

Novate Global Markets Limited

IFPR Disclosure

09 September 2024

Contents

1 Introduction	3
1.1 About Novate Global Markets Limited	3
2 Risk Management Objectives and Policies	4
2.1 Risk Management Framework	4
2.2 Risk Appetite	4
2.3 Risk Management Function	4
2.4 Own Funds Requirement	5
2.5 Concentration Risk	5
2.6 Liquidity	5
2.7 ICARA	6
3 Governance Arrangements	6
3.1 Culture and Diversity	7
3.2 Directorships Held by the Board	7
3.3 Investment Policy	7
4 Own Funds	7
4.1 Composition of Own Funds	8
4.2 Reconciliation of Own Funds to Balance Sheet in the Audited Financial Statements	10
4.3 Description of Main Features – Common Equity Tier 1 Capital	12
5 Capital Requirements	12
5.1 Own Funds Requirement	12
5.2 Approach to Assessing the Adequacy of Own Funds	13
6 Remuneration policies and practices	14
6.1 Governance	14
6.2 Remuneration Structure	14
6.3 Ex-Post Risk Adjustments	14
7 Summary of changes	16

1 Introduction

1.1 About Novate Global Markets Limited

Novate Global Markets Limited (“Novate” or “the Firm”) (formerly known as Mitsubishi UFJ Trust International Limited (“MUTI”)) is a securities firm with its Head Office in London and a Branch in Singapore. Following a management buyout, Mitsubishi UFJ Trust and Banking Corporation (“MUTB”), part of the Mitsubishi UFJ Financial Group (“MUFG”), retains 24% of the issued share capital in Novate. The remaining 76% of the issued share capital of Novate is owned by senior management and certain employees.

Novate is authorised and regulated by the Financial Conduct Authority (“FCA”) as a Markets in Financial Instruments (“MIFID”) firm and subject to the rules and requirements of the FCA’s Prudential Sourcebook for MIFID investment firms (“MIFIDPRU”) handbook. For the purposes of MIFIDPRU, the Firm has been classified as a full scope 750k non-small non-interconnected (“non-SNI”) MIFIDPRU investment firm. Novate is licensed by the Monetary Authority of Singapore (“MAS”) under a Capital Markets Services License for dealing in securities under the Singapore Securities and Futures Act for Dealing in Capital Markets Products (Securities) via its Singapore Branch.

Novate is required to publish disclosures in accordance with the provisions and guidance outlined in MIFIDPRU 8 of the IFPR, which will be prepared at least annually following the publication of the annual financial statements and published on the firm’s website. The disclosed information is proportionate to Novate’s size and organisation, and to the nature, scope and complexity of its activities.

In accordance with the provisions of MIFIDPRU, Novate is currently required to provide disclosures on its:

- (i) Risk management objectives and policies (MIFIDPRU 8.2)
- (ii) Governance arrangements (MIFIDPRU 8.3)
- (iii) Own funds (MIFIDPRU 8.4 and 8.5)
- (iv) Remuneration policies and practices (MIFIDPRU 8.6)

This Public Disclosure Document has been prepared based on the MUTI audited financials as at 31st December 2023, covering the financial period 1st January 2023 to 31st December 2023 and will be updated on publication of Novate’s own accounts.

Novate applies the own funds and liquidity adequacy rules on a stand-alone, solo basis for Novate and its Singapore Branch. All disclosures required by the IFPR have been included, except where the Firm is permitted to exercise judgement in terms of proportionality, or where the disclosure would not be applicable to Novate’s business.

2 Risk Management Objectives and Policies

2.1 Risk Management Framework

Novate has implemented and embedded a firm-wide Risk Management Framework (“RMF”) to cover the risk management of all financial and non-financial risks faced by the firm, with clear policies and procedures in place to manage, mitigate or accept these risks effectively, and to ensure the management of risks is undertaken in line with applicable regulatory requirements and the firm’s risk appetite. There is also a clear escalation procedure embedded with the risk management of the firm to ensure effective escalation of any risks outside the Novate board approved risk appetite.

2.2 Risk Appetite

The Board is responsible for setting the risk appetite of Novate and establishing an appropriate system of internal controls to ensure business is undertaken in line with the risk appetite. In Novate, risk appetite is defined as the amount of risk the Firm is willing to take in the pursuit of generating, processing, and recording business and meeting its strategic objectives. The Risk Appetite Statement is reviewed by the Board at least on an annual basis, or post a significant change in the size, nature or structure of the business, or significant market change.

