
MIFIDPRU 8 DISCLOSURE

BANOR CAPITAL LIMITED

REPORTING PERIOD: 01 JANUARY 2023 TO 31 DECEMBER 2023



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INTRODUCTION AND CONTEXT

The Financial Conduct Authority (“FCA” or “regulator”) in the Prudential sourcebook for MiFID Investment Firms in the FCA Handbook (“MIFIDPRU”) sets out the detailed prudential requirements that apply to Banor Capital Limited (“Banor” or the “Firm”). Chapter 8 of MIFIDPRU (“MIFIDPRU 8”) sets out public disclosure rules and guidance with which the Firm must comply, further to those prudential requirements. Banor is classified under MIFIDPRU as a Non-Small and Non-Interconnected MIFIDPRU Investment Firm (“Non-SNI MIFIDPRU Investment Firm” or “Non-SNI”). As such, the Firm is required by MIFIDPRU 8 to disclose information on the following areas:

- Risk management objectives and policies;
- Governance arrangements;
- Own funds;
- Own funds requirements; and
- Remuneration policy and practices.

The purpose of these disclosures is to give stakeholders and market participants an insight into the Firm’s culture and data on the Firm’s own funds and own funds requirements allows potential investors to assess the Firm’s financial strength. This document has been prepared by Banor in accordance with the requirements of MIFIDPRU 8 and has been verified by the Board.

OVERVIEW OF GOVERNANCE ARRANGEMENTS

Banor believes that effective governance arrangements help the Firm achieve its strategic objectives while also ensuring that the risks to the Firm, its stakeholders and the wider market are identified, managed and mitigated. The Board has overall responsibility for Banor and is therefore responsible for defining and overseeing the governance arrangements at the Firm.

In order to meet its responsibilities, the Board meets on a quarterly basis. Amongst other things, the Board approves and oversees implementation of the Firm’s strategic objectives and risk appetite; ensures the integrity of the Firm’s accounting and financial reporting systems, including financial and operational controls and compliance with the regulatory system; assesses the adequacy of policies relating to the provision of services to clients; and provides oversight of the Firm’s senior management.

A key report that is reviewed and signed-off by the Board at least annually is the Senior Management Systems and Controls (“SYSC”) document, as this demonstrates how the Firm has met its governance arrangement requirement. The SYSC document provides the Board with information on the functioning and performance of all aspects of the Firm, including the following areas:

- General organisational requirements, including steps taken by the Firm to ensure continuity and regularity in the performance of its regulated activities;

- Employees, including steps taken by the Firm to ensure that employees have the necessary skills, knowledge and expertise for the discharge of the responsibilities allocated to them, and to ensure that they are fit and proper persons;
- Regulatory framework for meeting compliance and financial crime requirements;
- Internal capital adequacy and risk assessment process;
- Outsourcing of critical or material operating functions or activities;
- Record-keeping controls and arrangements;
- Conflicts of interest management;
- Remuneration policies and practices; and
- Whistleblowing controls.

The Board

The below table provides the number of directorships held by each member of the Board:

Board Member	Position at Banor	Directorships held subject to MIFIDPRU 8.3.2R	
		Executive	Non-Executive
Giacomo Mergoni	Chief Executive (SMF1) Executive Director (SMF3) Compliance Oversight (SMF16) Money Laundering Reporting Officer (SMF17)	7	1
Lorenzo Guidi	Executive Director (SMF3)	1	0
Massimiliano Cagliero	Chair of the Governing Body (SMF9)	4	1
Luca Riboldi	Non-executive Director	1	0
Lorenzo Bombarda	Non-executive Director	4	0

Banor ensures that members of the Board do not hold more directorships than is appropriate taking into account individual circumstances and the nature, scale and complexity of the Firm's activities.

