INTERACTIVE BROKERS (U.K.) LIMITED

FCA REGISTRATION NUMBER 208159
COMPANY NUMBER 03958476

MIFIDPRU Disclosures

2023

Contents

1. Introduction

1.1. Background

As a UK investment firm undertaking activities within the scope of the UK Markets in Financial Instruments Directive ("MIFID"), Interactive Brokers (U.K.) Limited ("IBUK" or "the Firm") is subject to the prudential requirements of the Investment Firms Prudential Regime ("IFPR") contained in the Financial Conduct Authority's ("FCA") MIFIDPRU Prudential sourcebook ("MIFIDPRU"). This disclosure statement has been prepared in order to fulfil the regulatory disclosure requirements in accordance with Chapter 8 of the MIFIDPRU Prudential sourcebook for MiFID Investment Firms.

IBUK prepares these MIFIDPRU disclosures on an individual, non-consolidated, basis. The Firm is classified under MIFIDPRU as a non-small and non-interconnected investment firm ("non-SNI firm"). As such and due to the size of the Firm's balance sheet, MIFIDPRU 8 requires a firm to disclose information in relation to the following areas:

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

The disclosure regime is intended to increase confidence in the financial markets by requiring the disclosure of information to key stakeholders and counterparties.

1.2. Frequency and Scope of Disclosures

The disclosures made in this document are in respect of IBUK and are for the 52 week financial reporting period ending 31st December 2023.

IBUK publishes its MIFIDPRU disclosures at least annually in conjunction with the date of publication of the financial statements. The disclosures are published on IBUK's website (www.interactivebrokers.co.uk on the page 'forms and disclosures'). Given the scale, complexity and range of its activities, IBUK's Board has concluded that publishing the disclosures annually is sufficient.

These disclosures have been prepared solely for the purpose of fulfilling the Firm's MIFIDPRU disclosure requirements and are not used by management for any other purpose. They have not been audited nor constitute any form of audited financial statement.

1.3. Firm Overview

Interactive Brokers (U.K.) Limited

IBUK operates both as a broker, executing and clearing orders for its clients, and as a broker-dealer for certain financial products. Clients include affiliated companies. The Firm does not take proprietary positions for its account, except on a matched principal basis to support its brokerage business with clients. Principal positions resulting from facilitating client business are offset with counterparties. The Firm does not provide research (except to pass on third party research), dispense advice or execute discretionary orders. The Firm does not engage in investment banking, underwriting or asset securitisations.

IBUK maintains a highly liquid balance sheet and has established procedures for measuring funding requirements and monitoring its capital. IBUK has historically been profitable and maintains significant excess regulatory capital. The Firm relies on its own capital for regulatory and liquidity needs. However, as a subsidiary under the overall control of Interactive Brokers Group, Inc. IBUK has access to additional liquidity and capital from its indirect parent, IBG LLC. The majority of the Firm's assets represent collateralised receivables from clearing houses for the settlement of securities and derivative transactions and receivables from banks and counterparties.

IBUK carries direct clients and holds client money and safe custody assets, which it protects in accordance with the FCA's CASS regulations.

Interactive Brokers Group Inc. Structure: Legal and Operational

IBUK is part of a global group of financial services companies that are under the common control of the Interactive Brokers Group, Inc. (''IBG, Inc.''). IBG, Inc is an automated global electronic broker. It provides custody and service accounts for hedge and mutual funds, exchange-traded funds (''ETFs''), registered investment advisors, proprietary trading groups, introducing brokers and individual investors. It specialises in routing orders while striving to achieve best executions and processing trades in stocks, options, futures, foreign exchange instruments (''forex''), bonds, mutual funds, ETFs, metals and cryptocurrencies on more than 150 electronic exchanges and market centres in 34 countries and 27 currencies seamlessly around the world. In the United States of America, IBG, Inc conducts business primarily from the headquarters in Greenwich, Connecticut and from Chicago, Illinois.

Outside the U.S., IBG, Inc. conducts business through regulated entities located in Canada, the United Kingdom, Ireland, Switzerland, Hungary, India, China (Hong Kong and Shanghai), Japan, Singapore and Australia.

