WM Capital Management Ltd
80 Coleman Street, London EC2R 5BJ
Telephone 07900 932779
www.wmcapitalmanagement.com

Markets In Financial Instruments Directive Prudential Regime (MIFIDFPRU)

Public Disclosure

October 2022

Background

This is the public disclosure made in accordance with the UK Financial Conduct Authority (FCA) Markets in Financial Instruments Directive Prudential Sourcebook for Banks, Building Societies and Investment Firms ('MIFIDPRU').

The ICARA (Individual Capital and Risk Assessment) which replaces the current ICAAP is the new process that firms are expected to undertake when considering the amount and type of own funds and liquid assets (financial resources) they should hold to cover the type and amount of risk they might pose to others, or that the firm faces.

MIFIDPRU created a regulatory capital framework consisting of three 'floors' which determine the minimum own funds a firm is required to hold, namely:

- The Permanent Minimum Capital Requirement (PMR – Currently £50,000 but increasing to £75,000 over five years)
- The Fixed Overhead Requirement (FOR) – calculated as one quarter of the firm's annual fixed costs
- K-Factor Requirement – the K-factor capital requirements are essentially a mixture of activity- and exposure-based requirements. These do not apply to WM Capital

A firm's own funds are considered in three 'Tiers', made up of:

- Common Equity Tier (CET) – this reflects the highest quality of capital and is a firm's core capital including ordinary share capital (including share premium accounts relating to those instrument), retained earnings, and reserves (provided these are available for unrestricted and immediate use to cover risks or losses as soon as these occur). A firm needs to ensure that at least 56% of their total own fund's requirement is comprised of CET1 capital;
- Additional Tier 1 (or AT1) capital - includes debt instruments capable of being written down or converted into CET1 capital instruments when a specified trigger event occurs. WM Capital does not hold any of these types of capital;

- Tier 2 (T2) - T2 capital items will include items such as subordinated debt instruments with an initial maturity of five years which are only able to absorb losses in an insolvency. These are considered less secure forms of capital than CET1, usually because these forms of capital are more difficult to liquidate. Again, WM Capital does not hold any of these types of capital.

WM Capital holds 100% of its required resources as CET capital.

MIFIDPRU requires us to disclose the nature and extent of our financial resources.

Frequency of disclosure

These Disclosures will be reviewed on an annual basis as a minimum. The disclosures will be published as soon as is practical following the finalisation of the firm's Internal Capital And Risk Assessment Process (ICARA) and the publication of its annual reports.

The Accounting Reference date of WM Capital Management is 31st October.

Verification

The information contained in this document has not been audited by the Firm's external auditors and does not constitute any form of financial statement.

Scope and Application of the Requirements

WM Capital Management Ltd is incorporated in the UK and authorised and regulated by the Financial Conduct Authority (FCA). It is an investment management firm, which comes under the prudential category for Banks, Building Societies and Investments firms (MIFIDPRU) in the FCA Handbook. It is required to hold a minimum of £50,000 capital (this is a transitional sum increasing to £75,000 over a five-year period commencing in 2022). WM Capital does not hold client money or deal on own account.

Its minimum regulatory capital resource requirement is the greater of £50k or the Firm's Fixed Overhead Requirement (FOR). The Firm is not required to consider any additional resources as a result of K-Factor considerations. The firm is not a member of a group and does not have any subsidiary companies.

This document is designed to meet our obligations under the MIFIDPRU disclosure rules, which are detailed in the FCA Handbook under MIFIDPRU 8.

Under the rules, we are permitted to omit required disclosures where we consider that the information is of a proprietary or confidential nature. Information of a proprietary nature is that which, if revealed, could have the effect of undermining our competitive position. Information that is regarded as confidential is that which binds us to confidentiality with our customers and counterparties.

We are also permitted under the rules to omit required disclosures if in our opinion such an omission would be unlikely to change or influence the decision of the reader relying on it. We have made no omissions in this disclosure on the grounds that the information is immaterial, confidential or proprietary.

Risk Management

The Directors of the Firm have designed and implemented a risk management framework, which identifies the risks that the business faces. They have also determined how those risks are to be mitigated and regularly assess the procedures and controls necessary to manage those risks.

The Firm's main business activity is discretionary investment management of OEIC's and other portfolios.

Risk appetite and material risks

The Firm has identified the material risks to which it could be exposed and these have been assessed in the Firm's ICARA. (However, in any event, as noted above, the firm is not required to hold additional K-Factor resources). Their potential impact on the business has been quantified.

The Firm has considered and assessed the following areas of potential risk to its business and summarises its approach to each one:

- **Business risk**

  The main business risk that the Firm could be exposed to is a fall in the value of funds under management due to an economic downturn resulting in a fall in profits. This risk have been assessed in our Contingency Funding Plan and is also assessed in the Firm's Internal Capital And Risk Assessment (ICARA) process.

- **Operational risk**

  This covers the risks of poor investment performance of funds under management, and legal and reputational risks. Operational risks have been assessed and mitigated as part of the ICARA.

  The operational risk capital component as specified in MIFIDPRU does not apply as the Firm does not need to take into account of the K-Factors.

- **Credit risk**

  This risk relates only to possible delays in the payment of fund management fees. In practice, however, all fees are paid on time and none are more than 2 months old.

  The Firm is not exposed to the credit risk capital component referred to in MIFIDPRU.

- **Liquidity risk**

  The Firm maintains sufficient liquid resources to cover any potential imbalances and fluctuations in fees receivable and all expenditure is known and planned for in advance.

- **Securitisation**

  This disclosure is not required, as the Firm does not securitize any of its assets.

- **Market and concentration risk**

  The Firm does not have any large exposures or hold positions in the market as as defined in MIFIDFPRU 4.

- **Interest rate risk**

  The Firm's exposure to changes in interest rates is low as it does not hold any loans or overdrafts.

Capital Resources

The Firm has developed an Internal Capital and Risk Assessment Process (ICARA) and reviews this every 12 months. The ICARA was reviewed in October 2022.

The Firm's capital resource requirement is the greater of £50k or the Fixed Overhead Requirement (FOR). The firm is not required to consider K-Factor requirements.

The Firm does not hold any Additional Tier 1 or Tier 2 capital.

The Firm's regulatory capital resource requirement is assessed as currently £57,000, which is equivalent to our Fixed Overhead Requirement which is higher than the base requirement.

The Firm holds Tier 1 capital of £739,000. This comprises of ordinary share capital of £106 plus profit and reserves of £738,894.

This is £682,000 in excess of its regulatory capital resource requirements. As at 31st October 2022, the Firm's capital resources were as follows:

Categories	**MIFIDPRU**	**ICARA**
	Minimum capital	**Tier 1 capital**
Credit risk	£0	
Market risk	£0	
Operational risk	£0	
Concentration risk	£0	
Counterparty risk	£0	
Base capital requirement	£50,000	£739,000
Fixed Overhead Requirement	£57,000	£739,000
MIFIDPRU total	£57,000	£739,000
Additional Tier 1		£0

Tier 2		£0
Adjustments		£0
Additional capital to cover stress testing		£0
ICARA capital		£739,000
Current total capital	£739,000	£739,000
Surplus	**£682,000**	

The Firm has undertaken an assessment of the minimum capital it would require to hold in the event that it might be required to wind up the business in an orderly fashion such that all liabilities could be met. The capital required would be less than the Permanent Minimum Requirement.

WM Capital Management Ltd
80 Coleman Street
London EC2R 5BJ