MIFIDPRU Annual Disclosures

Ocorian (UK) Limited

For the Financial Year Ended 31/12/2022

Contents

1. Overview

Introduction

This Disclosure document sets out the risk management objectives and policies, governance arrangements, own funds and own funds requirements of Ocorian (UK) Limited (“OUKL”, “the Firm”), as required by MIFIDPRU 8.

Background

The Investment Firms Prudential Regime (IFPR) came into force on 1 January 2022 and applies to all MiFID investment firms authorised in the UK.

Under the IFPR’s firm categorisation, OUKL is categorised as a non-small and non-interconnected firm (non-SNI).

The public disclosure is an important part of the IFPR because it increases transparency and confidence in the market and gives stakeholders and market participants an insight into how the Firm is run.

2. Risk Management Objectives and Policies

Risk management is implemented and overseen by OUKL's Board of Directors. The Board of Directors is responsible for determining the Firm's business strategy and risk appetite, taking into account the risks that the firm is likely to meet.

The main area of the firm's business is a full range of fund administration, capital markets and fiduciary services. Its clients consist of private equity and real estate funds, SPVs and other alternative structures and as such risk is an inherent part of it.

OUKL's risk management framework incorporates an analysis of the impact of each material risk on the firm, its clients and on the market, the probability of each risk occurring and the procedures in place for mitigation. The Internal Capital Adequacy and Risk Assessment ("ICARA") process provides periodic management information to the Board of Directors focusing on business and operational risk management issues and including any notification that the Firm is likely to breach an early warning indicator regarding the Firm's own funds and liquid assets requirements.

The Firm considers that the potential for harm associated with its business strategy is low. The firm does not engage in proprietary trading, underwriting, placing, clearing or settlement activities, hold significant on balance sheet exposures, have tied agents or provide custody services or services to retail clients.

The Firm's business strategy reflects its low-risk appetite towards risk. The Firm is remunerated by fees agreed with the client depending on scope of appointment, size of holdings and complexity of structure. The firm does not employ any investment strategy in its own right, and although it has permission to hold client money, none was held in this period.

The firm has applied the following approach to dealing with material harms:

- **Identification:** of all material harms that could result from ongoing operations or winding down.
- **Monitoring and mitigating harms:** considering the systems and controls in place to mitigate material harms.
- **Additional own funds or liquid assets:** assessment of any additional financial resource required above controls to mitigate harms.

Please note the Firm's risk management objectives and policies for the categories of risk addressed by the below:

Own Funds Risks

The level of own funds required to be held by the Firm is driven by material harms that might be incurred by the firm, its clients and the markets it operates in. Material own funds risk identified in the ICARA process include business risk, market risk, and operational risks.

The likelihood of a risk crystallising, the financial impact if it materialises and the systems and controls in place to mitigate these risks are reflected in the assessment of own funds requirements in the ICARA process. This determines the own funds necessary for ongoing business operations or to wind down the business in an orderly manner. This assessment is refreshed at least annually or where material changes require and review.

Concentration risk

OUKL is required to monitor and control all sources of concentration risk. The Firm has identified the following concentration risks and has put in place the control strategies discussed below.

The firm monitors its non-K-CON exposures on a daily basis, with forecasts made on a monthly basis.

- **Positions and Exposures**

  The firm does not run a trading book and consequently holds no exposure to counterparties.

- **Intragroup Exposures**

  The firm is not part of a consolidated group for the purpose of MIFIDPRU. It is however from a more general perspective part of the Ocorian Group of companies and may at any one point in time have amounts owed by group undertakings which are repayable on demand. Such exposures are monitored by the Board.

- **Client Money**

  The firm has not held client money in this period. Consequently, there are no concentrations in this context.

- **Client Securities**

  The firm does not hold or safeguard client assets, though it has regulatory permission to do so. Consequently, there are no concentrations in this context.

- **Firm's own cash**

  The firm deposits its cash with two institutions of at least 'A' on the S&P ratings scale.