IBG, Inc. is a holding company whose primary asset is the ownership of approximately 25.4%[1] of the membership interests of IBG LLC, the current holding company for the businesses within the Interactive Brokers group. IBG, Inc. is the sole managing member of IBG LLC. At 31st December 2023 total equity was $ 14.1 billion, with minimal long term debt.

IBG, Inc. is listed on the U.S. NASDAQ exchange under the ticker symbol IBKR.

Since the launching of the electronic brokerage business in 1993, IBG, Inc has grown to approximately[2] 2.56 million institutional and individual brokerage customers with $ 426 billion of customer equity. The daily average number of trades generating commission was 1.94 million. IBG, Inc provides customers with what is believed to be one of the most effective and efficient electronic brokerage platforms in the industry.

Customers are provided with high-speed trade execution at low commission rates, in large part because of IBG, Inc's proprietary technology. As a result of the advanced electronic brokerage platform, it attracts sophisticated and active investors.

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[1] At 31st December 2023.

[2] All values in this paragraph are as at 31st December 2022, the reference date of these disclosures.

2. Risk Management Objectives and Policies

2.1. Overall Risk Strategy, Statement and Appetite

IBUK's strategy is to grow its customer base and generate profit while operating in an ethical, transparent manner, remain in full compliance with legal and regulatory requirements and deliver good outcomes to all customers. The Firm's strategy is one of organic growth with no excessive risk-taking activities. Furthermore, while there is potential for harms to arise, the nature of the business model is conservative with the activities limiting the harms primarily to impacting the Firm itself, rather than its clients and wider markets.

Effective risk management is critical to ensure that IBUK meets its business goals and objectives while managing its risk profile to within acceptable levels.

IBUK's risk strategy is to ensure that the business strategy of the Firm can be delivered in a safe and controlled manner, by reference to clear statements of risk appetite, consistent with IBUK's capital and liquidity plans, and ensuring appropriate safeguarding of client assets.

IBUK embraces taking risks as a part of the way that the Firm works and thinks, but only where they:

1. Keep the Firm safe and secure.
    - IBUK maintains capital and liquidity levels that ensure that the Firm is safe and secure, including in an adverse stressed scenario, and meets regulatory requirements.
    - IBUK does not undertake activities that puts its clients or the Firm in danger.
    - IBUK applies a disciplined approach to risk management and governance.

2. Positively contribute towards the achievement of IBUK's strategic plans.
    - IBUK seeks the most appropriate risk options to achieve its target financial goals.
    - IBUK continually strives to earn and maintain the confidence of its stakeholders (including regulators).

3. Are comprehensively understood and effectively controlled.
    - IBUK has clear ownership and accountability for material risks.
    - IBUK understands its risk appetite and regularly monitor and manage risks within appetite.
    - IBUK has processes in place for the escalation of risk appetite breaches.

4. Avoid activities that are inconsistent with its values, code of conduct, and policies.
    - IBUK's people behave in a way that is consistent with the target risk culture.

5. Do not compromise IBUK's ability to delivery good outcomes to all its customers.

IBUK's risk strategy requires risk owners to manage risk exposures within the defined, and Board approved, Risk Appetite Framework ("RAF").

The RAF forms the basis for the levels of financial and non-financial risk the IBUK business is permitted to take in pursuit of its objectives. The RAF is formally owned by the IBUK Board and is approved at least annually. The RAF informs and drives all aspects of the Enterprise Risk Management Framework ("ERMF") and is a key driver in formalising the material risks to be considered in the ICARA. Equally the output of the Internal Capital Adequacy and Risk Assessment ("ICARA") will be used to inform the annual review of risk appetite.

The RAF is designed to integrate all components of the ERMF, including linking to the stress testing component of the ICARA, informing capital projections and supporting effective risk and capital management.

The RAF comprises a series of qualitative statements, each of which is aligned to a material risk type and articulates the level of risk the Firm is willing to take, and a set of quantitative metrics, also aligned to each risk type, that are designed to measure risk exposures relative to agreed risk appetite limits.

Alerts are configured to notify the Enterprise Risk Management ("ERM") group of risk exposures that are approaching breach thresholds. ERM reports alerts to management and risk owners and is also required to report breaches to the Executive and Board Risk Committee members as soon as they are identified and assessed.

