

RAYMOND JAMES INVESTMENT SERVICES LIMITED: PILLAR 3 DISCLOSURES & POLICY (FINANCIAL YEAR ENDING 30 SEPT 2021)

1. Introduction

Raymond James Investment Services Limited (“Raymond James” or the “Firm”) is a private client wealth management firm, authorised and regulated in the United Kingdom by the Financial Conduct Authority (‘FCA’).

This disclosure relates to the financial year ending 30 September 2021, and as such reflects RJIS’ position and applicable requirements under the FCA’s Prudential Sourcebook for Banks and Investment Firms (‘BIPRU’). Raymond James is classified as a BIPRU €50K Limited Licence investment firm and as such, it is required to comply with the three “Pillars” of the EU’s Capital Requirements Directive (‘CRD’) framework. These are:

- Pillar 1, which sets out the minimum amount of capital the Firm needs to meet its regulatory requirements;
- Pillar 2, which requires us and our regulatory supervisors to consider the requirement to hold additional capital against risks not covered in Pillar 1. In the UK, this is implemented through the Internal Capital Adequacy Assessment Process (“ICAAP”) undertaken by Raymond James, and by the FCA through the Supervisory Review and Evaluation Process (“SREP”);
- Pillar 3, which requires us to disclose to market participants key information about our underlying risks, risk management controls and capital position.

The purpose of this document is to meet our obligation in respect of Pillar 3.

2. Disclosure Policy

Raymond James is a wholly-owned subsidiary of Raymond James Financial, Inc. (“RJF”), a diversified US-based financial services company. As a subsidiary of non-EEA parent, Raymond James provides ‘unconsolidated’ reporting to the FCA, and undertakes the ICAAP and Pillar 3 Disclosure on a solo basis.

Raymond James makes Pillar 3 disclosures on at least an annual basis, as soon as practicable following the end of our Financial Year. These are provided on our corporate website, www.raymondjames.uk.com.

Under the rules of BIPRU 11, the firm may omit certain information from the Pillar 3 disclosure, in specifically-defined circumstances, where it believes that the disclosure contains information that is immaterial, proprietary or confidential. **We confirm that we have not omitted any disclosures on these grounds.**

All figures in this document are correct at 30th September 2021 unless stated otherwise.

3. Risk Management Policies and Objectives

Risk Appetite

Raymond James' risk culture and its philosophy regarding risks are established by the Board of Directors ('The Board'). We have adopted our parent company RJF's Corporate Risk Appetite statement, and seek to inculcate its conservative risk culture, consistent with its values of client first, conservatism, independence and integrity.

The Board reviews the risk profile of the organization and ensures alignment with RJF's and Raymond James' strategic plan. Additionally, the Board oversees the governance process, established by Senior Management, including a number of committees and working groups to provide the information and analyses necessary to ensure that the firm's risk profile aligns with the risk culture, philosophy and appetite of RJF.

The Firm's activities are non-complex and the Firm does not hold client money or assets or trade on its own account.

Risk Management Framework

The Board have ultimate responsibility for setting the business strategy and objectives of the Firm and the effective management of risk in pursuit of these objectives.

The Board have delegated the day to day management of the Firm's risk to the Retail Operating Committee (the 'Committee'), a committee established by the Board consisting of senior managers, each of whom is involved in the Firm's day-to-day business activities. The Committee accepts primary responsibility for the day to day management of the Firm's risks, systems and controls, and the ICAAP.

Raymond James reviews its ICAAP on at least an annual basis, including the ongoing assessment of risk within our Risk Register and consideration of key mitigating controls. This involves the identification and assessment of the individual sources of risk in each of our business activities with input from the Senior Management team. This enables Management to focus attention on the top risks to our business, and continually improve our systems and controls to bring levels of residual risk to within our risk appetite. The process also includes undertaking stress and scenario testing of its key risks to determine the impact to our current and future profitability and balance sheet.

Capital and liquidity positions are monitored by the Committee and appropriate Management Information is provided to the Board on a regular basis. The Board has set a prudent target for capital coverage to be maintained above the regulatory minimum.

Other risk management information is collected, reviewed and, where appropriate, acted upon as part of our established internal procedures. The Committee regularly establishes and reviews key metrics relating to business performance and management of the Firm's key risks.

The key risk exposures the Firm faces and the mitigating controls in place are listed below:

Credit Risk:

The risk of loss due to a client or counterparty defaulting on its obligations. This is mitigated through the regular monitoring and credit review of our key business partners and trading counterparties. Client trades require suitable collateral or are undertaken on a delivery-versus-payment basis.