- **Earnings**

  The risk is that the firm has a significant amount of its revenue concentrated in a small number of clients, which means that it is exposed should it lose a sizeable client. The firm however is not reliant on a particular client or clients, which are in various sectors with varied investor bases and so this risk is managed.

The Firm's assessment in relation to each concentration risk is that, given its control strategies, it does not present a material risk to the Firm, its clients or the market.

Liquidity Risk

This is the risk that the firm either does not have sufficient resources available to meet its obligations when they fall due or can only secure them at an excessive cost.

The firm monitors its liquid assets on a weekly basis and runs cash forecasts at the beginning of each month. The firm maintains a liquid cash balance in the amount, at a minimum, equal to three months operating expenses of the firm. Senior management is confident that the firm's LATR provision is sufficient to cover its liquidity risk at all times.

Within its wind-down simulation and planning, the firm has considered its liquidity position under its OFAR (LATR) requirements. Internally, the firm’s liquidity policy maintains more than this amount for the prudent operation of the business, and senior management is confident that there would be no liquidity constraint on wind-down even from a financial position whereby wind-down triggers had been reached.

3. Governance arrangements

The Firm has governance arrangements, which include a clear organisational structure with appropriate lines of responsibility and effective processes to identify, manage, monitor and report the risks that it is, or might be, exposed to.

OUKL is managed by its Board of Directors and its reporting lines are defined within the organisation structure. The Firm ensures that the members of the Board of Directors are of sufficiently good repute; possess sufficient knowledge, skills and experience to perform their duties (as well as a sound understanding of the Firm's activities and main risks). The Firm ensures that is dedicates sufficient human and financial resources to the induction and training of members of the Board of Directors.

The Board of Directors meets at least four times per calendar year.

Directorships

The table below relates to the appointments of [director/partners], in both executive and non-executive capacities, held at external commercial organisations as at 30/06/2023.

SMF / Role	Name	Number of Other External Directorships
SMF3	Gerry Warwick	26
SMF3	Sally Gilding	6
SMF1	Alan Booth	0

Diversity

The Firm recognises that diversity of the Board of Directors improves the quality and objectivity of the decision-making process by bringing new voices to the table. It fosters innovation, creativity and a better understanding of customer insights through a greater variety of problem-solving approaches, perspectives and ideas.

The Firm approaches diversity in the broadest sense, recognising that successful businesses embrace diversity at all levels, including the Board of Directors and senior management. The Firm's Board of Directors considers a range of factors related to diversity.

Conflicts of Interest

OUKL has a Conflicts of Interest Policy which identifies the circumstances which constitute or may give rise to a conflict of interest entailing a material risk of damage to the interests of one or more clients, whilst specifying the procedures to be followed and the measures to adopt to manage the conflicts. The Board of Directors reviews OUKL's conflicts of interest register and policy periodically and at least annually.

4. Own Funds Disclosure

OUKL's regulatory capital consists of Common Equity Tier 1 (CET 1) capital, which is comprised of share capital, other audited reserves and retained earnings.

OUKL is required by MIFIDPRU 8.4 to provide a breakdown of its Own Funds instruments and to provide information on how these reconcile with the Firm's balance sheet. Furthermore, the Firm is required to disclose a description of the main features of the Own Fund instruments it has issued.

The firm does not hold any Additional Tier 1 (AT1) or Tier 2 (T2) Capital. The table below summarises the firm's capital and liquidity situation against its regulatory capital requirements as at 31/12/2022.

