

## MiFIDPRU 8 Disclosure

### 1. Introduction

The Financial Conduct Authority (“FCA” or “Regulator”) in its Prudential sourcebook for MiFID Investment Firms (“MIFIDPRU”) sets out the detailed prudential requirements that apply to Williams Investment Management LLP (“WIM” or the “Firm”).

In particular, Chapter 8 of MIFIDPRU (“MIFIDPRU 8” or the “public disclosures requirements”) sets out public disclosure obligations with which the Firm must comply, further to those prudential obligations.

WIM is classified under MIFIDPRU as a Non-Small and non-interconnected investment firm (“Non-SNI MIFIDPRU investment firm”). As such, MIFIDPRU 8 requires WIM to disclose information on the following areas:

- Risk management objectives and policies; (MIFIDPRU 8.2)
- Governance arrangements; (MIFIDPRU 8.3)
- Own funds; and Own funds requirements. (MIFIDPRU 8.4 & 8.5)
- Remuneration policies and practices (MIFIDPRU 8.6)
- Investment policy (MIFIDPRU 8.7)

WIM must provide a level of detail in its disclosures that is appropriate to its size and internal organisation, and to the nature, scope and complexity of its activities.

This document has been prepared by WIM in accordance with the requirements of MIFPRU 8. Unless otherwise stated, all figures are as at the 30 April 2023 financial year-end. The contents are reviewed and updated annually or sooner if there are any material changes within the Firm’s structure or business model.

### 2. Background

WIM was incorporated on 20 April 2004 (Company Number: OC307706) and commenced business on 1 May 2004. The Firm is authorised and regulated by the FCA. The Firm’s FCA reference number is 403210.

WIM is a limited liability partnership that provides discretionary investment management services to retail clients. The Firm’s audited financial statements are prepared in accordance with UK GAAP

The partners of WIM ensure that the business model and associated risks are reviewed at least every twelve months or following material change.

This document has been written in line with the rules and guidance found in the FCA Handbook <https://www.handbook.fca.org.uk/handbook/MIFIDPRU/8/?view=chapter>

### 3. Significant Changes Since Last Disclosure

The regulations surrounding MIFIDPRU disclosures came into effect January 2022; this is WIM’s fourth disclosure. There are no changes to prior disclosures.

## 4. Risk Management Objectives and Policies

Due to the size and lack of complexity of the Firm, WIM does not have an independent risk management function. Furthermore, WIM is not required by the Regulator to establish a risk committee.

The partners are responsible for the management of risk within the Firm. Senior management report to the Firm's partners on an ongoing basis regarding the Firm's risks. WIM has clearly documented policies and procedures which are designed to minimise risks to the Firm, and all staff are required to confirm that they have read and understood them.

WIM operates the 'three lines of defence' risk management model to identify, manage and mitigate actual or potential harms:

**First line** Business line management is responsible for identifying and mitigating the harms arising within their areas of functional activity.

**Second line:** Functions such as Regulatory Compliance, Anti-Money Laundering and Anti-Financial Crime Compliance, Operations and Finance provide technical guidance and are allocated to relevant members of the SMT. The Risk Function is managed by the Head of Compliance and acts as a second level assurance which undertakes assurance testing of local controls, policies and procedures and provides reports to management and indicates actions necessary to mitigate risks of harm. The Risk Function also provides advice to the SMT as necessary, including advice and guidance in relation to changes in regulatory requirements or practice.

**Third line:** The Firm's external Compliance Consultants provide independent assurance to the SMT by undertaking regular compliance audits, providing compliance advice and reviewing policies and procedures. This is supplemented by an annual CASS audit undertaken by Xeinadin Audit Limited.

External auditors: The external auditors are regulated by the Financial Reporting Council and work to the FRC CASS Assurance Standard in compiling their annual report on the firm's compliance with the CASS rules, which is then passed to the FCA.

<b>Risk</b>	<b>Management/mitigation</b>
<p><i>Credit risk</i></p> <p>The potential for clients or counterparties failing to meet their obligations as they fall due</p>	<p>WIM's credit risk is limited principally to clients not paying investment management fees and cash deposits. Client fees are invoiced monthly and paid directly from their cash funds under management. Cash deposits are placed with UK commercial banks selected on the basis of their credit ratings.</p>
<p><i>Market risk</i></p> <p>The value of income varies as a result of movements in the value of client portfolios (AUM), interest rate changes and potentially currency exchange rate changes</p>	<p>The Firm's business model is cautious and the investment strategy is long term to minimise large fluctuations in AUM. Interest income is not material to the viability of the firm as proven during the recent years when interest rates have been very low. WIM does not have any exchange rate exposure</p>

