
Equiti Capital UK Limited

IFPR Disclosure

For the Year End 31 December 2022

Equiti Capital UK Limited (“Equiti UK”) is authorised and regulated by the Financial Conduct Authority (“FCA”) and this document has been drafted to comply with the applicable FCA regulations.

Equiti Capital UK Limited is authorised and regulated by the Financial Conduct Authority of the United Kingdom (FRN: 528328).

Equiti Capital UK is incorporated with limited liability under the laws of England and Wales, under company number 07216039, with its registered address at 2 London Wall Place, London Wall Place, London, EC2Y 5AU, United Kingdom.

Contents

- Introduction 3
- Risk management objectives and policies (MIFIDPRU 8.2) 3
- Governance Arrangements (MIFIDPRU 8.3) 6
 - Conflict of Interest 6
 - Equiti UK Board 6
 - Other Governance and Management Committees 7
- Diversity 7
- Own Funds (MIFIDPRU 8.4)..... 7
- Own Funds Requirements (MIFIDPRU 8.5)..... 9
- Remuneration 10
 - Remuneration Committee (“RemCom”)..... 10
 - Aggregated MRT Disclosure requirements 11

Introduction

The Investment Firms Prudential Regime (IFPR) is the FCA's new prudential regime for MiFD investment firms which aims to streamline and simplify the prudential requirements for UK MiFD investment firms. IFPR came into effect from 1st January 2022, and the disclosure provisions of IFPR replace the previous Pillar disclosure obligations (BIPRU 11).

For the financial year ending 31 December 2022, Equiti Capital UK Limited ("Equiti", or "the Firm") a non SNI¹ firm, has adopted the FCA's transitional provisions for disclosure requirements contained within MIFIDPRU TP12, which only requires of Governance arrangements (MIFIDPRU 8.3, own funds (MIFIDPRU 8.4), and Own Funds requirements (MIFIDPRU 8.5). Further information is set out below:

- *Governance arrangements:* non-SNI firms are required to disclose certain information including:
 - An overview of the firm's governance arrangements;
 - The number of directorships held by each member of the governing body (directorships of charities and directorships of other group entities are excluded);
 - A summary of the of the firm's policy on promoting diversity on the governing body; and
 - Whether the firm has established a risk committee;
- *Own funds:* firms must provide details of own funds (using the template provided in MIFIDPRU 8 Annex 1R), and a reconciliation of the same information in the firm's report and accounts (where available);
- *Own funds requirements:* firms must disclose details of their own funds requirements including the fixed overhead requirements (FOR) and a breakdown of their K-Factor requirements (non-SNI only). All firms are required to describe their approach to assessing their compliance with the overall financial adequacy rules (MIFIDPRU 7.4.7R);

Risk management objectives and policies (MIFIDPRU 8.2)

The Firm's Governing Body has adopted a conservative risk appetite to maintain a strong capital position, liquidity, and balance sheet throughout market cycles.

As an investment company, risk is a fundamental characteristic of the Firm's business. The Firm is committed to ensuring all business activities are conducted with a clear understanding of the risks, to maintaining a robust risk management framework, ensuring transparent disclosure, treating its clients fairly, and to meet the expectations of major stakeholders, including clients, employees, directors, and regulators.

The Board is responsible for overseeing and managing the principal risks of the business. Equiti mitigates risk through the application of limits and robust controls and regular monitoring of risk levels and, where appropriate, consideration as to the use of hedging instruments.

The Risk Framework sets the core principles for risk identification, monitoring, and management through the Firm's Business Departments. It also defines responsibilities of the governing body and other

¹ Equiti UK is confirmed as a non SNI MIFIDPRU investment firm after an assessment of the basic conditions for classification as an SNI MIFIDPRU investment firm listed under MIFIDPRU 1.2.1.

governance committees in their oversight management role of Equiti UK's risk and in ensuring at all times its alignment with the firm's risk appetite.

The ultimate purpose of the risk framework is to encompass an overview of the Firm's governance structure, processes, systems, and tools that drive Equiti's approach to risk and its management. A risk register is maintained to ensure Equiti continues to identify, document, and monitor risks and have adequate controls in place to mitigate the residual risks of our business activities.

Risks are categorised and assessed based on their nature, likelihood with the appropriate mitigation/controls outlined for each risk. Controls are well defined and where essential, regulatory capital as a mitigation is detailed. Key risks and controls are managed by ARC and Exco.

