MIFIDPRU 8 Disclosure

(Based on audited financial statements for the year ending 31st December 2022)

1. Scope and purpose

This disclosure relates to BUX Financial Services Limited “the Firm”, which is classified as a non “small and non-interconnected” (Non-SNI) MIFIDPRU investment firm and is therefore required under MIFIDPRU 8 of the Prudential sourcebook for MiFID Investment Firms to disclose information relating to governance arrangements, risk management, own funds, and remuneration policies and practices.

In accordance with the rules, the disclosures herein are appropriate to the size and internal organisation, and to the nature, scope, and complexity of the Firm’s activities.

2. Governance and decision-making procedures

The governing body is ultimately responsible for the definition, oversight, and implementation of the strategic objectives, risk strategy, and internal governance arrangements.

The firm has robust governance arrangements which include:

- A clear organisational structure with well defined, transparent and consistent lines of responsibility,
- Effective processes to identify, manage, monitor and report the risks it is or might be exposed to,
- Internal control mechanisms, including sound administrative and accounting procedures,
- Effective control and safeguard arrangements for information processing systems.

The governing body has established a risk committee. The members of this committee have all been assessed to have appropriate skill, knowledge, expertise and integral, to understand and manage the associated risks; and advise and challenge the governing body appropriately. This approach is intended to ensure effective and prudential management of the firm and prevent conflicts of interest in a manner which promotes integrity of the market, and best interests of clients. To support the governing body achieve these objectives, management information is frequently provided to enable controls to be assessed and deficiencies addressed. All arrangements, including policies are reviewed at least on an annual basis. The Firm is not required to establish a Risk Committee under MIFIDPRU 7.3 as it does not meet the thresholds in MIFIDPRU 7.1.4.

2.1 Governance Structure

The board is very closely involved in the day to day affairs of the firm. It meets on a fortnightly basis with all the Head of the departments also invited to the meetings. The firm also has a risk committee which meets on a quarterly basis to discuss all the material risk the firm is exposed to and the measures to be taken to mitigate those risks. All the directors and the relevant Head of the departments are members of the committee.

2.2 Directorships

In compliance with MIFIDPRU 8.3.1(2) the table below discloses the number of directorships held by the governing body.

Directorships held by each member of the management (governing) body *MIFIDPRU 8.3.2 states that directorships held within the same group or holding, and those held in organisations which do not pursue predominantly commercial objectives are not within scope.*	
Member of the management body	**Number of directorships held** (executive and non-executive) (details of modifications/waivers if applicable)
Salim Sebbata	2
Yorick Naeff	5
Egbert Pronk	12
Philip Holland	1

2.3 Diversity statement

The Firm is committed to promoting equality and diversity as part of its culture which values different experiences and insights, as well as the business benefits these bring. As a result, the Firm's Diversity and Inclusion policy aims to promote diversity on the management body.

The Firm is committed to providing equal employment opportunities and treatment for all candidates and employees. It is determined to create a work environment free from discrimination across offices/office. Most importantly, it prides on its culture, where differences are valued at all levels of the organisation. It believes diversity of thought and background drives innovation and its holistic approach to recruiting, allows it to create a diverse and inclusive network of employees across the entirety of the business.

The Firm does not tolerate any forms of discriminatory practices or behaviour, and aims to ensure that all employees, candidates, clients, customers, suppliers and visitors are not treated less favourably, victimised or harassed on the grounds of any Protected Characteristics. Its commitment to diversity and inclusion remains a top priority and it continuously aims to improve its working environment to ensure all employees have the support, resources and equity they need to be successful in their roles. In addition, it is dedicated to making reasonable adjustments for all candidates where possible throughout the application process to ensure fairness and standardisation.

3. Risk management objectives and policies

The core objective of the Firm is the effective management of risk to protect investors and stakeholders and to ensure that the Firm has adequate capital and liquid resources in place.

The Directors of the Firm determine its business strategy and risk appetite. The Firm has in place a comprehensive risk management framework that recognises the risks that the Firm faces.

The Firm's risk management framework operates under the three lines of defence model.

The first line of defence requires the Firm to identify and mitigate risks and to implement an adequate control environment to manage those risks effectively. The risks facing the Firm are identified and considered both from the perspective of the likelihood of their occurring and from the perspective of their potential impact on the Firm should they occur.

