

NOVUM

Regulated by the FCA – Licence No. 456804

MIFIDPRU 8 DISCLOSURES REPORT 2022

July 2023

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1. Introduction

As a MIFIDPRU Investment Firm, Novum Securities Limited (the 'Company', 'Firm' or 'Novum', 'NSL') is obliged to publicly disclose qualitative and quantitative information that are appropriate to its size and internal organisation, and to the nature, scope and complexity of its activities.

The provisions for public disclosure are set out in MIFIDPRU 8 and this document has been produced in order to meet the disclosure obligations of Novum. The disclosures are produced annually and are available on the Company's website www.novumsecurities.com.

1.1. Business Overview

The Company was incorporated in the United Kingdom as a private liability company with registration number 05879560 and it is authorised by the Financial Conduct Authority ('FCA') with licence number FRN 456804 to offer the following regulated activities:

- a) Advising on P2P (peer-to-peer) agreements
- b) Arranging (bringing about) deals in investments
- c) Advising on investments
- d) Arranging safeguarding and administration of assets
- e) Making arrangements with a view to transactions in investments
- f) Dealing in investments as agent
- g) Dealing in investments as principal
- h) Managing investments

Further to the above, the Company is allowed to offer the above services for the following instruments for professional clients and eligible counterparties:

- a) Certificates representing certain security
- b) Commodity Future
- c) Commodity option and option on commodity future
- d) Contract for Differences (excluding a spread debt and a rolling spot forex contract and a binary bet)
- e) Debenture
- f) Future (excluding a commodity future and a rolling spot forex contract)
- g) Government and public security
- h) Option (excluding a commodity option and an option on a commodity future)
- i) Rights to or interests in investments (Contractually Based Investments)
- j) Rights to or interests in investments (Security)
- k) Rolling spot forex contract
- l) Share
- m) Spread Bet
- n) Unit
- o) Warrant

Client type:

- a) Professional
- b) Eligible counterparty

The Firm is not permitted to hold client money and assets throughout the course of its business operations.

1.2. Business Model

Novum believes that the small cap market has traditionally been poorly and inconsistently serviced. Therefore, there is an opportunity to become the best of breed broker in this field, this will be achieved

predominantly by hiring and retaining the highest calibre staff in the sector. The transition from being a market making business to a purely client facing business was completed with the establishment of the Corporate Finance business.

At this stage the Company favours a strategy of organic growth by hiring and retaining the right calibre of staff, there are no plans to pursue a strategy of growth by acquisition.

Based on the past records, Novum staff turnover is very low. Novum recognizes the importance of maintaining adequate and suitably experienced workforce to carry out its objectives.

The main activities of the Company are:

Corporate Broking

This department advises and arranges funding for small cap listed companies. The companies will typically be listed on one of AIM, The Standard List of the LSE or the Aquis Exchange. The department has an average of 25 retained clients at any one time. The investing client base is comprised of Investment Firms, Small hedge funds and Novum's own professional investor client base. All placings are governed by legally binding Placing Agreements which greatly reduces the risk profile of this business.

Client Trading

The firm offers an execution only trading service to individuals and corporate investors who qualify as Opted Up Professional Clients under FCA rules. This is a highly selective client base focused on quality rather than quantity. Most of these clients will be shown and participate in the fundraising deals arranged by Corporate Broking.

Corporate Finance

This department offers advice to companies that are listed or seeking to list on the Main Market of the LSE (Standard Segment) or the AQSE Growth Market, as well as advice on the Takeover Code and general corporate finance services to listed and quoted companies.

The revenue for this business comprises of retainers and transaction specific work giving it a similar profile to that of Corporate Broking as all transactional business and revenue is greater when markets are liquid.

1.3. Classification

As per the provisions of MIFIDPRU, all UK Investment Firms are classified either as Small and Non-Interconnected ('SNI') and Non-Small and Non-Interconnected ('Non-SNI') FCA investment Firms.

To qualify as an SNI, an FCA investment firm:

- must not carry out activities that have the greatest potential to cause harm to its customers or to the markets in which it operates, and
- must not carry out any activities on such a scale that would cause significant harm to customers or to the markets in which it operates

Further to the above, the table below shows the quantitative thresholds that have been set by the FCA in order to be considered as an SNI:

Table 1: SNI Thresholds

No.	Metric	Thresholds
1.	Assets Under Management	< £1.2 billion
2.	Client orders handled – cash trades	< £100 million per day
3.	Client orders handled – derivative trades	< £1 billion per day
4.	Assets safeguarded and administered	zero
5.	Client money held	zero
6.	Permission to Deal on own Account	No
7.	On- and off-balance sheet total	< £100 million
8.	Total annual gross revenue from investment services and activities	< £30 million

Further to the above, the Company is categorized as a non-SNI Investment Firm since it is permitted to deal in investments as principal (matched principal broker).

1.4. Scope of Application

This report is prepared on an individual level in accordance with the provisions of MIFIDPRU 8. The Report has as a starting point the financial information used in the Company's Financial Statements which are prepared in accordance with the United Kingdom Generally Accepted Accounting Practice ("GAAP"). As the two documents serve different purposes, the reported figures illustrate differences, which lie on the differences of the fundamental concepts between the IFPR and the GAAP.

taking into account the below principals as per the provisions of MIFIDPRU 8.1:

- a) The report is easily accessible and free to obtain;
- b) The report is clearly presented and easy to understand;
- c) The report is consistent with the presentation used for previous disclosure periods or otherwise allows a reader of the information to make comparisons easily; and
- d) The report highlights in a summary any significant changes to the information disclosed, when compared with previous disclosure periods.

Furthermore, and as a non-SNI Investment Firm, the Company is obliged to publicly disclose the following:

- MIFIDPRU 8.2 – Risk Management Objectives and Policies
- MIFIDPRU 8.3 – Governance Arrangements
- MIFIDPRU 8.4 – Own Funds
- MIFIDPRU 8.5 – Own Funds Requirements
- MIFIDPRU 8.6 – Remuneration Policy and Practices

Moreover, the Company does not fall within MIFIDPRU 7.1.4R(1) since the value of the firm's on and off-balance sheet items over the preceding 4-year period is a rolling average below £100million. Therefore, the Company is not obliged to disclose information on Investment Policy as per the provisions of MIFIDPRU 8.7.

1.5. Regulatory Framework

The Report has been prepared in accordance with the regulatory regime for investment firms that the FCA has adopted, the IFPR. The IFPR establishes the prudential requirements in terms of own funds, level of minimum capital, concentration risk, liquidity requirements and level of activity with respect to UK investment firms.

The provisions on disclosure requirements are described in MIFIDPRU 8. In addition, these disclosures must be verified by the external auditors of the Company.

The Company's policy is to publish the disclosures required on an annual basis. The frequency of disclosure will be reviewed should there be a material change in approach used for the calculation of capital, business structure or regulatory requirements.

1.6. Declaration of the Board

The Board is required to proceed with an annual declaration on the adequacy of the Company's risk management framework and ensure that the risk management arrangements and systems of financial and internal control in place are in line with the Company's risk profile.

The Company's risk management framework is designed to identify, assess, mitigate and monitor all sources of risk that could have a material impact on the Company's operations. The Board considers that the Company has in place adequate systems and controls with regards to its size, risk profile and strategy and an appropriate array of properly resourced assurance mechanisms, to avoid or minimise loss. Key ratios and figures representing interaction of the risk profile and the stated risk tolerances are deemed to be proprietary information.

2. Risk Management Objectives and Policies (MIFIDPRU 8.2.)

The Risk Management Function is responsible for proposing to the Board appropriate objectives and measures to define the Company's risk appetite, devising the suite of policies necessary to control the business including the overarching framework, independently monitoring the Company's risk profile and providing additional assurance where required. The Risk Management Function will leverage their expertise by providing frameworks, tools and techniques to assist management in meeting their responsibilities, as well as acting as a central coordinator to identify enterprise-wide risks and make recommendations to address them

Managers are responsible for establishing an effective control framework within their area of operation and identifying and controlling all risks so that they are operating within the organisational risk appetite and are fully compliant with the Company's policies and where appropriate defined thresholds.

2.1. Risk Management Framework

Managing risk effectively in a Company operating in a continuously changing risk environment, requires a strong risk management culture. As a result, the Company has established an effective risk oversight structure and the necessary internal organisational controls to ensure that the Company undertakes the following:

- Adequate risk identification and management,
- Establishment of the necessary policies and procedures,
- Setting and monitoring of relevant limits, and
- Compliance with the applicable legislation.

