



# Thomas Grant & Company Ltd

## Pillar 3 & Capital Disclosures as at 30<sup>th</sup> June 2023

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 £750K Non-SNI Firm.

This document has been published by Thomas Grant & Company Ltd. in order to satisfy the disclosure rules under MIFIDPRU. The disclosures have been prepared in accordance with requirements set out by the FCA; disclosures provide information for market participants and counterparties 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 board and the firm's senior management team.

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 30<sup>th</sup> June 2023. This report is published on the TGCL website ([www.thomasgrant.co.uk](http://www.thomasgrant.co.uk)) in the downloads section 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.

### **Risk Management**

The Board and the risk and audit committee are 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. The risk management committee discuss risks regularly and internally document and rate all risks the firm is subject to.

TGCL offer a high level of customer service and work hard to make 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 into 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 ICARA 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 its UK depository bank. TGCL use the standardised method of calculating Credit risk, internally; daily and to the FCA 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, risk remains low and trading positions are all hedged.

## **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. Risk remains extremely low.

## **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 adapt with market trends, 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 & ICARA**

The firm has considered the content of the MIFIDPRU ICARA rules in its latest ICARA assessment, which shows that the firm remains comfortably in excess of its minimum capital requirements. TGCL's overall approach to assessing the adequacy of its internal capital is documented in the ICARA and its daily ICARA Capital Adequacy Calculations. The ICARA 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, the firm were comfortably adequate even when applying severely stress tested scenarios. Whilst the ICARA is formally reviewed by the Board once a year, management and senior members of staff review risks daily, considering all internal and external risks. Adequacy is based on up-to-date prices and exchange rates and calculations across all K factors are maintained daily.

## **Own Funds**

TGCL has permissions to 'deal on own account' therefore is required to keep a permanent minimum capital requirement of £750,000. Calculations take place daily, reviewing minimum Capital Requirement, Fixed overhead and K-Factor requirements, the firm complied fully with all Capital Requirements and operated well within its regulatory requirements.

The Accounts and Compliance Departments produce monthly management information reports containing key facts about the operation of TGCL and monitors reporting processes covering all regulated activities across the Firm. TGCL maintains capital that well exceeds minimum capital adequacy requirements, the business is managed with an approach that seeks to minimise or mitigate identified risks. A balanced approach is taken when using capital to further its business interests.

## **Capital, Risks and Overall Health**

The below calculation forms part of the firms ICARA document and is updated daily, the calculation shows the firms 'own funds' are in high quality Tier 1 capital and are substantially in excess of the required sums. 'K-factor risks' are relatively small therefore the firm's capital requirement is mainly made up of its permanent minimum requirement of 750k.

On the accounting reference date of the 30<sup>th</sup> June 2023, the firm held the following capital position, reported in GBP.

ICARA CAPITAL ADEQUACY CALCULATION		30/06/2023	
		<i>All figures as Whole Numbers</i>	
			GBP
	<b>OWN FUNDS</b>		<b>2,764,707.50</b>
	Common Equity Tier 1 Capital		2,764,707.50
	Paid up Capital Instruments		50,000.00
	Total retained earnings		2,704,707.50
Sage - 3200	Profit and loss account and other reserves		2,704,707.50
(R150)	Profit or loss eligible		
	Profit or loss		
(R170)	Part of interim net profit not eligible (unaudited)		0.00
	Other Reserves		10,000.00
	Transitional Requirement		684,658.00
	Permanent minimum requirement		750,000.00
	Fixed overheads requirement		171,310.75
	Wind down costs		290,000.00
	<b>Total K factors requirement</b>	<b>Total</b>	<b>113,674.97</b>
RtC	K-CMH Client Money Held		54,215.53
	K-ASA Assets safeguarded & administered		33,168.83
	K-COH Client orders handled - cash trades		498.00
	K-COH Client orders handled - derivatives		2.00
RtF	K-DTF Daily Trading flow - Cash Trades		5.00
	K-TCD Trading Counterparty Default Risk		445.93
CRRTB	Credit Risk 8% Client Exposure in the Trading Book		254.82
CRRTB	Trading Book - Long settlement client risk		191.11
RtM	K-NPR Net Position Risk		25339.68
	Firms Book - Settled Specific Risk		6274.84
	Firms Book - Settled General Risk		6274.84
	Firms Hedges - Unsettled General Risk		6395.00
	Firms Hedges - Unsettled Specific Risk		6395.00
	<b>Threshold Monitoring</b>		
	<b>Capital Requirement (Max of Transitional requirement, Wind Down, FOR, PMR &amp; K Factors)</b>		<b>750000</b>
	<b>Early Warning Indicator(110% Own funds Threshold Requirement)</b>		<b>825000</b>
	<b>Own Funds Excess cf. Early warning indicator</b>		<b>1939707.50</b>
	<i>the firm's common equity tier 1 capital must be equal to or greater than 56% of the firm's own funds requirement</i>		<b>369%</b>
	<i>the firm's own funds must be equal to or greater than 100% of the firm's own funds requirement</i>		<b>369%</b>
Ref date- 30/06/2023	Core Liquid assets to nearest 1000'		2381000.00
	Liquid Assets Threshold Requirement (Held at wind down )		290000.00
	Excess/deficit Core Liquid assets to Identified Liquid asset threshold		<b>2091000.00</b>

The firm was adequately capitalised throughout the year with no break in requirements.

### **Remuneration Policy**

Directors and employees receive a fixed salary paid monthly. Small bonuses may be paid dependant on the overall profitability of the company. No incentives are applied to employee salary structures, TGCL feel this is in the best interest of the staff and its clients. TGCL adheres to FCA guidelines in regards to their Remuneration policy. Salaries for the firm's 11 staff totalled £346k for 22/23\*.

\*Difference between Statutory accounts was a one off pension contribution

### **Promoting Diversity**

TGCL seek to recruit individuals of all cultures at all levels of the business, the firm actively encourage individuals regardless of background and without discrimination. We work within the spirit of the Equality Act 2010.

### **Directorships and governance arrangements as at 30/06/2023**

Grantley Oliver- Managing director and 100% shareholder

Director's remuneration included within the remuneration policy.

Compliance Officer-

Grantley Oliver

Risk and Audit committee-

Grantley Oliver

Kevin Dawson

Tina Tyers

Senior Management-

Grantley Oliver

Kevin Dawson

Tina Tyers

Company Secretary-

Louisa Storer