The second line of defence is that of control oversight managed by the Compliance Officer who oversees compliance within regulatory and legal requirements as well as monitoring risk.

The third line of defence is designed to provide independent assurance through external audit by way of reviewing the overall effectiveness of the risk management framework and control environment.

MIFIDPRU 8.2.1 requires the firm to disclose its risk management objectives and policies for the categories of risk addressed by own funds requirements, concentration risk and liquidity. This must include a concise statement approved by the firm's governing body describing the potential for harm associated with the business strategy; and a summary of the strategies and processes used to manage each of the categories of risk and how this helps to reduce the potential for harm.

3.1 Own funds requirements

The Firm is required to maintain own funds in the amount of £3,067,536 (please see the 5. Own Funds Requirement section below).

The Firm operates an ICARA process which aims to ensure that the Firm is adequately capitalised to cover the underlying risks that it faces, and to wind down in an orderly fashion if required. The ICARA also aims to ensure that there is sufficient availability of capital in order that the Firm can meet its future growth and strategic plans with due consideration to the business environment in which it operates.

The Firm conducts ongoing monitoring of its financial performance and considers at its board meetings whether its overall financial resources and internal capital are adequate both as to their amount and quality to ensure that there is no significant risk that its liabilities could not be met as they fall due.

The Firm will keep this plan under review, and where it becomes necessary, will adjust the capital requirement figures to reflect any additional risks identified.

3.2 Concentration risk

The Firm has considered its concentration exposure with regards to the factors in MIFIDPRU 5.2:

Source of concentration risk	**Firm statement**
Trading book exposures	The Firm's trading book exposure is not limited to a small number/group of connected clients but also to the group entity which transmits its client's orders to the firm.
Assets (for example, trade debts) not recorded in a trading book	The Firm does not have a significant non-trading book exposure other than client money and own funds held with banks.

Off-balance sheet items	The Firm does not have a significant amount of off-balance sheet assets. There is limited exposure to the firm
The location of client money	Client money is only held with top-tier reputable banks. The firm completes annual due diligence on its custodians to ensure they are financially sound and not subject to any regulatory sanctions.
The location of custody assets	The firm does not hold client assets
A firm's own cash deposits	The Firm recognises there is a risk if all of its cash is held in one place. To reduce the risk of loss of cash, or being unable to access liquidity, the Firm holds its own cash deposits with reputable bank(s) only.
Earnings	The Firm is not heavily reliant on one client, or a series of connected clients to generate income except the income generated from a group entity.

3.3 <u>Liquidity</u>

The Firm has in place a detailed Liquidity Planning process which details the systems and controls, oversight and management of the Firm's liquid resources.

The Firm's assets are deemed to be readily realisable with the vast majority being held either in cash or by way of recoverable intercompany loans. The Firm has undertaken that in the future it will always hold liquid cash reserves at least one-third equal to its 'own funds requirement'. The Directors are committed to growing capital rather than taking dividends.

4. <u>Own Funds</u>

According to MIFIDPRU 8.4, the Firm must disclose the information below regarding its own funds.

1. a reconciliation of common equity tier 1 items, additional tier 1 items, tier 2 items, and the applicable filters and deductions applied in order to calculate the own funds of the firm;
2. a reconciliation of (a) with the capital in the balance sheet in the audited financial statements of the firm; and
3. a description of the main features of the common equity tier 1 instruments, additional tier 1 instruments and tier 2 instruments issued by the firm.

MIFIDPRU 8 Annex 1 template

Composition of regulatory own funds			
	Item	**Amount (GDP thousands)**	**Source based on reference**

			numbers/letters of the balance sheet in the audited financial statements
1	**OWN FUNDS**	**3,068**	
2	**TIER 1 CAPITAL**	**3,068**	
3	**COMON EQUITY TIER 1 CAPITAL**	**3,068**	
4	Fully paid-up capital instruments	28,758	Note 19
5	Share premium	409	
6	Retained earnings	(25,939)	
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	160	Note 12
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				
Figures given in GBP thousands unless noted otherwise.				
		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	Intangible fixed assets	160		**19**
2	Tangible fixed assets	9		
3	Stocks	136		
4	Debtors	1,417		
5	Cash at bank and in hand	8,016		
xxx	Total Assets	9,738		
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements				
1	Creditors	(6,510)		
2				
3				
4				
xxx	Total Liabilities	(6,510)		
Shareholders' Equity				
1	Called up share capital	28,758		**4**
2	Share premium	409		**5**
3	Profit and loss account	(25,939)		**6**
xxx	Total Shareholder's equity	3,228		
Own funds: main features of own instruments issued by the firm				
During the year ended 31 December 2022, the Firm issued £493,842 ordinary shares at par value of £1 each for a total consideration of £493,842. As at 31 December 2022, the Firm had 28,757,921 total ordinary shares issued at £1 each for a premium of £408,496.				

