Makor Securities London Limited

MIFIDPRU 8 Disclosures

31 December 2022

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1. Introduction

1.1 Background and Disclosure

Makor Securities London Limited ("Makor" or the "Firm") is an UK registered Limited Company whose principal activity is to provide financial services and brokerage services. Makor is authorised and regulated in the UK by the Financial Conduct Authority ("the FCA"). In January 2022, the FCA implemented the 'Investment Firms Prudential Regime' ("IFPR"). Under the IFPR, Makor must make certain public disclosures as per Chapter 8 of the Prudential Sourcebook for MiFID Investment Firms in the FCA Handbook ("MIFIDPRU 8").

Makor is classified under MIFIDPRU as a Non-small and non-interconnected MIFIDPRU investment firm ("Non-SNI MIFIDPRU Investment Firm"). Makor is below the thresholds set out in MIFIDPRU 7.1.4R(1), as such Makor 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 practises.

The purpose of these disclosures is to give stakeholders and market participants insight into the Firm's culture and data on the Firm's own funds and own funds requirements, increase transparency, market confidence and giving an insight into the financial health of businesses and how they are run.

The Firm's remuneration arrangements disclosed in section 6 of this document have been prepared according to the relevant rules applicable to Makor in part 19G of the Senior Management Arrangements, Systems and Controls legislation (SYSC19G).

1.2 Structure and Operating Model

Makor is part of a larger global group owned by Makor Partners limited, whose headquarters are in London. Incorporated in June 2010, the Group acts as an intermediary and matches buyers and sellers in the wholesale financial markets. Typically counterparties to the Firm in these markets include banks, broker-dealers, financial institutions, major hedge funds, pension funds and corporate entities. The Group has an exceptional focus on its clients, and always aims to put them first by holding no trading books or positions of its own and purely focus on enabling its clients to achieve the best outcome for their chosen trading strategy. Makor aims to do this through hiring the best and brightest professionals from a range of disciplines such as sales, trading, research, and engineering. All employees adhere to the highest ethical standards and the ever-changing regulatory environment is constantly monitored by the Compliance and Legal teams. The Directors meet frequently both informally and formally to discuss the operation of the business, the risks it faces, and the financial position of the business. The UK board's responsibilities include ensuring that policies are implemented to ensure that cash flows into the business from current ongoing operations.

The Firm is authorised to carry out the following activities and services as per the FCA register:

- Advising on investments (except on Pension Transfers and Pension Opt Outs)
- Advising on P2P agreements
- Arranging (bringing about) deals in investments
- Dealing in investments as agent
- Dealing in investments as principal (matched principal broker limitation)
- Making arrangements with a view to transactions in investments
- Agreeing to carry on regulated activity
- Operating an Organised Trading Facility (OTF)

2. Risk Management objectives and policies (MIFIDPRU 8.2)

This section describes Makor's risk management objectives and policies for the categories of risk addressed by the requirements of the Firm in the following areas:

- Own funds
- Liquidity
- Concentration risk

2.1 Statement of Risk appetite

The Firm has a low overall risk appetite. Specifically, it does not intend to take any risks with its own capital and the Firm does not generate returns from actively taking market risk; hence its revenue is not dependent on the direction of market movements.

2.2 Risk Management

Makor has established a risk management process to ensure that it has effective systems and controls in place to identify, monitor and manage risks arising in the business. Implementing appropriate controls with the intention of Identifying potential harm to ourselves, our clients and to the markets and mitigating them is key to our objective of risk assessment. The challenge is not just to consider the risks we pose but how we should appropriately cover these through additional financial resources. The Board will, at least annually, conduct a review of the effectiveness of the Firm's system of internal risk and controls.

Own Funds

To calculate the Firm's own funds/liquid asset threshold requirement, Makor identifies and measures the risk of harms applicable to the Firm and considers these risks with regards to its ongoing operations and from a wind-down perspective. The Firm then determines the extent to which systems and controls in place mitigate the Firm's risks and the potential for a disorderly wind-down, and thereby determines the appropriate amount of additional own funds and liquid assets required to cover the residual risks.

The Firm's risks are controlled by a set of compliance and operational policies and procedures. These also link to the Internal Capital Adequacy and Risk Assessment ("ICARA") as a continuous internal review process that is meant to support the senior management in the decision-making process and its exercise of oversight and control over the Firm. The ICARA is an important component of the risk management process that feeds into and derives from the policies, procedures, systems and controls that play a key role to ensure that the Firm operates effectively.

