



Redmayne Bentley

2021 PILLAR 3 DISCLOSURES

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OVERVIEW

Redmayne Bentley LLP (The Firm) is an investment management and execution-only stockbroking firm. Its clients are predominantly private retail, and its main source of revenue is derived from the provision of services, either through commission charged for the placing of trades or through fees levied for the ongoing advisory, discretionary or dealing with advice services.

In April 2021, the Firm started the third year of its five-year plan but, given the impact COVID-19 had on business priorities, the Boards made some revisions for the final two years of the strategic plan cycle. The Firm is committed to the five-year plan and has invested in both income-generating activities and streamlining processes.

- Business Growth (primarily increasing Funds under Investment Management);
- Excellent Client Service;
- Streamlining Processes, and
- Developing People.

On 1st January 2014, the European Union established a revised framework governing the amount and nature of capital that credit institutions and investment firms must maintain. The Directive is commonly known as CRD IV and is directly binding on firms in the UK. The applicable resulting regulations are:

- The Capital Requirements Regulation – (CRR)
- Prudential Sourcebook for Investment Firms – (IFPRU)

The framework consists of three pillars, which are aimed at promoting the safety and soundness of the financial system:

- **PILLAR 1** - The minimum capital requirements of firms to cover credit, market and operational risk
- **PILLAR 2** - Designed to complement the existing Pillar 1 requirements by assessing the need to hold additional capital under a more risk-based assessment
- **PILLAR 3** - A set of disclosure requirements which enable the market to assess information on firms' risks, capital and risk management procedures

The detailed assessment of the requirements under Pillars 1 and 2 are carried out within the Internal Capital Adequacy Assessment Process (ICAAP).

This is the Pillar 3 disclosure for the Firm as at 31st March 2021, made in accordance with the CRR, Financial Conduct Authority (FCA) and IFPRU which is required to be made on an annual basis.

As a significant IFPRU Firm, the Firm is required to hold regulatory capital equal to the highest of:

- Pillar 1 Capital requirements
- Pillar 2 Capital Requirements

Based on the Financial Statements for the year ended 31st March 2021, the financial performance is considered to have been encouraging with an increase in profitability during an extremely challenging year from both market and operational perspectives due to the global pandemic. Results at the start of 2021/22 are also encouraging, surpassing the start of the 2020/21 year.

As part of the preparation of the Financial Statements, the Firm needs to consider the Going Concern assessment of the Firm. A number of scenarios were modelled to understand the implications of the pandemic on operations and revenue streams. The Main Board was comforted that the Firm was more than adequately placed to deal with any of the adverse implications.

The Firm conducted the ICAAP incorporating the Firm's Financial Statements for the year ended 31st March 2021, the Risk Management Framework, the Firm's Risk Appetite Statements and the results of the stress tests conducted within this report. Overall, it is considered that regulatory capital of £5.392m is appropriate based on the Firm's Pillar 1 Capital Requirements.

CORPORATE STRUCTURE

The Firm has nine associated entities which are either Nominee companies or dormant. The Firm does not need to apply regulatory consolidation. The Firm is the only FCA-regulated entity.

At the tax-year end (31st March 2021), the Firm consisted of six equity members (one is a limited company - Redmayne Capital Limited) and two fixed-profit share members. During October 2021, this changed to one fixed-profit share member who sits on the Firm's Executive Board.

The Firm has principal offices in Leeds, Locksbottom and London, employing 268 individuals. Leeds continues to be the largest office with 194 individuals. There are also 120 non-employed individuals who work under one of the following agreements: franchise, franchise associate or associate agreements.

All the Equity Members (except Redmayne Capital Limited) continue to be involved in the business. They are assisted by a team of Directors who oversee departments throughout the Firm.