	Table 1 - Composition of regulatory own funds	**As at 31/12/2022 ('000s)**
	Own Funds Total	821
	T1 Total	821
	CET 1 Total	821
1	Paid up capital instruments	356
2	Share premium accounts	874
	Capital Redemption reserve	-409
3	Retained earnings	0
4	Accumulated other comprehensive income	0
5	Other reserves	0
6	Funds for general banking risk	0
	Less	
7	Losses for the current financial year	0
8	Intangible assets	0
9	Deferred tax assets that rely on future profitability	0
10	Deduction of holdings of CET 1 instruments of financial sector entities	0
	AT 1 Total	0
11	Capital instruments (where the conditions laid down in Article 52(1) are met)	0
12	Share premium accounts (related to the instruments above are met)	0
	Less	
13	Art 56 deductions (inc holdings)	0
	T2 Total	0
14	Capital instruments (where the conditions laid down in Article 63 are met and to the extent specified in Article 64)	0
15	Share premium accounts (related to the instruments above are met)	0
	Less	
16	Art 66 deductions (inc holdings)	0

Table 2 - Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements			
	Balance sheet as in audited financial statements	**Under regulatory scope**	**Cross reference to Table 1**
	As at 31/12/2022 ('000s)	As at 31/12/2022 ('000s)	
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements			
Retained earnings		-409	3
Accumulated other comprehensive income		0	4
Other reserves		0	5
Funds for general banking risk		0	6
Total			
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements			
Total			
Shareholders' Equity			
Paid up capital instruments		356	1
Share premium accounts		874	2
Total			

Table 3 Main Features of Own Funds Instruments	
Initial Capital	Instrument Type: Amount Recognised in Regulatory Capital: Nominal amount of instrument: Accounting Classification:
Reserves	Instrument Type: Amount Recognised in Regulatory Capital: Nominal amount of instrument: Accounting Classification:
Retained Earnings	Instrument Type: Amount Recognised in Regulatory Capital: Nominal amount of instrument: Accounting Classification:

5. Own Funds Requirements

OUKL must disclose its K-Factor requirement and Fixed Overheads Requirement amounts in relation to its compliance with the requirements set out in MIFIDPRU 4.3 (Own Funds Requirements).

Own Funds Requirement	As at 31/12/2022 ('000s)
Permanent Minimum Requirement (PMR)	150,000
Sum of K-AUM, K-CMH and K-ASA	
Sum of K-COH and K-DTF	
Sum of K-NPR, K-CMG, K-TCD and K-CON	
Fixed Overhead Requirement (FOR)	804,371
IFPR Capital Requirement	804,371

Overall financial adequacy rule

OUKL 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.

Risk of harms analysis

The Firm analyses its risk of harms to clients, market and itself through its risk assessment framework. Fundamental to this is the Firm's risk and harms matrix which identifies risks that the firm's business could give rise to. Each categorised risk holds a description of the harm that crystallisation of the risk event could visit on the three broad categories of entities interacting with the Firm; clients, market and Firm itself. Each categorised risk is then graded with measures of harm and severity of consequence before and after controls and mitigations are put in place.

This methodology also codifies a means of allocating capital provision at the risk category level in order to inform the Firm of its own analysis capital requirement in comparison to its Own Funds requirement.

The current methodology for capital allocation involves the allocation of impact bands on a per risk driver basis, alongside harm mitigation costs. Within each category of risk (i.e. group of drivers), the highest impact is taken as a basis for capital allocation.

Wind Down Capital Requirement

The Firm has carried out wind-down simulation within its ICARA with the aim of establishing the amount of regulatory capital and liquidity needed to ensure the firm winds down in an orderly manner. As part of the wind-down simulation, the Firm identifies the cost and time for the Firm to effectively wind down its operations if a significant stressed event was to either breach the Own Funds requirement or, if for whatever reason, the Firm's management body decided to cease operations.

6. Remuneration Policy and Practices

OUKL is subject to the FCA Rules on remuneration as they apply to a Non-Small and Non-Interconnected (Non-SNI) MIFIDPRU investment firm. These are contained in the FCA's MIFIDPRU Remuneration Code located in SYSC19G of the FCA's Handbook.

In line with criteria outlined in the Remuneration Code under section SYSC 19G.1.1R(2), OUKL is not required to apply the provisions related to the use of shares, instruments and alternative arrangements, retention policy, deferral and the use of discretionary pension benefits.