The Board meets on a regular basis and receives updates on risk and regulatory capital matters from management. The Board reviews regularly (at least annually) written reports concerning compliance, risk management and internal audit policies and procedures as well as the Company's risk management policies and procedures as implemented by Management.

As part of its business activities, Novum faces a variety of risks, the most significant of which are described further below. The Company holds regulatory capital against the three all-encompassing main types of risk: credit risk, market risk and operational risk.

2.2. Risk Statement

The Company's activities expose it to a variety of risks, and in particular to credit risk, market risk, operational risk, compliance risk, regulatory risk, reputational risk, group risk, strategic risk, liquidity risk, conduct risk etc. The Company, through its operations, has a significant exposure to the economies and financial markets.

As regards the management of the risks arising from the current macroeconomic and political uncertainty (heightened inflation, Ukrainian crisis, climate crisis etc.), the Company is following the local government guidelines, enhancing its onboarding procedures and closely monitoring its capital and liquidity positions.

Risk Strategy

The risk strategy of the Company is a responsibility of the Board, which formulates and is responsible for monitoring its implementation. This is achieved through the development of risk management processes and procedures as well as through an assessment of the risks undertaken and the effectiveness of the risk management framework, given the Company's business model. One important characteristic of the Company's risk strategy is the alignment with the strategic and operational targets that are set by the Board.

The risks that arise from the implementation of the Company's strategic and business plans are regularly analyzed in order to ensure the adequacy of the relevant policies, procedures and systems.

The risk strategy of the Company aims to provide to both Senior Management and employees a general risk framework for the management of the different types of risks in line with the overall risk management and risk bearing capacity of the Company. The Company recognizes the importance of risk management to its business' success, and therefore the overall objective is to establish effective risk management policies that are able to mitigate the Company's exposure to various risks.

Risk Appetite

Risk appetite is the level and type of risk a firm is able and willing to assume in its exposures and business activities, given its business objectives and obligations to stakeholders. Risk appetite is generally expressed through both quantitative and qualitative means and should consider extreme conditions, events and outcomes. In addition, risk appetite should reflect potential impact on earnings, capital and funding/liquidity.

The Company has a low-risk appetite with respect to investing and managing business and operational activities.

According to the Financial Stability Board (FSB), an appropriate risk appetite framework (RAF) should enable the risk target, risk appetite, risk limits and risk profile to be considered for business lines and legal entities as relevant, and within the group's context.

The Risk appetite framework is defined as the overall approach, including policies, processes, controls, and systems through which the risk appetite is established, communicated, and monitored.

Moreover, it includes a risk appetite statement, risk limits, and an outline of the roles and responsibilities of those overseeing the implementation and monitoring of the RAF.

The RAF should consider material risks to the financial institution, as well as to the institution's reputation vis-à-vis policyholders, depositors, investors and customers. The RAF aligns with the institution's strategy. The Company is assessing its risk appetite with respect to investing and managing business and operational activities while the Company's Risk Appetite Statement is prepared by the Risk Manager and approved by the Board of Directors.

Table 2: Risk Appetite areas

Indicator	Normal ¹	Warning ²	Limit ³
Minimum Own Fund Requirement	≥£450k	<£450k	£350k
Common Equity Tier 1 Ratio	>100%	<75%	56%
AT1 Capital Ratio	>125%	<100%	75%
Total Capital Ratio	>150%	<125%	100%
Liquid Assets	≥£160k	<£160k	£125k
Return on Assets	≥5.00%	<5.00%	0.00%
Retained Earnings / Total Equity	≥10.00%	<10.00%	5.00%

Notes:

1. The level of the indicator is within the acceptable limits as per the Company's risk appetite.
2. The Company should take proactive actions in order to ensure that the level of the indicator will remain above the acceptable limits.
3. The level of the indicator falls below the acceptable limits and as such the Company should proceed with the required actions in order to restore the level of the said indicator to the normal predefined levels.

The Risk Appetite framework has been designed to create links to the strategic long-term plan, capital planning and the Company's risk management framework.

The Board approves the Company's corporate strategy, business plans, budget, long term plan and ICARA. The Company employs mitigation techniques defined within the Company's policies, to ensure risks are managed within its Risk Appetite.

2.3. Risk Culture

Risk culture is a critical element in the Company's risk management framework and procedures. Management considers risk awareness and risk culture within the Company as an important part of the effective risk management process. Ethical behaviour is a key component of the strong risk culture, and its importance is also continuously emphasised by the management. The Company is committed to embedding a strong risk culture throughout the business where everyone understands the risks they personally manage and are empowered and qualified to take accountability for them. The Company embraces a culture whereby each business area is encouraged to take risk-based decisions, while knowing when to escalate or seek for advice.

2.4. Material Risks

In the context of the ICARA process, Novum has identified the following material risks.

2.4.1. Credit Risk

Credit risk is the risk of loss due to the failure of an obligor to meet its obligations to settle outstanding amounts or due to the deterioration of an obligor's credit quality. There are three main areas of potential credit exposure to NSL:

- Fee and commission debtor default: client fails to pay fees or commission due
- Clearer or bank default: a financial counterparty holding the firm's cash or other assets in its capacity as clearer, banker or custodian goes into financial administration or files for bankruptcy
- Pre-settlement client default: a client that is a counterparty to a matched principal transaction defaults prior to a transaction settling.

For the purposes of Pillar 2 analysis the third of these "Pre-settlement risk" is included under Settlement Risk. NSL has not experienced any significant credit losses in any of the three credit areas identified in the previous 12 months.

Fee and commission default

NSL Finance function assesses and manages receivables from customers to chase-up non-payers and assess for bad debt provisioning. Where the recovery of all or part of an amount due is in doubt, Finance is responsible for establishing provisions so that balance-sheet values fairly reflect the value of receivables after allowing for credit losses. The NSL Finance function has a defined provisioning methodology that is used and is aligned with applicable accounting and regulatory requirements. Oversight of the provisioning process is undertaken through the Management Committee which monitors debtor days, identifies problem receivables, and initiates remedial action.

Clearer or bank default

- NSL's clearers, settlement agents and banks must meet a minimum credit rating threshold. The Finance team and senior management remains vigilant in responding to global events and monitors clearing and banking counterparties accordingly.#

2.4.2. Market Risk

Foreign exchange risk is the effect that unanticipated foreign exchange to foreign exchange rate changes may have on the Company's assets.

NSL does not have proprietary positions and thus it will not be exposed to market risk in the traditional sense. NSL does not maintain a trading book. However, NSL may be exposed to market risk via position risk through its matched principal trades.

NSL can be exposed to matched principal position risk where one side of a trade completes without the other; this may be due to, for example, a broker execution or booking error. These issues are normally resolved within 24 hours but may occasionally take longer to rectify.

2.4.3. Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk. It is inherent in every business organization and covers a wide range of issues. The Company manages operational risk through a control-based environment in which processes are documented and transactions are reconciled and monitored. This is supported by continuous monitoring of operational risk incidents to ensure that past failures are not repeated.

NSL will seek to mitigate these risks by:

- maintaining substantial financial resources
- aligning the interests of staff and working members with supervision of the operations of its business
- maintaining a risk matrix and key operating procedures for its business activities
- reviewing the operations of all material business activities periodically and
- keeping the business, structure, and operational requirements relatively simple.
- The following describes the sub-risk categories NSL considers as part of its operational risk scenarios.

Regulatory

Regulatory risk is covered within NSL's operational risk category. Given its regulated activities, NSL entities are at risk of non-compliance with the applicable regulations of its lead regulator, the Financial Conduct Authority, other regulatory bodies, and related codes of best practice that oversee regulated financial services businesses.

NSL employees must conduct their business in accordance with FCA principles and exhibit appropriate conduct so that clients receive positive outcomes, and that the integrity of financial markets is preserved. Regulatory investigations are expensive and incur significant professional services and legal costs. Regulatory fines or settlements can be highly punitive. The NSL Compliance function has the day-to-day responsibility for ensuring that an appropriate approach to regulatory risk management is in place and that regulatory risk is identified, assessed, and managed across NSL.

