Atlantic Equities LLP

MIFIDPRU 8 Disclosure - 30 September 2022

I. BACKGROUND

Atlantic Equities LLP (the "Atlantic" or the "Firm") is a limited liability partnership which was formed in the United Kingdom on May 19, 2003. Atlantic commenced business shortly thereafter. Atlantic's registered address is 1st Floor, 52 Grosvenor Gardens, Belgravia, London SW1W, United Kingdom and its principal place of business is 25 Copthall Avenue, London EC2R 7BP, United Kingdom. Atlantic was authorised by the Financial Services Authority in the United Kingdom ("FSA") between October 9, 2003 and March 31, 2013 when the Financial Conduct Authority ("FCA") became Atlantic's regulator and Atlantic has been authorised by the FCA since April 1, 2013. Atlantic has been registered as an investment adviser with the SEC since July 19, 2005.

The Firm provides investment advice to institutional clients by means of written research reports in relation, principally, to US and Canadian equity securities. It acts as an agency broker for institutional clients in US and Canadian equity securities. It also hosts roadshows enabling its clients to meet with Executives from US corporates. The Firm does not deal with retail clients or in derivatives, nor holds client assets. The Firm's business strategy is to grow organically by increasing its client base. The Firm's Management Committee has determined the Firm's potential for material harm associated with this business strategy to the Firm, its clients and the markets in which it operates, mitigated by the controls in place, to be low in accordance with its risk appetite.

II. DISCLOSURE OBLIGATION

The Firm is approved by the FCA as a MiFID investment firm and is subject to disclosure requirements under the UK Investment Firm Prudential Regime ("IFPR") contained in MIFIDPRU 8. From 1 January 2022, pursuant to the IFPR the Firm is classified, as a Non-small and non-interconnected investment ("Non-SNI") firm. As a Non-SNI, the Firm is required to publicly disclose information relating to governance arrangements; risk management objectives and policies; own funds; own funds requirements and remuneration policy and practices. The disclosures are not audited, are calculated as at 30 September and are disclosed annually as soon as practical after the publication of the Firm's Annual Report and Accounts.

III. GOVERNANCE ARRANGEMENTS

a. Overview

The Firm's Management Committee has responsibility for oversight of the business and operations of the Firm. This comprises the establishment and periodic assessment of the implementation of the Firm's business and risk strategies, appropriate policies for the provision of services to clients, monitoring compliance with the FCA's rules relating to capital adequacy and liquidity, and the maintenance of high standards of corporate governance, including segregation of duties and management of conflicts of interest. In the event that any deficiencies are identified the Management Committee is responsible for taking appropriate steps to remedy the position. The Management Committee is the "responsible body" under the Internal Capital and Risk Assessment (ICARA) process and will perform a regular review, at least once per annum, of the adequacy of the Firm's ICARA process in particular the underlying key assumptions. Meetings of the Management Committee are held monthly.

b. External Directorships

As at 30 September 2022 two members of the Firm's Management Committee, Mr Christopher Middleton and Mr Markus McNally, each held two external directorships. These external appointments have been approved by the Compliance Office as not representing a conflict of interest to the Firm's activities.

c. Promotion of Diversity

The Firm has diversity and inclusion at the top of its agenda to attract, train and retain the best employees; attain long-term and sustainable results; and contribute to a better future for everyone and this forms part of the Firm's recruitment and internal selection process. The policy applies to all staff including the composition of the Management Committee. Given the small size of the organisation and of the Management Committee, requiring sufficient knowledge and experience of the Firm at a senior level, the Firm acknowledges that its diversity objectives may not always be immediately achieved.

IV. RISK MANAGEMENT OBJECTIVES AND POLICIES

Implicit in its normal business activities, the Firm is exposed to a variety of risks that could harm its clients, its business and potentially the market. The Management Committee has considered the potential for harm associated with the Firm's business strategy regarding its: 1) Own Fund Requirements, 2) Liquidity Risk and 3) Concentration Risk and provides a summary below of the strategies and processes to manage these risks.

a. Risk Management Function

The Management Committee is chaired by the Firm's Chief Operating Officer and is responsible for analysing all risks to which the Firm may be exposed to ensure such risks are mitigated in accordance with the low risk appetite of the Firm. The Management Committee is responsible for ensuring appropriate action is taken on a timely basis in case of any issue arising.

The Firm maintains a risk register that sets out all identified potential and actual risks to which the business is exposed, and the mitigants in place which is regularly reviewed by the Firm's Management Committee. The ICARA process forms one of the methods through which Management Committee manages the risks within the business, in particular the deployment of risk mitigation techniques to address potential and actual material harms identified to the Firm's clients, the markets in which the Firm operates and to the Firm.

b. Own Funds Risk

This is the risk of harm to the Firm's clients and the market in which the Firm operates arising from inadequate regulatory capital either due to lack of available capital or as a result of losses arising that cannot be covered by the Firm's professional indemnity arrangements.

