

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

**For the year ended 31 March 2023**

**Global Investment Strategy UK Limited**

## **IFPR Disclosures 31 March 2023**

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

The reference date is **31 March 2023** 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’s governance arrangements are designed to be proportionate to the nature, scale and complexity of the business and the risks inherent in its business activities. The Board has overall responsibility for leadership of the firm and setting of the firm’s values and standards. It is also tasked with providing approval of the firm’s objectives and strategy as well as the annual operating and capital expenditure budgets. The Board also has governance responsibilities including:

- Review the firm’s performance compared with its strategy, objectives, plans and budgets
- Review of the firm’s capital capacity as well as available liquidity resources
- Decision to invoke the recovery plan or cease operation of any material part of the business or to diversify materially
- Ensuring maintenance of a robust controls and risk management
- Approval of policies

The Board’s mandate is to supervise and manage GIS in the best interests of GIS’s shareholders as a whole and otherwise in accordance with all applicable law and regulation. It has four members consisting of the executive chairman, CEO, CFO and the independent NED. It meets monthly.

The Board of the firm has the following committees to advise it on areas which fall within the relevant committee’s specific terms of reference, appraise the performance of the business, consider input from its staff and give direction to each functional area. GISHK board reports to the GIS Board and GISHK is included within group level committees.

The Board and senior management believes that this existing departmental structure overseen by the Board ensures effective and prudent management, including the segregation of duties and the

prevention of conflicts of interest, and in a manner that promotes the integrity of the market and the interests of clients.

**Risk committee:** To ensure effective oversight of all principal risks facing the organisation. This involves reviewing the individual and aggregate risk profiles across compliance, credit, capital, operational, reputational, market (FX) and liquidity risk, and maintaining a conservative position in delivering the strategy in line with the risk appetite, and the Governance, Risk and Control Framework. This committee meets quarterly, reporting to the Board.

**New Business / Strategy committee:** To provide oversight and guidance in respect of all new and existing business lines. New business lines and potential new clients are reviewed by the committee on a weekly basis. New proposals are presented to the committee. All relevant factors (which include strategy, products, risk appetite, volume, systems, staffing) are reviewed to ensure that the decision made is reflective of all key performance indicators and within strategic tolerance. The combination of these considerations ultimately leads to a decision to either accept or decline the business activity. This committee meets weekly and membership includes Board members.

**Remuneration committee:** To ensure that remuneration arrangements support the strategic aims of the Group and enable the recruitment, motivation and retention of senior executives whilst complying with the requirements of regulations. It meets annually and reports to the Board.

**Audit committee:** The Audit Committee oversees the effectiveness of the Group's internal control environment, monitors the integrity of the financial statements and risk management systems, involving both internal and external auditors in that process, and monitors the processes for the Group's compliance with applicable law and regulation. It meets at least every three months and reports to the Board.

**Operations committee:** To review and assess all current and relevant operational matters which could have an impact on the firm's operations. The committee will assess the scale of the impact, any control or remedial measures considered necessary and resolution action plans. It meets monthly and reports to the Board.

**Regulatory committee.** To review and assess all current regulatory and compliance matters which are relevant to the firm's operations. The committee will assess the scale of the impact, any control or remedial measures considered necessary, any resolution action plans and any implementation action plans. It meets fortnightly, reporting to the Board.

**Treasury and liquidity committee:** To independently discuss and challenge the firm's liquidity, current cash flow requirements and projections. All GIS bank accounts/settlement accounts are reviewed and net liquidity is discussed on a per currency basis. Trade settlement volume and net liquidity requirements on projected volumes are considered. Debtors and creditors reports are reviewed along with any expected client withdrawals. Once all areas have been considered and discussed, funds are distributed as required including any foreign currency transactions as needed. It meets weekly and reports to the Board.

**Asset allocation committee:** To ensure the effective management and allocation of investments. It meets quarterly reporting to the Board.

Senior management's responsibilities and accountabilities are reflected in Senior Managers and Certification Regime section and summarised in their statements of responsibilities. (1) has overall responsibility for the firm;

## Board of Directors

As at 31 March 2023 the firm had the following Board members:

Name	Position	Number of directorships held *
John Gunn	Executive Chairman	5
Samantha Esqulant	Chief Executive Officer	2
Nilesh Jagatia	Chief Financial Officer	6
Anthony Binnie	Non-Executive Director	3

\* Directorships within the GIS group are counted as a single directorship and Directorships held outside of the GIS group are counted individually.

