

MIFIDPRU Public Disclosure Document

City of London Investment Management Company Limited

Date as at 30 September 2023

For the period 1 July 2022 – 30 June 2023

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1 Overview and summary

City of London Investment Management Company Limited (“CLIM” or the “Firm”) is authorised and regulated by the Financial Conduct Authority (“FCA”) as a Markets in Financial Instruments (“MiFID”) firm and subject to the rules and requirements of the FCA’s Prudential Sourcebook for MiFID Investments Firms (“MIFIDPRU”) handbook.

CLIM is a wholly owned subsidiary of City of London Investment Group plc (“CLIG”), which is listed on the London Stock Exchange.

For the purposes of MIFIDPRU, the Firm has been classified as a non-small non-interconnected (“SNI”) firm, therefore a non-SNI firm.

The Firm has produced this Public Disclosure Document in line with the rules and requirements of MIFIDPRU 8, as applicable to non-SNI firms.

This Public Disclosure Document has been prepared based on the audited financials as at 30 June 2023, covering the financial period 1 July 2022 to 30 June 2023.

The Firm’s main business activity is the provision of investment management services to institutional clients.

The Firm offers and manages a number of investment strategies covering Emerging Markets, International, Opportunistic Value & Frontier via Closed End Funds (“CEF”) to institutional clients comprising both commingled investment vehicles and segregated accounts. In addition, the Firm manages both an Emerging Market and International REIT strategy.

2 Governance arrangements

The Firm’s ultimate decision making and oversight body is the Board of Directors.

The Board of Directors is responsible for setting the Firm’s business objectives, strategy, and annual budgets. The Board of Directors ensures effective and prudent management of the Firm and has accordingly implemented segregation of duties between its business functions and control functions.

The Firm has a Conflicts of Interest Policy and procedures in place. Potential conflicts of interests are continually monitored and assessed by Compliance as an independent control function, as well as being reported to the Board of Directors on a regular basis.

The Firm has established a Risk & Compliance Committee (“RCC”). The members of the Firm’s RCC are as follows:

Head of Compliance (Chair)
US Chief Compliance Officer
CLIM Executive Directors
CLIG Internal Counsel

The Board of Directors receives regular reporting and management information on the Firm's operations, specifically reporting and escalation of any compliance, financial, legal and risk matters. The Board of Directors receives independent reporting from internal control functions as well as external independently appointed auditors and consultants on the effectiveness of the Firm's operations, systems, and control arrangements.

In addition to the Firm's RCC, CLIG, as a listed entity, has established an Audit & Risk Committee, which consists of the independent Non-Executive Directors of CLIG. At each formal meeting (currently four), the CLIM Head of Compliance and the US Chief Compliance Officer provide a report on the activities of the CLIM Compliance department as well as that of CLIM's RCC.

2.1 External Directorships

In line with MIFIDPRU 8.3.1 (2), the Firm has detailed below the number of external appointments, both as executive and non-executive roles of its Board of Directors members:

Name / role	# of external executive roles	# of external non-executive roles
Deepranjan Agrawal	0	0
Mark Dwyer	0	0
Thomas Griffith	0	0
Carlos Yuste	0	0

2.2 Promoting diversity and inclusion

The Firm is committed to fostering a culture of diversity, equity, and inclusion.

The Firm embraces and encourages our employees' differences in age, colour, covered military and veteran status, disability, ethnicity, family or marital status, language, national origin, political affiliation, race, religion, sex/gender identity/sexual orientation, socio-economic status, and other characteristics that make our employees unique.

The Firm's diversity initiatives aim to support a work environment built on the premise of gender and diversity equity that encourages and enforces, including but not limited to:

- Respectful communication and cooperation among all employees;
- Teamwork and diverse employee perspectives;
- Work/life balance through flexible work schedules to accommodate employees' varying needs;
- Employee contributions to their communities to promote a greater understanding and respect for diversity.

The Firm does not have any targets.

3 Risk management objectives and policies

The Firm has implemented and embedded risk management framework, policies, and procedures across all relevant risk areas of the Firm. The Board of Directors sets the business strategy and risk appetite statement of the Firm, which flows through to the risk management framework of the Firm.

