Fundment Limited

MIFIDPRU
Annual Disclosures

23 February 2024

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1. Introduction

1.1 Purpose of MIFIDPRU Disclosure

The Financial Conduct Authority ("FCA" or "regulator") in the Prudential sourcebook for MiFID Investment Firms in the FCA Handbook ("MIFIDPRU") sets out the detailed prudential requirements that apply to Fundment Limited ("Fundment" or the "Firm"). Chapter 8 of MIFIDPRU ("MIFIDPRU 8") sets out public disclosure rules and guidance with which the Firm must comply, further to those prudential requirements.

Fundment is classified under MIFIDPRU as a non-SNI MIFIDPRU Investment Firm. As such, the Firm is required by MIFIDPRU 8 to disclose information regarding its Risk Management Objectives, Governance Arrangements, Own Funds and Own Funds Requirements and its Remuneration Policy and Practices.

The purpose of these disclosures is to give stakeholders and market participants an insight into the Firm's culture and to assist stakeholders in making more informed decisions about their relationship with the Firm.

This document has been prepared by Fundment in accordance with the requirements of MIFIDPRU 8 and is verified by the Fundment Board. This disclosure is to be made by Fundment at least annually and unless otherwise stated, all figures are as at the Firm's 31 July 2023 financial year end. Other disclosures covering Fundment Limited's approach to assessing the adequacy of its own funds are based on the Fundment's Internal Capital Adequacy and Risk Assessment (ICARA) review dated 18 November 2023.

The Firm regards the information in these disclosures as material if its omission or misstatement could change or influence the assessment or decision of a user relying on this information to make an economic decision. If the firm deems a certain disclosure to be immaterial, it may be omitted from this statement.

This disclosure is published on Fundment's website (www.fundment.com), in the section titled Documentation.

Further information on the information contained in this document can be found in the annual audited accounts of Fundment Limited, which are freely available from Companies House.

2. Company Information

2.1 Company Information

Fundment Limited, trading as Fundment, is a private limited company registered in England and Wales. Incorporated in February 2014, the company number is 08884918. Fundment is authorised and regulated by the Financial Conduct Authority under registration number 732727. The Firm is a sole entity and not part of any group.

Fundment is also registered with HM Revenue & Customs to enable Fundment to act as an ISA plan manager. Fundment is registered with the Information Commissioner's Office under number ZA139821.

2.2 The Fundment Business Model

Fundment was launched in 2018 to deliver a superior investment experience and value for money for financial advisers and retail clients. Fundment's platform and services are only available for use by authorised financial intermediaries in the United Kingdom only. Fundment deliver custody services and model portfolio services through authorised firms of independent financial advisers to retail clients.

3. Risk Management Objectives and Policies

3.1 General Statement of Risk Appetite

Fundment recognises that it is impossible to remove all elements of risk to our business and that a certain level of risk needs to be accepted to enable the Firm to grow and start up new business lines or products. The key is to identify and manage those risks and quantify and monitor the level of risk that the firm is prepared to accept. Fundment does not have any appetite for transactions, business practices, clients, or counterparties that could give rise to potentially significant risk and jeopardise the Firm or its reputation.

3.2 Risk Management Policies

Fundment recognises its obligation to establish, implement and maintain adequate risk management policies and procedures, enabling us to identify the risks relating to our business activities, processes and systems. Fundment's Risk Management Policy outlines the arrangements, processes and mechanisms that the Firm uses to manage the risks relating to its business activities and how Fundment monitors the adequacy and effectiveness of those processes.

Fundment has developed objectives for identifying, assessing, mitigating and monitoring risks. The Firm ensures that it: -

- Identifies and assesses all risks and where necessary, treat/address them in a timely manner.
- Has effective processes to identify, manage, monitor and report the risks the Firm is (or might be) exposed to.
- It maintains adequate risk management and security policies and procedures, including effective controls for risk assessment, identifying the risks relating to the Firm's activities, processes and systems, and where appropriate, set the level of risk tolerated by Fundment's Senior Management.
- It applies adequate and effective controls to mitigate the identified risks within the agreed parameters and regularly tests these controls to ensure that they remain effective and appropriate.
- Reviews risks and related procedures for adequacy and relevance, as well as re-assessing new risks that Fundment might be exposed to.
- Conducts reverse stress testing to ensure that the controls, systems and procedures put into place for risk management are effective and mitigate the risks of business failure.
- Has a remuneration policy and procedure in place to prevent internal risks associated with unfair business practices.
- Provides staff with sufficient training and support to manage Fundment's risk management obligations and objectives.
- Conducts risk assessments on all new business ventures, systems, and functions to ensure that they are aligned with the goals and objectives in the risk policy.
- Assign responsibilities for risk management, security and data protection and ensure an unbiased, supported role for each.
- Ensures there are processes in place to analyse and log any identified threats, vulnerabilities, and potential impacts associated with our business activities and information (risk register).

