MIFIDPRU Disclosures

Halifax Share Dealing Limited

Year Ending 31 December 2024

Contents

1 Introduction

This document sets out the public disclosures required under the Investment Firm Prudential Regime (IFPR) for Halifax Share Dealing Limited (the 'Company') as at 31 December 2024 and as defined under the Financial Conduct Authority (FCA) prudential handbook, MIFIDPRU. The Company forms part of Scottish Widows Group Limited (SWG), a wholly owned subsidiary of Lloyds Banking Group plc (the 'Group'). The Company contributes to the results of the Insurance, Pensions, and Investments (IP&I) division of the Group. Under Chapter 2 of MIFIDPRU, the Company is part of an IFPR consolidation group.

1.1 Basic of Disclosures

The Company undertakes activities within the scope of the UK Markets in Financial Instruments Directive (MiFID) and is therefore subject to the prudential requirements of the IFPR contained in the FCA's MIFIDPRU handbook. The Company is required to publish disclosures in accordance with the provisions outlined in Chapter 8 of the FCA's MIFIDPRU Handbook.

1.2 Frequency of Disclosures

The Company makes available its disclosures on an annual basis and a standalone copy of these disclosures is located on the Lloyds Banking Group plc website: [Financial downloads - Lloyds Banking Group plc.](#) All calculations are determined in line with the Company's financial year end reference date 31st December 2024.

1.3 Verification of Disclosures

The disclosures required under Chapter 8 of the MIFIDPRU handbook are not required to be subjected to an external audit. The disclosures are subject to external verification only to the extent that they are taken from the audited annual financial statements.

2 Risk Management Objectives and Policies

The Company follows the Insurance Group Risk Management Framework (RMF) which is aligned to the LBG plc Risk Management Framework, but also incorporates elements to address and support compliance with Insurance-specific regulatory requirements.

The Lloyds Banking Group ('LBG') risk management framework is an ongoing cycle of activities designed to ensure effective end–to-end risk management. Further details on LBG's approach to risk management can be found at:
https://www.lloydsbankinggroup.com/who-we-are/group-overview/risk-management.html

2.1 Summary of Capital Risk Appetite and Capital Buffers

The Company holds an internal capital buffer such that regulatory capital requirements can be covered after the consideration of stress event scenarios. Using the four-year operating plan as a baseline, scenario testing evaluates the impact of a number of unique combinations of harms that the Company could cause to customers, the market, or the Firm itself over a three-year time horizon. The purpose is to identify all significant exposures the Company has to internal and external risks, including macro-economic impacts, and to understand the ability of capital reserves and liquid assets to absorb their impacts.

Risk Appetite

Where own funds of the Company cover the regulatory capital requirement and the internal capital buffer, the capital position is assigned a 'green' rating. In this case, excess capital is positive.

The capital position is rated 'amber' where own funds are below this level, but above the 'red-amber threshold' as defined below. The red-amber threshold is the regulatory capital requirement, plus a capital buffer. Below this level, risk appetite would be 'red.'

Risk Appetite (continued)

Reporting of the Company's Risk Appetite is frequently presented to internal committees, including IP&I Risk Committee, Risk Oversight Committee, IP&I Asset and Liability Committee.

The 'amber' threshold determines the point at which appropriate action should be considered. Any action taken will be dependant on the circumstances of the breach.

In accordance with the Group's policy, the Company maintains its risk profile on the Group's One Risk & Control Self-Assessment (RCSA) system which documents the key financial and non-financial risks to the business, and which is kept under regular review.

The risk profile is subject to review of inherent and residual risk assessments; control effectiveness assessment; and risk acceptance on a continuous basis and reported via risk committees.

2.2 Own Funds Requirements

A MIFIDPRU investment firm must at all times maintain own funds that are at least equal to its own funds requirement being the highest of:

- its permanent minimum capital requirement ('PMR'), which for the Company is £750,000; or
- its fixed overheads requirement ('FOR'), which amounts to 25% of its most recently audited annual expenditure less permittable deductions; or
- its K-factor requirement

The K-Factor requirement drove the Company's own funds requirement as at 31st December 2024.

