

Illiquidx Limited

MIFIDPRU 8 DISCLOSURE

Financial Year Ended 31 March 2024

1. INTRODUCTION

1.1. Background

Illiquidx Limited (“the Firm”) is prudentially regulated as a non-SNI MIFIDPRU investment firm. The Firm is authorised by the Financial Conduct Authority (“FCA”) as a matched principal and principal broker and acts as a broker and principal investor in regulated fixed income and equity instruments. The Firm is only permitted to deal with Eligible Counterparties and professional clients, as well as fund raising for SME retail clients. The Firm is authorised and regulated under UK legislation by the FCA.

1.2 Scope of Application

Due to its ownership structure, the Firm is a member of an Investment Firm Group and therefore is required to issue disclosures on an individual and consolidated basis for prudential purposes.

1.3 Disclosure Policy

This Disclosure is in line with the most recent published audited annual financial statements for the Firm as at 31 March 2024.

The MIFIDPRU Disclosure obligations, under MIFIDPRU chapter 8, require publication on an annual basis. The FCA expects this to be published on the Firm’s website. This Disclosure will be assessed and amended if there are any material changes within the period of Disclosure.

This Disclosure has been approved by the governing body of the Firm and is not subject to audit, except where they are prepared under accounting conventions for publication.

2. GOVERNANCE

2.1 Illiquidx Limited’s Board

The Board has overall responsibility for the activities of the Firm. The Board consists of the Firm’s executive directors. Together, they oversee the process of risk management, financial reports, and remuneration. The Board is assisted by an external compliance advisor and legal counsel. As at the reporting date, the Board considered that it had in place adequate and appropriate systems and controls with regard to the Firm’s strategy and that the Firm is properly resourced and skilled, to avoid or minimise loss.

2.2 Directorships

The total number of executive and non-executive directorships held by members of the Board as at 31 March 2024 are as below.

Name of Director/Senior Manager	Directorships
Celestino Amore	4
Galina Alabatchka	1

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

2.3 Diversity

The Firm operates in a gender-neutral and inclusive working environment and does not discriminate against any persons with protected characteristics. The Firm ensures its Remuneration Policy is compliant with the Equality Act 2010.

3. RISK MANAGEMENT

Under MIFIDPRU, the Firm’s senior management is responsible for establishing and maintaining its Internal Capital Adequacy and Risk Assessment (ICARA). This requires the Firm to assess the Firm’s capital and liquidity requirements and ensure it has sufficient own funds and liquidity resources at all times to meet the Overall Financial Adequacy Rule

(OFAR) throughout the business cycle, whether in a Business as Usual or stressed environment. The ICARA assesses the aforementioned capital needs in a way which is consistent with the Firm's stated risk profile and operating environment. The Firm ensures that throughout its ICARA process, it identifies all of its material risks which are reviewed and amended, where necessary, by the Firm's board on an annual basis. It has also prepared a wind down plan to ensure the Firm holds sufficient Own Funds and Liquidity to both mitigate its material risks and is able to wind down in an orderly manner.

The Firm's general risk management objective is to minimise the risks to the Firm's clients, its counterparties, and other stakeholders and to ensure it remains in full compliance with its regulatory and legal obligations. The Firm's risk appetite is reviewed on a regular basis and updated in accordance with the evolving strategy, business model, financial capacity, business opportunities, regulatory constraints, and other internal and external factors.

The Firm oversees and manages its risks through a combination of routine monitoring of policies and procedures, an efficient reporting process, an annual independent financial audit, compliance policies and procedures, and the use of an independent outsourced compliance adviser. The Board of Directors has overall responsibility for the process of risk management, as well as to determine the Firm's business strategy and risk appetite along with establishing, implementing, and maintaining adequate risk management policies and procedures. These policies and procedures are updated as required, having regard to the relevant laws, standards, principles, and rules (including FCA Principles and Rules).

Risk is inherent in all businesses and, therefore, arises in the normal course of the Firm's activities. The Firm accepts this and seeks to effectively identify, monitor, manage and mitigate each of the risks and actively promotes a risk awareness culture throughout the organisation. Appropriate action is taken where risks are identified which fall outside of the Firm's risk tolerance levels or where the need for remedial action is required in respect of identified weaknesses in the Firm's systems and controls environment which has been established to mitigate such risks.

