



Winterflood Securities Limited  
Investment Firms Prudential Regime Disclosure

For the year ending 31 July 2022

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# 1 Introduction

## 1.1 Overview

The Investment Firms Prudential Regime (“IFPR”) came into force on 1 January 2022 to provide a new framework for the prudential regulation of UK investment firms. Winterflood Securities Limited (“Winterflood”) falls within the regime and is categorised as a non-small non-interconnected (“non-SNI”) firm. The regime is implemented through the “MIFIDPRU” chapter of the FCA Handbook and references in this document will relate to the rules within that chapter.

A key requirement of the regime is the public disclosure by firms of information explaining the firm’s approach to governance and remuneration, as well as its prudential position.

## 1.2 Basis of disclosure

Each year Winterflood will make disclosures on its website following the end of its financial year. For the financial year ending 31 July 2022, Winterflood is making disclosures in line with the FCA’s transitional provisions as set out in MIFIDPRU TP12. This means that disclosures are limited to those relating to governance, own funds and own funds requirements. In future years, the disclosures will be extended to cover risk management, remuneration and investment policy.

Winterflood is a wholly-owned subsidiary of Close Brothers Group plc. Under IFPR, Winterflood is required to disclose on an individual entity basis and the information in this document relates solely to Winterflood unless otherwise specified.

## 2 Governance arrangements

### 2.1 Winterflood's Board of Directors

Winterflood's Board of Directors defines and oversees the governance arrangements of the firm, led by the Chair and Chief Executive Officer. The Board make-up is designed to ensure that each business area and operational function is represented, providing the management body with a complete and detailed view of operations and risk management across the firm. The Group Chief Executive Officer of Winterflood's ultimate parent, Close Brothers Group plc, acts as the Chair of the Winterflood Board and the Group Finance Director is also a director.

### 2.2 Allocation of Responsibilities

Under its established senior management arrangements, Winterflood has defined and allocated responsibility for every area of the business, both revenue-generating and operational, to a specific senior manager. Ownership of the firm's risks and controls are explicitly aligned to the senior manager framework to ensure clarity of ownership and accountability. These arrangements are regularly reviewed and redefined where necessary to optimize segregation of duties.

### 2.3 Conflicts of Interest

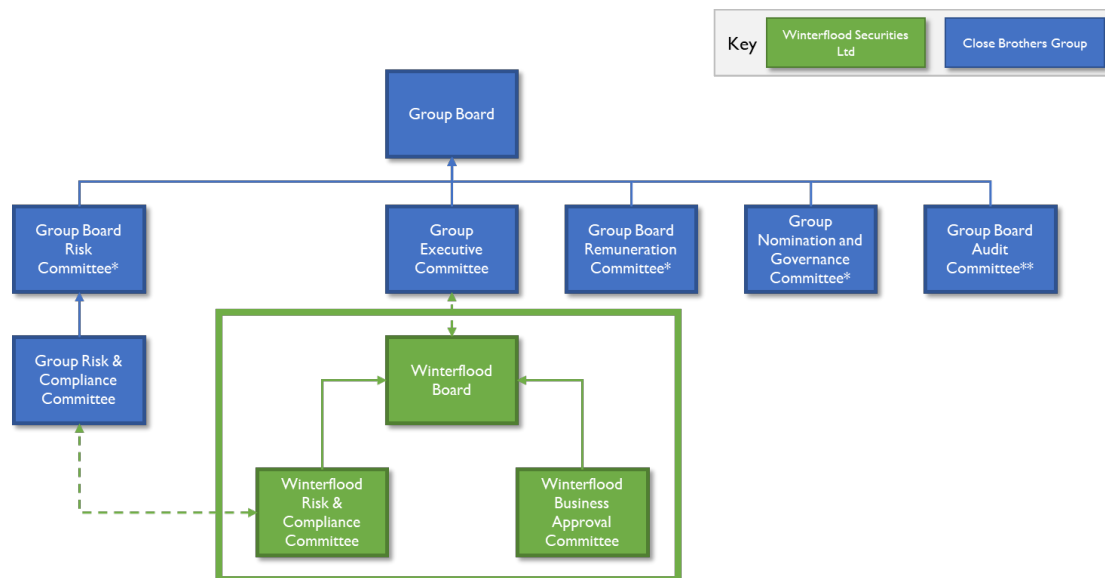
Directors are obliged to disclose all personal interests and potential conflicts of interest with outside interests are authorized by the Board on an annual basis. Winterflood maintains clear policies and procedures for the identification and management of Conflicts of Interest arising within the firm and training is provided to all staff on a periodic basis. All actual and potential conflicts of interest must be disclosed and reviewed by the firm's Compliance function, with appropriate measures implemented to eliminate, manage or disclose the conflict of interest as required. Winterflood operates both physical and technological information barriers between different business areas to ensure that information that may give rise to a conflict of interest does not pass between teams. Staff receive regular training on market conduct and how to identify and report suspected abusive activity.