Banor ensures that the Board:

- Has overall responsibility for the Firm;
- Approves and oversees the implementation of the Firm's strategic objectives, risk strategy and internal governance;
- Ensures the integrity of the Firm's accounting and financial reporting systems, including financial and operational controls and compliance with the regulatory system;
- Oversees the process of disclosure and communications;
- Has responsibility for providing effective oversight of senior management;
- Monitors and periodically assesses:
 - The adequacy and the implementation of the Firm's strategic objectives in the provision of investment services and/or activities and ancillary services;
 - The effectiveness of the Firm's governance arrangements;

- The adequacy of the policies relating to the provision of services to clients; and take appropriate steps to address any deficiencies; and
- Has adequate access to information and documents which are needed to oversee and monitor management decision-making.

Banor ensures that the Board defines, approves and oversees:

- The organisation of the Firm, including the skills, knowledge and expertise required by staff as well as the Firm's resources, procedures and arrangements;
- A policy regarding the services, activities and operations offered or provided, in accordance with the risk tolerance of the Firm and the characteristics and needs of the Firm's clients, including carrying out stress testing, where appropriate; and
- A remuneration policy that aims to encourage responsible business conduct, fair treatment of clients as well as avoiding conflicts of interest in the relationships with clients.

Diversity of the Board

As a matter of principle, the Firm is committed to the fair and equal treatment of both its clients and its personnel, and accordingly believes it is important to create and operate an open working environment which personnel feel is inclusive, respectful, and treats all individuals fairly. In part, it is this commitment that drives Banor's approach to promoting diversity not only within the Board but also firm wide.

Banor recognises the benefits of promoting diversity beyond the Board, to foster a healthy workplace culture that is free from discrimination and harassment, and to drive success through the willingness to continually learn and develop our knowledge and understanding from each other. In order to encourage and integrate diversity in the workplace, the Firm places emphasis on embracing a wide range of diversity components, combining both physical aspects and diversity of thought.

In line with Banor's small size and nature, the Firm does not set formalised diversity focused quantitative targets or metrics for the Board, as this is not currently deemed proportionate to the business. This stance will be reviewed annually and upon any changes to the size and structure of the Firm.

Risk Committee

The Firm has established a Risk Committee, although it is not required to do so, in line with MIFIDPRU 7.1.4R. The Risk Committee periodically reviews the risk assessment procedures implemented for the Firm's UCITS funds in order to identify and monitor risks and implement mitigation techniques. The Risk Committee convenes on a quarterly basis and at other times as necessary. The Risk Committee is responsible for the following:

- Overall ownership of the risk framework and the risks identified regarding the Firm's UCITS funds;
- Articulation of risk appetite;
- Review of risk reports;
- Assessment of:
 - The adequacy and effectiveness of measures taken to address any deficiencies in the performance of the risk management process; and
 - The performance of the risk management function.
- Ad hoc reviews of the Firm's risk management systems and risk management function in the event of:

- Material changes to the risk policies or to related procedures and arrangements;
- Internal or external events indicating that additional review is required; and
- Material changes to the investment strategy and objectives of the funds that the Firm manages.
- Overseeing the prompt implementation of any enhancements to the risk framework or risk management function identified during reviews;
- Documenting and reporting of any breaches/failures; and
- Taking appropriate steps to address any deficiencies.

The Risk Officer reports to the Board on a frequent basis regarding the UCITS fund risks, and where relevant, actions that may need to be taken to address those risks. The Board is responsible for the management of risk within the Firm and their individual responsibilities are clearly defined. Senior management report to the Firm's Board on a frequent basis regarding the Firm's risks. Banor has clearly documented policies and procedures, which are designed to minimise risks to the Firm and all staff are required to confirm that they have read and understood them.

RISK MANAGEMENT

This section describes Banor's risk management objectives and policies for the categories of risk addressed by the requirements on the Firm in the following areas:

- Own funds requirements;
- Concentration risks; and
- Liquidity.

Business Strategy

Banor offers a comprehensive range of alternative and traditional investment products and services to a broad range of clients. The Firm offers the following services:

- Wealth management;
- Investment advisory;
- SICAVS and alternative funds; and
- Solutions for institutional clients.

The Firm's strategy is to use a value-based investment approach, based on proprietary research. It aims to achieve superior risk-adjusted returns through rigorous bottom-up fundamental analysis, coupled with top-down screening. Global asset allocation is achieved through funds, equity and credit research. The Firm performs an independent fund selection, understanding investment goals and creating tailored investment strategies.

