

IFPR DISCLOSURES

INTRODUCTION

01 REGULATORY CONTEXT

From 1 January 2022, the Investments Firms Prudential Regime (“IFPR”) has replaced the Previous Capital Requirements Regulation (“CRR”) in the United Kingdom for the purpose of formalizing a single yet proportionate capital requirements regime across all investment firms.

This in turn, is expected to promote healthy competition and enhance transparency in the industry. The regulation is presented by the Financial Conduct Authority (“FCA”) and supported by its published rules and guidelines (“FCA Handbook”), and in particular those listed in its “MIFIDPRU” chapter (Prudential Sourcebook for MIFID firms).

The present document is informed by the Internal Capital Adequacy and Risk Assessment (“ICARA”) which is kept under review and subject to a formal annual revision and internal approval

02 GROUP OVERVIEW

London & Capital (“L&C”, the “Firm”) is an independent investment management firm which provides investment management and financial planning services. It has a staff complement of 130 and is based in the UK with a European entity in Spain. As at 30 June 2022, the Group had £4bn in Assets Under Management (‘AUM’).

The Group’s ultimate parent company is London & Capital Group. The categorisation of the Group firms as small non-interconnected firms (‘SNI’) has been assessed on an individual basis according to MIFIDPRU 1.2.12G; however, relevant SNI thresholds have been exceeded on a combined basis (primarily K-AUM), thereby classifying all group MiFID investment firms as non-SNI’s.

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The Group's subsidiary legal entities alongside their regulatory classification are outlined in the table below:

ENTITY	REGULATOR	IFPR CATEGORISATION
London & Capital Group	FCA	Not an investment firm
London & Capital Asset Management	FCA	non-SNI MIFIDPRU investment firm
London & Capital Wealth Advisers	FCA & SEC	non-SNI MIFIDPRU investment firm
London & Capital Europe	CNMV (Spain)	Not FCA Regulated

Collectively these companies provide a wide range of investment and wealth management services to private clients, pension funds, professional intermediaries & trustees; financial planning advice to high-net-worth individuals and families; and multi asset and specialist funds to the retail sector.

03 FREQUENCY OF DISCLOSURE

The Firm will be making IFPR disclosures at least annually, subject to its ongoing assessment that such disclosures do not need to be made even more frequently due to the characteristics of the Firm's business.

The disclosures will be as at the Accounting Reference Date, which is the last day of the calendar year, and any figures included in this document will be based on the latest accounts as at that date. The disclosures will be published in conjunction with the date of publication of the financial statements.

04 LOCATION OF DISCLOSURE

The disclosure will also be published on the Firm's website.

05 MATERIALITY & CONFIDENTIALITY

If the Firm deems a certain disclosure to be immaterial, it may omit the disclosure from this document. The Firm regards information provided in disclosures as "material" if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions.

Investment firms may also omit items of information where they believe that those items include information that is proprietary or confidential. The Firm regards information as "proprietary" if sharing that information with the public would undermine the Firm's competitive position. Proprietary information may include information on products or systems which, if shared with competitors, would render the Firm's investments less valuable. The Firm regards information as "confidential" if there are obligations to customers or other counterparty relationships binding the Firm to confidentiality.

The Firm has made no omissions on the grounds that certain information is immaterial, proprietary, or confidential, other than as may be disclosed in the statutory accounts.

RISK GOVERNANCE

The Firm is committed to good risk management – this is prioritised through operational structure, governance processes, monitoring and reporting activities. The senior management of the Firm are committed to best practices in governance and oversight.

The Firm’s risk governance policies are designed to provide objective assessments and monitoring of risks through independent lines of reporting for risk oversight and operations. On-going risk reporting ensures the Board and senior management are provided with risk management information concerning the Firm’s risk exposure. This information also forms part of the Firm’s ICARA.

Management regularly reviews the level of risk it regards as appropriate to operate within its regulatory obligations and achieve its business objectives.

