

## **Midmar Capital LLP**

### **MiFIDPRU 8.6 Remuneration Policy Statement 2023**

#### **Introduction**

The Financial Conduct Authority ('FCA') has systems and controls rules in line with SYSC 19 in respect of remuneration of staff of FCA authorised firms. This includes under SYSC19G for investment management firms such as Midmar Capital LLP (Midmar or the firm), regardless of the type of remuneration involved. It also reflects Article 27 of the MiFID Org Regulation, transposed into UK law post Brexit by the Financial Services (Miscellaneous) (Amendment) (EU Exit) Regulations 2019.

The proportionality principle in SYSC 19G.2.4 R requires that a firm's remuneration policies and practices must be appropriate and proportionate to the nature, scale and complexity of the risks inherent in the business model and the activities of the firm.

Under the Investment Firms Prudential Regime, Midmar has been categorised as a small and non-interconnected (SNI) firm. The firm also has permission under the Alternative Investment Fund Managers Directive ('AIFMD') for permission to manage an AIF. The firm does not form part of any group.

The FCA rules reflect a number of Principles and the FCA considers that firms need to align remuneration policies with effective risk management. This includes having a clear and documented remuneration policy which is reviewed, updated and disclosed at least annually either in the firm's audited accounts or available on the firm's website. The policy should outline the firm's risk management systems and controls including identifying material risk takers. It should also ensure that any remuneration arrangements for such staff for the current and future years comply with these requirements.

As a SNI firm, not all of the disclosure requirements under SYSC 19G will apply to the firm's business where the rules only apply to non-SNI firms. Also as an SNI firm, Midmar is required to disclose its Remuneration Policy at least annually on its website, under MiFIDPRU 8.6. As an SNI firm, it is not required to make any other disclosures under MiFIDPRU 8.

Described below is the Remuneration Policy for Midmar Capital LLP (FRN 519772) for remuneration year 1 April 2022 to 31 March 2023 which all Partners and Material Risk Takers (as defined by FCA rules) are asked to consider and adhere to. During the period, the firm identified three 'material risk takers' who are all of the FCA approved persons under the FCA's Senior Manager and Certification Regime (SM&CR), two of which are partners of the LLP.

This policy has also taken into account any other general guidance that the FCA has issued in relation to incentives and performance management including FCA FG 15/10 ([performance management](#)) and FSA 13/1 ([incentives](#)). Relevant guidance from the FCA

website from 2016 in relation to both topics of financial incentives and performance management is considered where relevant.

As a regulatory Principal to appointed representatives (“ARs”), the firm also has a number of approved persons on behalf of its ARs. For the avoidance of doubt, those AR approved persons are not considered as staff within the scope of this policy. They are not employees of Midmar, receive no remuneration from the firm, and do not have any significant management influence over Midmar.

In line with MiFIDPRU 8.6, the firm is required to make an annual disclosure of its remuneration arrangements and this disclosure reflects the firm’s arrangements for performance year ending 31 March 2023.

## **Business Model and Basis of Remuneration**

Midmar provides an incubation service for start-up investment management and investment advisory firms. This involves hosting such entities as ARs on an interim basis to enable that entity to commence carrying out advisory and arranging regulated activities permitted by the AR Regulations while also providing them with support to manage their applications for direct FCA authorisation. The AR businesses that we work with are generally newly-established private equity or venture capital investment firms.

Midmar has regulatory permissions under MiFID for managing investments (and associated activities) and is also a small authorised (sub threshold) AIFM. This enables the firm to act as investment manager to investment funds advised by its ARs and also to third-party funds. Due to the nature of the funds, no specific investment performance targets are set on which remuneration is based.

The firm has a low risk appetite. Core foundations of our risk management process are not only to have the ability and resources (financial and non-financial) to manage risk outcomes should they occur but with the key objective to have robust policies and procedures to prevent risks happening in the first place. We consider that to be the primary objective of a risk management framework followed by effective risk mitigation.

The firm is a limited liability partnership and any remuneration taken by the partners from the firm is in accordance with the Partnership Agreement. Other than a fixed monthly retainer fee to one of the Partners for ad hoc compliance consulting support, any other remuneration is taken from profits once any costs have been accounted for. The firm does not currently operate any bonus scheme for Material Risk Takers (as defined), or other staff, relating to performance or otherwise. Although the term Material Risk Takers is only formally applicable to non-SNI firms, Midmar has decided to apply this on a prudential basis.

The firm does not have any employees. Any Material Risk Takers who are not Partners of Midmar are not employees of Midmar and are therefore not entitled to 'direct' remuneration from Midmar. They are employees of an associated firm, Gem Compliance Consulting Ltd, (of which the two Midmar partners are directors) which charges a fixed fee monthly to Midmar for such outsourced compliance function resources. Therefore Material Risk Takers who are not partners are also not entitled to any variable remuneration from Midmar and are not subject to any performance related incentive scheme.

Gem Compliance operates monthly payroll direct to employee bank accounts which is based on employees' annual salary (and where appropriate, any annual discretionary bonuses awarded) and is not paid to any other vehicles other than Workplace pensions at fixed contribution levels and as required by legislation.

