

LIBERUM

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MIFIDPRU 8 Disclosure

As of 31 December 2022

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Introduction

Disclosure requirements

Liberum Capital Limited (“Liberum” or the “Company”) is a MiFID investment firm authorised and regulated by the FCA. It meets the definition of a non-small and non-interconnected firm (“non-SNI” or “Class 2”) under the Investment Firms Prudential Regime (“IFPR”).

This document sets out the disclosures required pursuant to chapter 8 of the FCA Prudential Sourcebook for Investment Firms (“MIFIDPRU”). Liberum must disclose the information in MIFIDPRU Chapter 8 on an individual basis. The Company is the main operating entity of the Liberum Capital Group (the “Group”). These disclosures provide information on the Company’s governance arrangements, risk management, own funds and own funds requirements, and remuneration practices.

Company background

Liberum is an independent employee-owned investment bank, providing services to corporate clients and their investors across the UK, Continental Europe and North America, with an all-cap focus. The main business areas are Investment Banking and Equities-related services, which provide services to corporates and institutions as follows:

Investment Banking

- Corporate broking services to UK small and mid-cap companies
- Corporate finance and advisory services to public and private companies and closed end investment funds
- Advice in relation to Equity Capital Markets (“ECM”) deals in UK small and mid-cap companies

Equities

- All-cap pan-European equity research, sales and execution services in large and mid-cap UK and Continental European equities, small-cap UK equities and closed-ended investment funds
- Market making in UK small and mid-cap companies and closed-ended investment funds
- Sales, trading and execution services in convertible bonds

Basis and frequency of disclosure

The disclosures are as of 31 December 2022 (the “Reference Date”) in line with the last set of financial statements published by the Company. The disclosures have been approved by the governing body of the Company and are not subject to audit, except where they are prepared under accounting requirements for publication in the financial statements.

The disclosures can be found in the Legal section of our website (www.liberum.com/legal).

