

threesixty

January 2021

Parmenion Capital Partners LLP

Assessment report



Parmenion Capital Partners LLP

Contents

Purpose of this assessment report	3
Due Diligence: What is it, and why is it so important?	4
The Due Diligence process	5
The threesixty assessment: Our methodology	6
The threesixty assessment: The report format.....	6
The threesixty assessment: How to use it	6
Assessment report	7
Parmenion Capital Partners LLP: Key details	7
Assessment findings.....	8
A. Corporate governance and systems & controls.....	8
B. Client and referring / introducing intermediary arrangements and financial promotions	13
C. Recruitment	16
D. Training & competence (T&C).....	18
E. Discretionary management procedures	20
F. Outsourcing.....	23
G. Financial crime, anti-money laundering, data security, fraud and the Bribery Act.....	24
H. Complaints	26
I. Business continuity / disaster recovery	27

Purpose of this assessment report

This report is designed to assist intermediaries in carrying out their due diligence assessment prior to using the services of a discretionary investment manager (DIM), and on the regular review of such arrangements.

It is important to note the aim of the work undertaken by threesixty services LLP (threesixty), is to assess, at a high level, the adequacy of the controls and procedures the firm has established to mitigate the regulatory and business risks arising from the provision of its discretionary management service to intermediaries. The focus of the assessment is to review controls and procedures, and therefore it is only part of the overall assessment that an intermediary should carry out when looking to use the services of a DIM.

Due Diligence: What is it, and why is it so important?

Research and due diligence is seen as one of the three pillars of ensuring delivery of good outcomes and advice to client's i.e.

1. Competence: ensuring advisers are competent on the subject of the product or service concerned
2. Research and due diligence: the FCA uses these terms to refer to the processes used to assess:
 - a) The nature of the product or service, for example both investment structure and performance
 - b) The risks and benefits
3. The provider – to establish whether it is appropriate to entrust the provider with client assets

Assessing suitability: where advisers are competent and understand the individual products or service, they should be able to assess for each client if the solution is suitable.

In relation to looking at any services to be provided by a DIM, intermediaries need to understand the above factors in order to assess whether the proposed solution is suitable for their clients.

In early February 2016 the FCA issued its findings following a thematic review into firms' research and due diligence processes ([FCA - TR16/1: Assessing suitability: Research and due diligence of products and services](#)). It has provided some useful pointers for firms on what helps to ensure appropriate research and due diligence processes are in place. The review covered how firms select products, funds, platforms as well as the services of DIMs.

Whilst the FCA's findings are high level comments, the particular references that have relevance to the assessment of discretionary management services are as follows:

1. The key driver of good research and due diligence is a corporate culture of challenge. The FCA commented 'The better firms had either in-built challenge in the process and / or individuals who were knowledgeable, enthusiastic and challenged the firm's approach. Where there was no culture of challenge within the firm, the research and due diligence process showed weaknesses'.
2. The size of a firm is not a barrier to carrying out good research and due diligence.
3. Processes and tools used in research and due diligence will vary depending on the circumstances, and the FCA does not set out specific requirements. The emphasis is on the firm to take reasonable steps to ensure the solutions are suitable for their clients.
4. Research and due diligence needs robust systems and controls in order to be effective.
5. Firms need to be structured in their research and due diligence process in order to ensure that information is up to date and challenged adequately.
6. Research and due diligence should be an objective process and 'not a case of retro-fitting due diligence to justify the outcome the firm had already previously decided upon.'

The Due Diligence process

As noted previously the FCA has not set out a defined process for firms to follow when assessing the services of a discretionary investment manager. The approaches taken will vary in different circumstances, and to a large extent are influenced by the type of service the intermediary is seeking from the DIM. It is also possible that the solutions you identify for your clients may involve the services of more than one DIM. However, whether you are seeking to merely refer your clients to a DIM and chose to let them take responsibility for the suitability of advice, or you intend to advise your clients on a model portfolio operated by the DIM, in which you take responsibility for the suitability of advice, the process should encompass the following stages:

1. Define why you need a DIM
2. Set out the key criteria by which you will assess the DIM
3. Identify and list the DIMs that you will research
4. Reduce / filter the list based on your key criteria
5. Gather information – multiple sources and of various types, for example:
 - Companies House / FCA register checks
 - Accounts
 - Website and other internet information
 - 3rd party reports, for example threesixty, ARC
 - Research databases, for example Defaqto
 - DIM's own material – Due diligence packs or brochures
 - A due diligence questionnaire sent to the DIM
6. Meet the shortlist of firms
7. Decide on which one or more DIMs to use – document why and the approval process followed by your firm's senior management
8. Monitor and record performance of the DIM(s)
9. Periodic review of DIM(s) and report findings to senior management

It is important to document each stage of the process so that you are able to demonstrate the process if called upon to do so.

The threesixty assessment: Our methodology

The assessments are usually conducted onsite but due to COVID-19 this assessment consisted of a combination of a series of remote meetings with the DIM which generally takes 2 days, and a review of various documented procedures and papers supplied by the DIM prior, during and after the meetings.

During the assessment our business risk consultant conducts a series of meetings with key management within the DIM from different sectors of the business to allow them to explain in more detail how their firm operates and the controls and procedures that are in place. In general the visits involve meetings with senior representatives from Investment Management, Operations, Compliance, Risk Management, Human Relations, Training and Competence and I.T.

On occasions the DIM will inform us that certain documents that we request are not available due to the confidential nature of the information they contain. In cases in which this has occurred we simply note that the document could not be provided due to the confidential nature of the information.

