

# Link Market Services Trustees Limited Public Disclosure Financial Year 22/23



# Contents

1. Overview
2. Governance Arrangements
3. Own Funds
4. Own Funds Requirements
5. Remuneration
6. Appendix
7. Disclaimer

# 1. Overview

This disclosure is in relation to Link Market Services Trustees Limited (“LMSTL”, “the Firm”). LMSTL is a private, UK incorporated company, authorised and regulated by the Financial Conduct Authority (“FCA”) under Firm Reference Number 184113. The main business of LMSTL is the provision of dealing, administration, trustee, and nominee services. LMSTL is a wholly owned subsidiary of Link Group.

This document sets out the public disclosures for LMSTL as of 30 June 2023, which represents the end of LMSTL’s financial accounting period.

## Basis and Frequency of Disclosure

As a UK investment firm undertaking activities within the scope of the UK Markets in Financial Instruments Directive (“MIFID”), LMSTL is subject to the prudential requirements of the Investment Firms Prudential Regime (“IFPR”) contained in the MIFIDPRU Prudential sourcebook for MIFID investment firms of the FCA Handbook.

LMSTL is required to publish disclosures in accordance with the provisions outlined in MIFIDPRU 8 of the IFPR. These requirements are supplemented by the guidance set out in MIFIDPRU 8 published by the FCA. Under the IFPR’s firm categorisation, LMSTL is categorised as a non-small non-interconnected (“non-SNI”) MIFIDPRU investment firm. The disclosure for LMSTL is prepared annually on a solo entity (i.e., individual) basis. The disclosed information is proportionate to LMSTL’s size and organisation, and to the nature, scope and complexity of LMSTL’s activities.

## Policy, Validation and Sign-Off

LMSTL is committed to following a robust internal controls framework to ensure the completeness, accuracy and compliance with the relevant standards and regulatory requirements of any external reports and disclosures. As an external publication, this document has been subject to internal verification and approval to ensure compliance with the regulatory requirements contained in MIFIDPRU 8.

The governance in place allows for appropriate challenge and oversight prior to publication. The disclosure is not required to be subject to independent external audit.

# 2. Governance Arrangements

## Legal and Organisational Structure

LMSTL forms part of a wider group of Link entities. It is ultimately (indirectly) owned by Link Administration Holdings Limited, a holding company listed in Australia.

Link Market Services Trustees (Nominees) Limited is LMSTL’s only subsidiary.

Table 1 – Entities related to LMSTL

Entities	Description of activities
LMSTL	A private UK incorporated company authorised by the FCA to undertake MIFID investment activities.
Link Market Services Trustees (Nominees) Limited	Nominee company for the purpose of holding client assets
Link Market Services Limited	Share registration and associated services provider
Link Treasury Services Limited	Treasury services provider
Link Administration Holdings Limited	Holding company which is the ultimate owner of the above subsidiaries.

## Business Overview

As a wider group, Link Group operates across four operating groups:

- Corporate Markets
- Retirement and Superannuation Solutions

LMSTL operates within the Corporate Markets business division of Link Group, which provides clients with a wide range of services including share registry management, employee share plan administration, investor relations, stakeholder engagement, company secretarial, treasury services, multi-channel communications, insolvency solutions and class action services.

## LMSTL Governance Structure

LMSTL has a formalised governance structure which is designed to provide oversight of the risk management of the Firm's business operations in line with systems and controls that LMSTL has in place to operate appropriately and in accordance with the necessary regulatory requirements and expectations. The ultimate responsibility for the management of LMSTL falls within the scope of the role and responsibilities of the management body and the Board.

Due to its size, nature and complexity of the business activities, the Firm does not have a Nomination Committee or a Remuneration Committee as part of its governance arrangements nor is it required to establish these committees as set out in MIFIDPRU 7.1.4R. The Corporate Markets division operates a Risk Committee of which LMSTL is a participant.

