



SHORE CAPITAL  
CAPITAL MARKETS

## MIFIDPRU 8 Public Disclosure: Shore Capital Stockbrokers Ltd

Reporting reference date: 31 December 2023

# 1. Regulatory Framework

## 1.1 Purpose

Shore Capital Stockbrokers Limited ("SCS") is authorised and regulated by the Financial Conduct authority. SCS is required to disclose information relating to the regulatory capital held, regulatory capital requirements, the material categories of risk it faces and any potential for causing harm. The aim of this disclosure is to provide key information to stakeholders and counterparties in understanding the business' financial strength, risk profile, and the potential for causing harm.

With effect from January 2022, the FCA introduced the Investment Firms Prudential Regime (IFPR). The framework is set out in the MIFIDPRU section of the FCA Handbook. This document demonstrates how the firm meets the Overall Financial Adequacy Rule (OFAR) and how the firm's strategies and processes help to reduce harm.

This document sets out the disclosures as required by Investment Firm Prudential Review ("IFPR") which are set out in MIFIDPRU 8. This document replaces the Pillar 3 disclosures of 2021 which were in accordance with BIPRU 11.

## 1.2 Scope

The information included in this document is at the year-end date 31 December 2023, in line with the published financial statements.

The disclosures made within this document do not constitute financial statements and are not subject to audit or external verification. The disclosures have been reviewed by the Senior Risk and Compliance Committee and Senior Management.

Shore Capital Stockbrokers Limited is a non-SNI MIFIDPRU investment firm. The disclosures herein are made on a solo entity basis. Shore Capital Stockbrokers Limited is a subsidiary of Shore Capital Markets Limited.

Shore Capital Stockbrokers Limited specialise in capital markets activities including, market making, research, broking and sales services.

The business is operating on a going concern basis. Senior Management considers that SCS's business model is sound and is capable of withstanding economic stresses and downturns.

### 1.3 Non-Material, Proprietary or Confidential Information

In accordance with MIFIDPRU 8.7.4 R, Shore Capital Stockbrokers Limited has omitted information that it deems to be proprietary or confidential.

Information is regarded as proprietary if sharing that information with the public would have a material adverse effect upon its business.

SCS must regard information as confidential if there are obligations to customers or other counterparty relationships binding the business to confidentiality.

### 1.4 Frequency and Means of disclosure

Public disclosures are required to be made at least annually in conjunction with the date of SCS's financial statements. These disclosures are made by reference to the SCS reporting year end being 31 December.

SCS's MIFIDPRU8 public disclosures are published in the Regulatory Information section of Shore Capital Market's website [www.shorecapmarkets.co.uk](http://www.shorecapmarkets.co.uk)

## 2. Governance

Shore Capital Stockbrokers Limited operates its governance structure through its Board, together with sub-committees appointed by the board.

The Chief Financial Officer with input from Compliance, Human Resources and Legal, is responsible for the preparation and review of this document.

### 2.2 SCS Board

The Shore Capital Stockbrokers Limited Board ensures that through the effective day-to-day running and management of its business, SCS can continue to operate as a going concern and that all regulatory requirements are met.

The SCS Board receives management information to assist with its day-to-day operational management, including the management of risk, of the business. This includes:

- Daily statement of revenue, mark-to-market exposures and cash.
- Weekly statement of revenue, debtors, cash and excess regulatory capital.
- Monthly management accounts.

The Board assesses the effectiveness of procedures, systems and controls in monitoring, detecting and mitigating risks arising from the business' activities.

## 2.3 Operational Risk and Compliance Committees

The Board has appointed specific sub-committees to oversee the management of operations and operational risk. There are three Committees:

- Senior Risk and Compliance Committee ("SRC")
- Risk and Operations Committee ("ROC")
- Market Making and Execution Risk Committee ("MERC")

Among other things, these committees consider the operational stresses, risks and potential risks to the business. The committees will consider risk indicators which would indicate the need for an escalation of matters to the Operating Board or the Prudential Working Group ("PWG"). The PWG is the body tasked with managing matters relating to SCS's Recovery Plan and will escalate matters to the Shore Capital Stockbrokers Limited Board.

## 2.4 Directorships

In accordance with MIFIDPRU 8.3.2R there were no board members which held disclosable directorships during the period.