The threesixty assessment: The report format

The report that follows is divided into the various subject headings as follows:

- Corporate governance / systems and control
- Client and referring intermediary arrangements and financial promotions
- Recruitment
- Training & competence
- Discretionary management procedures
- Outsourcing
- Financial crime
- Complaints
- Business continuity

The aim is that the review of the combination of different areas of the business ensures that all the key aspects of the business are reviewed. In each section our overall focus is to attempt to explain what procedures the DIM firm has put in place to control its business, and to manage the risks so as to ensure good client outcomes can be achieved.

The threesixty assessment: How to use it

As noted above the threesixty report is only part of the information that you will need to gather within the overall due diligence process. In part it aims to provide some independent verification for you that certain key procedures and controls are in place within the DIM. However, it will also hopefully help you to construct further questions that you may wish to ask the DIM during the due diligence process.

Assessment report

threesixty has only reviewed those documents made available on our review. We have not investigated their efficacy and practical use. All reasonable precautions have been taken to ensure that the information contained is correct, threesixty services LLP does not accept any responsibility for errors, inaccuracies, omissions or any inconsistencies. This information should not be relied upon by third parties, and should not be considered as an endorsement as to individual suitability of the firm for a financial advisers' clients.

The assessment report does not include any comment on the firm's procedures in respect of holding client money, or assets, in accordance with FCA rules as this is outside the scope of our assessment.

Parmenion Capital Partners: Key details: Key details

Firm name	Parmenion Capital Partners LLP
Total Income	£25.5m as at 31 December 2019
Established since	2007
Funds under management	£8.2bn as at 31 December 2020
Contact details	Tel: 0117 204 7600
Useful links	www.parmenion.co.uk

Note: Relationship between Parmenion Capital Partners LLP and threesixty services LLP

In August 2017 Standard Life PLC and Aberdeen Asset Management PLC completed a merger between the two companies. The enlarged company is now called Standard Life Aberdeen PLC. As Parmenion was a subsidiary of Aberdeen Asset Management following the merger its ultimate holding company became Standard Life Aberdeen PLC.

Threesixty Services LLP was a subsidiary of Standard Life PLC, hence the effect of the merger was that both Parmenion LLP and threesixty Services LLP are fellow subsidiaries of the enlarged company, Standard Life Aberdeen PLC.

There are no operational links between threesixty Services LLP and any other company within the Standard Life Aberdeen group of companies, including Parmenion LLP, which mitigates against any potential conflict of interest, and the report was therefore completed independently by threesixty without influence from any other party.

Note: Sale of Parmenion Capital Partners LLP

At the end of November 2020 it was announced that Aberdeen Asset Management PLC had put Parmenion up for sale. The sale announcement was made after threesixty had conducted its assessment of Parmenion.

Assessment findings

A. Corporate governance and systems & controls

This section explains how the business is structured and managed. It seeks to explain the key procedures that control the risks within the overall business.

Review findings

1. Parmenion Capital Partners LLP (Parmenion) is a wholly owned subsidiary of Standard Life Aberdeen PLC (the Group). Parmenion had become a subsidiary of the Aberdeen Asset Management PLC in January 2016. In August 2017 Standard Life PLC and Aberdeen Asset Management PLC completed a merger between the two companies.
2. The Group is listed on the London Stock Exchange. In the UK there are a number of FCA regulated firms within the Group.
3. Parmenion is authorised and regulated by the FCA as an IFPRU euros 125K firm in its own right. It operates as a distinct business unit recognised as the Digital Division subject to supervision by the Group. It has two further subsidiary limited company entities, Parmenion Nominees Ltd, which is the registered owner of securities held in the firm's global custody, and Wise Trustees Ltd, which is the trustee of the firm's SIPP.
4. Parmenion benefits from the financial support of being part of a large group of companies. It was noted in the accounts to the end December 2019 that Parmenion have invested significantly in systems and processes and Group support has increased in order to strengthen capital adequacy.
5. As required as part of CRD IV the Group prepares an Internal Capital Adequacy Assessment Process document (ICAAP") which applies to all the Group's UK regulated subsidiaries including Parmenion. Details of the approach to risk management can be found within the Pillar 3 disclosure document which can be found via a link under 'Legal' on the firm's website at: www.parmenion.co.uk/legal. This document contains information on the overall approach to corporate governance and risk management within the Group; an overview of risk exposure; capital adequacy and remuneration disclosures.
6. The Group's overall approach to risk management is also outlined in their latest accounts to December 2019 which are available on the Group's website at: www.standardlifeaberdeen.com. The Governance section of the accounts describes the Group's overall Enterprise Risk Framework and notes that the Group follows the three lines of defence model of risk management i.e.
 - 1st Line of Defence: Day-to-day risk management, including identification and mitigation of risks and maintaining appropriate controls, is delegated from the Board to the Co-Chief Executives and, through a system of delegated authorities and limits, to business managers.
 - 2nd Line of Defence: Risk oversight is provided by the Chief Risk Officer. The Risk and Compliance function is organised so that there is a consistent view across all of the principal risks, especially conduct, regulatory and strategic risk working closely with the first and third lines of defence.
 - 3rd Line of Defence: Independent verification of the adequacy and effectiveness of the internal risk control management systems is provided by the Group internal audit function.

This is independent from all other operational functions. It operates subject to supervision and challenge by the Audit Committee.

