



**MIRABAUD SECURITIES LIMITED**

**PILLAR 3 - DISCLOSURES**

**31<sup>st</sup> December 2020**



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## 1. INTRODUCTION AND BACKGROUND

### 1.1. Scope

The purpose of this document is to set out the disclosures required under the Articles 431 – 455 of the EU Capital Requirements Regulation (“CRR”), which are more commonly referred to as Pillar 3 Disclosures. The disclosures are required by virtue of the Mirabaud Securities Limited and its unregulated subsidiary (together collectively referred to as the “Group”) being subject to the CRR and the EU Capital Requirements Directive (“CRD”).

Disclosures in this document will be on a consolidated basis, with individual entity disclosures being made where relevant or where it is considered helpful.

### 1.2. Introduction

There are essentially three elements to the Financial Conduct Authority (“FCA”) rules regarding regulatory capital requirements. These are generally known as Pillars and are:

- Pillar 1 – The FCA Rules define what constitutes the Group’s regulatory capital resources, which generally comprises issued share capital and audited profits. As the Group does not undertake trading book activities, it can only use interim non-trade book profits to the extent that these have been externally audited. In addition, these rules set out the minimum regulatory financial resources the Group must hold. For the Group, this amounts to the higher of its fixed overhead requirement or the sum of its credit risk and market risk requirements. Under the CRD, the Group’s financial resources requirement has always been its fixed overhead requirement.
- Pillar 2 – Although Pillar 1 sets out minimum regulatory capital requirements, this is extended under Pillar 2 by a process known as the Internal Capital Adequacy Assessment Process (“ICAAP”). This requires the Group to assess the risks it faces and determine whether additional capital resources should be retained to cope with risks posed to the business by events that may be beyond its control, operational risks or the impact of economic events, as well as retaining additional capital to enable the Group to develop its activities in accordance with its business plans. The ICAAP model is also subject to stress testing.
- Pillar 3 – Is the public disclosure of the Group’s regulatory capital position and the policies and processes it undertakes to address the risks inherent in it undertaking business activities, as well as its risk mitigation processes.

Readers of this document may find it helpful to read it in conjunction with the Group’s audited financial statements. However, readers should note that this document is itself not subject to independent verification by the Group’s auditors.

### 1.3. Frequency and Verification

The Board of Mirabaud Securities Limited is responsible for assessing the appropriateness of its disclosures.

This document will be updated at least annually and more frequently if events require this to be the case. Such events could include changes in the scale of the Group’s operations, its range of activities, its global presence, involvement in different financial sectors, international financial markets or settlement systems or significant changes to its regulated activity permissions.

Disclosure will be annually after the completion of the statutory audit, unless the occurrence of a significant event requires an earlier revision.

### 1.4. Media and Location

The report will be published on the Mirabaud Website ([www.mirabaud.com](http://www.mirabaud.com)).

## 1.5. Corporate Background

Mirabaud Securities Limited is regulated and authorised by the FCA as a BIPRU 12 and IFPRU 125k Limited License United Kingdom company. The company has one subsidiary, Mirabaud Securities Nominees Limited.

As detailed in the group accounts, a significant portion of the Group's revenues are derived from capital raising fees and stockbroking commissions.

## 2. RISK ANALYSIS

### 2.1. Risk Management Objectives and Policies

The Group's operational structure and management ethos has evolved over time on the basis of a conservative approach to risk and a correspondingly proportionate attitude to risk-taking. This is embodied in a strong risk management culture within the Group, which is evidenced by carefully considered opportunities to expand the business of the Group, whilst acknowledging that the Group's activities are not without risk.

The assessment of risk and its mitigation rests with the Board of Directors of Mirabaud Securities Limited (which meets four times a year), which is also supported by the Executive Committee (which meets every quarter) and the sole director of the subsidiary of the Group. Risk reporting is considered at the relevant Board and committee meetings.

In addition to the formal Board and Executive Committees, risk and control issues are also considered by the Operations Committee which meets every two weeks.

Risk and control issues are also subject to oversight by the Group's London-based Compliance Department and from the Group's parent's Internal Audit function based in Geneva, Switzerland. Given the size of business operations, managers of departments also have open channels to the Board, senior management and the Compliance Department to raise any issues or concerns that they may have regarding risks posed to the Group, its clients, operations and employees.

### 2.2. Credit and Counterparty Risk

Credit risk relates to the failure (actual or potential) that an amount due from a client, banker or pre-paid supplier is lost on the default of that person.

In mitigating this risk, the Group regularly monitors amounts due from its clients and any issues regarding late or delayed payment are referred to senior management for resolution.

In terms of credit risk, the Group's material exposure is to the UK, with most balances being due within one month. Bank balances are repayable to the Group on demand.

