Annual disclosure for IBOSS Asset Management Limited (IAM)

for year ending 31 December 2024

1. Introduction

The Investment Firms Prudential Regime (IFPR) came into effect on 1 January 2022 as a new regime for UK firms authorised under the Markets in Financial Instruments Directive (MiFID).

The IFPR was implemented by the FCA as prudential regulation within the MIFIDPRU section of the FCA Handbook.

These disclosures set out IBOSS Asset Management's annual public disclosures as required under MIFIDPRU 8 for the year ending 31 December 2024.

Scope and application of disclosure

These disclosures relate to IBOSS Asset Management Limited (IAM) on a solo basis, as a non-SNI MIFIDPRU Investment firm authorised and regulated by the FCA, where no consolidation with other group entities has been made. While IAM forms part of the wider Kingswood Group, the firm does not rely on capital, liquidity, or risk management processes of other group entities to meet its own prudential obligations. IAM is solely responsible for maintaining sufficient own funds and liquid assets to satisfy the Overall Financial Adequacy Rule (OFAR) and its Own Funds Requirement.

IAM is required to disclose on an individual firm basis, and these disclosures have been prepared in line with the requirements of MIFIDPRU 8.

As a non-SNI firm we are required to disclose the following information:

- Governance arrangements
- Risk management objectives and policies
- Own funds
- Own funds requirements
- Remuneration policies and practices

Firm Details

IBOSS Asset Management Limited (IAM) is owned by Kingswood Holdings Limited (KHL). KW UK Wealth Planning Hold Co and KW UK Investment Management Hold Co are subsidries of KHL which are both Guernsey registered companies. Each have a Board specialising in their respective areas. KW UK Investment Management Hold Co Limited owns Metnor Hodlings Limited a UK registered company who owns IBOSS Asset Management Limited.

2. Qualitative Disclosures – Governance & Risk Management

Our policy is designed to be proportionate based on the size of our firm and the scope of our regulated activities.

Our policy reflects our firm's culture and our ability to deliver good client outcomes to our clients.

Our firm provides the following regulated activities to both retail and professional clients

Governance

The Board of IAM has ultimate responsibility for the ICARA process, including the setting of OFAR, monitoring capital and liquidity adequacy, and approving the firm’s approach to managing material risks. Day-to-day oversight and challenge are provided by the Risk Committee and the Board Audit and Risk Committee, which receive regular reporting on risk exposures, control effectiveness, and capital and liquidity positions. The ICARA process, including the adequacy of own funds and liquidity, is reviewed at least annually or more frequently if material changes occur in the business or risk profile.

The Investment Policy Committee (IPC)

This is the senior investment committee within the Kingswood Group. It is chaired by our Chief Economist, and attended by the CIO, Head of Investment Management and members of their teams. The Kingswood CEO and CRO are also invitees.

The role of the IPC committee is to oversee the Investment Philosophy for the Kingswood Group and its regulated investment subsidiaries. This includes setting house guidance on strategic and tactical asset allocations and regional positions. It reviews the performance of investment models to ensure they are functioning as expected.

The CEO and CRO are standing invitees to this committee and receive all working papers and minutes.

IAM and Investment Process

The IAM Investment Committee works in conjunction with the IPC and has authority to make decisions and implement solutions required to construct and act in line with the obujectives and policies of the MPS and OEIC solutions, but with oversight and challenge from the IPC.

The committee monitors product governance, investment research, management issues and consumer duty outcomes.

The IAM investment philosophy and process is based on the following factors;

Diversification – 4% maximum holding in any one actively managed fund, resulting in 30-50 funds per model. This methodology aims to diversify away a portion of manager, fund and style risk.

Fund Selection – Rigorous assessment including quantitative and qualitative research, including performance assessment, risk characteristics, geographical allocation, fund size and inflows, fund manager tenure.

Research and Due Diligence – We review the investment process for underlying funds, including discussions around liquidity, risk modelling, target market and value for money assessment.

Risk and performance monitoring – Portfolios are reviewed at least weekly by the Investment Team using Fund Analysis reports, detailing underlying holdings and portfolio return statistics. The report also includes ratios and relevant performance periods so the team can assess the risk profile of the portfolios and its underlying holdings on both a quantitative and qualitative basis.

Risk Management Framework

The firm's risk management objectives and policies are approved by the Board and are designed to identify, manage and mitigate the potential for harm arising from the firm's business model and strategy. Through the Group Risk Management Framework, informed by the ICARA process, the firm assesses all material risks in accordance with MIFIDPRU 8.2.1R using a consistent 5x5 risk assessment methodology, considering inherent and residual risk based on impact, likelihood and the effectiveness of mitigating controls. Risks are subject to defined ownership by senior management, ongoing monitoring and escalation to the Risk Committee and the Board Audit and Risk Committee. The Board sets and reviews the firm's risk appetite at least annually and requires that no residual risk is assessed as 'Very High' without a time-bound remediation plan, supporting effective oversight and the reduction of potential harm to clients, markets and the firm.

