

KW Investment Management Limited
FRN: 506600
IFPR Disclosure Statement
(To Year-End 31st December 2021)

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1. Introduction

1.1. IFPR Disclosures: Context

The UK Investment Firm Prudential Regime (IFPR) came into effect in 2022. It is a new set of prudential requirements for FCA authorised investment firms. Its aim is to ensure that firms have sufficient capital and liquid resources to mitigate the potential for harm the firm can pose to consumers and markets.

The previous prudential regime for FCA investment firms was based on requirements for globally active systemically important banks. The new rules are focus on the risk posed by Investment Firms. This includes KW Investment Management Limited (KWIM).

This document sets out the public disclosures for KWIM as of 31 Dec 2021; the end of KWIM's financial reporting period. These disclosures will be updated annually and be made available on the firms' website.

1.2. KWIM: Firm Details

KWIM is a Discretionary Investment Manager offering a personal portfolio service to individual private clients and a range of discretionary segregated mandates to institutional clients.

KWIM holds regulatory permissions principally in relation to arranging, advising and providing discretionary management services to retail and professional clients. It is authorised to hold client money/assets. It is subject to the MIFIDPRU section of the FCA Handbook and the IFPR.

KW is 100% owned by the holding company KW UK Investment Management Limited, and in turn KW UK BidCo Limited, and KW UK Financial Holdings Limited. The overall parent is Kingswood holdings Limited, a Guernsey incorporated AIM Listed firm.

An overview of the legal entities within Kingswood are set out below:

Firm	FCA Regulated?	Status
Kingswood Holdings Limited	No	AIM listed. Guernsey Incorporated holding company.
KW UK Financial Holdings Limited*	No	Guernsey Incorporated holding company.

Firm	FCA Regulated?	Status
KW UK BidCo Limited *	No	Guernsey Incorporated holding company.
KW UK Investment Management Holdings *	No	Guernsey Incorporated holding company.
KW Investment Management Limited	Yes	MIFIDPRU £150k Non-Small & Non-Interconnected firm (Non-SNI).
Metnor Holdings Limited **	No	UK incorporated holding company
IPN Partners Limited **	No	Provides services to IBOSS Asset Management Limited
Novus Financial Services Limited **	No	Dormant Company
IBOSS Limited **	No	Provides services to IBOSS Asset Management Limited
IBOSS Asset Management Limited **	Yes	MIFIDPRU Small & Non-Interconnected firm (SNI).
Joseph R. Lamb Independent Financial Advisers Limited **	Yes	MIFIDPRU Small & Non-Interconnected firm (SNI).
KW UK Wealth Planning Limited *	No***	Guernsey Incorporated holding company. Not regulated but directly owns a number of regulated Article 3 advice firms which are not in-scope of MIFIDPRU.

* Incorporated after the accounting reference date (31 December 2021) for these disclosures.

** Acquired after the accounting reference date (31 December 2021) for these disclosures.

1.3. Basis of Disclosure

KWIM is a non-SNI MIFIDPRU firm, and this disclosure is made on an individual entity basis. Since the end of the reference period (31st December 2021), the Kingswood Group has been restructured and the firm is currently assessing whether Group level disclosures will be required in the future.

This document has been prepared following the disclosure rules set out in MIFIDPRU 8 relating to pertaining to the UK IFPR.

As the reference date for these disclosures is before 30th December 2002, KWIM has adopted the FCA's transitional provisions for disclosure requirements contained in MIFIDPRU TP12, which require the Firm to only disclose information relating to governance, own funds and own funds requirements.

As per MIFIDPRU 12.8, the disclosure of the Firm's remuneration arrangements has been prepared according to the previous rules applicable to KWIM, which were SYSC19A (BIPRU rules).

2. Governance

2.1. Governance Structure

The following committees provide formal governance and oversight and oversight of the activities of KWIM.

Holding Company Boards: The Kingswood Holdings Limited Board, through its subsidiaries is ultimately responsible for the Governance and Risk Management Framework across the Group. In practice, oversight is delegated to the committees set out below, with escalation of material items to the Board as required.