The Board and Senior Management of Novate acknowledge that the link between risk tolerance, risk appetite, limit setting, the ICARA and the strategic decision-making process is a key tool that is embedded throughout the business to continue to foster effective risk management.

In addition to setting out the risk appetite, Novate also considers its risk tolerance within the Risk Appetite Statement, this being the level of risk that Novate can take, compared with the amount of risk that it is willing to take to achieve its objectives. In that regard, the amount of own funds and liquid assets Novate holds, defines the level of risk the Firm can tolerate.

2.3 Risk Management Function

Novate’s control environment is organized through a Three Lines of Defence model, designed to enable the First, Second and Third Lines of Defence to work together effectively based on a single framework and clear accountabilities to ensure all three Lines of Defence are aligned with the level of risk that is acceptable.

The First Line of Defence is primarily responsible for taking and managing risk within the Firm’s RMF and Risk Appetite, driving the delivery of the firm’s services and achieving the business objectives set by the executive management team. The First Line includes Front Office, Operations, Finance, Legal and the Human Resources function.

The Second Line of Defence comprises the Risk Management and Compliance functions, whose role is to provide guidance and support to the First Line of Defence, and oversee the adherence to, and execution of, the RMF.

The Third Line of Defence is the Novate Board who assess the business via management information provided. In addition, the firm also utilises an External Audit company which performs an assessment of the risk and controls of the business.

2.4 Own Funds Requirement

Novate calculates the K-Factors under MIFIDPRU 4.6 which define the required capital of the Firm to continue current activities, which are detailed further within the Own Funds Requirement section of the disclosures. These K-Factors are grouped into 3 sections:

- (i) Risk to Client ("RtC")
- (ii) Risk to Markets ("RtM")
- (iii) Risk to Firm ("RtF")

The Board ensures that sufficient capital is always held within the Firm to adequately cover the Own Funds Requirement, and the business strategy of the firm does not present a risk to the continuation of capital requirement coverage. Novate's Board is responsible for assessing the Firm's internal capital need in a way that is consistent with its risk profile and operating environment. The RMF, associated Risk Appetite Statements, Committees, and the internal controls work to achieve this while accepting risk in the normal course of business. New business or acquisitions are fully assessed for potential capital requirements during the due diligence phase and prior to approval.

2.5 Concentration Risk

Concentration risk is the risk posed by a large exposure to a single counterparty or exposures to several counterparties within the same group of companies. It can also arise from exposure to geographic or product concentrations which can increase Novate's exposure to credit risk. The processes for managing Novate's concentration risks are set out in the Credit Risk Management and Concentration Risk Management policies.

Novate manages its concentration risk through the setting of exposure limits and the regular monitoring of these limits. The limit setting process makes use of the IFPR concentration risk rules to determine limits per counterparty and trade type that are in line with Novate's Risk Appetite.

2.6 Liquidity

Liquidity risk is the risk that a firm, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due or can secure such resources only at excessive cost. Under normal circumstances, with funding available, the Firm utilises liquidity to efficiently operate its business. Should the funding environment deteriorate, actions are available to significantly reduce the Firm's liquidity requirements whilst continuing to operate the Firm's core business. In the event of a significant stress,

such as the failure of a counterparty, additional funding requirements may arise, exposing Novate to a contingent liquidity risk.

Novate has policies and processes for the identification, measurement and management of its liquidity risk. Liquidity risks are recorded within the Liquidity Risk Register, with transactional liquidity requirements also mapped in liquidity flow diagrams. The Firm's net funding position and requirements are monitored on an ongoing and forward-looking basis. Novate also undertakes stress testing and scenario analysis under stressed market conditions. Novate's cash position is monitored by the Risk Management and Finance departments in conjunction with the Transaction Processing department who are responsible for cash management on a daily basis.

2.7 ICARA

Novate compares the K-Factors calculated under MIFIDPRU 4.6 which define the required capital of the Firm to the internal risk assessment under ICARA to highlight the additional capital requirements, or Additional Own Funds ("AOF"), under ICARA. Effective governance of Novate requires ownership of the ICARA by the Board. Policies and procedures are in place to embed the ICARA throughout the business.

3 Governance Arrangements

SYSC 4.1.1 requires all firms to have robust governance arrangements and effective processes for managing risks. It also requires all institutions to have in place sound and effective strategies to assess and maintain adequate capital, having considered the nature and level of their risks in a forward-looking manner. The Board works to ensure that the FCA's Principles for Businesses as set out in the FCA Handbook's Principles for Businesses Sourcebook (PRIN) and all other regulatory obligations are abided by in the conduct of Novate's business. Decisions are only made after taking into consideration the Firm's regulatory obligations and the interests of clients, employees, and other stakeholders.