2.2.1 Concentration Risk

The Company has determined that as at 31st December 2024 it did not have any concentrated exposures to any client or group of connected clients or any concentration of business for revenue on a particular product, in a particular market, or a geographic location exposes an organisation to loss due to any adverse changes. The Company's concentration risk is considered accordingly as part of the continuous management of its capital and liquidity.

The Company also identified that it did not have any concentrated exposures to any client or group of connected clients as at 31st December. The Company monitors and controls its concentration risk using sound administrative and accounting procedures and robust internal control mechanisms. This is not limited to monitoring trading book exposures but also includes any concentration in assets not recorded in a trading book (for example, trade debts) or any off-balance sheet items. It also includes any concentration risk that may arise from:

- the location of client money
- the location of custody assets
- a firm's own cash deposits
- earnings

2.2.2 Liquidity Risk

Liquidity risk is the risk of not having sufficient liquid financial resources to meet obligations when they fall due or having to incur excessive costs to do so. The Company's balance sheet is relatively non-complex with a strong link between its capital resources and liquid assets as far as the Firm's liquid assets, given the cash nature of the business, are at least equal to the Firm's Common Equity Tier 1 ('CET1') Capital. Daily liquidity monitoring processes monitor the current liquidity position and ensure that any emerging liquidity trends or future liquidity needs are captured. If necessary, mitigating action can be taken to protect the Company's liquidity position. The Company does not rely on lines of credit to meet its liquidity requirements.

3 Governance Arrangements

The Company is required to meet the high standards of corporate governance set out in the Corporate Governance Framework in place for SWG and its subsidiaries. The Company's governance structure also complies with the requirement in the FCA's Senior Management Arrangements and Controls rulebook (SYSC) to ensure 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, and in a manner that promotes the integrity of the market and the interests of clients under SYSC4.3A.6R(1).

Company Background

The Company is a wholly owned subsidiary of Embark Group Limited that in turn is a wholly owned subsidiary of SWG.

The Company is an online broker, allowing customers to buy and sell shares in UK and international listed companies across a range of markets. The Halifax service is operated by Halifax Share Dealing Limited (the 'Company'). The Company has been operating since 1997, when it was initially set up to support the flotation of the Halifax Building Society. Since then, the Company has expanded into one of the UK's largest execution only stockbrokers.

The Company is authorised and regulated by the FCA and has obtained the necessary regulatory permissions to undertake its activities.

Directors

Executive Directors	Non-Executive Directors
C Barua S T Nyahasha	J S Wheway W L D Chalmers M H Cuhls J K Harris C J G Moulder K A Cooper P G McNamara G E Schumacher

UK Directorships held by members of the management body

Name	Position within the Company	Number of Directorships outside the Company*
C Barua	Executive Director	0
S T Nyahasha	Executive Director	0
W L D Chalmers	Non-Executive Director	0
J S Wheway	Independent Non-Executive Director	0
M H Cuhls	Independent Non-Executive Director	3
J K Harris	Independent Non-Executive Director	0
C J G Moulder	Independent Non-Executive Director	3
K A Cooper	Independent Non-Executive Director	3
P G McNamara	Independent Non-Executive Director	3
G E Schumacher	Independent Non-Executive Director	1

* Excluding those within Lloyds Banking Group plc or in organisations not pursuing commercial objectives

Appointment and Induction of Directors

The Company is governed by its Board of Directors (the 'Board'). Directors are appointed by the Board, in accordance with the Group's internal governance processes applicable to subsidiary companies, and subject to required regulatory notifications or approvals.

All new Directors (both Executive and Non-Executive) are provided with a tailored induction programme which includes a session on their duties and responsibilities. Directors are required to complete relevant annual mandatory training and will participate in further information/development sessions on specific topics of interest/ relevance as appropriate either individually or collectively, delivered by both internal Group personnel and external third parties.