7. The Parmenion Board meets at least four times a year. The responsibilities of the Board have been defined as:
 - Overall responsibility for the firm;
 - Approving and overseeing the implementation of the firm's strategic objectives, risk strategy and internal governance;
 - Ensuring the integrity of the firm's accounting and financial reporting systems, including financial and operational controls and compliance with the regulatory system;
 - Overseeing the process of disclosure and communications;
 - Responsibility for providing effective oversight of senior management; and
 - Monitoring and periodically assessing the effectiveness of the firm's governance arrangements and takes appropriate steps to address any deficiencies.
8. The Group has representation on the Board and on three sub-committees; Investment Oversight, Asset Allocation and Ethical Oversight.
9. The Board has delegated certain responsibilities to an Executive Committee. This sub-committee is accountable for the implementation of governance arrangements, including the segregation of duties in the organisation and the prevention of conflicts of interest and delivery of the strategic plan. The Executive Committee reporting to the Board meets weekly on an informal basis and monthly on a formal basis. This Committee is chaired by the Chief Executive Officer and other members are the PIM Managing Director, Chief Operating Officer, Chief Marketing Officer, Chief Distribution Officer, Chief Financial Officer, Chief Compliance Officer and Chief Architect.
10. Reporting to the Executive Committee are four decision-making bodies (Commercial Committee, Proposition Committee, Customer Delivery Committee, Scalability & Resilience Committee) and three oversight committees (CASS Governance Committee, Investment Oversight Committee, SIPP Operators Committee). Each committee has formal terms of reference and all committees have Executive Committee representation to ensure issues, decisions and control measures are appropriately escalated to the Executive Committee.
11. Parmenion have in place an Executive Risk Committee which is responsible for the management of the firm's risk profile, including all risk types, such that the organisation is able to meet its strategic objectives without going outside the Board's risk appetite. The Executive Risk Committee reports to the Board and the Terms of Reference of the committee dated December 2019 note its responsibilities as to:
 - Setting and recommending to the Board, on an annual basis, the Risk Appetite Statement for Parmenion.
 - The oversight of Parmenion's risk profile and actions to remain (or move back) within Risk Appetite. This includes, but is not limited to, the review of major risks and significant risk crystallisations events.
 - The identification and analysis of risks that could undermine Parmenion's ability to meet its strategic targets (including customer outcomes).

- The management of an effective risk framework within Parmenion.
 - The management of an effective control framework within Parmenion
 - The management of adherence to Group risk and business control policies
 - The ongoing improvement of the maturity of risk management within Parmenion
12. Whilst Parmenion's risk management framework and risk functions remain in place the Group has assumed oversight responsibilities for certain Parmenion functions, including HR, Finance and Risk. These Division Heads for Parmenion provide reporting and assurance into Group connected function lines.
 13. Whilst as noted above the Group is responsible for the reporting on overall Internal Capital Adequacy Assessment Process (ICAAP) matters Parmenion remain responsible for regulatory capital and risk mitigation. Parmenion continue to use an internal ICAAP process for risk management, and threesixty were informed that they work closely with the Group's Risk Team to assess any areas which may pose a risk to the overall Group ICAAP. Threesixty were advised the recent ICAAP process identified Parmenion had a significant capital buffer above the regulatory requirement.
 14. A Risk Framework is in place supported by a Risk Policy and Risk Appetite Statement, copies of each were provided to threesixty. There are separate Risk, Financial Crime and Information Security Working Groups in place which provide reports on risks and fraud issues as they arise, each of the Working Groups has a terms of reference which was provided to threesixty. In early 2020 the Risk Working Group conducted an exercise to review all risks. Risks were mapped into 'themes', each with a defined risk profile, each theme is reviewed by the Risk Working Group and reported to the Executive Risk Committee.
 15. The Risk Register was not provided to threesixty for review. However, the report and accounts for Parmenion for the year to 31st December 2019, which are available at Companies House contains a summary of 'Principal Risks and Uncertainties' which contains some detail on mitigating controls of risk within the firm.
 16. Parmenion is authorised to hold and control client money and assets. Parmenion is a client money (CASS) medium firm. There is a CASS Working Group which meets regularly to review the CASS arrangements across the business and to identify any areas for improvement. This Working Group reports to the CASS Governance committee. The CASS Governance Committee reviews the risks posed to the firm of holding client money and assets and this committee meets monthly with reports provided to the Executive Committee. There is a Senior Manager responsible for CASS within Parmenion. CASS is included in the compliance monitoring plan.
 17. A CASS manual is in place which sets out Parmenion's procedures in respect of CASS matters.
 18. As a firm subject to CASS rules Parmenion are required to appoint an external auditor on an annual basis to review their systems and controls. Threesixty did not carry out any review of the detail of the processes followed by Parmenion in holding client money or assets.
 19. The Parmenion Operational Risk Team are part of the Parmenion Risk and Compliance Team. The Head of the Operational Risk Team reports to the Parmenion Compliance Officer. The Operational Risk Team is responsible for maintaining the risk register and reporting to the Executive Risk Committee on a bi-monthly basis and presenting significant risks to the

Executive Committee on a monthly basis. The Parmenion risks are communicated to the Group Operational Risk Team, and these risks are incorporated into the scope of the overall Group Risk Framework and its capital adequacy calculations. The Group Chief Risk Officer visits Parmenion on a regular basis.

