KING SHAXSON & PhillipCapital
1866-2016: Celebrating 150 years

MIFIDPRU disclosures

June 30 2024

MIFIDPRU Disclosures 30 June 2024
King & Shaxson Group

Contents

1. Introduction

Background

King & Shaxson Group ("K&S" or the "Firm") is authorised and regulated by the Financial Conduct Authority ("FCA"). K&S is designated as a non-SNI MIFIDPRU investment firm under the FCA Prudential Sourcebook for MiFID Investment Firms ("MIFIDPRU"). This document sets out the Investment Firm Prudential Regime ("IFPR") disclosures for the Firm in accordance with MIFIDPRU, Chapter 8. This includes transitional provisions relating to disclosures as outlined in MIFIRDPRU TP12.

Basis and frequency of disclosure

The Firm has an accounting reference date of 30 June and the information in this document has been prepared as at 30 June 2024. The disclosures are based on audited financial statements and have been independently verified.

MIFIDPRU 8 disclosures are made annually and published on the Firm's KSL website (www.kasl.co.uk) as soon as practicable after completion of the annual financial statements unless circumstances warrant update on a more frequent basis.
The disclosures have been approved by the Board and are published for the year ended 30 June 2024.

Corporate structure and business

As at 30 June 2024, the 'Group' consisted of two UK legal entities regulated on a solo basis by the FCA, King & Shaxson Limited ("KSL") and King & Shaxson Asset Management Limited ("KSAM"), each being non-SNI MIFIDPRU Investment Firms.

There are a further three companies in the Group - the holding company, King & Shaxson Holdings Ltd, Phillip Securities (UK) Nominees Limited (both non-trading companies) and King & Shaxson Capital Markets S.V., S.A ("KSCM"). KSCM is located in Madrid, Spain and operates as a multilateral trading facility ('MTF').

KSL operates as:

(i) An institutional agency securities broker; and
(ii) an authorised multilateral trading facility ('MTF'), trading under the name of Dowgate.

The business primarily covers fixed interest products and their derivatives. The company trades only on a matched principal basis and does not take position risk intentionally.

KSAM offers discretionary fund management services in socially responsible investments to platforms and high net worth retail clients.

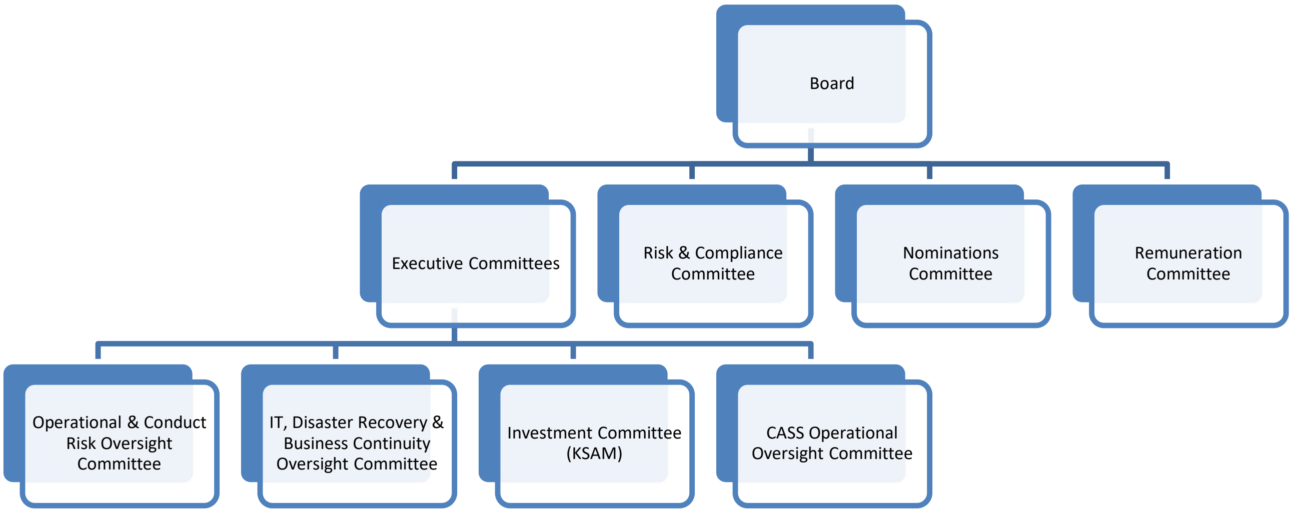
The accounting consolidation for the three regulated entities and the two further non-trading entities is included in the accounts of King & Shaxson Holdings Ltd. There are no current or foreseen material practical or legal impediments to the prompt transfer of own funds or repayment of liabilities between the parent undertaking and its subsidiaries.