To ensure the effectiveness of Kingswood Group's risk management framework, the Board and Senior Management rely on adequate line functions.

IAM assesses all material risks in line with MIFIDPRU 8.2.1R, including operational, market, credit, liquidity, conduct, prudential, and group-level risks. Outputs from the ICARA process, including stress testing and scenario analysis, directly inform the firm's decisions on the level of own funds and liquidity to hold, ensuring that capital resources are sufficient to mitigate potential harm to clients, markets, and the firm, and to support an orderly wind-down if required

FIRST LINE OF DEFENCE

All businesses within the group have day to day ownership and responsibility for their risks.

- Identifying and assessing risks
- Managing & controlling risks
- Measuring risks and developing key risk indicators
- Mitigating risk and balancing reward
- Reporting and escalation

SECOND LINE OF DEFENCE

Kingswood maintains an independent second line Risk & Compliance function that provides support and independent challenge to the first line. Responsibilities include:

- Design & operation of the Risk Framework
- Risk Assessment
- Risk Appetite
- Risk reporting
- Challenge and oversee the adequacy of controls & action plans.

THIRD LINE OF DEFENCE

The Group makes use of external consultants to provide a further layer of oversight and challenge on the adequacy of our Risk Management and Compliance Frameworks.

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. IAM Directors as of 31st December 2024.

Name	Role	No of other UK Directorships as per MIFIDPRU 8.3.1R(2)
Peter Coleman	CEO / Director	0
Paul Hammick	CRO / Director	0

Source: Companies House

3. Own Funds & Own Funds Requirement (MIFIDPRU 8.3 & 4)

The Firm's own funds are CET1 capital. As at 31 December 2024 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**	6,786	
2	**TIER 1 CAPITAL**	6,786	
3	**COMMON EQUITY TIER 1 CAPITAL**	6,786	
4	Fully paid up capital instruments	50	Equity 1
5	Share premium		
6	Retained earnings	6,727	Equity 3
7	Accumulated other comprehensive income		
8	Other reserves	9	Equity 2
9	Adjustments to CET1 due to prudential filters		
10	Other funds		
11	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	0	
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	0	
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**	**Cross-reference 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	Debtors	6,844		
2	Cash at bank and in hand	999		
	Total Assets	7,843		
Liabilities - *Breakdown by liability classes according to the balance sheet in the audited financial statements*				
1	Creditors due less than 1 year	1,057		
	Total Liabilities	1,057		
Shareholders' Equity				
1	Share capital	50		Item 8
2	Redemption reserve	9		Item 4
3	Retained earnings	6727		Item 6
	Total Shareholders' equity	6,786		

K-Factor Requirement

As IBOSS Asset Management 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 apply to IAM:

K-Factor	Based-on	Calculation
K AUM	Assets Under Management	K-AUM requirement is equal to 0.02% of the firm’s average AUM, which is in turn defined as the average of preceding 15 months, excluding last 3 months

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 IAM:

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

IAM calculates its total K-Factors Exposure to be: £416k (31 December 2024). This is calculated as follows:

K-factor	Per Management Information (in £'000)	As at 31 Dec 24	Coefficient	Requirement
K-AUM	Average AUM for last 15 months, excluding most recent 3 months:	2,078,123	0.02%	416
K-CMH	Average CMH for last 9 months, excluding most recent 3 months:	-	0.40%	-
K-ASA	Average ASA by business day for last 9 months, excluding most recent 3 months:	-	0.04%	-
K-COH	Total COH per business day for last 6 months, excluding most recent 3 months, averaged:	-	0.10%	-
Total K-factor requirement				**416**

Fixed Overhead Requirement (FOR)

As 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 IAM is y/e 2024.

IAM calculates it's FOR to be £376K.

Approach to Assessing Adequacy of Own Funds (OFAR)

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 IAM, this is the highest of:

- Permanent Minimum Capital Requirement (£150k)

- Fixed Overhead Requirement
- K-Factor Analysis

IAM OFR is £416k

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, IAM 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.

<u>Material Harms</u>

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.

<u>Wind Down</u>

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 IAM 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 IAM)

Liquid Assets Threshold Requirement (LATR)

As part of this ICARA process, IAM 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.

ICARA Outcome

Following its review under the ICARA process, IAM confirms that the capital and liquidity resources held are sufficient to meet the OFTR and LATR. No additional own funds or liquid assets are required at this time. This conclusion reflects the firm's assessment of internal thresholds, material harms, and potential risks arising from its business model.

4. The ICARA Process

IAM 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 IAM 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 Rule ('OFAR')
- Capital stress testing
- Reverse stress testing
- Recovery planning
- Wind-down planning

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

5. Remuneration policy and practices

As a non-SNI MIFIDPRU firm under IFPR, we are required to disclose the following remuneration information regarding our remuneration policy and practices under MIFIDPRU

Our remuneration packages and incentive schemes are designed to;

- Promote sound and effective risk management
- Ensure conflicts of interest are avoided
- Encourage responsible business conduct
- Promote risk awareness and prudent risk-taking
- Be consistent with our firm's culture and values
- Provide good outcomes for consumers

Quantitative disclosures

- The total amount of remuneration awarded to all staff is split into fixed v variable remuneration.