20. The Parmenion Compliance Team conduct an annual compliance monitoring plan which is reviewed by both the Executive Committee and the Board. The Parmenion Compliance Officer provided threesixty with an overview of the compliance monitoring plan noting the plan covers standard compliance monitoring activities as well as thematic reviews.
21. The Parmenion Compliance Team conduct a review of the FCA Handbook rules applicable to Parmenion on an annual basis, this review along with previous compliance monitoring results and recent FCA publications are considered when constructing the compliance monitoring plan. Progress against the plan is reviewed on a quarterly basis by the Compliance Team.
22. Regulatory and Legal Risks are reported to the Executive Risk Committee. The report includes information on risk themes and trends and uses risk indicators to highlight areas of concern. A Chief Compliance Officer report is also submitted to the Executive Committee on a monthly basis.
23. Internal Audit responsibilities within Parmenion are supported by the Group Internal Audit function. Relevant issues in relation to systems and controls, procedures and policies are reported to both the Parmenion Board and the Group Internal Audit Committee. Recent internal audits have included client complaints and vulnerable clients.
24. A Parmenion Conflicts of Interest policy is in place which can be accessed on the firm's website at: www.parmenion.co.uk/legal. Threesixty were advised the Group is undertaking a review of its Conflicts of Interest policy, register and related systems. Once the Group review has been completed Parmenion will conduct a review of its own Conflicts of Interest Policy.
25. A Conflicts of Interest Register is in place to log any identified conflicts which was provided to threesixty for review. All Parmenion conflicts logged are then mapped to the Group central database.
26. There is a Group procedure in place to seek approval and record on the "My Compliance Office" system items such as personal account dealing, gifts and hospitality (given and received), conflicts of interest and outside business interests. This system is controlled and monitored by Group Compliance.
27. A Conduct Risk Policy is in place which is the responsibility of the Chief Compliance Officer, a copy of the policy was provided to threesixty. The policy is reviewed at least annually or more frequently if there is a business or regulatory change which impacts the policy.
28. A breach register is maintained which records internal breaches, regulatory breaches and breaches in other areas including data protection.
29. Parmenion has transaction reporting obligations. These are managed by the Operations and Dealing Teams. Transaction reporting is included as part of the compliance monitoring plan.
30. Professional Indemnity and financial crime insurance is in place.
31. During the assessment threesixty discussed with representatives of the firm how the growth in assets under management is likely to move the firm to the status of a 'significant IFPRU

firm' and be subject to the Enhanced regime under SM&CR. There is a Compliance Working Group reviewing the impact on the firm due to the change in the firm's status.

From the documents made available and following discussions with representatives of the firm Parmenion appear to have a structured approach to managing risk within their business. There was also evidence of the Group overseeing the activities of Parmenion, and an increasing alignment of policies between Parmenion and the overall Group. The company benefits from the financial and systems and controls support being part of a much larger group and appears to be actively assessing the impact of changes in its business.

B. Client and referring / introducing intermediary arrangements and financial promotions

This section looks at how the DIM deals with clients and what are the legal and procedural arrangements with introducing intermediaries. It looks at the contracts and on boarding procedure and what checks they will do on the intermediary business. It seeks to identify whether or not the process, and the responsibilities of all parties are clear.

This section also looks at how the DIM markets itself, and what controls it has to ensure that promotions are clear, fair and not misleading.

Review findings

a) In relation to Parmenion's respective regulatory responsibilities to the referring/introducing intermediary and services provided to the intermediary;

1. Parmenion offers a range of services including discretionary investment management, platform administration and technology solutions to support the operation of the intermediary's central investment proposition.
2. Through its Appointed Investment Adviser offering Parmenion will assist intermediary firms to build and manage bespoke investment portfolio solutions.
2. In its dealings with Parmenion in respect of investment management the intermediary acts in an agent as client capacity. It is important that any agreement between intermediaries and their clients reflect this legal position. Intermediaries are also able to use the Parmenion's platform on a basis on which the intermediary is advising their client.
3. Parmenion is not authorised to provide investment advice so all investment advice is provided by the intermediary. In addition Parmenion undertake due diligence on the intermediary before an agency is set up. This includes the completion by the intermediary of an Appointed Investment Adviser – Due Diligence Request when using the Appointed Investment Adviser offering. This is intended to obtain information on the intermediary's business including details of history, ownership, structure, regulatory permissions, organisational details, investment process, and compliance arrangements.
4. Parmenion will always treat the intermediary as a professional client within the meaning set out in the FCA Handbook for the provision of the discretionary investment services.
5. The intermediary must complete an Intermediary Services Agreement with Parmenion which sets out the respective roles of both parties, and how Parmenion will work with the intermediary and its clients. The agreement confirms that the intermediary acts in an agent as client capacity for the discretionary investment services, and only gives instructions on behalf of the client to the extent that they have the authority of the client to do so, in respect of the platform services.
6. The agreement also notes that the intermediary agrees that it shall be solely responsible for carrying out the assessment of suitability of Model Portfolios for its clients regardless of whether it uses the Portfolio Selection Tool, or not, and for any advice given to the clients either via the Technology service or otherwise.
7. The Intermediary's clients receive Terms and Conditions from Parmenion, which explain the respective role of Parmenion and the intermediary. The Terms and Conditions note that Parmenion will treat the client as a Retail Client in terms of FCA rules, in respect of the