Directors

The Insurance Board is the Insurance Group's ultimate authorisation body for matters which concern the operation of the Group's IP&I business. The Company's Board shares common membership and meets concurrently with the boards of other individual subsidiaries which constitute the Insurance Board, recognising however that individual subsidiary boards are authorisation bodies in respect of their subsidiary's business.

The Board's responsibilities include carrying out an assessment of emerging and principal risks that the Company faces. Principal risks include those that might threaten the Company's business model, future performance, solvency or liquidity, and reputation, taking account of the potential impact and probability of the events, circumstances, and timescales over which they may occur. The Board's responsibilities also include ensuring active engagement with, understanding the views of, and seeking participation from key stakeholders, and promoting and monitoring of the wider Insurance Group's corporate culture and values.

The Company forms part of the IP&I division of the Group, which manages its consolidated capital position as an integrated business. For the Insurance Group as a whole, the Board has defined a framework and system for the management and reporting of risk and approved a set of risk appetite statements which cover financial risks (earnings, capital, insurance, credit, market and liquidity), climate risks, data risks operational risks, people risks, conduct risks, regulatory and legal risks, and financial reporting and governance risks.

Although the Company is not required to have a Risk Committee under MIFIDPRU rule 7.3.1R, the Company has elected to appoint a Risk Committee. The Insurance Board is supported by its Risk Oversight Committee (ROC) and Insurance Audit Committee (IAC), which makes recommendations to the Insurance Board on matters delegated to them, in relation to internal control, risk, financial reporting, governance, legal and tax. This enables the Insurance Board to spend a greater proportion of its time on strategic, forward looking agenda items. The ROC and IAC are both chaired by experienced independent chairs who each provide a report to the Insurance Board on key matters discussed at their meetings

3.1.1 Insurance Board Diversity

The Board Diversity Policy (the "Policy") sets out the Board of Scottish Widows Group's (the "Board") approach to diversity and provides a high-level indication of the Board's approach to diversity and inclusion in senior management roles which is governed in greater detail through the Group's policies.

The Board places great emphasis on ensuring that its membership reflects diversity in its broadest sense. Consideration is given to the combination of diversity demographics, skills, experience, educational and professional background, and other relevant personal attributes on the Board to provide the range of perspectives, insights and challenge needed to support good decision making.

New appointments and succession plans are made on merit, taking account of the specific skills and experience, independence and knowledge needed to ensure a rounded Board and the diverse benefits each candidate can bring to the overall Board composition. They should promote diversity, inclusion, and equal opportunity.

Objectives for achieving Board diversity are reviewed on a regular basis. On gender balance, the Board aspires to maintain 45-55% female representation on the Board, higher than the FTSE Women Leaders recommendation of 40%, while recognising the limited numbers involved. On ethnicity, the Board is committed to meeting the Parker Review recommendation of having at least one Black, Asian or Minority Ethnic Board member, which the Board currently exceed. Currently, the Policy is not applied to the Board committees individually, although the diversity in the Board is expected to be reflected across the committees.

The Board places high emphasis on not only its own diversity composition but also on overseeing alignment with Lloyds Banking Group's Diversity, Equity and Inclusion approach and ambitions, and expects to be kept updated on progress. Any material changes to the Group's Diversity, Equity and Inclusion approach are approved by the Group Executive Committee, noted by the Group Responsible Business Committee and approved at the Board level. This includes material changes in our DE&I ambitions and supporting plans.

The Group's policies are subject to local laws and regulations, and aspirations identified above reflect targets set out in the UK Listing Rules LR6.6.6(9). For further information on the current approach to the Group's Diversity, Equity and Inclusion ambitions, read the Lloyds Banking Group 2024 Sustainability Report

4 Own Funds

The Company's own funds comprise exclusively of Common Equity Tier 1 (CET1) capital which is the most robust category of financial resources. It is comprised of fully issued ordinary shares and retained earnings.

