Met Facilities
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Met Facilities LLP

Appendix 1

Disclosure under the public disclosure requirements of the Investment Firms Prudential Regime (formerly PILLAR 3 of the Capital Requirements Directive)

For the period ending 31st March 2023

Introduction

Met Facilities LLP (or the "Firm") is required by the FCA to disclose information relating to the capital it holds and each material category of risk or harm it faces to assist users of its accounts and to encourage market discipline.

As at 31st March 2023, the Firm was subject to rules and guidance provided in the General Prudential Sourcebook (GENPRU) for Banks, Building Societies and Investments Firms (BIPRU). With effect from 1st January 2022, the Firm became in-scope of the new FCA Investment Firms Prudential Regime (IFPR) and the related rules set forth in the FCA MIFIDPRU rules, the prudential sourcebook for MiFID investment firms.

The Firm was formerly categorised as a BIPRU €50K Limited Licence Firm, under the new regime the Firm is categorised as a Small Non-Interconnected (SNI) MIFIDPRU Investment Firm.

The new disclosure requirements apply to all accounting periods ending after 1st January 2022, therefore this disclosure document has been prepared by the Firm in accordance with the requirements of BIPRU 11, MIFIDPRU 8 and applicable transitional arrangements.

The former FCA framework encompassed 3 Pillars:

Pillar 1 set out the minimum capital requirements that companies need to retain to meet their credit, market and operational risk;

Pillar 2 required the firm to assess whether its capital reserves, processes, strategies and systems were adequate to meet the Pillar 1 requirement and further determine whether it should apply additional capital, processes, strategies or systems to mitigate any additional risks;

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Pillar 3 required the Firm to develop a set of disclosures which would allow market participants to assess key information about its underlying risks, risk management controls and capital position. These disclosures were seen as complimentary to Pillar 1 and Pillar 2.

Rule 11 of BIPRU set out the provisions for Pillar 3 disclosure. The rules provide that companies may omit one or more of the required disclosures if such omission is regarded as immaterial. Information is considered material if its omission or misstatement could change or influence the decision of a user relying on the information. In addition, companies may also omit one or more of the required disclosures where such information is regarded as proprietary or confidential. No such omissions have been made on the above grounds.

Risk management objectives and policies

The Firm has established a risk management process to ensure that it has effective systems and controls in place to identify, monitor and manage risks arising in the business. Senior Management takes overall responsibility for this process and the fundamental risk appetite of the Firm and has responsibility for the implementation and enforcement of the Firm's risk principles.

Senior management meet on a regular basis and discuss current projections for profitability, cash flow, business planning and risk management. Senior Management engage in the Firm's risk management through a framework of policy and procedures having regard to the relevant laws, standards, regulatory principles and rules. These policies are updated as required.

Senior Management annually reviews the Firm's risks, controls and risk mitigation to assess their effectiveness. In line with the change in regulations the Firm has moved to the Internal Capital Adequacy and Risk Assessment (ICARA) process from the Internal Capital Adequacy Assessment Process (ICAAP) to formally review risks each year. The Firm performs it's ICARA process review in April and the ICARA process reference date is the preceding 31st March. Additionally, the Firm has in place appropriate monitoring procedures to assess potential risks as they arise throughout the course of business. Action is taken where risks are identified which fall outside of the Firm's tolerance levels or where the need for remedial action is required in respect of identified weaknesses in the Firm's mitigating controls. The material risks to the Firm's business identified by Senior Management are summarised below.

Business risk

This is the risk of the Firm not being able to generate income and control costs on an on-going basis and in-line with business plans. The Firm closely monitors costs and revenues and performs stress tests scenario analysis of revenues versus its liquidity requirements.

Operational risk

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The Firm places strong reliance on the operational procedures and controls that it has in place to mitigate risk and seeks to ensure that all personnel are aware of their responsibilities in this respect.

The Firm has identified what it considers to be the key operational risks. These relate to disruption of the office facilities, system failures, cyber security considerations, trade execution error, trade settlement failure and failure of third-party service providers. Appropriate policies and business continuity plans are in place to mitigate against risks.

The Firm is subject to the Fixed Overhead Requirement and is not required to calculate an operational risk capital charge, though it considers this as part of its process to identify the level of risk-based capital required.