2. Governance

Organisational structure and committees

The Group has governance arrangements which include a clear organisational structure and appropriate lines of responsibility. The chart and paragraphs below describe the committees which assist the governing body in the discharge of its functions.

King & Shaxson Group



Executive Committees

The Committees for KSL and KSAM have delegated authority from their Boards. They provide day-to-day management and oversight of the business, are responsible for implementing the Board's strategy, reviewing the financial results and forecasts, considering new business initiatives, and reviewing other high-level matters that may affect the firm's performance or prospects. Each member of the committee holds senior manager functions in accordance with the Senior Managers & Certification Regime (SM&CR).

Risk & Compliance Committee

This Committee has delegated authority from the Board to be responsible for the overall framework of risk and governance, providing oversight of risk, compliance and financial crime, considering the risks associated with new business initiatives, and reviews other high-level matters that may affect the Group's risk management.

The Committee is responsible for determining risk strategy, setting the Group's risk appetite and ensuring that risk is monitored and controlled effectively. It is also responsible for establishing a clearly defined risk management structure with distinct roles and responsibilities. Within that structure business managers are accountable for all the risks assumed within their areas of responsibility and for the execution of appropriate risk management discipline within the framework of policy and delegated authority set out by this Committee. The principle of individual accountability and responsibility within a disciplined approach to risk management is an important feature of the Group's culture. Risk matters is a standing agenda item for the Committee and the Committee reviews top risks, near misses, decisions which could affect the risk appetite and progress on mitigating actions. Top risks and actions are documented in the firm's monthly management report.

Nominations Committee

The committee has delegated authority from the board to review the balance of skills, knowledge, experience and diversity of the Board, monitor succession plans, make recommendations for Board, Committee and Non-executive Director appointments, review and make recommendations on all matters of corporate governance and evaluate the performance of the Board. Additionally, the committee will review the appointment of directors, senior managers and significant hires. The Committee's members are the Chairman, independent Non-Executive Director and KSL CEO.

Remuneration Committee

This Committee is responsible for recommending and agreeing remuneration changes, incentive amounts, policies and schemes that are fair, competitive and aligned with long term strategy, conduct criteria and with regulatory practice. The Committee's members are the Chairman, Non-Executive Director and Head of Risk & Compliance/MLRO. Any proposals of the Committee are subject to ratification by the Shareholder.

Operational & Conduct Risk Oversight Committee

The Operational & Conduct Risk Oversight Committee is chaired by the Head of Risk & Compliance/MLRO with members drawn from the support functions in order to provide independent thought outside the front office. Its role is to oversee the effectiveness of various operations the firm has put in place including the firm's operational risk, conduct risk, market risk, financial crime, CASS, capital adequacy, liquidity adequacy, best execution and expenses controls and report on this to the Executive Committee and the Board Risk & Compliance Committee.

IT, Disaster Recovery & Business Continuity Oversight Committee

The IT Committee is an Operational Committee chaired by the COO. Its role is to coordinate the strategic direction of the IT department and maintain a log of ongoing projects, to ensure the smooth implementation of the firm's business strategy from an IT perspective.

CASS Operational Oversight Committee

The CASS Operational Oversight Committee is chaired by the Client Asset Oversight Officer with members drawn from the support functions in order to provide independent thought outside of the front office. Its role is to oversee the effectiveness of FCA Client Assets operations the firm has put in place including the firm's CASS incidents and breaches controls, and report on this to the Executive Committee.

Investment Committee

The Investment Committee is an Operational Committee of KSAM. Its role is to provides management and oversight of the firm's investment strategy and report on this to the Executive Committee.

Directorships held

The table below shows the number of directorships held by each director as at 30 June 2024:

Name	Number of executive and non-executive directorships held
D Wileman (Chairman)	1
M Dodd (CEO)	1
M Carey (COO), resigned on 12th Feb 2024	1
J Inkster (Head of Compliance & Legal)	1
K Vakil (Finance Director)	4
J D Stunell	2
W Bishop	2

Directorships held within the same group are counted as a single directorship and those in non-commercial organisations are excluded.