To ensure that IBUK's business strategy is delivered in a safe and controlled manner, harms and harm events are assessed. IBUK considers the harm that risk events may cause to the Firm in terms of economic, legal, regulatory, or reputational damage, whilst also considering the potential harm to clients, counterparties, and the broader financial markets. This harms assessment includes reviewing the mitigants (eg controls and processes) and conducting comprehensive stress testing using multiple approaches to ensure sufficient Own Funds are held to address residual harms.

2.2. Risk Management Framework

The Firm's approach to Risk Management is governed by its ERMF. The primary purpose of the ERMF is to support the Firm in achieving its strategic objectives in a controlled manner. This framework provides the basis for the Firm to execute its strategy, to proactively manage its risk profile, and to determine the appropriate levels of capital and liquid assets.

The ERMF provides the structure through which the Firm manages risk on a day-to-day basis. The ERMF is structured around four key components:

- Governance – the foundation of the framework, including all policies and the RAF.
- Execution – the tools and methodologies utilised to identify and assess risks.
- Independent Challenge – the credible and independent challenge of risk management in the first line.
- Information – data, analytics and reports used to provide risk information to IBUK leadership for effective risk management.

A core component of the risk strategy is the effective execution of the ERMF. The ERMF outlines IBUK's overarching approach to risk management and describes the structures, practices and policies employed to identify, monitor, report on and manage the risks to which IBUK is exposed and consequently the harm that may arise to clients, counterparties and the market in general. It also outlines how the key components of the ERMF are interlinked and guides the decision making and the business planning processes.

The ERMF governs the way IBUK identifies and manages its risks and harms. IBUK engages in activities which entail risk taking in its business activities on a day-to-day basis. It is exposed to Capital, Credit, Liquidity, and limited Market Risk in its financial management. Across its business, the Firm is exposed to Operational, Technology, and Cyber Security Risk arising from the highly automated nature of its business model and significant reliance on technology. Compliance, Financial Crime and Conduct risks also arise from the Firm's interaction with its clients, the markets which it operates within, and all relevant legal and regulatory obligations to which it is bound. Strategic risk is considered and assessed at the Executive and Board Risk Committees.

The ERMF is underpinned by a suite of risk policies that govern the approach to managing the key risks to which the Firm is exposed, including Capital, Credit and Liquidity Risk.

Risks, mitigation strategies, risk appetite metrics and events are reported to the Enterprise Risk Committee and the Executive Management Committee at least monthly, with further escalation to the Board Risk Committee and the IBUK Board at least quarterly. Each of these committees reviews and approves the ERMF, the Risk Appetite Framework (including all statements, metrics, and thresholds), Risk Policies, and the Risk Taxonomy/ Risk Register which is the profile of risks that IBUK is exposed to, including an assessment of levels of inherent and residual risk, control effectiveness, and potential harms to the Firm, its clients, and markets.

Both the Firm's risk strategy and ERMF focus on identifying, assessing, monitoring, and reporting on the risks inherent to IBUK's business activities and harms to others, and remediating these to acceptable levels. Given that the Firm operates in a dynamic environment, the risk strategy attempts to be proactive, focusing on current, expected future, and emerging risks. The Firm is continuously developing systems and processes to identify and assess the risks to which it is exposed. This leads to a risk appetite which is the basis for the controls that are established to both manage the Firm's risk and oversee the effectiveness of the Firm's controls.

2.3. Three Lines of Defence

The Firm's risk governance is based on the three lines of defence model:

- The first line business areas own and manage risks and related controls and are overseen by the second line Enterprise Risk Management and Compliance functions.
- The second line is structurally independent of the first line, providing risk oversight, and independent challenge.
- The third line is Internal Audit, and it is empowered by the Board to audit the design and effectiveness of internal controls, including the risk management system.

2.4. Key Risks

IBUK maintains a taxonomy of risks and harms to which the Firm may be exposed to through its principal business activities. Each of these risk types are expanded to a series of underlying risks to allow a detailed and comprehensive assessment of potential harms, and the effectiveness of existing remedial strategies, processes and controls.