Governance

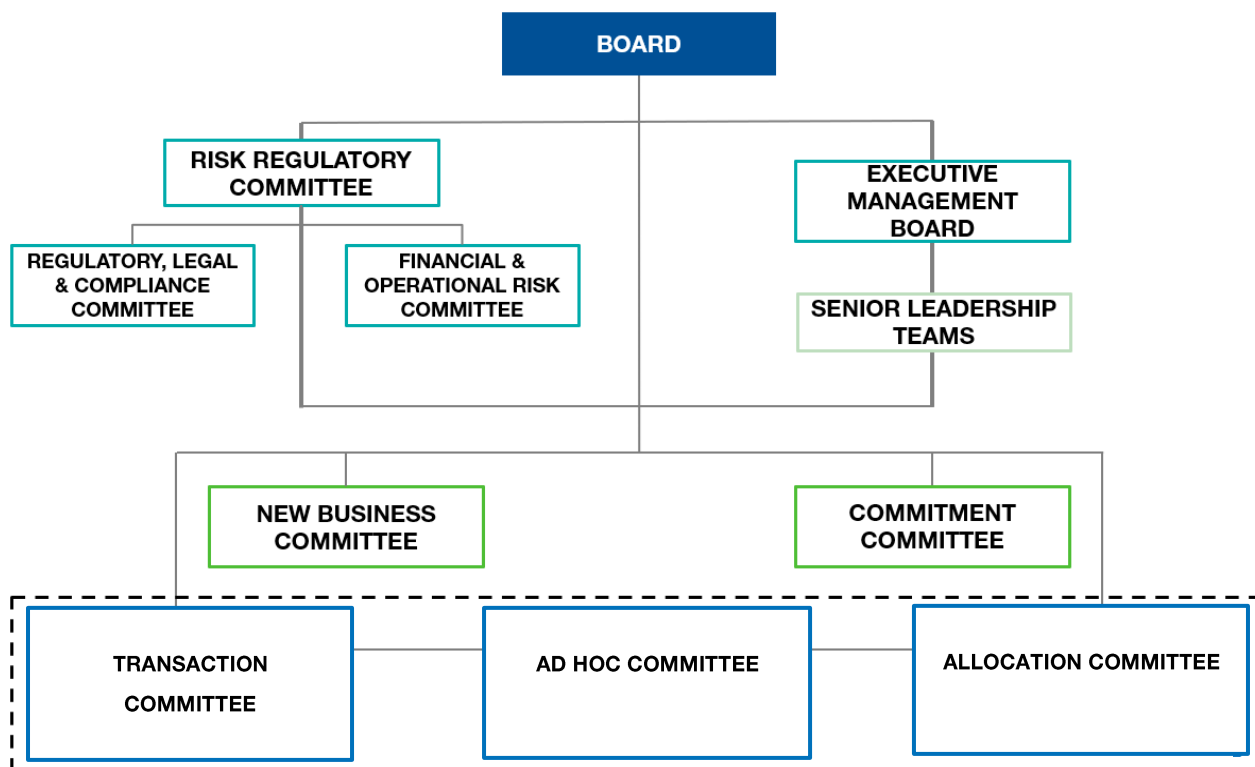
Governance structure

The Liberum Capital Limited Board (“the Board”) is the governing body of the Company. The Board is collectively responsible for the long-term success of the Company. The Board sets the Company’s strategic aims, within a framework of risk management and internal controls, ensuring that the necessary financial and human resources are in place to enable the Company to meet its objectives.

The Board delegates its authority to the Risk & Regulatory Committee (“R&R Committee”) and the Executive Management Board (“EMB”) and a number of other committees and sub-committees in order to facilitate the effective management of the Company and its risks.

The day-to-day management of risk has been delegated by the Board to Senior Managers across the Company overseen by the R&R and underpinned by robust systems and controls proportionate with the Company’s risk appetite and governance arrangements.

The governance structure is set out in the chart below. Each committee has clearly defined terms of reference and membership comprising members of the Board and Senior Managers. All risk management functions ultimately report to the Board.



The Board

Executive members of the Board do not hold outside non-executive or executive positions. Each executive member of the Board holds only one executive position, excluding other Liberum group companies which count as one directorship collectively and entities not undertaking predominantly commercial objectives.

Risk & Regulatory Committee

The R&R Committee assists the Board in its oversight of the Company's system of risk management and internal controls and compliance with such controls.

The R&R Committee has delegated certain responsibilities to two sub-committees:

- The Financial and Operational Risk Committee which monitors the financial and operating risks facing the Company and management of such risks, and
- The Regulatory, Legal and Compliance Committee which monitors regulatory, legal and compliance risks facing the Company.

Executive Management Board

The EMB comprises Senior Managers from across the business meeting on a weekly basis with the Executive Chairman and Chief Executive Officer to discuss client relationships, business development, human resources and the Company's values. It is aligned and incentivised to act in the best interests of the Company by having an appreciation and understanding of the risks that may affect the implementation of strategy and undermine its success.

The EMB is supported by six senior leadership teams ("SLTs") comprising employees from each of the main operating departments within the business as well as the support function.

Other committees

Other committees in place to assist the Board with the overall control and implementation of strategies include the New Business Committee and Commitment Committee.

Employment philosophy and equal opportunities statement

The Company has an employment policy based on the principles of fairness and equal opportunity irrespective of race, colour, religion, national origin, disability, gender, sexuality, age or marital status. The Company is an equal opportunities employer. The Company seeks to ensure that equality of treatment and opportunity is available to all employees and potential employees. This commitment applies to all aspects of the employment relationship including but not limited to recruitment, selection, compensation and benefits, training, performance management and promotions.

The Company will use objective assessment methods to ensure that the most competent applicants are recruited and the most able employees' progress within the Company.

No one will receive less favourable treatment on grounds of sex, marital status, sexual orientation, colour, race, ethnic origin, religion, disability or age.

Risk Management

The Board is responsible for determining the Company's risk appetite, and measuring the actual impact is within this appetite in real time and for ensuring that the risk management framework is appropriate and operating effectively. The Board promotes a culture of shared and collective responsibility which underpins policies, procedures, systems and controls across the business.

There is a clear understanding of the potential for harm associated with the business strategy and the key risks to the business. Staff are actively encouraged to adopt a hands-on approach and engage with each other both formally and informally on a continual basis, which complements the size, flat structure, open-plan office and staff ownership of the Company.