Diversity

The Firm recognises the benefits of a diverse workforce and management team in terms of innovation, creativity and decision making. Diversity is promoted through equality of opportunity, hiring practices and objectives established by the board. The Firm recognises this as an area of ongoing development for the Firm and financial services industry generally and will continue to monitor and report on progress.

3. Risk management

Risk management framework

Overview

On a day-to-day basis the most senior formal management body is the board of each entity, which comprises senior individuals with a broad knowledge of all the businesses in which each company is involved. The Risk Committee is a formal committee responsible for reviewing risk and regulatory matters, including the ICARA.

Business planning is completed formally on an annual basis and the final plan is used as a fixed point in assessing business performance for the subsequent financial period. During the planning process business heads are involved in the plan, the numbers and strategy. More fluid than the annual business plans are the monthly forecasts. The forecasts are updated each month and look ahead to the current financial year and as the year progresses, will include the following financial year. They project profitability, regulatory capital and liquid assets.

Proposed new ventures are considered on a case-by-case basis, but would typically involve producing a plan and then subjecting the model to a number of different scenarios. Included within this exercise would be an assessment of the capital & liquidity required to undertake the proposed business and the impact on the Group's risk profile.

Boards and sub-committees

See the chart and descriptions above in section 2. Governance.

Risk of harm assessment process

a. In assessing harms faced by the Firm, the Firm maintain a risk register and risk matrix looking at the impact and probability of each risk in turn. Operational risk incidents are reported to and considered by the Operational & Conduct Risk Committee. Mitigations to this risk (controls) then lead to a residual risk impact and probability. Risk assessments are reviewed at least annually and updated (or at least referred to) should a risk event occur. Each risk has an allocated 'owner'. New business lines are reviewed against an operational risk questionnaire, and a separate regulatory risk assessment, which specifically considers any impact to the ICARA.

b. We use the definitions set out in the table below and colour code to the matrix. Capital requirements are then assigned based on the overall assessment. The risk quantifications are taken as a percentage of capital for each entity. The risk requirements are then considered in relation to the results of stress tests to ensure that they are appropriate. The risk assessments are included in Appendices IV and V.

IMPACT		PROBABILITY	
SCORE	**DEFINITION**	**SCORE**	**DEFINITION**
4	Financial- Annual P&L loss £250-500k. Reputation- Significant damage to reputation, brand, ability to invest and/or Regulatory- Could result in major disciplinary action by the regulator.	4	Highly likely- will probably occur in the next 6 months.
3	Financial- Annual P&L loss £100-250k. Reputation- Damage to reputation, brand, ability to invest and/or investor Regulatory- Would not involve major disciplinary action but may prompt an investigation or increased regulatory scrutiny.	3	Likely- could occur in the next year.
2	Financial- Annual P&L loss £50-100k. Reputation- Slight damage to reputation, brand, ability to invest and/or investor Regulatory- Breach of regulatory/legal obligations which may require corrective action.	2	Possible- may occur in the next 5-10 years.
1	Financial- Annual P&L loss < £50k. Reputation- Inconsequential Regulatory- Unlikely to result in any action by a regulator	1	Unlikely- never happened, or unlikely to occur.

4 - Almost Certain	4	8	12	16
3 – Likely	3	6	9	12
2 – Possible	2	4	6	8
1 – Unlikely or rare	1	2	3	4
	1 – Minor or Insignificant	2 – Moderate	3 – Major	4 -Catastrophic

QUANTITATIVE FINANCIAL IMPACT FOR ICARA	Quantum provided
Low	£ -
Medium low	£ 75,000.00
Medium - just below risk tolerance	£ 225,000.00
High - above risk tolerance	£ 450,000.00
Very high	£ 750,000.00

Key risks of harm identified

Some circa 30 risks grouped under 3 headings are considered (1. Risks to Customer / Markets; 2. Risks to the Firm & 3. Liquidity Risks). Currently, 10 (10 in KSL and 0 in KSAM) risks have been ascribed a residual risk rating of 6 or 'medium – just below risk tolerance', implying an additional capital requirement or impact of £225,000 and 3 (2 in KSL and 1 in KSAM) relating to liquidity implying an additional liquidity requirement of £225,000 for each risk identified.