NSL is subject to legal and regulatory obligations designed to restrict the ability of criminals to launder the proceeds of their crimes through the financial system. It also is required to comply with regulations in place to prevent market abuse. The Compliance function also has the day-to-day responsibility for ensuring that appropriate organisational arrangements are in place to undertake and monitor Anti Money Laundering activities and to provide surveillance to detect market abuse. The Board is

committed to instilling a strong and clear ‘tone from the top’ regarding appropriate culture that supports good conduct.

Fraud

Although the probability is remote as preventative controls are strong, there is a potential that NSL is exposed to a fraud which could involve false payments, bribery or facilitating tax evasion.

Cyber & DR

The risk of a cyber-attack that compromises NSL’s network, systems and data could bring its operations to a halt and trigger disaster recovery planning.

NSL continues to monitor and enhance its operational resilience and business continuity planning. NSL works closely with its IT services provider to implement the relevant controls to address any weaknesses identified in order to reduce the likelihood of an extended continuity failure from occurring.

Third party risk

NSL’s operating model is reliant on the services of GPP. NSL may be exposed to operational risk if there is a systems outage or issue at GPP that prevents NSL from utilising its key operational processes.

Key staff

Given the significance of individuals to successful operating of NSL, the departure of key revenue generators can result in loss of associated clients and their revenues.

Execution errors

Large losses through execution / trading errors are rare and considered to be of low probability due to mitigation steps and controls in place to identify and close out positions before they become exposed to market volatility. However low-cost losses do arise in the day-to-day business from penalties, differences, and execution errors. These types of losses are not unusual for a firm such as NSL, and are captured as incidents in an incident register, along with any other operational losses

NSL management has assessed the impact of the scenarios in a one in five-year frequency, using both data from incident, event and near miss reporting and using management judgement in the absence of other data sources.

NSL management also discussed several scenarios that it chose not to include in its assessment of operational risk for Pillar 2 purposes, as the scenarios were either not considered likely to occur in a one in five-year frequency, or the impact of which was not considered material.

2.4.4. Reputational Risk

Reputational Risk could materialise after an incident urges the Company’s clients, counterparties, investors or regulators to adopt an adverse perception about the Firm and its image. It may also occur as an effect of poor customer service or from potential fines/sanctions imposed by FCA, due to the loss of a key partner, the loss of large Clients, fraud or theft, Client claims, legal actions against the Company and from negative publicity relating to overall Francisco’s operations whether such fact is true or false.

The Company is aware that, operating in a demanding industry, with many competitors, who may also act in unethical ways, could introduce risks of reputational nature. The possibility of having to deal with serious incidents is limited as the Company will exert its best efforts in providing high quality services to its Clients.

The Company aims to minimise reputational risk through the implementation of a strong internal control system and adequate policies and procedures (including in the area of client complaint handling). Furthermore, the Company aims to also mitigate this risk by ensuring that all employees are adequately trained and equipped with the required skills to fulfil their duties.

NSL are at risk from poor performance affecting its ability to generate profits; from the loss of one or more key staff; the loss of a large customer or through poor client service. The firm understands that there could be a claim or legal action from a client. The Board's assessment is that Pillar 2A capital is not required to be held for this risk.

2.4.5. Concentration Risk

Credit concentration risk represents any single exposure or group of similar exposures (for instance to the same borrower or counterparty, geographical area or industry) with the potential to produce losses which are large enough to threaten the Company's ability to maintain its core operations or result in a material change in the Company's risk profile.

Furthermore, the Company shall establish policies and procedures to monitor the diversification of the corporate and clients funds is closely monitored on a continuous basis.

2.4.6. Liquidity Risk

Funding liquidity risk is the possibility that, over a specific horizon, the Company is unable to meet its demands/needs for money (i.e. cash) through a probable mismatch of assets and liabilities. Furthermore, liquidity risks can also arise either via extreme market conditions and/or failures of designated counterparties that the Company associates with.

Liquidity risk is not considered significant since the Company is expected to maintain high cash balances and will not hold any illiquid assets. Furthermore, the Company will implement inter alia the following mitigating actions/controls:

- Increase capital when prompted to,
- Daily review of Company equity v/s clients' equity,
- Assess day-to-day cash flow under different market scenarios,
- Regular review of credit ratings of counterparties and liquidity providers.

2.4.7. Business Risk

The Company may be exposed to business risk in case of a deterioration of the business and economic conditions in the markets in which it operates and as a result of this recession loses one or several customers. The Company's business plans involve an expansion of its clientele to grow its revenue base and increase its profitability. However, the Company has taken into consideration Business Risk when preparing its financial projections and when conducting its stress testing.

In order to avoid any potential damage to the Company's financial position, the Company will continuously evaluate (and redesigns if and when necessary) its business plans taking into account changing economic conditions.

The Company has established policies and procedures when dealing with possible Client complaints in order to provide the best possible assistance and service under such circumstances. The said

procedures are documented in the Company's operations manual and are also disclosed to Clients and potential Clients through the Company's website.

Business conduct risk

Business conduct risk is the risk that the conduct of the Firm or its subsidiaries causing harm to customers, markets, or the environment, resulting in potential for negative impact on earnings, damage to reputation, regulatory fines, or censure. This risk is a potential driver of reduction in new business volumes, worsening persistency and operational losses. These risk impacts are considered within Pillar 2b scenario testing.

Financial performance risk

Business financial performance risk is the risk of the Firm's business performance being below forecast, resulting in the potential for a negative impact on earnings and / or capital, an adverse effect on the Firm's business plan objectives and damage to its reputation and financial standing. Pillar 2b scenario testing and sensitivity testing are used to assess the impacts of these risks.

Capital risk

Capital risk is the risk of insufficient capital to meet regulatory and stakeholder requirements resulting in the potential to place constraints on the business plan or strategy, inability to absorb losses, damage to reputation and or regulatory fines or censure. This risk is managed through capital planning, capital targets and regular reviews of capital positions against targets.

Risks from the remuneration policy

The Board recognises the need to attract and retain talented staff. NSL therefore aligns its remuneration policy accordingly so as not be at a disadvantage compared with competitors' compensation structures.

The Board is very aware of the need to align remuneration and conduct so that employees balance their objective to generate revenue with creating positive outcomes for clients and preserving integrity of markets. Therefore, although an important area for the Board, no capital is deemed to be necessary in respect of NSL's remuneration policy or practices as a component of business risk.

2.4.8. Legal & Compliance/Regulatory Risk

Legal & Compliance risks arise from violations of, or non-conformance with, the Law, Directives and Circulars issued thereof, regulations, prescribed practices, internal policies, and procedures, or ethical standards. This risk exposes the Company mainly to financial losses due to imposed fines from the Regulators. Compliance incidents may also lead to diminished reputation, reduced Company value, limited business opportunities, reduced expansion potential, and possible inability to enforce contracts.

The Company has established policies and procedures which are regularly updated to ensure compliance with the relevant Laws and Directives. The Compliance Officer is primarily responsible for managing the Company's legal and compliance risk and assessing the Company's AML procedures.

2.4.9. Legal & Compliance/Regulatory Risk

Reputational Risk could materialise after an incident urges the Company's clients, counterparties, investors or regulators to adopt an adverse perception about the Firm and its image. It may also occur as an effect of poor customer service or from potential fines/sanctions imposed by FCA, due to the loss of a key partner, the loss of large Clients, fraud or theft, Client claims, legal actions against the

Company and from negative publicity relating to overall Francisco's operations whether such fact is true or false.

The Company is aware that, operating in a demanding industry, with many competitors, who may also act in unethical ways, could introduce risks of reputational nature. The possibility of having to deal with serious incidents is limited as the Company will exert its best efforts in providing high quality services to its clients.

The Company aims to minimise reputational risk through the implementation of a strong internal control system and adequate policies and procedures (including in the area of client complaint handling). Furthermore, the Company aims to also mitigate this risk by ensuring that all employees are adequately trained and equipped with the required skills to fulfil their duties.

NSL are at risk from poor performance affecting its ability to generate profits; from the loss of one or more key staff; the loss of a large customer or through poor client service. The firm understands that there could be a claim or legal action from a client. The Board's assessment is that Pillar 2A capital is not required to be held for this risk.

2.4.10. Residual Risk

Residual Risk emanates when the credit mitigation techniques used by investment firms prove less effective than expected which shall be addressed, controlled and incorporated residual risk, in written policies and procedures. In particular, residual risk might occur as a result of ineffective documentation, or delay or inability to realise payment from a client in a timely manner.

