MIFIDPRU 8 Disclosures - BancTrust Investment Bank Limited

Financial Year End: 31 December 2023

Classification: External

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1. Introduction

BancTrust Investment Bank Limited ("BancTrust", "BIBL" or the "Firm") trading as "BancTrust & Co Investment Bank" and "BancTrust & Co" is authorised and regulated by the Financial Conduct Authority ("FCA") with reference number 580379 as a non-SNI MIFIDPRU investment firm.

This document sets out the Investment Firm Prudential Regime ("IFPR") disclosures for the Firm in accordance with the FCA Prudential Sourcebook for Investment Firms chapter 8 ("MIFIDPRU 8") as of 31st December 2023, which represents the end of BancTrust's most recent audited financial accounting period.

The disclosure for BancTrust is prepared annually on a solo entity (i.e. individual) basis. We believe the information provided is proportionate to BancTrust's size and organisation, and to the nature, scope and complexity of BancTrust's activities.

The annual audited accounts of BancTrust set out further information which complements the information in this disclosure. The audited accounts are freely available from UK Companies House.

This disclosure has been ratified and approved for disclosure by the Firm's Board of Directors. The disclosures are published on the BIBL website.

2. Risk Management Objectives and Policies

Risk constitutes an unavoidable characteristic of the business of the Firm and a robust risk management framework is considered of high importance, not least because of the regulatory status the Firm holds. The identification and classification of risks begins with the definition of the vision and business objectives, which clearly provide guidance and direction, defining the approach that the Firm adopts to successfully confront and respond to different risks inherent in its operations and functions.

The BIBL Risk Appetite Framework has been developed in collaboration with the Board Risk Committee ("BRC"), the Board, the Chief Executive ("CEO") and the Firm's senior managers to be consistent with the Firm's short and long-term strategy, business and capital plans, risk appetite and compensation policy.

The Board adopts a top-down view from a strategic perspective with a complementary bottom-up assessment to establish risk appetite from a functional standpoint with input provided from subject matter specialists within the business lines. The Risk Department utilises the different inputs to establish formal thresholds within risk appetite.

Quantifying Risk Appetite

The methodology which BIBL uses in setting and measuring its risk position against any risk tolerance or limit is considered appropriate by the Board. Given the size and relative simplicity of the business, the aim is to use measures which are transparent, straightforward to monitor and readily understood by all parties involved. It is important that these measures are capable of being supported by the Firm's technology infrastructure.

BIBL uses established regulatory and industry best practice methodology, where appropriate, as a baseline position before further consideration of Firm-specific factors. Thereafter, the focus is on identifying relevant measures to derive prudent and meaningful limits, which will be reviewed as the business matures as well as linking capital requirements to these operating limits.

Compliance with the credit, market and liquidity risk thresholds is monitored daily and the position for risks reported to the Asset and Liability Committee ("ALCO") and Executive Risk Committee monthly and to each quarterly meeting of the BRC.

Risk Management Structure and Operations

To ensure compliance with all applicable rules, regulations, guidelines and standards with clear lines of responsibility, BancTrust operates under the FCA's Senior Managers and Certification Regime ("SMCR"), which aims to improve individual accountability and awareness of conduct issues across those working in financial services by:

- Encouraging staff to take personal responsibility for their activities and the risks these give rise to;
- Improving behaviours and actions that employees should exhibit at all levels; and
- Making sure staff clearly understand and show their responsibility and accountability if and when an issue occurs.

Risk Assessment

BancTrust is responsible for ensuring that it has the appropriate systems and controls in place to identify, monitor and, where proportionate, reduce all potential material harms that may result from the ongoing operations of the business or from winding down the business and to hold adequate financial resources for the business it undertakes.

In order to fulfil the above, the Firm actively identifies and assesses the risks and potential harms associated with its business strategy, ongoing operations, business changes or external threats. Also, the Firm identifies and assesses the quality of controls in place to mitigate the risks to the Firm and its potential material harms.

The Risk Committee uses various tools to monitor and alleviate these risks such as the Internal Capital and Risk Assessment Process ("ICARA"), Operational Risk Event reporting and Key Risk Indicators ("KRIs"), as well as the various risk reporting components of the risk committees, such as reporting of Top and Emerging risks.

The Firm has adopted a "three lines of defence" model to ensure business and functional departments are accountable for the effective management of risk with independent oversight provided by Risk, Compliance and Internal Audit.

- The first line of defence consists of the business areas and functional departments, which own and manage the risks to the Firm. They are accountable and responsible for identifying, assessing, managing and reporting on the risks arising from their business and functional areas.