The Firm's capital (own funds) and financial position is closely monitored by the Management Committee.

The firm's main business risk relates to a possible fall in revenues due to loss of clients. This exposure is mitigated, to a certain extent, by having a large client base across multiple countries and sectors. Concentration risk to clients is further described below.

Operational risk arises as result of inadequate or failed internal processes, people and systems or from external events. This risk includes regulatory, legal and compliance risk. The Management Committee reviews all areas of the business on a regular basis to ensure operational risks have been identified, recorded in the firm's register of risks and effective controls put in place to mitigate the risks identified so the net probability of each risk is low.

The firm takes all sources of risk extremely seriously and has embedded within its business processes, at all levels, robust and effective risk management processes that are subject to regular appraisal. These appraisals are supported and enhanced by compliance through its independent and risk orientated monitoring procedures combined with regular reporting to senior management. Professional indemnity insurance arrangements are reviewed no less that annually.

c. Liquidity Risk

This is the risk that the Firm does not have sufficient resources available to allow it to meet its obligations when they are due or can only secure them at an excessive cost.

Cash management arrangements involve the maintenance, at all times, of immediately available cash to fund expenses, and, where relevant, and in accordance with permissible regulatory requirements, capital and income distributions. The Management Committee determines an internal liquidity risk tolerance and the Firm's Finance function ("Finance") monitors the Firm's liquidity position continuously, reporting to the Firm's Management Committee monthly. Short term cash flow needs to cover the next month's anticipated expenditure for example are considered. Where a short term liquidity deficiency is identified, Finance will discuss with the Management Committee the options available such as postponing discretionary bonus payments.

Cash flow forecasts are produced on a monthly basis and refreshed during the month as appropriate. Stress testing on the availability of liquidity is performed annually to identify sources of potential strain; ensure that the internal liquidity risk tolerance limit remains appropriate; and analyse possible future stresses on its cash flows, liquidity position, profitability and, ultimately solvency.

The main factors that affect the Firm's ability to generate funds are the Firm's ownership, profitability, both current and projected, and retention of key individuals. Identified sources of funding available to the Firm to ensure that it continues to fulfil its liabilities as they fall due in times of liquidity crisis are: maintenance of significant callable funds with the Firm's bank account(s); and/or existing or potential partners by way of either capital subscription or loans.

d. Concentration Risk

For the Firm this risk relates to potential exposure to certain clients and the Firm's cash deposits with its bankers, Coutts & Co. The Firm manages its concentration exposure to clients through regular monitoring of client revenues.

The Firm's cash is placed with a single, UK, highly rated regulated bank. In the Firm's assessment, the relevant bank has sufficient liquidity held aside for these exposures and monitors its credit rating.

V. OVERALL FINANCIAL ADEQUACY RULE

This section describes how the Firm fulfils the overall financial adequacy rule requiring the Firm to hold own funds and liquid assets which are adequate, both as to their amount and 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 its business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

MIFIDPRU specifies the minimum level of Own Funds, the Own Funds Threshold Requirement and the minimum and quality of liquid assets, Liquid Asset Threshold Requirement that must be met by the Firm at all times to absorb losses and ensure an orderly wind down.

The Firm meets these requirements through regular monitoring of these thresholds.

a. The ICARA Process

Central to a firm's risk management framework under the regulatory regime is the Internal Capital Adequacy Risk Assessment ("ICARA"), which is not only integral to how the Firm manages risk but is also central to how the FCA manages the risk of the firm that it supervises.

As part of the ICARA process the Firm's Management Committee oversees and assesses:

- the Firm's processes, strategies and systems;
- the major sources of risks faced by the Firm that may impact its ability to meet its obligations;
- the results of internal stress testing of these risks; and
- the amounts and types of financial resources and internal capital, including own funds and liquidity resources, and whether these are adequate both as to amount and quality to ensure that there is no significant risk that its liabilities cannot be met as they fall due.

The outcome of the ICARA is formally approved by the Management Committee at least annually, with more frequent reviews if there is a fundamental change to the business or the operating environment.

b. Firm Own Funds and Liquidity

The Firm's Own Funds consist of common equity tier 1 capital comprising limited liability partnership capital contributed by the Firm's members. The capital can be substituted by other members or only be reduced and returned to members upon the granting of a waiver by the FCA. Losses made by the Firm and any amounts withdrawn by partners exceeding the Firms profits are to be deducted from own funds as they arise.

