

## **Thomas Miller Investment Ltd MIFIDPRU disclosure December 2023**

### **1. Introduction**

Thomas Miller Investment (“TMI”) is the trading name for Thomas Miller Investment Ltd (“TMIL”) and Thomas Miller Investment (Isle of Man) Limited (“TMI-IOM”). These companies are subsidiaries of Thomas Miller Investment Holdings Ltd (“TMIH”), based in Bermuda. TMIH is a 100% owned subsidiary of Thomas Miller Holdings (“TMH”) Ltd. TMI manages funds of mutual insurance businesses and other institutional clients.

This disclosure only relates to TMIL, which provides investment management services and serves to fulfil the regulatory disclosure requirements set out by the Financial Conduct Authority (FCA) for MiFID Investment Firms.

The Investment Firms Prudential Regime was implemented on 1<sup>st</sup> January 2022 through the FCA MIFIDPRU Prudential Sourcebook and replaces the Capital Requirements Directive, which previously applied to TMIL. TMIL has been designated a non-SNI Firm primarily due to its assets under management exceeding £1.2billion.

### **2. Scope and application of the requirements**

TMIL is authorised and regulated by the FCA. It is an investment management company and has no trading book exposures. TMIL does not hold client money and assets but may control client money and assets for the purpose of settlement.

### **3. Risk management**

Risk management in TMIL is based on three lines of defence:

First Line – Business management and staff;  
Second Line – Compliance and Risk; and  
Third line – Internal Audit

TMIL maintains a risk management framework, which is designed to monitor its risks in order to identify potential weaknesses or failures. A risk register identifies the business objectives, risks, controls and key risk indicators.

The TMIL Board meets at least four times a year. It is responsible for ensuring that an effective control framework is in place and it reviews and approves the firm’s risk appetite and risk register on an annual basis.

There is a TMH Risk Committee chaired by an Independent Non-Executive Director that oversees the TMH Group’s risks including TMIL.

### **4. Risk Management objectives and policies**

TMIL has put in place a system of internal controls designed to manage risk within the agreed risk appetites and tolerances with Business heads having responsibility for the risks specific to their business areas and responsibilities. Overseeing this framework is the Compliance and Risk function and thereafter internal and external audit scrutiny. Additionally, an ISAE assurance report on internal controls is produced

annually by external parties. As mentioned, TMIL maintains a 'Risk Register' covering the TMI Group which identifies/records risks on business objectives, the threat to achieving those objectives and an associated risk score based on probability and impact. Mitigating actions are noted along with the impact on the associated risk scores; the Risk Register also shows the embedded monitoring and early warning indicators for each risk and proposed improvement plan where relevant. The Risk Register is reviewed by the TMIL Directors on a regular basis. TMI Finance Department ensures ongoing compliance with Capital and Liquidity requirements (both those required by the TMIL Board and by TMIL's Regulatory obligations). It also produces monthly management accounts to be reviewed by the TMIL Directors.

## **5. TMIL structure and governance**

### **TMIL Board**

Current membership of the TMIL Board, which meets at least four times a year and more often as required, is as follows:

- Non-executive Chairman
- CEO
- CFO
- CIO
- Head of Portfolio Management
- Non-executive Director

The Compliance Officer/MLRO and Chief Operating Officer also attend all Board meetings.

The TMIL Board is the 'responsible body' under the MIFIDPRU requirements. TMIL can confirm that no members of the Board currently hold any directorships that should be disclosed under the requirements of MIFIDPRU Chapter 8.

The duties of the TMIL Board are to:

- exercise control over the operations and policy decision making of the company ensuring effective allocation and management of staff and financial resource;
- provide strategic direction to the management;
- monitor and improve performance;
- protect and enhance company and group reputation;
- ensure adherence to legal and regulatory obligations;
- ensure clients receive the appropriate level of service and are treated fairly; and
- ensure its staff and officers observe high standards of conduct.

### **TMI EXCO**

The EXCO (Executive Committee) delegated duties are to oversee and direct the activities of the TMI group businesses to achieve the key business objectives established by the respective subsidiary boards taking into account the strategic direction provided by the TMIH Board. Its members are the TMI Departmental Heads and it is chaired by the CEO. If appropriate, matters are referred to the relevant Board for further consideration and/or decision-making.

### **TMI Operational Risk Committee**

This is a sub-committee of EXCO. It meets monthly and is chaired by the TMI Head of Compliance & Risk. Its key duties are to identify, review and escalate operational and compliance risk issues and other matters relating to the Thomas Miller Investment Group control framework.

### **TMI Investment Strategy Committee**

This is a sub-committee of EXCO, which is chaired by the TMI Chief Investment Officer and reviews investment strategy, asset allocation and oversees portfolio management on a weekly basis.

As mentioned above TMIL delegate certain functions to TMH's Remuneration and Nominations Committee and to the TMH Audit and Risk Committee.

### **6. Diversity**

Thomas Miller Group's Diversity Policy is to focus on maximising the potential of each unique individual. This is achieved by developing our employees' talents, whilst recognising their differences. By treating people fairly and equally and by accepting and embracing diversity, we can improve our market competitiveness by encouraging our employees to make a proactive contribution and create a positive working environment for all employees.