Concentration

The Firm does not deal on its own account without a matched principal limitation and therefore is not subject to position risk (specific or general) as a result the Firm does not have a concentration risk (K-CON) capital requirement. The Firm does monitor the concentration of assets to a client/group of connected clients on an ongoing basis as part of the monthly management accounts process and this is reported to the FCA through the quarterly MIF004 return.

Liquidity

Liquidity risk is the risk that the Firm may be unable to generate sufficient cash or other liquid assets in a timely manner to meet its commitments as they become due. Makor's systems, policies and processes in place allow it to monitor and manage regulatory capital requirements, working capital needs and cash flows to help provide a sufficient buffer against liquidity risk. Given the nature of the Firm's business, financial liabilities are on the whole short term and the Makor maintains adequate cash resources to cover its immediate liabilities.

3. Governance arrangements (MIFIDPRU 8.3)

3.1 Senior management team

Makor believes that effective governance arrangements help the Firm achieve its strategic objectives while also ensuring that the risks to the Firm, its stakeholders and the wider market are identified, managed, and mitigated.

The Board of the Firm is responsible for the total process of risk management, as well as forming its own opinion on the effectiveness of the process. The Board sets the risk strategy policies. The Board decides the Firm's appetite or tolerance for risk – those risks it will accept and those it will not take in the pursuit of its goals and objectives. In addition, the Board ensures that the Firm has implemented an effective, ongoing process to identify risk, to measure its potential impact against a broad set of assumptions and then to ensure that such risks are actively managed. The Board will, at least annually, conduct a review of the effectiveness of the Firm's system of internal controls. The review will cover all material controls, including financial, operational and compliance controls and risk management systems.

The following individuals make up the Senior Management team at Makor:

1) **Avi Bouhadana [AXB01478]**
   Avi holds the following senior management functions:
   - SMF 3 Executive Director

2) **Yankel Benjamin Andre Hassan [YBH01001]**
   Yankel holds the following senior management functions:
   - SMF3 Executive Director

3) **Efraim Wolpert [EJW01047]**
   Efraim holds the following senior management functions:
   - SMF3 Executive Director

4) **Natalia North [NXN01159]**
   Natalia holds the following senior management functions:
   - SMF16 Compliance Oversight
   - SMF17 Money Laundering Officer (MLRO)

3.2 Approach to Diversity of the Senior Management Team

Makor's approach to diversity within Management is in line with that of the Group's wider Equal Opportunities, Diversity and Inclusion Policy (the "D&I Policy") as issued by the Group's HR department. The Group is committed to promoting equality and diversity as well as valuing a culture of inclusion. The Group recognises that having diverse teams is essential to creating a well-balanced structure that encourages equality throughout the business and in turn maintains a desirable, committed, and efficient workplace.
Management has a responsibility to lead by example and adhere to the D&I Policy, which helps promote the firm-wide aim of equal opportunities. As such, there is a strong emphasis on the recruitment process, taking into consideration not only experience and talent but also gender,

ethnicity, age, and education as well as clear focus on talent development and career growth for diverse professionals.

The Group is focused on developing a recruitment and selection process for jobs in a way that ensures no unlawful discrimination occurs. Furthermore, it aims to improve the internal training, development and promotion structure that enables equal opportunity for long-term career growth and development for all employees.

4. Own Funds (MIFIDPRU 8.4)

4.1 Composition of Regulatory Own Funds

Makor's own funds are made up of Common Equity Tier 1 (CET1) capital. As at 31 December 2022, the firm had sufficient capital to cover its capital requirements. This can be seen summarised in the table below.

