RANMORE
FUND MANAGEMENT

Background

MIFIDPRU is the Financial Conduct Authority's ("FCA") sourcebook for the prudential supervision of MIFIDPRU investment firms. Ranmore Fund Management Ltd ("RFM") is required to publish the disclosures stipulated in MIFIDPRU 8. Under MIFIDPRU 8, RFM is categorised as a non-small and interconnected ("non-SNI") MIFIDPRU investment firm.

Level of application

As an individual investment firm, RFM must adhere to the level of application stipulated in MIFIDPRU 8.17R.

Frequency

These disclosures will be published annually on www.ranmorefunds.com, or more frequently in the event of material changes.

Risk management objectives and policies

MIFIDPRU 8 disclosure requirements:

A firm must disclose its risk management objectives and policies for the categories of risk addressed by:

(1) MIFIDPRU 4 (Own funds requirements);

(2) MIFIDPRU 5 (Concentration risk); and

(3) MIFIDPRU 6 (Liquidity).

Its risk management objectives and policies for each of the items above must include a summary of the strategies and processes used to manage each of those categories of risk above and how these helps to reduce the potential for harm.

Own funds relates to the equity of the firm and the ability of its balance sheet to absorb losses.

Concentration risk is the risks arising from the strength or extent of a firm's relationships with, or direct exposure to, a single client.

Liquidity relates to adequate liquid resources to (a)fund its ongoing business operations; and (b)ensure that the firm could be wound down in an orderly manner.

MIFIDPRU contains rules and guidance which supplement the overarching requirements for MIFIDPRU investment firms under:

- Section 2.4 of the Threshold Conditions sourcebook ("COND") that a firm must have appropriate resources in relation to the regulated activities it undertakes; and
- Principle 4 (Financial prudence) of the Principles for Business sourcebook ("PRIN") under which a firm must maintain adequate financial resources.

The requirement for adequate financial resources is designed to achieve two key outcomes for MIFIDPRU investment firms:

- To enable a firm to remain financially viable throughout the economic cycle, with the ability to address any potential harms that may result from its ongoing activities;
- To enable the firm to conduct an orderly wind-down while minimising harm to consumers.

In summary, a firm must adhere to certain minimum regulatory capital and liquidity requirements and must further assess potential sources of harm from its activities and whether those harms require additional capital resources - above the minimum requirements - to adequately mitigate the impact should those harms materialise.

RFM uses its quarterly Internal capital adequacy and risk assessment (ICARA) process (MIFIDPRU 7) as its risk management tool. The ICARA process is the collective term for the internal systems and control that a firm must operate to identify and manage potential harms that may arise from the operation of its business, and to ensure that its operations can be wound down in an orderly manner.

As part of its ICARA process, RFM has clearly articulated risk appetite that is consistent with the business model and strategy. Risk Appetite is the level of risk the firm is willing to accept in the pursuit of its strategic objectives. RFM states its risk appetite with respect to the following risks:

Capital strength - Risk that the firm does not maintain adequate capital resources

Liquidity - Risk that a firm, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due.

Market - Risks that arise from fluctuations in values of, or income from, assets or in interest or exchange rates.

Credit / Counterparty risk - Maximum loss the firm might suffer if a counterparty fails to meet its obligations.

Operational - Risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Governance arrangements

In accordance with MIFIDPRU 8.3.1R section 4.3A.1R of the Senior Management Arrangements, Systems and Controls Sourcebook ("SYSC"), RFM's board of directors is responsible the implementation of governance arrangements that ensure effective and prudent management of the firm, including the segregation of duties in the organisation and the prevention of conflicts of interest, and in a manner that promotes the integrity of the market and the interests of clients.

Due to the size of the firm, RFM meets the quantitative threshold of MIFIDPRU 7.3 to avail of the exemption not to establish a separate risk committee.

The number of directorships held by the board as at 31st December 2022 was:

Director	Number of Directorships
Sean Peche	1
Hywel Bevan	1

Diversity and inclusion – RFM is a small firm with fewer than 10 employees. It has very low employee turnover. RFM is very conscious of the advantages that can be offered by a team of diverse backgrounds, but given the size and complexity of the firm, RFM does not at present set explicit diversity goals.

Own funds

RFM must disclose a reconciliation between its common equity tier 1 items, additional tier 2 items and any applicable deductions in order to calculate the own funds of the firm.

