MIFIDPRU 8 Disclosure

March 2024

Introduction

This disclosure is in relation to RC Brown Investment Management PLC ("RCBIM" or "the Firm"). The Firm is incorporated in the United Kingdom ("UK") (Company Number: 2489639) and is authorised and regulated by the Financial Conduct Authority ("FCA") under firm reference number: 146002.

This document sets out the public disclosure under MIFIDPRU 8 for the Firm as of 31 March 2024, which represents the end of the Firm's most recent financial accounting period.

RCBIM provides discretionary investment management services and specialises in managing private client portfolios.

As a UK investment firm undertaking activities within the scope of the UK Markets in Financial Instruments Directive ("MIFID"), RCBIM is subject to the prudential requirements of the Investment Firms Prudential Regime ("IFPR") contained in the MIFIDPRU Prudential sourcebook for MIFID Investment Firms of the FCA Handbook.

Under the IFPR's categorisation, RCBIM is categorised as a non-small, non- interconnected ("non-SNI") MIFIDPRU investment firm.

The Firm is required to publish disclosures in accordance with the provisions outlined in MIFIDPRU 8 of the FCA Handbook. These requirements are supplemented by the guidance also set out in MIFIDPRU 8 published by the FCA. This disclosure is prepared annually and we believe the information provided is proportionate to the Firm's size and organisation, and to the nature, scope and complexity of the Firm's activities.

The annual audited accounts of the firm set out further information which complements the information in this disclosure. The audited accounts are freely available from UK Companies House.

GOVERNANCE (MIFIDPRU 8.3)

RCBIM has a clear organisational structure with well-defined lines of responsibility; effective processes to identify, manage, monitor and report the risks the firm is or might be exposed to; and appropriate internal control mechanisms, including sound administration and accounting procedures.

Governance is the ultimate responsibility of the Board of Directors. The Board is responsible for the ongoing success and development of the business as well as setting the risk appetite as part of the risk framework. The Board is also responsible for the firm's strategy, long-term objectives and financial performance and ensuring the maintenance of a sound system of internal controls and risk management.

The Board is supported by various committees including Oversight Committee (OC) which oversees the activities of each trading name. This whole committee structures are currently under review and more detail regarding the responsibilities of each committee will be provided shortly.

RCBIM formally meets with the Managing Directors of each Trading Name on a Quarterly basis. At these meetings a review is carried out of the performance of their client portfolios, operational issues and any compliance issues that have arisen.

The performance of the different propositions across RCBIM are reviewed by this committee and it plays a crucial role in the governance and oversight of the delivery of the different investment strategies. It assesses whether the expected and actual client outcomes match their reasonable expectations.

The investment strategy and processes of each trading name are well established and documented.

RCBIM does not meet the MIFIDPRU quantative criteria to be considered a 'large' non -SNI firm and is therefore not required to establish Risk, Remuneration and Nomination Committees. That said the committee structure is currently being reviewed.

Directorships

The below table provides the number of directorships (both executive and non- executive) held by each member of the Board as at 31 March 2024.

Name of Board Member	Position	Directorships Held
Alan Beaney	Chief Executive Officer	3
Oliver Brown	Chief Financial Officer	3
Neil Whelan	Executive Director	3
Glenn Meyer	Executive Director	3
Robert Brown	Chair of the Governing Body	1

Diversity

We have implemented a number of initiatives and programs to foster a diverse and inclusive workplace environment for all employees.

These efforts aim to cultivate an inclusive culture where individuals of all backgrounds feel welcomed, valued, and empowered to advance.

RISK MANAGEMENT OBJECTIVES AND POLICIES (MIFIDPRU 8.2)

The governing body is responsible for the management of risk within the Group and their individual responsibilities of the members are clearly defined. Senior management report to the Group's governing body on a frequent basis regarding the Group's risks. RCBIM has clearly documented policies and procedures, which are designed to minimise risks to the Group and, where deemed appropriate, all staff are required to confirm that they have read and understood them. The risk governance also looks at the wider scope of client outcomes and foreseeable harms.

Statement of risk appetite

RCBIM seeks to proactively manage risk and embrace appropriate opportunities that ensure long-term profitable growth and client harm is minimised. There is no risk appetite for any activity, event or conduct that is detrimental to, or leads to poor outcomes for, or to customers, shareholders, communities and their experiences. The Risk Appetite Statement sets the risk appetite of the business i.e. the risk tolerance and risk capacity RCBIM is prepared to accept in the achievement of its strategic objectives.

The risk appetite is aligned with RCBIM's Strategy, business objectives and stakeholder expectations. It acknowledges the willingness and capacity to take on risk and is reflective of all aspects of the business. It also considers the skills, resources and technology required to manage and monitor risk exposures in the context of risk appetite. The risk appetite is inclusive of a tolerance or loss from negative events that can be reasonably quantified.