- Utilises a risk matrix for rating and scoring the impact and likelihood of any identified risk and using this score for the frequency of monitoring, migration requirements and for making informed decision about the risk(s).
- Review all processing activities on a frequent basis to assess their risk rating and to identify any gaps or new risks associated with the processing of personal data.
- To have dedicated and robust due diligence procedures and controls in place to aid in risk reduction and management.

3.3 Ownership of the Framework

This framework is owned by the Governance Risk and Compliance Committee (GRCC) with oversight from the Board.

Fundment's Board is responsible for risk management, as well as forming its own opinion on the effectiveness of the risk management framework and processes established by Fundment. The Board is ultimately responsible for Fundment's risk appetite and risk strategy.

The Board decides Fundment's appetite or tolerance for risk – those risks it will accept and those it will not take in pursuit of its strategic goals or objectives.

In addition, the Board ensures the Firm has implemented an effective, ongoing process to identify risk, to measure its potential impact against a broad set of assumptions, and then to ensure that such risks are actively managed. This list of risks is maintained in Fundment's Risk Register.

The Board, assisted by the Compliance Officer, regularly reviews Fundment's systems and controls in accordance with SYSC to cover all material controls, including, financial, operational and compliance controls and risk management systems.

The Board is accountable for the design, implementation and monitoring of the process of risk management and ensuring it is embedded into Fundment's day-to-day business activities in accordance with SYSC 7.1.10 – 7.1.16.

The Board is also accountable for ensuring that staff are adequately trained and equipped with the right tools and knowledge to enable them to fulfil their obligations with regards to the risk management process.

Three Lines of Defence Model
Given the size, mature and scale and complexity of Fundment's business, Fundment does not currently follow a standard "Three Lines of Defence Model", instead it operates two clear lines of defence. As Fundment grows it will continue to assess whether a dedicated internal Audit Function is required.

Culture
Culture is the intangible that is reflected in the choices and behaviours of Fundment's staff and is critical in ensuring that risks are identified and controlled effectively. Fundment recognises that effective risk governance will always be anchored by good, risk-awareness, culture.

3.4 Risk Assessments

Fundment is responsible for ensuring that it has the appropriate systems and controls in place to identify, monitor and, where proportionate, reduce all potential material harms that may result from the ongoing operations of the business or from winding down the business and to hold adequate financial resources for the business it undertakes.

To ensure the above, Fundment actively identifies and assesses the risks and potential harms associated with its key business strategy, ongoing operations, business changes or external threats, as well as identifying and assessing the quality of controls in place to mitigate the associated risks and reduce the potential material harms.

These assessments are completed using various components of Fundment's risk framework, including the Internal Capital and Risk Assessment Process ("ICARA"), the Firm's risk and control self self-assessmen process, operational risk events, and key risk indicators ("KRIs"), as well as through the various risk reporting components of the Governance Risk and Compliance Committee risk committees, such as reporting of higher priority and emerging risks.

Given the nature and activities of the firm, its risk appetite is low. It does not securitise assets or deal as principal and therefore does not have a trading book. The key risks are as follows:

ICARA Risk Assessment Summary:

Summary of key risks and potential harms as assessed through Fundment's ICARA process		
Risk	Harms	Description
Credit Risk	Harm to Firm	Credit risk is defined as the risk of default from counterparties or clients for deposits, loans, commitments, securities, and other assets where the realisation of the value of the asset is dependent on their ability to perform.
		The main credit risk of the Firm is a defaulting debtor, although Fundment does not extend credit to its clients. The key credit exposures that the firm has are management fees payable to the firm by its clients and the risk of default by the firm's own bankers. Management fees are payable by the client within 30 days of their calculation.
Market Risk	Harm to Firm	Market risk is the risk that the Firm's financial position may be subject to loss or fluctuation because of increases or decreases in market valuations such as foreign currency exchange rates, interest rates and equity and commodity prices of assets on the balance sheet.
		The Firm has no exposure to foreign currency or to other financial markets. It does not trade on its own account and therefore is not subject to market risk. The Firm's revenue is derived from management fees arising from various funds under management which will, of course, be affected by changes in market performance.
Operational Risk	Harm to Firm Harm to Clients & Counterparties Harm to Market	Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events: including the potential for loss that arises from problems with operational processing, human error or omission breaches in internal controls, fraud, and unforeseen catastrophes.

