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1 INTRODUCTION

1.1 Purpose

This Compliance Manual and associated Appendices (the Manual) is provided to all members of staff during induction and Appointed Representatives (ARs) during onboarding. It is essential that Midmar staff and ARs **read and familiarise themselves with the Manual and abide by it**.

1.2 Regulatory Context

Regulation of financial services in the UK is split between 2 regulatory bodies and from 1 April 2013 replaced the previous structure of a single regulator, the Financial Services Authority (FSA). Under 'twin peaks' regulation, prudential supervision of large financial institutions, including banks etc., is carried out by a body of the Bank of England called the Prudential Regulation Authority (PRA), and prudential supervision of all other entities including smaller investment firms, and also conduct of business of all authorised entities (including PRA authorised entities) is carried out by the Financial Conduct Authority (FCA).

Midmar Capital LLP, referred to as "the Firm" or "Midmar" throughout the Manual, is authorised and regulated by the FCA under the Financial Services and Markets Act 2000 (FSMA), as amended. Its firm reference number (FRN) is **519772**.

The FCA has a primary strategic objective of ensuring that relevant markets function well and 3 operational objectives, with a secondary objective added by the Financial Services and Markets Act 2023:

Operational Objectives

1. Consumer Protection Objective: Securing an appropriate degree of protection for consumers.
2. Integrity Objective: Protecting and enhancing the integrity of the UK financial system.
3. Competition Objective: Promoting effective competition in the interests of consumers in the markets.

Secondary Objective

Competition and Growth Objective: facilitating, subject to aligning with relevant international standards—

a. the international competitiveness of the economy of the United Kingdom (including in particular the financial services sector), and
b. its growth in the medium to long term.

The FCA supervises most firms as members of a portfolio of firms that share a common business model. In the FCA's Approach to Supervision the FCA states these portfolios are not static and adapt as business models change. Firms that fall within a portfolio are known as flexible portfolio firms. Firms with the greatest potential impact on consumers and markets are known as fixed portfolio firms and these firms are supervised by a dedicated team. Midmar is a flexible portfolio firm.

This Manual reflects the FCA's regulation of the Firm and does not reflect any requirements of the PRA unless otherwise specified.

UK regulated activities are defined under FSMA by the Regulated Activities Order (RAO) 2001, and also in the onshored EU Markets in Financial Instruments Directive (MiFID), first implemented in November 2007 (MiFID 1) and updated in January 2018 (MiFID II).

The regulations determine the type of regulated activities that a firm can provide under its scope of permission as detailed in section 1.5 of the Manual. They also define the rules that a firm must follow. This includes for firms called 'common platform' firms which are firms covered by both MiFID and the EU Capital Requirements Directives (CRD 1-4). The Investment Firms Prudential Regime (IFPR) introduced more streamlined and simplified prudential requirements, contained in the MIFIDPRU prudential sourcebook, for MiFID investment firms prudentially regulated by the FCA. The Firm is, therefore, a MIFIDPRU firm and a common platform firm.

From 22 July 2013, the EU Alternative Investment Fund Managers Directive (AIFMD) was implemented in the UK and the EU and was onshored. This introduced a new regulated activity of managing an unregulated collective investment vehicle where it is classified as an alternative investment fund (AIF). From that date, the Firm also has permission to manage an AIF and is deemed to be a small authorised (sub-threshold) AIF. This means it is only permitted to act as an AIFM (AIF manager) for aggregate funds under management of €100m or, where certain restrictions relating to leverage (unleveraged) and redemptions (not within 5 years) are met by all funds under management combined, a higher aggregate limit of €500m.

At 11pm on 31 December 2020, the transition period that followed Brexit on 31 January 2020 ended, meaning that the UK was no longer a member of the EU and was no longer subject to EU legislation. Where relevant, existing EU legislation was 'onshored' and, for example, the above MiFID and AIFMD regulations became 'UK MiFID' and 'UK AIFMD' respectively. However, the FSMA 2023 introduces a framework for revoking retained EU law and replacing it with rules to be established under FSMA 2000. Retained EU law continues to apply for a transitional period, during which the UK regulators will draft and, where necessary, consult on replacement rules.

