



Thomas Grant & Company Ltd

Pillar 3 Disclosures as at 30th June 2021

Thomas Grant and Company Limited (TGCL) is incorporated in the United Kingdom and is authorised and regulated by the Financial Conduct Authority (FCA), FRN: 163296. TGCL is a Full Scope €730K non-significant IFPRU Firm.

This document has been published by Thomas Grant & Company Ltd. in order to satisfy the Pillar 3 disclosure rules under CRD IV. The disclosures have been prepared in accordance with the Capital Requirements Directive and the Capital Requirements Regulation together known as CRD IV, it provides information for market participants to assess key information about the Company's risk management objectives and controls, its remuneration policies and its capital position. The Pillar 3 disclosures have been reviewed and approved by the Company.

These disclosures are not subject to audit, but figures contained within this document are based on the externally audited Annual Reports for the year ended 30th June 2021. This report is published on the TGCL website (www.thomasgrant.co.uk) under Pillar 3 Disclosure.pdf and updated annually as soon as practical after the annual reports are published by the external auditor.

The Board do not currently foresee any material, practical or legal impediment to the prompt transfer of capital resources or the repayment of liabilities.

The rules in the FCA Prudential Sourcebook for Investment Firms ("IFPRU") set out the provision for Pillar 3 disclosure. The three pillars are detailed below:

- Pillar 1 This sets out the minimum capital resource requirement firms are required to maintain to meet credit, market and operational risks.
- Pillar 2 This requires firms to undertake an Internal Capital Adequacy Assessment Process (ICAAP) in order to establish whether its Pillar 1 capital is adequate to cover all the risks and liabilities faced by the firm. If Pillar 2 capital is not sufficient to cover the risks and liabilities then the firm must calculate and hold the additional capital required.
- Pillar 3 This requires firms to disclose specific information regarding their risk management policies and the firms' regulatory capital resources.

Risk Management

The Board is responsible for determining TGCL's risk appetite. The firm considers itself to be risk averse with a low risk appetite, this applies to all activities conducted by the firm. The risk appetite defines the amount of risk that TGCL are prepared to accept to achieve its strategy. This is evidenced by the strategic objectives and business model including focus on execution only stockbroking business along with Services for Corporate Clients which are recurring revenue streams at an acceptable level of return.

TGCL offer a high level of customer service and work hard at making investing as straightforward as possible. With risk management in mind we ensure that customers hold the necessary stock or cash on their account prior to executing large trades.

The low risk appetite and a culture of risk awareness is embedded in the culture of the firm, TGCL have regular management meetings to review all relevant reports and management information which helps it to identify trends and issues that may need addressing. In addition to this, the Board reviews and determines the ICAAP and other significant regulatory reports.

TGCL gives serious attention to risk control across the whole range of its activities, the firm proactively manages the risks that arise from its operations and calculates the risks daily.

Credit Risk

Credit risk is the risk that a client or counterparty default on its financial obligations, including failing to meet them in a timely manner. Credit Risk exposures of the company are monitored on a daily basis. TGCL continually review its cash balances and the counterparties with whom it is placed in order to ensure diversification and sufficient capital strength of the UK depository bank. TGCL use the standardised method of calculating Credit risk, and report to the FCA under COREP reporting on a quarterly basis.

Market risks

Market risk can be broadly defined as the risk of losses in the balance sheet positions arising from downward movements in market prices. Market price risks arise from fluctuations in the value of financial instruments due to changes in market values other than those arising from interest rate or currency risk. Market Risks are monitored daily.

Foreign Exchange Rate Risk

The Company is not overly exposed to direct foreign exchange rate risk as only a small amount is held in firm's foreign currency balances. However a movement in exchange rates would affect fees charged on a small amount of clients' foreign balances.

Operational Risk

Operational Risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk. These risks arise from failures or weaknesses in the internal systems and controls including those which rely upon computer systems. TGCL maintains procedures and policies that are both compliant and also mitigate operational risk. These systems are monitored closely through its management control and reporting processes, and through its compliance function.