		Operational risk may arise at the Firm from;- errors in transaction processing, breaches of internal control systems, failure to adhere to investment compliance requirements and regulatory rules/market, internal or external fraud, business disruption due to systems failures, execution, delivery and process management or other events. The Fundment Framework, which includes business line risk and control assessment, error reporting and resolution, key risk indicators and other risk management activities such as Board and committee reporting. Sources of operational risk are monitored through regular review of Key Risk Indicators ("KRIs") and the Risk Control Assessments process. A number of the key operational controls are tested through the annual Compliance Monitoring Plan. The Firm operates a resilient infrastructure, with regular testing of its Business Continuity and Disaster Recovery arrangements to limit the impact of potential external events. The Firm's key policies and procedures are documented in the compliance manual and their effectiveness kept under review via the compliance monitoring programme. The Firm maintains comprehensive Professional Indemnity Insurance cover to limit our exposure to potential large claims or operational losses. The Firm continually improves its operating efficiencies and standards. Changes to procedures are communicated to directors and staff as they occur, and personnel provide a written confirmation of their understanding and acknowledgement of any significant changes. Directors and staff remain aware of the policies and procedures and periodically confirm their compliance via a biannual compliance declaration.
Liquidity Risk	Harm to Firm	Liquidity risk is the risk that the Firm, although solvent, either does not have available sufficient financial resources to enable it to meet its regulatory liquid asset requirements, or obligations as they fall due or can secure such resources only at excessive cost.
		The liquidity risk that the Firm faces is the inability to settle its liabilities as they fall due. The risk management process includes monitoring of the liquidity position of the Firm. Bank reconciliations and cash flows are prepared on a regular basis to ensure that all liabilities are identified promptly and can be settled as they fall due. Cash resources of the Firm are maintained in bank accounts with instant access.

Business Risk	Harm to Firm	Business risk is the risk that the Firm will have lower than anticipated profits or experience loss rather than delivering a profit.
		Business risk could arise from exposure to a wide range of macro-economic, geopolitical, industry, regulatory, client behaviour, inappropriate management actions, and other external risks that might deflect from desired strategy and business plans As part of the ICARA process Fundment have completed several stress tests that directly challenge Fundment's ability to withstand the harms associated with its business risk(s).
Reputational Risk	Harm to Firm	Reputational risk is defined as the risk of loss resulting from damages to a Firm's reputation, in lost revenue or increased operating, capital or regulatory costs consequent to an adverse or potentially criminal event.
		Integrity and reputation are highly valued within the Firm due to the nature of the business. Damage to Fundment's reputation because of compliance, regulatory and operational breaches, or errors would erode investor confidence and result in loss of business, loss of revenue and could result in key employees leaving. Fundment act in the best interests of clients and always place their interests first. To help ensure this, Fundment has strong risk frameworks and tolerances to ensure that inherent conflicts of interest do not disadvantage clients; that products and investment services operate as described and meet the promises and risk levels agreed; and that clients are not exposed to failures of governance or regulatory compliance.

4. Governance Arrangements

4.1 Governance and Oversight Structure

The Board is responsible for the proper management of Fundment and meets on at least a quarterly basis. The Board has overall responsibility for overseeing and controlling the activities of the business, making decisions in relation to the strategic direction, and for ensuring that the firm has a robust corporate governance structure with well-defined, transparent, and consistent lines of accountability. The Board is also responsible for:

- Setting the business strategy;
- Setting the business's appetite for risk;
- Overseeing and controlling the business' financial performance;
- Identifying and managing any conflicts of interest that exist within the business;
- Governing the business's compliance with regulatory requirements and risk management;
- Exercising operational and organisational governance.

4.2 Directorships as at 31 July 2023

Name	Role at Fundment Limited	Number of External Directorships
Ola Abdul	Chief Executive (SMF1 & SMF3)	1
Christopher Booker	Chief Technology Officer (SMF3)	1
Ian Lansdell	Independent Non-Executive Director	5

The Board delegate authority to committees and, in some cases, to individuals. For the avoidance of doubt, primary responsibility for the oversight of Fundment rests with Individuals who hold SMF functions and/or prescribed responsibilities under the FCA Senior Managers & Certification Regime.

