

MIFIDPRU 8 Remuneration Disclosures

Intermede Investment Partners Limited

31 December 2022

Registration No: 08827481

FCA Registration No: 624278

Introduction

The Financial Conduct Authority (“FCA” or “regulator”) in the Prudential sourcebook for MiFID Investment Firms in the FCA Handbook (“MIFIDPRU”) sets out the detailed prudential requirements that apply to Intermede Investment Partners Limited (“IIP”).

Chapter 8 of MIFIDPRU (“MIFIDPRU 8”) sets out public disclosure rules and guidance with which the Firm must comply, further to those prudential requirements.

IIP is classified under MIFIDPRU as a non-small and non-interconnected MIFIDPRU investment firm (“Non-SNI MIFIDPRU Investment Firm”). As such, the Firm is required by MIFIDPRU 8 to disclose information on the following areas:

- Risk management objectives and policies;
- Governance arrangements;
- Own funds;
- Own funds requirements; and
- Remuneration policy and practices.

The purpose of these disclosures is to give stakeholders and market participants an insight into the Firm’s culture and data on the Firm’s own funds and own funds requirements allows potential investors to assess the Firm’s financial strength.

This document has been prepared by IIP in accordance with the requirements of MIFIDPRU 8 and is verified by the Executive Committee. Unless otherwise stated, all figures are as at the Firm’s 31 December financial year-end.

Risk management objectives and policies

The firm’s risk management objectives and policies are categorized as:

1. Own funds requirements
2. Concentration risk, and;
3. Liquidity risk

Own funds requirements

IIP is required to maintain own funds that are at least equal to the Firm’s own funds requirement. The own funds requirement is the higher of the Firm’s:

- Permanent minimum capital requirement (“PMR”): The level of own funds required to operate at all times. Based on the MiFID investment services and activities that the Firm currently has permission to undertake this is set at £75,000;
- Fixed overhead requirement (“FOR”): The minimum amount of capital that IIP would need to have to absorb losses if the Firm has cause to wind down and exit the market. This is equal to one quarter of the Firm’s relevant expenditure; and
- K-factor requirement (“KFR”): The KFR is intended to calculate a minimum amount of capital that IIP would need for the ongoing operation of its business. The K-factor that applies to the Firm’s business is K-AUM (calculated on the basis of the Firm’s assets under management (“AUM”).

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IIP's own funds requirement is currently set by its FOR as this is the highest of the three metrics. The potential for harm associated with IIP's business strategy, based on the Firm's own funds requirement, is low.

Concentration risk

Concentration risk is the risk that results from a lack of diversification in business type, business channels, or investor base.

The Firm's investment strategy ensures that appropriate portfolio diversification is maintained so as to mitigate concentration risk.

The Firm ensures, through its risk management policies and procedures, that the accounts do not accumulate excessive concentrations of risk and that mandates are adhered to in respect of, inter alia, risk spreading through diversification. Significant efforts continue to be made to widen the investor base by increasing client numbers. Credit ratings of counterparties are monitored.

The Firm perceives risk management to be an inherent part of its business activities and therefore ensures through its risk management policies and procedures that the accounts do not accumulate excessive concentrations of risk. Concentration risk at portfolio level, while actively avoided, is a risk of the clients and, as such, is not a direct risk for the regulated entity.

The potential for harm associated with IIP's business strategy, based on the Firm's concentration risk, is low.

Liquidity risk

The Firm is required to maintain sufficient liquidity to ensure that there is no significant risk that its liabilities cannot be met as they fall due and to ensure that it has appropriate (liquid) resources in the event of a stress scenario.

The potential for harm associated with IIPs business strategy, based on the Firm's basic liquid assets requirement, is low. As with regard to its own funds requirement, this is due to the maintenance of a healthy core liquid assets surplus above the basic liquid assets requirement.

The Firm has a robust framework and policy in place for controlling and mitigating liquidity risk, and is in the process of formally documenting these which will be made separately available for inspection.