Qualitative disclosures

- Our approach to remuneration for all staff
- The objectives of our financial incentives
- The decision-making procedures and governance surrounding the development of the remuneration policies and practices our firm is required to adopt in accordance with the MIFIDPRU Remuneration Code, to include, where applicable:
  - The composition of and mandate given to the remuneration committee and
  - Details of any external consultants used in the development of the remuneration policies and practices
- The key characteristics of our remuneration policies and procedures to enable
  - An understanding of the risk profile of our firm and/or the assets it manages and
  - An overview of the incentives created by our remuneration policies and practices
- The different components of our remuneration, together with the categorisation of those remuneration components as fixed or variable
- A summary of the financial and non-financial performance criteria used across the firm, broken down into the criteria for the assessment of the performance of
  - The firm,
  - Business units, and
  - Individuals

Any remuneration package or incentive scheme we have in place or may introduce in the future, will not:

- Remunerate or assess the performance of our staff in any way that conflicts with our duty to act in the best interest of our clients
- Include any arrangement by way of remuneration, sales targets or otherwise, that could provide an incentive to our staff to recommend a particular product to a Financial Adviser that impacts the retail client, where a different product could be offered that would better suit their needs
- Create a conflict of interest that would encourage individuals to act against the interests of any of our clients
- Be solely or predominately based on quantitative commercial criteria

And:

- Will ensure the fair treatment of our clients and the quality of service provided
- Will take appropriate qualitative criteria into account
- Maintain a balance between fixed and variable remuneration so the structure doesn't favour our firm or staff over those of our clients.

Our approach to remuneration for all staff and the objectives of our financial incentives in respect of staff remuneration.

We pay all our staff fixed remuneration. There is a discretionary bonus scheme in operation based on the profits of IAM. Any discretionary payments are made at the discretion of the Board of Directors and take clear performance indicators into account. Any discretionary payments to any staff will not be made without input from the SMF16 compliance function to ensure compliance with the requisite regulatory requirements and prevention of conflicts is factored into the decision-making.

We will discourage individuals from acting against the interests of any of our clients by ensuring no incentive is rewarded for promoting or selling one product or service over the other.

IAM utilise the services of IBOSS Limited for administration support, for which we have a contract in place. Staff performance is reviewed and taken into consideration.

IAM key objective is to grow the business organically, ensure we attract the right key personnel to the Company and retain them, ensure the business embraces regulatory principles and rules but protects long-term sustainable financial stability and profitability.

Our decision-making procedures and governance surrounding the development of IAM remuneration policies and practices.

Kingswood Group oversee IAM. Kingswood Group relies on the Group Nomination and 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 and 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 key characteristics of our remuneration policies and practices including the different components of our remuneration, together with the categorisation of those remuneration components as fixed or variable.

- Fixed remuneration - all staff
- Discretionary bonus - all staff
- Sales bonus – Business Development Staff
- LTIP - certain Management/Senior Staff

The Business Development Managers, who receive a sales bonus based on net assets under management. Their objectives are to promote our OEIC and DFM MPS and to manage the relationship with the existing firms who use our products and services. Their performance is monitored and reviewed. By basing any incentive on the net assets, it protects the business against market downturns and takes account of any business reductions, incentivising long-term retention. plus, we have the non-financial KPI's; complaints are monitored, client feedback and servicing and competencies in achieving their objectives. We have the following executive schemes in place:

Long-Term Incentive Plans incentive for some Senior Managers/staff;

- The structure of the scheme's awards are based on two conditions; group EBITA and the share price.
- It is a three-year scheme ending December 2024. The scheme's performance period is half-yearly. A new performance commences every six months based on the target EBITDA. Shares are awarded each half year if this is reached. At the end of 2024, the share needs to be 39 p or more for any payment to be made on top of achieving the target
- The scheme is due for review when the current one ends in December 2024.

Discretionary bonus

IBOSS Asset Management Limited, overseen by Kingswood Group, currently sets the variable remuneration of its staff in a manner that considers individual performance, the performance of the individual's business unit and the overall results of IAM.

As a non-SNI MIFIDPRU investment firm, we are required to disclose the total remuneration of all our staff split between fixed and variable remuneration for our performance year end, which is also our financial year-end. The staff are employed by IBOSS Asset Management Limited, for which we have a contract for services; the current fixed remuneration allocated in the ICARA is below.

For our year ending 31 December 2024, our total remuneration is split as follows:

Type of Remuneration	Amount £000s (to be amended for Dec 24)
Fixed Remuneration	£ 1,022,661
Variable Remuneration	£25,260
Total Remuneration	£ 1,047,921