Banor primarily seeks to grow its revenues by growing its underlying asset base on which it charges a management fee. This is achieved through the prudent growth of its client's assets and through seeking additional asset inflows from prospective customers. Costs are controlled for carefully ensuring long-term profitability. The business seeks to make investments to expand its business and product lines, and to continuously improve its controls environment.

Given the Firm's business model, controls and controls assessment, it is the conclusion of the Firm that its overall potential for harm to consumers or the other market participants is low.

Own Funds Requirement

Banor is required to at all times to maintain own funds that are at least equal to the Firm's own funds requirement. The own funds requirement is the higher of the Firm's:

- Permanent Minimum Capital Requirement ("PMR"): The PMR is the minimum level of own funds required to operate at all times and, based on the MiFID investment services and activities that the Firm currently has permission to undertake, is set at £75,000;
- Fixed Overhead Requirement ("FOR"): The FOR is intended to calculate a minimum amount of capital that the Firm would need available to absorb losses if it has cause to wind-down or exit the market, and is equal to one quarter of the Firm's relevant expenditure; and
- K-Factor Requirement ("KFR"): The KFR is intended to calculate a minimum amount of capital that the Firm would need available for the ongoing operations of its business. The one K-factor that apply to the Firm's business is K-AUM (calculated on the basis of the Firm's AUM).

Banor's own funds requirement is currently set by its FOR, as this is the highest of the three metrics. The potential for harm associated with Banor's business strategy, based on the Firm's own funds requirement, is low. This is due to the relatively consistent growth in the Firm's revenues.

One of the strategies adopted by the Firm to manage the risk of breach of the Firm's own funds requirement is by maintaining a healthy own funds surplus above the own funds requirement. In the event that the own funds drop to an amount equal to 110% of the Firm's own funds threshold requirement, the Firm will immediately notify its Board, as well as the regulator. The Board will consider the necessary steps required to be taken in order to increase the own funds buffer; this may include injecting more own funds into the Firm.

Concentration Risk

The potential for harm associated with Banor's business strategy, based on the Firm's concentration risk, is low. Banor manages a range of funds and managed accounts. Management fee terms are set and prescribed. Investment strategies are flexible and varied, ensuring a high level of diversification. AUM is well diversified among individual clients and funds, ensuring that the Firm is not dependent from one single client/strategy. Banor receives revenues on a quarterly basis. The Firm therefore considers that it has a safe and less-uncertain revenue stream, including during stressed market conditions.

Liquidity

The Firm is required to maintain sufficient liquidity to ensure that there is no significant risk that its liabilities cannot be met as they fall due and to ensure that it has appropriate (liquid) resources in the event of a stress scenario.

The potential for harm associated with Banor's business strategy, based on the Firm's basic liquid assets requirement, is low. As with its own funds requirement, this is due to the relatively consistent growth in the Firm's revenues, and the maintenance a healthy core liquid assets surplus above the basic liquid assets requirement. The Firm retains an amount it considers suitable for providing sufficient liquidity to meet the working capital requirements under various conditions. Banor has always had sufficient liquidity within the business to meet its obligations and there are no perceived threats to this given the cash deposits it holds. The cash position of the Firm is monitored by the CEO on at least a monthly basis.

Risk Management Structure

Banor has established a risk management process in order to ensure that it has effective systems and controls in place to identify, monitor and manage risks arising in the business. The risk management process is overseen by the CEO taking overall responsibility for this process and the fundamental risk appetite of the Firm. The Risk Officer has responsibility for the implementation and enforcement of the Firm's risk principles.

The Board meets on a regular basis and discusses current projections for profitability, cash flow, capital management, business planning and risk management. The Board engage in Banor's risks through a framework of policy and procedures having regard to the relevant laws, standards, principles and rule (including FCA principles and rules) with the aim to operate a defined and transparent risk management framework. These policies and procedures are updated as required.