5. Own Funds Requirements

To comply with its 'own funds requirement', the firm is required to hold, as a minimum, the highest figure from the table below. The figures adhere to the overall financial adequacy rule in MIFIDPRU 7.4.7, which states the own funds and liquid assets must be adequate in amount and quality to ensure the firm is able to address potential material harm from ongoing activities and can wind down in an orderly manner if necessary.

Own Funds Requirement	
Category of requirement	**Amount**
Permanent minimum capital requirement	£750,000
Fixed overhead requirement	£1,113,853
K-Factor requirement	£628,522

5.1 Overall K-factor requirement

As required by MIFIDPRU 8.5, the K-factor requirement has been broken down into three categories.

Assets for which the firm is responsible		
K-Factor	**Requirement**	**The sum of (if applicable)**
K-AUM (assets under management)	Not applicable to the Firm	£16,432
K-CMH (client money held)	0.4% and 0.5% of the average CMH held in segregated and non-segregated account respectively	
K-ASA (assets safeguarded and administered)	Not applicable to the Firm	
Execution activity undertaken by the firm		
K-Factor	**Requirement**	**The sum of (if applicable)**
K-COH (client orders handled)	Not applicable to the Firm	£8,037
K-DTF (daily trade flow)	0.1% and 0.01% of the average COH to cash trades and derivatives trades respectively	
Exposure-based risks		
K-Factor	**Requirement**	**The sum of (if applicable)**
K-NPR (net position risk)	Every position which does not form part of a portfolio for which K-CMG permission has been granted	£604,053
K CMG (clearing margin given)	Not applicable to the Firm	
K-TCD (trading counterparty default risk)	The sum of the TCD own funds requirement, where dealing on own account (for the client or the firm)	
K-CON (concentration risk)	Calculate an exposure value (EV) for each client or group of connected clients by adding together the positive excess of the firm’s long positions over its short positions in all the trading	

	book financial instruments issued and the exposure value of contracts and transactions	

6. Remuneration policy and practices

6.1 Qualitative disclosures

Approach to remuneration

Base salaries provide pre-determined, non-revocable compensation paid to individuals throughout the year, irrespective of Firm or individual performance. Base salaries and benefits constitute the significant proportion of the Firm's total remuneration. This fixed element is based on the professional experience and responsibility within the Firm of an individual.

The Firm runs a discretionary bonus scheme that is based on individual performance as well as the Firm's underlying profitability. The bonus does not form part of individual's contractual remuneration. The size of the bonus pool is linked to the overall performance of the Firm. The employee incentive payment is linked to the contribution of the individual to such performance. Bonuses are discretionary and will diminish or disappear in the event of poor business or individual performance.

When considering individual performance, the Firm considers both financial and non-financial metrics. To not incentivise unacceptable risk taking, fixed remuneration comprises most staff compensation.

Objective of financial incentives

The objective of providing financial incentives is to promote behaviour that is aligned to the Firm's long-term interests, strategic objectives, and ethical standards. Financial incentives are used to reward individual performance, as well as performance in excess of the staff member's job description and terms of employment.

Governance and decision-making procedures

The Firm is required to implement and maintain remuneration policies, procedures and practices for all directors and employees that are consistent with and promote sound effective risk management.

The policy is intended to cover all aspects of remuneration and has been created in accordance with the MIFIDPRU Remuneration Code (SYSC 19G).

The remuneration practices and policies are intended to:

- promote sound risk management practices in alignment with the Firm's risk management principles;

- discourage risk taking that is inconsistent with the Firm's risk appetite or risk management policies and principles;

- control fixed costs by ensuring that remuneration expense varies according to profitability and does not place undue constraints on the Firm's ability to maintain its capital base;

- link remuneration to the Firm's financial and operational performance as well as individual performance;

- provide competitive, but not excessive, levels of remuneration compared to peer Firms of appropriate size, scope, and complexity; and

- promote a positive culture towards risk management and compliance.