## Board Oversight Arrangements

The LMSTL Board has delegated the overall responsibilities for the management of LMSTL's operational activities to the Executive Directors who conduct their roles in line with their assigned responsibilities and allocated senior management functions ("SMF"). The Board may also delegate authority to other persons to act on behalf of LMSTL in relation to certain matters on an ongoing basis.

The governance and oversight frameworks in place ensure that the Board defines, oversees and is accountable for the implementation of arrangements to ensure effective and prudent management of the firm, including appropriate segregation of duties of the Senior Management in accordance with the UK's Senior Management and Certification Regime ("SMCR") and management of conflicts of interest.

LMSTL has adopted Link Group's group-wide Conflicts of Interest Policy, which is supported by a suite of related policies and procedures. The Board members are required to comply with the Conflicts of Interest Policy in order to prevent and manage any potential and actual conflicts should they arise in the course of their individual appointments and responsibilities as members of the management body.

## Board of Directors

The Board is the main decision-making body of LMSTL. Its primary role is to promote the long-term health and prosperity of the Firm and establish sound and prudent management of the business. The composition of the Board is formed by the Executive Directors of the Firm and a Non-Executive Director. For an overview of the composition of the LMSTL Board, please see Table 2 further below.

The Firm seeks regulatory approval prior to appointments to the LMSTL Board under the SMCR. All Board members are registered and listed on the FCA Register.

Overall, the Board is responsible for approval and oversight of the strategic objectives, the risk strategy, risk management and governance of the Firm in compliance with its regulatory obligations and providing effective oversight of senior management.

The following are Board reserved matters:

- Approval of major elements of strategy including any significant change in the direction of that strategy.
- Approval of risk and management matters as prescribed by the FCA which apply to LMSTL.
- Reviewing information provided on the Company's compliance with its regulatory capital requirements.
- Approval of the dividend policy, declaration of interim dividends and recommendation of the final dividend.
- Changes relating to LMSTL's capital structure including capital reductions.
- Approval of any major transactions and material contracts between LMSTL and the rest of the Group.
- Adoption of LMSTL annual business plan and capital expenditure budget.
- Setting and maintaining a remuneration policy.
- An annual review of the Board's own performance, that of its committees and individual directors, and the division of responsibility.

## Directorships

The following information relates to the appointments of directors held in both, executive and/or non-executive functions, including directorships held at external, commercial organisations as at the time of this documents publication:

Table 2 – Overview of relevant external directorships held by the LMSTL Board members

SMF Function / Role	Name	Start date of LMSTL directorship	Number of other directorships
SMF 1 Chief Executive, SMF 3 Executive Director / Managing Director, Corporate Markets EMEA	Ian Stokes	June 2021	0
SMF 3 Executive Director / Operations Director	Victoria Gilmour	September 2023	0
SMF 9 Chair of the Governing Body /	John Parker	January 2022	1 (John is also a Director of Honorat

Non-Executive Director	Associates Limited, company number 08585306)
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The above table does not include intra-group directorships which are not required to be separately disclosed.

## Diversity and Inclusion

LMSTL applies the Link Group Diversity & Inclusion Policy. As such LMSTL recognises and respects the importance of diversity and inclusion as an integral part of how it operates. As a global organisation, Link Group's objectives are:

- To create an inclusive and collaborative environment where difference is valued and each person can realise their potential and contribute to Link Group's success
- To recognise that embracing and supporting individual differences and gender equality brings the breadth of perspective and depth of experience critical to its success
- To strive to be an organisation whose people are reflective of the make-up of the companies they serve as well as their customers throughout the world.

Link Group is also committed to achieving gender balance and equity across all levels of management and the wider organisation. The Table below summarises Link Groups targets and progress in meeting this goal for FY22/23:

Table 3 – Link Group's gender balance targets and progress.

Link Group level	Percentage	
	Global target for FY 22/23	Actual for FY22/23
Board	40% female	38%
Senior Executives	40% female	44%
Senior Leaders	30% female	33%
Women in Management	40% female	43%
All staff	40% female	44%

The firm also works to ensure diversity and inclusion is integrated across all areas of our business practices, policies and behaviours.

