

# First Equity Limited

## MIFIDPRU annual disclosures – July 2022

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First Equity Limited (FEL/firm) is authorised and regulated by the Financial Conduct Authority (FCA) and subject to minimum capital requirements. FEL is wholly owned by First Equity Holdings Limited. FEL is the only operating company within the Group and therefore reports to the FCA on an unconsolidated basis.

FEL acts as an execution, advisory and discretionary stockbroker on an agency and matched principal basis. It additionally offers corporate broking services. It does not trade for its own account and accordingly carries no trading book exposure.

FEL is subject to the FCA's new prudential regime for MIFID investment firms which aims to streamline and simplify the prudential requirements for UK investment firms. It came into effect on 1 January 2022 and its provisions apply to First Equity Limited as a non-small non-interconnected ("non-SNI") MIFIDPRU investment firm.

FEL is required to publish disclosures in accordance with the provisions outlined in MIFIDPRU 8 of the IFPR. The disclosure for FEL is prepared on a solo entity basis. The disclosed information is proportionate to the firm's size and organisation, and to the nature, scope and complexity of its activities.

The disclosures are as of 31 July 2022, being the date of the last published annual financial statements of the Firm.

### Governance

The affairs and operations of the firm are managed by the executive members of the Board of Directors, the two joint Chief Executive Officers (CEO) and the Chief Operating Officer (COO). The CEOs are responsible for the agency and corporate broking activities on a day-to-day basis and the COO is responsible for operational and financial affairs as well as being the Compliance Officer. The Board is overseen by the Non-executive Chairman.

All the members of the Board undertake roles and assume responsibilities that are classified as Senior Management Functions under SMCR.

The Directors recognise and take ultimate responsibility for the risks arising from the business undertaken by the firm and have developed risk management policies and procedures which have become a key driver within the overall business strategy. These policies:

- identify and manage the major sources of risk to the firm and the nature of previous losses that could re-occur.
- are appropriate for the size, nature and complexity of transactions entered into by the firm and reflect the quality, frequency and sophistication of the firm's monitoring capabilities, systems and processes.
- ensure appropriate internal controls are in place.

The Board has the responsibility to set the overall tone and culture of the Firm.

Due to the firm's size and the nature of its business activities, it does not have Nomination, Remuneration or Risk Committees as part of its governance arrangements; it is not required to establish such committees under MIFIDPRU 7.1.4R.

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The members of the Board that hold external executive and non-executive directorships are as follows:

Director	Position	Number of Directorships
Simon Hodson	Non-executive Chairman	2
Cameron Parry	Joint Chief Executive Officer	6

### Approach to Diversity

The firm recognises that successful businesses embrace diversity at all levels, including in senior management. FEL is committed to promoting a diverse workplace in recognition of the firm's employees being one of the firm's greatest strengths.

FEL values the innovation and creativity that diversity of thought brings to the workplace and understands that the concept of diversity and inclusion plays a critical role in establishing strong governance and maintaining a healthy culture from the top as part of delivering higher standards of conduct and success for the business.

The executive members of the Board of Directors are shareholders in the firm and holders of specific roles within the firm. FEL acknowledges that these members are therefore members of the Board, by virtue of their roles at the firm and the governance/prudential requirements incumbent on the firm.

The inherent size of the firm will present challenges to the ability to diversify but it is recognised that this is an area of continuing evolution and development for the firm.

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### Own Funds

Composition of Regulatory Own Funds and Reconciliation to Balance Sheet in the Audited Financial Statements

The firm's Own Funds are exclusively CET1 capital. The firm has complied with all externally imposed capital requirements in IFPR since its introduction on 1 January 2022. Tier 1 capital consisted of fully issued ordinary shares, satisfying all the criteria for a Tier 1 instrument as outlined in IFPR, and audited reserves with deductions as required.

	£'000
Fully paid-up ordinary share capital	1,479
Audited profit & loss account	(703)
<b>Audited capital and reserves at 31/07/2022</b>	<b>776</b>
Deductions from Common Equity Tier 1	
Excess capital withdrawals over profits year to date	-
Net book value of intangible assets	-
Common Equity Tier 1 Capital	776
Additional Tier 1 Capital	-
Total Tier 1 Capital	776
Tier 2 Capital	-
<b>Total Own Funds at 31/07/2022</b>	<b>776</b>

A fuller breakdown of regulatory Own Funds and a reconciliation to the balance sheet in the audited financial statements of the firm is provided in Table 1 and Table 2.