Annually the Firm formally reviews its risks, controls and other risk mitigation arrangements and assess their effectiveness, the conclusions to which help inform the overall risk appetite of the Firm.

A formal update on operational matters is provided to the Board on a quarterly basis. Management accounts demonstrate continued adequacy of Banor's capital is reviewed on a regular basis.

Appropriate action is taken where risks are identified which fall outside of the Firm's tolerance levels or where the need for remedial action is required in respect of identified weaknesses in Banor's mitigating controls.

OWN FUNDS

Composition of 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	13,059	
2	Tier 1 Capital	13,059	
3	Common Equity Tier 1 Capital	13,059	
4	Fully paid-up capital instruments	265	20
5	Share premium	2,199	
6	Retained earnings	11,461	
7	Accumulated other comprehensive income	0	
8	Other reserves	0	
9	Adjustments to CET1 due to prudential filters	0	
10	Other funds	0	
11	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	865	
12	CET1: Other capital elements, deductions and adjustments	865	11
13	Additional Tier 1 Capital	0	
14	Fully paid up, directly issued capital instruments	0	
15	Share premium	0	
16	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	0	
17	Additional Tier 1: Other capital elements, deductions, and adjustments	0	
18	Tier 2 Capital	0	
19	Fully paid up, directly issued capital instruments	0	
20	Share premium	0	
21	(-) TOTAL DEDUCTIONS FROM TIER 2	0	
22	Tier 2: Other capital elements, deductions, and adjustments	0	

Reconciliation to Audited Financial Information

The table below shows a reconciliation with own funds in the balance sheet where assets and liabilities have been broken down by asset and liabilities classes respectively. The information in the table below reflects the balance sheet in the audited financial statements.

OWN FUNDS: RECONCILIATION OF REGULATORY OWN FUNDS TO BALANCE SHEET IN THE AUDITED FINANCIAL STATEMENTS			
	£'000s	Balance sheet as in published/audited financial statements As at period end	Cross reference to OF1
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements			
1	Property, Plant and Equipment	222	
2	Investment in Subsidiaries	283	12
3	Other Investments	7,563	
4	Intergroup Loan Receivable	582	
6	Receivables	7,293	
7	Cash and Cash Equivalents	2,435	
	Total Assets	18,379	
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements			
1	Payables: Amounts falling due within one year	4,455	
	Total Liabilities	4,455	
Shareholders' Equity			
1	Called Up Share Capital	265	4
2	Share Premium Reserve	2,199	5
3	Profit and Loss Account	11,461	6
4	Total Shareholders' equity	13,924	

Main Features of the Firm's Own Funds Instruments

OWN FUNDS: MAIN FEATURES OF OWN INSTRUMENTS ISSUED BY THE FIRM	
<ul style="list-style-type: none"> • Called up share capital <ul style="list-style-type: none"> ○ Allotted, issued and fully paid of £1 each ○ Ordinary Share Capital originally issued on 24 October 2013 and a subsequent issue on 14 February 2018 	

OWN FUNDS REQUIREMENT

REQUIREMENT	£'000s
Fixed Overhead Requirement	988
Total K-Factor Requirement	252
Sum of K-AUM, K-CMH and K-ASA	252
Sum of K-COH and K-DTF	0
Sum K-NPR, K-CMG, KTCD and K-CON	0

OVERALL FINANCIAL ADEQUACY

Following its analysis and assessment of the risks faced by the firm, its risk to the market and to clients, the Management Committee has concluded that the business is and will remain adequately capitalised across the three-year forecast period – including under stressed conditions. Alongside the Firm’s demonstrated own funds and liquidity adequacy, the conclusion of the ICARA is that the business will be profitable across the forecast period.

REMUNERATION

Overview

Banor is categorised as a MIFPRU investment firm, non-SNI, and as a result subject to both the MIFIDPRU remuneration code – SYSC19G and AIFMD remuneration incentives – SYSC19B of the FCA Handbook. The Firm’s policy takes into account both SYSC19B and SYSC19G, as applicable to the Firm.