06 RISK MANAGEMENT FRAMEWORK

Risk management within the Firm is based on a ‘three lines of defence’ model, as follows:

- 01 First line of defence: business management and staff are responsible for (i) identifying and assessing the risks faced in the business and (ii) ensuring that appropriate controls are established and maintained.
- 02 Second line of defence: the Compliance and Finance teams are responsible for establishing an effective policy framework for the business and conducting compliance monitoring.
- 03 Third line of defence: the external audit and the Firm’s Board provide independent and objective oversight of the effectiveness of the risk management, control, and governance processes. The Firm does not have an internal audit function therefore this activity is outsourced to third parties who report directly to the Board on specific items at the Board’s request.

The Firm is committed to on-going review and development of all three lines of defence in line with its businesses scale and risk profile.

The Firm’s Board meets at least four times a year. The Board is comprised of executive and non-executive directors, with at least one independent non-executive director.

07 RISK GOVERNANCE STRUCTURE

The Group’s governance structure ensures that there is appropriate challenge to business objectives and risk management. The Board is ultimately accountable for setting the Group’s strategic objectives, together with successful delivery of the strategy and business plans. It also provides leadership on risk management and, communicated through the firm’s corporate values, influences culture and behaviour to drive risk management in the business, enhancing the quality of risk assessment, controlled risk taking and efficiency.

Ultimate accountability for risk management resides with the Board, which has delegated responsibility to the Risk & Audit Committee (R&A Committee) to assist the Board in maintaining effective systems of risk management, compliance, and internal control throughout

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L&C. The R&A Committee therefore reports into the Board of Directors of London and Capital Group Limited.

As noted above, the R&A Committee provides leadership and direction for L&C’s overall risk appetite, risk tolerance and strategy whilst overseeing and advising the Board on the current and potential future risk exposures. The R&A Committee will also monitor the integrity of the Company’s financial reporting system and internal controls, review the annual accounts and consider accounting issues arising and report them to the Board. In addition, the Committee oversees the risk management framework of the group in accordance with the FCA specified requirements and will monitor its effectiveness.

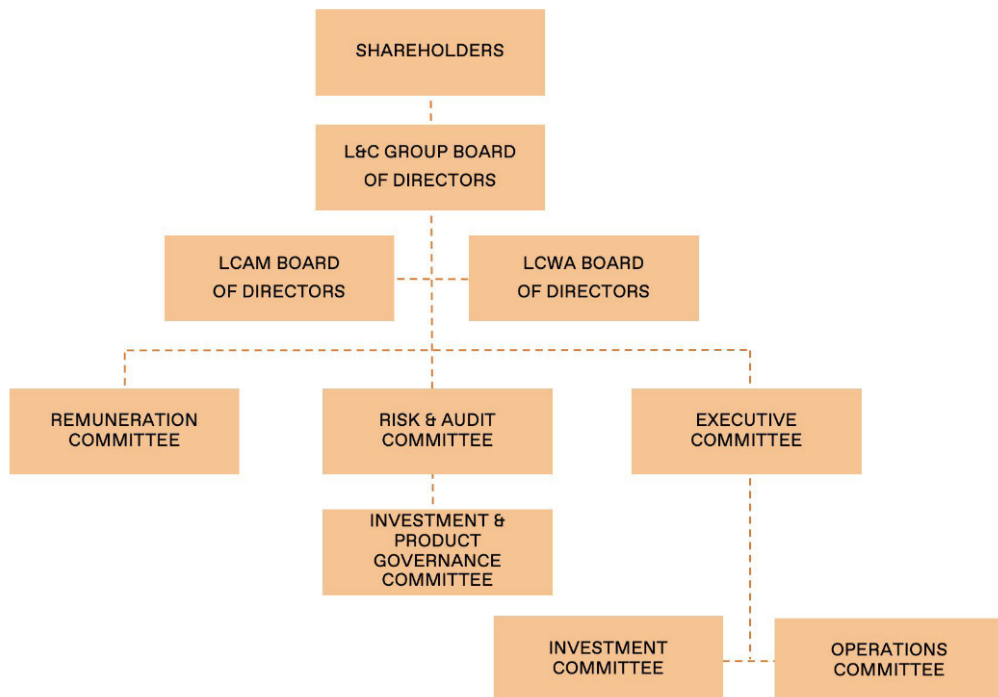
The Board has delegated the responsibility for establishing, operating, and monitoring the system of risk management and controls on a day-to-day basis to the Chief Executive Officer (‘CEO’), supported by the Risk and Audit Committee, together with the Executive Committee (ExCo). Each committee has Terms of Reference (‘ToR’) in place setting out responsibilities, membership and escalation routes. Underlying this structure, is the Errors and Breaches forum which addresses the errors, breaches and risk issues with the Heads of Department to establish root cause analysis and constructive resolution of these risk events.