Capital

Risk Summary	Mitigation/Controls	Owner
KSL		
1. Failure to comply with any applicable provisions of CASS, resulting in potential losses to clients; and	K&S has recently undertaken a CASS end to end design review with a view to ensuring compliance with the CASS rules and best practices. The review found a number of significant issues, resulting in an adverse CASS audit for the most recent audit period. However, the result of this firm commissioned report was a remediation programme put in place to ensure full compliance with the rules by the end of the next CASS audit period (30 June 2025). To assist with this programme, the firm has employed an additional two experienced members of staff formerly of Bank of New York Mellon to bring the relevant processes up to the required level. In addition, the firm has constituted the CASS operational oversight committee ("COOC") which has the remit for ongoing day-to-day CASS responsibilities. Upon completion of the programme, the firm is confident its CASS processes will be in line with best practices, which would mitigate this risk going forward.	CASS Oversight Officer
2. Settlement Risk	Limits for each client are put in place before onboarding and there is regular counterparty relationship monitoring. Diversification of counterparties to spread any settlement risk. Recovery action plan in place in case of defaults.	HRC

Risk Summary	Mitigation/Controls	Owner
3. Failure to grow and diversify revenue streams	Results reviewed regularly to monitor performance of the business against forecasts and to look for early warning indicators. Strategy day put in place to ensure the board is focusing capital in correct way and keeping an eye on costs, updating business strategy where required. Monitoring and scenario testing for survival in a global market downturn.	Board
4. Regulatory compliance failure.	Compliance Monitoring programme. Periodic reviews across the business. Risk Committee aware.	HRC
5. Key supplier dependencies	Systems such as Sage & ticketing systems are backed up overnight. Being small we could transfer phone providers within one week. More material work is required for higher risk vendors such as internet service providers and HSBC, which is covered by the Operational Resilience work being reviewed by the Board in 2025.	Board
6. Dependency on key staff / succession planning	Contracts with increased notice/terms to protect the company are in place but it is noted that this is also an increased cost on the company. Nomination Committee formed to put in place succession plans in 2025.	Board
7. Concentration on a narrow set of markets and products	Diversification improved with a greater offering of products in recent years – Board strategy meetings discuss alternatives, e.g. the Futures & Options brokerage was cancelled in Q3 2024.	Board

Liquidity

Risk Summary	Mitigation/Controls	Owner
KSL		
1. Intra-day crest cap issues	Settlements will aim to split trades so that match within the limit, counterparties will be chased regularly throughout the day.	Hd Ops
2. Insufficient liquidity to cover off balance sheet obligations arising from provision of services relating to client money & assets.	Closely managed by the central services team. Only one client which deals in 'Illiquid' stocks. Highest amount historically required to cover shortfalls was circa £150k.	CFO
KSL & KSAM		
3. HSBC – concentration risk from HSBC being our sole bankers	The relationship with HSBC will be considered under the Operational Resilience project due to conclude Q1 2025. We have £4.05m T-bill liquidity buffer as a group.	Board

4. Own funds and own funds requirements

The Firm is required to maintain capital resources in accordance with the FCA's 'overall financial adequacy requirement'. 'Own funds' describes the available capital resources of the Firm while 'own funds requirement' describes the capital funds required as a result of the business activities of the Firm. The Firm is also required to provide information on how these reconcile with the Firm's balance sheet and a description of the main features of the Own Fund instruments it has issued.

The own funds for each company consist solely of Tier 1 capital. The financial year runs to 30 June. The figures below are audited figures.

Own funds

KSAM

	Item	**Amount (£'000)**	**Source based on reference numbers/letters of the balance sheet in the audited financial statements**
1	**OWN FUNDS**	**1,341**	Note 16
2	**TIER 1 CAPITAL**	**1,341**	Note 16
3	**Common Equity Tier 1 Capital**	**1,341**	Note 16
4	Fully paid-up capital instruments	3,700	Note 16
5	Share premium	-	
6	Retained earnings	(2,359)	Note 16
7	Accumulated other comprehensive income	-	
8	Other funds	-	
9	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	-	
10	Intangible assets	-	
11	Deferred tax assets	-	
12	CET1: Other capital elements, deductions and adjustments	-	
13	**ADDITIONAL TIER 1 CAPITAL**	-	
14	Fully paid up, directly issued capital instruments	-	
15	Share premium	-	
16	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	-	
17	Additional Tier 1: Other capital elements, deductions and adjustments	-	
18	**TIER 2 CAPITAL**	-	