- platform services only and it confirms that Parmenion will provide no financial planning service to the client.
8. The Terms and Conditions further states that in order to hold an account with Parmenion the client must be serviced by an intermediary who is authorised by the FCA, and who is registered to conduct business with Parmenion in relation to the client's investments.
 9. The application form completed by the client confirms that they have received the Terms and Conditions noted above, and gives authority to the intermediary to give instructions to Parmenion in respect of their investments.
 10. Parmenion have produced a Due Diligence document to assist intermediaries in their review of Parmenion's services. The latest update of this document was dated June 2020 which includes details on:
 - a) Parmenion's market Positioning
 - b) Centralised Investment Propositions
 - c) Key Regulatory considerations
 - d) Parmenion services
 - e) Platform and data security
 - f) Investment Philosophy & Approach
 - g) Governance
 - h) Parmenion Standard Charges
 - i) Financial Conduct Authority regulation
 - j) Implementation support
 - k) Financial Strength
 12. Parmenion can assist referring/introducing intermediaries by running seminars and events, online tools and telephone based assistance.
 13. Parmenion has a dedicated Operations Department. There are teams within Operations to support intermediary clients, these include dedicated teams managing new applications, in-specie transfers and client administration. The Incident and Controls Team within Operations works with the intermediary support team to ensure any incidents are resolved.
 14. Parmenion also provide an automated advice technology service called Interact which can be branded for the intermediary to offer to its clients. The service is on a restricted advice basis, and allows clients to invest in either ISAs or the General Investment Account which will be managed by Parmenion using one of their model portfolios. The system has the flexibility for an intermediary to incorporate its own compliance controls and parameters for advice to ensure the suitability of the recommendation. The system can be used to allow clients of intermediaries to directly to invest in model portfolios, or can be used as an aid to discussions on financial planning between intermediaries and their clients. As with other aspects of Parmenion's services the intermediary remains responsible for the suitability of any advice to their client in using this system.

b) Parmenion has procedures in place to approve all forms of communications/financial promotions which aim to ensure that they are fair, clear and not misleading. The procedures and processes include the following:

1. Parmenion's promotional activity is generally targeted at authorised intermediaries. However, the firm has decided to adopt a sign off policy as a matter of best practice to both ensure consistency in their external presentation and good practice. All promotional activity must have Financial Promotions approval prior to release. A Financial Promotions Approval/Sign Off form is used to record the process.
2. Each financial promotion is compliance checked and approved by a member of the compliance team.
3. A financial promotions register is in place which logs each promotion.
4. A Financial Promotions Policy is in place dated October 2019 which outlines Parmenion's commitment to ensuring communications adhere to both regulatory requirements and internal standards. The policy is supported by Marketing Standards, a Financial Promotions Approval Process and a Social Media Policy.
5. Parmenion have also produced a document entitled "Simply Investing" which can be provided to the investor client and fully white labelled for the intermediary. This document which is approved by the Plain English Campaign with a Crystal Mark accreditation explains the key concepts in investing and the importance of risk and return within investment strategies.
6. There is also a separate register in place for recording any technical literature issued on behalf of the investment management team which requires prior approval by the compliance team.
7. There is reference in the Principal Risk and Uncertainties section of the Parmenion accounts to the end December 2019 to the importance of digital developments in relation to interaction with clients. It notes that the marketing team oversee all social media communications to ensure regulatory compliance. In addition, it confirms that the compliance team works closely with the marketing team.

From a review of the documents and terms that are issued to the intermediary, the respective roles of both parties and services provided are clearly set out. In addition, threesixty were provided with details on the extensive support available to assist intermediaries when using the firm.

In relation to the firm's controls of financial promotions Parmenion appear to have well defined processes to assess and control promotional material issued.

C. Recruitment

This section aims to illustrate what procedures the DIM has in place to ensure that staff it employs are fit and proper. It looks at how the recruitment process works, and how staff are inducted into the business to ensure that they are aware of company procedures.

It will also look at remuneration policies to see if these have been clearly defined.

Review findings

The recruitment procedures were reviewed and discussed with the Head of HR who provided an overview as to how staff are vetted and recruited. This process includes;

1. Within Parmenion the task of sourcing and the recruitment process has been outsourced to a management company, Sanderson Ltd. Interviewing and selection is carried out by Parmenion employees.
2. Sanderson Ltd manage the recruitment process from sourcing of candidates through to offer as well as supporting the business with wider strategy in relation to recruitment and attraction. Diversity is considered by both Parmenion and Sanderson Ltd as part of the recruitment process.
3. A dedicated section of the Parmenion website is maintained by Sanderson Ltd which sets out the careers within Parmenion and the latest vacancies. Consideration is given to internal applicants prior to using external employment agencies
4. Sanderson Ltd are the primary point of contact in relation to all recruitment matters at Parmenion and have a Recruitment Adviser located within the business.
5. Hiring managers are supported by Sanderson Ltd in relation to recruitment strategy, job briefings, CV reviews, interview planning and general advice on recruitment issues.
6. Background checks are undertaken on successful candidates via a third party company, Vero. These include identity, financial and criminal record checks, five year reference checks from previous employers, verification of education checks, directorship checks, and professional qualifications verification.
7. In relation to Senior Manager hires additional compliance and regulatory checks are conducted in consultation with the Compliance Team.
8. A code of conduct comprising areas like financial crime, personal account dealing and complaints is provided to all new employees as part of their initial induction.
9. All staff including Investment Managers are provided with a job description.
10. All staff are issued with contracts of employment.
11. Whistleblowing procedures are issued to all new staff.
12. Parmenion's procedures include annual performance appraisals which include a training needs analysis and a review of individual's objectives. There are more specific training and competency requirements for staff with responsibilities that involve investment management, or day to day contact with clients.
13. The Principal Risks and Uncertainties section of the Parmenion accounts to 31st December 2019 note the risk of loss of key personnel. However, in mitigation it notes the business does not have "star" fund managers, instead there are teams with complementary skillsets who discuss

investment decisions and take collective responsibility. The team based approach therefore seeks to avoid reliance on any one individual.