2.4.11. Political Risk

A key risk that has emerged over the past year is the UK's referendum, where we voted to leave the European Union ("Brexit"). The type of deals that will be agreed upon and whether they will be favourable to either side has created a lot of uncertainty in the UK's and, to a lesser extent, the European Union's financial markets.

The Company understands the complexity of the negotiating process surrounding the UK exiting the European Union. The changing landscape of regulations, the cost of training staff to an acceptable level of competence and employing qualified/skilled staff have all been incorporated in the assessment of this risk.

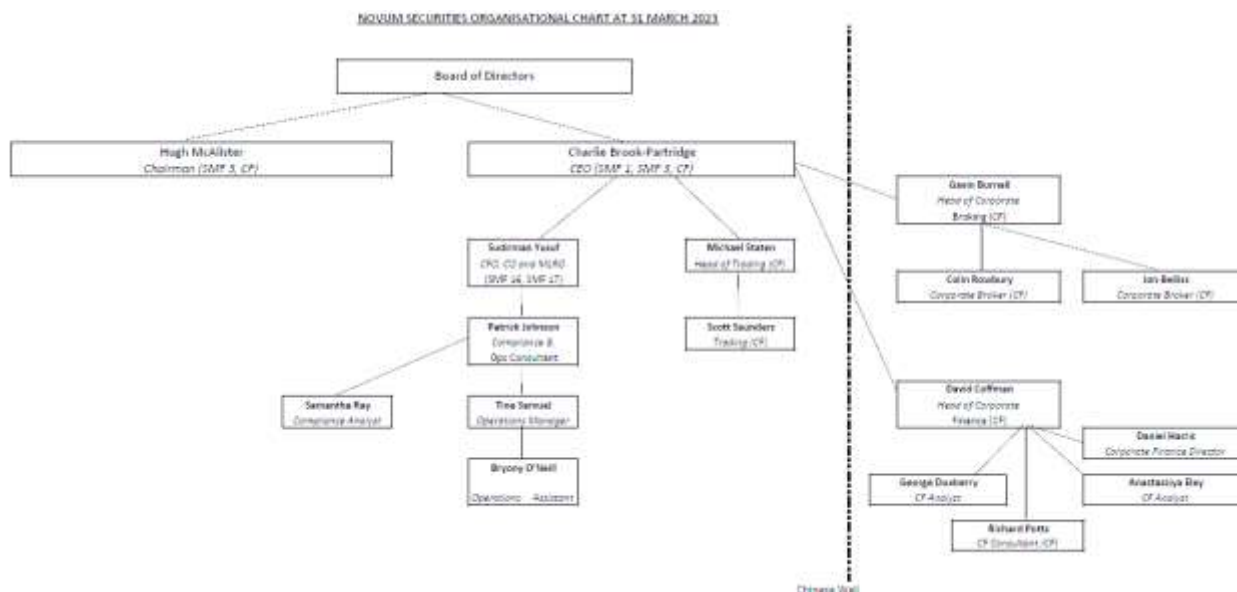
3. Governance Arrangements (MIFIDPRU 8.3)

The Company’s systems of risk management and internal control include risk assessment, management or mitigation of risks, including the use of control processes, information and communication systems and processes for monitoring and reviewing their continuing effectiveness.

The risk management and internal control systems are embedded in the operations of the Company and are capable of responding quickly to evolving business risks, whether they arise from factors within the Company or from changes in the business environment.

3.1. Organisational Structure

The Company’s latest organizational structure is as follows:



Through the said structure, the Company incorporates a strict Internal Governance framework. Furthermore, the Organisational Structure incorporates the various organisational and functional reporting lines, as well as the different roles and responsibilities therein, while it also facilitates the compliance of the Company with the principle of segregation of duties and helps in the avoidance and control of possible conflict of interest situations within the Company.

Moreover, Novum maintains adequate risk management policies and procedures which identify the risks relating to the Company’s activities, processes and systems, and where appropriate, sets the level of risk tolerated by the Company. The Company adopts effective arrangements, processes and systems, in light of the level of risk tolerance set, where applicable.

3.2. Board of Directors

The Company’s Board of Directors comprises of two executive directors.

The Board has the ultimate and overall responsibility for the investment firm and defines, oversees and is accountable for the implementation of the governance arrangements. The Board is responsible for ensuring that the Company complies at all times with its obligations under the Law. In doing so, the Board approves and periodically reviews the effectiveness of the policies, arrangements and procedures in place, whilst if needed, takes appropriate measures to address any deficiencies.

The Board shall:

- be responsible for ensuring that the Company complies with its obligations under relevant Laws applicable in England and Wales, legislation and the requirements set by regulatory bodies such as the FCA;
- assess and periodically review the effectiveness of the policies, arrangements and procedures put in place to comply with the obligations under the Laws of England and Wales, legislation and the requirements set by regulatory bodies such as the FCA;
- take appropriate measures to address any deficiencies;
- ensure that it shall receive on a frequent basis, and at least annually, written reports regarding Compliance, Money Laundering & Terrorist Financing and Risk Management issues, indicating, in particular, whether the appropriate remedial measures have been taken in the event of any deficiencies;
- be responsible for the monitoring of the internal control mechanisms of the Company to enable prevention of activities outside the scope and strategy of the Company and the prevention of any unlawful transactions, the identification of risks, and the timely and adequate flow of information.

Additionally, the Board shall be responsible, among others, for:

- ensuring the compliance of the Company with applicable legislations;
- ensuring that the Company operates according to its memorandum and articles of association, and as per the requirements of the relevant competent authorities of the jurisdictions in which it provides services, as applicable;
- deciding on the strategic decision, management objectives and business target of the Company;
- monitoring the operations of the Company to ensure that the strategic objectives of the Company are met whilst taking into account the Company's business and risk profile through effective oversight of key departments;
- approving policy description concerning information systems and monitoring the information systems in place;
- overseeing the organisation of the Company for the provision of investment services and activities and ancillary services, including the skills, knowledge and expertise required by personnel, the resources, the procedures and the arrangements for the provision of services and activities, taking into account the nature, scale and complexity of its business and all the requirements the Company has to comply with;
- deciding on new services and financial instruments that the Company might offer based on the changing environment of the financial markets;
- reviewing, examining and assessing the audited financial statements and deciding on the annual budget of the Company;
- oversight and control of the policies and procedures of the Company;
- carrying any such other responsibilities and obligations as may be required by applicable legislation and regulations.

3.3. Committees

Establishing committees helps management bodies in their supervisory functions. Committees draw on the specific knowledge and areas of expertise of individual management body members. While committees should prepare decisions and make recommendations to the management body in its supervisory function, the management body has the overall responsibility.

Moreover, the Company does not fall within the scope of MIFIDPRU 7.1.4R(1) since the value of the firm's on and off-balance sheet items over the preceding 4-year period is a rolling average below £100million. Therefore, the Company is not obliged to establish any committee. However, the Company has established an Executive Management Team, a Risk & Regulatory Committee and a Remuneration Committee in order to ensure the effectiveness of the overall policies and practices applied.

The Risk & Regulatory Committee comprises of members of the NSL Board as well as senior employees from Compliance (Sudirman Yusuf and Pat Johnson), Finance and Company Secretarial functions (Sudirman Yusuf). The Risk & Regulatory Committee has been appointed by the NSL Board to assist it in its oversight of the Company's compliance with its legal and regulatory requirements and system of risk management, internal controls and liquidity management.

Financial information is provided to the NSL Board and members of the Risk & Regulatory Committee on a daily, monthly and an ad hoc basis to ensure that the Board is well apprised of the current and forecast financial position of the Group at any given time.

The Risk & Regulatory Committee meets on a weekly basis and are therefore able to react quickly and makes timely decisions regarding the business and any potential issues.

3.4. Policy on Recruitment

Recruitment into the Board combines an assessment of both technical capability and competency skills referenced against the Company's leadership framework. Members of the Board possess sufficient knowledge, skills and experience to perform their duties. The overall composition of the Board reflects an adequately broad range of experiences to be able to understand the Company's activities, including the main risks to ensure the sound and prudent management of the Company as well as sufficient knowledge, of the legal framework governing the operations of the Firm.