	Risk	**Description**
1	Capital	The risk of the company not having enough funds to cover unexpected losses and regulatory requirements to execute its strategy, generate future financial returns, cover unexpected losses, or meet financial regulatory ratios.
2	Credit (incl. Concentration Risk)	The risk of loss of principal or interest arising from a client or counterparty failing to meet a payment or repayment obligations in line with an agreed contractual obligation.
3	Liquidity	The risk that IBUK's financial condition is negatively impacted by an inability to meet its obligations when they come due or at an unsustainable cost.

	Risk	Description
4	Market	The risk of losses in on- and off-balance sheet positions arising from adverse movements in market prices, rates, indices, volatilities, correlations, and other market factors.
5	Cyber	The risk of financial loss, operational disruption, or reputational damage and/or regulatory fines resulting from loss of data confidentiality, integrity, or availability due to data breaches, software and/or site security breaches, and operational security violations.
6	Technology	The risk of financial loss, operational disruption and/or reputational damage due to a technology failure caused by service outages or incidents, performance or functionality issues, or IT project overruns.
7	Operational	The risk of loss resulting from inadequate or failed internal processes, people, and systems, or from external events
8	Compliance	The risk that IBUK does not comply with its regulatory obligations (those which are not covered under Conduct Risk)
9	Conduct	The risk that IBUK poses to its customers and other market participants from its direct interaction with them.
10	Financial Crime	The risk that IBUK is used to facilitate illicit financial activities which may lead to regulatory action, reputational damage, or potential financial losses.
11	Strategy	Risk to successfully achieving the Firm's objectives and strategic goals.

Own Funds Requirements

The Firm maintains or allocates appropriate levels of capital so that it meets its regulatory obligations and has sufficient loss absorption capacity for unforeseen events and residual harms, including under stressed conditions.

The Firm considers its own funds requirements under both Normative and Economic Stresses and ensures it has a conservative own funds buffer above its own funds threshold requirement per the Firm's Board approved Risk Appetite. Both the buffer and the suite of stress tests under the Normative and Economic perspective are reviewed for appropriateness on at least an annual basis, with ongoing assessments being carried out by the Executive and Board Risk Committees. The own funds buffer in place is conservative and is comfortably in excess of regulatory own funds requirements and addresses residual harm events.

Overall, the Firm's appetite for capital risk in pursuit of its strategic objectives is low. The Firm will not undertake any strategic initiative that would cause its own fund levels to fall below desired levels. The Firm's intent is to always maintain a conservative buffer above the regulatory minimum.

Concentration Risk

Concentration risk is governed and managed under the Firm's Credit Risk Framework. The overall objectives of the framework are to manage its Credit Risk in line with the overall risk appetite and conservative business strategy.

The Firm differentiates its concentration risk between:

- Client Concentration – potential concentration risk arising from (i) single or connected clients having significant exposures with the Firm; (ii) single or multiple clients having significant exposures to specific positions or market segments; and,
- Non-Client Counterparty Concentration – potential concentration risk arising from the placement of assets with third parties, credit institutions and clearing/custodial institutions.

The risk management objectives in relation to client concentration revolve around minimising concentration risk through sophisticated and automated conservative margining methodologies. The Firm also has specific client concentration appetites and limits in place to ensure compliance with MIFIDPRU requirements.

The Firm performs ongoing stressed analysis of potential concentrations its clients may have to specific positions/instruments, markets, or market segments.

In relation to non-client counterparty concentration, the objectives are to only place assets with:

- Approved systemically significant counterparties; or,
- Intragroup affiliates.

There is a counterparty assessment process in place and specific limits around the placement of segregated assets with any specific counterparty. Client segregated assets are monitored daily with the funds moved as required to ensure that the limits remain within appetite and to minimise potential harms to clients.

Liquidity Risk

Liquidity risk is actively managed to ensure:

- The Firm can meet cash flow obligations when they fall due in both business as usual (BAU) and stressed circumstances;
- Compliance with regulatory requirements;
- There is sufficient unencumbered liquidity, liquid assets and committed credit lines to sustain liquidity stress scenarios or unexpected funding needs; and,
- Minimisation of harms to the Firm, clients and wider markets.