Link Group strives to be a diverse and equal opportunity employer. It is committed to respecting human rights and to conduct its business in a manner that respects the rights and dignity of all people in the communities it operates in globally.

## 3. Own Funds

### Composition of Regulatory Own Funds

[LMSTL's own funds (i.e., capital resources) comprise exclusively CET 1 capital. CET 1 capital consists of fully issued ordinary shares, satisfying all criteria for a CET 1 instrument in accordance with the IFPR.]

As at the end of FY on 30 June 2023, LMSTL complied with the relevant capital regulatory obligations, as outlined in the IFPR.]

Table 4 – Own funds

No.	Item	Amount (GBP thousands)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1	<b>OWN FUNDS</b>	<b>19,388</b>	
2	<b>TIER 1 CAPITAL</b>	<b>19,388</b>	
3	<b>COMMON EQUITY TIER 1 CAPITAL</b>	<b>19,960</b>	
4	Fully paid up capital instruments	125	E1
5	Share premium	3,000	E2
6	Retained earnings	16,835	E3
7	Accumulated comprehensive income other	N/A	
8	Other reserves	N/A	
9	Adjustments to CET1 due to prudential filters	N/A	
10	Other funds	N/A	
11	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(572)	



19	CET1: Other capital elements, deductions and adjustments	(572) A1
20	<b>ADDITIONAL TIER 1 CAPITAL</b>	<b>N/A</b>
21	Fully paid up, directly issued capital instruments	N/A
22	Share premium	N/A
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	N/A
24	Additional Tier 1: Other capital elements, deductions and adjustments	N/A
25	<b>TIER 2 CAPITAL</b>	<b>N/A</b>
26	Fully paid up, directly issued capital instruments	N/A
27	Share premium	N/A
28	(-) TOTAL DEDUCTIONS FROM TIER 2	N/A
29	Tier 2: Other capital elements, deductions and adjustments	N/A

## Reconciliation of Regulatory Own Funds to Balance Sheet in the Audited Financial Statements

Table 5 – Reconciliation of own funds to the balance sheet

	<b>a</b>	<b>b</b>	<b>c</b>
<b>Amount in GBP (thousands)</b>	<b>Balance sheet as in published/audited financial statements</b>	<b>Under regulatory scope of consolidation</b>	<b>Cross-reference to template OF1</b>
<b>As at period end</b>			

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**Assets** – Breakdown by asset classes according to the balance sheet in the audited financial statements

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1	Intangible assets	572	19
2	Investments in subsidiaries	0	
3	Deferred tax asset	112	
4	Trade and other receivables	43,946	
5	Cash and cash equivalents	4,508	
	<b>Total Assets</b>	<b>49,138</b>	

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**Liabilities** – Breakdown by liability classes according to the balance sheet in the audited financial statements

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1	Trade and other payables	(28,951)	
2	Provisions	(210)	
3	Deferred tax liability	(17)	
	<b>Total Liabilities</b>	<b>(29,178)</b>	

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**Shareholders' Equity**

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1	Share Capital	(125)	4
2	Share Premium	(3,000)	5
3	Refined Earnings	(16,835)	6
	<b>Total Shareholders' equity</b>	<b>(19,960)</b>	

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## Main features of own instruments

The table below provides information on the CET1 Instruments issued by LMSTL

Table 6 – Main features of own instruments issued by LMSTL

### Own funds: main features of own instruments issued by the firm

Share Capital:

- Class of shares: ordinary £1
  - Currency: GBP
  - Number allotted: 125,001
  - Aggregate nominal value: 125,001
  - Amount paid per share: 25
  - Amount unpaid per share: 0
  - Prescribed Particulars: Each share is entitled to one vote in any circumstances. Each share has equal rights to dividends. Each share is entitled to participate in a distribution arising from a winding up of the company.
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## 4. Own Funds Requirements

### K-Factor Requirement and Fixed Overheads Requirement

LMSTL is required to disclose the K-Factor requirement (“KFR”) and the fixed overhead requirement (“FOR”) amounts in relation to its compliance with the own funds requirement (“OFR”) set out in MIFIDPRU 4.3. The amounts are presented in the table below. For the definition of each K-factor, please refer to the Appendix.