3.5. Number of Directorships

The table below discloses the number of directorships held by members of the management body of the Company, including the Firm and any other companies belonging to the same group, as at 31 January 2023. Directorships in organisations which do not pursue predominantly commercial objectives such as non-profit or charitable organisations, are not taken into account for the purposes of the below.

Table 3: Number of Directorships of the members of the Board of Directors*

Name of Director	Position	Number of Executive Directorships	Number of Non-Executive Directorships
Charles Gareth Brook-Partridge	Executive Director	3	-
Hugh Michael Grant McAlister	Executive Director	4	1

**The information in this table is based only on representations made by the directors of the Company.*

For the purpose of the above, Executive or Non-Executive directorships held within the same group shall count as a single directorship.

3.6. Policy on Diversity

The Company is committed to promoting a diverse and inclusive workplace at all levels, reflective of the communities in which it does business. It approaches diversity in the broadest sense, recognizing that successful businesses flourish through embracing diversity into their business strategy, and developing talent at every level in the organisation.

For this purpose, the Company takes into consideration various aspects such as broad industry experience, knowledge, independence, gender, age and cultural and educational background for the Board appointments.

4. Own Funds (MIFIDPRU 8.4)

Own Funds (also referred to as capital resources) are the type and level of regulatory capital that must be held to enable the Company to absorb losses. During the year, the primary objective of the Company with respect to capital management was to ensure that it complied with the imposed capital requirements with respect to its own funds and that the Company maintained healthy capital ratios in order to support its business. Further to the above, the Company, as a non-SNI Investment Firm, shall at all times have own funds at least the highest of Permanent Minimum Capital Requirement, Fixed Overheads Requirements, and K-Factors Requirement.

Novum throughout the year under review, managed its capital structure and made adjustments to it in light of the changes in the economic and business conditions and the risk characteristics of its activities.

4.1. Composition of Regulatory Own Funds

The following information provides a full reconciliation of the Common Equity Tier 1 (CET1), Additional Tier 1 (AT1) instruments and Tier 2 (T2) instruments issued by the Company. The Company's regulatory capital comprises fully of CET1 capital while it has not issued any AT1 or T2 capital.

Table 4: Composition of Regulatory Own Funds

No.	Item	Amount	Source based on reference number of Table 6
1.	OWN FUNDS	1,572	
2.	TIER 1 CAPITAL	1,572	
3.	COMMON EQUITY TIER 1 CAPITAL	1,572	
4.	Fully paid up capital instruments	3,807	1(Shareholders' Equity)
5.	Share premium	-	N/A
6.	Retained earnings	141	2 (Shareholders' Equity)
7.	Accumulated other comprehensive income	-	N/A
8.	Other reserves	(2,376)	3(Shareholders' Equity)
9.	Adjustments to CET1 due to prudential filters	-	N/A
10.	Other funds	-	N/A
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	-	N/A
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

4.2. Main Features of Capital Instruments

The Company is obliged to disclose information on the main features of the CET 1 instruments, Additional Tier 1 instruments and Tier 2 instruments. Therefore, the Company's capital instruments' main features are outlined below:

Table 5: Own funds: main features of own instruments issued by the firm

No.	Item	Free text
1	Issuer	Novum Securities Ltd
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	213800KTICJ13B5OQC74
3	Public or private placement	Private
4	Governing law(s) of the instrument	English Law
5	Instrument type (types to be specified by each jurisdiction)	Ordinary Share
6	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	3.807
7	Nominal amount of instrument	£3,807k
8	Issue price	£1
9	Redemption price	N/A
10	Accounting classification	Shareholders' Equity
11	Original date of issuance	11/08/2020
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	<i>Coupons / dividends</i>	N/A
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
21	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
22	Existence of step up or other incentive to redeem	N/A
23	Noncumulative or cumulative	N/A
24	Convertible or non-convertible	Non-convertible
25	If convertible, conversion trigger(s)	N/A
26	If convertible, fully or partially	N/A
27	If convertible, conversion rate	N/A

28	If convertible, mandatory or optional conversion	N/A
29	If convertible, specify instrument type convertible into	N/A
30	If convertible, specify issuer of instrument it converts into	N/A
31	Write-down features	N/A
32	If write-down, write-down trigger(s)	N/A
33	If write-down, full or partial	N/A
34	If write-down, permanent or temporary	N/A
35	If temporary write-down, description of write-up mechanism	N/A
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
38	Link to the full term and conditions of the instrument (signposting)	N/A

4.3. Balance Sheet Reconciliation

The Company shall disclose the balance sheet included in its audited financial statements for the year-end disclosures.

As at 31 January 2023, the reconciliation of Company's assets and liabilities and regulatory Own Funds are shown in the following table:

Table 6: Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements

		Balance sheet as in published/ audited financial statements	Under regulatory scope of consolidation	Cross reference to template OF1
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements				
1.	Tangible Assets	19	N/A	N/A
2.	Debtors: amounts falling due within one year	1,710	N/A	N/A
3.	Cash at bank and in hand	1,064	N/A	N/A
Total Assets		2,794		
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements				
1.	Creditors: amounts falling due within one year	1,221	N/A	N/A
Total Liabilities		1,221		
Shareholders' Equity				
1.	Called up share capital	3,807	N/A	Ref.4
2.	Profit and loss account	141	N/A	Ref.6
3.	Other reserves	(2,376)	N/A	Ref.8
Total Shareholders' equity		1,572		

5. Own Funds Requirements (MIFIDPRU 8.5.)

The Company as a non-SNI Investment Firm shall at all times have own funds at least the highest of the following:

- a) Permanent Minimum Capital Requirement,
- b) Fixed Overhead Requirements, and
- c) K-Factors Requirement.

5.1. Permanent Minimum Capital Requirement

As per the provisions of MIFIDPRU 4.4, where a MIFIDPRU Investment Firm has the permission to carry on any of the following investment activities, it is required to maintain a Permanent Minimum Capital Requirement of £750,000:

- a) dealing on own account;
- b) underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis; or
- c) operating an organised trading facility, if the firm is not subject to a limitation that prevents it from carrying on the activities otherwise permitted by MAR 5A.3.5R.

Moreover and in case of a MIFIDPRU Investment Firm that has permission to provide the following activities:

- a) operating a multilateral trading facility;
- b) operating an organised trading facility, if the firm is subject to a limitation that prevents it from carrying on the activities otherwise permitted by MAR 5A.3.5R;
- c) holding client money or client assets in the course of MiFID business; and

but it does not have permission for any of the following:

- a) dealing on own account;
- b) underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis;
- c) operating an organised trading facility, if the firm is not subject to a limitation that prevents it from carrying on the activities otherwise permitted by MAR 5A.3.5R,

then the firm is required to maintain a Permanent Minimum Capital Requirement of £150,000.

Finally, in case of a MIFIDPRU Investment Firm which is authorised to offer the following services but is not permitted to hold clients' money or client assets in the course of its MiFID business, the applicable Permanent Minimum Capital Requirement is £75,000:

- a) reception and transmission of orders in relation to one or more financial instruments;
- b) execution of orders on behalf of clients;
- c) portfolio management;
- d) investment advice; or
- e) placing of financial instruments without a firm commitment basis; and

Therefore, since the Company is authorised to provide the investment service of dealing on own account, its initial capital is £750k. However, the Company is allowed to reduce its permanent minimum initial capital requirement to £350,000 through the transitional provision TP2.20 for the reference year of the report. The 5-year alternative requirement for a former IFPRU £50k firm is as follows:

MIFIDPRU TP2.20 (R):

- (a) From 1 January 2022 to 31 December 2022: £250k
- (b) From 1 January 2023 to 31 December 2023: £350k
- (c) From 1 January 2024 to 31 December 2024: £450k
- (d) From 1 January 2025 to 31 December 2025: £550k
- (e) From 1 January 2026 to 31 December 2026: £650k
- (f) From 1 January 2027 and onwards: £750k

5.2. Fixed Overheads Requirement

The fixed overheads requirement (FOR) applies to all MIFIDPRU Investment Firms. The FOR is intended to calculate a minimum amount of capital that a MIFIDPRU Investment Firm would need available to absorb losses if it has cause to wind-down or exit the market.

It is calculated as the one quarter of the fixed overheads of the preceding year (or business plan where the audited financial statements are not available) in accordance with the provisions of MIFIDPRU 4.5. When calculating its fixed overheads requirement, a firm must use the figures resulting from the accounting framework applied by the firm in accordance with MIFIDPRU 4.5.2R.