Fundment Board sub-committees as at 31 July 2023

Committee	Description
Governance Risk & Compliance Committee (GRCC)	The purpose of the GRC Committee is to assist the Board in discharging its responsibility to maintain effective systems of governance, risk management, compliance and internal control throughout the firm. The Committee provides leadership and direction of Fundment's overall risk appetite, risk tolerance and strategy whilst overseeing and advising the Board on the current and potential future firm-wide risk exposures. The Committee is responsible for reviewing and approving the Fundment's Risk Management Framework, monitoring its effectiveness and adherence to various risk policies and regulation.
CASS Committee	The purpose of CASS Committee is to oversee and advise the management committee on the management of client money and assets in line with the FCA's CASS regulations. In particular, the committee oversees all CASS policies and processes and reviews monitor and challenge.

5. Own Funds

This disclosure has been made in accordance with the MiFIDPRU 8.4 requirements using the MiFIDPRU 8 Annex 1R template as required.

Composition of regulatory own funds			
	Item	Amount (GBP)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1	OWN FUNDS	3,441,440	
2	TIER 1 CAPITAL	3,441,440	
3	COMMON EQUITY TIER 1 CAPITAL	3,441,440	
4	Fully paid up capital instruments	255	13
5	Share premium	4,818,190	14
6	Retained earnings	(5,377,005)	14
7	Accumulated other comprehensive income	-	
8	Other reserves	4,000,000	14
9	Adjustments to CET1 due to prudential filters	-	
10	Other funds	-	
11	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(1,625,483)	9
19	CET1: Other capital elements, deductions and adjustments	-	
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	-	
28	(-) TOTAL DEDUCTIONS FROM TIER 2	-	
29	Tier 2: Other capital elements, deductions and adjustments	-	

The items in the table above reconcile to the balance sheet in the audited financial statements for the year ended 31 July 2023.

6. Own Funds Requirements

Own Funds Requirements (MIFIDPRU 8.5)

This disclosure has been made in accordance with the MiFIDPRU 8.5 requirements. The information contained within this section is as of 31st July 2023 unless stated otherwise.

Fundment has complied with its own funds requirement throughout the period.

Requirement	Amount (GBP)
K-AUM + K-CMH + K-ASA	764,140
K-COH + K-DTF	5,690
Total K-factor Requirement (KFR)	769,830
Fixed Overhead Requirement (FOR)	681,449
Permanent Minimum Requirement (PMR)	150,000
Own Funds Requirement (Higher of KFR, FOR, and PMR)	769,830

7. Adequacy of Own Assessment

7.1. ICARA Process: Assessing and Monitoring the Adequacy of Liquid Assets

In line with the provisions relating to the Overall Financial Adequacy Rule ('OFAR') set out in MIFIDPRU 7.4.7R, Fundment is also required to disclose its approach to assessing the adequacy of the Firm's own funds.

ICARA process

Within the annual ICARA process, the Firm is required to identify and assess the following:

- any material/key risks that arise from its activities;
- any material harms that may be caused to the clients, the market or the Firm itself as a result of its activities; and
- whether, at all times, the Firm has sufficient own funds and liquid resources to meet the Overall Financial OFAR.

The OFAR requires that the Firm holds own funds and liquid assets which are adequate (both in amount and quality) to ensure that:

- the Firm can remain financially viable throughout the economic cycle and be able to address any material potential harm; and
- the Firm's business can be wound down in an orderly manner with minimal impact on consumers and other market participants.

The process of embedding the ICARA process within the Firm has been completed and the adequacy of the ICARA process will be reviewed on an annual basis thereafter, or more frequently, should there be any material change to the business risk profile or business model.

The ICARA process encompasses various aspects of internal governance with a particular focus on:

- identification, monitoring and mitigation of harms;
- business model planning and forecasting;
- recovery and wind-down planning; and
- assessing the adequacy of financial resources; and
- assessing the overall effectiveness of the risk management of the Firm.

As part of the ICARA process, the Firm establishes its own funds threshold requirement and its liquid assets threshold requirement to comply with the OFAR and to ensure the Firm can remain viable, addressing any potential harm from ongoing activities, and can wind-down in an orderly way. For harms not adequately mitigated through existing systems and controls, the Firm assesses whether additional own funds and/or liquid assets are required.

The recovery action planning contains appropriate recovery actions to restore own funds and/or liquid resources to avoid breaching threshold requirements and early-warning-indicators ('EWIs') to assist the Firm when approaching trigger levels and set out credible actions to help reverse or repair any adverse trends.