Composition of regulatory own funds (OF1)			
	Item	**Amount ($000's)**	**Source based on reference numbers/letters of the balance sheet in the audited financial statements**
1	**OWN FUNDS**	**6,597**	
2	**TIER 1 CAPITAL**	**6,597**	
3	**COMMON EQUITY TIER 1 CAPITAL**		
4	Fully paid up capital instruments	12,895	Page 11
5	Share premium	-	
6	Retained earnings	(4,707)	Page 11
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	(1,591)	
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	-	

4.2 Reconciliation of Regulatory Own Funds to the Audited Financial Statements

The below table shows the reconciliation of regulatory own funds to balance sheet in the audited financial statements:

Reconciliation of regulatory own funds to balance sheet in the audited financial statements			
		a	c
	($'000)	**Balance as per audited financial statements**	**Cross-reference to template OF1**
		31/12/22	
Assets			
1 – Fixed Assets	149	148,978	
2 – Investments	776	775,704	19
3 - Debtors	11,330	11,329,662	
4 – Deferred tax	815	815,052	19
5 – Cash at bank	6,291	6,290,534	
	Total Assets	**19,359,930**	
Liabilities			
1 – Creditors (< 1 year)	9,172	9,171,753	
	Total Liabilities	**9,171,753**	
Members' other interests			
1 – Share capital	12,895	12,895,465	4
1 – Share capital (pending Regulatory Approval)	2,000*	2,000,000	
2 – Profit and Loss Account	(4,707)	(4,707,288)	6
	Total	**10,188,177**	

** The Firm received approval for the capital to be included as Regulatory Capital in March 2023.*

5. Own funds requirements (MIFIDPRU 8.5)

The tables below summarise the Firm's own funds requirements. Makor is required to always maintain own funds that are at least equal to the Firm's own funds requirement.

5.1 Permanent Minimum Capital, K-Factor and Fixed Overhead Requirement

The below table shows the breakdown of the own funds requirement. Makor is required at all times 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:

Requirement as at 31 December 2022	**$'000**
Permanent Minimum Capital Requirement (PMR)	**903**
Fixed Overhead Requirement (FOR)	**3,934**
- *Based on 2021 audited statements*	3,934
K-factor Requirement (KFR) total	**961**
- *K-NPR Requirement*	492
- *K-DTF Requirement*	469

5.2 Approach to Assessing the Adequacy of Own Funds

Makor is subject to MIFIDPRU 7 which requires firms to use the Internal Capital Adequacy and Risk Assessment (ICARA) process to identify whether they comply with the Overall Financial Adequacy Rule (OFAR). The ICARA process is the collective term for the internal systems and controls which a firm must operate to identify and manage potential harms which may arise from the operation of a firm's business, and to ensure that its business can be wound down in an orderly manner. The OFAR requires that a firm must, at all times, hold own funds and liquid assets which are adequate, both as to their amount and their quality to ensure:

- 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 markets.

The adequacy of the ICARA process will be assessed at least on an annual basis, or more frequently if there is a material change in the business model/risk profile.

Additional Own Funds Requirement

The additional own funds requirement is the amount of capital identified by Makor that is necessary to mitigate risks to ensure the viability of the firm throughout economic cycles and to ensure it can be wound down in an orderly manner. Within the ICARA, Makor identifies, and measures risk of harms faced by the Firm and considers these risks with regards to its ongoing operations and wind-down. The Firm then determines the degree to which systems and controls alone mitigate risk of harm and the risk of a disorderly wind-down. Makor is currently a Non-SNI Firm and the ICARA process is operated on a solo basis with regards to the risks of the wider group.

Ongoing Operations

As a non-SNI MIFIDPRU firm, Makor has assessed all material harms posed to clients, the market and itself resulting from its ongoing operations, taking into consideration the existing controls in place. Makor has concluded under each risk that it does not consider that any additional capital is required to mitigate the harm arising from these risks.

Wind Down

As part of the wind-down plan, Makor has considered the most likely scenarios to initiate a wind down relate to the strategic operational decision by the Group or being faced directly with heavy regulatory fines, or indirectly through the operations of the parent company. The Firm concluded that the assessment from wind down as calculated under MIFIDPRU 7.6 as at 31 December 2022 is $3,934,438.

Overall Financial Adequacy Rule (OFAR)

Makor adopts a 10% buffer (‘early warning indicator’) over its own funds requirement in order to maintain a healthy own funds surplus above the requirement. If Makor triggers this warning, then a dialogue would be initiated with the FCA to explain the actions to be taken to rectify this.