Further to the above, the Company's fixed overheads requirement based on the latest audited financial statements is £375k as per the table below:

Table 7: Fixed Overheads Requirement

Item	£'000
Total expenses of the previous year after distribution of profits	2,200
Total deductions	699
(-)Staff bonuses and other remuneration	375
(-)Employees', directors' and partners' shares in net profits	-
(-)Other discretionary payments of profits and variable remuneration	-
(-)Shared commission and fees payable	305
(-)Fees to tied agents	-
(-)Interest paid to customers on client money where this is at the firm's discretion	-
(-)Non-recurring expenses from non-ordinary activities	-
(-)Expenditures from taxes	18
(-)Losses from trading on own account in financial instruments	-
(-)Contract based profit and loss transfer agreements	-
(-)Expenditure on raw materials	-
(-)Payments into a fund for general banking risk	-
(-)Expenses related to items that have already been deducted from own funds	-
Annual Fixed Overheads	1,502
Fixed Overheads requirement	375

5.3. K-Factors Requirement

The K-factor capital requirements are essentially a mixture of activity- and exposure-based requirements. K-factor application to an individual FCA investment firm will depend on the MiFID investment services and activities the Firm undertakes.

As at 31 January 2023, the Company's K-Factors capital requirements were zero..

5.4. Overall Capital Adequacy Position

According to MIFIDPRU 3.2.2, Investment firms shall have own funds consisting of the sum of their Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital, and shall meet all the following conditions at all times:

$$\frac{\text{Common Equity Tier 1 Capital}}{D} \geq 56\%$$

$$\frac{\text{Common Equity Tier 1 Capital} + \text{Additional Tier 1 Capital}}{D} \geq 75\%$$

$$\frac{\text{Common Equity Tier 1 Capital} + \text{Additional Tier 1 Capital} + \text{Tier 2 Capital}}{D} \geq 100\%$$

where D is the Company's own funds requirement calculated in with MIFIDPRU 4.3.

The Company's own funds, own funds requirement and capital ratio reported as at 31 January 2023, were as follows:

Table 8: Capital Adequacy Analysis

OWN FUNDS COMPOSITION	£'000
Total Own Funds	1,572
OWN FUNDS REQUIREMENTS	£'000
<i>Permanent Minimum Capital Requirement (Transitional Provision TP 2.20)</i>	350
<i>Fixed Overheads Requirement (MIFIDPRU 4.5)</i>	375
<i>K-Factors Requirement (MIFIDPRU 4.6)</i>	-
Total Own funds Requirement	350
CAPITAL RATIOS	
Common Equity Tier 1 Capital Ratio (min. 56%)	449.14%
Surplus/(Deficit) of Common Equity Tier 1 Capital Ratio	1,376
Tier 1 Capital Ratio (min. 75%)	449.14%
Surplus/(Deficit) of Tier 1 Capital Ratio	1,310
Total Capital Ratio (min. 100%)	449.14%
Surplus/(Deficit) of Total Capital Ratio	1,222

As per the above results, Novum as 31 January 2023 maintains adequate own funds to cover its capital requirements. However, the Company will continue to monitor the above ratios in order to ensure compliance with the capital adequacy requirements at all times.

5.5. Liquidity Requirements (MIFIDPRU 6)

The basic liquid assets requirement is based on a proportion of an FCA investment firm's fixed overheads requirement and any guarantees provided to clients. The purpose is to ensure that the investment firms have an adequate stock of unencumbered high-quality liquid assets that can be converted easily and immediately in private markets in cash to meet their liquidity needs.

The Company is required to maintain an amount of liquid assets that is at least equal to the sum of the following:

- one third of the amount of its fixed overheads requirement, and
- 1.6% of the total amount of any guarantees provided to clients.

The MIFIDPRU handbook defines core liquid assets as any of the following items denominated in pound sterling:

- coins and banknotes;
- short-term deposits at a UK-authorized credit institution;
- assets representing claims on or guaranteed by the UK government or the Bank of England;
- units or shares in a short-term MMF;
- units or shares in a third country fund that is comparable to a short-term MMF; and
- trade receivables, if the conditions in MIFIDPRU 6.3.3R are met.

In this respect, Novum's core liquid assets as at 31 January 2023 were well above the 1/3 of the total fixed overheads requirement as indicated in the table below:

Table 9: Liquidity Requirements

Item	£'000
Coins and banknotes;	-
Short-term deposits at a UK-authorized credit institution;	1,064
Assets representing claims on or guaranteed by the UK government or the Bank of England;	-
Units or shares in a short-term MMF;	-
Units or shares in a third country fund that is comparable to a short-term MMF; and	-
Trade receivables, if the conditions in MIFIDPRU 6.3.3R are met.	-
Total Core Liquid Assets	1,064
Basic Requirement (1/3 of Fixed Overheads Requirement)	125
Surplus/(Deficit)	939

Further to the above, the Company maintains adequate liquid assets to cover the one third fixed overheads requirement. However, the Company should monitor the above in order to ensure compliance at all times.

5.6. Internal Capital Adequacy and Risk Assessment Process

The purpose of capital is to provide sufficient resources to absorb unexpected losses over and above the ones that are expected in the normal course of business. The Company aims to maintain a minimum risk asset ratio which will ensure there is sufficient capital to support the Company under normal and during stressed conditions.

The Company should establish sound, effective and comprehensive arrangements, strategies and processes to assess and maintain on an ongoing basis the amounts, types and distribution of internal capital and liquid assets that they consider adequate to cover the nature and level of risks which they may pose to others and to which the investment firms themselves are or might be exposed to. These arrangements, strategies and processes shall be appropriate and proportionate to the nature, scale and complexity of the activities of the Company and they shall be subject to regular internal review.

In light of the above, the ICARA report will present the main business background aspects and developments of the Company, a summary of the Company's business economic environment, the Company's financial summary for the previous and upcoming years, the business and strategic goals, organisational structure and the risk management framework, the overall assessment of the material risks as well as a forward-looking capital and liquidity planning assessment. The Overall Financial Adequacy Rule (OFAR) establishes the standard to determine if an FCA investment firm has adequate financial resources.

OFAR will require the firm, at all times, to hold adequate own funds and liquid assets to:

- to ensure it can remain viable throughout the economic cycle, with the ability to address any potential harm from its ongoing activities; and,
- to allow its business to wind-down in an orderly way.

According to MIFIDPRU 4 own funds requirements are built around the PMR, the FOR, and, for non-SNIs, the KFR. These requirements serve different purposes. The FOR is a proxy for the amount of own funds the firm needs to hold to allow them to begin wind-down in an orderly way while the KFR is the amount of own funds required to cover the risk of harm from the ongoing operation of the firm's business. Finally, the PMR is a flat minimum required to underpin the FOR and the KFR. Unlike the FOR and KFR, the PMR does not scale with harm.

The PMR and FOR are standard requirements that apply to all FCA investment firms. The KFR is a standard requirement that applies to non-SNI firms. Meeting these alone may not be enough to mean that they are meeting threshold conditions. This will depend on the size, business model and complexity of the firm's activities. The firm will need to estimate the financial impact of any harm that is not covered by its PMR, FOR or KFR.

The above process will help the firm determine its 'own funds threshold requirement' that needs to be met with the appropriate resources at all times. Specifically, the firm will set its own funds threshold requirement at the higher of the:

1. PMR,
2. own funds necessary to cover harms from ongoing operations, or
3. own funds as necessary for wind-down.

As a non-SNI Investment Firm, the Company is required to calculate the K-Factors requirement.

Moreover, and as regards the liquidity threshold, the basic liquid assets requirement is based on the firm having a minimum amount of core liquid assets that will allow them to begin wind-down in an orderly manner.

The Company sets its liquid assets threshold requirement as the sum of the basic liquid assets requirement and the higher of:

1. the additional liquid assets necessary at any given point in time to fund ongoing operations, taking into account potential periods of financial stress during the economic cycle,
2. the additional liquid assets required to begin its orderly wind-down, taking into account inflows of liquid assets that can be reasonably expected to occur during the wind-down period.