The wind-down planning includes triggers (own funds and liquid assets) and timelines. The Firm considers different scenarios that could cause a need to wind-down the business. These underlying drivers could result in the need for different resources (financial and non-financial) during the wind-down period. The Firms sets resources aside so that sufficient own funds and liquid assets are available at all times to enable an orderly wind-down.

7.2 Own funds adequacy

Fundment assesses the adequacy of its own funds on a regular basis against a variety of own funds requirement assessments. In maintaining the Firm's own funds requirements within the risk appetite, EWIs have been established. These are agreed as part of the annual own funds planning process and reviewed annually.

7.3 Liquid assets adequacy

Liquidity risks are identified through ongoing liquidity management and monitoring, which contribute to the development of the Firm's liquidity risk management framework and formulating stress testing scenario design and key assumptions.

The Firm's monitoring and reporting of its liquidity position is undertaken through established reporting against the key liquidity metrics. Any triggers or breaches would be escalated in line with the escalation framework.

8. Remuneration

8.1 Remuneration Policy and Practices

MIFIDPRU 8.6.8(7) requires a Non-SNI firm to aggregate and disclose the information in MIFIDPRU 8.6.8(4)(5a)(5b)(6) for senior management and other Material Risk Takers (MRTs), where splitting the information between those two categories would lead to the disclosure of information about one or two people. Where aggregation would still lead to the disclosure of information about one or two people, a firm is not required to comply with the obligation in MIFIDPRU 8.6.8(4)(5a)(5b)(6)

The Firm has concluded that it is not required to disclose this information as it would result in the identification of one or two people.

As a MIFIDPRU investment firm, we must establish, implement and maintain gender neutral remuneration policies and practices that 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 Firm has adopted a Remuneration Policy that complies with the requirements of Chapter 19G of the FCA's Senior Management Arrangements, Systems and Controls Sourcebook.

The Firm's business is to manage investment portfolios and operate investment platform for private clients through their appointed financial advisers. Fundment's policy is designed to ensure that it complies with the RemCode and its compensation arrangements:

- Are consistent with and promotes sound and effective risk management;
- Do not encourage excessive risk taking;
- Include measures to avoid conflicts of interest; and
- Are in line with the Firm's business strategy, objectives, values and long-term interests.

Fundment is a required to disclose certain information on at least an annual basis regarding its Remuneration policy and practices for those staff whose professional activities have a material impact on the risk profile of the firm. Fundment's disclosure is made in accordance with our size, internal organisation and the nature, scope and complexity of our activities.

Summary of information on the decision-making process used for determining the firm's remuneration policy.

- The Firm's policy has been agreed by the CEO and Board in line with the RemCode principles laid down by the FCA.
- Due to the size, nature and complexity of the Firm, we are not required to appoint an independent remuneration committee.
- The Firm's policy will be reviewed as part of annual process and procedures or following a significant change to the business requiring an update to its internal capital adequacy assessment.
- Investment Management Firm - The Firm's ability to pay a bonus is based on the performance of Firm overall and derived after its funds under management returns have been calculated by client appointed third party administrators.

Summary of how the Fundment links between pay and performance.

- Individuals are rewarded based on their contribution to the overall strategy of the business.
- Investment Management
- Technology and Platform Development
- Product Management
- Other factors such as performance, reliability, effectiveness of controls, business development and contribution to the business are taken into account when assessing the performance of the senior staff responsible for the infrastructure of the firm.

Aggregate quantitative information on remuneration, for staff whose actions have a material impact on the risk profile of the firm.

8.2 Awarded remuneration

The Firm has awarded the below amounts of remuneration to its Material Risk Takers (MRT) and other staff. The Firm has identified MRTs in accordance with SYSC 19G.5 and the qualitative criteria set out in SYSC 19G.5.3R, 19G.5.4RG and SYSC 19G.5.5G.

Staff Category	**Remuneration type**	**Amount (GBP)**
Material Risk Takers	Fixed remuneration	385,256
	Variable remuneration	n/a
	Total amount	385,256
Other staff	Fixed remuneration	1,274,991
	Variable remuneration	n/a
	Total amount	1,274,991

Staff Category	**Remuneration type**	**Amount (GBP)**	
Material Risk Takers	Guaranteed variable remuneration	N/A	
	Severance payments	N/A	
	Highest severance awarded to an individual MRT	N/A	