Liquidity risk is managed on an ongoing basis through a review of the liquidity requirements on a BAU and stressed basis. The Firm has a specific appetite of unencumbered liquidity exceeding stressed liquidity requirements for set time periods. The stressed liquidity requirement assumptions are reviewed and approved on at least an annual basis by the IB Group EMEA Treasurer and the IBUK Board and Executive Risk Committees.

IBUK has access to multiple internally defined tiers of unencumbered liquidity specifically:

- Tier 1: Cash on hand.
- Tier 2: Unused margin stocks.
- Tier 3: Committed credit lines.

Tier 1 liquidity matches the definition of liquid assets as per the MIFIDPRU regulations. Tier 1, Tier 2 and Tier 3 match the definition of unencumbered liquidity as per the Firm's Risk Appetite Statement (RAS).

3. Governance Arrangements

3.1. Governance Structure and Role

The role of the Board of Directors of IBUK (the "Board") is to oversee the stewardship, accountability and leadership of the Firm and so ensure that it meets the requirements of SYSC 4.3A1R. On 31st December 2023 the Board consisted of three executive directors and two non-executive directors.

The Board has overall responsibility for the Firm. Specifically it has the following responsibilities and engages in the following activities:

- Overseeing strategic planning with the Firm;
- Monitoring its implementation;
- Approving the entering into, or withdrawing from, lines of business or activities;
- Monitoring all significant policies and procedures under which the Firm operates;
- Identifying the risks of the Firm and mitigating those risks (the ICARA process):
- Forms and assigns responsibilities to committees;
- Appoints and discharges senior managers of the Firm;
- Monitors operational and financial results;
- Approve any material report which is produced by or in respect of the Firm;
- Accountable for the company's adherence to the Consumer Duty and for integrating the Consumer Duty into the Firm's strategy and culture;
- Recommends for shareholder approval any modifications to the Firm's structure; and
- Approves the annual report.

IBUK is committed to adhering to the standards set out in the FCA's Consumer Duty requirements. This means (but is not limited to) that IBUK operates a consumer-centric approach, including good client support, ensuring that IBUK's products and services are designed to provide fair value, offering clear and transparent information, and aligning with clients' needs and expectations.

The following Board committees advise the Board:

- Nomination Committee, which assesses the performance and membership of the Board;
- Remuneration Committee, which is responsible for the framework of remuneration for IBUK's executives; and
- Risk Committee ("BRC"), which assists the Board and other committees that oversee specific risk-related issues and serves as a resource for management by overseeing risk across IBUK. The BRC oversees all material aspects of the Firm's Risk Management Framework and Enterprise Risk function, including the strategies, policies, procedures, processes, and systems established by management to identify, assess, measure, monitor and manage the major risks facing the Firm. The BRC's role includes a focus on the qualitative and quantitative aspects of internal and external risk measurement and on IBUK's processes for the management of risk.

3.2. Directorships

Subject to the permitted exclusions noted immediately below, no IBUK directors held any external directorships.

MIFIDPRU states that the following directorships are out of scope for this disclosure:

- Executive and non-executive directorships held in organisations which do not pursue predominantly commercial objectives; and
- Executive and non-executive directorships held within the same group or within an undertaking (including a non-financial sector entity) in which the firm holds a qualifying holding.

3.3. Summary of Diversity Policy

The Firm is committed to promoting equality, diversity and inclusion across all levels. The Firm recognises that our staff come from a variety of diverse backgrounds, with different experiences and perspectives and we promote a diverse and inclusive workforce which fosters a workplace where all staff can thrive and succeed.

The Firm promotes equal opportunities through HR and recruitment process as well as provides opportunities through a variety of training and development programmes that enable equal opportunity for career development for all staff. As well as mandatory training modules for all staff, we encourage participation in any available modules or programmes, as well as external training, to support career goals.

We ensure that the management body is fit and proper in order to be effective at decision-making and to provide successful oversight and leadership.

4. Own Funds

This disclosure has been made in accordance with MIFIDPRU 8.4 using the MIFIDPRU 8 Annex 1R template as required. The information contained within this section is as of 31st December 2023.

The Firm does not have Additional Tier 1 or Tier 2 Capital.

