IFPR DISCLOSURES
October 2023

Introduction

Ediphy Markets Ltd (‘**EML**’) is an investment firm based at 40 Basinghall St, Londond EC2V 5DE, and is authorised by the Financial Conduct Authority (FRN 823631).

Since 1st January 2022 most small and medium-sized investment firms are regulated for capital adequacy purposes under the Investment Firm Prudential Regime (‘**IFPR**’).

Under IFPR the nature of a firm’s capital resources calculation will change and in addition the firm must make a number of disclosures as set out in MIFIDPRU 8 of the FCA Handbook. These are:

- Risk Management Objectives
- Governance Arrangements
- Own Funds
- Own Funds Requirements
- Remuneration policies and practices
- Investment policy.

This document sets out the proposed text of the relevant disclosures that EML must make to satisfy its disclosure requirements. As a minimum, EML must publicly disclose the information specified in this chapter on its website[1], from the date on which it publishes its annual financial statements[2].

[1] MIFIDPRU 8.1.16
[2] MIFIDPRU 8.1.10

Risk Management Objectives

Disclosure Requirement
(1) a concise statement approved by the firm's governing body describing the potential for harm associated with the business strategy; and (2) a summary of the strategies and processes used to manage own funds, concentration and liquidity risks, and how this helps to reduce the potential for harm.

The Ediphy Board is the governing body of the firm and, as such, is ultimately responsible for the application of a robust internal risk management regime.

The Board is aware of the potential harms to clients, market and firm arising from its business activities, principally those being related to the execution services EML provides to customers in government bonds, corporate bonds and cleared interest rate swaps.

In order to manage the attendant risks, the Board receives regular and timely updates from the Executive Committee, including Management Information ('**MI**') on the firm's financial and operational performance.

In addition, the Board continuously monitors and, if necessary, enhances, the firm's Business Model, directs the Internal Capital Adequacy and Risk Assessment ('**ICARA**') process and receives other significant regulatory intelligence which, in aggregate, provide the requisite information to identify trends and issues particularly in relation to:

- The adequacy of its own funds;
- The potential existence of concentration risk exposures to banks or investment firms exceeding 100% of its own funds; and
- The adequacy of its liquid resources enabling the firm to meet its liabilities as they fall due.

In each of these areas the Board's approach is risk averse in order to ensure that the firm has sufficient capital and liquidity to remain in business and to avoid the risks created by undue exposures to a single counterparty or a group of related counterparties.

To this end, EML monitors its actual and near-term capital and liquidity positions on a monthly basis and carries out stress testing of its medium-term financial plans as part of its ICARA process in order to validate the adequacy of its forecast capital and liquidity resources. The Board uses the information presented in its MI to manage its risk exposures, thus protecting the integrity of its own funds and liquid resources. Further, it monitors its exposures to particular counterparties to prevent the creation of inappropriate concentration risk.

In addition, the firm carries out a full ICARA process at least annually as a key element of its risk management toolkit.

The Board considers that these measures constitute an effective risk management framework that is proportionate and appropriate to the nature, scale and complexity of EML.

Governance Arrangements

- Explain how the firm complies with the requirement to ensure the management body defines, oversees and is accountable for 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;
- the number of directorships (executive and non-executive) held by each member of the management body;
- a summary of the policy promoting diversity on the management body; and
- whether the firm has a risk committee or is required to have one

The directors of EML recognise and accept that the Board, as the governing body of the firm, has responsibility for the implementation of governance arrangements that assure its effective and prudent management.

EML considers that the existing arrangement whereby a non-executive director works in partnership on the Board with two executive directors facilitates good corporate governance. The non-executive director provides a perspective that is detached from the operational mindset of the executive directors, whilst the fact there are two executive directors enables organisational arrangements that avoid conflicts of interest within the firm's management structures.

Whilst the Board readily acknowledges its collective risk management responsibility, it should be noted that the executive directors are also held accountable for specific areas of delivery under the Senior Managers and Certification Regime.

The Board implements its collective responsibility through the policies and procedures that it approves and cascades to the employees and contractors of EML and affiliated group entities. The implementation of these policies and procedures not only protects the reputation of the firm but also serves to promote market integrity and the interests of EML clients.