Board of Directors

Novate's Board is the firm's governing body. The Board of Directors have ultimate responsibility for the management of the Firm. This includes responsibility for establishing and monitoring the governance framework, setting strategy, approving risk appetite, business planning and oversight of management's execution of strategy and plans.

The Board usually meets on a quarterly basis, with its powers reserved as set out in its Terms of Reference. These powers include the approval of Novate's annual accounts and director's report, annual business plan, budget, and the appointment and removal of directors and Company Secretary. The Board receives notice of and approves directors' conflict of interests where relevant, is responsible for setting and approving remuneration structures set out in Novate's Remuneration Policy and, as noted above, also determines the risk appetite.

Executive Committee

The Board has delegated its powers of management to the Executive Committee. The purpose of the committee, amongst other things, is to conduct the operational management of the Firm, assist the CEO and COO in overseeing and maintaining systems and controls, and recommend significant changes in accounting policies and practice.

Risk and Compliance Committee

The Risk and Compliance Committee, a sub-committee of the Executive Committee, establishes and maintains policies and procedures sufficient to ensure compliance of the Firm under the regulatory system and formally discusses, evaluates, and resolves the risks that Novate poses to itself, its clients, and the market. It aims to advise the Board on the ongoing risk management of the firm, including aspects of proposed changes to strategy and strategic transactions, ensuring the activities of the firm remain within the RMF, risk appetite, tolerance and strategy of the firm.

Management Information and Reporting to the Board

The provision of accurate and timely information to the Board and Senior Management is a key tool in the effective management of risk, and for enabling the Board and Senior Management to effectively oversee the governance framework in Novate.

3.1 Culture and Diversity

All Directors and employees are subject to the firm's HR policies, which state the imperative of equal opportunity. Novate is committed to promoting equal opportunities in employment, and fully supports the rights and opportunities of all people to seek, obtain and hold employment without discrimination. The Firm strongly supports the principle of diversity within its business, and looks to balance a variety of qualities, competences, and background and experience, embedding the diversity of thought that flourishes within a diverse workforce.

3.2 Directorships Held by the Board

As at 9 September 2024, Novate has four statutory directors, of whom there are two executive directors and two non-executive directors.

Novate's directors hold directorships at various companies and entities which do not conflict with Novate's commercial objectives. One of Novate's non-executive directors holds one directorship at a non-group company which pursues predominantly commercial objectives.

3.3 Investment Policy

Whilst Novate is classified as a non-SNI MIFIDPRU investment firm, the Company meets the relevant conditions set out in MIFIDPRU 7.1.4R. The Company is therefore not required to disclose its investment policy.

4 Own Funds

Novate's entire own funds qualify as Common Equity Tier 1 ('CET1') capital. No regulatory adjustments have been made to CET1 capital. Novate has no Additional Tier 1 ('AT1') capital instruments and no Tier 2 ('T2') capital instruments or provisions.

Whilst the FCA has granted Novate permission to reduce, redeem or repurchase its common equity tier 1 instruments, by an amount not exceeding £32,000,000, thereby reducing its Tier 1 capital to £8,000,000, the figures below have been prepared based on the MUTI audited financials as at 31st December 2023, covering the financial period 1st January 2023 to 31st December 2023 and will be updated on publication of Novate's own accounts.

4.1 Composition of Own Funds

	Item	Amount (GBP thousands) thousands)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1	OWN FUNDS	55,296	Note 14
2	TIER 1 CAPITAL	55,296	Note 14
3	COMMON EQUITY TIER 1 CAPITAL	55,296	Note 14
4	Fully paid-up capital instruments	40,000	Note 12
5	Share premium		
6	Retained earnings	15,296	Note 13
7	Accumulated other comprehensive income		
8	Other reserves		
9	Adjustments to CET 1 due to prudential filters		
10	Other funds		
11	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY		
19	CET 1: Other capital elements, deductions, and		
20	ADDITIONAL TIER 1 CAPITAL	0	
21	Fully paid up, directly issued capital instruments		
22	Share premium		
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1		
24	Additional Tier 1: Other capital elements, deductions, and adjustments		
25	TIER 2 CAPITAL	0	
26	Fully paid up, directly issued capital instruments		
27	Share premium		
28	(-) TOTAL DEDUCTIONS FROM TIER 2		
29	Tier 2: Other capital elements, deductions, and adjustments		

4.2 Reconciliation of Own Funds to Balance Sheet in the Audited Financial Statements

MUTI's accounting balance sheet is prepared on the same basis as the Firm's 'regulatory balance sheet'. The Shareholder's Equity listed below includes £55,296k CET1 Capital. There is no dividend proposed for the year.