The financial risks of the Company and policies for mitigating risk are defined below:

Credit and Counterparty Risk

These risks originate from the possibility of default by a customer or counterparty. Equiti mitigates customer risk by limiting customer activity to those customers of good standing with suitably funded accounts. Customers can only open positions with free funds that are not being used for other trades. It is possible for customers to incur a deficit balance in fast moving markets. In order to mitigate this risk, Equiti has automated systems and controls in place to electronically monitor customer accounts that will close customer exposures when their account value drops to near deficit levels. Equiti mitigates counterparty risk as well as market risk by using multiple external counterparties for trading, depending on market conditions and best pricing available.

Market Risk

Equiti acts as agent or matched principal on all trades and has trading accounts with prime brokers and counterparties which simultaneously provide the ability to hedge all trades executed in customer accounts. Equiti has invested heavily in an in-house risk system, which provides automated counterparty reconciliations which run in parallel to the 24 hour a day, 5 days a week trading coverage.

Liquidity Risk

Equiti's liquidity requirements can be subdivided into two principal areas, customers' funds, and the firm's own funds. To remain compliant with relevant regulatory requirements, customers' funds that are required to be segregated are immediately placed into segregated accounts held in trust with reputable banks that have been assessed by the Client Money Committee and approved by the Board.

If customers agree to opt out of the Client Money Rules under a Title Transfer Collateral Arrangement, funds are placed into non segregated account. Prior to depositing client funds, and at least annually thereafter, Equiti undertakes appropriate due diligence on its chosen deposit holding bank or financial institution.

In respect of the Equiti's own funds, senior management are responsible for monitoring the firm's liquidity position. For day-to-day liquidity needs, Equiti forecasts revenue inflows against expected expense outflows in order to ensure that it has sufficient cash flow to meet its obligations as they fall due.

The results of both Equiti UK's capital and liquidity planning, and management oversight arrangements are periodically brought to the Board of Directors' attention. The Risk Committee sets a range of monitoring and KRI thresholds to adequately review and stress various scenarios the Company could face.

Operational Risk

This is the risk that internal processes do not operate appropriately. It includes fraud, business practices, business disruption and resilience, process management and regulatory and compliance risk. Equiti has developed systems and controls to help mitigate these risks.

a) Fraud:

Equiti produces monthly and quarterly reports of the firm's financial activity. The reporting ensures a documented account of all funds that flow into and out of both the firm's own and customer accounts on a regular basis. These reports include an Income Statement and Balance Sheet, supported by detailed explanation of all transactions in both customer and own bank accounts, which are directly available to senior management. Quarterly financials are presented to the Board for review, and the management team reviews the monthly financial reports. Equiti also performs, at a minimum, annual reviews to assess if the Company has met intended projections and if projections should be revised for the future.

b) Business Disruption and Resilience:

This risk refers to system failures, data protection, cyber security, or malfunctions with technology and systems used for trading, data protection and record keeping. Overarching pillars have been implemented including Operational IT, Trading Infrastructure and Security Operations.

c) Compliance and Legal Risk:

In order to mitigate this risk, Equiti has instilled a compliance culture throughout all levels of the business and continually invests significant amounts of time and resource to implement appropriate systems and controls. To support this compliance culture further, reporting lines are in place up to Board level to ensure a thorough review of ideas and initiatives before any resources are committed. Equiti engages in regular reviews of compliance policies and procedures and staff engage in up-to-date training on policies.

d) Conduct Risk:

This risk relates to the ability of management and staff to perform their job responsibilities and is a keen focus of the Board who promote a culture of ethical behaviour and positive conduct to its staff, customers, and the regulator. Conduct risk is monitored by the Risk department in conjunction with Human Resources and Compliance and is presented to the management team. The conduct strategy is managed through the staff appraisal process, annual conduct trainings, staff training programs, conflicts of interest declarations, the personal account dealing policy, the whistle blowing process as well through its remuneration structures.

Concentration Risk

Equiti recognises the risk that it could be overexposed to one particular client relationship which could materially impact its financial performance if it was to lose that relationship. This risk may arise if the firm does not have adequate tools to monitor exposure to client relationships to ensure that the firm maintains a diverse client base.

Management have monitoring tools in place to assess concentration exposure to particular clients or groups, enabling management to take appropriate action where required. The firm does not have any material concentration exposure beyond its business risk appetite.