The Company recognises the importance of the ICARA and appreciates that it enables the firm to justify its business strategy and risk assessments in such a way as to be more diligent in the inclusion of risk factors in the business design process and also to hold adequate capital against the gross risks to which it is exposed to. It is also acknowledged that the ICARA Report is a reasonably intense process, requiring information from many different departments and committees of the company and also it requires senior management time at the design phase, during the risk and financial data collection phase and for the sign-off phase. Therefore, the Board is committed to continuously update the ICARA at least annually to reflect the latest strategic plans and updates.

During the year 2022, the Company replaced its existing ICAAP with the new ICARA by establishing new assessments with respect to the liquidity adequacy of the Company, designing new financial projections and stress tests to reflect the K-Factors requirement and drafting a new report which reflects all provisions under the new regulation. The methodologies of K-Factors and Liquidity Stress tests are incorporated into the ICARA process, as well as the updated risk register which focuses on a harm-pose approach identifying different potential risk events that may affect the Company's overall capital adequacy position.

The ICARA Report and capital planning for the reference date as at 31 January 2022 has been prepared and approved by the Board. The report is being reviewed and updated annually, while it is submitted to FCA upon request.

The table below shows the outcomes of the Basic and Additional capital and liquidity requirements as at the reference date of the report.

6. Table 10: ICARA Process Outcomes

Item	£
Basis of Completion of the ICARA Process	
Scope of the Report	Individual
Reference Date of the ICARA process	31 January 2022
Assessing and Monitoring the Adequacy of Own Funds	
Common Equity Tier 1 Capital	1,767,591
Additional Tier 1 Capital	-
Tier 2 Capital	-
Total Own Funds	1,767,591
Own funds threshold requirement	602,861
- <i>Own funds to address risks from ongoing activities</i>	440,001
- <i>Own funds necessary for orderly wind-down</i>	305,035
Surplus/(Deficit)	1,164,730
Assessing and Monitoring the Adequacy of Liquid Assets Held	
Total Core liquid assets	1,939,526
Total Non-core liquid assets	-
Total liquid assets	1,939,526
Liquid assets threshold requirement	800,582
- <i>Basic liquid assets requirement</i>	99,276
- <i>Additional liquid assets required to fund ongoing business operations</i>	701,306
- <i>Additional liquid assets required to start wind-down</i>	305,035
Surplus/(Deficit)	1,138,944

Further to the above results, as at the reference date the Firm's capital and liquid assets were above the respective thresholds calculated. The Company monitors these requirements to ensure compliance at all times.

6. Remuneration policy and practices (MIFIDPRU 8.6)

The Firm's Remuneration policy is designed to support key business strategies and create a strong, performance-orientated environment. At the same time, the policy must attract, motivate and retain talent.

It is important that the policy follows the new SYSC rules (namely SYSC Chapter 19A – Remuneration Code) and addresses the importance of ensuring that all variable remuneration is subject to risk-based profit performance and is not seen to reward misconduct or poor performance at the individual, unit or firm level.

Accordingly, executive directors (and other senior/management/control function staff (namely those falling within the definition of Remuneration Code Staff – taken to include senior management, risk takers, those performing a significant influence function or who are paid like senior management or risk takers) receive base salaries proportionate with companies of their size with the added opportunity to enhance total remuneration by receiving bonuses based upon the overall performance of the company and takes this into account when determining remuneration policy and practice for other employees.

The components of remuneration for executive directors comprise base salary (a fixed sum payable monthly which is reviewed annually), benefits (including non-contributory health insurance), an annual bonus (with a deferred element), long term incentives (comprising share options and awards under a performance share plan) and pension contributions.

A successful remuneration policy must ensure that a significant part of the remuneration package is linked to the achievement of stretching corporate performance targets. The policy adopted by the company ensures that a significant proportion of the remuneration of executives and others is aligned with corporate performance.

The Committee has agreed that the Company falls within Proportionality level 3 in accordance with the revised remuneration code and has identified those employees that fall within the scope of that code.

As a non-SNI firm, the Company is required to disclose as part of the market discipline requirement under MIFIDPRU rules the basic and standard information about the total number of staff, amount of total fixed and variable remuneration that have been awarded in the relevant year split between material risk takers (MRTs) and non-MRTs, and also provide information on the ex-post adjustments made to variable remuneration.

6.1. Remuneration Policy Principles

Gender neutrality

The Company's remuneration policies and practices are gender neutral and do not discriminate on the basis of the protected characteristics of an individual in accordance with the Equality Act 2010. A gender neutral remuneration policy means a remuneration policy based on equal pay for male and female workers for equal work or work of equal value. According to the Equality Act 2010 discrimination on the basis of an individual's protected characteristics both before and after employment is offered is prohibited. The Act applies to pay and all other contractual terms, including variable remuneration. When the Company assesses individual performance, the assessment process and any variable remuneration awarded in accordance with SYSC 19D.3.39R does not discriminate on the basis of the protected characteristics of an individual:

- a) That the appraisal methods and assessments does not take into consideration the gender of the employees;

- b) Ensure that the appraisal methods and assessments are standardised and set against pre-defined targets;
- c) Policies that the firm establish so to monitor the remuneration awarded; and
- d) Establishment of clear job descriptions to accompany each role and assessing take national benchmarks for pay in a specific role.

The Company's policies on Gender neutrality practices are reviewed annually.

Risk management policies and practices promoting effective risk management

The Company ensures that its remuneration policy is consistent with and promotes sound and effective risk management and does not encourage risk-taking that exceeds the level of tolerated risk of the Company. The remuneration policy is in line with the business strategy, objectives, values and long-term interests of the Company. The Board of Directors discusses remuneration policy matters at least annually to ensure that the policy and practices are risk adjusted. The remuneration policies have been established taking into consideration the Risk Management Policies and tolerance accepted in the firm.

Business strategy Practices

The Company's business model is built around its primary activities of corporate broking and finance as well as trading and execution. The Company's Management expects that the Company will remain profitable due to an anticipated increase in trading revenues, arising from an increase in the Company's client base and as such the volume of transactions. Furthermore, it is expected that the Company will meet both the regulatory and internal capital adequacy ratio for the three-year period, even under stressed conditions. At this stage the Company favours a strategy of organic growth by hiring and retaining the right calibre of staff, there are no plans to pursue a strategy of growth by acquisition.

Based on the past records, Novum staff turnover is very low. Novum recognizes the importance of maintaining adequate and suitably experienced workforce to carry out its objectives.

The remuneration policies and practices established are in line with the Company's current business operation, risk profile and market averages. The basic and variable remuneration practices are reviewed/update once a year or in case of any material change in the Company's business and operations.

Avoiding conflicts of interest

Conflicts of interest can easily arise when employees are involved in the determination of remuneration for their own business area. Where these do arise they need to be managed by having in place independent roles for control functions (including, notably, risk management and compliance) and human resources. It is good practice to seek input from a firm's human resources function when setting remuneration for other business areas.

The Company mitigates the conflicts of interest risk that may arise as a result of its variable remuneration practice. The measures apply to all relevant personnel including in house Departments and third-party service providers. The Company's measures that mitigate such risk are:

- a) The variable Remuneration is not provided until a specific period of time has passed in order to reduce the risk of a short-term speculative mindset.
- b) The Company awards variable Remuneration only when the relevant personnel of the Company have conducted their duties according to the regulatory requirements.

- c) The Company monitors via a variety of methods the personnel that receive variable Remuneration so as to ensure whether they are acting on the best interest of their clients. Company records all calls between the sales staff and clients.
- d) The Company proceeds in an on-going education of the key functions of the Company within the meaning of the relevant persons in order to update their knowledge and be consistent with the regulatory requirements.
- e) The Company has a dedicated Compliance Resource who does not perform other functions and who reports to the Compliance Officer. This measure mitigates the risk of generation of conflicts of interest in Remuneration Policy.

6.1.1. Policy on Salary of Executive Directors

It is the company policy to pay base salaries to the executive directors broadly at market rates compared with those of executives of companies of a similar size, whilst also taking into account the executives' personal performance and the performance of the Group. All directors and senior managers are required to sign a conflict-of-interest disclosure.

6.1.2. Policy on Bonus

The bonus in the case of all employees including executive directors is designed to reward outstanding performance and to be consistent with the company's approach to risk. The company bonus pool will be based on risk adjusted profits. All bonuses will reflect the performance of the individual, the business unit and the firm. No bonus will be guaranteed.