		A	B	C
		Balance sheet as in published/audited financial statements	Under regulatory scope of consolidation	Cross-reference to template Of 1
		As at period end	As at period end	
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements (GBP thousands)				
1	Tangible Assets	762		
2	Investments	46,084		
3	Debtors	3,807		
4	Cash at bank and in hand	8,466		
Total Assets		59,119		
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements (GBP thousands)				
1	Creditors: amounts falling due within one year	3,823		
Total Liabilities		3,823		
Shareholders' Equity (GBP thousands)				
1	Called-up share capital	40,000	40,000	Item 4
2	Profit and Loss Account	15,296	15,296	Item 6
Total Shareholders' equity		55,296	55,296	

4.3 Description of Main Features – Common Equity Tier 1 Capital

The table below provides information on the capital instruments issued by the Firm.

Issuer Type	Mitsubishi UFJ Trust International
Governing law(s) of the instrument	English Law
Regulatory treatment	
Instrument type	Ordinary shares
Regulatory Classification	Common Equity Tier 1 Capital
Amount recognised in regulatory capital (GBP millions, as of most recent reporting date)	40
Nominal amount of instrument	40,000,000
Issue price	£1.00
Accounting classification	Shareholders' equity
Original date of issuance	5th December 2005
Perpetual or dated	Perpetual
Original maturity date	No maturity
Coupons / dividends	
Fixed or floating dividend/coupon	Floating
Existence of a dividend stopper	No
Fully discretionary, partially discretionary, or mandatory	Fully discretionary
Fully discretionary, partially discretionary, or mandatory	Fully discretionary
Noncumulative or cumulative	Noncumulative
Convertible or non-convertible	Non-convertible
Existence of step up or other incentive to redeem	No

5 Capital Requirements

5.1 Own Funds Requirement

Novate's Own Funds Requirement is determined by the highest of the following three requirements:

- Permanent Minimum Capital Requirement (PMR) - £750k
 - An FCA prescribed minimum level of own funds determined by the activities carried out by the firm
- Fixed Overheads Requirement (FOR) - £5,792
 - One quarter of Novate's annual fixed overheads
- K-Factor Requirement - £3,010k
 - The sum of the individual own fund requirements for the K-factors, based on the level of firm activity

K- Factor	Description
K-AUM	Assets under management
K-COH	Client orders handled
K-ASA	Assets safeguarded and administered
K-CMH	Client money held
C-NPR	Net Position Risk
K-CMG	Clearing margin given
K-TCD	Trading counterparty default
K-DTF	Daily trade flow
K-CON	Concentration Risk

K-Factor Breakdown

Item - Amount (GBP thousands)		
K - Factor	Σ K-AUM, K-CMH AND K-ASA	2,307
	Σ K-DTF and K-COH	467
	Σ K-NPR, K-CMG, K-TCD and K-CON	236
Total		3,010

Novate's Own Funds Requirement is therefore determined by the Fixed Overhead Requirement: £5,792k

5.2 Approach to Assessing the Adequacy of Own Funds

The IFPR requires firms to ensure sufficient own funds and liquid assets are held at all times to meet the Overall Financial Adequacy Rule. This is assessed through the ICARA process which aims to identify, monitor and reduce all potential material harms that may result from the ongoing operations, or winding down of, a firm's business; and assess adequacy of financial resources. This process is seen as the output of Novate's Risk Management Framework.

As part of its ICARA, Novate has considered its business model and strategy, and identified the material harms that could result from the ongoing operations of its business, and the winding down of the Firm. Own funds and liquid asset requirements are then calculated based on internal assessment methodologies in accordance with the Firm's Stress and Scenario Testing Policy.

The ICARA, approved by the Board, concludes that the amount and quality of Novate's own funds and liquid assets, core and non-core, are adequate to meet the Overall Financial Adequacy Rule.

6 Remuneration policies and practices

6.1 Governance

Novate has a Remuneration Policy that applies to employees of the firm. The Board has established a Remuneration Committee to oversee the implementation of the policy and record remuneration decisions such as the level and types of remuneration awarded.

6.2 Remuneration Structure

Novate ensures that its remuneration policies and practices are in line with the business strategy, objectives and long-term interests of the Firm as per SYSC 19G.2.9R. It is Novate's policy to discourage risk taking that is not in line with Novate's low risk appetite as described by the Board. As such, the remuneration practices are structured and transparent and based, primarily, on historic performance and not future incentives. Where it relates to quantitative performance, metrics are based on realised profits and, as such any risks have already been realised.