The below table shows the OFAR as at 31 December 2022, including the own funds threshold requirement:

OFAR as at 31st December 2022	31/12/2022 ($000’s)
Own Funds	
Common Equity Tier 1	6,597
Additional Tier 1	-
Tier 2	-
Total Regulatory Capital	6,597
MIFIDPRU 4 Own Funds Requirement	
Permanent Minimum Requirement **(A)**	903
Fixed Overhead Requirement **(B)**	3,934
K-factor Requirement **(C)**	961
Higher of (A), (B) or (C)	**3,934**
Assessment from ongoing operation	
As per Risk Assessment carried out through the ICARA **(D)**	1,427
Assessment from wind-down	
As per wind down planning **(E)**	3,934
Own Fund Threshold requirement	
Higher of (A), (D) or (E)	**3,934**
Early Warning Indicator (110%)	4,328
Capital Adequacy Surplus	**2,269**

6. Remuneration (MIFIPRU 8.6)

Makor has a Remuneration Policy is place which is in accordance with the relevant rules and guidance for the Firm's remuneration code as contained within the FCA's SYSC Sourcebook of the FCA's Handbook.

The Remuneration Code (the "RemCode") covers an individual's total remuneration - fixed and variable. The Firm incentivises staff through a combination of the two.

Makor's Policy is designed to ensure that it complies with the RemCode and its compensation arrangements:

1. Are consistent with and promote sound and effective risk management;
2. Do not encourage excessive risk taking;
3. Include measures to avoid conflicts of interest; and
4. Are in line with the Firm's business strategy, objectives, values and long-term interests.

Proportionality

The FCA has sought to apply proportionality with respects to Firm's disclosures. Makor's disclosure is made in accordance with its size, internal organisation, nature, scope and complexity of its activities.

Application of the Requirements

The Firm completes the remuneration disclosure annually on the date the Firm publishes it's annual financial statements. As appropriate, this disclosure will be made more frequently if there is a major change to the Firm's business model.

Summary of the firm's approach to remuneration for all staff, including the decision-making procedures and governance in adopting the remuneration code:

- Makor's remuneration policy has been agreed by the Firm's senior management in line with the Remuneration principles laid down by the FCA. Makor developed the remuneration policy internally and it is reviewed on at least an annual basis or at any point where there is a significant change in the business model.
- Due to the size, nature and complexity of the Firm, and following the principal of proportionality, Makor is not required to appoint a risk, remuneration and nomination committees.
- The Firm's policy will be reviewed as part of its annual review of its process and procedures, or following a significant change to the business requiring an update to its internal capital adequacy and risk assessment process ("ICARA").
- Makor's ability to pay a variable remuneration is based on the performance of the Firm overall.
- The Firm has identified 6 employees as 'Material Risk Takers' based on the provisions laid out under SYSC 19G.5.1R.

Key characteristics of the remuneration policies and practices:

- Individuals are rewarded based on their contribution to the overall strategy of the business. Other factors, such as performance, reliability, effectiveness of controls, business development and contribution to the business are taken into account when assessing the performance of the staff.

- The various components of remuneration that are available to all staff are as follows:
  - Fixed remuneration, including salary, payroll taxes and benefits in kind
  - Variable remuneration, including discretionary bonuses and the related payroll taxes
- The Firm's applies malus and clawback to variable pay. The malus and clawback actions is applied over a 3 year period but may be higher for highly paid staff and MRTs with a high risk profile if the Governing Body consider this to be appropriate. The factors that will trigger malus and clawback will include losses incurred by the Firm due to decisions taken by the MRT as well as conduct breaches and the failure of an MRT to meet fitness and propriety assessment by the Firm.
- The Firm does not normally pay out any guaranteed variable remuneration. However, to the extent that the Firm will do so in the future in the form of a sign-on bonus, the approach will be as follows:
  - Sign-on bonuses will be granted in exceptional cases and only when hiring new MRTs or to attract highly specialized individuals that promise to bring in significant incremental net revenue to the business.
  - The bonus will be advanced net of applicable taxes and only when the Firm has a sound and strong capital and liquidity base
- Redundancy or termination payments not set out in the employment contracts are granted in exceptional cases and must be approved by the Governing Body, before being offered. Such payments will not reward failure and irresponsible conduct and behaviour.

Aggregate quantitative information on remuneration:

With respect to the financial year ended 31 December 2022, the total amount of remuneration awarded to all staff interpreted under SYSC 19G.1.24G was as follows:

	Fixed remuneration ($)	**Variable remuneration ($)**
Senior management (MRTs) *	735,309	112,288
Other Material Risk Takers (MRTs)	-	-
Other staff	8,861,842	4,543,861
Total	**9,597,151**	**4,656,149**

The firm did not pay any Severance Payments during the financial year 31 December 2022.