Operational Risk:

The risk resulting from inadequate or failed business processes and systems. Raymond James seeks to monitor potential sources of errors arising from its operations and continually strengthen our internal systems and processes, supervisory and oversight functions to reduce our residual risk exposure. The Firm maintains resilient infrastructure, and regularly tests its Business Continuity and Disaster Recovery arrangements to limit the impact of potential external events. Additionally the Firm maintains comprehensive Professional Indemnity Insurance cover to cap our exposure to potential large claims or operational losses.

Liquidity Risk:

The risk that the Firm has insufficient funds to meet its liabilities as they fall due. This is mitigated by the daily monitoring of cash flow and forecasting, and stress testing and scenario analysis. The Firm does not undertake trading on its own account, or face market counterparties directly for the purposes of execution of trades on behalf of clients, which limits its liquidity exposures.

Market Risk:

Adverse movements in securities markets may negatively affect commissions and fees derived from assets under management. This is mitigated by the retention of appropriate capital resources, which are determined on the basis of rigorous stress testing and scenario analysis.

Business Risk:

The risk to the Firm arising from changes in its business, including the risk that the firm may not be able to carry out its business plan and its desired strategy. The Operating Committee review progress against strategic objectives, including regular review of performance metrics, and discuss the Firm's strategic priorities on a regular basis. The Firm has internal regulatory and legal resources able to keep it abreast of regulatory developments.

Raymond James consider each of these listed risks as giving rise to Reputational Risk - damage to our reputation either through censure by our regulator or by a perception in the market of poor quality and service. We therefore consider the severity of the impact to Raymond James' reputation in the assessment of both the inherent and residual risk that we face in each of our key risk areas.

4. Integration into Business Strategy

The Firm's current primary objectives are:

- To continue to operate in the UK private client wealth management market;
- To increase, through organic growth and through the recruitment of additional wealth managers and affiliated firms, the size of our operations;
- To achieve economies of scale that will allow us to operate profitably, thereby providing a return to our shareholders.

We intend to maintain sufficient capital resources to allow us to achieve these objectives whilst meeting our regulatory obligations. Accordingly, the Firm's ICAAP is reviewed and approved on at least an annual basis and considers our future cash flow and capital adequacy projections to ensure that sufficient capital exists within the firm to meet our current plans and any anticipated future risks.

5. Capital Resources

Capital is held to ensure that a suitable operating margin is maintained in excess of the higher of Pillar 1 and Pillar 2 capital requirements. Pillar 2 capital requirements are determined using a risk-based approach that explicitly takes into account management's view of specific risk exposures.

As a BIPRU €50K Limited License Firm, Raymond James' Pillar 1 capital requirements are the greater of:

- Base capital requirement of €50,000; or
- The sum of market and credit risk requirements; or
- The Fixed Overhead Requirement

We have determined that, as at 30 September 2021, the Fixed Overhead Requirement established our Pillar 1 capital requirements.

The firm's tier 1 capital resources comprise entirely of share capital and audited reserves.

The capital position of the firm as at 30 September 2021 is as set out below:

Regulatory capital as at 30 September 2021	£'000s
Total Tier 1 Capital after deductions	27,373
Total Tier 2 Capital	-
Total regulatory capital	27,373
Pillar 1 Minimum capital requirement	3,728
Surplus	23,695
Regulatory capital % of minimum capital requirement (solvency ratio)	734%
Total Capital Ratio (minimum 8%)	59%

6. Remuneration Code

The Board has reviewed and considered the requirements of the FCA Remuneration Code. The Compliance Department has drawn up a policy in this respect and the Board has adopted this and determined that the Firm is compliant with all aspects of the Code. As a Tier 3 firm there are various proportionality exemptions within the rules and these have been used where appropriate to do so.

Raymond James has 7 Code Staff and their total aggregated remuneration for the year ended 30 September 2021 was £3,200,000. The remuneration of Code Staff is compliant with the Code.

7. The Investment Firms Prudential Regime (IFPR)

The FCA is introducing a new prudential regime for Investment Firms in the UK (the IFPR) which will come into force on 1 January 2022, replacing the current rules relevant to disclosures under BIPRU and GENPRU. The regulations will take a more proportionate approach to investment firms with the firm's size and activities determining the reporting required. Under the new rules, RJIS will be classified as a non-Small Non-Interconnected (non-SNI) firm and subject to new requirements covering own funds, liquidity, regulatory reporting, corporate governance, remuneration and disclosures. RJIS has undertaken analyses to determine the applicability of the requirements under the new regime and has determined that current levels of regulatory capital remain comfortably in excess of the requirements at the onset of the IFPR and forecast to remain to do so.