Novate considers that variable remuneration is based on performance, reflecting the long-term performance of the business and individual in excess of the individuals' job description and terms of employment. For example, Novate categorises bonus awards and hiring bonuses as variable remuneration.

When assessing individual performance to determine the amount of variable remuneration to be paid to an individual, Novate will consider financial as well as non-financial criteria. When considering non-financial criteria, Novate looks at the annual Performance Development Review ("PDR") as well as any potential issues relating to the FCA's conduct rules. It is recognised that non-financial criteria may, in some cases, override the financial criteria, where appropriate. For the Executive Directors, the Board of Directors oversees their performance.

Material Risk Takers

When determining variable remuneration, the FCA requires that the performance assessment is based on a multi-year period which considers the business cycle of the Firm and its business risks. The Firm's variable remuneration is based on a combination of performance assessments of the individual, the business unit concerned and the overall results of the Firm. When assessing performance of MRTs, Novate includes an assessment of the prior performance year in addition to the current performance year. In addition, to account for any potential conduct risk issues crystallising post the variable remuneration award, Novate has also implemented several ex-post risk adjustments to its variable remuneration as outlined below.

6.3 Ex-Post Risk Adjustments

Novate has implemented ex post risk adjustments to its remuneration policies which can be applied to unvested variable remuneration of those employees whose roles and responsibilities include areas where failures or poor performance contributed to, or failed to prevent, the crystallization of risk including cases of misconduct. Novate ensures that adjustments to variable remuneration may be applied at all levels (business unit, trading desk or individual level) and such adjustments are informed by elements of both the current

and future financial and non-financial risk, taking into account the requirements in SYSC 19G.6.15 R – SYSC 19G.6.18R.

When applying Malus or Clawback, Novate considers all types of risks including conduct risk, operational risk, and regulatory risk, in particular whether the individual has participated in or was responsible for conduct which resulted in significant losses to the Firm; and/or they failed to meet appropriate standards of fitness and propriety. Novate will also take into account FCA's General Guidance on the application of ex-post risk adjustments to variable remuneration.

Any deferred remuneration will be subject to malus. Prior to the deferred remuneration vesting, Novate will consider if there are any events that could have triggered malus and would therefore affect the remuneration. This may result in reducing or cancelling variable remuneration that has not yet vested. For the avoidance of doubt, malus can be applied until the award has vested in its entirety.

Novate has implemented contractual provisions for MRTs allowing it to implement clawback as a measure of recouping already vested remuneration awards. To ensure sound risk management and healthy firm culture Novate has determined it is appropriate that the application of clawback is broadened to a wider category of front office staff in addition to MRTs.

When setting up the period for which clawback can be applied, Novate considered the risks that may crystallise, including conduct risk.

MRT Identification and Numbers:

Novate identifies Material Risk Takers ("MRTs") by reference to the MIFIDPRU Remuneration Code (SYSC 19G.5) which sets out qualitative and quantitative criteria.

Novate has taken into consideration the criteria set out in SYSC 19G.5.3R and guidance in SYSC 19G.5.4 G to SYSC 19G.5.5 G in order to identify those individuals whose professional activities have a material impact on the risk profile of Novate, either on a qualitative basis by the role they perform within the Firm, or a quantitative basis measured by the ratio of their fixed versus variable remuneration.

The total volume of MRTs in the performance year 2023, whilst operating as MUTI, (including new joiners and leavers) was 24.

(GBP thousands)	Fixed Remuneration	Variable Remuneration	Total Remuneration
All staff	13,565	2,851	16,416
Senior Management and Other MRTs	4,349	1,439	5,788
Other Staff	9,216	1,412	10,628

(GBP thousands)	Guaranteed Variable Remuneration Received	Number Received Guaranteed Variable Remuneration	Severance Payments Received	Number Received Severance Payments	Highest Severance Payment Received
Senior Management and Other MRTs	71,342	4	42,250	1	42,250

When preparing the information for the above two tables in accordance with MIFIDPRU 8.6.8(4) and (5), MUTI relied on the exemption in MIFIDPRU 8.6.8(7) and aggregated Senior Management and Other Material Risk Takers in order to prevent individual identification of a material risk taker.

7 Summary of changes

In accordance with MIFIDPRU 8.1.13, Novate wishes to highlight the following significant change from the last Disclosure document:

- Change in ownership – please see section 1.1
- Change in business model – as a result of the MBO, Novate does not provide securities financing services
- Change in Own Funds – please see section 4