In Thomas Miller diversity is about recognising, valuing and using the differences which people possess, and these are not limited to those groups covered by legislation, for example, appearance, social class, previous jobs, upbringing and political views. The purpose of this approach is to encourage the creation of an environment in which everyone embraces the benefits of working in a diverse workforce and to promote fair and equal treatment of all employees.

### **7. Own Funds requirements**

The following tables disclose, in compliance with MIFIDPRU Disclosure requirements:

- The composition of TMILs own funds
- A reconciliation of own funds to the capital in the balance sheet
- Main features of the CET1 capital issued by TMIL.

**Table 1 – Composition of regulatory own funds as at 31 December 2023**

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 <b>OWN FUNDS</b>	2,401	n/a - sum of items below
2 <b>TIER 1 CAPITAL</b>	2,401	
3 <b>COMMON EQUITY TIER 1 CAPITAL</b>	2,401	
4 Fully paid up capital instruments	1,900	Note 10
5 Share premium	-	
6 Retained earnings	517	
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	(15)	Note 9
19 CET1: Other capital elements, deductions and adjustments	-	
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	-	

**Table 2 – Own funds reconciliation as at 31 December 2023**

	Balance sheet as in published/audited financial statements	Under regulatory scope of consolidation	Cross-reference to template OF1
	As at period end	As at period end	
<b>Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements</b>			
1 Debtors - due within one year	2,271	n/a	n/a
2 Debtors - due after one year	15	n/a	n/a
3 Cash at bank	1,054	n/a	n/a
<b>Total assets</b>	<b>3,341</b>		
<b>Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements</b>			
1 Creditors: Amounts falling due within one year	924	n/a	n/a
<b>Total liabilities</b>	<b>924</b>		
<b>Shareholders' Equity</b>			
1 Share capital	1,900	n/a	Item 4
2 Retained earnings	517	n/a	Item 6
<b>Total shareholders' equity</b>	<b>2,417</b>		

**Table 3 – Main features of Capital issued by TMIL**

<b>Own funds: main features of own instruments issued by the firm</b>	
<b>Capital instruments main features</b>	
Issuer	Thomas Miller Investment Limited
Governing law(s) of the instrument	England and Wales
Instrument type	Equity
<b>Regulatory treatment</b>	
Transitional CCR rules	Common Equity Tier 1
Post-transitional rules	Common Equity Tier 1
Instrument type	Ordinary Shares
Amount recognised in regulatory capital (GBP thousands, as of most recent reporting date)	1,900
Nominal amount on instrument	1,900
Issue price	100%
Redemption price	Not applicable
Accounting classification	Shareholders Equity
Perpetual or dated	Perpetual
Maturity date	Not applicable
Issuer call subject to prior supervisory approval	No
Optional call date, contingent call dates and redemption amount	Not applicable
Subsequent call dates if applicable	Not applicable
Fixed or floating dividend/coupon	Variable
Coupon rate and any related index	Not applicable
Existence of dividend stopper	No
Fully discretionary, partially discretionary or mandatory	Fully discretionary
Convertible or non-convertible	Non-convertible
Write-down features	No

## 8. TMILs Own Funds Requirements.

This is calculated as the higher of:

- Permanent minimum capital requirement of £75,000
- Total K- Factor requirement (see extract below)
- The Fixed Overhead requirement

As at 31 December 2023 TMILs Fixed Overhead requirement of £736,000 exceeded both the base capital and K Factor requirements and therefore constituted TMILs own funds requirement.

<b>K Factors relevant to TMIL (as at last ICARA approved September 2023)</b>	
K-AUM	402
K-CMH (segregated)	-
K-CMH (non-segregated)	-
K-ASA	-
K-COH (cash trades)	0.8
K-COH (derivative trades)	-
K-DTF (cash trades)	-
Adjusted K-DTF (cash trades)	-

coefficient, where used	
K-DTF (derivatives)	-
K-NPR	-
K-CMG	-
K-TCD	-
K-CON	-
	-
<b>Total K-factor requirement</b>	<b>403</b>

\*The K- factors relevant to TMIL are defined as follows:

K-AUM: The K-AUM requirement of a MIFIDPRU investment firm is equal to 0.02% of the firm's average assets under management ('AUM').

K-COH (cash trades): 0.1% of average client orders held ('COH') attributable to cash trades.

### **9. Meeting the overall financial adequacy rules.**

Under IFPR, TMIL is required to assess own funds and liquidity requirements set out in the Internal Adequacy and Risk Assessment Process ('ICARA') and ensure sufficient own funds and liquidity resources are held at all times. As part of its annual ICARA process (last approved by the TMIL Board in September 2023) TMIL considers relevant severe but plausible stresses that could affect the firm's business and considers whether TMIL would still have sufficient own funds and liquid assets to meet the overall financial adequacy rule.

TMIL has, through its ICARA process determined that TMIL is currently adequately capitalised and maintains sufficient liquidity for such stresses, should they occur. In the event of a need to wind down the business, the firm has a plan in place to ensure the business is wound down without material harm to clients, counterparties or the wider markets.

**May 2024**