BOARDS & COMMITTEES

Boards and committees have been set up with defined Terms of Reference (‘ToR’) and appropriate membership, with processes in place to ensure proceedings are recorded and actions followed up. The Board has delegated specific responsibilities to the following Board committees:

01 RISK & AUDIT

02 OPERATIONS COMMITTEE



GOVERNANCE & OVERSIGHT FRAMEWORK

The Board is the Governing Body of the Firm. It meets at least quarterly and is composed of executive and non-executive directors.

The Firm has a remuneration committee ("RemCo") to agree remuneration policy and approve staff remuneration. This meets at least annually, and it shall meet to decide any ad hoc matters as necessary.

The management of the firm is led by 5 Officers and 4 Non-Executive Directors. Across this group, the individuals hold a total of 19 external directorships, in addition those held with L&C.

Recruitment of the senior team is handled through the firm's recruitment policy, which manages the hiring of senior staff members. Members of the management team are formed of senior staff inside of the firm, each holding a different position inside of the firm (CEO, COO, etc) as required. This ensures a broad and wide selection of senior management presence.

The firm also established a Risk Committee, who meets regularly and reports directly to the Board to ensure ongoing risks faced by the Firm are mitigated appropriately.

08 CAPITAL RESOURCES & REQUIREMENTS

OWN FUNDS (MIFIDPRU 8.4)

The following tables present the Own Funds for London and Capital's FCA solo regulated entities, London and Capital Asset Management Limited ("LCAM") and London and Capital Wealth Advisers Limited ("LCWA").

Under MIFIDPRU, London and Capital is required to disclose:

- 01 A composition of the regulatory own funds and the applicable regulatory deductions and applicable filters – see Table 1 below.
- 02 A reconciliation of 01 (above) with the equity capital in the audited financial statements of the relevant entities – see Table 2 below.
- 03 A description of the main features of own funds instruments issued by the entities – see comments below.

COMPOSITION OF REGULATORY OWN FUNDS

The Own Funds for LCAM and LCWA comprise exclusively of common equity tier 1 (CET1) capital. CET1 capital consists of fully issued ordinary shares, satisfying all criteria for a CET1 instrument in accordance with IFPR.

Table 1: OF1 - Composition of Regulatory Own Funds

Amount in GBP thousands	London and Capital Asset Management Limited	Cross ref. to table 2	London and Capital Wealth Advisers Limited
At period end	30-Jun-22		30-Jun-22
1 OWN FUNDS	2,753		5,274
2 TIER 1 CAPITAL	2,753		5,274
3 COMMON EQUITY TIER 1 CAPITAL	2,753		5,274
4 Fully paid up capital instruments	65	Table 2 - E1	1,100
5 Share premium	-		-
6 Retained earnings	2,688	Table 2 - E5	4,174
7 Accumulated other comprehensive income	-		-
11 (-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	-		-
19 CET1: Other capital elements, deductions and adjustments	-		-
20 ADDITIONAL TIER 1 CAPITAL	n/a		n/a
25 TIER 2 CAPITAL	n/a		n/a

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RECONCILIATION OF REGULATORY OWN FUNDS TO BALANCE SHEET IN AUDITED FINANCIAL STATEMENTS

LCAM and LCWA's financial statements are prepared in accordance with United Kingdom Generally Accepted Accounting Practice, the regulatory own funds are prepared under prudential rules. The table below describes the reconciliation between regulatory own funds and the accounting balance sheet per the financial statements as at 30 June 2022. The disclosures align with the template clarified in MIFIDPRU 8 Annex 1R, where assets and liabilities have been identified by their respective classes. As highlighted below, there is no difference between the accounting shareholders' funds and the regulatory own funds.