KSL

	Item	Amount (£'000)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1	**OWN FUNDS**	**11,119**	Note 22
2	**TIER 1 CAPITAL**	**11,119**	Note 22
3	**Common Equity Tier 1 Capital**	**11,119**	Note 22
4	Fully paid-up capital instruments	1,500	Note 22
5	Share premium	-	
6	Retained earnings	9,619	Note 22
7	Accumulated other comprehensive income	-	
8	Other funds	-	
9	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	-	
10	Intangible assets	-	
11	Deferred tax assets	-	
12	CET1: Other capital elements, deductions and adjustments	-	
13	**ADDITIONAL TIER 1 CAPITAL**	-	
14	Fully paid up, directly issued capital instruments	-	
15	Share premium	-	
16	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	-	
17	Additional Tier 1: Other capital elements, deductions and adjustments	-	
18	**TIER 2 CAPITAL**	-	

Balance sheet reconciliation

KSAM

	Balance sheet as in audited financial statements	**Cross reference to Own funds table**
	30 June 2024	
	£000s	
Assets – Breakdown by asset classes according to the balance sheet in the audited financial statements		
Debtors	53,620	
Investments	247	
Cash at bank and in hand	1,204	
Total	**55,071**	
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements		
Creditors	(53,730)	
Total	**(53,730)**	
Shareholders' equity		
Called up share capital	3,700	Item 4
Retained earnings	(2,359)	Item 6
Total	**1,341**	Item 1, 2 & 3

KSL

	Balance sheet as in audited financial statements	**Cross reference to Own funds table**
	30 June 2024	
	£000s	
Assets – Breakdown by asset classes according to the balance sheet in the audited financial statements		
Tangible assets	402	
Debtors	400,552	
Investments	3,787	
Cash at bank and in hand	4,491	
Total	**409,232**	
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements		
Creditors	(398,113)	
Total	**(398,113)**	
Shareholders' equity		

Called up share capital	1,500	Item 4
Retained earnings	9,619	Item 6
Total	**11,119**	Item 1, 2 & 3

Own funds: main features of own instruments issued by the Firm
Own funds for each of KSAM and KSL comprise ordinary share capital plus (or minus) retained earnings

Own funds requirements

The Firm's own funds requirement is calculated in accordance with the MIFIDPRU rules, which state that the Firm's own funds requirement is the highest of:

- its permanent minimum capital requirement (set out in MIFIDPRU 4.4);
- its fixed overheads requirement (set out in MIFIDPRU 4.5); and
- its K-factor total requirement (set out in MIFIDPRU 4.6)

A summary of these requirements is shown within the table below.

KSAM

As at 30 June 2024	£000s	£000s
(1) Permanent minimum requirement		750
(2) Fixed overhead requirement		333
(3) Sum of K-factor requirement		50
(a) K-AUM, K-CMH and K-ASA	50	
(b) K-COH and K-DTF	0	
(c) K-NPR, K-CMG, K-TCD and K-CON	0	
Own funds requirement (highest of (1), (2) and (3))		**750**

KSL

As at 30 June 2024	£000s	£000s
(1) Permanent minimum requirement		750
(2) Fixed overhead requirement		2,488
(3) Sum of K-factor requirement		4,465
(a) K-AUM, K-CMH and K-ASA	4,175	
(b) K-COH and K-DTF	272	
(c) K-NPR, K-CMG, K-TCD and K-CON	18	
Own funds requirement (highest of (1), (2) and (3))		**4,465**

Meeting the overall financial adequacy rule

Firms authorised by the FCA must always meet the 'overall financial adequacy rule'. This states that a firm must, at all times, hold own funds and liquid assets which are adequate, both in their amount and quality, to make sure 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. In addition, a firm must ensure that it has adequate own funds and liquid assets such that its business can be wound down in an orderly manner.

