

Link Market Services Trustees Limited

Explanation of compliance with CRR governance obligations

Link Market Services Trustees Limited (“LMST”) is a firm subject not just to regulation by the Financial Conduct Authority (“FCA”), but also the obligations of the EU’s Capital Requirements Directive and associated Regulation (“CRD/CRR”). Article 96 of the CRD, as transposed into Chapter 4.3A of the FCA “Senior management, systems and controls” (“SYSC”) sourcebook, requires a firm that maintains a website must explain on the website how it complies with the requirements of SYSC 4.3A.

The purpose of this material is therefore to satisfy that obligation. Each of the applicable requirements in SYSC 4.3A has been reproduced below, together with an explanation as to how LMST meets the obligation in question.

SYSC Reference	SYSC Requirement	LMST Position
4.3A.1	<p>A CRR firm must ensure that the management body defines, oversees and is accountable for the implementation of governance arrangements that ensure effective and prudent management of the firm, including the segregation of duties in the organisation and the prevention of conflicts of interest. The firm must ensure that the management body:</p> <ol style="list-style-type: none"> 1. has overall responsibility for the firm; 2. approves and oversees implementation of the firm's strategic objectives, risk strategy and internal governance; 3. ensures the integrity of the firm's accounting and financial reporting systems, including financial and operational controls and compliance with the regulatory system. 4. oversees the process of disclosure and communications; 5. has responsibility for providing effective oversight of senior management. 6. monitors and periodically assesses the effectiveness of the firm's governance arrangements and takes appropriate steps to address any deficiencies. 	<p>In accordance with applicable requirements under regulation and company law, the LMST Board is ultimately accountable and responsible for the implementation of governance arrangements that ensure effective and prudent management of the firm, including the segregation of duties in the organisation and the prevention of conflicts of interest, and the matters listed in points (1) to (6) in the preceding column.</p>

[Note: article 88(1) of CRD]

SYSC Reference	SYSC Requirement	LMST Position
4.3A.2	<p>A CRR firm must ensure that the chairman of the firm's management body does not exercise simultaneously the chief executive function within the same firm, unless justified by the firm and authorised by the appropriate regulator.</p> <p><i>[Note: article 88(1)(e) of CRD]</i></p>	<p>The Chief Executive of LMST does not chair the firms' management committees. The LMST Board and Risk Committee are normally chaired by the Chief Operating Officer or other suitable deputy.</p>
4.3A.3	<p>A CRR firm must ensure that the members of the management body of the firm:</p> <ol style="list-style-type: none"> 1. are of sufficiently good repute; 2. possess sufficient knowledge, skills and experience to perform their duties; 3. possess adequate collective knowledge, skills and experience to understand the firm's activities, including the main risks; 4. reflect an adequately broad range of experiences; 5. commit sufficient time to perform their functions in the firm; and 6. act with honesty, integrity and independence of mind to effectively assess and challenge the decisions of senior management where necessary and to effectively oversee and monitor management decision-making. <p><i>[Note: article 91(1)-(2) and (7)-(8) of the CRD]</i></p>	<p>The LMST Board comprises senior staff within the Link Market Services business units (and who are therefore dedicated to the business of LMST and its associated Link Market Services entities).</p> <p>They are subject to formal recruitment, induction, training, development, appraisal and performance management processes, and must also satisfy regulatory "fitness and propriety" requirements and the duties imposed by FCA on individuals subject to regulatory approval.</p>
4.3A.4	<p>A CRR firm must devote adequate human and financial resources to the induction and training of members of the management body.</p> <p><i>[Note: article 91(3) of the CRD]</i></p>	<p>LMST satisfies this obligation by means of the processes set out in the previous response.</p>
4.3A.5	<p>A CRR firm must ensure that the members of the management body of the firm do not hold more directorships than is appropriate taking into account individual circumstances and the nature, scale and complexity of the firm's activities.</p> <p><i>[Note: article 91(3) of the CRD]</i></p>	<p>All Link staff are subject to formal processes that govern the nature and number of non-Link relationships. LMST directors may also sit on the boards of other entities within the Link Group plc group of companies. Governance processes within the group include the review of board composition both in light of business requirements from time to time and taking account of individual circumstances and the nature, scale and complexity of LMST's activities.</p>