Composition of regulatory own funds			
Item		**Amount (£'000s)**	**Source based on reference numbers/ letters of the balance sheet in the audited financial statements**
1	**OWN FUNDS**	**169,048**	
2	**TIER 1 CAPITAL**	**169,048**	
3	**COMMON EQUITY TIER 1 CAPITAL**	**169,048**	
4	Fully paid up capital instruments	79	19
5	Share premium	14,221	
6	Retained earnings	153,992	
7	Accumulated other comprehensive income		
8	Other reserves	756	
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**		
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**		
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) **Balance sheet as in published/ audited financial statements** **As at 31st December 2023 (£'000s)**	**(c)** **Cross-reference to template OF1**
Assets – Breakdown by Asset Classes According to the Balance Sheet in the Audited Financial Statements			
1	Non-Current Assets	8,449	
2	Debtors	307,496	
3	Current Tax Assets	289	
4	Cash and Cash Equivalents	105,043	
	Total Assets	**421,277**	
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements			
1	Trade and Other Payables	244.145	
2	Lease Liabilities	628	
3	Non-Current Liabilities	7,456	
	Total Liabilities	**252,229**	

Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements			
		(a) **Balance sheet as in published/ audited financial statements** **As at 31st December 2023 (£'000s)**	**(c)** **Cross-reference to template OF1**
Shareholders' Equity			
1	Called up share capital	79	Row 4
2	Capital contribution	14,221	Row 5
3	Profit and loss account	153,992	Row 6
4	Other reserves	756	Row 8
	Total Shareholders' Equity	**169,048**	Row 3

Own funds: main features of own instruments issued by the Firm
Share capital consists of 700 'A' ordinary shares of £1 each and 125,000 'B' ordinary shares of €1 each, totalling £79,332.

5. Own Fund Requirements

5.1. Own Funds Requirements

This disclosure has been made in accordance with MIFIDPRU 8.5 using the K-Factor groupings set out therein. The information contained within this section is as of 31st December 2023.

Requirement at 31st December 2023	**£'000**
K-Factor Requirements:	
K-AUM + K-CMH + K-ASA	3,044
K-COH + K-DTF	1,128
K-NPR + K-CMG + K-TCD + K-CON	15,703
Total K-Factor Requirements	**19,875**
Fixed Overhead Requirement	14,187

5.2. Adequacy of Own Funds Assessment

MIFIDPRU 7.4.7R states that the Overall Financial Adequacy Rule ("OFAR") requires that 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:

- 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
- The firm's business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

The K-Factors and the Fixed Overhead Requirement form the basis of assessing the amount of own funds required to sustain ongoing operations and support an orderly wind down respectively.

As part of the ICARA process, the Firm assesses whether additional own funds are required to cover any risks or harms that are insufficiently covered by the K-factors and/ or Fixed Overhead Requirement. Through this process the Firm assesses:

- Identification and monitoring of risks or harms;
- Details of any financial and non-financial mitigations implemented;
- Forecast future own funds and liquidity needs on an ongoing basis and in a wind-down scenario;
- Determine appropriate and credible recovery actions to prevent breaching a threshold requirement;
- Undertake detailed wind-down planning, and
- Assess the adequacy of the Firm's own funds and liquidity requirements.

The Firm utilises quantitative tools such as stress testing and scenario analysis for this purpose.

The own funds threshold requirement is calculated as the sum of these two assessments and represents the amount of own funds needed to hold at any given time to comply with the OFAR.

The ICARA process results are formally approved by the IBUK Board at least annually, with more frequent reviews if there is a fundamental change to the business or the operating environment.

6. Remuneration Policies and Practices

6.1. Qualitative Disclosures

Overview

As a non-SNI Firm and due to the size of its balance sheet, the Firm is subject to the full requirements of the MIFIDPRU Remuneration Code (as set out in Chapter 19G of the Senior management arrangements, Systems and Controls sourcebook in the FCA Handbook ("SYSC 19G")).