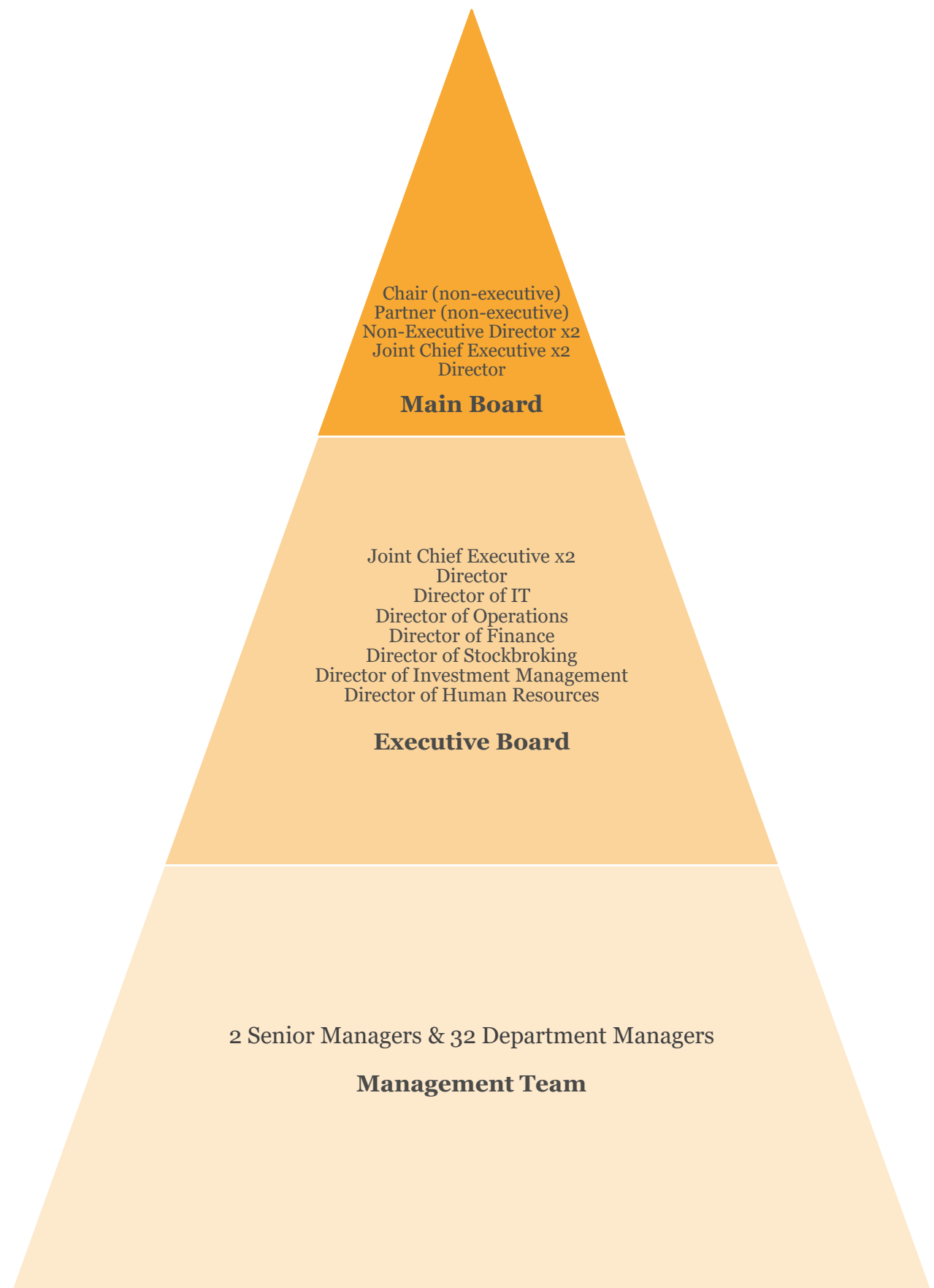
GOVERNANCE AND MANAGEMENT STRUCTURE

The Firm is required by the EU Capital Requirements Directive to make public disclosure of its risk management objectives and policies in accordance with the requirements of Pillar 3 of the Directive and ICAAP as prescribed by the FCA.

The Firm's strategy and overall direction is provided by the Main Board. The Main Board consists of three equity members with executive roles (including the two Joint Chief Executives), two non-executive equity members and two additional non-executive directors. It meets formally at least 10 times per year and is responsible for the overall direction of the Firm and its financial performance. As well as receiving reports from the Executive Board, it receives reports from the main Control Committees – Client Assets (CASS), Risk Oversight, Audit, Remuneration Nominations and Corporate Governance Committee, and IT Strategy. The Main Board reviews the effectiveness of the Firm's system of internal control each year, assisted by an annual assurance report from the Audit Committee and receives regular reports from the Risk Oversight Committee of the material risks which the Firm faces.

