Saranac Partners

MIFIDPRU Disclosure

As 31st December 2023

Contents

1. Background

In January 2022 the FCA introduced the Investment Firms Prudential Regime (IFPR), a new regime for UK Firms authorised under the Markets in Financial Instruments Directive (MiFID). The regulation that formalises this regime is called MIFIDPRU.

This report has been prepared by Saranac Partners Limited (the 'Company' or the 'Firm') in order to fulfil the regulatory disclosure requirements set out by the Financial Conduct Authority ('FCA') in the Prudential sourcebook for MiFID Investment Firms ('MIFIDPRU') Chapter 8.

Saranac Partners Limited is a non-SNI Firm. The Firm maintains an ICARA that is updated at least annually and demonstrates that the Firm holds adequate capital resources and liquidity to be able to meet its prudential requirements.

2. Scope and Frequency of Disclosures

Saranac Partners Limited has been classified as a non-SNI MIFIDPRU investment Firm, and is subject to the full IFPR requirements

These disclosures will be updated on an annual basis following the publication of financial statements. Additional disclosures will be made if there is a material change, for example, in the event of a major change to the business model.

3. Risk Management Objectives and Policies

Saranac Partners conducts its business within the parameters set by the Firm's Risk Appetite Statement which is approved by The Board. The Firm is committed to effective risk management both structurally, through the establishment of the Risk Management Framework and culturally by setting the right tone to enable appropriate risk decisions in day to day activities of the Firm and its staff. The Saranac Partners Code of Conduct provides guidance on expected behaviour and lays out the standards of conduct that support our values.

The objectives of the Risk Management Framework are to:

- Identify significant risks to which Saranac is exposed in executing its strategy
- Formulate the Risk Appetite Statement with the Board
- Ensure the business growth plans are properly supported by an effective risk infrastructure
- Manage the risk profile of the business under normal and adverse business scenarios
- Create an effective risk culture within the business which is risk aware and risk responsive

The risk management framework includes a Risk Appetite Statement that is reviewed and updated on a regular basis by the Board and in doing so it takes into consideration:

- the Firm's overall business strategy;
- the appropriateness of the size, nature and complexity of transactions entered into by the Firm;
- the quality of internal procedures;
- the sophistication of the Firm's monitoring capabilities, systems and processes;
- the Firm's past experiences and performance.

The Board of Saranac Partners takes ultimate responsibility for the risks undertaken by the business. The responsibilities of the Board in relation to risk management are to:

- set and review the risk appetite statement;
- oversee Consumer Duty and the treating customer fairly ('TCF') obligations of the Firm;
- approve the key risk indicators;
- review and approve the allocation of responsibilities across the Senior Managers in accordance with the principles of SMCR;
- review and challenge the system of internal control and risk management;
- review and establish the regulatory capital requirements, including the ICARA;
- review all internal audit recommendations and compliance monitoring results;
- review all external audit recommendations and plans for remediation.

As part of the ICARA process, the Firm completes a harm assessment to review potential harms to clients, the market and the Firm.

4. Disclosure on Material Risks

The Board of Directors has implemented a robust risk management framework to ensure appropriate mitigation, management and monitoring of risks. The Firm maintains a Risk Register of the risks it faces in its day-to-day operations which takes into account risks from within the Firm and external sources. This is reviewed regularly by the management team and the Risk and Compliance Committee which meets monthly. The Audit and Oversight Committee reviews the Firm's risk heat map on a quarterly basis.

The Firm maintains a strong compliance and risk management culture and has implemented the three lines of defence model. The company maintains a comprehensive set of policies and procedures to ensure that risks are minimised. The Risk and Compliance Committee monitors Key Performance Indicators relating to the principal risks identified monthly. The Board of Directors receives regular updates on the risks faced by the Firm.

The principal risks are considered to be the following:

Commercial Risk

Commercial risk is the risk that the Firm is unable to meet its financial plan in terms of revenue growth, cost management and capital requirements. This includes the systematic risk involved in operating in the financial sector and arises from both external and internal sources. External sources include potential changes in the economic environment and indirect exposure to financial markets including stock market and exchange rate movements. These factors may lead to a fall in client assets or lower than expected growth of the business. Changes in regulation may also have an impact on the Firm. Internal sources include sub-optimal allocation of resources or strategic decision making resulting in poor performance of the business or materially slower growth than expected. Scenario analysis relating to different commercial risks is an important part of the Board and Operating Committee's business and capital planning.

Operational Risk

Operational risk is the risk of direct or indirect impacts resulting from human factors, inadequate or failed internal processes and systems or external events. Robust policies and procedures are implemented to minimise the operating risk faced by the Firm. The Firm also holds a comprehensive insurance policy that covers a wide range of potential operational risks.

Conduct Risk

Conduct risk is the risk that detriment is caused to our customers, clients, stakeholders, Saranac Partners or its employees because of the inappropriate execution of our business activities. Saranac Partners promotes a strong culture of transparency and integrity. There is a robust training and competency framework which is closely monitored.

Reputational Risk

Reputation risk is the risk of damage to the Saranac Partners brand arising from any association, action, or inaction which is perceived by stakeholders to be inappropriate or unethical. Reputation risk is regularly assessed as part of the Firm's risk management framework.

Credit Risk

Credit risk is the risk of suffering financial loss should any of its customers, clients or market counterparties fail to fulfil their contractual obligations to the Firm. The Firm does not extend credit to clients and regularly monitors the banks with which it holds deposits.

Funding Risk

Funding risk is the risk that the Firm is unable to maintain appropriate capital or liquidity levels, which could lead to i) an inability to support business activity; ii) a failure to meet regulatory requirements; or iii) insufficient resources to meet its financial obligations. The Firm closely monitors its funding position to ensure it always meets regulatory requirements.