In line with the Firm's business strategy, risk appetite and risk management framework the Firm identifies and further assesses key risks within the Firm's Internal Capital and Risk Assessment ("ICARA") process.

The Firm maintains a risk register, which includes risk assessment and rating methodologies in accordance with its risk appetite statement. Key risks are reported to the Board of Directors at each meeting.

3.1 Own funds requirements – MIFIDPRU 4

The Firm's investments risks are captured within its K-AUM calculation and operational risks are predominantly captured within its Fixed Overhead Requirement ("FOR") calculation. The Firm has further assessed any operational risks within its ICARA and quantified additional own funds and liquidity, where required.

3.2 Concentration risk – MIFIDPRU 5

The Firm does not conduct any trading on own account and does not have regulatory permissions for dealing as principal. The Firm therefore does not have any concentration risks on or off-balance sheet and does not operate a trading book.

3.3 Liquidity – MIFIDPRU 6

The Firm maintains minimum liquidity at all times in compliance with the Basic Liquid Asset Requirement (BLAR), being at least 1/3 of its FOR.

The Firm does not provide any client guarantees and therefore its entire liquidity requirement is driven by its expenses, as captured by the FOR.

As part of the ICARA, the Firm also maintains liquidity to satisfy its net wind-down costs and any additional liquidity requirements which the ICARA identified for supporting the ongoing business activities of the Firm.

4 Own funds

4.1 Own funds resources

In line with MIFIDPRU 8.4 the Firm has prepared the reconciliation of own funds in line with MIFIDPRU 8 Annex 1 as follows:

Composition of regulatory own funds			
#	Item	Amount (GBP thousands)	Source
1	OWN FUNDS		
2	TIER 1 CAPITAL		
3	COMMON EQUITY TIER 1 CAPITAL		
4	Fully paid up capital instruments	500	Share capital
5	Share premium		
6	Retained earnings	5,571	R/E year end
7	Accumulated other comprehensive income		
8	Other reserves		
9	Adjustments to CET1 due to prudential filters		
10	Other funds		
11	(-) TOTAL DEDUCTIONS FRO COMMON EQUITY TIER 1		
19	CET1: Other capital elements, deductions and adjustments	(500)	Deduct material holdings in CLIM PTE
20	ADDITIONAL TIER 1 CAPITAL		
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		
26	Fully paid up, directly issued capital instruments		
27	Share premium		

Composition of regulatory own funds			
#	Item	Amount (GBP thousands)	Source
28	(-) TOTAL DEDUCTION 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 statement				
GBP (thousands)				
	Item	a	b	c
		Balance sheet as in audited financial statement	Under regulatory scope of consolidation	Cross reference to own funds table
Assets – Breakdown by asset classes according to the balance sheet in the audited financial statements				
1	Investments	500		Item 19
2	Receivables	4,661		n/a
3	Cash	5,779		n/a
	Total Assets	10,940		
Liabilities – Breakdown by liability classes according to the balance sheet in the audited financial statements				
1	Payables	4,869		n/a
	Total Liabilities	4,869		
Shareholders' Equity				
1	Share capital	500		Item 4
2	P&L reserves	5,571		Item 6
	Total Shareholders' equity	6,071		

Own funds: main features of own instruments issued by the firm
500,000 ordinary shares of £1 each owned by parent company

4.2 Own funds requirements

The Firm calculates its own funds requirements as a non-SNI firm in line with the rules and requirements in MIFIDPRU 4.3 for non-SNI firms.

K-FACTORS AND FIXED OVERHEAD REQUIREMENT (*thousand GBP*)

Fixed Overhead Requirement	-	2,808
K-factors Requirement	-	455 (K-AUM 360/K-DTF 95)

In addition, the Firm has also quantified the net cost of winding down the business and the associated own funds and liquidity resources required to wind-down the business in an orderly fashion, minimising harm to clients and the markets.

The Firm is projecting sufficient and ample own fund resources and liquidity to cover both its ongoing operation and wind-down, without the need for additional injections of own funds or liquidity.

The Firm's risk appetite statement and assessment of risks through its risk management framework and risk register form the basis of its ICARA and assessment of the overall financial adequacy rule in line with MIFIDPRU 7.4.7.

The Board of Directors reviews, challenges and approves the ICARA and conclusions of own funds requirements.