As at 30 September 2022 this is the Firm's Overall Own Funds and Liquidity position:

Level of Own Fund held	**Own Funds Threshold**	**Excess Held**
£1,845,283	£1,030,768	£814,515

Core liquid assets	**Liquid Assets Threshold**	**Excess Held**
£1,622,474	£814,530	£807,944

c. Own Funds Requirement

The Firm's Own Funds Requirement under MIFIDPRU is described below. The amounts provided are as at 30 September 2022:

Requirement	**£'000**
Highest of:	
(A) Permanent Minimum Capital	75
(B) Fixed Overhead Requirement ("FOR")	1,030
(C) K factors Requirement	75
(D) Own Fund Requirements (Maximum A, B or C)	1,030

(E) Additional Own Funds Requirement	0
Own Funds Threshold Requirement	**1,030**
Own Funds	1,845
Own Funds Surplus	**815**

There is one K factor requirement relevant to the Firm and its activities:

- K-COH captures the potential risk to clients of an investment firm which executes orders (in the name of the client, and not in the name of the investment firm itself), for example as part of execution only services to clients or when an investment firm is part of a chain for client orders. It is 0.1% multiplied by the average clients' orders handled (COH) attributable to cash (i.e. not derivative) trades.

The K factor figures are presented below in accordance with MIFIDPRU:

K Factor	**Value (£'000)**
K-COH	**75**
Total K factor assessment	**75**

The Firm has determined that additional Own Funds are needed to cover the costs of wind down where the Own Funds Requirement does not fully address this risk.

The Firm has also assessed following further stress tests (considering the occurrence of some extreme events) that additional capital is not required to be held over and above this figure.

d. Own Funds and Own Funds Requirements: Prescribed Disclosure

Under MIFIDPRU, the Firm is required to disclose:

1. a reconciliation of common equity tier 1 items and the applicable filters and deductions applied in order to calculate the Firm's Own Funds – Appendix 1 Table 1;
2. a reconciliation of 1 (above) with the capital in the balance sheet in the audited financial statements of the firm – see Appendix 1 Table 2; and
3. a description of the main features of the common equity tier 1 instruments, additional tier 1 instruments and tier 2 instruments issued by the firm – see Appendix 1 Table 3.

The data is at the financial year ending 31 March 2022.

VI. REMUNERATION POLICY AND PRACTICES

a. Objective

The objective of the Firm's approach to remuneration is to incentivise staff to act in the best interests of its clients over the long term, whilst promoting, sound and effective risk management that does not encourage risk-taking inconsistent with the Firm's risk profile.

b. The Remuneration Codes

The Firm is subject to the MIFID Remuneration Code (the "MIFIDPRU Code") which applies to the Firm's entire business from the first performance year after 1 January 2022.

The aim of the MIFIDPRU Code is to ensure that the Firm has remuneration policies which promote and are consistent with effective risk management, and do not expose the Firm to excessive risk. Remuneration as defined by the MIFIDPRU Code includes all forms of fixed remuneration and variable remuneration but excludes amounts awarded as a return on capital. The Firm is required to apply whichever of the Codes is the most stringent.

c. Remuneration Policy

The Firm has established a Remuneration Policy which addresses potential conflicts of interest arising from remuneration arrangements by taking into account the controls in place to guard against the Firm's staff being rewarded for taking inappropriate levels of risk. The Firm is satisfied that the policies in place are appropriate to its size, internal organization and the nature, scope and complexity of its activities and its group structure whilst fulfilling its regulatory requirements.

The Firm's Remuneration Policy does not discriminate on the basis of protected characteristics of an individual, including gender, age, race, religion and operates in accordance with the Equality Act 2010.

d. The Decision-Making Process

The Firm's Remuneration Committee ("RemCo"), a sub-committee of Atlantic's Management Committee, is tasked with the responsibility of determining individual remuneration awards in accordance with the terms of applicable remuneration arrangements.

RemCo consists of the Chief Executive Officer ("CEO"), the Chief Operating Officer ("COO") and two independent, external members, Mark Childs of Gallagher Benefit Services, as Chairman, and Valerie Lowe, a partner of Meteora Partners LLP ("Meteora"). Total Rewards Solutions is an organisation experienced in defining reward principles and goals and translating them into objective measures aligned with business, human resources and market reward strategies.

The RemCo meets towards the end of the financial year on a number of occasions or as required and issues an annual report to the Management Committee.