Table 2: OF2 - Reconciliation of Regulatory Own Funds to Balance Sheet in the audited financial statements

Amount in GBP thousands	London and Capital Asset Management Limited		Cross ref. to table 1	London and Capital Wealth Advisers Limited	
	Balance sheet per audited financial statements	Under regulatory scope of consolidation		Balance sheet per audited financial statements	Under regulatory scope of consolidation
At period end	30-Jun-22			30-Jun-22	
A1 Property and equipment	-			-	
A2 Deferred tax assets	-			1	
A3 Trade and other receivables	4,979			5,252	
A4 Cash and cash equivalents	1,102			1,063	
A5 Investment	-			-	
Total assets	6,081			6,316	
L1 Trade and other payables	(3,328)			(1,042)	
L2 Provisions	-			-	
Total liabilities	(3,328)			(1,042)	
Net assets	2,753			5,274	
E1 Called up share capital	65		Table 1.4	1,100	
E2 Share premium reserve	-			-	
E5 Retained earnings	2,688		Table 1.6	4,174	
Total shareholders equity	2,753			5,274	

MAIN FEATURES OF OWN INSTRUMENTS

Both LCAM and LCWA have issued ordinary shares of £1 each that have dividend and voting rights and rank equally on a return of capital.

London and Capital Group Limited, the immediate and ultimate parent Company of LCAM, owns the entire issued share capital of 65,000 shares of £1 nominal value each in LCAM.

London and Capital Group Limited, the immediate and ultimate parent Company of LCWA, owns the entire issued share capital of 1,100,000 shares of £1 nominal value each in LCAM.

09 K-FACTOR REQUIREMENTS & FIXED OVERHEADS REQUIREMENT

London and Capital is required to disclose the K-factor requirement ("KFR") and the fixed overheads requirements ("FOR") in relation to its compliance with the own funds requirements ("OFR") set out in MIFIDPRU 4.3. Per MIFIDPRU 4.3.1, an investment firm must at all times maintain own funds that are at least equal to its own funds requirement.

The own funds requirement of a non-SNI MIFIDPRU investment firm is the highest of the following three requirements:

- 01 Permanent minimum capital requirement ("PMR") per MIFIDPRU 4.4
- 02 Fixed overheads requirement per MIFIDPRU 4.5
- 03 K-factor requirements per MIFIDPRU 4.6

PMR:

The PMR is a flat minimum requirement and is based on the investment firms MiFID activities and services. The PMR thresholds are £75,000, £150,000, and £750,000. Neither LCAM or LCWA deal on their own account, but they do both have MiFID permission for Portfolio Management and providing investment advice, and this means their PMR is £75,000.

FOR:

The FOR of a MIFIDPRU investment firm is equal to one quarter of the firm's relevant expenditure during the preceding year.

KFR:

The KFR is the amount of own funds required to cover the risk of harm from the ongoing operation of a firm's business. At 30 June 2022, the following K-factors were applicable:

- K-AUM (assets under management): This incorporates discretionary funds managed and non-discretionary funds managed on an ongoing basis.
- K-COH (client orders handled): This covers the risks of failure of client orders, mistakes or failure of best execution may lead to client harm.

Table 3: Components for determining OFR for FCA solo regulated entities

Amount in GBP thousands	London and Capital Asset Management Limited	London and Capital Wealth Advisers Limited
At period end	30-Jun-22	30-Jun-22
Permanent Minimum Requirement (PMR)	75	75
Fixed Overhead Requirement (FOR)	2,203	2,333
K-AUM	432	343
K-COH	2	1
Total K-factor Requirement (KFR)	434	344
Own Funds Requirement (OFR)	2,203	2,333

For both firms, the OFR is determined by the FOR.

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APPROACH TO ASSESSING THE ADEQUACY OF OWN FUNDS AND LIQUIDITY

London and Capital is further required to disclose its approach to assessing the adequacy of its own funds and liquid assets, in accordance with the Overall Financial Adequacy Rule (“OFAR”) as outlined in MIFIDPRU 7.4.7R.

The OFAR requires that, at all times, London and Capital entities hold adequate financial resources, both in amount and quality, to ensure that:

- O1 they remain financially viable throughout the economic cycle and can address and mitigate any material potential harm that may result from their ongoing activities; and
- O2 they need to be prepared for an orderly wind-down, while minimising harm to customers or to other market participants, and without threatening the integrity of the UK financial system.