14. The Parmenion accounts also note that appraisals and remuneration are designed to develop, attract motivate and retain staff. It notes some remuneration packages include a deferred element. In addition it notes succession plans are in place to cover key roles.
15. The Conflicts of Interest Policy dated April 2019 notes in respect of remuneration that all staff are paid by basic salary and bonuses are controlled by the Group Remuneration Committee which ensures that incentives are consistent and do not create conflicts. It also notes that the research team and analysts are not remunerated in respect of any specific transactions or volumes of sales.
16. Parmenion advised they were in the process of launching an apprenticeship scheme at the time of assessment.
17. Parmenion has established a Parmenion Leadership Team (“PLT”), containing members of the Executive Committee and other senior management representatives. As part of their remit the PLT has established a working group to review the firms’ culture and behaviours.

threesixty did not review specific staff records for individuals due to the confidentiality of the information contained, so cannot provide comment as to the workings of the recruitment process. However, from the discussion with Parmenion’s HR representative the firm appears to have a structured process. It was noted that the firm’s staff numbers have grown rapidly over the last year as the firm continues to expand. Also, the firm is continuing to align with Group HR procedures following the merger.

D. Training & competence (T&C)

This section looks at how the DIM sets out its training and competence regime, and reviews what processes are in place to train, assess and monitor staff and investment managers in particular in their role of dealing with clients introduced from intermediaries.

Review findings

1. Parmenion have a Training and Competence process which assesses the competence of individuals involved in investment management duties. The process includes an induction programme for new staff which incorporates presentations, testing, required reading, observations and shadowing of work carried out. As part of the induction programme face to face training is provided to all new joiners by the Compliance Team.
2. At recruitment the essential competencies in specific areas are assessed and agreed. Individuals are then required to demonstrate knowledge and/or practical skills in the various key areas. Progress is recorded on the firm's Sharepoint system.
3. Once the requirements are met the individual's Supervisor recommends sign off, and this is then confirmed if appropriate by Operations Management and Compliance.
4. The individual is subject to ongoing (but reduced) supervision e.g. through regular spot checks, appraisals, 1 to 1 meetings, ad hoc notifications of breaches, incidents, complaints losses etc.
5. A summary of the assessment process undertaken on a recent recruit was provided which included reference to an intense interview process involving multiple members of the team challenging knowledge and experience of the firm's target market, intricacies of portfolio construction, management and reporting, experience of client risk mapping and examples of how the individual had dealt with issues in the past.
6. Parmenion have a Knowledge and Competence Framework for those staff whose responsibilities involve day to day contact with clients. The framework dated June 2019 defines the assessment of the competency of relevant individuals, and the appropriate experience and qualifications required for their roles. The relevant individuals are those staff who respond to client /adviser communications, be it by telephone or email, on behalf of the firm.
7. The Knowledge & Competence Framework notes the need for relevant individuals to obtain appropriate experience and an appropriate qualification in line with a defined syllabus.
8. The process of ongoing activity for Investment Managers during the year was noted as covering conduct in meetings with clients, third party fund providers, addressing internal cross department enquiries, attending and giving presentations, preparing fund due diligence notes and writing investment solution reports.
9. For qualified Investment Managers there is an annual attestation as part of the firm's SM&CR procedures whereby each Investment Manager's competency is reviewed by a Senior Manager.
10. CPD records are maintained by all relevant staff as required with the requirement to complete more than 35 hours per annum.
11. All staff are required to complete a range of Computer Based Training assessments in line with Group procedures. The assessment subjects completed are geared to the job role of each individual but typically cover such as Risk, Compliance, Conflicts of Interests, Financial Crime & Anti-Money Laundering, Conduct and TCF and Data Protection. Records of training are maintained using the computer system 'My Compliance Office'.

The assessment did not involve threesixty reviewing specific training records for individuals so no comment can be provided as to the workings of the Training & Competence arrangements. However, it would appear that Parmenion conduct a range of training and competence activity and the process for investment managers reflects the team approach to investment management.

E. Discretionary management procedures

This section looks at the procedures and controls the DIM has put in place to carry out the DIM service. It aims to assess how they arrive at decisions when managing funds, and how they record and monitor the process. It looks at the structure of the process including the firm's investment philosophy, investment committees, research, how decisions are implemented and the controls in place to minimise the risk of errors and loss to clients.

Review findings

Parmenion has procedures to control and monitor the discretionary management services it provides to referring/introducing intermediaries. In addition the firm monitors the discretionary management services through a series of committees.

1. There is an Asset Allocation Committee (AAC) in place which meets on a quarterly basis, or more frequently if necessary. Terms of Reference are in place that are regularly reviewed and these outline the objectives, responsibilities, membership and procedural arrangements of the committee.
2. The AAC is responsible for providing commentary on asset classes and defining the current tactical asset allocation position in terms of being neutral, underweight or overweight. Strategic asset allocation is considered by the Investment Team on an annual basis. Any decisions arising are ratified by the Investment Management Committee.
3. There is an Ethical Oversight Committee in place which meets on a quarterly basis, chaired by an independent committee member. Terms of Reference are in place that are regularly reviewed and these outline the objectives, responsibilities, membership and procedural arrangements of the committee.
4. There is an Investment Management Committee which meets on a monthly basis. Terms of Reference were provided to threesixty, the objective of the committee is to oversee and support the investment management function and ensure compliance with relevant FCA regulation. The committee reports to the Investment Oversight Committee.
5. An Investment Oversight Committee (IOC) has the objective to monitor the behaviour of the various investment solutions available through Parmenion and managed under Parmenion's regulatory permissions, to ensure the delivery of satisfactory outcomes for investors. The Terms of Reference of this committee which were provided to threesixty for review outline the objectives, responsibilities, membership and procedural arrangements of the committee.
6. IOC approval is required for any structural change to the investment solutions offered by the company such as, but not limited to, a modification of strategic asset allocation, a revision of the investment philosophy or process and a change of investment mandate, objective, benchmark or change of risk profiling tool/questionnaire.
7. The IOC will also undertake a quarterly review of the returns and volatility of each model portfolio and either clear the performance as fit for purpose or raise concerns with the relevant Investment Managers.
8. The IOC reports to the Parmenion Executive Committee and its Terms of Reference are reviewed on an annual basis.
9. There are no individuals responsible solely for any strategy in respect of the model portfolios created by Parmenion. All investment decisions are made on a collegiate basis within the committee structure.

