



MIRABAUD SECURITIES LIMITED

PILLAR 3 - DISCLOSURES

31 December 2021

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1. INTRODUCTION AND BACKGROUND

1.1. Scope

The Pillar 3 report is prepared in accordance with the Capital Requirements Regulation and Capital Requirements Directive ('CRR' and 'CRD IV', also known as the 'CRD IV legislative package') as amended by CRR II and CRD V as at the applicable reporting date. In particular, articles 431 to 455 of the CRR specify the Pillar 3 framework requirements. The CRD IV legislative package came into force on 1 January 2014. The Pillar 3 disclosures have also been prepared in accordance with the European Banking Authority (EBA) "Guidelines on materiality, proprietary and confidentiality and on disclosure frequency under Articles 432(1), 432(2) and 433 of CRR" and the EBA "Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013".

Following the withdrawal of the UK from the EU, any references to CRR as amended by CRR II mean, unless otherwise specified, CRR as amended by CRR II, as it forms part of UK law pursuant to the European Union (Withdrawal) Act 2018 and subject to the temporary transitional powers (TTP) available to UK regulators to delay or phase-in on-shoring changes to UK regulatory requirements arising at the end of the transition period until 31 March 2022, as at the applicable reporting date.

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

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. It is a global institutional broking business providing research and strategy, execution, equity capital markets, corporate advisory and broking across over 40 markets worldwide.

As noted above, the Group is subject to the CRR and CRD, underpinned by the FCA framework.

The FCA framework consists of three "Pillars":

- Pillar 1 is the minimum capital requirement set out by the Directive and instructed in the national discretions. The minimum capital requirement has two main components:
 - Market Risk (Market Risk Capital Requirement); and
 - Credit Risk (Credit Risk Capital Requirement).
- Pillar 2 is the capital adequacy assessment made by each individual firm. The adequacy of the firm's minimum capital is no longer dictated by the regulatory minimum requirement and the firm must assess itself as to whether the capital it holds is adequate. This is achieved by the firm through its Internal Capital Adequacy Assessment Process (ICAAP) which quantifies the risks of certain events on the firm's profitability and the impact on its ability to continue to operate.
- Pillar 3 sets out disclosure requirements regarding capital and risk management. The disclosure requirements aim to complement the minimum capital requirements (Pillar 1) and the supervisory review process (Pillar 2) and aim to encourage market discipline by allowing market participants to assess key pieces of information on risk exposure and the risk assessment process of the firm.

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).

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) and supported by the Executive Committee (which meets every quarter). 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 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

The Company's main credit risk exposure, being the risk that a counterparty will be unable to pay amounts when they fall due, arises on cash and debtors. The Company does not believe there is significant credit risk as cash is deposited at major financial institutions and trade commission receivable from CREST and other non-UK agent banks.

There are no significant concentrations of credit risk to individual counterparties within the Company. The maximum risk exposure relating to financial assets is represented by the carrying value of each relevant asset as at the balance sheet date.

The firm accepts a low degree of risk from the consequences of a counterparty defaulting. For secondary markets, the risk is minimal due to the characteristic of clients (who are mainly regulated institutions), the liquidity of the financial instruments involved, the trading venues where execution occurs, and Delivery Versus Payment settlement process.

We do not consider there to be significant credit risk from outstanding trades as trades are settled using the delivery versus payment method.

2.3. Market Risk

Market risk represents the potential loss in values of financial instruments caused by adverse movements in market variables such as interest and foreign exchange rates, credit spreads and equity prices. Since no single measure can reflect all aspect of market risk, the Company uses several measures, both statistical and non-statistical.

Historically, the Company has not hedged its shares and warrants inventory and thus could be considered at risk from a sudden market collapse in listed stocks. In addition, given the current market value of the investments, the Company does not expect market risk and the resulting effect on the profits of the Company to be material in the event of a price movement.

2.4. Operational Risk

The Company defines operational risk as the risk of loss resulting from inadequate internal processes, people and systems, or from external events, including risk of damage through loss of reputation or standing. The Company is committed to regulatory compliance and has developed policies and procedures in order to stay abreast of regulatory developments. The Company preserves its reputation by ensuring compliance with regulations and ethical standards, attracting and retaining talented staff, providing accurate and timely execution of contractual obligations.

2.5. Liquidity Risk

The Company deems liquidity risk as the failure to have sufficient financial resources to meet its day-to-day capital and cash flow requirements. To mitigate liquidity risk the Company has implemented cash management policies to ensure that there are strict guidelines to follow in relation to the products and the duration that surplus funds can be invested.

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 diversification into M&A Advisory 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 FOR¹ 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 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.

3.2. Capital Resources and Adequacy

The Group's capital resources comprise issued and fully paid share capital and audited reserves 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 capital resources are calculated in accordance with CRR Article 437. The following table sets out consolidated capital resources disclosures required under Pillar 3:

Mirabaud Securities Limited – Consolidated	2021 £'000	2020 £'000
Tier One Capital - Share capital	15,500	14,000
Audited Reserves	(10,694)	(9,120)
Less: Innovative Tier One Capital Resources – None	0	0
Tier One Capital	4,806	4,880
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
Total	15	15
Deductions from Tier One and Tier Two Capital Resources – None	0	0
Total Capital Resources	4,821	4,895

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

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. The Board of Directors is responsible for deciding the final quantum of awards to individuals, with input from Human Resources and Compliance, and then communicate the awards in writing to the individual members of staff.

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

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 or firm performance criteria.

Bonus Scheme 2 – Scheme for Equity Analysts & Equity Traders

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.

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

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.

4.5. Quantitative Remuneration Information

In the performance year ending 31 December 2021, there were a total of 47 Material Risk Takers employed by Company throughout the year with 37 being the Material Risk Taker headcount at the year end. In total, Material Risk Takers received aggregate remuneration of £6,240,952. This figure is split between Senior Management and other Material Risk Takers as follows: 9 members of Senior Management received total remuneration of £1,856,931 and 39 other Material Risk Takers Management received total remuneration of £4,384,021.

4.6. 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.