SYSC Reference	SYSC Requirement	LMST Position
4.3A.6	<ol style="list-style-type: none"> 1. A CRR firm that is significant must ensure that the members of the management body of the firm do not hold more than one of the following combinations of directorship in any organisation at the same time: <ol style="list-style-type: none"> a. one executive directorship with two non-executive directorships; and b. four non-executive directorships. 2. Paragraph (1) does not apply to members of the management body that represent the United Kingdom. <p><i>[Note: article 91(3) of the CRD]</i></p>	<p>LMST does not fall to be regarded as a “significant” firm (the definition of which can be found in IFPRU 1.2 in the FCA handbook).</p> <p>This provision is not currently applicable.</p>
4.3A.7	<p>For the purposes of SYSC 4.3A.5 R and SYSC 4.3A.6 R:</p> <ol style="list-style-type: none"> 1. directorships in organisations which do not pursue predominantly commercial objectives shall not count; and 2. the following shall count as a single directorship: <ol style="list-style-type: none"> a. executive or non-executive directorships held within the same group; or b. executive or non-executive directorships held within: <ol style="list-style-type: none"> i. firms that are members of the same institutional protection scheme provided that the conditions set out in Article 113(7) of the CRR are fulfilled; or ii. undertakings (including non-financial entities) in which the firm holds a qualifying holding. <p><i>[Note: article 91(4) and (5) of the CRD]</i></p>	<p>Please see previous response.</p>
4.3A.8	<p>A CRR firm that is significant must:</p> <ol style="list-style-type: none"> 1. establish a nomination committee composed of members of the management body who do not perform any executive function in the firm; 2. ensure that the nomination committee is able to use any forms of resources the nomination committee deems appropriate, including external advice; and 3. ensure that the nomination committee receives appropriate funding. <p><i>[Note: article 88(2) of the CRD]</i></p>	<p>This provision is not currently applicable, however, please see the response to 4.3A.10 below.</p>

SYSC Reference	SYSC Requirement	LMST Position
4.3A.9	<p>A CRR firm that has a nomination committee must ensure that the nomination committee:</p> <ol style="list-style-type: none"> 1. engage a broad set of qualities and competences when recruiting members to the management body and for that purpose puts in place a policy promoting diversity on the management body; 2. identifies and recommends for approval, by the management body or by general meeting, candidates to fill management body vacancies, having evaluated the balance of knowledge, skills, diversity and experience of the management body; 3. prepares a description of the roles and capabilities for a particular appointment, and assesses the time commitment required; 4. decides on a target for the representation of the underrepresented gender in the management body and prepares a policy on how to increase the number of the underrepresented gender in the management body in order to meet that target; 5. periodically, and at least annually, assesses the structure, size, composition and performance of the management body and makes recommendations to the management body with regard to any changes; 6. periodically, and at least annually, assesses the knowledge, skills and experience of individual members of the management body and of the management body collectively, and reports this to the management body; 7. periodically reviews the policy of the management body for selection and appointment of senior management and makes recommendations to the management body; and 8. in performing its duties, and to the extent possible, on an ongoing basis, takes account of the need to ensure that the management body's decision making is not dominated by any one individual or small group of individuals in a manner that is detrimental to the interest of the firm as a whole; <p><i>[Note: article 88(2) and article 91(10) of the CRD]</i></p>	<p>This provision is not currently applicable, however, please see the response to 4.3A.10 below.</p>

SYSC Reference	SYSC Requirement	LMST Position
4.3A.10	<p>A CRR firm that does not have a nomination committee must engage a broad set of qualities and competences when recruiting members to the management body. For that purpose a CRR firm that does not have a nomination committee must put in place a policy promoting diversity on the management body.</p> <p><i>[Note: article 91(10) of the CRD]</i></p>	<p>LMST complies with the Link equality and diversity policy, a copy of which can be located via: https://www.linkassetservices.com/group-policies/equality-diversity-policy-statement</p>
4.3A.11	<p>A CRR firm that maintains a website must explain on the website how it complies with the requirements of SYSC 4.3A.1 R to SYSC 4.3A.3 R and SYSC 4.3A.4 R to SYSC 4.3A.11 R.</p> <p><i>[Note: article 96 of the CRD]</i></p>	<p>Satisfied by means of this material.</p>