## 2.5 Diversity, Equity, and Inclusion

SCS adopts the Shore Capital framework for diversity, equity and inclusion.

Diversity, Equity & Inclusion is embedded within Shore Capital's working practices, scaling the entirety of the employee life cycle. Shore Capital is committed to treating all employees fairly and equitably and has an Equal Opportunities Policy in place.

Being a regulated organization, under the Senior Managers and Certification Regime ("SMCR"), there is an expected level of behavior and conduct that is required. Training is given to all staff to ensure they are aware of their responsibilities, and to highlight how actions and behaviours shape the culture, including ensuring the working environment is free from any form of harassment and discrimination. This is reinforced by a Dignity at Work Policy and the DE&I Policy.

As a company Shore Capital understand and value the uniqueness that each employee brings to the business and the workplace and recognise the importance of diversity and inclusion in attracting and retaining the best talent and creating a healthy and inclusive culture. Shore has a flat organizational structure and an open plan office which allow for an open-door policy, whereby everyone has access to senior management who welcome and actively listen to ideas that are brought forward and look to challenge the status quo. Shore Capital fosters a culture of inclusion and trust by encouraging different perspectives and ensuring that employment practices are equitable and fair so that employees can contribute, grow, and reach their full potential. As a company Shore Capital appreciates that diversity, equity, and inclusion positively impact motivation, productivity, results, and innovation.

### 3. Risk Management

#### 3.1 Overview

SCS is required to articulate the risk management objectives and policies for Own Funds, Concentration risk and Liquidity.

#### 3.2 Risk management framework

Shore Capital Stockbrokers aims for a low level of risk although it understands that risk is inherent in the firm's activities and that to generate returns it must accept a certain level of risk. Risk is mitigated so as to enable the firm to pursue its business strategy and prevent harm to customers, harm to the market and harm to the firm.

The Risk appetite of SCS aims to ensure a strong regulatory capital surplus whilst enhancing shareholder value and maintaining a resilient business. This is achieved by maintaining a diversified business model and ensuring a risk focused culture ensuring all members of the business act in the best interest of its clients and adhere to all compliance, legal and regulatory regime and guidance at all times.

The firm has an appetite for the risks which are inherent to generating material revenue streams, however these risks are closely monitored and managed to ensure the risk exposure remains within agreed tolerance levels.

SCS Senior Management have extensive industry experience, together with a strong challenge culture. The firm maintains a Risk management map which sets out the key risks which it has identified in its various business activities. The map shows the controls which have been implemented to mitigate each risk, thereby enabling SCS to readily identify those which pose the greatest risk. The map is continuously reviewed to ensure that it remains current and reflects any changes in SCS's risk appetite, activities and markets in which it operates as well as changes in the external environment.

SCS has a strong culture of risk control as evidenced by the close involvement of the Board and Senior Management and a long track record of effectively managing its risks.

### 3.3 Own funds

The Regulatory Capital of SCS is comprised of Ordinary Equity Share Capital, Retained Earnings and Other Reserves. The capital is held by its Parent company Shore Capital Markets Limited, it is not publicly available for sale. This is not considered to be a limiting factor for Shore Capital Stockbrokers, as there is a large capital surplus.

### 3.4 Liquidity risk

SCS faces liquidity risk on a number of its underlying activities although the risks are mainly in relation to the market making activities undertaken.

The liquidity position of the company is closely monitored and managed on a daily basis, adhering to the liquidity policies and controls that have been put in place. Liquidity KRIs are included in regular and timely reporting to the SCS board, with breaches being reported immediately.

SCS ensures its solvency position remains robust when considering any distribution of earnings through dividend payments.

SCS holds significant unencumbered cash balances of £22.9m. In addition to its excess working capital, SCS has an undrawn revolving credit facility totalling £20m.

The liquidity requirement for the entity is set at 1/3 of the Fixed overhead requirement (see 4.2).

### 3.5 Concentration risk

In the usual course of business, SCS is not exposed to significant risk through a concentration or dependency on a single client, fund or market.

The only exposures that SCS may ordinarily maintain in excess of 25% of its capital resources, and therefore deemed to be a concentrated exposure in the more traditional sense, are to its primary banking relationships.