For secondary markets, the risk is minimal due to the characteristic of clients (who are usually regulated institutions), the liquidity of the financial instruments involved, the trading venues where execution occurs, and the reliance on Delivery Versus Payment settlement process. The risk can be higher for equity capital market transactions where investors may not necessarily be well-established regulated institutions, but the firm should not be held liable for any shortfall due to its limited agency capacity for such transactions.

### 2.3. Market Risk

The Group does not have a trading book and does not hold any principal trading positions, so market risk is not directly applicable. The Group does receive fees and maintains small balances in foreign currencies, but the risk is minimal.

### 2.4. Operational Risk

Although the Group is not subject to an operational risk requirement under the CRD, it does place a high degree of focus on operational controls to manage and mitigate these risks. The Group also maintains a detailed risk register to help monitor, manage and mitigate operational risk issues, as well as recording, monitoring and evaluating operational risk incidents.

## 2.5. Liquidity Risk

Liquidity risk affects the Group at various levels, ranging from the requirement to have sufficient funds to settle its daily and short-term liabilities as they fall due, to the funding required for longer-term strategic plans.

The Group has various sources for funding to ensure that liquidity risk is minimised and has in place a Contingency Funding Plan. The Group maintains its liquid capital as cash deposits at banks and does not currently use longer term deposits or fixed income instruments.

## 2.6. Concentration Risk

The Group considers concentration risk to be low, product concentration being the most notable due to our concentration in equity markets. Recent diversifications into M&A Advisory and alternative capital markets aims to mitigate this.

Client concentration risk is also considered to be low as our fee income is suitably diversified over a large client base.

## 2.7. Business Risk

The Group's overall strategy is decided upon by the Board. Day-to-day strategy and the implementation is carried out by the Executive Committee. In order to mitigate business risk, careful consideration is given to all strategic decisions. All available information is reviewed and discussed by the Board and Senior Management where appropriate. Any new product or business line will include a thorough assessment of all potential risks, financial or operational, and the systems necessary to minimise these risks.

The Group's Business Continuity plans are regularly reviewed and updated in order to address the decisions which would have to be made in situations which would arise as a result of business risk.

## 2.8. Group Risk

The risk that the firm's financial and non-financial position is adversely affected by its association or relationship with other entities in the wider Mirabaud Group is mitigated through close cooperation and centralised oversight by Mirabaud & Cie SA. Any potential risk and its management is shared across the Mirabaud Group to ensure reputational risk is appropriately mitigated.

## 3. CAPITAL REQUIREMENTS

### 3.1. Regulatory Capital Requirement and Accounting

Since inception the Group has always taken a very conservative view with regards to its level of regulatory capital, ensuring at all times that there has been more than sufficient liquid capital to meet its regulatory requirements.

The Group's regulatory capital requirements under Pillar 1 are calculated as the higher of the Group's Fixed Overhead Requirement ("FOR") and Credit and Counterparty and Market risks. Currently the Group's Pillar 1 is based on FOR<sup>1</sup> calculated on the aggregation method.

The Group's Pillar 2 capital requirements are calculated as part of its ICAAP process. This also includes an assessment of the Operational Risk requirements not necessary under Pillar 1.

The Group's accounting reference date is 31<sup>st</sup> December. The assumptions used in the assessments are that accrued income is invoiced and receivable within 90 days and any illiquid assets are included in the credit risk capital calculation.

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<sup>1</sup> Where the Group entities' FOR are less than their base requirement, Pillar 1 will be calculated on the value of the base requirement.

### 3.2. Capital Resources and Adequacy

The Group's capital resources comprise issued and fully paid share capital and audited reserves (including unaudited current year losses) and small revaluation reserve held within the accounts of Mirabaud Securities Limited. Internally, the Group has determined an amount of audit reserves that are not available for distribution.

The Group's solo and consolidated capital resources are calculated in accordance with IFPRU 3.2. The following table sets out consolidated capital resources disclosures required under Pillar 3:

Mirabaud Securities Limited – Consolidated	31 <sup>st</sup> December 20 £'000	31 <sup>st</sup> December 19 £'000
Tier One Capital - Share capital	14,000	14,000
Audited Reserves	(9,120)	(7,634)
Less: Innovative Tier One Capital Resources – None	0	0
<b>Tier One Capital</b>	<b>4,880</b>	<b>6,366</b>
Total Tier Two Capital Resources – Revaluation Reserves	15	15
Plus: Innovative Tier One Capital Resources – None	0	0
Plus: Tier Three Capital Resources – None	0	0
<b>Total</b>	<b>15</b>	<b>15</b>
Deductions from Tier One and Tier Two Capital Resources – None	0	0
<b>Total Capital Resources</b>	<b>4,895</b>	<b>6,381</b>

## 4. REMUNERATION CODE

### 4.1. Overview

The following disclosures are in accordance with SYSC 19A.2.1 which requires firms to establish, implement and maintain remuneration policies, procedures and practices that are consistent with and promote sound and effective risk management, in a proportionate manner to the size, nature and complexity of its business and to disclose details of its remuneration policy.