The firm must use the MIFIDPRU 8 Annex 1R disclosure template for this purpose. (https://www.handbook.fca.org.uk/form/mifidpru/MIFIDPRU8_Annex1R_20220101.pdf)

Composition of regulatory own funds			
	Item	Amount (GBP thousands)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1	OWN FUNDS	284	
2	TIER 1 CAPITAL	284	
3	COMMON EQUITY TIER 1 CAPITAL	284	
4	Fully paid-up capital instruments	45	12
5	Share premium		
6	Retained earnings	244	13
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	(5)	
19	CET1: Other capital elements, deductions and adjustments	(5)	
20	ADDITIONAL TIER 1 CAPITAL	0	
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	0	
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		

RFM is required to provide a description of the main features of the CET1, AT1 and T2 instruments. Fully paid-up capital instruments represent issued shares, whilst retained earnings represent accumulated after-tax profits. The firm is under no obligation to repay either to shareholders.

Own funds requirement

A firm's *own funds requirement* is the requirement for a MIFIDPRU investment firm to maintain a minimum level of *own funds* specified in MIFIDPRU 4.3

MIFIDPRU 4.3.2 R states that the *own funds requirement* of a non-SNI MIFIDPRU investment firm is the highest of:

- Its permanent minimum capital requirement under MIFIDPRU 4.4;
- Its fixed overheads requirement under MIFIDPRU 4.5; or
- Its K-factor requirement under MIFIDPRU 4.6

Own funds requirement in the case of RFM. Highest of:			£'000
Permanent minimum capital requirement			75
Fixed overheads requirement			149
K-factor requirement			11
Sum of: K-AUM requirement, K-CMH requirement, K-ASA requirement	=	11	
Sum of: K-COH requirement, K-DTF requirement	=	0	
Sum of: K-NPR requirement, K-CMG requirement, K-TCD requirement, K-CON requirement	=	0	
RFM own funds requirement			**149**

Under MIFIDPRU 8, a firm must disclose its approach to assessing the adequacy of its own funds in accordance with the overall financial adequacy rule in MIFIDPRU 7.4.7R.

The Overall financial adequacy rule states 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 that:

- the firm is able to remain financially viable throughout the economic cycle with the ability to address any potential harms from its ongoing activities; and
- the firm's business can be wound down in an orderly manner, minimising harm to consumers or other market participants.

As part of its ICARA process, RFM firstly calculates its minimum regulatory capital (own funds) and then further assess potential sources of harm from its activities and whether those harms require additional capital resources - above the minimum requirements - to adequately mitigate the impact should those harms materialise (own funds requirement).

Remuneration policy and practices

RFM has a Remuneration Policy which adheres to the requirements of the MIFIDPRU Remuneration Code (SYSC 19G of the FCA Handbook).

RFM's remuneration policy and practices are consistent with, and promote, sound and effective risk management and are in line with the business strategy, objectives and long-term interests of the firm. The Policy has been established by RFM's management body, which will conduct a review of the firm's remuneration policies on at least an annual basis. The review will assess whether the policies and practices have resulted in remuneration awards that are in line with the firm's business strategy and have reflected the risk profile and long-term objectives of the firm. Under the requirements of MIFIDPRU 7, RFM is not required to establish a Remuneration Committee.

Remuneration is categorised as either fixed or variable. It is the quality and purpose of the component of the remuneration that is decisive, not the label applied to it. Fixed remuneration reflects a staff member's professional experience and responsibility. It is permanent, pre-determined, non-discretionary, non-revocable and not dependent on performance. Variable remuneration is based on performance, reflecting both long-term performance as well as performance in excess of the staff member's job description and terms of employment. The fixed component represents a sufficiently high proportion of the total remuneration to enable the operation of a fully flexible policy on variable remuneration, including the possibility of paying no variable remuneration.

All staff are eligible to receive variable remuneration. However, RFM has identified – in accordance with the Senior Managers & Certification Regime - certain members of staff who are classed as material risk-takers ("MRTs"). RFM ensures that any variable remuneration is paid or vests only if it is sustainable according to the financial situation of the firm and justified on the basis of the performance of the firm, the business unit and the material risk-taker concerned. As such, RFM's Remuneration Policy includes a clawback arrangement. The clawback arrangement will cover the 3-year period beginning the first quarter-end following the payment of any variable remuneration.

At any point in the 3-year period, RFM reserves the right to clawback some or all of the variable remuneration paid in situations where:

- the MRT participated in or was responsible for conduct which resulted in significant losses to the firm; and/or
- the MRT failed to meet appropriate standards of fitness and propriety.
- The firm's overall financial adequacy (capital and liquidity) – as detailed under MIFIDPRU – is at risk.