The Firm's policy is to maintain sufficient liquid funds to meet obligations as they fall due, or as needed in the event of an orderly wind down. An increase in expenses would only be agreed if coupled with an identified increase in cash income, or sufficient excess liquid capital to support any forecast negative cash flow. Such an increase would only arise as a result of formal business planning.

The liquidity of the Firm's assets is monitored through a monthly financial reporting process. Liquidity is managed in accordance with its liquidity policy.

Governance arrangements

Intermede Investment Partners Limited (the "Firm") was incorporated on 30 December 2013 (company number 08827481) and authorised to conduct regulated activities by the FCA on 4 November 2014. As at 31 December 2022, the Firm has five directors, Barry Dargan (BXD01231), James Hyunmin Kim (CLS01114) and Rupert Mahon (Chief Operating Officer ("COO")) (RTM01037) (together the "Executive Directors") and Jill Rickard-Bell (JXR02359) and

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David MacGregor (DXM02951) (together the “Non-Executive Directors”). The registered office and principal place of business of the Firm is 6 Warwick Street, London, W1B 5LU.

The Firm is incorporated as a limited liability company, is a UK regulated investment manager and is the only entity covered by the Internal Capital Adequacy and Risk Assessment Process (“ICARA”) (“Document”). The day-to-day management of the Firm lies with the Executive Committee made up of the Executive Directors and other senior management/stakeholders, namely Chris Smith and Nick Midgley, subject to the supervision and control of the board of directors of the Firm (the “Board”).

Due to the nature, size and complexity of the Firm, IIP does not have an independent risk management function. The Executive Committee is responsible for the management of risk within the Firm and it delegates this function to the COO. The COO reports his findings to the Executive Committee, where they approve and periodically review the strategies and policies for taking up, managing, monitoring and mitigating the risks to which the Firm is, or might be, exposed, including those posed by the macroeconomic environment in relation to the business cycle. The Firm has clearly documented policies and procedures (these are contained in the Firm’s Policies and Procedures manual), which are designed to minimise risks to the Firm and all staff are required to confirm that they have read and understood them.

Own funds and own funds requirements

As at 31 December 2022, IIP maintained own funds of £9,534k. The below table provide a breakdown of IIP's own funds:

Composition of regulatory own funds		£'000
1	Own Funds	9,534
2	Tier 1 Capital	9,534
3	Common equity Tier 1 Capital	9,534
4	Fully paid-up capital instruments	3,699
5	Share premium	-
6	Retained earnings	5,835
7	Accumulated other	-
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	-
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 own funds to balance sheet in the audited financial statements				
		Balance sheet per audited financial statements	Under regulatory scope of consolidation	Ref to above
		31 December 2022 £'000	31 December 2022 £'000	
	Assets			
1	Property, plant and equipment	252		
2	Trade and other receivables	7,763		
3	Cash and cash equivalents	5,396		
	Total assets	13,411		
	Liabilities			
1	Current liabilities	3,826		
2	Deferred tax liability	51		
	Total liabilities	3,877		
	Shareholders' equity			
1	Called up share capital	3,699		
2	Retained earnings	5,835		
	Total shareholders' equity	9,534		

Own funds requirement

IIP is required to at all times maintain own funds that are at least equal to the Firm's own funds requirement. The below illustrates the core components of IIP's own funds requirements:

		£'000
A	Permanent Minimum Capital Requirement ("PMR")	75
B	Fixed Overhead Requirement ("FOR")	1,400
C	K-Factor Requirement ("KFR")	1,062
	- K-AUM – Risk arising from managing and advising on investments	1,062
	- K-COH – Risk arising from reception and transmission of orders	-
D	Own Funds Requirement (Higher or A,B or C)	1,400

IIP is also required to comply with overall financial adequacy rule ("OFAR"). This is an obligation on IIP to hold own funds and liquid assets which are adequate, both as to their amount and 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

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- The Firm's business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

Where IIP determines that the FOR is insufficient to mitigate the risk of a disorderly wind-down, the Firm must maintain 'additional own funds required for winding down', above the FOR, that are deemed necessary to mitigate the risks of a disorderly wind-down. Similarly, where the Firm determines that the KFR is insufficient to mitigate the risk of harm from ongoing operations, the Firm must maintain an amount of 'own funds required for ongoing operations', above the KFR, that is deemed sufficient to ensure the viability of the Firm throughout economic cycles.

