

# **MIFIDPRU 8 Disclosure**

**Topor & Co Limited**

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## **1. Purpose of MIFIDPRU disclosure**

The Investment Firms Prudential Regime (“IFPR”) is the Financial Conduct Authority’s (“FCA”) prudential regime for MiFID investment firms. IFPR, which came into effect on 1st January 2022, aims to streamline and simplify the prudential requirements for investment firms regulated by the FCA. As a FCA regulated Firm, Topor & Co. Limited (“TCL”) is subject to IFPR and is required to disclose the information set out in this document. TCL is the only entity within the Topor investment firm group (“IFG”) regulated in the UK by the FCA, and is required to produce a MiFIDPRU 8 disclosure to the public.

The MiFIDPRU 8 disclosure aims to install market discipline on investment firms that are subject to IFPR, such as TCL, by requiring disclosure of information to key stakeholders and counterparties, hence providing the transparency necessary to ensure that markets work well.

This disclosure is to be made by TCL at least annually, and all information contained is as of 31<sup>st</sup> March 2023, which represents the date of TCL’s most recent financial accounting year-end.

As a Small and Non-Interconnected firm (“SNI”) that has not issued AT1 instruments, TCL is required to provide some disclosure with respect to its remuneration policy and practices.

## **2. Remuneration disclosure - General**

All MIFIDPRU investment firms, including SNI's like TCL, must comply with the MIFIDPRU remuneration code (the "Code"), which obligates all firms to establish, implement and maintain policies that cover all aspects of remuneration and all staff. As an SNI, TCL is subject to the 'basic' requirements of the Code.

TCL's disclosure in this document aims to comply with the provisions of MIFIDPRU 8.6, by providing both qualitative and quantitative information about its remuneration policy and practices, as laid out below.

### 3. Remuneration disclosure – Qualitative Information

#### 3.1 TCL Remuneration Policy

TCL has a remuneration policy (hereinafter, the “Policy”) in accordance with the requirements of the Code.

The Policy is prepared as an ad-hoc document which reflects the current organisational structure and is proportionate to the size and activities of the company. The employees are remunerated based on their performance within a multi-year framework, irrespective of the gender and/or ethnicity of each employee. The remuneration benefits are always in line with the business strategy and objectives of the Company, this ensures the promotion of effective risk management.

This Policy is approved by the Company’s Board of Directors, after taking advice from the Compliance Function, and is implemented by appropriate functions to promote good corporate governance practices. The Board of Directors is responsible for the implementation of remuneration policies and practices and for preventing, dealing with and mitigating any relevant risks that Remuneration Policy and practices can create.

The aim of the Remuneration Policy is to promote effective risk management in the long-term interests of the firm and its customers. Additionally, it requires FCA investment Firms to ensure alignment between risk and reward of the employees which have risk taking responsibilities.

The Policy’s objectives and principles are outlined below.

#### **Gender neutrality**

The firm’s remuneration policies and practices do not discriminate on the basis of the protected characteristics of an individual, in accordance with the Equality Act 2010. Remuneration at TCL is always based on equal pay for male and female workers for equal work or work of equal value. This applies to pay as well as all other contractual terms, including variable remuneration.

The firm keeps record of all remuneration awarded to all members of staff, and monitors the amounts, frequency and rationale for each remuneration benefit, in order to ensure that its remuneration practices do not, explicitly or implicitly, result in discrimination on the basis of gender.

#### **Risk management policies and practices promoting effective risk management**

The firm’s remuneration policy is aligned with its risk management framework. When making decisions regarding staff remuneration, the firm continuously ensures that they are consistent with and promote sound and effective risk management, and do not encourage risk-taking that exceeds the level of tolerated risk of the firm.

The firm’s current management practices emphasize the need to maintain an overall level of remuneration that is competitive enough to attract, retain and motivate talented staff, but also the need to be financially prudent and keep expenses below the level of turnover, in order to ensure that the firm remains financially viable even during less favourable market conditions and can be liquidated if needed without causing harms to its clients or the broader market in which it operates.

#### **Alignment with business strategy**

The firm’s remuneration policies are aligned with the firm’s broader business strategy, objectives and long-term interests.

The firm's business model is based on simplicity and efficiency as our guiding principles. Our activities aim to break down the complexity in financial markets and offer services that bring long-term value to our clients. This strategy is matched by our simple and clear remuneration structure, made of a fixed component plus a separate discretionary variable component for all members of staff.

The firm's risk appetite is medium-level (on a scale going from low to high), which encapsulates the firm's goal to generate a continued stream of profits over the long-term, derived from providing activities of value to its clients.