The effectiveness and accuracy of their execution is validated by ongoing compliance monitoring which either validates their successful practical application or identifies failures that can be promptly remediated.

At a macro level, the Board frequently reviews and updates the firm's risk register, and it carries out an extensive ICARA process at least annually.

The Board considers that these measures serve to simultaneously protect the interests of the shareholders, clients and market integrity.

EML Directors – Other directorships (outside of Ediphy Group Ltd entities).

Given the firm does not meet the criteria for a Significant SYSC firm as set out in SYSC 1.5.2 it does not put a specific limitation on EML directors' external directorships. However, the Board is diligent about ensuring each director is able to dedicate sufficient time to be able to fulfil their governance duties adequately.

Director	SMF Function / Role	Number of external directorships
Christopher Murphy	SMF1 CEO SMF16 Compliance Oversight SMF17 MLRO	1
Daniel Wild	SMF3 Executive Director	1
Christopher Welsh	Non-executive	3

Board Diversity

EML ensures that its directors, in aggregate, have a sufficient range of skills and experience to manage a business of EML's nature, scale and complexity.

Whilst the Board believes that its current composition is fit for purpose at the firm's current scale, it is anticipated that additional directors will be appointed at some future time where appropriate.

Any future appointments will be assessed on the criterion that the individual recruited would have the skills and experience that complement those of the existing directors.

Own Funds

Using template below, provide
a) a reconciliation of common equity tier 1 items, additional tier 1 items, tier 2 items, and the applicable filters and deductions applied in order to calculate the own funds of the firm;
(b) a reconciliation of (a) with the capital in the balance sheet in the audited financial statements of the firm; and
(c) a description of the main features of the common equity tier 1 instruments, additional tier 1 instruments and tier 2 instruments issued by the firm.

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**	**863**	
2	**TIER 1 CAPITAL**	**863**	
3	**COMMON EQUITY TIER 1 CAPITAL**	**863**	
4	Fully paid up capital instruments	1,034	Page 10
5	Share premium		
6	Retained earnings	(171)	Page 10
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		
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		

Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements				
Flexible template - rows to be reported in line with the balance sheet included in the audited financial statements of the investment firm. Columns should be kept fixed, unless the investment firm has the same accounting and regulatory scope of consolidation, in which case the volumes should be entered in column (a) only. Figures should be given in GBP thousands unless noted otherwise.				
		a	b	c
		Balance sheet as in published/audited financial statements	**Under regulatory scope of consolidation**	**Cross-reference to template OF1**
		As at period end	**As at period end**	
Assets - *Breakdown by asset classes according to the balance sheet in the audited financial statements*				
1	Debtors	51		
2	Cash at bank and in hand	1,066		
	Total Assets	**1,117**		
Liabilities - *Breakdown by liability classes according to the balance sheet in the audited financial statements*				
1	Creditors: Intercompany	254		
	Total Liabilities	**254**		
Shareholders' Equity				
1	Called up share capital	1,034		4
2	Profit and loss reserves	(171)		6
	Total Shareholders' Equity	**863**		**1, 2 & 3**

Own funds: main features of own instruments issued by the firm
Called up share capital is comprised of perpetual common shares: 136,100,000 1p voting Founder Shares (103,400,000 fully paid & 32,700,000 unpaid) 219,500 1p non-voting Ordinary Shares unpaid 219,500 1p non-voting Early Team Shares unpaid

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Own Funds Requirements

MIFIDPRU 8.5 – Own Funds Requirement

A firm must disclose the following information regarding its compliance with the requirements set out in MIFIDPRU 4.3 (Own funds requirement):
(1) the K-factor requirement, broken down as follows:
(a) the sum of the K-AUM requirement, the K-CMH requirement and the K-ASA requirement;
(b) the sum of the K-COH requirement and the K-DTF requirement; and
(c) the sum of the K-NPR requirement, the K-CMG requirement, the K-TCD requirement and the K-CON requirement; and
(2) the fixed overheads requirement.

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. which is:
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:
(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.

