



## Principles of Business, Palomar Capital Mgmt LLP, FRN # 589092, Jan 2015, J. McDougall

The FCA sets out a series of high level Principles in its Handbook and Palomar has adopted these as they apply to every authorised firm carrying out regulated activities; a breach of them may render the Firm subject to FCA enforcement or disciplinary sanctions.

All Agents of Palomar must ensure the firm meets these standards. Palomar's Compliance Officer to provide guidance where questions arise relating to these Principles.

### **FCA Principles of Business**

Palomar must conduct its business with integrity.

Palomar must conduct its business with due skill, care and diligence.

Palomar must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems.

Palomar must maintain adequate financial resources.

Palomar must observe proper standards of market conduct.

Palomar must pay due regard to the interests of its customers and treat them fairly.

Palomar must communicate to clients in a way which is clear, fair and not misleading.

Palomar must manage conflicts of interest fairly, between itself and customers and between customers.

Palomar must take reasonable care to ensure the suitability of its advice and discretionary decisions for any customer who is entitled to rely upon its judgement.

Palomar must arrange adequate protection for a client's assets when it is responsible for them.

Palomar must deal with its regulators in an open and cooperative way and must disclose to the FCA appropriately anything relating to the firm of which the FCA would reasonably expect notice.

### Clear Organisational Structure and Delineation of Responsibilities

Palomar has created and will update regularly an organisational chart, clearly defining job responsibilities at Firm, ensuring adequate monitoring of its systems and controls by Palomar's Partners.

### Control & Risk Management

Risk management is integral to Palomar's business success. The Firm's risks are regularly assessed by Partners and documented extensively to fully document major threats and opportunities.

### Capital Requirements Directive

Palomar must maintain sufficient capital resources as required under the Rules which depend on the prudential category of the firm from time to time and the various risk requirements. Senior management will ensure Palomar maintains the minimum capital resources required under the Rules.

### Responsibilities of the Partners

Relevant internal controls, including the effective management of risk, and full reconciliation procedures have been established and are working effectively. Partners are responsible for complying with regulatory requirements applicable to Palomar.

### Compliance

Ensuring development of the business occurs while maintaining a standard of excellence in regard to the conduct of business by the organisation, that all individuals in the Firm are aware of and have reasonable processes in place designed to ensure compliance with applicable laws, principles, rules, regulations, codes of conduct applicable and be specific to the financial services industry; and to maintain a pragmatic and sensible relationship with the regulators.



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The main coverage of compliance is licensing, individual authorisation, conduct of business, conflicts of interest, fiduciary law, insider dealing, money laundering issues and personal dealing.



Analysis of Risk & Key High Level Controls

Risk Assessment	High Level Control Process	Responsibility
<p>Market and product related risks</p> <ul style="list-style-type: none"> <li>• Ensure new product/investment fits into control structure</li> <li>• Ensure new relationships are assessed from the perspective of all pertinent issues, including reputation risks, CDD etc</li> <li>• Ensure market risks are addressed</li> </ul>	<p>New Business New Client</p>	<p>Firm's Management Firm's Management</p>
<p>Operations &amp; IT</p> <p>Ensure the entire range of risks relating to front &amp; back office risks are considered</p>		Firm's Management
<p>Financial Control</p> <p>Ensure the financial records are accurate and record assets and liabilities correctly, that accounts are reconciled</p>		Firm's Management
<p>Legal Risk</p> <p>Ensure products, services and operations achieve intentions from a legal perspective</p>		Firm's Management
<p>Regulatory Risk</p> <p>Ensure relevant Agents are aware of and have processes in place designed reasonably to ensure compliance with all applicable laws, principles, rules, regulations, codes of conduct applicable</p>	Refer to compliance manual	Firm's Management/ Compliance Officer
<p>Reputation risk</p> <p>Assure business conducted with approved counterparts, with suitable services and risk warnings to protect our reputation</p>	New business/new client process/credit process	Firm's Management/ Compliance Officer
<p>Business Resumption</p> <p>Ensure business continues and meets obligations in the event of a total or partial failure of processing capabilities due to a disruption of resources</p>	Business continuity plan	Firm's Management/ Compliance
<p>People</p> <ul style="list-style-type: none"> <li>• Ensure an appropriate assessment of the risk within the human resources function associated with individuals entering the organisation</li> <li>• Ensure an appropriate ongoing assessment of integrity and</li> </ul>		<p>Firm's Management/ Compliance Officer Firm's Management</p>



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competence of individuals with the firm		
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