### **Avoiding conflicts of interest**

The Company mitigates the conflicts of interest risk that may arise as a result of its variable remuneration practices. The Company's measures that mitigate such risk include:

- a) The variable Remuneration is not provided until a specific period of time has passed from the end of a financial year. The variable Remuneration practice is structured to align the long term interests of the staff and the direct and continuous best interest of the clients.
- b) The Company awards variable Remuneration only when the relevant staff or/and the third party service providers have conducted their duties according to the regulatory requirements (act clear, fair and not misleading).
- c) The Company monitors via a variety of methods staff that receive variable Remuneration so as to ensure whether they are acting on the best interest of their clients.
- d) The Company proceeds in an on-going education of the sales staff and other key functions of the Company within the meaning of the Relevant Persons in order to update their knowledge and be consistent with the regulatory requirements.

Where potential or actual client detriment might arise as a result of specific features in remuneration policies and practices, the Company should take appropriate steps to manage potential conduct of business and conflict of interest risks by reviewing and/or amending these specific features, and set up appropriate controls and reporting mechanisms for taking appropriate action to mitigate potential conduct of business and conflict of interest risks.

## **3.2 Governance and oversight**

The Company has taken into account its size, internal organization and the nature, scope and complexity of its activities, as well as the provisions of MIFIDPRU 7.3 and it does not deem necessary the establishment of a Remuneration Committee at present time. Remuneration practices are currently set by the Board of Directors.

In principle, the Board of Directors aims to ensure that control functions within the firm are acting independently from the business units they oversee, have appropriate authority and are remunerated in accordance with the achievement of the objective linked to their functions, independent of the performance of the business areas they control. The need to avoid undue influence is particularly important where employees from the Control Functions are embedded in other business areas, such is the case at TCL given its current size, internal organization, nature, scope and complexity of its activities. In order to ensure appropriate oversight and a more effective independence of control functions, the level of remuneration of the Executive Director is set by the Board. By directly overseeing the remuneration of the Executive Director, the Board is ensuring that this conflict of interest is minimized.

TCL holds Complyport Limited, an external compliance advisory firm, under retainer, and consulted them for the development and monitoring of its remuneration policies and practices.

Senior Management keeps records containing information as regards to the Remuneration of the Company's employees (payroll data), continuously backed up on the company's cloud.

The applicability of the Company's Policy is reviewed at least annually by the Board of Directors in the context of an internal review for compliance with the relevant legislation as well as to confirm applicability, viability and alignment with the industry's remuneration standards (e.g. to ensure base salary levels are not set at artificially low levels). Furthermore, Senior Management with the assistance of the Compliance Function will periodically review the Policy, as and when applicable, and thus adjust it should the need arise. The updated Remuneration Policy shall be presented to the Board of Directors for their review and approval.

### **3.3 Fixed and variable components of remuneration**

TCL remuneration has two components: fixed and variable.

#### **Fixed Remuneration**

Fixed remuneration at TCL is usually paid in the form of a fixed wage, as well as contributions to a workplace pension and other non-performance-related benefits (e.g. private health insurance).

Fixed remuneration varies for different positions/roles depending on each position's actual functional requirements, and it is set at levels which reflect the educational level, experience, risk, accountability, and responsibility needed for an employee to perform each position/role. Fixed remuneration is also set in comparison with standard market practices employed by the other market participants competitors.

TCL's fixed remuneration is approved by Senior Management for all the relevant employees, and it is reviewed by TCL at least annually and according to the relevant legislation without affecting the other terms of employment. The fixed remuneration of the Executive Director is set by the Board.

#### **Variable Remuneration**

Separately from fixed remuneration, TCL has in place a variable remuneration scheme whereby all the employees (including the relevant persons) may also receive variable remuneration.

All Company employees and the members of the Board of Directors are eligible for the annual variable remuneration (also known as annual bonus), which is granted by the firm in its discretion and determined as a result of their annual performance appraisal. However, the firm can award variable remuneration more or less frequently than annually. Appraisals of staff are conducted by line managers who are Senior Managers, and appropriately documented. The variable remuneration of the Executive Director is set by the Board of Directors.

TCL pays the aforementioned variable remuneration if the following qualitative criteria are met (and, if awarded to the Executive Director, following a Board of Directors decision):

- A. the Company has not identified instances of material regulatory breaches over the past 12 months
- B. the Company including its third-party service providers perform their duties on a professional manner in line with the best interest of the clients
- C. No significant administrative fine and/or no fine related to material regulatory breaches over the past 12 months has been imposed to the Company or/and to the members of the BoD.
- D. The Company is not under FCA's watchlist. If it is proved that the Company has not breached any regulations, then variable Remuneration will be provided.

- E. Complaints (if any) that have been raised from clients against the Company are within the tolerance ratio pre-set by the Company.