Audit & Risk Committee: This committee is responsible for assisting the Board in its oversight of risk management across the Group. This includes:

- Oversight & challenge to maintain a supportive risk culture in the Group.
- Reviewing key risk metrics
- Reviewing the key risk register
- Overseeing and challenging risk appetite.
- Ensure risks are appropriately identified and managed.
- Monitoring the integrity of the group's financial reporting
- Ensuring effective internal controls are in place.
- Monitoring the performance of external audit (and any internal audit).

Nomination & Remuneration Committee: Oversight and challenge of key appointments and executive remuneration.

KWIM Board: Oversight and challenge of overall business performance, risks, controls and consumer outcomes in respect of KWIM activities.

Executive Committee: Executive responsibility for ensuring the overall performance of the firm and its strategy.

Risk & Compliance Committee: The main executive level committee responsible for the reporting, monitoring, review and challenge of all risk types facing the firm. This committee is attended by the

company executives and subject matter experts as required. The committee reports the regulated entity Boards as well as the Audit & Risk Committee.

2.2. KWIM Directors

As per MIFIDPR 8.3.1R(2) the firm is required to disclose other directorships held by the management body. This excludes other directorships within the wider Kingswood Group, and those organisations that do not pursue commercial objectives.

Directors as of 31st December 2021 were:

Name	Role	No of other UK Directorships as per MIFIDPRU 8.3.1R(2)
Howard Garland	Non-Executive Chair	3
David Lawrence	CEO / Director	0
Jon Millam	CFO / Director	0
Richard Bernstein	CRO / Director	0
Nigel Davies	Head of Fixed Income / Director	0

2.3. Approach to Diversity

Kingswood are dedicated to ensuring all our people feel a sense of belonging. We represent and appreciate the range of differences in our colleagues and commit to treating everyone with respect and support which is delivered through our values and behaviours. We are proud to be an equal opportunity employer committed to recruiting and maintaining a diverse workforce irrespective of race, religion, age, disability, gender or sexual orientation or bias. We actively encourage development of our talent through our many internal programmes as we recognise that having happy and varied colleagues across the business is our greatest strength. We are also proud to be participating in the 10,000 black interns' scheme. KWIM operates around core behavioural principles for colleagues ensuring there is a high level of integrity, transparency, respect and trust.

3. Own Funds (MIFIDPRU 8.4)

3.1. Overview of OFAR

The Firm's own funds are CET1 capital. As of 31 December 2021 and during the year, the Firm complied with all capital requirements in accordance with the rules set out in IFPR from its introduction on 1 January 2022.

Composition of regulatory own funds			
	Item	Amount (GBP thousands)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1	OWN FUNDS	1,084	KWIM Annual report.
2	TIER 1 CAPITAL	1,084	See Balance Sheet on Page 14 Also note 16. Available on Companies House website.
3	COMMON EQUITY TIER 1 CAPITAL	1,084	
4	Fully paid up capital instruments	0	
5	Share premium	200	
6	Retained earnings	884	
7	Accumulated other comprehensive income	0	
8	Other reserves	0	
9	Adjustments to CET1 due to prudential filters	0	
10	Other funds	0	
11	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	0	
19	CET1: Other capital elements, deductions and adjustments	0	
20	ADDITIONAL TIER 1 CAPITAL	0	
21	Fully paid up, directly issued capital instruments	0	
22	Share premium	0	
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	0	
24	Additional Tier 1: Other capital elements, deductions and adjustments	0	
25	TIER 2 CAPITAL	0	
26	Fully paid up, directly issued capital instruments	0	
27	Share premium	0	
28	(-) TOTAL DEDUCTIONS FROM TIER 2	0	
29	Tier 2: Other capital elements, deductions and adjustments	0	

4. Own Funds Requirements (MIFIDPRU 8.5)

4.1. K-Factor Requirement

As KWIM is a non- SNI, it is in scope of the K-Factor requirement.