The Executive Board consisted of eight directors and two Joint Chief Executives at the tax-year end (31st March 2021). During October 2021, this changed to seven directors with two Joint Chief Executives. The Executive Board works closely with the rest of the Management Team and have Executive accountability for the ongoing monitoring, assessment and of the Firm's risks, which is supported by the Risk Management Committees. The Executive Board has responsibility for the formulation and delivery of the Firm's Business Plan. The Executive Board meets monthly and reports to the Main Board.

The Firm's reporting lines are flat. This allows for prompt responses to issues, risk events, and regulatory breaches, with rapid but orderly levels of escalation as necessary. The Main Board is confident that the Firm's structure, together with the internal controls and policies which are in place are sufficient to contain losses from risk events.



RISK MANAGEMENT AND OVERSIGHT

Consideration is given to what issues and/or events, both internal and external, could impact the achievement of each goal of the business plan. Identified risks are categorised in line with IFPRU guidance, with controls identified and assessed on both an inherent and residual basis. This is the basis of the Firm's risk management framework, Risk Appetite, and how risk is managed from the 'top-down' throughout the Firm.

The Firm's overall risk and control oversight is provided by the Main Board and the Firm's committees (primarily, audit and risk committees). The Main Board determines the Firm's long-term strategic direction within the Risk Appetite and the Executive Board implements it and monitors progress through the Business Plan. Risk Management recommends risk strategy and measures derived from the strategic themes determined by the Main Board to provide independent oversight and to support a comprehensive and proactive risk management approach.

RISK STRATEGY

The Firm's risk management framework is intended to strengthen and improve the Firm's ability to manage existing and emerging risks.

During 2020/21, the Firm continued to evolve the risk management framework developing monitoring and understanding to better manage the potential exposure of clients and the Firm. As the Firm drives towards a mature risk management framework, throughout 2021/22 there are further improvements planned.

RISK MONITORING AND REPORTING

The Firm's risk management framework and governance structures aim to facilitate comprehensive monitoring, with the first Line of Defence having primary responsibility and risk owners providing regular and ad-hoc reports on material risks to the relevant Executive and Control Committees.

To ensure that the crystallisation of risks is captured and managed, a business incident and near-miss reporting process completed through an internal Risk Management Information System. Thresholds are in place to provide guidance around what constitutes a business incident based on financial exposure, client exposure, regulatory breaches, and infrastructure impact. Each incident is linked to a risk on the Firm's Enterprise or Operational Risk Register where possible.

RISK MANAGEMENT RESPONSIBILITIES

The Main Board

The Main board oversees the Firm's strategic direction, ensures the Firm has sound systems of internal control, oversees the implementation of an effective risk management culture and challenges the risk management framework. The Main Board reviews and challenges any of the Firm's risk MI and the effectiveness of risk and control processes. On an annual basis, the Main Board reviews and approves The Firm's Risk Appetite Statement to ensure alignment with the Firm's strategy and business plan.

The Risk Oversight Committee

The Risk Oversight Committee assists the Executive Board in the management of the Firm's risks and the Main Board in fulfilling its risk oversight responsibilities; it reviews and challenges the Firm's Risk Management Policy, Risk Appetite Statement, Risk profile, ICAAP and Capital Adequacy calculations. The Committee also has oversight of the Risk Management Committees.

The Risk Management Committees

The Risk Management Committees are actively involved in the management and review of their assigned risks, risk events or near misses and propose actions to mitigate risks further to improve or bring them into Risk Appetite, escalating where required. The Risk Management Committees provide assurance to the Main Board by overseeing the Firm's operational processes and controls, and the development of the risk management framework. They review any deviations from the Risk Appetite and make recommendations for an enhanced control environment.

The Audit Committee

The Audit Committee, in addition to overseeing financial reporting and effectiveness of Internal Audit, assesses the adequacy and effectiveness of internal controls, including the risk management framework. The Audit Committee monitors compliance with internal policies and procedures as determined in department manuals. It also ensures that processes are effective and sufficient action has been taken to manage material risks and that the Firm is operating within its defined appetite.