1.3 FCA General Principles

There are **12 Principles** for Businesses in total and they are a general statement of the fundamental obligations of all firms under the regulatory system. In substance, the Principles express the main dimensions of the 'fit and proper' standard set for regulated firms. Being ready, willing and organised to comply with the relevant rules and requirements is therefore a critical factor and may call into question whether the Firm is still fit and proper.

The Principles are also designed as a general statement of the regulatory requirements in new or unforeseen situations and in situations in which there are no specific rules or guidance.

1. **Integrity** – a firm must conduct its business with integrity.
2. **Skill, Care and Diligence** – a firm must conduct its business with due skill, care and diligence.
3. **Management and Control** – a firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems.
4. **Financial Prudence** – a firm must maintain adequate financial resources.
5. **Market Conduct** – a firm must observe proper standards of market conduct.
6. **Clients' Interests** – a firm must pay due regard to the interest of its clients and treat them fairly.
7. **Communications with Clients** – a firm must pay due regard to the information needs of its clients and communicate information to them in a way which is clear, fair and not misleading.
8. **Conflicts of Interest** – a firm must manage conflicts of interest fairly, both between itself and its clients, and between one client and another.
9. **Client Relationships of Trust** – a firm must take reasonable care to ensure the suitability of its advice and discretionary decisions for any client who is entitled to rely on its judgement.
10. **Client Assets** – a firm must arrange adequate protection for its clients' assets when it is responsible for them.

11. **Relations with Regulators** – a firm must deal with its regulators in an open and co-operative way and must disclose to the FCA appropriately anything relating to the firm of which the FCA would reasonably expect prompt notice.
12. **Consumer Duty** – a firm must act to deliver good outcomes for retail customers.

The 12th Principle only applies (in place of Principles 6 and 7) where a firm is in scope of the Consumer Duty, which came into force on 31st July 2023 for new and existing products and services that are open to sale (or renewal) and is now in force for all products and services of in-scope firms. The Consumer Duty applies to all firms with a key role in delivering retail customer outcomes, including those with no direct customer relationship. From detailed analysis, Midmar, as a non-retail firm, has concluded that it is not in scope of the Consumer Duty, therefore, only Principles 1-11 apply to Midmar and its ARs.

The FCA has a detailed Handbook of rules and guidance, setting out exactly how the Firm and its ARs should carry out its business, and with which it must comply. This Manual contains the procedures that will enable the Firm and its ARs to be compliant with various regulatory requirements to which it is subject.

The Manual does not replace or attempt to replicate the FCA Handbook, which, as mentioned above, has explicit application to the Firm according to its status under relevant regulations. The Manual makes frequent reference to the FCA Handbook in order to direct the user, when a query or issue arises, back to the source of rules and regulations for further clarification. The FCA Handbook can be found on the FCA's website.

1.4 The Compliance Officer

Emma Jones is the Firm's Compliance Officer. Staff members with any queries or concerns in respect of regulatory matters or compliance issues, should consult the Compliance Officer, failing which Gillian Gallacher as Deputy Compliance Officer (and partner) or alternatively another partner.

The Compliance Officer is responsible for ensuring that the Manual is kept up to date and abreast of any new or amended rules or regulations. **Should staff members be in doubt about the application of any rules, whether it is imposed by the Firm or necessary under the FCA's rules, they should consult the Compliance Officer immediately. The Firm will treat any instances of non-compliance very seriously and this can ultimately lead to the dismissal of members of staff or suspension or withdrawal of an individual's FCA approval (where relevant)**.

1.5 FCA Authorisation and Approval

The FCA's Scope of Permission Notice (SOPN) (see below) sets out the regulated activities that the Firm is authorised to conduct, together with the specific investments in relation to those specific activities. The SOPN will also set out the type of clients that the Firm can deal with (Professional Clients and Eligible Counterparties only). It will also set out any limitations to which the Firm is subject. **It is essential that if anyone is unclear as to whether they are permitted to carry out a particular activity, they must consult the Compliance Officer prior to carrying out that activity**.

The Firm's Scope of Permission

The Firm is currently authorised as a MiFID investment manager and a sub-threshold alternative investment fund manager with the following scope of permission:

- Dealing in investments as agent.
- Arranging (bringing about) deals in investments.
- Making arrangements with a view to transactions in investments.

- Advising on investments (except pension transfers and pension opt-outs).
- Establishing, operating or winding up a collective investment scheme.
- Managing an unauthorised AIF.
- Managing investments.
- Agreeing to carry on a regulated activity (within the Firm's scope of permission).