- The second line of defence consists of the independent Risk and Compliance functions, which review and challenge first line management of risk, and ensure that risks are managed within appetite.

- The third line of defence consists of Internal Audit, which is responsible for the independent assurance of the internal control framework including all aspects of the first and second lines of defence.

3. Governance

The Board of Directors holds ultimate responsibility for the governance of the Firm. This responsibility includes ensuring the ongoing success and development of BancTrust's business as well as setting the risk appetite for the Firm as part of its Risk Framework.

The Board is also responsible for the legal entity's strategy, long-term objectives and financial performance and ensuring the maintenance of a sound system of internal controls and risk management. The Board meets at least four times per year

The Composition of the Board

BIBL is governed by a Board of Directors. Its members comprise the Chair, Chief Executive Officer, Chief Business Officer, and a minimum of three Independent Non-Executive Directors ("INEDs").
Table 1 shows the composition of the Board and their Directorships as at the financial year end.

Name	Role at BIBL	Number of External Directorships[1]
Andrew William MARTIN	Chair (INED)	None
Carlos Ricardo FUENMAYOR	CEO	None
Dean James TYLER	CBO/Head of Global Markets	1
Daniel Jacobus MARX	INED	1
Jacqueline Cecilia KILGOUR	INED	3
Peter Jeremy WEST	INED	1

The Responsibilities of the Board

Matters reserved for the Board are set out in the Board's Terms of Reference, which are subject to annual review. The Board has delegated the whole of the executive management of the Firm's business to the CEO, with the exception of those matters which are reserved to the Board and any matter which is the subject of a delegation or escalation to a Board Committee. The Board may decide to adapt, amend or extend the matters from time to time or to review or extend the delegation of certain of them to a Board Committee or to a member of the Board as it considers appropriate to facilitate the good and effective governance of the Firm.

Committees

The Firm operated the following Board Committees at the financial year end:

- Board Nominations and Governance Committee ("BNGC")

  The BNGC oversees nominations and appointments of potential Directors to the Board; oversees induction, training and development of Directors; monitors, reviews and recommends human resources and governance policies for approval; advises the Board on corporate governance standards and policies; and makes recommendations to the Board on matters of remuneration of Senior Management and Executive Directors.

  The BNGC comprises at least three members, all of whom are Non-Executive Directors ("NED's") and at least two of whom are independent. The Chair must be an INED.

- Board Audit & Compliance Committee ("BACC")

  The BACC monitors the integrity of the Firm's financial statements, oversees the Firm's compliance risk framework, internal controls (including the internal audit function) and makes recommendations to the Board in relation to the Firm's external auditors.

  The BACC comprises at least three members including at least one member of the BRC. The Chair must be an INED.

[1] For profit organisations only

- Board Risk Committee ("BRC")

  The BRC is responsible for reviewing and reporting to the Board on the Firm's current and future risk appetite, Risk Management Framework, risk culture and conduct risk.

  The BRC comprises at least three members, at least one member being a member of the BACC. All members are INEDs.

All Board Committees meet when the Board meets or as necessary as directed by the respective Committee's Chair.

The Firm operated the following Management Committees at the financial year end:

- Executive Committee ("EXCO")

  EXCO comprises the CEO (Chair) and members of Executive Management. EXCO considers all business, operational and legal/compliance matters.

