Link Financial Investments Limited
Risk Management Disclosures

VERSION 2.0
OCTOBER 2023

Introduction

The purpose of this document is to satisfy the regulatory obligations on Link Financial Investments Limited to publicly disclose a summary of its risk management arrangements.

Timing and Location

The disclosures will routinely be updated annually, in line with the finalisation of the Company's financial statements, and may be updated more frequently should circumstances warrant (e.g. on major regulatory or business change).

The disclosures will be placed on the Company's website.

Information disclosed is current as at the date of publication of this document.

Theme / Regulatory References	Regulatory Requirement	How LFI Satisfies Requirement
Risk Committees MIFIDPRU 7.3.1 R	Firms to which MIFIDPRU applies are required to disclose whether they are required to establish a risk committee, whether they have received a waiver from this requirement and whether they have established such a committee.	The Company is not presently subject to the requirement to establish a risk committee, and has therefore not required a waiver from the FCA. It has, of its own volition, for some time, maintained a Risk, Audit & Compliance Committee as part of its governance arrangements.
Risk management objectives and policies MIFIDPRU 8.3.1 R, 8.3.2 R	A *firm* to which MIFIDPRU applies must disclose its risk management objectives and policies for the categories of risk addressed by: (1) MIFIDPRU 4 (Own funds requirements); (2) MIFIDPRU 5 (Concentration risk); and (3) MIFIDPRU 6 (Liquidity). These disclosures must include: (1) a concise statement approved by the Board describing the potential for harm associated with the business strategy; and (2) a summary of the strategies and processes used to manage each of the categories of risk listed in MIFIDPRU 8.2.1R and how this helps to reduce the potential for harm.	The Company's Board has overall responsibility for risk management. It utilises the three lines of defence model and has dedicated Risk and Compliance functions, as well as access to Internal Audit. The Risk, Audit & Compliance Committee, together with sub-committees thereof provide oversight of those functions and facilitates the escalation of issues by them. The Company's Internal Capital & Risk Assessment ("ICARA") process considers the risks to which the Company is subject, together with associated risk management objectives and policies. The business strategy is to act as manager of the Prudential ISA. The Company therefore places transactions with product providers on behalf of investors and holds investors' monies and assets. The Company has no direct market activity and does not operate on its own account. The principal risks associated with this strategy are the security of monies and assets and the timely and accurate processing of transactions and their settlement. Further information on the Company's Risk Management arrangements can be found in the Annual Report and Financial Statements filed at Companies House.

In respect of the specific risk categories listed above, the Board have approved the following statements:

Own funds requirements	The Company is subject to various capital requirements: (1) A permanent minimum requirement of £150,000. (2) A fixed overhead requirement equal to one quarter of such expenditure. (3) A requirement to calculate "K-factors" based on the activities undertaken by the Company in MIFID instruments. (4) An income-based requirement relating to the Company's insurance mediation activities. (5) A requirement to self-assess the risks to which the Company, its clients and the market are subject, together with their mitigation, including any additional capital required to do so. (This is part of the ICARA process.) (6) A requirement to assess the costs of an orderly wind-down of the Company's affairs, together with the circumstances in which this might be necessary.

	The Company's Finance function is responsible for ensuring the calculations in 1. to 4. are performed in accordance with regulatory requirements. The Company's Risk function co-ordinates the ICARA process. The process involves the Company's Directors, management and Compliance functions and involves scenario workshops to identify and assess the risks faced and their mitigation. The wind-down plan is updated alongside the risk management elements of the ICARA, primarily by the Finance and Risk functions. The results are subject to Board validation and approval. The Company seeks to hold capital sufficient to meet the highest of the above requirements. Its policy is to do so in ordinary share capital or retained earnings.
Concentration risk	The Company's sole activity is acting as manager of the Prudential ISA. It is remunerated for doing so by an entity within the M&G Group. Investors in the ISA are not subject to charges levied by the Company for its services. As a result of this, it has a single, concentrated source of income. It is not possible to mitigate this risk. Clients can invest in either or both of a range of PruFund Funds, being life policies offered by the Prudential Assurance Company Limited, or shares in the sub-funds of the WS Prudential Funds (1) OEIC. New business in the former must be advised. The Company is not formally responsible for assessing the suitability or appropriateness of the choices made by clients or their advisers. The range of products within the Prudential ISA is relatively limited, and the products available have been developed with clients' risk profiles in mind. As a result, clients' holdings will inevitably be relatively concentrated, and this is not presently capable of reduction. The Company generally holds client money in the course of transactions (i.e. for brief periods). Nevertheless, where it is possible to do so, it seeks to diversify the holding of client monies to reduce the potential impact of a bank failure. (The Company does not, however, accept any liability for such a failure.) The banks used are subject to ongoing review of credit-worthiness and financial resilience. The banks used are the larger UK retail deposit-takers. The Company adopts a similar approach to its own cash balances, in line with Waystone Group's Treasury arrangements.
Liquidity risk	The Company holds at least the amount assessed as required for regulatory capital purposes in cash. The Company has no borrowings and its day-to-day liquidity requirements are merely working capital cash flows. It believes that the level of liquidity set out above is sufficient to provide any necessary contingency should working capital flows not be as expected.