The objectives of the Firm's remuneration policies and practices are to:

- Incentivise staff to act in a way that is consistent with, and promotes, the Firm's overall long-term interests in terms of growth and profitability to the ultimate benefit of its shareholders, clients and the wider market;
- Encourage a responsible risk culture by appropriately aligning risk management practices with remuneration practices;
- Support the delivery of good outcomes for clients;
- Assist the Firm to maintain a sound capital base;
- Allow the Firm to attract, develop, motivate and retain high-performing individuals in a competitive market;
- Ensure that the Firm is treating all employees in a fair and non-discriminatory manner; and
- Comply with all relevant legal and regulatory requirements.

Governance

The Firm's Board is responsible for adopting and maintaining the Firm's remuneration policy and overseeing its implementation to ensure that it is operating fully as intended. It is also responsible for approving any material changes to the remuneration policy.

The Firm's Remuneration Committee, whose members are non-executive members of the Board, is tasked with reviewing the Firm's remuneration policy and recommending it to the Firm's Board for approval. The Remuneration Committee also oversees the operation of the remuneration policy. It is also responsible for reviewing the framework for the remuneration and conditions of employment of the members of the Board and of material risk takers. It monitors the level and structure of the remuneration of all senior managers, ensuring that it aligns to the requirements of SYSC 19G. The Committee aims to ensure that remuneration is adequate to retain and attract executives and directors of sufficient quality to meet the business objectives of IBUK.

The Firm's Remuneration Committee has worked in partnership with various functions within the Firm including Legal, Compliance, Risk and Human Resources, to develop the Firm's remuneration policies and practices.

Material Risk Takers

A staff member will be considered a "Material Risk Taker" if their professional activities have or may have a material impact on the Firm's risk profile. The Firm uses the criteria set out in SYSC 19G to assess which staff members are Material Risk Takers. The assessment is conducted at least annually and is initially carried out by Chief Executive Officer and supported by Human Resources and Legal, who sought input from other individuals and departments as appropriate, for example the Chief Compliance Officer. The Remuneration Committee reviews and approves the methodology and results of the initial assessment.

Those identified as Material Risk Takers include:

- Members of the Firm's Board;
- Those with managerial responsibility for a client-facing or client-dealing business units of the Firm;
- Those with managerial responsibilities for the activities of a control function;
- Those with managerial responsibilities for the prevention of money laundering and terrorist financing;
- Those that are responsible for managing a material risk within the Firm; and
- Those that are responsible for managing information technology, information security, and/or outsourcing arrangements of critical or important functions.

Characteristics of the Firm's remuneration policy and practices

Remuneration at the Firm is made up of both fixed and variable components. The Firm seeks to achieve a fair balance between the fixed and variable elements of remuneration.

Except where stated (ie in relation to Material Risk Takers), the characteristics of the Firm's remuneration policy and practices apply to all staff members.

Fixed remuneration

Fixed remuneration is paid in cash and is permanent, predetermined, non-discretionary and non-revocable.

Fixed remuneration for a particular staff member includes some or all of the following components:

- Basic fixed salary;
- Pension contribution; and
- Private health insurance.

The Firm sets fixed remuneration at a level which ensures that it can recruit and retain staff with the qualifications, competencies and experience appropriate for the relevant role.

Fixed remuneration is primarily intended to reflect each staff member's relevant professional experience and organisational responsibility. The amount of fixed remuneration paid is intended to ensure that the Firm can operate a fully flexible approach when determining the appropriate level of variable remuneration, including the possibility to pay no variable remuneration.

Variable remuneration

Variable remuneration is, except in exceptional cases[3], performance based and designed to incentivise each staff member to perform their functions in a way that furthers the Firm's business within the parameters of the Firm's risk tolerance. Specifically, it is designed to reward each staff member for performing their role in a way that is consistent with the Firm's long term best interests and to discourage them from performing their role inconsistently with these interests.

The Firm only awards variable remuneration where to do so would be:

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[3] Such as retention payments, severance payments or buying out long term awards of new employees relating to their prior employment.

- Sustainable according to the Firm's financial situation and does not limit the Firm's ability to maintain its sound capital base in the longer term; and,
- In relation to performance related variable remuneration, justified on the basis of the performance of the staff member, the staff member's business unit, the Firm and the Group.