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INVESTMENT MANAGEMENT

<p><i>Liquidity risk</i></p> <p>The risk that the firm has insufficient liquid resources to cover cash flow shortfalls and becomes unable to meet its obligations</p>	<p>WIM has no borrowing. There is a risk that a banking counterparty cannot give access to WIM's cash deposits but the Firm maintains sufficient liquid assets across banks to meet its obligations as they fall due.</p>
<p><i>Business risk</i></p> <p>The risk that the Firm cannot carry out its business plan or strategy</p>	<p>As a small independent firm managed by its owners WIM is able to react quickly and decisively in the face of any issues that require a change of plan or strategy</p>
<p><i>Operational risk</i></p> <p>The risk of loss from inadequate or failed internal control procedures, human error or external events</p>	<p>WIM mitigates such risks by having a simple business model, holding substantial financial resources, maintaining and testing strong internal control procedures and ensuring staff are well trained</p>
<p><i>Concentration risk</i></p> <p>The risk that the Firm loses clients who provide material proportion of its fees or that losses could arise from exposure to specific sectors or asset concentration could result in losses</p>	<p>No client represents more than 10% of the Firm's management fees.</p> <p>WIM invests client assets principally in publicly traded companies across a broad range of sectors and countries</p>
<p><i>Insurance risk</i></p> <p>The risk of a failure of insurance cover</p>	<p>WIM maintains professional indemnity cover along with other business risk insurances. All policies are with well capitalised insurance companies and the Firm is advised by reputable brokers.</p>
<p><i>Reputational risk</i></p> <p>The risk that the firm loses a significant number of clients, and therefore income, as a result of its reputation being damaged</p>	<p>WIM is advised by a marketing consultant and has a cautious approach to its public activities. Clients are all known to the partners and any potentially damaging action is likely to be brought to their attention and would be dealt without damage to the Firm's reputation.</p>
<p><i>Strategic risk</i></p> <p>The risk that the Firm's strategy is not viable leading to a significant decline in performance</p>	<p>WIM is owner-managed and can react quickly and decisively in the face of factors affecting the viability of its strategy.</p>
<p><i>Fraud risk</i></p> <p>The risk that fraudulent activity causes significant financial loss to the Firm or its clients.</p>	<p>WIM has a robust internal control system with review and reconciliation procedures to reduce the possibility of fraudulent activity. Staff are all aware of the risk and trained to look for signs of possible fraud.</p>
<p><i>Outsourcing risk</i></p> <p>The risk that a service is outsourced to a provider that fails to provide an adequate service thus resulting in financial loss or non-compliance with regulations.</p>	<p>WIM uses an external compliance consultancy, marketing consultancy and IT provider. Each of these services reports directly to a partner or the Firm's Head of Compliance. There is regular dialogue with these providers</p>

<p><i>Regulatory risk</i></p> <p>The risk that non-compliance with the FCA regulations causes the firm to lose its registration and therefore its ability to conduct business.</p>	<p>The Firm has engaged an external compliance consultancy and also uses a specialist law firm as and when required to ensure its procedures are compliant with the FCA regulations.</p>
<p><i>Legal risk</i></p> <p>The risk that the Firm breaches applicable law.</p>	<p>The Firm has engaged an external HR consultant for employee contracts and other HR issues and a commercial lawyer to review significant legal agreements.</p>

The partners confirm that WIM holds sufficient own funds and liquid assets to meet the risk of harm it poses to itself and other market participants.

## 5. Governance Arrangements

WIM's senior management meet formally once a quarter, with additional ad-hoc meetings on a more frequent basis if required.

Senior Managers are recognised under The Senior Managers and Certification Regime; a regulation designed to impose personal accountability and improve the conduct of all employees in financial services firms. Annually the following assessments are made to ensure the ongoing suitability of these Senior Managers:

- are of sufficiently good repute;
- possess sufficient knowledge, skills and experience to perform their duties;
- possess adequate collective knowledge, skills and experience to understand the firm's activities, including the main risks;
- reflect an adequately broad range of experiences;
- commit sufficient time to perform their functions in the firm; and
- act with honesty, integrity and independence of mind to effectively assess and challenge the decisions of other senior management where necessary and to effectively oversee and monitor management decision-making.

As a MIFIDPRU investment firm, WIM is subject to the requirements of the Senior Management Arrangements, Systems and Controls Sourcebook ("SYSC") of the FCA Handbook. In accordance with SYSC, WIM must ensure that the Senior Managers, oversee and are accountable for the implementation of governance arrangements that ensure effective and prudent management of the business, including the segregation of duties in the organisation and the prevention of conflicts of interest, in a manner that promotes the integrity of the market and the interests of WIM's clients.

### Diversity

Whilst WIM understands the advantages that a diverse team can offer, WIM is a small firm with low staff turnover, therefore does not consciously look to equalise gender or minority ratios and does not set any specific diversity goals.

## 6. Remuneration Policies and Practices

The Firm's remuneration is made up of fixed and variable components. Employees have fixed salary levels that are set at the market rate for the type of work, skill level and knowledge. The fixed salaries together with associated pension benefits are permanent, pre-determined, non-discretionary, non-revocable and not dependent upon performance. Employees also get an annual discretionary bonus which is deemed to be annual variable remuneration. The amount of the discretionary bonus pool is determined by reference to the firm's profit for the previous financial year. There are no individual financial performance targets. The amount of the discretionary bonus paid from the pool to an employee reflects the profitability of the firm and individual performance of the employee.