6.1.3. Policy on Service Contracts

In relation to contracts with executive directors, the company sets notice or contract periods at 12 months. If it is necessary to offer longer notice or contract periods to new directors recruited, it is the company's policy to reduce these as soon as contractually possible after the initial period to a notice period of one year.

Executive directors are permitted, where appropriate and with Board approval, to take non-executive directorships with other organisations in order to broaden their knowledge and experience in other markets and countries.

The Board recognises the significant demands that are made on executive and non-executive directors and has therefore adopted a policy that no executive director should hold more than two directorships of other listed companies.

The service contracts of executive directors and the letters of appointment of non-executive directors prohibit the disclosure of confidential information relating to the Group both during the term of the contract and after its termination. The letters of appointment of non-executive directors and service contracts of executive directors are available for inspection at the company's registered office during normal business.

6.2. Fixed and Variable Remuneration Components

Fixed Remuneration

Fixed Remuneration varies for different positions/roles depending on each position's actual functional requirements, and it is set at levels which reflect the educational level, experience, risk, accountability, and responsibility needed for an employee to perform each position/role.

The Policy is also set in comparison with standard market practices employed by the other market participants/competitors.

Novum's fixed Remuneration is approved by the Senior Management for all the relevant employees, and it is reviewed by Novum at least annually and according to the relevant legislation without affecting the other terms of employment.

Benefits that may be provided to the Company' Relevant Persons, such as private health insurance, are not employee performance-related and are considered part of the fixed Remuneration.

Novum's Remuneration includes:

- a. financial Remuneration (i.e. cash, wage increases), and/or
- b. non-financial Remuneration (i.e. career progression, training, etc.).

Novum has in place a variable remuneration scheme whereby all the employees (including the relevant persons) may also receive variable remuneration. Novum pays the aforementioned variable remuneration if the following qualitative criteria are met (and following a Board of Directors decision):

- A. the Company has not identified instances of material regulatory breach over the past 12 months,
- B. the Company including its third-party service providers perform their duties on a professional manner in line with the best interest of the clients,
- C. No significant administrative fine and/or no fine related to material regulatory breaches over the past 12 months has been imposed to the Company or/and to the members of the BoD,
- D. the Company is not under the FCA's watchlist. If it is proved that the Company has not breached any regulations, then variable Remuneration will be provided.
- E. complaints (if any) that have been raised from clients against the Company are within the tolerance ratio pre-set by the Company.

The Company does not award, pay or provide guaranteed variable Remuneration.

For Control Functions which are either operated by the relevant Department of the Company or/and by a third-party service provider, variable remuneration is determined only by qualitative criteria which are inter alia the following:

- The relevant Control Function has not identified instances of material regulatory breaches over the past 12 months.
- The Remuneration is provided in accordance with the achievement of the objectives linked to each Control Function, independent of the performance of the business areas they control.
- Complaints (if any) that have been raised from clients against the relevant Control Function are within the tolerance ratio pre-set by Novum.
- No significant administrative fine and/or no fine related to material regulatory breaches (for issues relating to Control Function/s) over the past 12 months has been imposed.

Other Relevant persons that do not operate Control Functions or Sales Function, but have a material impact on services provided: In relation to services that are linked with complaints handling, on boarding procedure, specialist financial education providers etc. (either operated by the relevant Department of Novum or/and by a third party service provider), the amount of the variable

Remuneration is primarily based on qualitative criteria and secondly on quantitative criteria implemented on a case to case basis. In every case no variable Remuneration is provided by the Company, if the qualitative criteria (act fairly, honestly and for the best interest of the clients, no complaints raised) are not met.

Further to the above, the variable Remuneration provided to Relevant Persons is designed to ensure that the total Remuneration remains at competitive levels, thus, rewarding the staff for their performance whilst remaining aligned with the department's and/or Novum's performance and long-term targets.

All of the performance measurements operated to calculate variable Remuneration contain applications for all current and future risks and take into account the cost and quantity of the liquidity and capital required. Also, Novum considers the need for consistency with the timing and the likelihood of Novum to receive potential future revenues which will be integrated into current earnings. Moreover, the fixed and variable components should remain appropriately balanced, and the total fixed component should represent a sufficiently high proportion of the total Remuneration to allow the operation of a fully flexible policy on variable Remuneration components (even to allow for zero variable components to be offered).

Variable remuneration

All Company employees and the members of the Board of Directors are eligible for the annual (one-off) variable remuneration, which is determined based on their annual performance appraisal. The variable remuneration is only paid in cash.

Remuneration and capital

The measurement of performance used to calculate bonuses, or a bonus pool includes among others the adjustment for current and future capital planning and takes into account the cost and potential loss to capital and liquidity. Novum shall ensure that the total variable Remuneration, including the annual bonus remuneration, does not prevent its ability to strengthen its capital base. The Company's Remuneration Policy underlines the link between the Company's variable remuneration costs and the need to manage its capital base including forward-looking capital planning measures. Where the Company needs to strengthen its capital base, its variable remuneration arrangements should be sufficiently flexible to allow it to direct the necessary resources towards capital building.

The firm undertakes an overall risk assessment as part of the Internal Capital Adequacy and Risk Assessment (ICARA) Process and reports to the FCA on its capital position taking into consideration current and future remuneration requirements. The firm's discretionary bonuses are only awarded after the accounting figures have been audited and given that the firm has the ability to give those bonuses. The firm also ensure that the variable remuneration is paid only after it satisfies its capital and liquidity thresholds set by the ICARA process.

6.3. Remuneration Ratios

Novum Securities is required by SYSC 19A.3.44 to set appropriate ratios between the fixed and variable components of total remuneration. The firm is required to ensure that these ratios are appropriately balanced. Novum Securities, in order to achieve compliance with these rules, has set the ratio of variable remuneration at 30% of fixed remuneration for full time employees and 50% income share for traders with commission and income sharing arrangements. Novum Securities believes that these ratios are proportional to its size, scale and nature of business.

Remuneration Code Staff

This comprises all employee whose professional activities have a material impact on the firm's risk profile, including senior management and other staff exercising control functions, risk takers and any

staff whose pay puts them in the same remuneration bracket as senior management and risk takers. Code Staff should be informed of their classification.

Remuneration Code Staff can be exempt from certain strands of the revised code requirements on the basis that the variable proportion of their remuneration comprises no more than 33% of their total remuneration and their total remuneration is no more than £500,000. Applications to the FCA need to be made for any exemptions as outlined above. For a Proportionality level 3 firm, the firm should carefully consider the wisdom of application for exemption as many of the requirements can be disapplied.

6.4. Remuneration of Material Risk Takers

The remuneration policy of the Company is intended to ensure that the Company will attract and retain the most qualified Senior Management Personnel and Directors. As stated above, the criteria used for determining the remuneration of the Company's directors are segregated into quantitative and qualitative criteria. The quantitative remuneration criteria mostly rely on numeric and financial data such as the Company's performance and the individual performance evaluation and ratings of each member of staff whose professional activities affects the risk profile of the firm. In addition to the quantitative criteria, the Company has put in place qualitative criteria which include compliance with regulatory requirements and internal procedures, fair treatment of clients and client satisfaction.

Moreover, the remuneration of the Company's non-executive directors is fixed, and it is set at a level that is market aligned and reflects the qualification and competencies required based on the Company's size and complexity, the responsibilities and the time that the non-executive directors are expected to consume in order to serve the Company.

The table below provides information on the remuneration of Executive Directors, Senior Management and other staff whose activities have a material impact on the risk profile of the Company, broken down by fixed and variable remuneration.

Table 11: Remuneration split of staff whose activities have a material impact on the risk profile of the Company.

Annual Remuneration as at 31 January 2023				
Position	No. of Beneficiaries	Fixed Remuneration £	Variable Remuneration £	Aggregated Remuneration £
Senior Management	2	300,000	242,500	542,500
Other staff	8	475,000	132,500	607,500
Total	10	775,000	375,000	1,150,000

During the year there was no deferred remuneration, sign-on or severance payments.

7. Investment Policy (MIFIDPRU 8.7)

Any MIFIDPRU Investment Firm not meeting the conditions in MIFIDPRU 7.1.4R must disclose information on its Investment Policy.

The Company meets the conditions of MIFIDPRU 7.1.4R(1) since the value of the Firm's on and off-balance sheet items over the preceding 4-year period is a rolling average below £100million. Therefore, the Company is not obliged to disclose information on Investment Policy as per the provisions of MIFIDPRU 8.7.