- Risk Committee

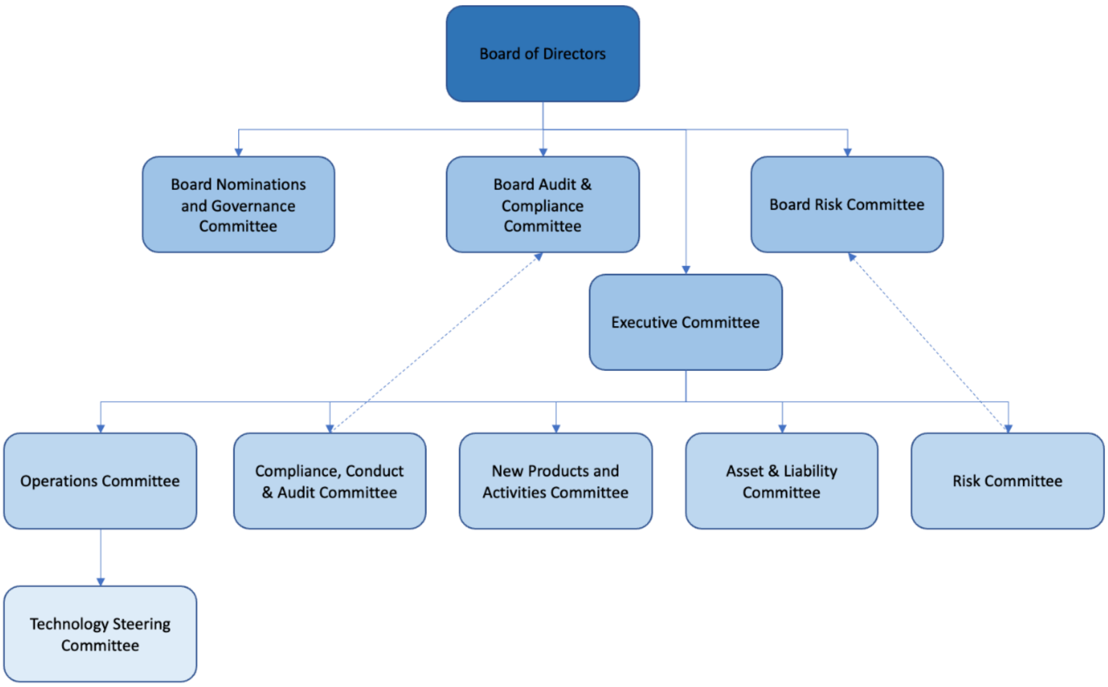
  Risk Committee comprises the CRO (Chair), CEO and selected members of Executive Management. It is convened at least once a month to consider all risk matters.

- Asset & Liability Committee ("ALCO")

  ALCO comprises the CFO/COO (Chair), CRO, Head of Treasury and selected members of Executive Management. ALCO meets at least monthly to consider all liquidity, capital, market and Treasury matters.

All Management Committees meet monthly.

BancTrust's Governance Structure
Chart 1



4. Own Funds

Table 2 shows a breakdown of BancTrust's regulatory Own Funds and confirms there are no regulatory deductions.

Composition of regulatory own funds		
	Item	**Amount (GBP '000)**
1	**OWN FUNDS**	**18,286**
2	**TIER 1 CAPITAL**	**18,286**
3	**COMMON EQUITY TIER 1 CAPITAL**	**18,286**
4	Fully paid-up capital instruments	15,000
5	Share premium	
6	Retained earnings	3,286
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	

5. Own Funds Requirement

Under IFPR, a firm must calculate its Own Funds Requirement in accordance with MIFIDPRU 4.3. BIBL is required to hold own funds in excess of the higher of the following:

- the Firm's Permanent Minimum Capital Requirement ("PMR");
- its Fixed Overheads Requirement ("FOR") under MIFIDPRU 4.5; or
- the sum of K-factor Requirements under MIFIDPRU 4.6 ("KFR")

The PMR for BIBL is £740,000. In accordance with MIFIDPRU 8.5.1R, the table below shows the KFR for the Firm broken down into three categories – Risk to Clients, Risk to Firm and Risk to Market as calculated on 31 December 2023. The FOR is based on the audited financial statements for the year ended 31 December 2023.

Table 3

Requirement	Amount (GBP '000)	Additional comments
Permanent Minimum Capital Requirement	**740**	Transitional provision TP2.15R was applied.
Fixed Overheads Requirement	**4,391**	Based on audited results for the financial year 31st Dec 2023
(K-NPR)	1,359	Based on 31st December 2023 results
(K-DTF)	12	
Total K-factor requirement	**1,371**	

Additionally, through the ICARA process described in section 2, the Firm assesses the adequacy of its own funds in accordance with the overall financial adequacy rule in MIFIDPRU 7.4.7R.

6. Remuneration

Approach to Remuneration

BancTrust's Remuneration Policy addresses how it manages remuneration in line with its business strategy and ensures a consistency of approach within the Firm to attract, retain and reward employees for contributing to BIBL's success, whilst maintaining financial stability and robust and effective risk management.

Governance

The BNGC fulfils the responsibility for decisions regarding remuneration, taking into account the long-term interests of the Firm, its shareholders and other stakeholders.

The BNGC comprises:

Dr. Peter West	INED (Chair)
Daniel Marx	INED
Andrew Martin	INED

Conflicts of Interest

To avoid conflicts of interest, variable compensation for front office employees is not solely linked to sales or volumes. Instead it is determined by taking into account the employee's performance against set objectives, which consider a number of different factors. These include a good standard of compliance, treating customers fairly and the quality of client service. This ensures that an employee does not have an incentive to favour their own interests or that of the Firm to the detriment of a client.

Control Functions

The remuneration of the risk management and compliance functions is overseen by the BNGC together with the Chairs of the BRC and the BACC. The BNGC ensures that the method for calculating the remuneration of the risk and compliance functions does not or will not be likely to compromise their objectivity.