As a Limited Licence firm, Mirabaud Securities Limited falls into proportionality level three for the purposes of the Remuneration Code (the "Code").

### 4.2. Identification of Code Staff

Code Staff are broadly identified by the FCA as:

- Senior managers;
- All staff whose total remuneration takes them into the same bracket as senior management; and
- Risk takers whose professional activities could have a material impact on a firm's risk profile.

The Group's approach to identifying Code Staff is based upon the FCA's guidelines which have resulted in it identifying Code Staff as senior managers, heads of departments and those staff that may amount

to risk takers whose activities could have a material impact on the Mirabaud Securities Limited's risk profile as determined by the definition of "Material Risk Takers" under Regulation EU No 604/2014 and the ESMA Guidelines' definition of "Relevant Persons".

The Group is also required to consider whether there are other people, such as special advisers or secondees who might be considered by the FCA to be Code Staff.

The list of Code Staff is reviewed on at least an annual basis or as required, for example when new senior staff are recruited.

#### 4.3. Governance and Decision Making

Given the size of Mirabaud Securities Limited, the Board of Directors has decided that it is not appropriate to have a separate remuneration committee (SYSC 19A.3.12R), and this authority is exercised by the Board of Directors directly or by the Executive Director, as delegated by the Board of Directors and further detailed below. This authority is subject to oversight from the Head of Compliance.

The Executive Director's remuneration is determined by the Board of Directors of Mirabaud Securities Limited.

#### 4.4. Remuneration Structure and the Link between Pay and Performance

There are three bonus schemes in place each of which is intended to attract, retain and reward staff. All schemes are payable based on the performance of individuals, their team, department and the firm as a whole. All bonuses are payable in cash; there is no vesting or deferral period. In view of their combined roles, some employees may be entitled to variable remuneration under more than one of the below bonus schemes. The schemes are as follows:

##### Bonus Scheme 1 – Scheme for Front Office & Sales Staff

- a) This scheme is intended to compensate individuals and/or teams for the revenues brought to the firm by accounts that they introduce, serve and/or work on, as well as by transactions that they introduce, lead and/or work on. The variable remuneration is determined by a set percentage of the net commissions and fees generated by the relevant individuals and/or teams. The percentage and relevant specificities are set out in the relevant remuneration scheme which always forms part of the individual's employment contract. Where relevant, the allocation of a team pool is proposed by the relevant Team Head to the Executive Director who decides on the allocation. The decision on how to allocate a team pool is determined by a combination of factors including individual financial contribution and the wider contribution to the team. The variable remuneration payable to a team and/or individual may be reduced if considered reasonably appropriate to do so in light of circumstances such as individual (for example, unethical or non-compliant behaviour) or firm performance criteria. The Board of Directors is responsible for such decision, with input from Human Resources and Compliance, which must be communicated in writing to the individual.

During the performance year 2020, 29 Code Staff were remunerated under this scheme.

##### Bonus Scheme 2 – Scheme for Equity Analysts & Equity Traders

- b) This scheme is intended to compensate Equity Analysts and Equity Traders for their performance as individuals and as team members. The amount of variable remuneration available to distribute to the Equity Analysts and Equity Traders is determined by a set percentage of the net commissions generated by the relevant front office and sales staff, which is allocated to a bonus pool. The allocation of the bonus pool is discretionary, decided by the Executive Director and approved by Compliance, in consultation with the relevant Team Heads, taking into account various factors such as internal votes, votes received by clients as well as individual performance including contribution to the wider firm, adoption of company culture and compliance with company policies.

During the performance year 2020, 24 Code Staff were remunerated under this scheme.

Bonus Scheme 3 – Discretionary Bonus Scheme (Management, Operations & Support Staff)

- c) All management, operations and support staff may be awarded an annual discretionary bonus. Bonuses are payable on an individual's non-financial performance criteria, such as team or individual performance, including achievement of set targets, contribution to the wider firm, adoption of company culture and compliance with company policies. As far as managers are concerned, the financial performance of certain teams/business offerings may also be taken into account. Discretionary bonuses are also linked to the performance of the firm as a whole and therefore may be varied according to an increase or decrease in net profit. Discretionary bonuses are decided by the Board of Directors under the proposal of the Executive Director and approved by Compliance.

During the performance year 2020, 21 Code Staff were remunerated under this scheme.

4.5. Risk Management

The Group has in place policies, procedures and practices in order to identify, measure, manage and monitor risk. These are encapsulated in the ICAAP and Compliance Monitoring Programme and are proportionate given the nature of Mirabaud Securities Limited's activities and risk appetite.