Regulatory Risks

The principal sources of regulatory risk are failure to prevent breaches of regulatory or legal requirements including financial crime. It is TGCL's policy to adhere to all relevant laws, regulations and codes of practice. All staff are required to carefully consider the obligations it assumes and to comply with them and any relevant policies. The Company will retain legal counsel and external compliance consultants if necessary to provide advice where appropriate.

Business Risks

Business Risk is any risk to a firm arising from a change in its business and its remuneration policy. Any deterioration in business or economic conditions could require a firm to increase capital or alternatively to contract its business at a time when market conditions are most unfavourable to raising capital. There is a risk of losing clients due to poor performance or poor communication. These events can be triggered by failure to change along with the market, the loss of key personnel, and poor training. It is TGCL's policy to retain key personnel, our employees have been with us for many years.

Other Risks

The nature of the Company's operations and business scope means that TGCL does not routinely expect to be materially exposed to Liquidity Risk, Securitisation Risk, Insurance Risk, Pension obligation Risk, Concentration Risk, Residual Risk or Interest Rate Risk.

Capital Adequacy

The firm has considered the content of CRD IV in its latest ICAAP assessment, which shows that the firm remains comfortably in excess of its minimum capital requirements under CRD IV. TGCL's overall approach to assessing the adequacy of its internal capital is documented in the Internal Capital Adequacy Assessment Process (ICAAP). The ICAAP process includes an assessment of all material risks faced by TGCL and the controls in place to identify manage and mitigate these risks. The risks identified are stress-tested against various scenarios to determine the level of capital that needs to be held. Where risks can be mitigated by capital, the Company has adopted CRD IV reporting requirements for Pillar 1. If the Company considers that the Pillar 1 calculations do not adequately reflect the risk, additional capital would be added on in Pillar 2. Whilst the ICAAP is formally reviewed by the Board once a year, Management review risks and the required capital more frequently and will particularly do so when there is a planned change impacting risks and capital or when changes are expected in the business environment potentially impacting the ability to generate income.

Own Funds

An IFPRU full scope firm must maintain at all times capital resources equal to or in excess of the base requirement (€730,000). The Pillar 1 capital requirement is the higher of the Base capital resources requirement or the sum of the credit risk capital requirement plus the market risk capital requirement. During the 12 month accounting period to 30th June 2021, the Company complied fully with all capital requirements and operated well within regulatory requirements.

The Compliance Department produces monthly management information reports containing key facts about the operation of TGCL and monitors reporting processes covering all regulated activities across the Company. TGCL maintains capital that exceeds minimum capital adequacy requirements, the business is managed with an approach that seeks to minimise or mitigate identified risks that it is exposed to. The business aims to utilise working capital to its maximum potential to grow the Company and meet its business targets always recognising the importance of the balance between regulatory capital and making sound business judgements.

On the accounting reference date of the 30th June 2021, the Company held the following capital position reported in GBP.

Paid up Capital Instruments	50,000.00	
Other Reserves	10,000.00	
Total retained earnings	2,598,758.00	
Core Tier 1 Capital	2,658,758.00	
Tier 2 Capital	-	
Own Funds	2,658,758.00	
GBP equivalent of €730k	626,609.44	Base Capital Resources Requirement
Credit & Counterparty Credit Risks	31,729.46	
Free Deliveries	-	
Market Risk	183,859.56	
Settlement Risk	16,717.95	
Operational Risk	99,356.80	
Total Risk	331,663.77	
Total Risk Exposure Amount	3,780,178.88	
Total Capital Ratio	70.3206%	

There are three tests of capital adequacy, which relate to the total risk exposure amount figure. Firms are required to have:

- Common Equity Tier 1 capital of 4.5% of Total Risk Exposure Amount
- Tier 1 capital of 6% of Total Risk Exposure Amount
- Total capital (Own Funds) of 8% of Total Risk Exposure Amount

TGCL are therefore comfortable that the Company is, and has been throughout the financial year, adequately capitalised for Pillar 1 purposes.

Remuneration Policy

Staff receive a fixed salary paid monthly. Small bonuses may be paid dependant on the overall profitability of the company. TGCL adheres to FCA guidelines in regards to their Remuneration policy.