The Firm's ICARA identifies the amounts and spread of types of capital and liquid assets considered adequate to cover unmitigated harms that the Firm may cause itself, its clients, and the markets it operates in. This is achieved through:

- An assessment of the Firm's business strategy and ongoing operating activities. The extent to which this poses harm to the Firm, its clients and the markets it operates within is assessed and quantified through ICARA scenarios, which identifies and assesses plausible, yet material manifestations of those harms and quantifies any required capital for harms that are not fully mitigated by existing controls and processes. This assessment is conducted using a combination of internal and external risk event risk data and expert judgement.
- Capital and Liquidity Planning and Stress-testing, which identifies an appropriate range of adverse circumstances of varying nature, severity and duration relevant to the Firm's risk profile, business model and strategy. This assesses how the Firm, through application of recovery plans, can recover from such risks on a forward-looking basis and to ascertain whether it holds sufficient capital and liquidity to withstand such shocks.
- An assessment of the level of capital and liquidity required to support an orderly wind down of the Firm that minimises potential harms to itself, its clients and counterparties.

The document demonstrates that the Firm has sufficient capital and liquid resources to support its activity and, even after the occurrence of deep shocks, would expect this to continue into the future. The conclusion of the ICARA process is that the Firm has sufficient financial resources in terms of both capital and liquidity, to ensure that there is no significant risk that its liabilities cannot be met as they fall due.

The Board continues to review its liquidity and capital resources against its requirements and as a result the Board remains satisfied that as required by MIFIDPRU 7.4.7R, the Firm holds own funds and liquid assets which are adequate, both as to their amount and their quality, to ensure that:

a) 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
b) the firm's business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

The Firm assesses the adequacy of its own funds in accordance with the prescribed permanent minimum capital, fixed overheads and applicable K-factor requirements and through the ICARA process required by MIFIDPRU. The ICARA process requires a firm to consider what own funds and liquid assets it might need over and above the prescribed minima to (i) address the material risks and potential harms associated with its ongoing business operations and (ii) facilitate an orderly wind-down of the business.

Under the ICARA process, the Firm's board has concluded that its own funds and liquid assets are sufficient to meet these requirements and that no additional own funds or liquid assets are required.

5. Remuneration policy

5.1 Approach to remuneration

King and Shaxson's approach to remuneration is designed to re-enforce the firm's values, ethics, culture, promote right and proper behaviors, and allow the risks associated with remuneration to be avoided or managed.

The Remuneration Policy has been designed to support the strategy and long-term interests of the Firm, its shareholders and customers and other stakeholders and to allow the Firm to uphold its culture and values.

5.2 Governance

5.2.1 Remuneration Committee

The Firm has a remuneration committee which fulfils the responsibility for decisions regarding remuneration, taking into account the long-term interests of the Firm, it's shareholders and other stakeholders, and the public interest.

The remuneration committee is comprised of the Head of Risk & Compliance/MLRO and non-executive directors.

5.2.2 Conflicts of Interest

The Firm recognises that conflicts can arise where employees are responsible for determining the remuneration of their own business areas, however the scale of the firm means that this may be unavoidable. The Remuneration Committee will be responsible for determining all remuneration packages across the company with approval for their own remuneration sought from others on the Management Body.

To avoid conflicts of interest, variable compensation is not linked to sales or volumes but determined by the employee's performance against set objectives which will take into account a number of different factors including a good standard of compliance, treating customers fairly and quality of services to clients. This will ensure that an employee does not have an incentive to favour their own interests, or that of the Firm to the detriment of a client.

5.2.3 Control Functions

The remuneration of the risk management, financial crime and compliance functions will be overseen by Remuneration Committee. The Remuneration Committee will ensure that the method for calculating the remuneration of the risk & compliance function will not be likely to compromise their objectivity.

Employees who hold control functions are independent from the business units that they oversee, they have the appropriate authority to take action where necessary, and are remunerated in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control.

The Firm ensures that remuneration packages for control function employees are adequate to ensure that the quality and experienced staff are attracted and that the package is dependent on the achievement of the Firm's objectives and the objectives linked to the business areas that they control.

5.2.4 Material Risk Takers

The Material Risk Takers of the Firm are those employees who could have a material impact on the risk profile of the Firm. Material risk takers include: members of the Management Body, managers of control functions or business units carrying out arranging, managing, advising on or dealing in investments, and those managing a material risk.

KSL - There were 10 material risk takers in the financial year.