The Remuneration, Nominations and Governance Committee

The Firm has a remuneration policy which ensures that the Firm is fully compliant with the FCA remuneration code for the Firm's level 3 category and corporate governance. This has no implications for the Firm's capital resources. The Remuneration, Nominations and Governance Committee meets to review the implementation of the policy and makes recommendations to the Main Board for changes to the policy and other remuneration decisions. The Committee is chaired by an Independent Non-Executive Director and includes the Chairman one other Non-Executive Director who, alongside one of the Joint Chief Executives, are all voting members. The Director of Human Resources and the other Joint Chief Executive attend meetings as non-voting members.

The Executive Board

The Executive Board takes the Strategic Themes determined by the Main Board and formulates and recommends the Business Plan in line with these. As the year progresses, the Executive Board monitors progress with the Business Plan and its associated risks, reporting quarterly to the Main Board. It also considers the impact of emerging risks on the Firm's strategy and Business Plan. This includes identifying and reporting significant risks to ROC.

The Risk Manager

The Risk Manager provides independent oversight of firm-wide risk management and is responsible for establishing the risk management framework, strategy, policy and practices. The Risk Manager's primary objective is to support a comprehensive and proactive approach to risk management that promotes a strong risk management culture. The Risk Manager works with all departments and the Risk Oversight and Audit Committees to establish policies, standards and limits that align with the Firm's Risk Appetite and monitors and reports on existing and emerging risks.

Department Managers

In addition to building a risk-aware culture and ensuring implementation of risk management processes, all departmental managers are responsible for the identification, monitoring and management of risks within their respective area. Where risks are measured as being outside of the Firm's Risk Appetite, action is to be taken to mitigate them, driven by the departmental manager/senior manager.

Risk Champions

In addition to supporting risk owners, a Risk Champion Framework is in place to enhance the Enterprise & Operational Risk Framework, embedding a firmwide risk-aware culture. The Framework provides further assurance to the Risk Management Committees, the Risk Oversight Committee, the Executive Board and the Main Board that risks are being managed throughout the Firm.

Outsourced Internal Audit

The Firm's Outsourced Internal Audit function provides independent assurance to the Main Board regarding the effectiveness of risk management, control and internal procedures employed to ensure compliance with The Firm's Risk Appetite. Internal Audit reports its evaluations to management, the Audit Committee and the Main Board. Internal Audit includes periodic reviews undertaken by BDO, the Firm's outsourced Internal Auditors, reporting to the Audit Committee.

Compliance

The mandate of the Firm's Compliance Department is to manage regulatory risk across the business to align with the policies, processes and controls established and approved by the Audit and Risk Committees. To facilitate this, the Compliance Department is split into two functions: Compliance Monitoring and Compliance Policy.

THREE LINES OF DEFENCE



RISK APPETITE

The Firm's Risk Appetite articulates the type and quantum of risk that the Firm is willing to accept in pursuit of achieving its strategic objectives, and the Executive Board is responsible for setting it with Main Board approval. Risk Appetite is based on qualitative statements which articulate the risk-taking intent of the Firm. The primary objective of the Risk Appetite is to protect the Firm from an unacceptable level of financial performance volatility, conduct and compliance failures and subsequent adverse reputational impact(s). A key driver to doing so successfully is the alignment of our risk appetite to strategy and objectives.

The Risk Appetite statements include:

- Risks we accept as part of doing business - such as credit and market risks - and risks that we take to generate income - such as operational risks which are managed to remain within an acceptable tolerance.
- Risks for which we have low or zero appetite such as reputational risk and regulatory risk.

The Firm considers current conditions, identified risks, and the prospect of emerging risks in developing and applying its Risk Appetite. Adherence to overall Risk Appetite is managed and monitored across the Firm, and is informed by the Risk Appetite Statement, Risk Reporting and a broad spectrum of principles, policies, processes and tools. The Firm's Risk Appetite Statements describe the Firm's risk principles, expresses its appetite for risk. The actual risks it faces are monitored through risk reporting.

RISK APPETITE STATEMENTS

STRATEGIC RISK

The Firm aims to minimise the potential for financial loss or reputational damage arising from ineffective business strategies, improper implementation of business strategies or a lack of responsiveness to changes in the business environment. The Firm will at all times maintain financial strength to ensure stability and sustainability to support its strategic themes that support the Firm's mission and Vision, while not compromising its core values and behaviours.