Types of Remuneration

The Firm operates as a single business unit and therefore remuneration will reflect, at least in part, the overall profitability or otherwise of the Firm. Partners receive their remuneration in the form of non-guaranteed profit share, the components of which are fixed drawings, quarterly bonuses and an annual discretionary bonus. . Similarly, employees are paid a fixed salary, quarterly bonuses and an annual discretionary bonus, . Although the individual awards are determined by the RemCo, the Management Committee determines the appropriate amount to award in the aggregate subject to available profits and meeting the Firm's regulatory requirements..

e. Link between Pay and Performance

Fixed remuneration is based on the seniority, expertise, experience and qualifications of the relevant staff member and a prudent assessment of the Firm's anticipated profitability and its liquidity requirements.

Variable remuneration (Discretionary Income Profits or discretionary bonus) is based upon the individual's contribution and performance taking into account both financial and non-financial considerations. Depending upon the role, such considerations include the quality of the service provided to clients and compliance with regulatory obligations. This assessment is undertaken at least once per annum.

f. Material Risk Takers

Material risk takers includes senior management and persons who control the Firm and/or who could affect its risk profile.

Quantitative data in this and following sections is provided for the Firm's prior financial year, being the 12 months to 31 March 2022. As at this financial year end date there were 19 material risk takers identified by the Firm.

g. Guaranteed Variable Remuneration and Severance Payments

Bonus guarantees, buyouts and retention bonuses are only made on an exceptional basis. Guarantees for bonuses may only be offered in respect of the first year of service. No disclosurable guaranteed variable remuneration or severance payments were paid to senior management or risk takers for the financial year ending 31 March 2022.

h. Performance Adjustment of Variable Remuneration

Participation in or being responsible for conduct, whether with intent or through severe negligence, which results in significant losses to the Firm and/or failure to meet appropriate standards of fitness and proprietary, including, but not limited to, cases of fraud is subject to malus and clawback provisions. In practice, as variable remuneration is paid out shortly after the award is made, clawback is more relevant than malus. A three year clawback period has been set.

i. Aggregate Staff Remuneration

The aggregate remuneration of the Firm for the financial year ending 31 March 2022 is as follows:

	Senior Management	Other Material Risk Takers	Other Staff	Total
Fixed remuneration:	1,763,987	0	1,417,655	3,181,642
Variable remuneration:	5,969,668	0	1,641,795	7,611,462
Total remuneration:	**7,733,654**	0	**3,059,450**	**10,793,104**

Appendix 1:

Table 1: 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**	1,883	
2	**TIER 1 CAPITAL**	1,883	
3	**COMMON EQUITY TIER 1 CAPITAL**	1,883	
4	Fully paid up capital instruments (Limited Liability Partnership Capital	1,883	Members' capital classified as equity
5	Share premium	N/A	
6	Retained earnings	0	
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	N/A	
19	CET1: Other capital elements, deductions and adjustments	N/A	
20	**ADDITIONAL TIER 1 CAPITAL**		
21	Fully paid up, directly issued capital instruments	N/A	
22	Share premium	N/A	
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	N/A	
24	Additional Tier 1: Other capital elements, deductions and adjustments	N/A	
25	**TIER 2 CAPITAL**	N/A	
26	Fully paid up, directly issued capital instruments	N/A	
27	Share premium	N/A	
28	(-) TOTAL DEDUCTIONS FROM TIER 2	N/A	
29	Tier 2: Other capital elements, deductions and adjustments	N/A	

Table 2 - Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements
An application for a Group Capital Exemption has been submitted to the FCA at the date of preparation of this disclosure consequently Columns a and b will be the same.

		a	b	c
		Balance sheet as in published/audited financial statements	**Under regulatory scope of consolidation**	**Cross-reference to template OF1**
		As at period end (GBP)	**As at period end**	
Assets - *Breakdown by asset classes according to the balance sheet in the audited financial statements*				
1	Intangible Assets	52,629	N/A	
2	Tangible Assets	169,179	N/A	
3	Debtors	2,626,246	N/A	
4	Cash at bank and in hand	3,560,255	N/A	
	Total Assets	**6,408,309**		
Liabilities - *Breakdown by liability classes according to the balance sheet in the audited financial statements*				
1	Current creditors	1,743,854	N/A	
2	Non-Current creditors	56,242	N/A	
3	Provisions for liabilities	20,716	N/A	
4				
	Total Liabilities	**1,820,812**		
Shareholders' Equity				
1	Members capital classified as equity	1,882,831	N/A	Item 4
2	Loans and debts due to members	1,800,073	N/A	
3	Other reserves classified as equity	824,593	N/A	
	Total Shareholders' equity	**4,507,497**		

Table 3 - Own funds: main features of own instruments issued by the firm
Own funds comprise limited liability partnership capital as described above. No instruments have been issued by the Firm.