Close Brothers Group conducts regular assessments to identify and manage potential institutional conflicts of interest between different entities and businesses within the group.

## 2.4 Board Committees

Winterflood’s Board of Directors delegates its authority to two formal Board committees: the Winterflood Risk & Compliance Committee (“WRCC”) and the Business Approval Committee (“BAC”). Each committee has clearly defined Terms of Reference and has membership comprising Board directors/Senior Managers, supplemented as necessary by subject matter experts from across the business. In addition to the formal Board committees, a number of informal committees and management forums operate in order to facilitate the effective management of the firm and its risks.

As a wholly-owned subsidiary of Close Brothers Group plc, Winterflood sits within the wider group governance structure as illustrated below:



\* Further to a rule modification granted by the FCA, Winterflood has a waiver from the requirement in MIFIDPRU 7 to establish entity-level non-executive Risk, Remuneration and Nomination Committees, which it would otherwise be obliged to do. These committees are established at Group Board level and include Winterflood within their Terms of Reference. The chairs of the respective committees are approved by the FCA to perform senior manager functions in relation to Winterflood, as group entity senior managers.

As shown in the structure above, Winterflood has also established a local executive Risk and Compliance Committee which oversees the design and operation of the firm’s risk management and regulatory compliance frameworks.

\*\* Winterflood has not established a local internal audit function but instead relies upon the Group Internal Audit (“GIA”) function, which includes Winterflood within its scope. As for the

Group Board Committees mentioned above, GIA is overseen by the Group Board Audit Committee, the Chair of which is approved by FCA to perform senior manager functions in relation to Winterflood as a group entity senior manager.

## 2.5 Approach to diversity

### 2.5.1 Overview

Winterflood understands and values the multiple benefits diversity of thought brings to both the Company in terms of a healthy and inclusive culture, strong governance, and the evidenced improvement to both standards of conduct and performance of the business.

Winterflood has continued to evolve its diversity and inclusion strategy, in order to maintain and increase a pipeline of diverse talent at all levels of the business.

Winterflood is commitment to promoting a diverse and inclusive workforce free of harassment and discrimination is set out in our D&I strategy, Our Way our code of conduct, Our Dignity at Work policy and is reinforced through all of our People processes.

As part of the Close Brothers Group, who are signatories to a wide range of charters and commitments across a broad spectrum of inclusion themes and social enterprises, including the Race at Work Charter, the Social Mobility Pledge, the Women in Finance Charter and the Valuable 500 we are committed to evolving to improve gender balance and representation from minority groups. We partner with leading diversity organisations, including Stonewall and the Business Disability Forum, to help inform our thinking and subsequent actions. We continue to run inclusive leadership training sessions for our managers, senior managers and our Board, highlighting how actions and behaviours can shape our inclusive culture.

### 2.5.2 Board Diversity

Appointments to the Winterflood Board are subject to Group Nomination committee approval. The approach to executive recruitment combines an assessment of a broad set of qualities inclusive of skills, technical capabilities alongside an assessment of competencies against the Group's leadership and Winterflood behavioural frameworks competencies.

Due to the nature of our industry and our commitment to our people, Winterflood primarily focuses on growing its own diverse talent from entry level programmes. We understand that it will take time to see significant improvements especially at Board and managerial levels as historically the pool of available talent within the sector has suffered from limited diversity,

hence our commitment to improve diversity in these areas by encouraging a diverse pipeline of internal talent for our future management team. Executive Search firms are engaged in respect of Board appointments to identify and recommend appropriate external and/or diverse talent, having evaluated the balance of suitability and diversity attributes represented at Board level, and to measure bench strength of internal candidates against their external peer group.

The current composition of the Winterflood Board can be viewed [here](#). The Board reflects differences in respect of social mobility and personal life experiences which provides diversity of thought and experience. The Board are committed to an improvement in diversity over the long term and all Board executives have a personal objective related to diversity and inclusion, and improvement in their area of oversight.