RCBIM's Board has adopted a conservative risk appetite to maintain a strong capital position and balance sheet throughout all market cycles with strong liquidity and a robust capital structure to protect the continuity and quality of the level of service that we provide our clients.

As an investment management group, risk is a fundamental characteristic of RCBIM's business and is inherent in every transaction undertaken. As such, the RCBIM's approach to risk taking and how it considers risk relative to reward directly impacts its success. Therefore, the Group has established limits on the level and nature of the risk that it is willing and able to assume in achieving its strategic objectives and business plans.

A key risk RCBIM faces and must counter is avoiding causing harm to its clients. Additionally, strategic risk may arise from the failure to remain relevant and competitive, and some credit and market risk may arise from exposure to capital investments. RCBIM's Board recognises that reputational risk could arise from shortcomings in any of these areas.

RCBIM is committed to ensuring all business activities are conducted with a clear understanding of the risks, to maintaining a robust risk management framework, ensuring transparent disclosure, and treating its clients fairly, to avoid any foreseeable harm to clients, to meet the expectations of major stakeholders, including clients, shareholders, employees and regulators.

As part of the risk management process RCBIM will:

- Ensure that risk management is incorporated within processes and procedures and identify the main risks facing the Group and ways to mitigate them.
- Assess the risks to the business model and look at the risks RCBIM is willing to take – the risk appetite.
- Ensure risk culture is embedded throughout RCBIM and that adequate risk management is discussed by the Board.
- Ensure that the Group's risk profile is kept under review and that measures to manage or mitigate the principal risks are taken.
- Monitor and review on an on-going basis.
- Ensure risk information is communicated to and from the Boards and internally and externally as required.
- Identity conduct risk and cultural issues to ensure good client outcomes.

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OWN FUNDS (MIFIDPRU 8.4)

Table 1 shows a break-down of the RCBIM's regulatory Own Funds at 31 March 2024 and confirms there are no regulatory deductions.

The Firm's Own Funds are made up entirely of Tier 1 capital resources.

Table 1. Composition of regulatory own funds

	Item	**Amount (GBP thousands)**	**Source based on reference of the balance sheet in audited financial statements**
1	OWN FUNDS	1462	Total equity minus goodwill
2	TIER 1 CAPITAL	1462	Total equity minus goodwill
3	COMMON EQUITY TIER 1 CAPITAL	1462	Total equity minus goodwill
4	Fully paid-up capital instruments	160	Note 23
5	Share premium	828	Balance sheet
6	Retained earnings	928	Balance sheet
7	Accumulated other comprehensive income		
8	Other reserves	46	Balance sheet
9	Adjustments to CET1 due to prudential filters	0	
10	Other funds	0	
11	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1		518 (goodwill)
19	CET1: Other capital elements, deductions and adjustments		

20	ADDITIONAL TIER 1 CAPITAL		0
21	Fully paid up, directly issued capital instruments		
22	Share premium		
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1		
24	Additional Tier 1: Other capital elements, deductions and adjustments		0
25	TIER 2 CAPITAL		
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 shows a reconciliation of RCBIM's regulatory Own Funds with its balance sheet from the audited accounts at 31 March 2024.

Table 2. Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements			
		A	**C**
		Balance sheet as in published/audited financial statements	Cross-reference to Table 1
		As at period end	
Assets – Breakdown by asset classes according to the balance sheet in the audited financial statements			
1	Intangible assets	518	11
2	Property plant and equipment	23	
3	Trade and other receivables	475	
4	Cash and other equivalents	1366	
	Total Assets	**2382**	
Liabilities – Breakdown by liability classes according to the balance sheet in the audited financial statements			
1	Trade and other payables	231	
2	Taxation and social security	124	
3	Lease liabilities		
4	Lease liabilities (non-current)		
5	Trade and other payables (non-current)	19	
6	Deferred tax	29	
	Total Liabilities	403	

Shareholders Equity			
1	Called up share capital	160	
2	Share premium account	874	
3	Retained earnings	928	
	Total Shareholders' Equity	**1979**	

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OWN FUNDS REQUIREMENT (MIFIDPRU 8.5)

The Firm's Own Funds Requirements are determined as the highest of the following three requirements under MIFIDPRU 4.3.2 R:

1. Permanent Minimum Capital Requirement (PMR) – £150k (MIFIDPRU 4.4R)
2. Fixed Overheads Requirement (FOR) – £349k, one quarter of the Firm's annual fixed overheads (MIFIDPRU 4.5.1.R), unless there is a material change expected to projected expenses during the year (MIFIDPRU 5.7R)
3. K-factor requirements – (k-AUM) + (k-COH) + ongoing activities – £352k, a breakdown of which is provided below.