KSAM – There were 2 material risk takes in the financial year

Remuneration of material risk takers is reviewed by the Remuneration Committee.

5.3 Remuneration Framework

Employees' remuneration consists of fixed remuneration (or a base salary and benefits) and, in some cases, performance related variable remuneration. The Firm ensures that the fixed and variable components are appropriately balanced and that the fixed element is sufficiently high to allow a fully flexible application of the variable component, including the possibility to pay no variable remuneration if appropriate.

The balance between fixed and variable remuneration has been determined by the Firm's activities and risk and the role of the individual within the Firm.

5.3.1 Fixed Remuneration

Fixed remuneration is predominantly based upon the employee's professional experience and organisational responsibility as set out by their job description and terms of employment.

5.3.1.1 Base Salary
Purpose: Base salary provides a core reward for undertaking the role, positioned at a level needed to recruit and retain the talent required to develop and deliver the business strategy.

Periodic reviews take into account the employee's role, scope of responsibilities, skills and experience and salary benchmarks (where available).

5.3.1.2 Benefits
Purpose: To provide market-competitive benefits to assist employees in carrying out their duties.

Benefits are made up of core benefits which are provided to all employees; and extra voluntary benefits that may be chosen by certain employees which may require contribution through salary sacrifice or other arrangements.

5.3.2 Variable Remuneration
In addition to their fixed remuneration, certain employees may also receive variable remuneration that reflects long term performance of the staff member or performance in excess of that required to fulfil their job description and terms of employment.

Variable remuneration will only be awarded when it is sustainable to the Firm's overall financial situation and taking into account any known future events, the performance of the firm, the business unit and the employee.

5.3.2.1 Categories of employees eligible for variable remuneration
All UK based salaried employees who have passed their probationary period are eligible for variable remuneration.

5.3.2.2 Annual discretionary bonus
Purpose: To reward employee performance over the performance period and to provide an incentive going forward.

5.3.2.3 Performance related pay
Purpose: To reward individuals in Compliance and Risk departments for meeting pre-agreed objectives linked to their job description as any linkage to profit could encourage undue risk taking.

5.3.2.4 Commission
Purpose: To reward sales people for bringing in new business

5.3.2.5 Other elements of variable remuneration
Guaranteed variable compensation is only awarded in certain exceptional circumstances – Buyout awards may be issued on joining in limited circumstances but would only be payable after completion of a minimum 12 months period with the Firm.

5.3.3 Assessment of Performance

The Firm will base the total amount of variable remuneration on an assessment of the performance of the employee, the business unit and the Firm's overall results.

When assessing individual performance, financial as well as non-financial criteria will be taken into account, including effective risk management, compliance with regulations and appropriate conduct in line with the Firm's values. Poor performance in non-financial criteria will override financial performance.

The criteria that will determine any variable remuneration will include the following financial criteria:

- The Firm's performance
- Business unit performance

The criteria that will determine any variable remuneration will include the following non-financial criteria:

- Employee performance against objectives
- Employee conduct
- Effective risk management
- Compliance with regulations
- Adherence to the Firm's culture and core values (leadership, teamwork)
- Treating customers fairly
- Quality of service provided to clients
- Achievement of targets relating to environmental, social and governance factors and diversity and inclusion

The Firm will base the assessment of performance on a multi-year framework to ensure that the assessment is based on a longer-term performance and that payment of the performance based variable components will be spread over a period taking into account the business cycle of the Firm and its business risks.

5.3.4 Risk Management

In order to promote effective risk management and discourage risk taking that exceeds tolerated levels, the Firm will consider the following when awarding variable remuneration:

- Key Risk Indicators, assigned to teams and individuals
- Performance against risk objectives set
- Compliance by employees to regulations and best practice

The Firm's risk management strategy, appetite and tolerance is stated in its Risk Framework. Operating within the scope of the Firm's risk framework, including environmental, social and governance factors, is a pre-requisite to the award of any variable remuneration.

5.3.4.1 Ex-ante risk adjustment

The Firm identifies its key current and future risks, monitors and measures then and uses this assessment to determine whether an adjustment to the variable remuneration pool is required. If the level of risk has materially increased, a downwards adjustment to the variable remuneration pool would be applied. These ex-ante adjustments would be made at a firm level, business unit level or functional level.