Governance Arrangements (MIFIDPRU 8.3)

The governing body of Equiti (the Board) has ultimate responsibility for the overall management of the firm. The Board is responsible for defining, overseeing and accountable for the implementation of governance arrangements that ensure effective and prudent management of the firm, which includes the overall responsibility for:

- the firm's strategic objectives, risk strategy and internal governance;
- the integrity of the firm's accounting and financial reporting systems, including financial and operational controls and compliance with the regulatory rules;
- overseeing the process of disclosure and communications, and
- providing effective oversight of senior management;

To meet its responsibilities, the Board has delegated the day to day running of the firm to the Chief Executive Officer (CEO), and the senior management team through the following committees:

- Audit & Risk Committee
- Executive Management Committee
- Product Governance & Regulatory Reporting Committee
- Client Money Committee

Each committee has been established with defined Terms of Reference ('ToR') and appropriate membership, with processes in place to ensure proceedings are recorded and actions followed up.

Conflict of Interest

Information for dealing with conflicts of interest is set out in Equiti UK's Conflict of Interest Policy, which is approved by the Board. The policy also sets out the internal arrangements implemented by the Board in order to prevent, manage and deal with conflicts of interest if they arise.

Directors are required to disclose any business interests that may result in actual or potential conflicts of interests with those of Equiti UK. If a conflict or potential conflicts situation arises, the directors must seek approval from the board.

Equiti UK Board

Equiti UK has established a Board that meets on a quarterly basis, and during the financial year ending 31 December 2022 consisted of the following members:

- David Meeks, Chairman (Non-Executive director) – Resigned 21/02/2022.
- Gurpreet Dehal (Non-Executive director) – Resigned 31/05/2022.
- Iskandar Najjar, (Executive Director)
- Nigel Holmes, (Executive Director) – Resigned 21/12/2022.
- Steven Reeves, (Non-Executive Director)
- Paul Webb (Executive Director)
- Sheetal Chouhan, (Executive director) – Resigned 09/01/2023.

The following directors have held office in executive and non-executive functions throughout the financial year:

Name	Directorships in scope of MiFIDPRU 8.3.1R(2)
Steven Reeves	1 (one)

Other Governance and Management Committees

The Audit & Risk Committee (ARC) is responsible for monitoring the firm’s risk and financial reporting process controls and is chaired by a non-executive to ensure that there is sufficient independent challenge to the executive team in respect of the management of the firm. In addition, the committee reviews the external auditor’s performance. Equiti meetings are held on a quarterly basis and its membership includes a non-executive director.

The Executive Committee “Exco” is responsible for the day to day running of the business and executing the strategy approved by the Board. It is comprised of the senior executives within the firm and chaired by the CEO.

The Product Governance Committee is responsible for monitoring all existing products and services and reviewing any new products or changes to existing products.

The Regulatory Reporting Committee is responsible for reviewing financial regulatory returns, the firm’s best execution obligations and transaction and trade reporting and is Chaired by the Chief Operating Officer.

The Client Money Committee is responsible for ensuring FCA’s client money rules as set out in the Client Assets Sourcebook (CASS) are adhered to.

Diversity

Diversity, equality, and inclusion is a core part of Equiti’s business strategy. As at the date of this disclosure, 40% of the members of the EXCO were women. During the financial year, one member of the Board was a woman. The approach to Board recruitment, which is subject to Board approval, combines an assessment of a broad set of qualities including skills, technical capabilities, and knowledge as well as clear alignment to the wider Equiti Group structure where board membership may be subject to specified roles being performed within the wider group.

Equiti is committed to promoting a culture of equality and diversity that actively values difference, providing an inclusive workplace and eliminating any unfair or unlawful discrimination. Diversity representation across the organisation, and at Exco level is monitored and reported to the Remuneration Committee and ultimately to the UK Board on a regular basis.

Own Funds (MIFIDPRU 8.4)

The firm’s own funds comprise entirely of Common Equity Tier 1 (CET1) capital which is the most robust category of financial resources.