The remuneration practices and policies are intended to support the Firm's business strategy, long term interests and values, and to ensure that risk taking does not exceed the Firm's tolerated level of risk.

Periodic benchmarking ensures that remuneration at individual level is not unreasonable or disproportionate to the amount, nature, quality, and scope of the work performed.

The remuneration policy outlines the criteria used to assess the performance of the Firm and of individual staff members. The Firm's performance is assessed against its overall financial performance, as well as other measures such as new business gained, client satisfaction and employee retention rates.

In assessing the performance of individual staff members, the Firm takes into account financial and non-financial criteria. Non-financial criteria includes:

(a) measures relating to building and maintaining positive customer relationships and outcomes, such as positive customer feedback;

(b) performance in line with firm strategy or values, for example by displaying leadership, teamwork or creativity;

(c) adherence to the firm's risk management and compliance policies;

(d) achieving targets relating to:

(i) environmental, social and governance factors; and

(ii) diversity and inclusion.

Material risk takers

The table below is to disclose the types of staff identified as material risk takers. These roles are defined as a staff member whose professional activities have a material impact on the risk profile of the firm, or the assets the firm manages.

Material risk takers *Please see MIFIDPRU 8.6 and SYSC 19G.5.3 for further information on material risk takers.*		
Type of staff identified as material risk takers	**Number of material risk takers identified**	**Criteria other than in SYSC 19.5.3 used to identify material risk takers**
Executive Directors, Head of Compliance, Head of Finance and Head of Trading	6	none

Risk adjustment and variable remuneration

The Firm can use clawbacks and malus, which are written into employee contracts, on variable remuneration paid to mitigate against the risk of misconduct, poor performance or a decrease in profits. Variable remuneration is structured to reward long term observance to the Firm's values.

In determining whether to apply malus or clawback provisions or adjustments, the Firm will consider the following circumstances:

- Where the employee received the award based on materially inaccurate audited publicly reported financial statements.
- Where the employee knowingly engaged in providing materially inaccurate information relating to audited publicly reported financial statements; or
- Where the employee materially violated any risk limits established or revised by senior management and/or risk management; or
- Where the employee engaged in gross misconduct.
- Where an employee failed to comply with their obligations, or has engaged in behaviour or misconduct that breaches their obligations
- Where the employee engaged in behaviour constituting misconduct or exercised materially imprudent judgement that caused harm to any of the Firm's business operations, or that resulted or could result in regulatory sanctions; or
- Where the employee failed to supervise or monitor individuals engaging in, or failed properly to escalate behaviour constituting, misconduct (whether or not gross misconduct) in accordance with the Firm's policies regarding the reporting of misconduct, or
- Where the employee failed to supervise or monitor individuals engaging in, or failed properly to escalate, behaviour that resulted or could result in regulatory sanctions.

Guaranteed variable remuneration

Practices on guaranteed variable remuneration, sometimes referred to as a 'sign-on bonus', are defined in the remuneration policy. Although the firm recognises that guaranteed variable remuneration can be used to compensate new members of staff who have lost the opportunity to receive variable remuneration from their previous employer, the Firm would only offer it in exceptional circumstances, and would consider the merits on a case-by-case basis.

Severance pay

Procedures for the payment of severance are outlined in the Firm's remuneration policy. The amount of any severance will be assessed on a case-by-case basis, but will include consideration of the length of service, regular salary and reasons for dismissal. Whenever severance relates to the early termination of an employment contract, the payment will reflect the individual's performance, to ensure failure, or misconduct are not rewarded.

Remuneration components

All components of remuneration are categorised as either fixed or variable.	
Fixed	**Variable**
Salary	Discretionary bonus
Drawing on fixed profit shares	Discretionary pension benefits
	Carried interest

6.2 Quantitative disclosures

Total Remuneration				
Remuneration Type	**Senior management**	**Other material risk takers**	**Other Staff**	**Total**
Fixed remuneration	£545,719	£197,712	£956,041	£1,699,472
Variable remuneration	Nil	Nil	Nil	£Nil
				£1,699,472

Guaranteed Variable Remuneration	
Total amount during the financial year	Number of material risk takers receiving awards;
Nil	Nil

Severance Payments	
Total amount made during the financial year	Number of material risk takers receiving awards
Nil	Nil

The Firm did not make any severance payments to an individual material risk taker in the financial year.