The variable remuneration of staff in Control Functions is determined only by qualitative criteria which are inter alia the following:

- The relevant Control Function has not identified instances of material regulatory breaches over the past 12 months.
- The Remuneration is provided in accordance with the achievement of the objectives linked to each Control Function, independent of the performance of the business areas they control.
- Complaints (if any) that have been raised from clients against the relevant Control Function are within the tolerance ratio pre-set by TCL.
- No significant administrative fine and/or no fine related to material regulatory breaches (for issues relating to Control Function/s) over the past 12 months has been imposed.

Further to the above, the variable Remuneration provided to Relevant Persons is designed to ensure that the total Remuneration remains in competitive levels thus rewarding the staff for its performance whilst remaining aligned with the department's and/or TCL's performance and long term targets.

Besides financial remuneration (fixed and variable), TCL may decide to reward staff also via other non-financial benefits, with a goal to retain staff and incentivise them (i.e. career progression, training, etc).

#### **Balance of fixed and variable components of total remuneration**

The fixed and variable components should remain appropriately balanced and the total fixed component should represent a sufficiently high proportion of the total Remuneration to allow the operation of a fully flexible policy on variable Remuneration components (even to allow for zero variable components to be offered). The Company does not award, pay or provide guaranteed variable Remuneration.

Relevant Persons are prohibited to be remunerated only with variable components. The Relevant Persons' total Remuneration consists of a fixed component and may include a variable component. Some employees, including members of the Board of Directors that have an executive role, are also eligible for variable Remuneration.

#### **Remuneration and capital & liquidity**

The measurement of performance used to calculate bonuses or bonus pool includes among others the adjustment for current and future capital planning and takes into account the cost and potential loss to capital and liquidity. TCL shall ensure that the total variable Remuneration, including the annual bonus remuneration, does not prevent its ability to strengthen its capital and/or liquidity base. The Policy underlines the link between the Company's variable remuneration costs and the need to manage its capital and/or liquidity base including forward-looking capital planning measures. Where the Company needs to strengthen its capital and/or liquidity base, its variable remuneration arrangements should be sufficiently flexible to allow it to direct the necessary resources towards capital building.

The firm undertakes an overall risk assessment as part of the Internal Capital Adequacy and Risk Assessment (ICARA) Process and reports to the FCA on its capital position taking into consideration current and future remuneration requires. The firm's discretionary bonuses are only awarded after the accounting figures have been audited and given that the firm has the ability to give those bonuses.



The firm also ensure that the variable remuneration is paid only after it satisfies its capital and liquidity thresholds set by the ICARA process.

**Assessment of performance**

TCL shall ensure that where remuneration is linked with performance, the total amount of Remuneration is based on a combination of the performance assessment of:

- a. the individual (quantitative as well as qualitative criteria – except those who perform their duties on Control Functions where only qualitative criteria apply – are taken into account; annual performance evaluation and performance rating are taken into account),
- b. the business unit concerned, and
- c. the overall results of the Company and as long as conflicts of interest are mitigated, as described in the Policy.

Examples of quantitative criteria include the performance of client portfolios or funds managed or monitored by the employee and/or sub-segments of it, the number and timeliness of financial markets reports and/or quantitative dashboards produced by the employee, the level of sales brought to the firm by the employee, etc.

Examples of qualitative criteria include compliance with regulatory requirements (especially conduct of business rules and, in particular, the review of the suitability of instruments sold by relevant persons to clients) and internal procedures, fair treatment of clients and client satisfaction, respect for fellow co-workers and correct use of company property, the level of diligence and care in performing the role, the quality and accuracy of financial markets reports produced by the employee, etc.

TCL implements a performance appraisal program, mainly to foster talent and promote healthy competition amongst personnel which is based on a set of targets developed for each member of staff.

In general, performance appraisal is performed in a multiyear framework in order to ensure that the appraisal process is based on longer-term performance and that, when applicable, the actual payment of performance-based components of Remuneration may be spread over a period which will take into account the Company's underlying business cycle and risks.

Other factors taken into account for the Remuneration of the Company's employees are the following:

- a. The financial viability of the Company,
- b. The general financial situation and the state in which the Company operates,
- c. Each employee's personal objectives (such as personal development, compliance with the Company's systems and controls, compliance with regulatory requirements, commitment, and work ethics) performance evaluation and the rating received based on their annual performance in relation to the objectives set up at the beginning of the period,
- d. Each employee's professional conduct with clients (such as acting in the best interest of the Client, fair treatment of clients and inducing client satisfaction), as applicable.

#### 4. Remuneration disclosure – Quantitative Information

Per MIFIDPRU 8.6, TCL is required to periodically disclose a summary of quantitative remuneration.

The table below discloses the total amount of aggregate remuneration awarded to all staff for the financial year ended 31.03.2023.

	<b>Amount in (£000s)</b>
Total remuneration	77
Of which: fixed remuneration	77
Of which: variable remuneration	00