and their investments to another firm who is willing to take over the business.

If there are any shortfalls in the client money pool at the time of failure, or as a result of winding up the company, the shortfall is shared across all clients. However, you could be entitled to compensation from the FSCS to cover this shortfall.





What is the FSCS?

The Financial Services Compensation Scheme (FSCS) is an independent body which is funded by regulated firms and provides protection to consumers when firms fail.

Often referred to as 'the lifeboat scheme', the FSCS is a last line of defence for consumers when a regulated firm fails and customers suffer a loss as a result. Full information about the FSCS can be found on their website – www.fscs.org.uk.



What would happen if one of the banks were to fail?

The regulators have taken a number of steps to reduce the risk of a bank collapsing. Banks are now required to hold far higher levels of capital than they were before the banking crisis of 2008, and UK banks must ringfence their core retail banking from their riskier investment banking and institutional operations.

Our diversification approach means that we hold client money across a number of different banks. If we had concerns about one of the banks we use, we would take action to reduce the amount of client money we held with them.

If a bank did fail and there was a shortfall in the amount of client money we were holding with them on your behalf, the FSCS would compensate your loss up to the limit of £85,000 per eligible person.

You should bear in mind that if you had other cash holdings with the same bank (e.g. personal accounts or client money holdings via other investment firms) these would count towards the compensation limit too.



What would happen if the sub-custodian were to fail?

Parmenion currently only uses one sub-custodian and they're subject to the same requirements for protecting client assets. If the sub-custodian fails, the assets held on behalf of their clients (including Parmenion) would be ring-fenced. Any shortfall in the assets held by our sub-custodian at the time of failure would be shared across all clients. However, you could be entitled to compensation from the FSCS to cover the shortfall.



How do Fund Managers protect my investments?

Most of the investments held by Parmenion are in regulated collective investment schemes such as unit trusts or OEICs. Although the legal structures of these types of investments are different, the levels of consumer protection in place are similar. In fact, the UK and EU have some of the strictest requirements for protection. Parmenion conducts due diligence on all investments before they're made available on our platform to make sure they are regulated and meet our operational requirements.

The company that is primarily responsible for running an investment fund is usually known as the "Fund Manager" or "Authorised Corporate Director (ACD)". They're responsible for the day-to-day operation of the fund and for ensuring that it meets regulatory requirements.

Overseeing the Fund Manager is the "Trustee". This is a separate firm who make sure the Fund Manager complies with all the relevant rules and regulations, and acts in the best interests of the fund's investors.

To add a further layer of segregation, neither the Fund Manager nor the Trustee are allowed to hold the underlying investments held by the fund.

These are held by a third party called the Custodian or Depositary. This firm is responsible for the safekeeping of the investments and holding them in a segregated manner.

This means no one firm has sole control of the underlying investments. That shared responsibility brings assurance that the fund is being managed in an appropriate manner and protection against the risk of fraud or misuse of the fund's assets. It also means that should either the Fund Manager, the Trustee or the Depositary fail as a firm then another firm can take on this role without affecting the fund's assets.



What would happen if a fund were to fail?

It is highly unlikely that a regulated fund would fail, thanks to the many levels of separation and protection in place. However, if a UK-based fund were to fail, it's likely that the FSCS would cover any shortfalls for eligible investors up to the £85,000 limit per person.

Some of the funds available on the Parmenion platform are based in countries outside of the UK (primarily Ireland and Luxembourg). Although these countries are subject to different regulatory rules, they are subject to similar requirements for segregation of duties and protection of the underlying investments. The FSCS applies to UK-regulated business, so if a non-UK fund were to fail, it's unlikely that the FSCS would apply.

Other countries have their own equivalent compensation schemes, each with their own eligibility criteria and compensation limits which may or may not apply to UK investors. This will depend on the individual circumstances of the failure.

Get in touch

If you'd like to chat to us more about the security of your investments, please get in touch.

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Important information: This guide is for general information and shouldn't be seen as a personal recommendation. If you'd like to get advice on whether an investment is right for you, speak to your financial adviser. It's also important to remember that an investment's past performance isn't an indicator of its future performance, and you could get back less than you put in. There's also no guarantee that an investment will meet its objectives.

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