The Firm's Own Funds Requirements are therefore determined by the K-factor requirements, i.e. £352k which is the highest of these three.

The 'K-factor' approach was introduced by the IFPR to determine the minimum own funds requirements of an investment firm that is not an SNI. The aim of the K-factors is to provide a tailored and more appropriate method for setting a risk- based minimum own funds requirement for all types of investment firms.

The K-factors relevant to the Firm include the following:

- K-factor requirement calculated on the basis of Assets under Management (k-AUM).
- K-factor requirement calculated on the basis of the Daily Trading Flow (k-DTF). DTF is measured as a rolling average over the previous 9 months but excluding the 3 most recent months.

K-factor requirement: (Sum of)	Amount (£000's)
k-AuM	£80,000
Additional capital from Ongoing Operations (K-CMH & K-ASA)	£272,000
Total K factor assessment	**£352,000**

The Firm utilises a number of approaches to ensure that it remains compliant with the overall financial adequacy rule under MIFIDPRU7.4.7R, both in terms of own funds and liquidity resources.

Foremost is the annual assessment of own funds and liquidity adequacy conducted during the ICARA process, which considers the Firm's resource requirements under 'business as usual' and a variety of severe yet plausible stress tests.

In the case of our Own Funds, these requirements are forecast over a three-year time horizon and test the key sensitivities of the Firm's business. The Firm then ensures that its current level of financial resources is adequate to remain a going concern during this period under all scenarios considered.

Included within the ICARA is also an assessment of the capital required to affect an orderly wind down of the business. This figure is compared to the Firm's Own Funds requirement as detailed above. As at the time of writing the Firm's OFR is greater than its wind-down capital requirement.

REMUNERATION POLICY AND PRACTICES (MIFIDPRU 8.6)

The long-term success of RCBIM depends on its ability to attract and retain top talent. RCBIM's remuneration policy is tailored to assist in achieving that outcome.

The FCA's Investment Firms Prudential Regime ("IFPR") took effect on 1 January 2022. The IFPR contains a remuneration code with which RCBIM must comply. This includes having a remuneration policy, which must:

- be proportionate to the nature, scale and complexity of the risks inherent in RCBIM's business model and activities.
- be gender neutral.
- be consistent with, and promote, sound and effective risk management.
- be in line with RCBIM's business strategy and objectives, and take into account long term effects of investment decisions taken; and
- contain measures to avoid conflicts of interest, encourage responsible business conduct and promote risk awareness and prudent risk taking.

RCBIM is a non-SNI MIFIDPRU Investment Firm Group for the purposes of the FCA rules in the MIFIDPRU Remuneration Code has implemented in SYSC 19G of the FCA Handbook. It is required to implement the FCA's "standard" approach to remuneration for non-SNI Firms.

This policy applies to employees of RCBIM.

Material Risk Taker

FCA rules state that a "Material Risk Taker" (or "MRT") is a staff member whose professional activities have a material impact on the risk profile of RCBIM or the assets that it manages. RCBIM reviews on an annual basis which staff are Material Risk Takers for these purposes

Gender neutral pay policy

RCBIM is committed to ensuring that remuneration is based on the principle of equal pay for workers of any sex for equal work, or for work of equal value.

Fixed remuneration

RCBIM's policy is to ensure that all staff have appropriate basic salaries which represent a sufficiently high proportion of their total remuneration to enable the operation of a fully flexible policy on variable remuneration, including the possibility of paying no variable remuneration.

Variable remuneration

The Group operates a discretionary bonus scheme. The amount of bonus awarded is based on the financial and non-financial criteria.

Performance adjustment

RCBIM is committed to ensuring that employees approach their roles in a way that reflects its' risk appetite, strategy, culture and values. RCBIM's approach allows it to take appropriate, and proportionate, action if matters come to light which evidence a failure by a Material Risk Taker to meet the standards expected of them. This includes making adjustments to components of variable remuneration to reflect any such failure to meet those standards.

Quantitative Remuneration Disclosure:

The total amount of remuneration awarded to senior management and material risk takers, and all other staff, split by fixed and variable remuneration in GBP is as follows:

£m's	Senior Management and other Material Risk Takers	All other staff	Total
Fixed remuneration	355	310	665
Variable remuneration	50	15	65
Severance payments	0	0	0
Total	405	325	730

The total number of material risk takers identified by the Firm under SYSC 19G.5 was 4.

The disclosure in the table above has taken advantage of the exemption in MIFIDPRU 8.6.8R (7) (b) and MIFIDPRU 8.6.89R to prevent the individual identification of a material risk taker's remuneration by breaking down further the disclosure for the MRT holders in the table.