Composition of regulatory own funds			
	Item	**Amount (GBP thousands)**	**Source based on reference numbers/letters of the balance sheet in the audited financial statements**
1	**OWN FUNDS**	**93,437**	**Total Equity**
2	**TIER 1 CAPITAL**	**93,437**	
3	**COMMON EQUITY TIER 1 CAPITAL**	**93,437**	
4	Fully paid-up capital instruments	15,000	Share Capital, note 13 of statutory accounts
5	Share premium		
6	Retained earnings	78,437	
7	accumulated other comprehensive income		
8	Other reserves		
9	Adjustments to CET1 due to prudential filters		
10	Other funds		
11	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1		
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		

Composition of regulatory own funds (continued)			
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		

Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements				
		a	b	c
		Balance sheet as in published/audited financial statements	**Under regulatory scope of consolidation**	**Cross-reference to template OF1**
		As at period end	**As at period end**	
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements				
1	Investments in subsidiaries	1		
2	Trades & other receivables	100,113		
3	Short-term investments	60,417		
4	Cash and cash equivalents	38,764		
	Total Assets	**199,295**		
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements				
1	Current Tax liabilities	14,012		
2	Trade and other payables	91,743		
3	Bank overdrafts	103		
	Total Liabilities	**105,858**		
Shareholders' Equity				
1	Share Capital	15,000		Item 4
2	Retained Earnings	78,437		Item 6
	Total Shareholder's equity	**93,437**		Item 1

Own funds: main features of own instruments issued by the firm
The Company’s own funds are made up of Common Equity Tier 1, CET1, capital comprising of fully paid-up Share Capital and Retained Earnings.

4.1 Own Funds Requirements

The Company is required to disclose the K-factor requirement ('KFR') and the fixed overhead requirement ('FOR') amounts in relation to compliance with the own funds requirements as set out in MIFIDPRU4.3 as at 31st December 2024.

Item		Total amount in GBP (thousands)
KFR	K-AUM (assets under management), K-CMH (client money held) and K-ASA (assets safeguarded)	13,157
	K-DTF (daily trading flow) and K-COH (customer orders handled)	57
	K-NPR (net position risk), K-CMG (clearing margin given), K-TCD (trading counterparty default) and K-CON (concentration risk)	131
	Total KFR	**13,345**
FOR		**9,225**

4.2 Approach to assessing the adequacy of its own funds in accordance with the overall financial adequacy rule

The purpose of the Company's ICARA is to ensure that the Company has appropriate systems and controls in place to identify, monitor and reduce all potential material harms arising from its ongoing operations or wind down; and holds financial resources that are adequate for the business it undertakes.

The FCA determines whether a firm holds adequate financial resources using the Overall Financial Adequacy Rule (OFAR). This states that a firm must hold own funds and liquid assets which are adequate in amount and quality (MIFIDPRU 7.4.7) to remain financially viable throughout the economic cycle, with the ability to address any material potential harm that may result from its ongoing activities; and, ensure that the firm's business can be wound down in an orderly manner, minimising harm to consumers or other market participants.

The Company prepares an ICARA document annually, supported by attestations throughout the year to reflect changes in the business or its wider operating environment. If a material change to the Company's strategy or risk profile is identified through the attestation process, then the document would be fully refreshed mid-cycle and presented to the Board for approval. This is in line with the FCA's expectations under MIFIDPRU7.8.2 (R) where a firm must review the adequacy of its ICARA process and ensure that this is documented.
This risk capital held is assessed by considering the impact of adverse events that could arise from the material harms that may arise from the Company's ongoing activities. Scenario testing is also performed, and capital plans put in place to respond to possible future events. The Company is required to hold sufficient capital resources to meet the overall assessment of risk capital on this basis.
Within the ICARA, the capital assessment process is complemented by:

- Identification of material harms for the Company;
- Selection of risk scenarios for modelling, based on those material harms; and
- Agreement of stress test components and assumptions used in scenarios to enable financial modelling.