Composition of regulatory own funds (31 December 2022)

	Item	Amount (GBP thousands)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1	OWN FUNDS	31,295	
2	TIER 1 CAPITAL	31,295	
3	COMMON EQUITY TIER 1 CAPITAL	31,295	
4	Fully paid up capital instruments	1,956	Note 18
5	Share premium	23,761	Note 19
6	Retained earnings	4,904	Note 19
7	Accumulated other comprehensive income	-	
8	Other reserves	746	Note 19
9	Adjustments to CET1 due to prudential filters	-	
10	Other funds	-	
11	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(71)	
19	CET1: Other capital elements, deductions and adjustments	(71)	Note 13
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	-	
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	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	Property, plant and equipment	4,173		
2	Intangible assets	71		Item 19
3	Derivative financial assets	9,927		
4	Trade and other receivables	10,550		
5	Cash and cash equivalents	144,289		
	Total Assets	169,009		
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements				
1	Lease liabilities	3,313		
2	Provisions: non current	137		
3	Trade and other payables	124,699		
4	Provisions: current	70		
5	Derivative financial liabilities	9,249		
6	Corporation tax	176		
	Total Liabilities	137,644		
Shareholders' Equity				
1	Share capital	1,956		Item 4
2	Share premium	23,761		Item 5
3	Other reserves	746		Item 8
4	Retained earnings	4,904		Item 6
	Total Shareholders' equity	31,366		

Own funds: main features of own instruments issued.

The main features of own funds instruments issued by Equiti UK are:

- Share capital consists of fully paid ordinary shares of \$1 each with 2,355,344 in issuance as at 31 December 2022 (2021: 2,355,344).
- 100% of the share capital is owned by the immediate parent company, Equiti Group Limited, a company registered in Jersey.
- A dividend of £nil (2021: £Nil) was paid in during the year.
- 100% of total shareholder's equity is recognised as regulatory own funds capital.
- Share capital and retained earnings have no specific terms and conditions applicable to them.

Own Funds Requirements (MIFIDPRU 8.5)

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

- Permanent Minimum Capital Requirement (per MIFIDPRU 4.4);
- Fixed Overhead Requirement (per MIFIDPRU 4.5); or
- K-Factor Requirement (per MIFIDPRU 4.6).

As at 31st December 2022 the total K factor requirement is the own funds requirement, being higher than the permanent minimum requirement and the fixed overheads requirement.

		£'000
K-Factors	\sum K-AUM, K-CMH & K-ASA	26
	\sum K-DTF & K-COH	1,151
	\sum K-NPR, K-CMG, K-TCD & K-CON	4,421
	Total	5,598
Fixed Overheads Requirement		4,992
Permanent Minimum Requirement		750
Own Funds Requirement (maximum of the above)		5,598

In accordance with the Overall Financial Adequacy Rule (OFAR), the firm must at all times, hold own funds and liquid assets which are adequate, both as to their amount and their quality, to ensure that:

- the firm is able 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
- the firm's business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

An assessment is carried out as part of the Internal Capital Adequacy and Risk Assessment (ICARA), which is conducted at least annually and is reviewed following any significant business change. The firm calculates its own internal risk assessment of ongoing activities by identifying all risks and considering their materiality, including those that are not captured under the defined K-Factor requirements. The higher of the internal risk assessment and the funds required for an orderly wind-down is used as the Own Funds Threshold Requirement (OFTR) and Liquid Assets Threshold Requirement (LATR) which the firm is required to hold at any point in time to comply with the OFAR.

The firm has determined that it has sufficient own funds and liquid assets and is satisfied that it will continue to do so on an ongoing basis.

Remuneration

Equiti UK's remuneration arrangements remain appropriate and promote sound and effective risk management. This supports the Firm's business strategy, objectives, values, and long-term interests.

The firm's remuneration arrangements include both fixed and variable remuneration which is based on performance and reflects the long-term performance of the staff member, which is designed to retain and develop key talent at all levels within the firm.

Remuneration Committee ("RemCom")

The RemCom is responsible for ensuring that remuneration policies and practices are designed in such a way so as not to create a conflict of interest or incentive that may result in employees favouring their own

interests or those of the firm to the detriment of any client. The RemCom maintains and periodically reviews the firm’s Remuneration policy which is ultimately approved by the Board.

Aggregated MRT Disclosure requirements

In accordance with FCA rules, Equiti UK is required to identify the categories of staff whose professional activities are deemed to have a material impact on the risk profile of the firm. These individuals are referred to as “Material Risk Takers”, and such staff remuneration practices are subject to the requirements set out in the firm’s remuneration policy.

The table below shows the aggregate value of remuneration paid to those employees whose professional activities have a material impact on our risk profile (known as “Material Risk Takers”). For the period ended 31 December 2022, 59 employees were classified as Code Staff and the following disclosure divides these between those in a supervisory function and other employees whose activities materially affect the risk profile of the firm.

	Total Fixed (£)	Total Variable (£)
Senior Managers	596,751	-
Material Risk Takers	1,162,524	274,178
Other Staff	5,023,155	498,316