Market Risk

The Firm does not hold investments or trade on its own account. The Firm collects some fees in Euros and US dollars but does not maintain significant balances in foreign currencies and therefore has some limited exposure to movements in exchange rates. This is not considered to be a material risk.

5. Diversity

The Firm has a Diversity and Inclusion (D&I) policy which sets out our approach. The board receives updates on our initiatives in this area and progress against targets.

The Firm is committed to having a company and Board made up of individuals that have a variety of qualities, skills, backgrounds and experience to ensure that we have a breath of thinking and are able to challenge perspectives.

6. Own Funds

The below is a composition of regulatory own funds as at 31 December 2023.

	Item	£ '000	Cross reference
1	**Own funds**	**4,364**	
2	**Tier 1 capital**	**3,531**	
3	**Common equity tier 1 capital**	**3,531**	
4	Fully paid up capital instruments	66,793	E
5	Share premium	17,800	C
6	Retained Earnings	-78,980	
7	Accumulated and other comprehensive income	0	
8	Other reserves (SBP Reserve)	891	G
9	Adjustments to CET 1 due to prudential filters	0	
10	Other funds		
11	Total deductions from common equity Tier 1	-2,973	A + B
19	CET1: Other capital elements, deductions and adjustments		
20	Additional Tier 1 capital	0	
21	Fully paid up, directly issued capital instruments	0	
22	Share premium	0	
23	Total deductions from additional Tier 1	0	
24	Additional Tier 1: Other capital elements, deductions and adjustments	0	
25	**Tier 2 capital**	**835**	
26	Fully paid up, directly issued capital instruments	2	F
27	Share premium	833	D
28	Total deductions from Tier 2		
29	Tier 2: Other capital elements, deductions and adjustments		

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

Assets				
		Balance sheet in audited financial statements (Dec 2023)	Under regulatory scope of consolidation	Cross reference to template OF1
1	Trade & other receivables	3,812		

2	Cash at bank/ in hand		1,443		
3	Deposits		895		
4	PPE and right of use assets		1,056		
5	Intangible Assets		141		A
6	Investments:		3,427		
	Unlisted investments	361			
	Subsidiary: Significant holdings	2,832			B
	Subsidiary: Other	233			
	Total Assets		**10,775**		

The split of Subsidiary Investments between 'Significant holdings' and 'Other' is not disclosed in the accounts but the breakdown is shown in the table above.

Liabilities				
		Balance sheet as in audited financial statements (Dec 2023)	Under regulatory scope of consolidation	Cross reference to template OF1
1	Trade and other payables	2,287		
2	Loans and overdrafts	22		
3	Lease Liabilities	1,126		
	Total Liabilities	**3,436**		

Equity				
		Balance sheet as in audited financial statements (Dec 2023)	Under regulatory scope of consolidation	Cross reference to template OF1
1	Share Capital	66,795		E + F
2	Share Premium	18,633		C + D
3	Retained Earnings	-78,980		
4	SBP Reserve	891		G
	Total Shareholders' Equity	**7,339**		

7. Own Funds Requirement

Under IFPR the Firm is required to carry out an internal capital and risk assessment (ICARA) process on an annual basis. This includes an assessment of the Firm's business activities, the risks posed by those activities and the potential harm the Firm could have towards its clients and the wider financial markets. The ICARA includes an assessment of the Firm's own funds threshold requirement and liquid assets threshold requirement. The ICARA also incorporates stress testing the Firm's own funds and liquidity and wind-down scenario planning. The ICARA is undertaken on a proportionate basis, considering the Firm's size, and the nature and complexity of its activities.

The Firm must always maintain own funds at least equal to its own funds requirement. Saranac Partners is classified as a non-SNI Firm. The Firm is required to disclose the K-factor requirement and the fixed overheads requirement amounts in relation to its compliance with the own funds requirements set out in MIFIDPRU 4.3, based on the audited financial statements for the year ended 31 December 2023

Own Funds Requirement (December 2023)	£k
Permanent Minimum Capital	75
Fixed Overhead Requirement	3,394
K-factor Requirement	346
Internal Assessment	0
Total Own Funds Requirement	**3,394**

8. Remuneration disclosure

As a MIFIDPRU investment Firm, we must establish, implement and maintain gender neutral remuneration policies and practices that are appropriate and proportionate to the nature, scale and complexity of the risks inherent in the business model and the activities of the Firm. Our remuneration policy and practices are gender neutral and do not discriminate employees on the basis of gender or other characteristics.

The Remuneration Code affects all those members of staff who have a material impact on the Firm's risk profile, including a person who performs a significant influence function, senior managers and material risk takers. These are defined as 'MIFIDPRU Code Staff'.

The Firm's remuneration policy is established and reviewed by the Remuneration Committee annually and designed to ensure that compensation arrangements:

- Are consistent with and promote sound and effective risk management;
- Do not encourage excessive risk taking;
- Include measures to avoid conflicts of interest; and
- Are in line with the Firm's business strategy, objectives, values and long-term interests

Employee compensation is made up of base salary, discretionary bonuses and equity awards. Discretionary bonus and equity awards are agreed within the Remuneration Committee independently made based on both individual performance and the performance of the Firm. The Firm also ensures that Directors and Staff remuneration does not affect the Firm's ability to meet its capital and liquidity requirements.

The Firm has identified 4 Material Risk Takers (MRTs) who are members of the Operating Committee and the Head of Risk and Compliance. The MRTs received fixed remuneration of £1,296k and variable remuneration of £81k in the year to 31 December 2023.