Approach to Remuneration

The Ocorian Group has established a Global Remuneration Policy ("**the Policy**") which regulates the area of remuneration to ensure alignment with business objectives and that the remuneration that is paid is aligned to the business risk profile. This is considered alongside the additional requirements applicable to the OUKL, as outlined below.

Governance

Ocorian has established a Remuneration Committee (a committee of the board of Stanford HoldCo Limited) ("**REMCO**"), which oversees the design and implementation of the Remuneration Policy for Ocorian globally, including the Entities. The REMCO is provided with input from Risk & Compliance, Human Resources and Finance to support decision making and oversight.

The Policy and the specific requirements for OUKL will be reviewed on an annual basis alongside the Ocorian Group Remuneration Policy by REMCO. The Chief Executive Officer represents the Service Lines during the review.

REMCO is supported in the review by the relevant internal Control Functions (i.e. Risk and Compliance, Finance, HR and Legal).

Characteristics of Remuneration Policy and Practices

Balance of fixed and variable remuneration

The REMCO will ensure it always maintains a balance between fixed and variable components of remuneration, to mitigate any conflicts of interest between the firm, its staff and its clients. REMCO have the determined that Material Risk Takers ("**MRTs**") can receive no more than 100% variable remuneration compared to fixed remuneration. This ratio is subject to review from time to time by the REMCO.

There are restrictions on use of the below types of remuneration and the use for any MRT roles would be subject to REMCO approval:

- **Guaranteed variable remuneration** (minimum performance bonus / sign on bonus) are restricted to 1st year of employment and only used in exceptional circumstances.
- In case of **equity buy-outs** for new joiners, these need to be replaced with deferred equity rather than cash.
- **Retention awards** must be used in exceptional circumstances only and linked to performance.

- **Severance payments** are only used in exceptional circumstances only and must be considered in relation to performance of beneficiary during employment period. The Entities do not reward poor performance.

Ex-ante and ex-post risk adjustment of remuneration

The REMCO have established a process to ensure that appropriate adjustments are made both before variable remuneration is awarded (ex-ante) and before deferred remuneration vests to employees (ex-post).

With support from Risk & Compliance, Human Resource and Finance, the REMCO reviews ongoing and past events identified in the calendar year when the review is taking place, including but not limited to:

- **Business decisions** with subsequent negative impact on business, including financial, reputational and compliance risks
- **HR** – Conduct and performance issues
- **Risk & Compliance** - Regulatory sanctions/ warnings, non-adherence key risk or due diligence processes, client data quality issues or data breaches, any material feedback from Risk & Compliance function
- **Finance** - any financial re-statements or material corrections.

Based on this review, the REMCO can make adjustments, either to proposed discretionary bonus or LTIP (malus), or a reduction in prior year LTIP (clawback). Adjustments could include reducing bonus or LTIP to zero. The adjustments would only be considered for the MRT population.

Material Risk Takers ("MRTs")

The firm has identified Material Risk Takers in accordance with the criteria set out in SYSC 19G.5.3 for the definition of material risk takers for remuneration purposes. The firm has developed and applied internal assessments against the defined criteria to identify those individuals that have a material impact upon the firm's risk profile.

The key criteria for those included were related to the members of management body, senior management roles and those with managerial responsibility for regulated activities in the OUKL, as well as roles with managerial responsibilities in a control function and prevention of money laundering activities for the Entities.

The review of MRTs is led by the HR function with input from the Risk & Compliance function. The criteria and identified roles are reviewed and approved by the REMCO.

For the performance year 2022, there were 6 MRTs identified in OUKL.

Remuneration for year ending 31/12/2022

Senior Management and MRT remuneration (GBP)	
Fixed remuneration	735,927
Variable Remuneration	67,800
Total Remuneration for Senior Management	803,727

Other Staff remuneration (GBP)	
Fixed remuneration	481,379
Variable Remuneration	38,500
Total Remuneration for other staff	519,879

There were no guaranteed variable remuneration awards or severance payments made in 2022.