This process is undertaken annually and is challenged by both ROC and the Insurance Board and approved at Insurance Board.

5 Remuneration Policy and Practices

5.1 Remuneration

The Company is a FCA solo regulated entity firm that is subject to the MIFIDPRU Remuneration Code. However, as a non-SNI MIFIDPRU investment firm not meeting the conditions in SYSC 19G.1.1R(2) the Company is not subject to the regulatory provisions relating to shares, instruments and alternative arrangements, retention policy, shares and discretionary pension benefits.
The Company is part of the wider Group.

As a Capital Requirements Directive (CRD) firm, the Group is required to adopt and apply a remuneration policy that is firm-wide, which includes the Company. Consequently, the remuneration policy complies with CRD requirements as well as all other regulations that are applicable to its regulated subsidiaries, including the MIFIDPRU Remuneration Code (SYSC 19.G of the FCA Handbook).

The Group's Remuneration Policy is set by the Group Remuneration Committee comprising of solely independent directors (and is adopted Group-wide through the legal entity committees).
The Company's Chief Executive Officer is accountable for establishing, implementing and maintaining remuneration policies, procedures and practices which adhere to the Group's Remuneration Policy, and are consistent with and promote principles of effective risk management. Support is provided by the Insurance People Committee which is responsible for ensuring that remuneration related activity is effectively monitored.
The Group operates a separate identification process for the identification of its CRD Material Risk Takers (MRTs) and its MIFIDPRU Identified Staff.

The Identification of MIFIDPRU Identified Staff is undertaken on a solo basis for each legal entity e.g. the Company.

The MIFIDPRU Identified Staff methodology is based on eleven criteria, which satisfy the requirements in SYSC 19.G.5.3 - 5.5 of the FCA Handbook.

The roles identified include senior management, business and function leaders, regulated roles, control functions and other roles considered to be materially risk-taking.

5.2 Principles of the Remuneration Policy

The Remuneration Policy is based on four core reward principles that are designed to specifically promote certain desired behaviours and outcomes, which are supported by the structure of the remuneration package offered to colleagues:

Performance Driven – Reward should recognise collective success in delivering our purpose and strategy (aligned with the Group's risk appetite and conduct expectations) and individual contribution to that success.

Talent Focused – Reward should attract and retain skilled colleagues of the highest calibre across the organisation, delivering the workforce of the future.

Values Based – Reward should be designed so that it is fair and embodies our values: People first, Inclusive, Trusted, Sustainable and Bold.

Clear and Understood – Reward should be explained clearly and understood by colleagues, enabling increased personalisation and choice.

These principles are reflected in detailed reward policies and procedures which govern specific areas of reward and support the practical operation of the Remuneration Policy.
These policies and procedures reinforce the alignment between business strategy, risk profile and remuneration and provide a framework for understanding and implementing the Group's remuneration structure.

To support remuneration decision-making, an effective performance management framework is operated. Business performance is assessed across the Group using a balanced scorecard approach comprising of financial and non-financial metrics.

A strong risk governance model is in place which manages against the Group's appetite for risk. The risk types considered are set out in the Risk Management Framework and include for example, conduct risk, operational risk and regulatory and legal risk.

5.3 Fixed vs. Variable Reward Elements

Remuneration is delivered via a combination of fixed and variable remuneration.
Fixed remuneration reflects the role, responsibility and experience of a colleague. In addition to receiving a salary, benefits are available to UK based colleagues including, pensions, private medical insurance, life insurance and other benefits that may be selected through the Group's flexible benefits plan.

There are a small number of senior employees who are also in receipt of a role-based allowance. Role based allowances are delivered monthly in cash. The purpose of the role-based allowance is to ensure that total fixed remuneration is commensurate with the role, responsibilities and experience of the individual; provides a competitive reward package; and is appropriately balanced with variable remuneration, in line with regulatory requirements.

Variable remuneration is based on an assessment of individual, business area and Group performance. The mix of variable and fixed remuneration is driven by seniority and role.

