

# **Investment Firms Prudential Regime (IFPR) Disclosure**

**For the year ended 31 March 2024**

# IFPR Disclosures

## 31 March 2024

The Investment Firms Prudential Regime (IFPR), implemented in January 2022, requires all MiFID investment firms to make certain public disclosures according to Financial Conduct Authority (FCA) rules, increasing transparency and giving an insight into how the business is run.

Farley & Thompson LLP (“the Firm”) is authorised and regulated by the FCA and this document is designed to meet our obligations and has been prepared according to the rules set out in MIFIDPRU8 in the FCA Handbook.

The reference date is **31 March 2024** which is the Firm’s accounting reference date and financial year end.

### **Scope and application**

For the purposes of this disclosure the Firm is categorised as a non-SNI MIFIDPRU firm by reference to a series of permission-based and quantitative thresholds. Qualitative disclosures are appropriate to the Firm’s size and internal organisation and the nature, scope, and complexity of the Firm’s activities.

In relation to concerns about data privacy we may either disclose items on an aggregated basis or omit a required disclosure where there is an exemption. We will state if the firm is relying on such an exemption.

### **Governance Arrangements (MIFIDPRU 8.3)**

The Firm is a small Limited Liability Partnership and governed by its members (“Principals”) who make up the management body and determine the business strategy. There is a clear organisational structure with the Principals responsible for establishing and maintaining internal governance as well as implementing a risk management framework that recognises the core risks that the business faces in financial control, regulation and compliance, operations, and reputation.

The Firm’s Principals are registered with the FCA and under SMCR, regulatory approval has to be granted before the appointment of a Principal holding a Senior Management function.

The Firm’s Principals are focused full time in the business and hold no other commercial positions.

The Firm is independent and has no commercial ties with any other organisation.

Due to the Firm’s size and taking into account the nature, scale and complexity of the business, the requirement to have separate Risk, Remuneration and Nomination Committees does not apply. The management body determines how the risks the business faces may be mitigated and assesses on an ongoing basis the arrangements to manage those risks, reviewing and analysing management information and the robustness and integrity of the Firm’s systems.

### **Principle activities**

The Firm has a simple business strategy and operating model, seeking to build long term relationships with our clients which are the cornerstone of ensuring we maintain and grow the business. The firm offers investment services to UK based investors and facilitates trading in UK listed investments and open-ended funds.

The Firm does not trade on its own account.

## **Own Funds (MIFIDPRU 8.4)**

### **Composition of Regulatory Own Funds**

The information below is set out according to the FCA's prescribed disclosure template. As at the 31 March 2024 and during the year the Firm complied with all regulatory capital requirements.

<b>Table OF1 - Composition of regulatory own funds</b>			
	<b>Item</b>	<b>Amount (GBP thousands)</b>	<b>Source based on reference numbers/letters of the balance sheet in the audited financial statements</b>
<b>1</b>	<b>OWN FUNDS</b>	2,024	
<b>2</b>	<b>TIER 1 CAPITAL</b>	2,024	
<b>3</b>	<b>COMMON EQUITY TIER 1 CAPITAL</b>	2,024	
4	Fully paid up capital instruments	50	
5	Share premium		
6	Retained earnings	1,974	
7	Accumulated other comprehensive income		
8	Other reserves		
9	Adjustments to CET1 due to prudential filters		
10	Other funds		
11	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1		
19	CET1: Other capital elements, deductions and adjustments		
<b>20</b>	<b>ADDITIONAL TIER 1 CAPITAL</b>	<b>0</b>	
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		
<b>25</b>	<b>TIER 2 CAPITAL</b>	<b>0</b>	
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		

## Reconciliation of Regulatory Own Funds to Balance Sheet in the audited financial statements

The information in this table shows a reconciliation with own funds as a breakdown by asset and liability classes reflecting the balance sheet in the Firm's audited financial statements.

<b>Table OF2 - Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements</b>				
		a	b	c
	<b>Amount (GBP thousands)</b>	<b>Balance sheet as in published/audited financial statements</b>	<b>Under regulatory scope of consolidation</b>	<b>Cross-reference to template OF1</b>
		<b>As at period end</b>	<b>As at period end</b>	
<b>Assets</b>				
1	Tangible Assets	32		
2	Debtors	1,503		
3	Cash	1,237		
4	Client Money	15,915		
	<b>Total Assets</b>	<b>18,687</b>		
<b>Liabilities</b>				
1	Creditors: due within 1 yr (incl. clients free money)	17,451		
	<b>Total Liabilities</b>	<b>17,451</b>		
<b>Shareholders' Equity</b>				
1	Members' capital classified as equity	50		Item 4
2	Members' other interests	1,974		Item 6
	<b>Total Shareholders' equity</b>	<b>2,024</b>		Items 1,2&3

## Own Funds Requirement (MIFIDPRU 8.5)

The Firm is subject to minimum regulatory capital requirements. In complying with the prudential rules, the Firm's capital requirement is the higher of its permanent minimum capital requirement, its K-factor requirement (a set of FCA prescribed calculations) and its fixed overhead requirement.

<b>Item</b>	<b>Amount</b>
Minimum Capital Requirement	£150,000
K-Factor calculation	£145,000
Fixed Overheads Requirement	£160,000

## Assessment of adequacy of own funds

**Risk Management** – the Principals assess the effectiveness of the Firm's risk management and financial control processes, monitoring and analysing key management data as well as regulatory and operational risks, income, expenditure, and capital adequacy. All the Principals are involved in maintaining client relationships as well as taking responsibility for different areas of the business and believe the potential for harm from the Firm's business strategy is low.

**ICARA Process** – under IFPR rules the Firm must calculate and assess liquidity requirements to ensure sufficient resources are maintained to meet the Liquid Assets Threshold Requirement (MIFIDPRU 7.7). The ICARA process is designed to identify and monitor ongoing business risks and ensure the Firm can wind-down in an orderly manner.

**Own Funds** - when assessing the adequacy of the Own Funds Requirement the Principals have considered the key risks to the Firm's operating model. Due to our size the Firm's regulatory funding requirement is the amount calculated by the Fixed Overheads Requirement as prescribed by the FCA.

**Concentration Risk** - the Principals monitor the Firm's Concentration Risk for the location of client money and custody assets. Due to the nature of our activities the Firm is limited for providers of Crest settlement services.

**Liquidity** - the Firm regularly reviews liquidity adequacy ensuring that it remains appropriate for normal and stressed business conditions and to support the wind-down of the Firm in an orderly manner. The Firm's additional own funds required for ongoing or wind-down is the same, calculated at one quarter of non-discretionary expenditure based on the Liquid Assets Threshold Requirement determination.

### **Remuneration Policy and practices (MIFIDPRU 8.6)**

The Firm is subject to the basic and standard requirements of the MIFIDPRU Remuneration Code.

Remuneration is a key factor in the recruitment, retention and motivation of staff along with the opportunity for professional development and the stability of long-term employment.

The management body oversees the setting and review of remuneration levels on an annual basis fostering a culture that is consistent with the company's values and ethos of service, ensuring client relationships are at the heart of everything we do. Performance is appraised annually where we assess various factors, seeking to promote practices that encourage openness and adherence to regulation and compliance, whilst discouraging risk-taking.

The Firm's five Principals who hold SMCR Senior Management Function (SMF) responsibilities are recognised as Material Risk Takers (MRTs).

### **Investment Policy (MIFIDPRU8.7)**

As the Firm does not hold more than 5% of the voting rights in any listed company, we are not required to disclose any information relating to investment policy.