CONDUCT RISK

The Firm has zero appetite for conduct risks and seeks to minimise the opportunity for them to arise by aligning strategy, process and operations. The Firm's tolerance to conduct risk is informed by the fact that crystallised conduct risks can result in client, financial, brand reputation or regulatory detriment. The Firm's priority is to deliver excellent client outcomes, as client service is central to its business culture. The Firm's vision prioritises its reputation above profitability alone by being a trusted provider of personal investment services.

OPERATIONAL RISK

The Firm accepts that operational risk is present in the course of achieving its strategic objectives and pursues robust processes and controls in accordance with FCA rules in order to mitigate and minimise these risks within set thresholds, but it has zero appetite for poor client outcomes. Identified issues are investigated with the appropriate remedial action taken

MARKET RISK

Market risk provides strategic opportunity for the Firm and the nature of its investment management and stockbroking services mean it needs to have exposure to markets. However, the Firm seeks a balanced approach to market risk to maximise profit for both clients and the Firm, while mitigating away from the extremes of market volatility. Market Risk operates within predefined thresholds that are set in the interests of clients and the Firm. The Firm has zero tolerance to undertake any proprietary trading.

Much of the Firm's client money is kept in sterling, with limited foreign currency held to facilitate settlement and dealing activity on behalf of clients and/or to mirror those client deposit accounts held in a foreign currency.

Market risk incorporates Interest risk where a similarly balanced approach between maximising returns while ensuring suitable institutions are utilised and adequate client money protections are maintained.

FINANCIAL RISK

The Firm will at all times maintain financial strength and business performance to ensure financial stability and sustainability to support its strategic themes. In addition to meeting its regulatory capital requirements the Firm will not undertake activities that would jeopardise this financial stability and will ensure risks taken are proportionate with its risk profile and strategic ambitions. The Firm aims to retain the confidence of its clients, to fulfil regulatory requirements and to maintain a capital surplus to protect against unexpected losses. The Firm holds above the minimum regulatory capital requirement, defined by annually reviewed Risk Appetite metrics, to ensure it can meet these obligations under possible liquidity stress scenarios and maintains a Contingency Funding Plan in case such conditions arise.

LIQUIDITY RISK

The Firm accepts that an appetite for liquidity risk is required in order to achieve its business objectives, while having zero appetite for risks that would result in not meeting client money requirements, regulatory financial obligations and/or having insufficient resources to meet current and future financial commitments. The Firm holds above the minimum regulatory capital requirement, defined by annually reviewed Risk Appetite metrics, to ensure it can meet these obligations under possible liquidity stress scenarios and maintains a Contingency Funding Plan in case such conditions arise.

CREDIT RISK

The Firm will only engage with counterparties who are creditworthy and manage exposure by setting appropriate credit limits and monitoring collateral positions.

The Firm only transacts with counterparties authorised by the FCA (or an equivalent regulatory body) and regular credit and trading checks are carried out.

LEGAL & REGULATORY RISK

The Firm has zero appetite for regulatory breaches and legal issues. While it is not possible to eliminate all legal and regulatory risk, the Compliance department works closely with all other departments to ensure that any legal and regulatory risks are identified and reduced to a minimum. This ensures compliance with legal and regulatory requirements and industry best practice to protect the Firm's clients, the market, and the Firm's reputation. The Firm strives to maintain an open and transparent relationship with the regulator.

OWN FUNDS

TIER ONE CAPITAL RESOURCES

Tier one capital consists of Partnership Capital, divided between Members' capital classified as equity, Members' current accounts and other reserves. Intangible assets and other intangibles are deducted in full in accordance with FCA requirements. The Firm's Total Capital, which is comprised entirely of 'Common Equity Tier 1' capital, is set out in the table below.

AS AT 31st MARCH 2021 TIER ONE CAPITAL WAS MADE UP AS FOLLOWS:	£000'S
Fixed Members capital	8,635
Retained Earnings (undrawn members capital)	7,612
Other Reserves (revaluation)	2.067
Disallowable Intangible Assets and Goodwill	(2,840)
Disallowable Investments	(2,067)
Other Adjustments	(94)
Total tier 1 capital / Total Capital	13,324

CAPITAL REQUIREMENT

The Firm's overall regulatory capital requirements are determined after performing Pillar 1 capital calculations and assessing Pillar 2 capital requirements.