Credit risk

The main credit risk to which the Firm is exposed is in respect to the failure of its debtors to meet their contractual obligations. The majority of the Firm's receivables are related to the fees and commissions earned on providing regulatory umbrella services provided to other entities. The Firm maintains a disciplined approach to the monitoring of receivables, ensuring all amounts due are current and that none become overdue.

Market Risk

The Firm's market risk is limited to foreign exchange risk on its accounts receivable and bank account balances in foreign currencies. In line with the Firm's low risk policy foreign currency exposure is continuously monitored and the Firm has direct access to the spot foreign exchange markets at competitive rates. Whilst market risk has the potential to negatively impact the Firm's profitability it is not considered a potential risk of material harm to clients or suppliers. For reporting purposes market risk exposure is calculated in accordance with the Standardised Approach.

Interest Rate Risk

The Firm does not rely on income generated from its cash deposits. and does not require debt funding for normal day to day operation of its business, therefore it is envisaged that a 200-basis point change in current interest rates (whether positive or negative) would have no adverse impact on the Firm's business or liquidity risks.

Capital Resources

Formerly the firm was required to maintain 'own funds' which equal or exceed the higher of:

i. The sum of its market and credit risk requirements; or
ii. Own funds based on its Fixed Overhead Requirement (which is essentially 25% of the firm's fixed overheads, determined in accordance with MIFIDPRU rules, less certain variable costs).

The Fixed Overhead Requirement is the higher measure and is calculated, in accordance with FCA rules based on the firm's previous year's audited expenditure.

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The Firm's Internal Capital and Risk Assessment of capital adequacy (ICARA) takes into consideration the risks of material harm and wind down stress and scenario assessments to identify whether additional capital should be held over and above the former Pillar 1 requirements. The Firm performs it's ICARA process review annually in May and the ICARA process reference date is the 30th of November.

The table below sets forth the Firm's capital resource requirements as at the date of its current ICARA assessment versus its capital position as at 31st March 2023.

Capital	£957K
Fixed Overheads Requirement (b)	£75K
Base liquid asset requirement based on fixed overheads*	£25K
Overall Financial Adequacy Rule / Liquid assets threshold requirement**	£300K
Own Funds Wind-Down Trigger	£75K
Total Liquid Assets	£403K
Liquid Assets Wind-Down Trigger	£25K
Total Capital requirement	£300K
Surplus (Deficit)	**£657K**

**Base liquid assets requirement is a third of the Fixed Overheads Requirement.*

***To comply with the overall financial adequacy rule a firm must hold the higher of the own funds that the firm requires at any given point in time, or the amount of own funds the firm would need to hold to ensure the firm can be wound down in an orderly manner*

The Firm's Pillar capital requirement and surplus of funds.

Pillar 1 capital requirement	£280K
Pillar 2 capital requirement	£20K

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Total capital requirement	£300K
Tier 1 Capital	£957K
Surplus of funds	**£657K**

Remuneration Code Disclosure

Met Facilities LLP is authorised and regulated by the FCA and subject to the rules on remuneration. The aim of the rules is to ensure greater alignment between risk and individual reward, discourage excessive risk taking and to encourage better risk management.

Application of the requirements.

We are required to disclose certain information on at least an annual basis regarding our remuneration policy and practices for those Staff whose professional activities have a material impact on the risk profile of the Firm. Our disclosure is made in accordance with our size, internal organisation, and the nature, scope and complexity of our activities.

1. Summary of information on the decision-making process used for determining the firm's remuneration policy.
   - The Firm has adopted a remuneration policy and procedures that comply with the requirements of MiFIDPRU and SYSC 19.
   - Due to the size, nature and complexity of the firm, the Firm is not required to appoint an independent remuneration committee.
   - The Firm's policy is reviewed as part its annual procedures, or following any significant change to policies, practices and procedures in the business
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2. Summary of how the Firm links pay and performance.
   - The Firm has considered qualitative, quantitative and proportionality elements in line with the FCA Guidance.
   - The Firm incentivises staff through a combination of both fixed and variable incomes. Staff are rewarded based on their contribution to the business in relation to;
     i. Business development;
     ii. Income generation or overall profitability;
     iii. Operational processes;
     iv. Other non-financial criteria.
   - Remuneration is designed to ensure that the Firm does not encourage excessive risk taking, discretionary remuneration is directly related to realised performance to align staff interests with those of the Firm and its clients.
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- Other factors such as performance, reliability, effectiveness of controls, and contribution to the business are taken into account when assessing the performance of the senior staff responsible for the infrastructure of the firm.