5.3.4.2 Ex-post risk adjustment

Ex-post risk adjustments may be collective or at an individual level. Risk events and issues are identified and monitored on an ongoing basis and this information is used to assess whether an adjustment is appropriate.

The Firm's remuneration policy contains malus and clawback provisions which enables further conditions on variable remuneration or a reduction in variable remuneration to be imposed before the end of a 3-year recovery period.

5.3.5 Deferral

At least 40% of the variable remuneration amount will be distributed equally over a period which is at least 3 years in equal instalments.

Where the variable remuneration is a particularly high amount, and in all cases where the variable remuneration is £500,000 or more, at least 60% of the amount must be deferred.

5.3.6 Forms in which remuneration is paid

Employees who reach a certain compensation eligibility threshold receive a portion (over 50%) of their variable compensation in the form of deferred incentive compensation awards. As a wholly owned private company, the Firm does not have the ability to pay in shares so the form of deferred incentive compensation awards is in notional shares.

5.4 Quantitative disclosures for financial year ending 30th June 2024

Total value of remuneration awarded in the financial year ending 30th June 2024

KSAM

		Senior Management, Other Material Risk Takers & Other Staff
	Number of identified staff	**8**
		£000'
Fixed remuneration	**Total fixed remuneration**	**472**
Variable remuneration	**Total variable remuneration**	**25**
	Total remuneration	**497**

KSAM has provided the remuneration figures for all employees to prevent the disclosure of information for one or two individuals.

KSL

		Senior Management	Other Material Risk Takers	Other Staff
	Number of identified staff	**6**	**4**	**56**
		£000'	£000'	£000'
Fixed remuneration	**Total fixed remuneration**	**572**	**456**	**2,972**
Variable remuneration	**Total variable remuneration**	**-71**	**59**	**571**
	Of which: Cash	-71	59	571
	non-deferred	-71	59	571
	deferred	-	-	-
	Of which: Shares or equivalent ownership interests	-	-	-
	non-deferred	-	-	-
	deferred	-	-	-
	Of which: Other instruments	-	-	-
	non-deferred	-	-	-
	deferred	-	-	-
	Total remuneration	**501**	**515**	**3,543**

Total value of guaranteed remuneration awarded in the financial year ending 30th June 2024

KSAM

Guaranteed variable remuneration awards

	Senior Management	Other Material Risk Takers
Guaranteed variable remuneration awards made during financial year – Number of MRT	-	-
Guaranteed variable remuneration awards made during financial year – Total amount	-	-

KSL

Guaranteed variable remuneration awards

	Senior Management	Other Material Risk Takers
Guaranteed variable remuneration awards made during financial year – Number of MRT	-	-
Guaranteed variable remuneration awards made during financial year – Total amount	-	-

KSAM

Severance payments

	Senior Management	Other Material Risk Takers
Severance payments awarded during the financial year – Number of MRT	-	-
Severance payments awarded during the financial year – Total amount	-	-
The amount of the highest severance payment awarded to an individual MRT	-	-

KSL

Severance payments

	Senior Management	Other Material Risk Takers
Severance payments awarded during the financial year – Number of MRT	-	-
Severance payments awarded during the financial year – Total amount	-	-
The amount of the highest severance payment awarded to an individual MRT	-	-

Total value of deferred remuneration

KSL

Deferred remuneration (material risk takers)		
	Senior Management	**Other Material Risk Takers**
Total amount of unvested remuneration from previous years	-	-
- Of which due to vest in the financial year in which disclosure is made	-	-
- Of which will vest in subsequent financial years	-	-
Amount of deferred remuneration due to vest in the financial year which is or will be paid out but have been withheld as a result of performance adjustment	-	-
Amount of deferred remuneration due to vest in the financial year which were due to vest but have been withheld as a result of performance adjustment	-	-

KSL

The Firm uses exemptions for Material Risk Takers set out in SYSC 19G.5.9R for the provisions: Shares, instruments and alternative arrangements, retention policy and deferral. 6 senior management and 4 other material risk takers benefit from the exemptions.

Exemption provision to senior management & material risk takers

	Senior Management	**Other Material Risk Takers**
Total number of material risk takers who benefit from an exemption	6	4
Total remuneration of those material risk takers who benefit from an exemption	501	515
- Of which fixed remuneration	572	456
- Of which variable remuneration	-71	59