The Firm has established remuneration policies and practices that:

- Promote effective risk management in the long-term interests of the Firm and its clients;
- Ensure alignment between risk and individual reward;
- Support positive behaviours and healthy firm culture; and
- Discourage behaviours that can lead to misconduct and poor customer outcomes.

The Firm’s remuneration policies are designed to attract and retain qualified and experienced staff and to ensure that the objectives of these staff are aligned with the objectives of the Firm.

Governance and Decision making

The Remuneration Committee (“RC”) of the Firm, composed by the Firm’s CEO and Chair, is responsible for remuneration decisions.

The scale of the Firm means that personnel who hold control functions are not always independent from the business units that they oversee, however, they have the appropriate authority to take action where necessary and a direct communication line to the Board and Remuneration Committee.

The remuneration of the senior management functions is overseen by the RC, which ensures that the method for calculating the remuneration of the senior management functions is fair and proportionate to the individual's role. This will ensure that objectivity is maintained by the individual performing the role.

The Firm ensures that remuneration packages for control function employees are adequate to ensure that qualified 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.

Those engaged in senior management/certified functions have individually defined objectives aligned with the functions they operate. Consideration is given to performance against objectives when the annual bonus is awarded, thereby achieving independence.

The Firm's remuneration policy is reviewed at least annually and after any material event, by the RC with advice from the Compliance Officer.

Types of remuneration

Banor operates a gender-neutral remuneration policy. Discrimination on the basis of an individual's 'protected characteristics' (as so defined in relevant legislation) both before and after employment is offered is prohibited. The Firm has considered and acknowledges the Equality Act 2010 accordingly.

Remuneration for personnel consists of base compensation (or fixed compensation) and, in some cases, performance-related variable compensation. Base compensation is predominantly based upon the individual's professional experience and organisational responsibility as set out by their job description and terms of employment. In addition, base compensation includes pension contributions and private healthcare. All base compensation is recommended by HR and final approval for compensation levels for all roles is the responsibility of the RC.

In addition to their base compensation, personnel may be eligible to receive variable compensation that reflects performance in excess of that required to fulfil their job description and terms of employment. Variable compensation 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 individual. Typically, other variable performance related compensation can be an annual bonus relating to the performance of their role.

Link between performance and pay

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

The following criteria are considered:

Financial Criteria	Non-Financial Criteria
Firm performance	Individual's performance against objectives
Business unit performance	Adherence to the Firm's risk management and compliance policies
Fund performance	Compliance with regulations
	Adherence to the Firm's values and strategy

	Treating customers fairly
	Quality of service provided to clients
	Achieving targets relating to ESG

Balance between fixed and variable remuneration

The RC reviews remuneration on an annual basis to ensure that each relevant individual is incentivised correctly for the role they perform for the Firm. Furthermore, consideration is given to ensure that the balance between fixed and variable remuneration is proportionate to incentivise individuals given the size, scale and complexity of the Firm’s business activities, and that it does not conflict with the best interests of the Firm’s clients. Fix compensation is predominantly based upon the employee’s professional experience and organisational responsibility as set out by their job description and terms of employment.

Variable pay is determined based on evaluation of financial performance, affordability and individual performance. Capital strength is also taken into consideration and appropriate reserves are maintained to support the business and enable it to meet its regulatory requirements at all times.

Material risk takers (“mrts”)

Banor identifies its MRTs in line with the FCA’s guidelines and maintains the list of them separately.

Quantitative remuneration disclosures

The below table quantifies the remuneration paid to staff in the financial year 1 January 2023 to 31 December 2023.

		Senior Management	Other material risk takers	All employees
Total number of material risk takers (the Policy is applicable)		12		20
Remuneration Awarded	Fixed (£ '000)	£350,000	£650,000	£1,705,000
	Variable (£ '000)	£975,000	£960,000	£2,435,000
	Total (£ '000)	£1,325,000	1,610,000	£4,140,000
Guaranteed variable remuneration	Amount (£)	0	0	0
	# Staff Awarded	0	0	0
Severance payments	Amount (£)	0	0	0
	# Staff Awarded	0	0	0
Highest severance payment awarded to an individual (£)		0		0