5 Remuneration arrangements

The Firm has adopted a remuneration policy and procedures that comply with the requirements of chapter 19G of the FCA's Senior Management Arrangements, Systems and Controls Sourcebook ("SYSC").

In accordance with MIFIDPRU 8.6.2 the Firm makes the following qualitative remuneration disclosures:

- The Firm's remuneration policies and practices are reviewed annually to ensure they are appropriate and proportionate to the nature, scale, and complexity of the risks inherent in the business model and the activities of the firm.
- The CLIM Board has delegated authority for setting and approving the Firm's remuneration practices to the CLIG Remuneration Committee. The CLIM Board, however, remains fully responsible for ensuring the ongoing adherence with the FCA's requirements regarding sound and effective risk management in remuneration practices.
- The CLIG Remuneration Committee, which is comprised solely of CLIG independent non-executive directors, approves, and oversees the Firm's remuneration policies.
- The Firm ensures that its remuneration structure promotes effective risk management and balances the fixed and variable remuneration components for all Staff.

- Variable remuneration is adjusted in line with capital and liquidity requirements as well as the firm's performance.

CLIM's Remuneration Policy sets out the criteria for setting fixed and variable remuneration.

The CLIM Executive Directors ("Executive Directors") have the responsibility to manage the Firm's remuneration on a day-to-day basis. This involves proposing the setting of bonuses for all staff (subject to the responsibilities of the Remuneration Committee, above).

When setting remuneration (fixed and variable), the Executive Directors will take into account numerous factors so as to ensure all employees are treated fairly. In no particular order, such factors will include, but are not limited to:

- how the individual has demonstrated the desired qualities and attributes, for example, promotion of the 'team' over 'self'; extraordinary performance; strong risk management in their role, etc.
- whether the individual has demonstrated that they have the skills, knowledge and attributes to such an extent that they should be considered 'key' and integral to the future success of the Firm. For the avoidance of doubt, such 'key' people can be in any department within the Firm, not necessarily Investment Management.
- feedback from the employee's direct manager and discussion regarding the employee's overall performance including, but not limited to, workload, skills, diligence, development, adherence to procedures and team contribution.
- an individual's overall conduct and behaviour.
- the individual's office location and the prevailing market conditions.

Notwithstanding the above, all employees are made fully aware that the bonus pool is entirely dependent upon the profitability of the Firm and the Firm's ability to meet its own funds requirements, liquidity requirements and maintain adequate financial resources, in line with FCA Principle 4: Financial Prudence.

Fixed Remuneration

Due largely to the potential volatility of the Firm's AUM and as a result, its earnings, the starting point has to be that salaries are kept on the lower side of what may be considered the market average.

Variable remuneration

The Firm's bonus pool is fixed at 30% of the Firm's pre-bonus, pre-tax operating profit and which is shared across the entire Firm. In this way, the CLIG shareholders and Firm employees know where they are and any conflict is avoided. The Firm utilizes a variable remuneration cap of 250% of an individual's fixed remuneration. Bonuses are paid on a discretionary basis to all staff and may not be a reflection of anyone's specific calculable endeavors in any one specific year. An individual bonus allocation may, however, be adjusted for non-performing or exceptional circumstances.

Quantitative Remuneration

All firms are required to publicly disclose certain quantitative information in relation to the levels of remuneration awarded.

As a non-SNI firm and in accordance with MIFIDPRU 8.6.8, CLIM is required to disclose the following information, as set out below:

For the performance year ending 30 June 2023:

Number of Material Risk Takers (“MRT”), including Senior Manager Functions (“SMF”)	20
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Employee category	Total remuneration awarded £m	Total fixed remuneration £m	Total variable remuneration £m
SMFs	3.1	1.3	1.8
MRTs	5.7	2.6	3.1
All other employees	Zero	Zero	Zero

In relation to any guaranteed variable remuneration awarded:

Employee category	Total guaranteed variable remuneration awarded	# of MRTs who received it
SMFs	Zero	Zero
MRTs	Zero	Zero

In relation to any severance payment awarded:

Employee category	Total amount of severance awarded	# of MRTs who received it
SMFs	Zero	Zero
MRTs	Zero	Zero

The highest severance payment awarded to a single MRT during the last financial year was nil.