This allows the Firm to determine, and subsequently monitor, the appropriate amount of capital to be held based on its risk profile. The Firm's capital requirement is determined by taking the sum of, the higher of Pillar 1 and Pillar 2 capital requirements

During the financial year ended 31st March 2021, the Firm maintained surplus capital resources at all times to satisfy minimum capital resources.

PILLAR 1 CAPITAL REQUIREMENT

The Pillar 1 requirement is calculated by taking the higher of:

- i) the sum of credit, counterparty and market risk; and
- ii) the Fixed Overhead Requirement ("FOR") (as defined in the FCA handbook under GENPRU 2.2).

The Firm's FOR is calculated at £5,392k based on prior year and is higher than the calculated credit, counterparty and market risk requirements of £852k, these being the exposures identified as part of the regulatory reporting cycle and applied at the 8% risk weighting.

A summary of these figures can be seen below:

Pillar 1 Capital Requirement (£000's, as at 31st March 2021)

A) Fixed Overhead Requirement ('FOR')	£5,392
Credit and Counterparty Risk	£777
Market Risk	£74
B) Sum of Credit, Counterparty and Market Risk	£852
PILLAR 1 CAPITAL REQUIREMENT (higher of A and B)	£5,392

PILLAR 2 REGULATORY CAPITAL REQUIREMENT

Pillar 2 requires firms to calculate the internal capital they consider necessary to cover all risks that they are, or are likely to be, exposed to. It also requires firms to consider the costs associated with winding the Group down (Orderly Wind Down) and various stress scenarios (market-wide, firm-specific and combinations). The Pillar 2 capital requirements are outside the scope of this disclosure document.

CAPITAL RATIOS

As per CRR Article 92, the Firm must at all times satisfy the following own fund requirements:

- Common Equity Tier 1 capital ratio of 4.5%
- Tier 1 capital ratio of 6%
- Total capital ratio of 8%

These ratios are applied to the total risk exposure amount¹, being £67.4m for the Firm. As at 31st March 2021, the Firm's total capital ratio was over the minimum requirement at 18.%. Further details are shown below.

Total Capital Ratio (£000's, as at 31st March 2020)

i)	Own Funds	£13,324
ii)	Total Risk Exposure Amount	£67,401
	Total Capital Ratio (i/ii)	20%

¹ Total Risk Exposure is taken from the March 2021 COREP return. This number reflects the Fixed Overhead Requirement, the Credit, Counterparty, Market Risks.

CREDIT RISK

The Firm's credit risk is defined as the risk of loss if a client or counterparty defaults on their payment obligations in a transaction.

The Firm does not offer formally agreed credit facilities to clients. However, the Firm is exposed to counterparty failures and potential client late payment and/or settlement. To mitigate this risk, the Firm establishes clear limits for both client and firm money placed and maintained with authorised institutions, which is documented in a formal policy.

The Firm only transacts with counterparties authorised by the FCA (or an overseas equivalent regulatory body) and monitors the creditworthiness of these counterparties on a daily basis with action taken where a significant fall in credit rating is identified.

Front Office employees, overseen by Senior Management, take control of the initial credit checks and subsequent reviews of clients; this sets the level of collateral that the Firm requires. The Accounts Manager monitors overdue accounts and recommends mitigating action and recovery, in discussion with the Director of. Several Director receive a daily report on outstanding debts and challenge Executives and the Credit Controllers for action where necessary.

It has been concluded that client credit risk is adequately covered by the existing Balance Sheet bad debt provision.

Further to the above, the Firm has concluded that Pillar 1 credit risk, excluding counterparties, is calculated solely on the balances held on the balance sheet. This capital requirement for credit risk represents the minimum level of regulatory capital resources a financial organisation must set aside in order to cover the potential impact of credit risks crystallising.

Breakdowns of the calculation and exposure classes are shown below.