3.1 Own Funds Risk

The Firm's main business risk relates to the medium and long-term profitability of the Firm that could be adversely affected by the failure to identify and implement the correct strategy and to react efficiently to changes in the business and market environment.

The Firm's revenue is reliant on commissions and net spread income respectively from trading with clients either as a matched principal broker and/or as a principal. Therefore, the Firm's Own Funds risks mainly arise from trading losses derived from trading on own account, or either the ultimate buyer or seller not fulfilling their contractual obligations towards the Firm arising from matched principal trading activities.

This risk is assessed and mitigated as part of the ICARA process by clearly defining the Firm's strategy, analysing various economic scenarios to reduce single event and macroeconomic exposures.

3.3 Credit and Concentration Risk

Credit Risk is the risk of financial loss arising from the failure of a client or other counterparty to meet its outstanding obligations and from cash and deposits held with financial credit institutions.

The Firm is primarily exposed to Credit Risk from the settlement failure of client facing transferable securities transactions executed on a Delivery versus Payment (DvP) basis. It holds all its spare free funds with large international credit institutions with high credit ratings. Consequently, the risk of past due or impaired exposures is minimal. A financial asset is past due when a counterparty has failed to make a payment when contractually due. Impairment is defined as a reduction in the recoverable amount of a fixed asset or goodwill below the value at which it is carried in the Firm's balance sheet.

3.5 Liquidity Risk

The Firm is required to hold sufficient financial resources to enable it to meet its obligations as they fall due or to ensure that it can secure adequate amount of assets in the event of a stress situation.

The Firm maintains an amount of free funds it considers suitable for providing sufficient liquidity to meet its liquid asset threshold requirements under normal and stressed business conditions. This is supported by a prudent budgeting and forecasting process, as well as monitoring of the Firm's cash position by the senior management on a regular basis. Accordingly, the Firm has always held sufficient liquidity to meet its contractual obligations as and when they arise.

4. CAPITAL ADEQUACY

The Firm is required to maintain sufficient capital resources at all times. Own Funds describes the available capital resources of the Firm while Own Funds Requirements describe the capital requirements arising from the business activities of the Firm.

4.1. Own Funds

The table below shows the Firm's Own Funds. This is made of Common Equity Tier 1 (CET1) capital, Additional Tier 1 capital and Tier 2 capital held by the Firm. In this case the Firm benefits from only CET1 capital.

Own Funds	£000s
Common Equity Tier 1 Capital	23,063
Additional Tier 1 Capital	0
Tier 2 Capital	0
Total Own Funds	23,063

5. OWN FUNDS REQUIREMENT

The Firm's Own Funds Requirement is calculated in accordance with MIFIDPRU 4.3, which states that the Firm's own funds requirement as a non-SNI Investment Firm is the highest of the following three single components:-

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

As at 31 March 2024	£000s
Permanent Minimum Capital Requirement	750
Fixed Overheads Requirement	525
K-Factor Requirement	994
Sum of K-AUM, K-CMH and K-ASA	0
Sum of K-COH and K-DTF	1
Sum of K-NPR, K-CMG, K-TCD and K-CON	992
Own Funds Requirement (Maximum of PMR, FOR and K-Factor Requirement)	993*

* Difference in sum due to rounding

6. REMUNERATION

6.1 Approach to Remuneration

The Firm does not link remuneration directly to the performance of the Firm, or that of the Group, rather, the Firm's performance may be a factor in determining variable remuneration. The Firm also considers its non-financial criteria when assessing remuneration.

Any discretionary bonus scheme pools are calculated by reference to the Firm's net operating profit, where the underlying revenue is not subject to recovery or downward adjustment. Employees are not encouraged, and the Firm's remuneration schemes do not reward, the taking of market or trading risks. The Firm operates remuneration through a discretionary bonus scheme.

When determining the variable remuneration paid to any employee, the Firm considers a number of factors covering the firm as a whole, individual business units, and the individual employees, as appropriate. The Firm's overall profitability, the absolute and relative performance of an employee and (as applicable) their business unit, the employee's conduct and adherence to the Firm's values, any disciplinary action taken against the employee and the results of the employee's performance review during the period in question will be taken into account.