### Material Risk Takers

WIM is required to identify its Material Risk Takers (MRTs); that is, those members of staff whose professional activities have a material impact on the risk profile of the firm. WIM's MRTs have been identified as the following people based on their positions as members of the firm's senior management:

Name	Role at WIM	Number of External Directorships
John Newsome	Partner & Client Portfolio Management	1
Duncan Williams	Partner & Client Portfolio Management	2
Denis Kaye	Partner & Finance/Risk	2
Emma Chisholm	Head of Compliance & MLRO	0
Paul Venable	Finance Director	1

Whilst the regulation states the Firm must disclose totals of remuneration awarded, WIM has relied upon the disclosure exemption permitted in MIFIDPRU 8.6.8R(7). The disclosure of fixed and variable remuneration in this format would result in the disclosure of information about one or two people.

## 7. Investment Policy

In accordance with MIFIDPRU 8.7.6, a firm is only required to disclose information in relation to its investment policy if the following circumstances are applied:

- Only in respect of a company whose shares are admitted to trading on a regulated market;
- Only where the proportion of voting rights that the MIFIDPRU investment firm directly or indirectly holds in that company is greater than 5% of all voting rights attached to the shares issued by the company; and
- Only in respect of shares in that company to which voting rights are attached. As the Firm does not meet these requirements, it is not required to disclose any information relating to its investment policy.

## 8. Own Funds

Under MIFIDPRU, WIM is required to disclose:

1. a reconciliation of common equity tier 1 items, additional tier 1 items, tier 2 items, and the applicable filters and deductions applied in order to calculate the Own Funds of the firm – see Table 1
2. a reconciliation of 1 (above) with the capital in the balance sheet in the audited financial statements of the firm – see Table 2; and
3. a description of the main features of the common equity tier 1 instruments, additional tier 1 instruments and tier 2 instruments issued by the firm – not applicable to WIM

**Table 1: Composition of regulatory own funds**

	Item	Amount (GBP thousands)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1	<b>OWN FUNDS</b>	1,117	Page 7
2	<b>TIER 1 CAPITAL</b>	1,117	
3	<b>COMMON EQUITY TIER 1 CAPITAL</b>	1,117	
4	Fully paid-up capital instruments	250	Members' capital classified as equity (page 7)
5	Share premium		
6	Retained earnings	867	
7	Accumulated other comprehensive income		
8	Other reserves		
9	Adjustments to CET1 due to prudential filters		
10	Other funds		
11	<b>TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1</b>		
19	CET1: Other capital elements, deductions and adjustments		
20	<b>ADDITIONAL TIER 1 CAPITAL</b>	0	
21	Fully paid up, directly issued capital instruments		
22	Share premium		
23	<b>(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1</b>		

24	Additional Tier 1: Other capital elements, deductions and adjustments		
25	<b>TIER 2 CAPITAL</b>	0	
26	Fully paid up, directly issued capital instruments		
27	Share premium		
28	(-) TOTAL DEDUCTIONS FROM TIER 2		
29	Tier 2: Other capital elements, deductions and adjustments		

**Table 2: Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements**

Figures are given in GBP thousands unless noted otherwise.

		A	B	C
		Balance sheet as in published/audited financial statements	Under regulatory scope of consolidation	Cross-reference to template OF1
		As at period end	As at period end	
<b>Assets</b> - Breakdown by asset classes according to the balance sheet in the audited financial statements				
1	Fixed assets	22		Note 7
2	Debtors	538		Note 8
3	Bank and cash	1,187		Page 7
	<b>Total Assets</b>	1,747		
<b>Liabilities</b> - Breakdown by liability classes according to the balance sheet in the audited financial statements				
1	Creditors	579		Note 9
	<b>Total Liabilities</b>	579		
<b>Shareholders' Equity</b>				
1	Capital accounts	250		Page 7
2	Other reserves	856		Page 7
	<b>Total Shareholders' equity</b>	1,168		

## **9. Own Fund Requirements**

The level of regulatory capital that must be held to absorb losses is the 'Own Funds Threshold' requirements. WIM must hold Own Funds in sufficient quantity and quality in accordance with MIFIDPRU.

WIM is required to hold Own Funds of sufficient quantity and quality to meet certain losses and meet regulator requirements (Own Funds Threshold). The requirement is the higher of the following:

1. Permanent Minimum Capital requirement established by the FCA as £150,000
2. Fixed Overhead Requirement (FOR) which is 25% of the Firm's annual fixed overheads and as of 31 March 2023 was £172k
3. K-factor requirement which are defined by the FCA and the only relevant K-factors for WIM are K-AUM (relating to assets under management) and K-CMH (relating to client money). The sum of the K-AUM and K-CMH at 31 March 2023 was £193k.

The partners consider the adequacy of the Firm's own funds annually when preparing and agreeing its ICARA and that is reviewed by them on a quarterly basis or sooner if there is a significant change in the business.