The K Factor Requirement (KFR) is calculated by adding together a mixture of activity and exposure-based requirements, depending on the MiFID investment services and activities a firm undertakes.

The rules and guidance for calculating each component of the overall K-Factor requirement (KFR) are in MIFIDPRU 4.7 to 4.16. A firm's KFR is the sum of each of the K factors that are applicable to the firm's business.

The Following K-Factors all apply to KIWM:

K-Factor	Based-on	Calculation
K AUM	Assets Under Management	K-AUM requirement is equal to 0.02% of the firms average AUM, which is in turn defined as the average of preceding 15 months, excluding last 3 months
K CMH	Client Money Held	K-CMH requirement is equal to the sum of 0.4% of average CMH held in segregated accounts and 0.5% of average CMH held in non-segregated accounts
K ASA	Client Assets Safeguarded and Administer	K-ASA requirement is equal to 0.04% of the firm's average ASA
K COH	Client Orders Handled	K-COH requirement is equal to the sum of 0.1% of COH attributable to cash trades and 0.01% of average COH attributable to derivative trade

The total K-Factor is the sum of all of the above. The following K-Factors all apply only to firms that deal on their own account and therefore are not relevant to KWIM:

- K-NPR = Net Position Risk
- K-CMG = Clear margin Given
- K-TCD = Trading Counterparty Default
- K-DTF = Daily Trading Flow
- K-CON -= Concentration Risk

KWIM calculates its total K-Factors Exposure to be: £346k. This is calculated as follows:

- K-AUM = £332k
- K-CMH = £0
- K-ASA = £1k
- K-COH = £12k

4.2. Fixed Overhead Requirement (FOR)

Per MIFIDPRU 4.5, the FOR is an amount equal to one quarter of the firm's relevant expenditure during the preceding year. It must be based on the latest available audit's accounts which or KWIM is y/e 2021.

KWIM calculates its FOR to be £693k.

4.3. Approach to Assessing Adequacy of Own Funds

All investment firms must comply with the Overall Financial Adequacy Rule (OFAR).

The OFAR is the obligation for a MIFIDPRU investment firm to hold Capital ('own funds') and 'liquid assets' which are adequate both as to their amount and 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
- Business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

The Overall Financial Adequacy Rule includes the 'Own Funds Threshold Requirement' and the Liquid Asset Threshold Requirement'.

Own Funds Requirement (OFR)

The OFR is the minimum capital that a firm must hold in line with new IFPR. For Non-SNI firms like KWIM, this is the highest of:

- Permanent Minimum Capital Requirement (£150k)
- Fixed Overhead Requirement
- K-Factor Analysis

KWIMs OFR is £693k.

Own Funds Threshold Requirement (OFTR)

The OFR above is unlikely to be sufficient to mitigate the risk of harms a firm poses to its customers or markets. As part of its ICARA process, KWIM must assess whether it needs to hold additional capital to:

- Mitigate any risk of harms from its ongoing activities
- Ensure the business can be wound down in an orderly manner

Material Harms

In line with MIFIDPRU 7 (Annex1), firms should identify potential harms by considering plausible hypothetical scenarios that may occur given the firms business model. It must use its own knowledge and experience and any other relevant factors to calculate potential impacts. The firm must then consider whether any additional capital and liquidity must be held to address the potential impact of these harms.

Wind Down

There is also a requirement to calculate the level of capital and liquidity required in order to wind the firm down in an orderly and controlled manner. Firms must consider scenarios that would lead to a wind down, and then demonstrate the process by which the firm will be wound down in an orderly fashion.

OFTR Calculation

The OFTR is calculated as the highest of the PMR, the Material Harm Assessment or the costs of Wind Down. Capital resources held must be in excess of the overall OFTR.