### 2.5.3 Targets

Winterflood has set both gender and ethnicity targets for FY25 in respect of our total staff population, our managerial and senior manager population. We have seen a 2% improvement in female representation and 4% of ethnicity minorities over the year.

Winterflood has seen an improvement in female representation at senior manager (+ 6%) at 20%, and continues to make progress towards our FY25 targets of 35% female managers and 25% senior managers. The Company has achieved a 5% improvement in ethnicity minority representation in the employee population and exceeded our FY25 Senior target for FY25 by 2% at 7%.

Our most recent Employee Opinion Survey closed in March 2022. We retained high levels of engagement at 92%. Our response rate remained strong at 90% allowing us to draw insight from our results. Our organisational culture was shown to be particularly strong when compared to other financial services firms with high scoring questions against the Financial Services Culture Board benchmarks. Feedback showed a strong sense of belonging with 99% of colleagues feeling included by their colleagues, 97% feeling unacceptable behaviours such as bullying, or harassment were not tolerated and 96% feeling they were treated with respect and able to be themselves at work.

## 2.6 Directorships

No member of the Winterflood Board holds more than one executive or non-executive directorship in addition to their directorship of Winterflood Securities Ltd. This excludes

directorships of Winterflood’s subsidiaries or other group entities, and directorships of organisations which do not pursue predominantly commercial objectives.

The following table sets out the number of directorships held by members of the Winterflood Board as at 31 July 2022 (inclusive of Winterflood Securities Limited):

<b>Director</b>	<b>Number of Group directorships<sup>1</sup></b>	<b>Outside directorships</b>
<b>Adrian Sainsbury (Chair)</b>	5	0
<b>Bradley Dyer (Chief Executive Officer)</b>	5	0
<b>Grant Davidson</b>	5	0
<b>Alex Kerry</b>	2	0
<b>Mike Morgan</b>	6	0
<b>Simon Rafferty</b>	5	0
<b>Alex Skrine</b>	5	0
<b>James Stapleton</b>	5	0
<b>Matthew Wilkinson</b>	1	1
<b>Joe Winkley</b>	1	0

<sup>1</sup> Includes holding and nominee companies

As at 31 July 2022 the FCA had not granted any modification or waiver in order to allow a member of the Winterflood Board to hold additional directorships.



## 3 Own Funds

### 3.1 Table OF1: Own Funds Composition

The following table shows the composition of Winterflood's own funds:

Item	Amount (GBP thousands)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
<b>1 OWN FUNDS</b>	<b>88,377</b>	
<b>2 TIER 1 CAPITAL</b>	<b>88,377</b>	
<b>3 COMMON EQUITY TIER 1 CAPITAL</b>	<b>88,377</b>	
4 Fully paid up capital instruments	120	Note 20
5 Share premium	2,668	Note 20
6 Retained earnings	87,735	Note 20
7 Accumulated other comprehensive income		
8 Other reserves	1,000	Note 20
9 Adjustments to CET1 due to prudential filters	(3,146) <sup>1</sup>	Notes 10 & 12
10 Other funds	N/A	
11 (-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	N/A	
19 CET1: Other capital elements, deductions and adjustments	N/A	
<b>20 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		
<b>25 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		

<sup>1</sup> Deductions: suspended shares; Intangibles, Investments

3.2 Table OF2: Reconciliation of Own Funds with the capital in the balance sheet in the audited financial statements to 31 July 2022.

Amount in GBP (thousands) as at period end		Balance sheet as in audited financial statements	Under regulatory scope of consolidation	Cross-reference to Table OF1
<b>Assets – Broken down by asset classes according to the balance sheet in the audited financial statements</b>				
1	Intangible Assets	919	N/A	
2	Tangible Assets	3,867	N/A	
3	Investments	1,298	N/A	
4	Right of Use Assets	7,069	N/A	
5	Deferred Tax Assets	7,064	N/A	
6	Long Positions in Securities	39,480	N/A	
7	Debtors – amounts falling due within one year	856,843	N/A	
8	Cash at Bank and in Hand	31,480	N/A	
	<b>Total Assets</b>	<b>948,020</b>		
<b>Liabilities – Broken down by liability classes according to the balance sheet in the audited financial statements</b>				
1	Short Positions in Securities	15,396	N/A	
2	Creditors – amounts falling due within one year	823,860	N/A	
3	Provisions	965	N/A	
4	Non-current liabilities or Creditors – amounts falling due after one year	16,276		
	<b>Total Liabilities</b>	<b>856,497</b>		
<b>Shareholders</b>				
1	Called Up Share Capital	120	N/A	Item 4
2	Share Premium Account	2,668	N/A	Item 5
3	Capital Redemption Reserve	1,000	N/A	Item 8
4	Profit and Loss Account	87,735	N/A	Item 6
	<b>Total Shareholders Equity</b>	<b>91,523</b>		<b>Items 1 &amp; 9</b>