10. Parmenion operates investment mandates and any restrictions within the model portfolios via automated systems as far as possible in order to reduce the areas where manual intervention is required. There is a compliance monitoring system to review adherence to mandates.
11. Group internal audit is responsible for monitoring of internal systems and controls and producing management reports highlighting any exceptions.
12. Research is carried out on a quantitative basis and qualitative basis within Parmenion. The quantitative analysis measures raw data which includes the risk/return performance of the universe of UK collective funds, downside risk management and fund manager skill. The qualitative element involves meeting the fund manager face to face in order to understand the investment process and controls.
13. All new proposals and strategies are evaluated by the Product Development Committee. The research and due diligence is undertaken on each fund and a report is produced which includes the recommendation and executive summary. This is presented to the committee where challenge is provided where appropriate by other members. Periodic post-sale product analysis is conducted to confirm products are performing as expected and meeting the needs of clients.
14. In addition, to the various committees there are weekly team meetings to discuss key issues.
15. In terms of product governance Parmenion are a distributor and have carried out work to assess the target market of the investments used within their portfolios. According to the report and accounts for Parmenion for the year ending 31 December 2019 in the Principal Risks and Uncertainties section the Product Development Committee has oversight of the firms Product Governance responsibilities.
16. There are a number of procedures which are set out to control the operational aspects of the investment process within Parmenion. Details of procedures were provided to threesixty.
17. Parmenion's systems support links with back office systems used by intermediaries to enable ease of data transfer.
18. Parmenion has an online client reporting portal which is accessible to clients and advisers and includes the following reports:
 - current valuations
 - current actual performance report
 - historic/back dated valuations
 - historic actual performance report
 - acquisitions and disposals
 - cash, income schedules and payment statements
19. A copy of an example of the required periodic report to clients was supplied to threesixty for review. threesixty were advised that periodic reports are sent directly to clients and uploaded to the online client and adviser portal.
20. Parmenion have processes in place to identify and correct breaches, incidents and transaction errors, and any such incidents are reported within the monthly compliance report to the Executive Committee.
21. There is an order execution policy in place dated April 2019, threesixty were advised the policy has recently been reviewed and will be finalised shortly. The policy is provided to all clients as part of the sign up procedure. It is also available on the firm's website.

22. Parmenion has produced annual order execution disclosures for the reporting period 1 January 2019 to 31 December 2019 and is available on the firm's website.

The assessment by threesixty did not include a detailed review of the workings of the various committees noted above, however, it would appear that Parmenion have set out a structured process in order to manage and control the risks of their services.

F. Outsourcing

This section looks at the procedures and controls the DIM has put in place to carry out the DIM service. It aims to assess how they arrive at decisions when managing funds, and how do they record and monitor the process. It looks at the structure of the process including the firm's investment philosophy, investment committees, research, how decisions are implemented and the controls in place to minimise the risk of errors and loss to clients.

Review findings

It was confirmed during the scope of the assessment that Parmenion do not outsource any critical functions as defined by the FCA as part of the services offered to intermediaries. Therefore this part of the assessment was not reviewed by threesixty.

G. Financial crime, anti-money laundering, data security, fraud and the Bribery Act

This section looks at the extent that a DIM outsources key tasks to 3rd parties, and if it does what processes are in place to monitor this activity and minimise any adverse impact to clients.

This section is not relevant to all firms as not all firms outsource key tasks to 3rd parties.

Review findings

1. Parmenion operates in line with the Group's Financial Crime policies including Anti-Money Laundering, Anti-Bribery and Corruption and Fraud policies. In some cases Parmenion has its own local policies which are reviewed periodically, (in part) to ensure they remain aligned to the standards of Group policies. These policies are available to staff on the Share point system.
2. At a local level Parmenion has its own Money Laundering Reporting Officer (MLRO). The annual MLRO report is provided to the Group MLRO upon request in order to provide oversight, challenge and sharing of information as relevant.
3. An Anti-Money Laundering (AML) training course is provided to all new employees, and thereafter on an annual basis as part of the Computer Based Training assessments required under Group policy. Parmenion provides regular AML training to all its staff that includes guidance for identifying and reporting suspicious activity to the Nominated Officer, who in turn will consider reporting to the National Crime Agency where appropriate.
4. Parmenion in common with other Group businesses has a programme of mandatory staff training in place which will involve at least one session a year of online training with a short test on subjects including complaints, conflicts of interest, MIFID2 and financial crime.
5. Parmenion's contractual relationship with intermediaries establishes the basis of reliance on the intermediary to carry out Anti-Money Laundering identification checks, however, Parmenion on a sample basis obtain declarations from intermediaries to confirm appropriate customer due diligence has been carried out. In addition there is targeted sampling for higher risk clients where due diligence is requested. Parmenion therefore retain the responsibility for such checks notwithstanding the utilisation of the reliance provision i.e. accountability is not delegated.
6. The Intermediary Service Agreement grants Parmenion the authority to ask for proof of evidence of identity obtained by an intermediary. Parmenion obtain written confirmations from intermediaries who are signed up to the Intermediary Services Agreement through the completion of the application form and adviser declaration contained within it.
7. Whilst the intermediary carries out basic identification checks on new clients, Parmenion also carries out its own client screening checks both initially and on an on-going basis, this is confirmed in the Client Agreement. The client screening checks undertaken are to ensure the firm can identify any clients that are Politically Exposed Persons (PEPS), or if clients are on the HMRC sanctions list.
8. Parmenion follows Group procedures in respect of the recording and approval of personal account dealing, gifts and hospitality (given and received), conflicts of interest and outside business interests. These are all recorded on the Group's My Compliance Office online system.
9. A copy of Parmenion's Anti-Bribery and Corruption Policy dated April 2019 is available within the legal section of the firm's website.
10. A Financial Crime Working Group meets monthly to assess and monitor the ongoing risks of the business being subject to financial crime. The Terms of Reference for this Group were provided