The firm is committed to providing equal opportunities and fair remuneration based on role and performance for all staff, irrespective of gender or ethnicity, including at Board level.

### **Diversity and Inclusion**

GIS values the innovation and creativity that diversity and inclusion brings to the Firm and understands it plays a critical role in establishing strong governance and maintaining a healthy culture from the top as part of delivering higher standards of conduct and success of the business.

The Firm approaches diversity in the broadest sense, recognising that successful businesses embrace diversity at all levels, including the Board and senior management. GIS is committed to promoting a diverse workplace in recognition of the Firm's employees being one of the Firm's greatest strengths.

The current board consist of 3 Executive directors and a Non-Executive Director. 1 or 33.3% of the Executive Directors is the Chief Executive Officer and she is female.

The Firm ensures that the members of the management body of the firm meet the requirements of SYSC 4.3A.3R. GIS is subject to the Senior Managers Regime ('SMR') and all members of the management body hold SMF status. The Firm has undertaken the necessary fitness and propriety test associated with the SMR.

### **Risk Committee**

In accordance with MIFIDPRU 7.3R GIS has a Risk Committee and this is a key component to the firm's everyday activity. The risk appetite levels of the firm are set by the Risk Committee and recommended to the Board. The Risk Committee, amongst other matters, determines the attitude to and appetite for risk of the firm and the future risk strategy of the firm. In doing so, the Risk Committee uses the following principles in this ongoing control assessment:

- reflects the strategy and culture of the firm and how it compares to its peers;
- focuses on manageable forward-looking measures of risk, rather than on backward looking measures of loss;
- includes both qualitative description and quantitative measures within controls facilitation;
- facilitates understanding of why limits have been set at the prescribed levels; and;
- is communicated through the organisation, such that it enables each individual to see how risk appetite influences their role within the business.

The business is managed on a day-to-day basis by executive directors and senior managers who are all attentive to developments in the market, compliance issues in the conduct of the business and the management of the financial risks associated in the running of this type of company. They monitor risk levels, report back to the Risk Committee and where applicable implement adjustments back to agreed risk levels. Due to this and the business of the company, the ICARA working party assessed the firm as having a low residual risk profile.

The Risk Committee (and the Board) abides by the following overarching statements in its determination and review of the risk appetite levels of the firm:

- maintaining stakeholder confidence;
- maintaining adequate capital resources;
- maintaining adequate liquidity;
- protecting our reputation and that of our customers and investors;
- limiting the potential for any credit risk;
- effectively managing and mitigating our operational risks;
- demonstrating transparency in our dealings with clients and ensuring high standards of conduct and compliance-
- generating returns commensurate with the agreed risk levels.
- complying with regulatory requirements.

**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 2023 and during the year the Firm complied with all regulatory capital requirements.

**Table OF1 - Composition of regulatory own funds**

	Item	Amount (GBP thousands)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
<b>1</b>	<b>OWN FUNDS</b>	8,076	
<b>2</b>	<b>TIER 1 CAPITAL</b>	8,076	
<b>3</b>	<b>COMMON EQUITY TIER 1 CAPITAL</b>	6,587	
4	Fully paid-up capital instruments	2,613	Note 20
5	Share premium		
6	Retained earnings	5,463	Note 21
7	Accumulated other comprehensive income		
8	Other reserves		
9	Adjustments to CET1 due to prudential filters	(193)	
10	Other funds		
11	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1		
19	CET1: Other capital elements, deductions and adjustments	(1296)	
20	<b>ADDITIONAL TIER 1 CAPITAL</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		
25	<b>TIER 2 CAPITAL</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>				
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 Firms audited Financial Statement				
		a	b	c
		<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 (GBP thousands)</b>	<b>As at period end</b>	
<b>Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements</b>				
1	Fixed Assets	1,609		
2	Debtors	3,151		
3	Cash	4,016		
	<b>Total Assets</b>	<b>8,776</b>		
<b>Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements</b>				
1	Creditors: due within 1 Year	650		
2	Deferred Tax	50		
	<b>Total Liabilities</b>	<b>700</b>		
<b>Shareholders' Equity</b>				
1	Fully paid up capital instruments	2,613		Item 4
2	Share Premium	-		
3	Retained earnings	5,463		Item 6
	<b>Total Shareholders' equity</b>	<b>8,076</b>		

GIS transitioned to the Investment Firm Prudential Regime (IFPR) from January 2022 and the first regulatory return was filed for the period ended 31.3.2023.