Table 7 – K-factor and fixed overhead requirements

Item	Total amount in GBP (thousands)	
K-Factor	$\Sigma$ K-AUM, K-CMH and K-ASA	532
	$\Sigma$ K-DTF and K-COH	0
	$\Sigma$ K-NPR, K-CMG, K-TCD and K-CON	0
FOR	4,241	

### Approach to Assessing the Adequacy of Own Funds

LMSTL is further required to disclose its approach to assessing the adequacy of its own funds in accordance with the Overall Financial Adequacy Rule (“OFAR”) as outlined in MIFIDPRU 7.4.7R.

### ICARA Process

The Internal Capital Adequacy and Risk Assessment (“ICARA”) process serves as the means of assessing key risks to which LMSTL is exposed. Further, it assists LMSTL with identifying and managing material harms that LMSTL may cause through its regulated and unregulated activities. The process further seeks to determine the level of own funds and liquidity LMSTL needs to hold. The ICARA process has been implemented and embedded within the Link Group’s Risk Management Framework (“RMF”).

The ICARA process, which has replaced the former Internal Capital Adequacy Assessment Process, has been enhanced to improve the effectiveness of the new process, including better alignment of own funds and liquidity stress-testing and wind-down planning.

The following are the key ICARA elements that are assessed as part of the process:

- Business strategy and growth plans.
- Comprehensive key risk and harms assessment.
- Internal assessment of own funds adequacy.
- Internal assessment of liquidity adequacy.

- Capital and liquidity planning (i.e., financial, own funds and liquidity).
- Stress testing.
- Recovery actions.
- Wind-down Plan (“WDP”).

The adequacy of the ICARA process will be reviewed at least annually or more frequently, should there be any material changes to LMSTL’s risk profile, business strategy or if requested by the LMSTL Board.

## Overall OFAR Compliance

At all times, LMSTL must hold adequate financial resources, both in amount and quality, to ensure that the Firm remains financially viable throughout the economic cycle with the ability to address and mitigate any potential harms that may be caused, arising from its ongoing business activities, and that the Firm is prepared for an orderly wind-down while minimising harm to customers or to other market participants, without threatening the integrity of the UK financial system.

As a minimum to meet the OFAR, an FCA standard of determining the adequacy of its financial resources through the internal assessment of its capital and liquidity adequacy, LMSTL must meet the OFR and basic liquid assets requirement (“BLAR”).

As a non-SNI firm, LMSTL has to comply with the provisions of the OFR contained within MIFIDPRU 4.3.2R by holding the highest of:

1. Its Permanent Minimum Capital Requirement (“PMR”). (Per MIFIDPRU 4.4).
2. Its FOR (per MIFIDPRU 4.5); or
3. Its KFR. (per MIFIDPRU 4.6).

LMSTL complies with its PMR of £150,000 being a fixed requirement based on the permissions the Firm has to undertake its regulated activities. The FOR, which is an amount equal to one quarter of LMSTL’s expenditure from the preceding year after the distribution of its profits and deduction of certain non-fixed expenditure items, is calculated from LMSTL’s audited annual financial statements.

The IFPR KFR methodology for calculating own funds requirements provides for K-Factors to be applied as relevant, based on a firm’s permissions. The relevant K-Factors applicable to LMSTL are K-CMH, K-ASA, K-COH. Collectively these are referred to as the Firm’s KFR.

LMSTL does not expect any other K-Factors to be relevant to its calculations given the Firm’s current permissions and activities. However, should LMSTL explore alternative business activities, impacts would be assessed according to Link Group’s Business Initiatives Approval Policy.

Further, LMSTL performs an internal assessment of the own funds and liquid assets required to support its ongoing operations and to support an orderly wind-down of the Firm.

The Firm also undertakes regular stress testing and scenario analysis as key inputs in these internal assessments of the adequacy of its financial resources. These internal assessments, alongside the OFR and BLAR, help inform the adequate level of financial resources required to be maintained by LMSTL in compliance with the OFAR.

