

FCA MIFIDPRU 8 Disclosure

Introduction

The Financial Conduct Authority (“FCA” or “Regulator”) in its Prudential sourcebook for MiFID Investment Firms (“MIFIDPRU”) sets out the detailed prudential requirements that apply to Everbright Securities International (UK) Company Limited (“EBSI” or the “Firm”).

Chapter 8 of MIFIDPRU (“MIFIDPRU 8” or the “public disclosures requirements”) sets out public disclosure obligations with which the Firm must comply, further to those prudential obligations.

EBSI is classified under MIFIDPRU as a Non-Small and non-interconnected investment firm (“Non-SNI MIFIDPRU investment firm”). As such, MIFIDPRU 8 requires EBSI to disclose information on the following areas:

- Risk management objectives and policies;
- Governance arrangements;
- Own funds; and
- Own funds requirements.

The purpose of these disclosures is to give stakeholders and market participants an insight into EBSI’s culture and data on own funds requirements and allows stakeholders to assess its financial strength.

This document has been prepared by EBSI in accordance with the requirements of MIFPRU 8. Unless otherwise stated, all figures are as at the 31 December 2022 financial year-end.

Business Strategy

EBSI was incorporated 16 December 2009 and is authorised and regulated by the FCA. The Firm’s FCA reference number is 524544.

EBSI acts as a research provider, providing specialist Chinese government policy investment advice to institutional investors. This research is produced internally as well as by its affiliate companies in Hong Kong and mainland China.

EBSI’s Management ensures that the business model and subsequent risks are reviewed at least every twelve months or following a material change in the Firm’s business or operating model.

Given the Firm’s business model, controls, and controls assessment, it is the conclusion of the management that its overall potential for harm is low.

Risk Appetite Statement

The Firm’s overall risk appetite is very cautious. The Firm is willing to accept or tolerate only a very small degree of risk.

The Firm is currently focused on forming the optimal future business strategy for its owners. The Firm considers regulatory compliance, client satisfaction, and reputational risk to be its main considerations.

The Firm is very averse to any risks which pose a significant or systemic risk to its objectives (e.g. lack of resource, undesirable business models) and is diligent in its avoidance of such kind of risk-taking activity.

The Firm may have an appetite for taking well-managed risks where innovation and change create opportunities for discernible benefits but is currently only engaged in the very low-risk activity of providing investment research to institutional clients.

The risk appetite statement above was approved by the Board on the meeting held on 20 April 2023.

Risk Committee

Due to the nature, size, and complexity of the Firm, EBSI does not have an independent risk management function. In addition, EBSI is not required by MIFIDPRU to establish a risk committee.

Management is responsible for the management of risk within the Firm. EBSI has clearly documented policies and procedures contained in the Firm’s Compliance Manual, which are designed to minimise risks to the Firm and all staff are required to confirm that they have read and understood them on a regular basis.

Governance

The Board of EBSI is composed of the EBSI Chief Executive Officer / Chief Compliance Officer (“CEO/CCO”) Patrick Egan, EBSI HK Deputy CEO William Yeung, and Bob Benton. The company reports its financial position to its parent company in Hong Kong on a monthly basis.

Due to the relatively simple nature of EBSI’s business, management feels this governance framework sufficient.

Directorships held by Managing Board

Board member	External Directorships Held – as defined in MIFIDPRU 8.3
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Patrick Egan	0
William Kin Sing Yeung	0
Bob Benton	14

Liquidity Controls

EBSI has in place systems and controls that enable it to monitor liquidity risk and maintain on an ongoing basis the amounts, types, concentration risk of EBSI's cash deposits and distribution of liquidity resources that it considers adequate to cover:

- The nature and level of the liquidity risk to which it is or might be exposed; and
- The risk that liabilities cannot be met as they fall due.

The EBSI Finance department monitors its liquidity position monthly including its cash position, net assets, and level of aged receivables.

Financial results are reported to the parent company on a monthly basis.

The Board and the parent company understand that changes in the business might trigger the liquidity assessment to be revised and updated.

EBSI believes the risks to which it is exposed to are limited as EBSI is only involved in the provision of research to institutional investors. It does not trade using its own funds, nor does it execute trades for customers on an agency basis. The Board believes that sufficient strategies, policies, processes and systems have been implemented to enable EBSI to identify, measure, manage and monitor liquidity risk.

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	898	
2 TIER 1 CAPITAL		
3 COMMON EQUITY TIER 1 CAPITAL	898	19
4 Fully paid up capital instruments	1,852	19
5 Share premium	1,998	19
6 Retained earnings	- 2,952	19
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		
19 CET1: Other capital elements, deductions and adjustments		
20 ADDITIONAL TIER 1 CAPITAL	0	
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 TIER 2 CAPITAL	0	
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		

Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements

Flexible template - rows to be reported in line with the balance sheet included in the audited financial statements of the investment firm. Columns should be kept fixed, unless the investment firm has the same accounting and regulatory scope of consolidation, in which case the volumes should be entered in column (a) only. Figures should be given in GBP thousands unless noted otherwise.

	a	b	c
	Balance sheet as in published/ audited financial statements	Under regulatory scope of consolidation	Crossref to template OF1
	As at period end	As at period end	
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements			
1	Tangible assets	2,393	
2	Investments	101,554	
3	Debtors	173,766	
4	Cash at bank and in hand	1,148,049	
5			
	Total Assets	1,425,762	
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements			
1	Creditors: amounts falling due within one year	- 172,662	
	Creditors: amounts falling due after more than one		
2	year	- 355,000	
3			
4			
	Total Liabilities	- 527,662	
Shareholders' Equity			
1	Called up share capital	1,852,282	1,852,282
2	Share premium account	1,997,822	1,997,822
			-
3	Profit and loss reserves	- 2,952,004	2,952,004
	Total Shareholders' equity	898,100	898,100

Own funds: main features of own instruments issued by the firm

Free text. A non-exhaustive list of example features is included below.

Examples

Public or private placement

Instrument type

Amount recognised in regulatory capital (GBP thousands, as of most recent reporting date)

Nominal amount of instrument

Issue price

Redemption price

Accounting classification

Original date of issuance

Perpetual or dated
Maturity date
Issuer call subject to prior supervisory approval
Optional call date, contingent call dates and redemption amount
Subsequent call dates, if applicable
Coupons/dividends
Fixed or floating dividend/coupon
Coupon rate and any related index
Existence of a dividend stopper
Convertible or non-convertible
Write-down features
Link to the terms and conditions of the instrument

Conclusion

The information contained in this disclosure is proportionate to EBSI's size, nature, and complexity of activities, in line with the MIFIDPRU guidance rules.

The Firm's strategy, risks and capital structure are reviewed on an annual basis as part of the Firm's governance process or whenever there is a material change to the Firm's business or operating model. Management confirms that the Firm holds sufficient own funds and liquid assets to meet the risk of harm it poses to itself and other market participants.