Employees who hold Control Functions are independent from the business units that they oversee, have the appropriate authority to act 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 quality and experienced staff are attracted to and retained by the Firm 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.

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.

Remuneration of Material Risk Takers is reviewed by the BNGC.

Remuneration Framework

Employees' remuneration consists of fixed remuneration (a base salary plus 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.

Fixed Remuneration

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

Base Salary

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

Regular reviews consider the employee's role, scope of responsibilities, skills and experience and salary benchmarks (where available).

Benefits

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

Pension and private health insurance are benefits which are offered to all employees currently.

Variable Remuneration

In addition to fixed remuneration, certain employees may also receive variable remuneration that reflects performance in excess of that required to fulfil their job description and terms of employment.

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

Employee Eligibility for Variable Remuneration

All permanent employees who join the Firm before 1 October annually and have neither resigned nor had their employment terminated by reason of redundancy or dismissal by the expected bonus payment date are eligible to be considered.

Annual Performance Bonus Award

In addition to their base salary, employees may be eligible to receive variable compensation in the form of a bonus that reflects performance in excess of that required to fulfil their job description and terms of employment. Variable compensation is only awarded when it is sustainable to BIBL's overall financial situation and considering any known future events, the performance of the Firm, the business unit and the employee.

Other Elements of Variable Remuneration

The following remuneration arrangements may be awarded in certain very limited circumstances:

Early Termination Payments: BIBL ensures that any payments relating to early termination of a contract reflect the performance achieved over time and do not reward failure or misconduct.

Buy-Out Awards: BIBL ensures that buy-out payments (i.e. payments relating to compensation of a Remuneration Code employee's variable compensation arrangements from a previous employment and which are forfeited on commencing employment with BIBL) are subject to vesting conditions, in-year adjustments and clawback (in the same manner as other variable remuneration offered by BIBL) and that any period of vesting and adjustment or clawback is no shorter than the corresponding period under the forfeited remuneration.

Assessment of Performance

The Firm bases 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 is considered, including effective risk management, compliance with regulations and appropriate conduct in line with the Firm's values. Poor performance in non-financial criteria overrides financial performance.

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

- The Firm's performance; and
- Business unit performance.

The criteria that determine any variable remuneration 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; and
- Quality of service provided to clients.

The Firm bases the assessment of performance on a multi-year framework to ensure that the assessment is based on longer-term performance and that payment of the performance-based variable components is spread over a period considering the business cycle of the Firm and its business risks.

Risk Management

To promote effective risk management and discourage risk-taking that exceeds tolerated levels, the Firm considers the following when awarding variable remuneration:

- Key Risk Indicators, assigned to teams and individuals;
- Performance against risk objectives set; and
- Compliance by employees with 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 is a pre-requisite to the award of any variable remuneration.

Ex-Ante Risk Adjustment

The Firm identifies its key current and future risks, monitors and measures them, 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 may be applied. These ex-ante adjustments would be made at a Firm level, business unit level or functional level.

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 enable further conditions on variable remuneration or a reduction in variable remuneration to be imposed before the end of the stated recovery period.

Quantitative Disclosures

Table 4

		Headcount	Total Remuneration (GBP)
All Employees	Total remuneration	35	7,709,251
	Fixed remuneration	35	4,358,478
	Variable remuneration	28	3,350,773
Senior Managers ("SMFs") & Material Risk Takers ("MRTs")	Total remuneration	18	5,053,452
	Fixed remuneration	18	2,839,478
	Variable remuneration	15	2,213,974
Non-SMFs & Non-MRTs	Total remuneration	17	2,655,799
	Fixed remuneration	17	1,519,000
	Variable remuneration	13	1,136,799

Note: The Company has aggregated the remuneration figures for Senior Managers and Material Risk Takers to prevent the disclosure of information for one or two individuals.

The Company did not make any severance payments or award guaranteed variable remuneration to SMFs or MRTs.

7. Investment Policy

In accordance with MIFIDPRU 8.7.6R a firm is only required to make disclosures regarding its investment policy in the following circumstances:

(1) only in respect of a company whose shares are admitted to trading on a regulated market;

(2) only where the proportion of voting rights that the MIFIDPRU investment firm directly or indirectly holds in that company is greater than 5% of all voting rights attached to the shares issued by the company; and

(3) only in respect of shares in that company to which voting rights are attached.

As BIBL does not have any company holdings that meet these criteria, the Firm is not required to make the disclosures set out under MIFIDPRU 8.7.