Regulatory Capital Requirement (£000's)	Bal'Sheet	Adj'	Net	Risk Weighting	RWA	8% Cap Req'
Tangible Assets	£474		£474	100%	£474	£38
Intangible Assets	£2,840	(£2,840)	£0	0%	£0	£0
Investments	£2,450	£0	£2,450	100%	£2,450	£196
Investments w/sig Control	£8	£0	£8	250%	£20	£2
Trade and Other Debtors	£43,321	(£39,651)	£3,669	100%	£3,669	£294
Deferred Tax Asset	£76		£76	250%	£190	£15
Cash and Cash equivalents	£14,566		£14,566	20%	£2,913	£233
	£63,735				£9,716	£777
Counterparty Credit Risk					£929	£74
						£852
						Total Credit Risk Capital Requirement

2021 PILLAR 3 DISCLOSURES

Credit Risk Exposure Classes (£000's)	Balance	Adj'	Net	Risk Weighting	Cap Req'
Institutions	£14,566	£0	£14,566	2%	£233
Equity	£2,458	£0	£2,458	8%	£198
Other items	£46,711	(£42,492)	£4,219	8%	£347
					£777
Counterparty Credit Risk			£929	8%	£74
					£852

COUNTERPARTY CREDIT RISK (BANKING)

Counterparty credit risk refers to the risk associated to a counterparty, that being a party engaged with for trading purposes. The largest counterparty risks, therefore, relate to custodians and banking institutions, with the latter posing the largest potential impact in the event of a counterparty default.

Banking relationships are for two purposes: First, for the Firm's cash, that being required to operate the business which is assessed in the credit risk section. Second, for client cash, where far larger balances are held with banks on the Firm's client's behalf.

Client money policies is operated and maintained by the CASS committee which determines which institutions can be used based primarily on credit rating and geographical location. It also determines the diversification requirements of the Firm to ensure that client money is deposited amongst a number of institutions to mitigate concentration risk

The Firm has a Treasury Management function, a CASS Committee and Executive Board and Main Boards who all review the Firm's client money balance, via a monthly report. This includes, amongst other things, the latest balances and credit ratings, allowing action to be taken swiftly were the Firm's policy breached.

TRADE AND OTHER RECEIVABLES

Trade receivables result from various services provided, including investment management services. In addition, these receivables may include client overdue positions which may be recoverable from the originating stockbroker or investment manager. The credit risk is that the debtor may default on the payment owed to the Firm.

When the Firm's debtors fall overdue, they are classified as past due and reviewed for any signs of impairment. Bad debt levels are historically very low due to the ability to offset client debts against their client account, the sale of other holdings to cover any debts arising and charging overdue amounts on to the stockbroker or investment manager.

Outstanding debts are monitored daily by investment managers, stockbrokers and the Finance function. Discussions are held to determine the recoverability of the debt. If necessary, the outstanding debt is escalated to management.

The levels of other debtors, such as accrued fee income, are reviewed monthly by the Finance department as part of the management accounts process. Income expectations are calculated using current market prices and fee rates set on client portfolios. There are no bad debts to write off for accrued income as expectations are adjusted on a monthly basis.

DEFERRED TAX

Under the IFPRU rules, deferred tax assets are deducted from capital resources in full when the asset is dependent on future profitability. Accordingly, £76,000 has been deducted in full.

OTHER ASSETS

Although other balance sheet assets do not have a "counterparty credit" as such, there is a future potential risk that the value of these balances would have to be written down (e.g., non-recoverability of the asset or obsolescence of fixed assets), which would in turn lead to a charge to the P&L reserve and hence a reduction in regulatory capital resources.

This risk is covered by the Pillar 1 credit risk capital requirement attached to these items and, therefore, the Firm does not consider these could lead to a material future loss.

MARKET RISK

The Firm's Market Risk is defined as the impact on the Firm's revenue or assets due to fluctuations in stock markets, interest rates or exchange rates

The Firm's exposure to Market Risk in relation its own funds is limited, with only one notable asset affected by exchange rate movements (this is adjusted and removed from the CET1 calculation and so has no impact).

The Firm maintains low levels of currency exposures, with foreign currency balances offset by client money requirements in those currencies, so the risk of adverse currency movements for settlement of non-GBP trades on behalf of clients is not borne by the Firm. However, for operational benefits, the Firm maintains some foreign currency balances but as such low levels it is immaterial to the capital or liquidity requirements of the Firm.