### 3.3 Table OF3: Main features of Own Instruments issued by Winterflood Securities Limited:

<b>Public or private placement</b>	Private
<b>Instrument type</b>	Ordinary shares
<b>Amount recognized in regulatory capital (GBP thousands, as of 31 July 2022)</b>	£120,291.60 <sup>2</sup>
<b>Nominal amount of instrument</b>	£0.10
<b>Accounting classification</b>	Called up share capital
<b>Original date of issuance</b>	All shares have been in issuance since at least 2001
<b>Perpetual or dated</b>	Perpetual

<sup>2</sup> Before deductions

## 4 Own Funds Requirements

### 4.1 Calculation of K-Factor Requirements and Fixed Overhead Requirement

#### (1) the K-factor requirement, broken down as follows:

(a) the sum of the K-AUM requirement, the K-CMH requirement and the K-ASA requirement

K-AUM <sup>3</sup>	-
K-CMH	£543,855
K-ASA	£2,763,350

**Total** **£3,307,205**

(b) the sum of the K-COH requirement and the K-DTF requirement

K-COH	£30,647
K-DTF	£639,721

**Total** **£670,368**

(c) the sum of the K-NPR requirement, the K-CMG requirement, the K-TCD requirement and the K-CON requirement;

K-NPR	£7,080,030
K-CMG <sup>1</sup>	-
K-TCD	£154,522
K-CON <sup>4</sup>	-

**Total** **£7,234,552**

**Total K-factor requirement** **£11,212,125**

#### (2) the fixed overheads requirement:

**Total fixed overhead requirement (FOR)** **£17,420,844<sup>5</sup>**

The own funds of Winterflood consist of the sum of its common equity tier 1 capital (which is a sum of fully paid-up capital instruments, share premium, retained earnings and other disclosed reserves; all components are available to Winterflood for unrestricted and immediate

<sup>3</sup> K-AUM and K-CMG are not applicable

<sup>4</sup> K-CON is applicable but is below de minimis

<sup>5</sup> In accordance with MIFIDPRU 4.5.2R(1), the fixed overheads requirement calculation shown above is based on the figures in Winterflood's most recent audited annual financial statements (to 31 July 2022).

Winterflood's fixed overheads requirements based on relevant expenditure during the preceding year (to 31 July 2021) was £16,172,898.88.

use to cover its risks or losses as soon as these occur). Winterflood follows a regulatory risk-oriented approach to own funds requirements, to ensure that capital backing is in line with risks.

Winterflood's Own Funds threshold requirement is the larger of its K-factor requirement, Fixed Overhead Requirement (“FOR”) and from 2023 onwards, the output of the Internal capital adequacy and risk assessment (“ICARA”) process.

Winterflood holds own funds and liquid assets which are adequate, both as to their amount and quality, to ensure that:

- (a) it 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
- (b) its business can be wound down in an orderly manner, minimising harm to consumers or to other market participants”.

## 4.2 Approach to Assessing the Adequacy of Own Funds

Winterflood assesses the adequacy of its own funds on an ongoing basis and has a number of metrics in place that form part of the company risk appetite. These metrics include assessment of head-room against K-factor calculation on a standalone and combined basis., These assessments feed into regular management information packs as well as day-to-day assessment of risk and any changing risk profiles through key risk indicators and risk limits.

As part of the Company annual assessment of its risks, an internal view of capital adequacy has been formulated by the company., This will be conducted via the ICARA process once approved and on an ongoing basis.

## 5 Disclaimer

The information contained within this document has been prepared for the purposes of disclosing and making available the basis upon which Winterflood complies with the requirements of MIFIDPRU8 and has not been audited. Whilst every effort has been made to ensure that information presented is correct, no representation or warranty is made as to the accuracy or completeness of any information presented herein and these disclosures should not be relied upon by any party. The information presented, relates to Winterflood only and does not address the responsibilities requirements to which the Close Brothers Group plc. may be subject to.

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