for review and the scope of the Group's remit includes Fraud, Money Laundering, Terrorist Financing, Bribery & Corruption, Insider Dealing and Tax Evasion.

11. There are various policies in place relating to Data Security including a clear desk, acceptable user, privacy and data protection policy. Threesixty were informed that the firm carries out various tests to assess the robustness of IT data security procedures in particular its online platform and website.
12. The Parmenion accounts to the end of December 2019 notes within the section on Principal Risks and Uncertainties the importance of technology and information security in respect of the business. It states that an Information Security and Business Continuity Committee provides overall strategic direction, framework and policies for technology and information security, with particular focus on cyber-crime prevention.
13. The MLRO report was not provided for review due to the confidentiality of the information within it. The Parmenion Chief Compliance Officer advised the report is presented to both Executive Committee and Board approval.

Whilst threesixty did not carry out any audit work on the firm's records from the review of documents provided and discussions the Parmenion Chief Compliance Officer it would appear that the firm have structured processes in terms of the risk of financial crime that are regularly reviewed and that the issue is considered one of high importance. In addition, there is a high degree of support and monitoring from the Group in this key area.

H. Complaints

This looks at how the DIM handles complaints and ensures that they are independently handled and that the process is fair and clear.

Depending on the arrangement the intermediary has with the DIM this may be a case of assessing how the DIM deals with complaints from the intermediaries clients, or if there is no direct relationship with investor clients how would the DIM deal with any potential complaints from the intermediary as a professional client.

Review findings

1. Parmenion have procedures and policies in place to ensure complaints are recorded and appropriately reviewed. The Complaints Management Policy is kept under review and was last updated in April 2019. Threesixty were advised the policy was under review at the date of the assessment.
2. The Quality Assurance & Complaints Manager is responsible for complaints handling at Parmenion and is responsible for ensuring all eligible complaints are recorded and investigated.
3. Contact details for the Quality Assurance & Complaints Manager and a copy of the complaints management policy can be found within the legal section of the firm's website.
4. The internal complaints procedures are available to all staff on the Sharepoint system.
5. All complaints are reported to the FCA on a bi-annual basis.
6. Training is provided to all staff on a regular basis, and is included in the annual Computer Based Training. Complaints training includes how to define complaints and the procedures to follow in the event of a complaint being received.
7. The Executive Committee receives regular reports on any complaints received.
8. Group Internal Audit recently conducted a review of complaints with minor findings which have been fully resolved with confirmation provided to the Client Delivery Committee.

The complaints procedures appear to provide clear details on how Parmenion deals with any complaints in relation to its services to intermediaries.

I. Business continuity / disaster recovery

This section looks at the arrangements the DIM has put in place to ensure that if a disaster did occur they could respond quickly, and either maintain their service to clients, or restore the service in an acceptable time frame in order to minimise any risk of loss.

Review findings

1. Parmenion has a Business Continuity Plan which is reviewed and tested regularly. The Plan was last tested in the first quarter of 2020. The business continuity procedures are subject to review by the Group's Business Continuity Team. It is important to note that the Group structure also provides the capacity to support Parmenion in relation to business continuity incidents if they were to occur. During the COVID-19 pandemic Parmenion was able to benefit from the Group's global experience in preparing the business for the pandemic.
2. A Crisis Management Team (CMT) is responsible for the maintenance, testing and monitoring of the BCP. The CMT provided daily oversight during the COVID-19 pandemic.
3. Parmenion has a small number of strategic suppliers. The Operations Teams oversee these third party suppliers and monitor agreed services levels. Contingency plans are in place in the event of withdrawal or failure of such suppliers. Priority Service Level Agreements (PSLA) are in place with all third party software vendors to ensure that all critical applications are available within 24 hours in the event of a major incident. Parmenion are revising their use of third party systems to use external specialist systems where possible.
4. During the assessment threesixty were provided with a general overview of the arrangements for Business Continuity and disaster planning. Business continuity plans are regularly tested. There are off-site back up facilities in place for the firm's main site with the option of using other offices which enables the firm to move key operations if required at short notice.
5. It was noted that the team approach adopted by Parmenion toward investment management mitigates against any reliance on one individual investment manager in the process, and this provides additional security in terms of business continuity.
6. It was noted that the HR department has an emergency call system to contact all staff in the event of any serious incident.

Whilst threesixty did not conduct a detailed review of procedures and testing in these area from the discussions with the representatives of the firm it was noted that defined processes in relation to Business Continuity and disaster recovery are in place and these are reviewed and updated and evidence from audited accounts at group and local level would indicate that these arrangements are regularly overseen by the Group.