In determining the level of performance based variable remuneration to be awarded to a staff member, the Firm takes account of the performance of the staff member, the individual's business unit, the Firm and the Group. When assessing the performance of the staff member, the Firm takes account of both financial and non-financial criteria where relevant. Such criteria may include whether the staff member has taken on any additional duties over and above those set out in their job description as well as the staff member's compliance with applicable internal and external rules, timeliness, teamwork, motivation, cooperation, innovation, and leadership.

The Firm does not operate a specific incentive model in any part of its business. The performance of a business unit is assessed by senior management in accordance with the business unit's objectives. The Board assesses the Firm and the Group's performance in consultation with management, and this will primarily depend on the extent to which the unit has fulfilled their business objectives in any given year in accordance with their risk tolerance levels.

The level of performance related variable remuneration to be paid to a staff member is determined annually and may vary from year to year. The award of variable remuneration in one year does not give staff members any right to be awarded variable remuneration in any subsequent periods or indicate the amount of any such award.

Variable remuneration is awarded to staff in cash and/or shares in the Group (administered through a stock investment plan). The variable remuneration in shares is partly deferred and vests in equal tranches over a five year period. The proportion of the variable remuneration paid in cash and/or shares depends upon the particular circumstances, such as the staff member's total compensation.

Any variable remuneration awarded is subject to malus and clawback for a period of five years. Malus is an arrangement that permits the Firm to reduce the value of deferred variable remuneration before it has been paid or vested. Clawback is an arrangement under which a staff member must return ownership of an amount of variable remuneration which has already been paid or vested. The Firm can apply malus and/or clawback in circumstances where it considers that to do so would be appropriate to ensure consistency, fairness and robustness are promoted in the application of ex-post risk adjustments. Such circumstances may include:

- Where the Firm's financial performance becomes subdued or negative;
- Where the Firm becomes aware that the relevant staff member either participated in or was responsible for conduct which resulted in significant losses to the Firm; or
- If the Firm becomes aware that the relevant staff member failed to meet appropriate standards of fitness and propriety.

Consistent with the Firm's objectives for its remuneration policy and practices and to comply with the requirements of SYSC 19G, the Firm imposes additional conditions upon the variable remuneration of Material Risk Takers, specifically:

- At least 50% is awarded through the Group's stock investment plan; and,
- At least 40% (or 60% where the award exceeds £500,000) is deferred over a five-year period (with 20% vesting in each year).

The Firm does not use the exemption for individual material risk takers set out in SYSC 19G.5.9R.

6.2. Quantitative Remuneration Information

The following quantitative information for the year ending at the reference date of this document is disclosed as required by MIFIDPRU 8.6.

Remuneration Overview – All Staff

For all staff, total fixed remuneration awarded for the year ending at the reference date of this document was £11,912k. Total variable remuneration awarded (though not necessarily vesting) for all staff for the same period was £4,390k.

Remuneration Overview – Material Risk Takers

As permitted by MIFIDPRU 8.6.8R(7), in the table below IBUK has aggregated the data for senior managers and other material risk takers as providing the information for these two categories separately would lead to the disclosure of information about one or two people.

	Senior Management & Other Material Risk Takers (£'000s)
No. of Beneficiaries	8
Current Year	
Total Fixed Remuneration[1]	**3,458**
Total Variable Remuneration	
Cash[2]	708
Shares (non-deferred)	144
Shares (deferred)	574
S/Total Variable Remuneration	**1,425**
Deferred Remuneration from Prior Years	
Vesting in current year	629
Vesting in future years	1,797

Notes:

1. Fixed remuneration consists of salary, pension contributions, and dividend equivalent payments.
2. Cash variable remuneration is non-deferred.

There were no guaranteed variable remuneration awards made during the current financial year.

There were no severance payments awarded in previous periods, which were paid out during the current financial year.

There were no severance payments awarded during the current financial year.

7. Investment Policy

In accordance with MIFIDPRU 8.7.6R, disclosures regarding its investment policy are only required:

- In respect of a company whose shares are admitted to trading on a regulated market;
- 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
- Only in respect of shares in that company to which voting rights are attached.

As described in Section 1.3, IBUK only provides and facilitates self-directed investment services. Consequently, it does not hold shares itself either directly or indirectly that meet the above criteria and as such this disclosure requirement is deemed to be not applicable to IBUK.