The trading book business within SCS, undertaken across a very large number of security issuers, is volume driven and does not ordinarily result in a notable balance sheet position being taken by the firm. As a result, SCS does not have a material inventory of trading book positions and does not take large directional or proprietary positions on which a concentration of market risk may arise. Due to the diversified nature of the trading book and the trading book policy and limit structures in place, concentration risk is considered unlikely to ever generate a significant risk to the SCS business.

Where SCS could be exposed to concentration risk is in respect of counterparty risk. SCS has in place a Concentration risk policy which outlines the circumstances in which it may maintain an exposure to a trading counterparty that is in excess of 25% of its stand-alone capital resources. In such instances, counterparty exposures are also measured against an internal set of limits to ensure that exposures to counterparties remain aligned to the risk appetite at all times.

## 4. Own Funds and Capital Requirements

### 4.1 Own funds

The below table summarises a full reconciliation of SCS's Regulatory Capital against SCS's Own Funds calculated as at 31 December 2023, being the most recently audited financial statements. SCS calculates and reports its capital resources and capital resources requirements in accordance with the current MIFIDPRU FCA regulations, no transitional provisions have been enacted.

Common Equity Tier 1 capital is comprised of share capital and reserves. SCS has no Tier 2 Capital.

Table 1

Composition of regulatory own funds		
Item	Amount (GBP thousand)	Source based on reference numbers/letters of the balance sheet in the audited financial
<b>1 OWN FUNDS</b>	34,890	
<b>2 TIER 1 CAPITAL</b>	34,890	
<b>3 COMMON EQUITY TIER 1 CAPITAL</b>	34,890	
4 Fully paid up capital instruments	1,640	Note 16 in FS
5 Share premium	3,271	Note 17 in FS
6 Retained earnings	32,088	
7 Accumulated other comprehensive income		
8 Other reserves	10	Note 18 in FS
9 Adjustments to CET1 due to prudential filters		
10 Other funds		
11 (-)TOTAL DEDUCTIONS FROM COMMON EQ	(2,119)	
19 CET1: Other capital elements, deductions and adjustments		
<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		

Deductions from own funds include £150k Investment in associate and £136k of Deferred tax, this constitutes the difference between the Total Shareholders Equity in the financial statements (Table 2) of £35,177 and the Own Funds £34,889k (Table 1).

Table 2

Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements				
		a	b	c
		Balance sheet as in published/audited financial statements	Under regulatory scope of consolidation	Cross reference to template DF1
		As at 31 December 2023 €'000	As at 31 December 2023 €'000	
<b>Assets – Breakdown by asset classes according to the balance sheet in the audited financial statements</b>				
1	Fixed assets	1,157		150k forms Part of 11 Deductions from capital
2	Trading assets	3,861		
3	Debtors	29,581		136k forms Part of 11 Deductions from capital
4	Current Asset Investments	439		
5	Cash at bank and in hand	22,928		
	<b>Total Assets</b>	<b>57,966</b>		
<b>Liabilities – Breakdown by liability classes according to the balance sheet in the audited financial statements</b>				
1	Trading liabilities	(530)		
2	Creditors	(22,253)		
3				
4				
5				
	<b>Total Liabilities</b>	<b>(22,783)</b>		
<b>Shareholders' Equity</b>				
1	Called up share capital	1,640		4 Fully paid up capital instruments
2	Share premium account	3,271		5 Share premium
3	Other reserves	10		8 Other reserves
4	Profit and loss account	30,256		6 Retained earnings & €2,157k in 11 Deductions from capital
	<b>Total Shareholders' equity</b>	<b>35,177</b>		
<b>Own funds: main features of own instruments issued by the firm</b>				
Ordinary shares €1 each, which carry no right to fixed income. Each share carries the right to one vote. There are no restrictions on the size of a holding nor on the transfer of shares. No person has any special rights of control over the Company's share capital.				

## 4.2. Capital requirements

At all times SCS maintains own funds that are in excess of the own funds requirement as calculated in accordance with MIFIDPRU 4.3 together with additional capital deemed necessary following the internal assessment of risk and harms.