The Firm's own funds threshold requirement is the higher of:

- The Firm's PMR;
- The sum of the Firm's FOR and its additional own funds required for winding down; and
- The sum of the Firm's KFR and its additional own funds required for ongoing operations.

This is the amount of own funds that IIP is required to maintain at any given time to comply with the OFAR.

To determine the Firm's own funds threshold requirement, IIP identifies and measures the risk of harm faced by the Firm and considers these risks in light of its ongoing operations and also from a wind-down planning perspective. The Firm then determines the degree to which systems and controls alone mitigate the risk of harm and the risk of a disorderly wind-down, and thereby deduces the appropriate amount of additional own funds required to cover the residual risk.

This process is documented and presented to, and ratified by, the Governing Body on at least an annual basis.

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Remuneration policy

Overview

As a Non-SNI MIFIDPRU Investment Firm, IIP is subject to the basic and standard requirements of the MIFIDPRU Remuneration Code (as laid down in Chapter 19G of the Senior management arrangements, Systems and Controls sourcebook in the FCA Handbook (“SYSC”)). The purpose of the remuneration requirements is to:

- Promote effective risk management in the long-term interests of the Firm and its clients;
- Ensure alignment between risk and individual reward;
- Support positive behaviours and healthy firm cultures; and
- Discourage behaviours that can lead to misconduct and poor customer outcomes.

The objective of IIP’s remuneration policies and practices is to establish, implement and maintain a culture that is consistent with, and promotes, sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profile of the Firm and the services that it provides to its clients.

In addition, IIP recognises that remuneration is a key component in how the Firm attracts, motivates, and retains quality staff and sustains consistently high levels of performance, productivity, and results. As such, the Firm’s remuneration philosophy is also grounded in the belief that its people are the most important asset and provide its greatest competitive advantage.

IIP is committed to excellence, teamwork, ethical behaviour, and the pursuit of exceptional outcomes for its clients. From a remuneration perspective, this means that performance is determined through the assessment of various factors that relate to these values, and by making considered and informed decisions that reward effort, attitude, and results.

Governance and oversight

The Governing Body is responsible for setting and overseeing the implementation of IIP’s remuneration policy and practices. In order to fulfil its responsibilities, the Governing Body:

- Is appropriately staffed to enable it to exercise competent and independent judgment on remuneration policies and practices and the incentives created for managing risk, capital, and liquidity.
- Prepares decisions regarding remuneration, including decisions that have implications for the risk and risk management of the Firm.
- Ensures that the Firm’s remuneration policy and practices take into account the public interest and the long-term interests of the Firm’s stakeholders.
- Ensures that the overall remuneration policy is consistent with the business strategy, objectives, values, and interests of the Firm and of its clients.

IIP’s remuneration policy and practices are reviewed annually.

Material Risk Takers

IIP is required to identify its material risk takers - those members of staff whose professional activities have a material impact on the risk profile of the Firm (and of the assets that the Firm manages). The types of staff that have been identified as material risk takers at IIP are:

- Members of the management body in its management function;
- Those with managerial responsibility for a client-facing or client-dealing business unit of the Firm;
- Those with managerial responsibilities for the activities of a control function ; and
- Those with managerial responsibilities for the prevention of money laundering and terrorist financing.

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Quantitative remuneration disclosure

The below table quantifies the remuneration paid to staff in the financial year 1 January 2022 to 31 December 2022.

		Senior Management & Other Material Risk Takers	Other staff
Total number of material risk takers		6	
Remuneration awarded	Fixed	1,379,246	375,425
	Variable	520,000	464,079
	Total	1,899,246	839,504
Guaranteed variable remuneration	Amount (£)	-	
	# Staff Awarded	-	
Severance Payments	Amount (£)	-	
	# Staff Awarded	-	
Highest Severance Payment Awarded to an individual		-	