Item	**Total (GBP)**	
K-factor	Sum K-AUM, KCMH, KCOH, K-ASA	0
	Sum K-NPR, K-CMG	0
	Sum K-TCD, K-DTF, K-CON	2,000
Total K-factor		
FOR		52,000
PMR		750,000
Own funds req		750,000

K-factors Definition

The Prudential sourcebook for MIFID investment firms (i.e., MIFIDPRU) of the FCA Handbook sets out the KFR methodology for calculating own funds requirements effective from 1 January 2022. The IFPR introduced nine K-factors. The application of each K-factor at individual investment firms is determined by a firm's regulatory permissions.

Summary of individual K-factors used in the KFR methodology

K-factor	Description
K-AUM	Assets under management
K-COH	Client orders handled
K-ASA	Assets safeguarded and administered
K-CMH	Client money held
K-NPR	Net position risk
K-CMG	Clearing margin given
K-TCD	Trading counterparty default
K-DTF	Daily trading flow
K-CON	Concentration risk

EML assures its compliance with the overall financial adequacy rule (MIFIDPRU 7.4.7) in a number of ways:

- Ongoing monitoring of actual and near-term capital and liquidity positions;
- Stress testing of medium term financial plans;
- Maintenance of a credible plan to achieve the orderly wind down of the firm whilst minimising harm to clients and/or other market participants.

All of these activities are supervised by the EML Board.

Remuneration

Ediphy Markets Ltd ('EML') is a MIFID investment firm, authorised by the Financial Conduct Authority ('FCA') to carry on a range of regulated activities including dealing in investments as agent and principal.

A consequence of its regulatory status is that EML must comply with the relevant provisions of the MIFIDPRU Remuneration Code set out in SYSC 19g of the FCA Handbook, a key element of which is that its remuneration practices are consistent with responsible risk management.

EML operates as part of a group structure with services being provided to it by both the group entity, Ediphy Group Ltd, and a service company, Ediphy Research Ltd. EML's remuneration policy applies consistently to personnel across all these entities.

EML's Approach to Remuneration

EML remunerates its employees through payment of fixed and variable remuneration.

The levels of fixed remuneration are determined by the Board and relate to basic wages and salaries plus proportionate pension contributions.

In setting levels of fixed remuneration for particular categories of employee, it is the directors' intention that the amounts paid should properly reflect the complexity and responsibility of the roles performed and be consistent with the rates of pay for similar positions in peer group competitor firms.

EML operates a variable remuneration scheme in the form of a staff bonus pool that is intended to incentivise superior performance across the business without creating a conflicting motivation for reckless or inappropriate behaviour.

EML also operates an employee option scheme to align employees with the outcomes of the firm.

For this purpose, EML defines 'variable remuneration' as non-contractual payments or provision of benefits made directly to EML, or group, employees.

All employees, irrespective of gender, are eligible to receive variable remuneration, subject to acceptable performance.

The levels of variable remuneration paid are determined by the Board. Payment of variable remuneration is made in cash and is discretionary for all employees. EML does not guarantee payment of variable remuneration and it is EML policy that no variable remuneration is paid if it would inappropriately dilute the firm's liquid or capital resources.

EML Staff Bonus Pool

The value of annual payments made to EML employees from the staff bonus pool is determined by, in order, the performance of the firm, the function in which the individual is employed and the individual's contribution to that performance.

Each individual's performance is assessed by line management and each function's performance is assessed by the Board.

It follows that sub-optimal performance or failures of service delivery are not rewarded by the payment of variable remuneration, consistent with the principle that remuneration practices should promote responsible risk management.

Staff are paid variable remuneration as a percentage of their fixed remuneration. Individual and operational function performances are assessed at financial year-end and variable remuneration payments made subsequently.

It is EML policy that variable remuneration should not be an element of any severance settlement. Any staff member who leaves the firm in the period between the financial year end and the payment date for variable remuneration foregoes any bonus that their previous performance might have merited.

Material Risk Takers – Identity

The material risk takers in EML are the firm's senior managers, as the individuals who execute the commercial strategy of the firm and who supervise the execution desk.

Material Risk Takers – Total Remuneration

In the year 2022-23 the total remuneration paid to EML's material risk takers was:

Category	Amount
Total Remuneration	£240,000
Fixed Remuneration	£240,000
Variable Remuneration	NIL