The discretion held by the Board of the Firm ensures that the Firm is able to retain employees in executive positions who are vital to the Firm's strategic development. The Firm has no obligation to pay variable remuneration other than out of realised profits which are not subject to later reduction (after subtracting all expenses relating to running the business) to allow for a fully flexible policy. Accordingly, the Firm's total variable remuneration does not limit its ability to strengthen its capital base.

The Firm oversees and manages its risks through a combination of routine monitoring of policies and procedures, an efficient reporting process, an annual independent audit (by Berg Kaprow Lewis LLP), a Compliance Manual, and the use of an independent outsourced compliance adviser (IQ-EQ Compliance Services Limited).

6.2 Remuneration Objectives

The Firm's financial incentives are designed to attract and retain employees with the appropriate skills, knowledge and expertise to enable the Firm to deliver its long-term strategic goals, widen its client base and expand into similar areas of business as and when the appropriate opportunities arise, in each case in a manner which is consistent with and which promotes effective risk management and does not expose the Firm to excessive risk.

6.3 Remuneration Governance

The Firm has in place a Remuneration Policy which is approved by the Board at least annually.

The Firm does not meet the criteria requiring it to form a Remuneration Committee under SYSC 19G. In view of the nature and size of the Firm, the Board does not believe it is proportionate to have a Remuneration Committee but will periodically monitor the remuneration practices of the Firm to determine if the implementation of such a committee would enhance its practices.

The Board has oversight of the Firm's remuneration policies and refers to its remuneration Terms of Reference and the MIFIDPRU remuneration code. Furthermore, the Firm ensures that the Firm's standards, fairness, compliance objectives, corporate governance and maintaining a sound capital base are not compromised by its remuneration incentives. The Firm has used external consultants to assist in the development of its remuneration policies and practices.

6.3 Material Risk Takers

As the Firm is categorised as a non-SNI MIFIDPRU Investment Firm, staff members whose activities have a material impact on the risk profile of the Firm or of the assets that the Firm manages are categorised as material risk takers (MRTs) under SYSC 19G.5.3R.

The Firm has identified 3 material risk takers, of which 1 is a Senior Manager of the Firm, and 2 are other material risk takers.

6.4 Total Remuneration*

Remuneration	Total for Firm (£)
Total Remuneration	4,941
Of which:	
Fixed Remuneration	676
Variable Remuneration	4,265
Total Number of MRTs	3

* The Firm is exempt from obligations in MIFIDPRU 8.6.8 (4), (5)(a), (5)(b) and (6).

The Firm has paid guaranteed variable remuneration and/or severance payments during the period of this report as set out in the table below:

	Total for Firm	Number of MRTs receiving those awards
Guaranteed Variable Remuneration	0	0
Severance Payments	0	0
Highest severance payment awarded to an MRT	0	0

Appendix 1: COMPOSITION OF REGULATORY OWN FUNDS

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	23,063	Notes 17, 18
2	TIER 1 CAPITAL	23,063	Notes 17, 18
3	COMMON EQUITY TIER 1 CAPITAL	23,063	Notes 17, 18
4	Fully paid up capital instruments	1,204	Note 17
5	Share premium		
6	Retained earnings	21,859	Note 18
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	Notes 17, 18
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	Notes 17, 18
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				
		a	b	c
		Balance sheet as in published/audited financial statements	Under regulatory scope of Consolidation (Unaudited for group entities other than Illiquidx Limited)	Cross-reference to Appendix 1
		As at period end	As at period end	
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements				
1	Fixed Assets	31	94	
2	LT Debtors	21	21	
3	ST Debtors	17,399	20,055	
4	Investments	34,441	36,314	
5	Cash	7,438	7,757	
	Total Assets	59,330	64,241	
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial Statements				
1	ST Creditors	36,268	38,201	
	Total Liabilities	36,268	38,201	
Shareholders' Equity				
1	Called up Share Capital	1,204	0.1	Row 4
2	Profit & Loss Account	21,859	24,856	Row 6
	Total Shareholders' Equity	23,063	24,856	

Own funds: main features of own instruments issued by the firm

Common Ordinary shares