The performance-related elements of pay make up a significant proportion of the total remuneration package for MRTs, whilst maintaining an appropriate balance between the fixed and variable elements.

Following the removal of the mandated regulatory fixed to variable cap, the Group received overwhelming approval from its shareholders to allow the Group Remuneration Committee to set an appropriate variable to fixed pay ratio for its MRTs; it has subsequently approved a maximum ratio of 8:1 for 2024 and later years across the Group.

The Group Remuneration Committee considers that this will provide it with sufficient flexibility in terms of variable reward design without creating an incentive for excessive risk taking.

5.4 Variable Reward Plans

5.4.1 Group Performance Share Plan

The GPS plan is an annual discretionary bonus plan. The plan is designed to reflect specific goals linked to the performance of the Group.

Individual GPS awards are based upon individual, financial and non-financial performance, including risk management performance, as well as the Group's overall results. Most colleagues and all Material Risk Takers (MRTs) participate in the GPS plan.

Individual GPS awards are based upon overall Group financial results and an assessment of the individual's contribution, performance, behaviours and development over the past calendar year. The Group's total risk-adjusted GPS outcome is determined by the Remuneration Committee annually, having considered a range of factors including:

- Group's underlying financial performance,
- Performance for our customers and communities
- Variable reward market positioning
- Collective and discretionary adjustments to reflect risk matters and/or other factors.

Remuneration under the GPS plan is a mixture of cash and shares. The Group applies deferral arrangements to GPS and variable pay awards made to colleagues. GPS awards for MRTs are subject to deferral and a holding period in line with regulatory requirements and market practice.

MRTs, identified staff and all other Executives are subject to a combined single risk and performance assessment with input from Group Risk, where appropriate, to ensure there is a clear alignment between award outcomes and individual contribution, performance, behaviours and growth. The overall performance outcome is reflected in an individual variable reward.

Awards may be subject to malus and clawback for a period of up to seven years after the date of award which may be extended to 10 years where there is an ongoing internal or regulatory investigation.

Further details can be found in the Directors' remuneration section of the 2024 LBG plc Annual Report using the link below:

Annual Report 2024 - Lloyds Banking Group plc

6 All Employee Share Plans

There are two "all employee" share plans available for investment by all employees, namely Sharematch and Sharesave.

Sharesave is a savings account and a combined share option plan that is offered from time to time. Sharematch gives employees the opportunity to invest in Lloyds Banking Group shares (called Partnership Shares). There is no fixed invitation period for Sharematch - employees can join at any time either online or by phone.

6.1 Pension and supplementary schemes

Executive Members of the Insurance Board, its Executive Committees and other key function holders, are eligible for membership of the Group's employee pension schemes on the same terms as other colleagues.

The Group does not operate an early retirement scheme.

6.2 Quantitative disclosures

A non-SNI MIFIDPRU investment firm must disclose the total number of MRT identified by the firm under SYSC 19G.5. For the year ending 31st December 2024 the total number of MRT for the Company, including senior management, was 31.

A non-SNI MIFIDPRU investment firm must disclose the following information, split into categories for senior management, other MRT and other staff:

(a) the total amount of remuneration awarded;
(b) the fixed remuneration awarded; and
(c) the variable remuneration awarded.

£	Senior Management	Other Material Risk Takers	Other Staff
Fixed remuneration	£6,270,310	£3,343,094	£10,766,059
Variable remuneration	£5,669,843	£5,384,688	£500,285
Total remuneration	£11,940,152	£8,727,782	£11,266,344

Note: The definition of Senior management is aligned to the regulatory definition contained in Article 2 (9) of DIRECTIVE 2013/36/EU which means those natural persons who exercise executive functions within an institution and who are responsible, and accountable to the management body, for the day-to-day management of the institution. This excludes non-executive directors in their supervisory capacity.

7 Investment Policy

The Company is not required to provide a disclosure on investment policy as it is not categorised as a larger non-SNI firm due to meeting the conditions of MIFIDPRU rule 7.1.4.