Risk management framework

Liberum has a comprehensive and effective Risk Management Framework (the "Risk Framework") that identifies, measures and mitigates risk within each business area. The Risk Framework sets out the approach that the Company has adopted to identify, manage and help mitigate risks. In doing so, the risk management process is a continual process of:

- identifying and measuring specific risk exposures;
- assessing risks for their initial (pre control) and final (post control) likelihood and impact;
- setting specific day-to-day tolerance levels within the formal overall limits set by Liberum in accordance with its risk appetite;
- reporting risk exposures as appropriate to the Board and the R&R; and
- monitoring the process and taking any necessary corrective actions to manage and mitigate risk.

The Risk Framework provides a common structure for Senior Managers who are responsible for reviewing and evaluating the business risks within each business area, identifying and assessing the mitigating controls and procedures in place and the action plans to address any weaknesses in control. While input is obtained from all relevant areas, approval of the Risk Framework is provided by the Board.

Risk appetite is the amount of risk the Company is willing to take in pursuit of its strategic objectives, which is set by reference to the risks it is subject to. The Board and Senior Managers have a clear understanding of the potential for harm associated with the Company's strategy and the key risks to the business, taking into account the possible harm to different stakeholders, clients and the market.

Liberum applies the "three lines of defence" model to promote shared responsibility for risk management across all areas of the Company, with independent oversight provided by the R&R Committee. The activities and responsibilities of each line of defence is summarised below:

1st Line: Risk Ownership & Risk Management

- Risks to the Company are owned and managed by all business areas
- Responsible for identifying, reporting and managing risks
- Responsible for design, implementation and performance of controls to mitigate those risks

2nd Line: Risk Oversight & Control

- Independent oversight is provided by subject matter experts and the compliance function
- Responsible for setting policies, risk monitoring, control testing and reporting
- Responsible for providing advice and guidance to risk owners

3rd Line: Assurance

- Independent assurance is provided by subject matter experts and advisers
- Responsible for reporting on the effectiveness of risk management and control frameworks

Risk management objectives

Liberum's Risk Framework provides a structure for monitoring the adequacy of its financial resources. The Internal Capital Adequacy and Risk Assessment ("ICARA"), which is integrated with the Risk Framework and approved by the Board, sets out Liberum's process for assessing capital and liquidity resources in relation to the risk profile, to ensure that the Company maintains sufficient financial resources at all times. Stress testing is incorporated into the ICARA process to assess Liberum's exposure to extreme events and to ensure that appropriate management actions and mitigating plans are in place.

This process is designed to ensure that the Company has appropriate systems and controls in place to identify and monitor and where proportionate reduce all potential material harms which may result from its ongoing operation, and that it holds adequate financial resources to enable the Company to remain viable throughout the economic cycle and enable the Company to conduct an orderly wind-down.

Liberum assesses the adequacy of its own funds on an ongoing basis using a number of metrics that form part of the Company's risk appetite. These metrics include K-factor calculations and headroom above capital and liquidity requirements which feed into regular management information reports, together with ongoing assessment of risk and any changing risk profiles through key risk indicators and risk limits.

Own Funds (Capital) Risk

Own funds risk is the risk that there is insufficient capital to support the Company's ongoing business activities and to meet regulatory capital requirements. To mitigate this risk, Liberum has an appropriate risk management framework for monitoring the adequacy of its capital resources as set out in the risk management objectives above and assesses its capital position on a daily basis.

Liquidity Risk

Liquidity risk is the risk that the Company either does not have sufficient funds to enable it to meet its obligations as they fall due or are only available at an excessive cost. To mitigate this risk, Liberum has an appropriate liquidity risk management framework for monitoring the adequacy of its liquid resources and assesses its liquidity position on a daily and intraday basis.

Concentration Risk

Concentration risk is the risk arising from the strength or extent of the Company's relationships with, or direct exposure to, a single client or group of connected clients. To mitigate this risk, Liberum performs a daily concentration risk calculation. The Company's cash deposits held at highly rated credit institutions represents its most significant concentration risk. The Company does not have any other significant concentrations.