The minimum capital requirements are calculated as the higher of:

1. The permanent minimum capital requirement
2. The Fixed overhead requirement
3. The K-Factor requirement



As at 31 December 2023 the minimum capital requirements were:

Table 3

	£'000	£'000
The permanent minimum capital requirement (PMCR)		750
The Fixed overhead requirement (FOR)		6,326
The K-Factor requirement (KFR)		755
	K-DTF	66
	K-NPR	618
	K-TCD	72
<b>Own funds requirement</b>		<b>6,326</b>

In addition to the minimum capital requirement and in line with MIFIDPRU 7.4.7 Overall Financial Adequacy Rule (OFAR) SCS, at all times, holds own funds and liquid assets which are adequate, both as to their amount and their quality, to ensure that:

- SCS 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
- the SCS business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

## 5. Remuneration

### 5.1 Classification

SCS is classified as a “Tier 3” firm in accordance SYSC 19A and in accordance with the FCA's general guidance on proportionality on the basis that Shore Capital has gross assets of less than £15bn.

### 5.2 Remuneration Committee

SCS is not considered “significant” for the purposes of the Remuneration Code and so is not required to have a remuneration committee. It should be noted, however, that the ultimate holding company of the FCA regulated firms, Shore Capital Group Limited has a remuneration committee. This committee determines the company's policy on the remuneration of executive directors and certain other Senior Executives. It is not considered a remuneration committee under the Remuneration Code (Article 450).

### 5.3 The role of the relevant stakeholders

The Board of Directors of SCS are responsible for remuneration, with appropriate advice given by Shore Capital Stockbrokers' Human Resources and Compliance departments as appropriate.

### 5.4 The link between pay and performance

The Company's remuneration policy is designed to attract and retain individuals of the highest calibre and probity and reward them so that they are motivated to grow and share in the long-term development and success of the business.

Remuneration payments by SCS consists of two components, fixed remuneration consisting of a base salary together with benefits and variable remuneration based on a performance (financial and non-financial) related bonus award. The variable pay element comprises an annual award which is determined either by reference to contractual agreements in place or on a discretionary basis. This award is a discretionary award which reflects the extent of the Company meeting its targets and objectives and is, therefore, substantially reflective of the Company's overall financial performance. Individual performance is measured in a number of ways against agreed objectives for discretionary awards, the year-end appraisal process being one significant element of this measurement including behaviour and conduct. This policy applies to all revenue generating and non-revenue generating staff. Cash bonuses paid to Material Risk Takers are subject to clawback provisions in line with the FCA's Remuneration Code requirements.

SCS's approach to remuneration has been formulated to reflect market practice on a role-by-role basis with up to 40% of variable component being deferred to the end of the year. This is to ensure that the award is able to reflect the performance over time and suitable clawbacks are in place which are triggered under certain events as per the provisions of the Remuneration Code. This ensures to discourage risk-taking in excess of the risk appetite and irresponsible business conduct.

The annual performance related bonus award is a significant variable component of the overall remuneration of Directors and senior managers and is at the sole discretion of the Remuneration Committee. The level of performance award that is made to the Executive Directors is based upon a number of performance measures that are assessed by the Remuneration Committee including: The financial performance of the Company; Shareholder returns; Risk factors including conduct and SMCR adherence; and Individual performance measures; Strategic development of the Company; Leadership and culture; and Development of the executive team. In respect of the Chief Executive Officer.

## 5.5 Identification of Code Staff

SCS has considered the guidance of the FCA as contained in its Remuneration Code.

Code staff are those individuals who perform roles which have a material impact on the Firm's risk profile.

This includes:

- Executive and Non-Executive Directors and Senior management
- Material risk takers in business management roles
- Employees who are remunerated in excess of Senior Management and Material Risk Takers.

SCS had 13 code staff as at 31st December 2023 (11 at 31 December 2022).

## 5.6 Aggregate remuneration

The following information relates to the financial year ending 31st December 2023. The information below reflects Code staff.

	<b>Fixed Remuneration (£ '000)</b>	<b>Variable Remuneration (£ '000)</b>	<b>Total (£ '000)</b>
Year ended 31 <sup>st</sup> December 2023	1,802	150	1,952
Year ended 31 <sup>st</sup> December 2022	1,724	2,242	3,966

Fixed remuneration includes both gross salary and employer pension contributions where relevant.

Variable remuneration includes cash bonuses subject to deferral which is subject to a claw-back in certain circumstances.

No material sign-on or severance payments were made to Code Staff in the period 1 January to 31 December 2023 (2022: nil)

Of the variable element to remuneration, which is paid in cash, up to 40% is deferred for a period of 11 months and is payable on certain conditions relating to the relevant employee being met. During the period 1 January to 31 December 2023 there were no performance related adjustments.