Basic Liquid Assets Requirement (BLAR)

The BLAR is the minimum amount of liquid assets KWIM must hold to assist in the orderly wind down of the firm. The FCA takes the view that a lack of liquidity is a significant driver of harm during wind-down. The BLAR provides a minimum level of core liquid assets that the firm must maintain at all times. The BLAR must consist of core liquid assets comprising the sum of:

- One third of a firm's FOR; and
- 1.6% of the total of any guarantees provided to clients (n/a for KWIM)

Liquid Assets Threshold Requirement (LATR)

As part of this ICARA process, KWIM must produce a reasonable estimate of the maximum amount of liquid assets that the firm would require to:

- a) Fund its ongoing business operations during each quarter over the next 12 months; and
- b) Ensure that the firm could be wound down in an orderly manner

OFAR & Early Warning Indicators

The OFAR must be set at a level where there is sufficient Capital and Liquid assets held in order to cover a both the OFTR and the LATR.

IFPR rules also specify that an early warning indicator must be set at 110% of the OFAR. If capital or liquidity held falls below this level, notification to the FCA is required.

4.4. The ICARA Process

KWIM uses the ICARA process to ensure it complies with the overall financial adequacy rule ('OFAR').

The purpose of the ICARA process is on identifying and managing risks that may result in material harms. Depending on the nature of the potential harms identified, the firm may need to hold additional own funds or additional liquid assets above the firm's own funds requirement or basic liquid assets requirement. However, there may also be more appropriate or effective ways to manage the potential harms (for example, through implementing additional internal systems and controls, strengthening governance and oversight processes or changing the manner in which the Group conducts certain business).

ICARA will be a continuous process through which the firm will assess the adequacy of its own funds and liquid requirements.

The ICARA requires KWIM to conduct business model analysis, stress testing, recovery, and wind-down planning.

Key elements of the ICARA include:

- Business model and strategy together with a three-year financial forecast
- Risk Management Framework ('RMF') and governance overview
- Material harms
- Financial projections and capital & liquidity planning process
- Available own funds and liquid assets
- Own funds capital requirement
- Compliance with Overall Financial Adequacy Ruel ('OFAR')
- Capital stress testing
- Reverse stress testing
- Recovery planning
- Wind-down planning

KWIM Monitors and reports the level of capital and liquidity on a quarterly basis.

5. Remuneration (SYSC 19B & C)

As per MIFIDPRU 12.8, as a non-SNI organisations with a financial year-end of 31 December 2021, KWIM is able to continue to comply with remuneration disclosures requirements as they applied to the firm in previous financial years under the BIPRU rules.

The firm relies on the Group Nomination & Remuneration Committee which responsible for considering Board appointments, reviewing Board structure, size and composition and identifying the need for Board appointments by reference to the balance of skills, knowledge and experience on the Board and the scale of the Enlarged Group.

The Nomination & Remuneration Committee is also responsible for establishing a formal and transparent procedure for developing policy on executive remuneration and to set the remuneration packages of individual directors.

This includes agreeing with the Board the framework for remuneration of the Group Chief Executive, all other executive directors, the Company Secretary and such other members of the executive management of the Company as it is designated to consider. It is also responsible for determining the total individual remuneration packages of each director including, where appropriate, bonuses, incentive payments and share options. No director will play a part in any decision about his own remuneration. The Nomination & Remuneration Committee also plays a crucial role in succession planning by analysing the Board's needs and planning accordingly

The Company currently sets the variable remuneration of its staff in a manner which takes into account individual performance, performance of the individual's business unit and the overall results of the Company. The Company takes into account the specific nature of its own activities (including the fee-based nature of its revenues) in conducting any ex-ante risk adjustments to awards of variable remuneration and, given the nature of its business, has dis-applied the requirement under the Remuneration Code to make ex-post risk adjustments.

During the reporting year 2021, the firm had 8 material risk takers comprising those fulfilling control functions, risk takers and senior management.

The aggregate remuneration awarded to code staff during the financial year ending 31 December 2021 was £1.1m fixed remuneration and a further variable remuneration of £0.16m, of which there was no deferred remuneration.

The firm has not disclosed code staff remuneration by business area. As per MIFIDFPRU 8.6.8 (7) we have made this judgement in order to prevent the individual identification of a material risk taker.