Own Funds

This disclosure has been made in accordance with the MIFIDPRU 8.4 requirements using the MIFIDPRU 8 Annex 1R template as required. The regulatory capital resources calculation as at 31 December 2022 is shown in the table below.

Table OF1: Composition of regulatory Own Funds			
	Item	£'000	Source
1	OWN FUNDS	16,478	
2	TIER 1 CAPITAL	16,478	
3	COMMON EQUITY TIER 1 CAPITAL (CET1)	10,272	
4	Fully paid up capital instruments	885	Note 22
5	Share premium	-	Statement of Financial Position
6	Retained earnings	8,422	
7	Accumulated other comprehensive income	-	
8	Other reserves	2,178	
9	Adjustments to CET1 due to prudential filters	-	
10	Other funds	-	
11	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(1,213)	
19	CET1: Other capital elements, deductions and adjustments	(1,213)	
	Intangible assets	(94)	Note 11
	Deferred tax asset	(1,119)	Note 14
20	ADDITIONAL TIER 1 CAPITAL (AT1)	6,206	
21	Fully paid up, directly issued capital instruments	6,206	
22	Share premium	-	
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	-	
24	AT1: Other capital elements, deductions and adjustments	-	
25	TIER 2 CAPITAL (Tier 2)	-	
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	-	

A description of the main features of the common equity tier 1 instruments and additional tier 1 instruments issued by the Company are summarised in the table below. The amount recognised in regulatory capital for Ordinary Shares, G Shares and C Shares includes the deferred shares of each underlying share class.

Share Instrument	Ordinary	G	C	Preferred
Public or private placement	Private	Private	Private	Private
Amount recognised in regulatory capital (<i>in £'000</i>)	845	10	30	6,206
Nominal amount of instrument (<i>in pence</i>)	10p	1p	1p	100p
Accounting classification	Share capital	Share capital	Share capital	Share capital
Original date of issuance	Aug-06	Nov-10	Mar-18	May-07
Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual

The table below shows a reconciliation of regulatory Own Funds to the Statement of Financial Position of the Company in the audited financial statements as at 31 December 2022.

Table OF2: Reconciliation of Own Funds to balance sheet in the audited financial statements				
		Balance sheet as in published / audited financial statements	Under regulatory scope of consolidation	Cross reference to template OF1
	<i>Amounts in £'000</i>	As at 31-Dec-22	As at 31-Dec-22	
Assets				
1	Property, plant and equipment	7,758		
2	Intangible assets	94		Item 19
3	Investments in subsidiaries	1,928		
4	Equity investments at FVOCI	440		
5	Deferred tax assets	1,119		Item 19
6	Trading assets	2,461		
7	Trade and other receivables	55,440		
8	Cash at bank	14,500		
	Total Assets	83,740	-	
Liabilities				
1	Trading liabilities	1,409		
2	Trade and other payables	54,492		
3	Loans and borrowings	1,133		
4	Lease liabilities	8,442		
5	Provisions	457		
6	Deferred tax liabilities	116		
	Total Liabilities	66,049	-	
Shareholders' Equity				
1	Share capital	7,091		Item 4 & Item 21
2	Other reserves	2,178		Item 8
3	Retained earnings	8,422		Item 6
	Total Shareholders' Equity	17,691	-	

Own Funds Requirement

Liberum is a class 2, non-SNI, MIFIDPRU investment firm. Based on this classification, Liberum's methodology and assessment of the Own Funds Requirement under MIFIDPRU 4 as at the Reference Date is set out below:

The Own Funds Requirement for a non-SNI, MIFIDPRU investment firm is the highest of its permanent minimum capital requirement, its fixed overhead requirement, and the K-factor requirement as calculated in accordance with MIFIDPRU 4.3.

IFPR approach to permanent minimum capital

Liberum is classified as a class 2, non-SNI, MIFIDPRU investment firm and has the requisite permissions to deal on its own account, consequently its permanent minimum capital requirement is £750,000 (IFPR art 4.4.1).

IFPR approach to fixed overhead requirement

Liberum's fixed overheads requirement is an amount equal to one quarter of the Company's relevant expenditure during the preceding year using the figures from most recent audited financial statements. This equates to £8,661,000, being 25% of the relevant expenditure calculated in accordance with IFPR art 4.5.