The Firm can undertake these activities in relation to the following client types:

- Eligible Counterparties.
- Professional Clients.

The Firm can undertake these activities in relation to the following specified investments:

- Certificates representing certain security.
- Commodity future.
- Commodity option and option on commodity future.
- Contract for differences (excluding a spread bet, a rolling spot forex contract and a binary bet).
- Debenture.
- Future (excluding a commodity future and a rolling spot forex contract).
- Government and public security.
- Option (excluding a commodity option and an option on a commodity future).
- Rights to or interests in investments (contractually based investments).
- Rights to or interests in investments (security).
- Rolling spot forex contract.
- Share.
- Unit.
- Warrant.

The Firm is **NOT** permitted to:

- Act for Retail Clients.
- Hold client money or assets.
- Deal as principal.

In order to remain out of scope of the Consumer Duty, the Firm, its ARs and the funds the Firm manages/operates, must not have retail customers as end users or otherwise be able to materially influence the outcomes of retail customers.

As a result of Brexit, the Firm does not currently have permission to provide regulated investment activities in any country outside of the UK. As part of automatic Brexit transition, it does have a MiFID passport for certain services in Gibraltar but at present has not exercised these rights. Otherwise, should the Firm's geographical scope change, unless some form of 'equivalence' agreement formally exists between the UK and a relevant country, it is anticipated that the Firm would need to become directly regulated in the non-UK country in question. This includes EU member states and the US.

1.5.1 Appointed Representatives

From time to time, the Firm may have arrangements in place with other legal entities for such firms to be ARs of the Firm. Such firms are not authorised firms under the FSMA. However, they are exempt from authorisation where an authorised firm takes responsibility for their actions and omissions in connection with regulated activities. The authorised firm is deemed to be the regulatory 'principal' under such an arrangement. For the avoidance of doubt, the relationship between a Principal and its ARs is akin to the relationship between an authorised firm and its regulator in that the Principal firm is responsible for

overseeing the activities of its ARs, supervises compliance with relevant rules and requirements, conducts monitoring, and can take action for rule breaches, as set out in the AR Agreement between the Principal and each AR.

For the avoidance of doubt, this Manual applies to the Firm and to each and every AR of the Firm and all members of staff (whether permanent or temporary) and anyone acting on behalf of the Firm or an AR. The Firm has a documented AR contract in place, the AR Agreement, with any such entities which outlines roles and responsibilities, obligations and duties. Any AR must always act within this agreement and also within the Firm's own scope of permission otherwise it will breach the provisions of the FSMA and incur potential sanctions on both the AR and the Principal (i.e. the Firm).

In relation to regulated activities, the type of activities an AR can carry out under its arrangement with the Firm include advising on and arranging deals in investments as listed in Midmar's scope of permission. However, it **excludes** managing investments (including an AIF) as this is not a permitted activity under the Appointed Representative Regulations. This exclusion also means that ARs are prohibited from acting with any discretion in respect of investments or divestments.

No firm can act as an AR of the Firm until it has been added to the FCA register entry for the Firm. An application for such approval (along with the Approved Person applications for relevant AR staff – see below) by the FCA will be submitted by or on behalf of the Compliance Officer following appropriate due diligence checks and internal/Firm approval of the AR and relevant individuals.

The list of entities which are currently ARs for the Firm at any given time can be checked against the Firm's FCA register entry, and the AR section. This also lists previous ARs under 'previously attached to'.

List of the Firm's ARs

1.5.2 FCA Approved Individuals

There are currently 2 regimes for FCA approval of individuals conducting certain functions within the regulatory perimeter, which staff members need to be aware of:

1. The Senior Managers and Certification Regime (SM&CR): this regime came into force for all solo-regulated, directly authorised firms on 9 December 2019, and replaced the previous Approved Persons regime which used to apply to directly authorised firms. As such, the Firm is in scope of the SM&CR but this regime does not currently apply to ARs.
2. The Approved Persons regime: this regime continues to apply to ARs.

The regimes, and the functions that are most likely to apply to the Firm and its ARs, are covered in more detail in Chapters 5A and 5B. It is important for all staff members to note that **where a function does apply, advance FCA approval must be obtained before an individual carries out the function(s) in question.**