INTEREST RATE RISK

As per BIPRU 2.3, the Firm modelled both a 200 basis points increase in base rate and a 200-point reduction in base rate for the purpose of the ICAAP. The Firm does not hold liquid assets with the intention of trading for itself and/or hedging against another part of the trading book. The Firm has not placed a capital requirement on the movements as they have no effect on existing assets, although they would impact on future profits as the Firm does hold significant balances of client money deposits which are placed with a number of banking institutions and from which the Firm generates some interest.

ICAAP GOVERNANCE

As required under FCA rules, the Firm maintains an ICAAP, which includes performing a range of stress tests to determine the appropriate level of regulatory capital and liquidity that the Firm needs to hold to provide reasonable assurance that it is sufficiently capitalised to withstand the material risks to which it is exposed. The current basis of calculation of capital requirement has been adopted in the stress tests.

The 2021 ICAAP report was reviewed by the Risk Oversight Committee and was approved by the Main Board at its meeting held in September 2021.

REMUNERATION POLICY

As the Firm is regulated by the Financial Conduct Authority (FCA), it is subject to the FCA Remuneration Code. The obligations under the code are proportionate to the size, nature, scope and complexity of a firm as a firm with limited activity has been categorised as Level 3.

Level 3 firms can dis-apply the requirement:

- to establish a remuneration committee
- for variable remuneration to be paid partly in shares
- to defer variable remuneration
- for performance adjustments
- on leverage (ratios between fixed and variable remuneration); and on multi-year frameworks for remuneration

The Firm reviews the Remuneration Policy annually as part of governance arrangements. The following are the key elements of its approach to ensuring that it meets good governance principles and to ensure that any potential conflicts of interest which could arise from remuneration schemes are minimised.

- Although not strictly under level 3, the Firm does have a Remuneration, Nominations and Governance Committee which is responsible for ensuring there is a greater alignment between risk and individual reward to discourage excessive risk taking and to deliver the objective of the Remuneration Policy. The committee reports to the Main Board. The policies are reviewed annually or if there is a significant change to the business requiring an update to its internal capital adequacy assessment.
- Salaries are reviewed by reference to salary bands which are updated through regular job evaluation. Recommendations on salary reviews above 25% are made by Directors and considered by the Remuneration Committee. The Firm's remuneration arrangements represent a combination of fixed salaries and variable remuneration including bonus payments, commission and shares of management fees. The process is designed to align the interest of the Firm and its employees with those of its clients and other stakeholders to ensure the Firm's long-term profitability.
- Bonus payments to employees are made on a fully discretionary basis, determined by a fixed formula linked directly to the overall profits of the Firm each half year and based on performance against core competencies. Commission and fee shares are also based on a pre-determined formula.
- Franchisees and their associates are rewarded by a fixed rate share of revenue with no target thresholds. These are agreed contractually.

CODED STAFF

The remuneration code principles apply to 'Coded Staff'. Coded staff are defined by the FCA as individuals who have a material impact on the risk profile of the Firm which includes senior management and individuals with significant influence, any employee whose professional activities have a material impact on the Firm's risk profile, or whose total reward is equal to or greater than the lowest-paid Director.

The Firm considers each Directorate as a Material Business Unit (MBU) for the following reasons:

- The Firm's approach to allocation of capital under ICAAP was considered which is primarily based on the Fixed Overhead Requirement. Each directorate accounts for at least 2% of the Firm's capital under ICAAP.
- A directorate could properly be classified as a business unit within the meaning defined in SYSC 19A by reference to the criteria in Regulation (EU) 604/2014 on Regulatory Technical Standards (RTS) articles 3 and 4 for identifying material risk takers as directorates are part of the Firm's organisational structure.
- As such, each directorate meets the definition of an MBU.

The Firm has taken account of the EU Delegated regulation in defining Remuneration Code staff. While many Investment Managers (IMs) have responsibility for significant values of client assets, the Firm has concluded that all IMs follow guidelines and parameters in managing portfolios which are set by the Main and Executive Boards. While there is scope for individual decision making on stock selection, the investment guidelines reduce the risk that can be adopted by individual IMs and is closely monitored by Compliance and first line supervision.