IFPR approach to K factor requirement

Liberum's K-factor requirement is the sum of each of the K-factors that apply to the Company. This equates to £1,258,000 and is calculated in accordance with IFPR art 4.6.

Summary of Own Funds Requirement		
	Item	£'000
1	Permanent minimum requirement (PMR)	750
2	Fixed overhead requirement (FOR)	8,661
	K-factor requirements	
	K-AUM, K-CMH and K-ASA	3
	K-COH and K-DTF	100
	K-NPR, K-CMG, K-TCD and K-CON	1,155
3	Sum of K-factor requirements	1,258
4	Own Funds Requirement (maximum of PMR, FOR and K-factor requirements)	8,661

As set out in the table above, Liberum's Own Funds Requirement is £8,661,000. Liberum undertakes the ICARA process to determine whether any further capital or liquid resources should be held in excess of this amount. The results of this process including whether any additional capital or liquid resources should be held is formally reviewed, challenged and approved by the Board.

Remuneration Policy and Practices

Pursuant to MIFIDPRU 8.6, Liberum is required to disclose qualitative and quantitative details regarding its remuneration policies and procedures which are set out below:

Remuneration Committee

The Board develops the Company's policy regarding employee remuneration, which is reviewed on an annual basis to take into account relevant regulatory developments. It also reviews and approves compensation decisions made in respect executive directors and those members of staff determined to be Material Risk Takers ("MRTs") under the FCA's MIFIDPRU Remuneration Code regulations set out at SYSC 19G.

Remuneration Policy

Liberum's Remuneration Policy is applicable to all staff and is designed to attract and retain high calibre individuals, and to support and encourage employees to fulfil their potential, to deliver their best performance consistently, and to be incentivised to do so by rewarding them for their contribution to the Company achieving its strategic and financial goals. No external consultants are used in the development of Liberum's remuneration policies and practices.

Components of remuneration

Remuneration of staff is paid by way of fixed and variable components. In accordance with SYSC 19G.4.5R, the fixed component of all staff remuneration is a sufficiently high proportion of total remuneration to enable the operation of a fully flexible policy on variable remuneration as may be required from time to time.

Link between variable remuneration and performance

Variable remuneration is a non-contractual reward which reflects the extent of Liberum meeting its targets and objectives and is therefore substantially reflective of the Company's overall financial performance. All individual awards of variable remuneration are made at the discretion of the Board reflecting the individual's financial and non-financial performance, after risk factors (including behaviour and conduct) have been considered. This policy applies to all staff and accordingly all staff are eligible to being awarded variable remuneration subject to the Company's financial performance and the individual's own performance.

Risk adjustment of variable remuneration

A claw-back applies to all MRTs as identified by the Board and for those employees whose total compensation exceeds a fixed threshold or more for the performance year, in the event that they resign or otherwise leave employment or receive a formal disciplinary warning in the year in which the bonus is paid. The claw-back may only be waived in specific circumstances and at the Board's sole discretion and will be granted only if the interests of the business are protected.

Quantitative disclosure

The total number of MRTs whose professional activities have a material impact on the risk profile of the Company for the year ended 31 December 2022 was 12 employees as defined under SYSC 19G.5.3R, which sets out the qualitative criteria.

The table below sets out the aggregate remuneration for MRTs, split between Senior Management and Other MRTs. Fixed remuneration includes base salary and benefits paid in respect of the year. Variable remuneration includes cash bonuses, including guaranteed bonuses, in respect of performance during the year and the grant date fair value of any share awards granted in the financial year.

For the year ended 31 December 2022 <i>Amounts in £'000</i>	Senior Management	Other Material Risk Takers	All Other Staff
Total amount of remuneration awarded (Fixed + Variable)	698	1,744	19,731
Fixed remuneration awarded	698	1,310	18,978
Variable remuneration awarded	0	434	753

The aggregate information for the total amount of guaranteed variable awards made during the financial year and the number of MRTs receiving those awards has not been disclosed as doing so would lead to the disclosure of information about one or two people. There were no severance payments awarded to an individual MRT during the year.