K-factors are:

**Risk to Clients (RtC)**

- **K-ASA**, assets safeguarded and administered
- **K-COH**, client orders handled

**Risk to Market (RtM)**

- **K-NPR**, net position risk

**Risk to Firm (RtF)**

- **K-TCD** trading counterparty default risk
- **K-DTF**, daily trading flow
- **K-CON**, concentration risk (if individual client exposures exceed soft limits)

The K factors in accordance to MIF007 for the Firm are :

K Factor	£
K-AUM	5,000
K-COH	-
K-CMH	143,000
K-ASA	296,000
K-NPR	301,000
K-CMG	-
K-TCD	-
K-DTF	19,000
K-CON	-
Sum K-factor capital	764,000

In accordance with the Overall Financial Adequacy Rule ('OFAR') a firm must, at all times, hold own funds and liquid assets which are adequate, both as to their amount and their quality, to ensure that:

- The firm is able to remain financially viable throughout the economic cycle, with the ability to address any material potential harm that may result from its ongoing activities; and
- The firm's business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

The K-factors and the FOR are the starting point to assess the amount of own funds required to sustain ongoing operations and support an orderly wind down respectively.

As part of the Internal Capital Adequacy and Risk Assessment ('ICARA') process, GIS has determined that additional own funds may be required to cover those risks / harms that are insufficiently covered by the K-factors / FOR. The Group employs quantitative tools such as stress testing and scenario analysis for this purpose.

**Liquidity threshold requirements**

GIS is required to hold an amount of liquid assets equal to one third of their Fixed Overhead Requirement (FOR). This is the basic liquid asset requirement and is made up of approved liquid assets, which primarily consist of cash.

However, the basic liquid asset threshold requirement may not be sufficient in times of financial stress so GIS has also considered the higher requirement needed to meet:

1. The liquid assets needed at any given point in time to fund ongoing operations as well as to mitigate any adverse trends throughout the economic cycle, or
2. The firm's assessment of liquid assets required in the event of an orderly wind down.

We have assumed that under stress further liquidity requirements could increase by 25%. This forms the excess over the basic liquidity requirement.

The firm has used the monthly costs and forecast costs over the next 3 years to calculate the wind-down costs. The Firm has assumed that these costs run off over 12 months and exclude sales-related costs. The Firm has then deducted these costs from the basic liquidity funding to arrive at the excess wind-down costs.

### **Non-SNI Liquidity Requirement at 31/3/2023**

	<b>£</b>
Basic Liquid Asset Requirement	264,023
Ongoing business funding needs (stressed) (A)	66,006
Additional Wind-down Funding Stock (B)	1,308,373
<b>Liquidity Requirements</b>	<b>1,572,396</b>

## **Remuneration**

### **Decision-making process for remuneration policy**

The Board is responsible for approving and overseeing the implementation of the firm's remuneration policy. This includes ensuring that the firm's remuneration arrangements are consistent with and promote sound and effective risk management and do not encourage excessive risk taking.

Given the relatively small size of the firm, remuneration policy for all code staff is set by the Board. The Board reviews remuneration for code staff based upon individual, both financial and non-financial criteria, and overall firm performance. Individual performance is also reviewed over an extended period to ensure the long-term objectives of the staff and the firm are not in conflict.

The firm has a Remuneration Committee (Rem Com) whose role is to ensure that remuneration arrangements support the strategic aims of the Group and enable the recruitment, motivation and retention of senior executives whilst complying with the requirements of regulations. They also need to review and approve the remuneration of those employees that have been identified by the policy as being within the scope of the requirements of the FCA's Remuneration Code. Employees are considered to be code staff if their role has a material impact in determining the firm's risk profile.

### **The link between remuneration and performance**

Remuneration is comprised of fixed pay (salary and benefits) and variable pay (performance-related bonuses). The resources available for bonuses are directly linked to the performance of the firm.

For the purposes of the remuneration disclosures required by CRR Article 450, Rem Com have identified staff who have a material impact on the risk profile of the firm and for the financial year to 31 March 2023 there were as follows:



Remuneration awarded to MRTs during the financial year 31.3.23

	<b>Senior Managem ent</b>	<b>Other MRT's Current</b>	<b>Other MRT's left organisation</b>
	£	£	£
Fixed pay	486,000	469,697	-
Variable	180,000	100,110	-
	<u>666,000</u>	<u>569,807</u>	<u>0</u>

No of MRT 9 ( 9 Current and 0 left before 31.3.23)

### **Further Enquiries**

Should you have any queries please contact:

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