Overall Financial Adequacy Rule:

London and Capital utilise several approaches to ensure that it remains compliant with the OFAR, both in terms of own funds and liquidity resources. Foremost is the annual assessment of own funds and liquidity adequacy conducted during the internal Capital Adequacy and Risk Assessment (“ICARA”) process, which considers the Company’s resource requirements under ‘business as usual’ and a variety of severe yet plausible stressed scenario contexts. These requirements are forecast over a five-year time horizon and test several the key sensitivities of the firm’s business lines and balance sheet. The Company then ensures that its current level of financial resources is adequate to remain a going concern during this period under all scenarios considered.

ICARA Process:

The ICARA process, which has replaced the former Internal Capital Adequacy Assessment Process, serves as a means of assessing key risks to which the business is exposed. Further, it assists with identifying and managing material harms that London and Capital may cause through its business activities.

The following are the key ICARA elements that are assessed as part of the process:

- Business strategy and growth plans
- Risk management framework (“RMF”) and governance overview
- Comprehensive key risk and harms assessment
- Internal assessment of own funds adequacy
- Internal assessment of liquidity adequacy
- Capital and liquidity planning (i.e., financial, own funds and liquidity)
- Compliance with OFAR
- Stress testing and reverse stress testing
- Recovery planning
- Wind-down planning

The adequacy of the ICARA process will be reviewed at least annually or more frequently, should there be any material changes to London and Capital’s risk profile or business strategy, and will be formally approved by the Board.

Depending on the nature of the potential harms identified, the only option to mitigate them and comply with the OFAR may be to hold additional own funds or additional liquid assets, above the

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firm's own funds requirement or basic liquid assets requirement. However, in other cases, it may be better to manage the potential harms (for example, through implementing additional internal systems and controls, strengthening governance and oversight processes, or changing the way the Group conducts certain business).

The recovery action planning contains appropriate recovery actions to restore own funds and liquid resources to avoid breaching threshold requirements, and to assist the firms, when approaching trigger levels, to set out credible actions to help reverse or repair any adverse trends.

The wind down plan seeks to identify the potential triggers and risks that could cause the firm to become unviable, acting to turn things round if possible and then, once invoked, to provide a clear timeline of actions to wind down the business in an orderly way. A key part of the wind down plan is the assessment of resources required to wind down in an orderly manner and these are always maintained to enable the orderly wind down.

10 THRESHOLD MONITORING & WIND DOWN

London & Capital's wind down plan has been reviewed and approved by board.

DIVERSITY

Diversity, Equality, and Inclusion (“DEI”) is a core part of the Group’s business strategy. At L&C, the promise is to nurture an inclusive culture that values and supports our people and their views, regardless of their background. Diverse perspectives, experiences and backgrounds make the organisation more creative and dynamic in helping the company grow.

The Executive Committee currently has three women out of eleven with the Group continually building on its DEI strategy to increase diversity, including making female appointments to the Board.

The Group’s emphasis on and commitment to promoting a diverse and inclusive workplace is set out in the ‘Group Diversity Policy’, which is committed to promoting a culture of equality and diversity in the organisation, that actively values difference, providing an inclusive workplace and eliminating any unfair or unlawful discrimination.

BOARD RECRUITMENT AND DIVERSITY

The approach to Board recruitment, which is subject to Board approval, combines an assessment of a broad set of qualities including skills, technical capabilities, and knowledge as well as clear alignment to the Group’s guiding principles.

The Executive Committee is responsible for reviewing the composition of the Board and the Board Committees to ensure they are suitably constituted, with an appropriate balance of skills, experience, knowledge, and diversity.

The Committee also recommends Board and Board Committee appointments, and monitors succession planning at the Group’s leadership levels to ensure the Group’s continued ability to implement its DEI strategy and operate effectively. The Executive Committee takes an active role in the setting and monitoring of diversity objectives and strategies undertaken by the Group and embraces the benefit of having a diverse Board drawing on the knowledge, skills, experience, and expertise of directors from a range of backgrounds. Whenever external search consultancies are used in the recruitment of the Board and senior management, they are asked to provide diverse lists of candidates.