### Own Funds Requirements

The firm must maintain at all times Own Funds that are at least equal to its own funds' requirement. The firm's own funds requirements are calculated as per MIFIDPRU 4.3 which states that they should be the highest of:

- i) K=factor requirement
- ii) Fixed overheads requirement
- iii) Permanent minimum capital requirement

At 31 July 2022, these are summarised as:

	£'000	
K-Factors	∑ K-AUM, K-CMH & K-ASA	7
	∑ K-DTF & K-COH	1
	∑ K-NPR, K-CMG, K-TCD & K-CON	-
	Total	8
Fixed Overheads Requirement	352	
Permanent Minimum Requirement	150	
Own Funds Requirement (maximum of the above)	352	

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### Assessing the adequacy of Own Funds

The firm assesses the adequacy of its Own Funds in accordance with the prescribed permanent minimum capital, fixed overheads and applicable K-factor requirements. In addition, the firm will further identify and quantify any additional Own Funds requirements due to (i) any material risks associated with ongoing business operations and (ii) a requirement to facilitate an orderly wind-down of the business. The own funds requirement is subject to review and approval by the Board.

The firm has assessed its additional own funds requirements using the transitional provisions under MIFIDPRU10 and will in future disclose its own funds requirements using the Internal Capital Adequacy and Risk Assessment process described under MIFIDPRU 7. The firm has at all times met its own fund requirements since 1 January 2022.

### Remuneration Disclosures

For the year ended 31 July 2022, the firm has applied the transitional provisions available for public disclosure requirements contained in rule 12.8 of MIFIDPRU TP12. As such, this section of the disclosures has been prepared under the previous regime's rules and the remuneration disclosure is set out below, as required by Article 450 of the UK CRR.

The remuneration paid is based upon a competitive market-based level that compensates employees by taking into account their skills, work performed and responsibilities. Overall remuneration may contain an element of variable remuneration (bonus) which is entirely discretionary and based upon the performance of the company and the employee.

Decisions over the level of remuneration are taken by the Board of Directors.

### Code staff criteria

Persons considered to be Code Staff are those whose professional activities have a material impact on the firm's risk profile.

### Aggregate quantitative information on remuneration for Code Staff

For the financial year ended 31 July 2022 it is considered that 3 Directors fell within the definition of Code Staff:

Aggregate remuneration: £337,000

The aggregate remuneration includes a variable element of £100,000.

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<b>Table 1 - Composition of regulatory own funds: 31 July 2022</b>			
	<b>Item</b>	<b>Amount (GBP thousands)</b>	<b>Source based on reference numbers/letters of the balance sheet in the audited financial statements</b>
<b>1</b>	<b>OWN FUNDS</b>	776	
<b>2</b>	<b>TIER 1 CAPITAL</b>	776	
<b>3</b>	<b>COMMON EQUITY TIER 1 CAPITAL</b>		
4	Fully paid-up capital instruments	1479	13
5	Share premium		
6	Retained earnings	(703)	13
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	<b>ADDITIONAL TIER 1 CAPITAL</b>	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	<b>TIER 2 CAPITAL</b>	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		

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<b>Table 2 - Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements</b>				
Figures are in GBP thousands.				
		a	b	c
		<b>Balance sheet as in published/audited financial statements</b>	<b>Under regulatory scope of consolidation</b>	<b>Cross-reference to template OF1</b>
		<b>As at 31 July 2022</b>	<b>As at 31 July 2022</b>	
<b>Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements</b>				
1	Tangible fixed assets	33		
2	Debtors	2,102		
3	Investments	605		
4	Cash	69		
xxx	<b>Total Assets</b>	2,809		
<b>Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements</b>				
1	Trade creditors	1,687		
2	Other creditors	6		
3	Other taxes and social security costs	43		
4	Amounts owed to group undertakings	1		
5	Accruals	288		
6	Provision for liabilities	8		
xxx	<b>Total Liabilities</b>	2,033		
<b>Shareholders' Equity</b>				
1	Called up share capital	1,479		
2	Retained earnings	(703)		
3				
xxx	<b>Total Shareholders' equity</b>	776		