### Own Funds Adequacy and Monitoring

LMSTL's approach to ensuring that it has appropriate own funds is its alignment with its strategy and risk appetite. All identified key risks are individually assessed.

Additionally, LMSTL carries out stress testing of business specific and macro events which are outside the firm's control. LMSTL's methodology assesses the impact of severe but plausible stress events, all of which impact the firm's profit & loss, balance sheet and capital adequacy over the three-year financial forecast period.

This test provides confidence to LMSTL's board and management that the capital and liquid resources currently held by the business are sufficient to withstand the impact of these stressed events.

### Liquid Assets Adequacy and Monitoring

LMSTL has documented systems and controls in place at both a Company and Group level to actively monitor and manage liquidity risk. The systems and controls are regularly reviewed by and reported on by senior management, as is the liquidity risk appetite.

The Company has a low tolerance for, and exposure to, liquidity risk. This is due to its business and cash flow model and the ongoing requirement to be able to meet contractual payments as they fall due. Liquidity risk tolerance is reviewed by senior management on an ongoing basis. The Board has defined a minimum approved liquidity balance of £4m as defined in its Contingency Funding Plan.

### Wind-Down

The Company has assessed the realistic net cost to wind down at approximately £9.1m and as such it will also have sufficient capital resources to cover these costs. The wind down assessment has also been subject to stress testing of the key assumptions and in all cases the Company has assessed that it will continue to have sufficient capital and liquid resources to cover the wind down.

Having considered the various scenarios that could give rise to a wind down decision, it is anticipated that a similar approach would be taken for each scenario. This approach considers the diversity and complexity of each product along with the impact that wind down would have upon consumers. The approach taken is deemed to have the least impact upon individual investors within each product group.

The wind down will take one year in total with differing timeframes for each product. To ensure minimum impact on investors the Share Dealing service will remain available until the final product is wound down.

## Overview of Risk Management and Control Environment

LMSTL operates in line with the Link Group Enterprise Risk Management Framework (ERMF) which provides a consistent methodology, approach and process for risk management across the businesses within the Group. This Framework sets out the Link Group Risk Appetite requirements, segregation of duties and management risks via the Three Lines of Defence model, which applies to all entities within the global Link Group. The principal additions incorporated into the framework reflect the differences in the local regulatory and sector environment.

This helps the Board and management answer pertinent questions facing the Group, including questions around the risks to our business strategy; our appetite relating to material risks; our approach to controlling, monitoring and managing these risks; and how we respond to possible scenarios that could impact Link Group.

The Group's approach to the Three Lines of Defence model is designed with clear roles and accountabilities to enable all employees to play an active role in the end-to-end management of risk. This helps the Group work together effectively ensuring there are no gaps in risk coverage. The Standard supports the Enterprise Risk Management Framework (ERMF).

# 5. Remuneration

## Remuneration Declaration

LMSTL's remuneration disclosures are prepared using the most up-to-date full-year remuneration data available at the time (i.e., 1 July – 30 June). For remuneration disclosures on information concerning LMSTL's remuneration arrangements, please refer to the following link: <https://www.linkgroup.eu/policy-statements/disclosures-required-by-the-investment-firm-prudential-regime/>



## 6. Appendix

### K-Factor Definitions

The Prudential sourcebook for MIFID investment firms (i.e., MIFIDPRU) of the FCA Handbook sets out the KFR methodology for calculating own funds requirements effective from 1 January 2022. The IFPR introduced nine K-factors. The application of each K-factor at individual investment firms is determined by a firm's regulatory permissions.

Table 8 – K-factor definitions

K-factor	Description
K-AUM	Assets under management
K-COH	Client orders handled
K-ASA	Assets safeguarded and administered
K-CMH	Client money held
K-NPR	Net position risk
K-CMG	Clearing margin given
K-TCD	Trading counterparty default
K-DTF	Daily trading flow
K-CON	Concentration risk

## 7. Disclaimer

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