The firm does not have any shareholders or investors other than the Partners. There is one equity partner and one non-equity partner. Remuneration is taken from the firm in accordance with the Partnership Agreement, which all parties have signed. This means that unless specified otherwise, remuneration is taken from the level of profits rather than income.

As at the date of this statement (December 2023), the firm's Overall Financial Adequacy Requirement (OFAR) has been assessed that at least £115,000 of eligible capital should be maintained at all times to manage risk, and to meet operational and potential wind down costs. Its minimum capital requirements are calculated taking into account three months operating costs. Capital is primarily held as cash to meet FCA capital adequacy requirements at all times including one months fixed operating costs requiring to be held in cash (currently £24,000 based on audited accounts as at 31 March 2023). Comparable figures during the 2022/2023 performance year were a minimum of £88,000 OFAR and a minimum of £21,000 cash.

Remuneration is taken by way of the provision of notional drawings and in accordance with the Partnership Agreement. No bonus or incentive scheme exists, thereby reflecting the firm's low/cautious risk appetite. The only discretion that can be exercised will relate to the level of profits to be taken by the firm and this will be discussed and agreed in accordance with equity shareholding levels.

During the last financial year and as disclosed in the firm's audited accounts, residual LLP profits were £177,753 of which £157,867 was taken as LLP drawings. LLP drawings are not defined (for the purposes of FCA rules) as remuneration. The only remuneration in scope of this policy and taken from the LLP prior to profits being calculated is £19,200 (for this performance year) fixed remuneration referred to above for one of the partners additional compliance consulting services.

The firm's remuneration policies and practices are gender neutral and do not discriminate on the basis of the protected characteristics of an individual in accordance with the Equality Act 2010. The firm encourages equality, diversity and inclusion and eliminating unlawful discrimination. This extends to equality of pay.

## **Material Risk Takers**

Material risk takers have been identified as any individual partners of the firm, or any individuals who hold a significant influence function under the FCA's Senior Managers and Certification Regime (SM&CR) but are not partners.

At the start of the performance year (1<sup>st</sup> April 2022), there were three such staff and there has been no change of material risk takers in the performance year (ending 31<sup>st</sup> March 2023). All three persons hold significant influence functions as SMF approved persons. All such persons are provided with a copy of the current year's Remuneration Policy.

The three individuals during the performance year were:

- Kevin Gallacher (SMF27/Certified for client dealing)
- Gillian Gallacher (SMF27/SMF16)
- Emma Jones (SMF17)

Taking into account guidance at SYSC 19G.5, it excludes approved advisers (certified staff for client dealing) unless they are SMFs also) or any managers or staff of the firm's ARs, as no direct remuneration link exists between the Principal firm and individual AR staff.

Material risk takers receive the updated policy annually. Any new SMFs/Material Risk Takers will receive a copy of the policy on appointment and sign adherence to the policy as part of approval.

## **Governance**

Due to the nature and size of the organisation, the firm is not required to have nor does it operate an independent Remuneration Committee, and any remuneration decisions are taken by the LLP Board.

## **Remuneration Risk**

Remuneration is taken by way of the provision of notional drawings and in accordance with the Partnership Agreement, and is based on profits and not income or future anticipated inflows. No bonus or incentive scheme exists, thereby reflecting the firm's low/cautious risk appetite.

The firm carries out an Internal Capital and Risk Assessment (ICARA) Process at least annually, which forms the basis of its risk management policy. This includes assessing the risk and potential harms to the firm's capital adequacy including market risk and liquidity risk and having a contingency funding policy, which could include for example increasing the partners' minimum capital requirement or taking reduced profits. There has been no major change in the firm's financial arrangements during the review period and no change to remuneration arrangements.

The Partners monitor the level of the firm's capital adequacy including any potential risk to liquidity on an ongoing basis and use Xero, an online accounting package, to facilitate that.

Otherwise staff costs are covered by way of a fixed fee arrangement with Gem Compliance for outsourced compliance resources and therefore can be predicated at least annually in advance.

Midmar is a small, self-contained business unit and all partners are experienced members of the financial services industry. As remuneration is taken from profits rather than income, all partners' remuneration is directly aligned with ensuring that the firm is profitable in the short and long term including maximising the value of any partnership share should the partnership be dissolved.

### Conflicts of interest

Remuneration taken from the firm is in accordance with the Partnership Agreement, which is documented and sets out the terms and conditions including conflicts of interest provisions. The firm does not operate any bonus or incentive scheme for any staff. Partners' remuneration is taken by way of the provision of notional drawings and otherwise based on profits of the firm thereby reducing the likelihood of short term conflicts of interest. Long term interests will include maximising the overall value of the firm should the partnership be dissolved.

Due to the nature and size of the organisation, there are no specific business units in the firm. During the period, the Compliance Officer was one of the partners but is independent of the investment management business itself.


There are no variable remuneration arrangements linked to future income, investment performance or profits of the firm, therefore, risk alignment effects are not considered necessary. Regardless, all material risk takers undertake not to put in place any personal hedging strategies in relation to the remuneration of the firm by adhering to this policy.


**Reviewed by the LLP Board – 14 December 2023.**

### Contact Details

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