MIFIDPRU Annual Disclosures

Park Square Capital, LLP

For the Financial Year Ended 31 December 2022

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1. Overview

Introduction

This Disclosure document sets out the risk management objectives and policies, governance arrangements own funds and own funds requirements of Park Square Capital, LLP (“Park Square”, the “Firm”), as required by MIFIDPRU 8.

Background

The Investment Firms Prudential Regime (“IFPR”) came into force on 1 January 2022 and applies to all MiFID investment firms authorised in the UK.

Under the IFPR’s firm categorisation, Park Square is categorised as a non-small and non-interconnected firm (“Non-SNI”).

The public disclosure is an important part of the IFPR because it increases transparency and confidence in the market and gives stakeholders and market participants an insight into how the Firm is run.

2. Risk Management Objectives and Policies

The governing body for the risk framework within the Firm is the Executive Committee ("ExCo"). ExCo is responsible for determining the Firm's business strategy and risk appetite, taking into account the risks that the Firm is likely to meet.

The single area of the Firm's business is investment management and as such risk is an inherent part of it.

The Firm's risk management framework incorporates an analysis of the impact of each material risk on the Firm, its clients and on the market, the probability of each risk occurring and the procedures in place for mitigation. The Internal Capital Adequacy and Risk Assessment ("**ICARA**") process provides periodic management information to the ExCo, focusing on business and operational risk management issues, and including any notification that the Firm is likely to breach an early warning indicator, regarding the Firm's own funds and liquid assets requirements.

The Firm considers that the potential for harm associated with its business strategy is low. The Firm does not engage in proprietary trading, underwriting, placing, clearing or settlement activities, hold significant on balance sheet exposures, have tied agents or provide custody services or services to retail clients.

The Firm's business strategy reflects its low-risk appetite towards risk. The Firm is remunerated by the investment funds it advises or manages. The fees are calculated by reference to either committed capital or invested capitaland are a predictable source of income.The Firm has applied the following approach to dealing with material harms:

- **Identification:** of all material harms that could result from ongoing operations or winding down.
- **Monitoring and mitigating harms:** considering the systems and controls in place to mitigate material harms.
- **Additional own funds or liquid assets:** assessment of any additional financial resource required above controls to mitigate harms.

Please note the Firm's risk management objectives and policies for the categories of risk, addressed by the below:

Own Funds Risks

The level of own funds required to be held by the Firm is driven by material harms that might be incurred by the Firm, its clients and the markets it operates in. Material own funds risk identified in the ICARA process include:

- Market Risk
- Credit Risk
- Operational Risk
- IT-Related Operational Risks
- Human Related Operational Risks
- Liquidity Risk
- Strategic Risk
- Business Risk
- Other Risks, such as reputational risk, key-person risk, regulatory risk etc.

The likelihood of a risk crystallising, the financial impact if it materialises and the systems and controls in place to mitigate these risks are reflected in the assessment of own funds requirements in the ICARA process. This determines the own funds necessary for ongoing business operations or to wind down the business in an orderly manner. This assessment is refreshed at least annually or where material changes to the Firm's business model or the regulatory landscape.

Concentration risk

The Firm is required to monitor and control all sources of concentration risk. The Firm has identified the following concentration risks and has put in place the control strategies discussed below.

- Positions and Exposures - the Firm does not run a trading book and consequently holds no exposure to counterparties.
- Intragroup Exposures - the Firm is not part of a group for the purpose of the analysis forming the ICARA and from an FCA regulatory standpoint, and consequently holds no intragroup exposures.
- Client Money - the Firm does not hold client money, nor does it have permission to do so. Consequently, there are no concentrations in this context.
- Client Securities - the Firm does not hold or safeguard client assets, nor does it have permission to do so. Consequently, there are no concentrations in this context.
- Firm's own cash - the Firm deposits its cash with two institutions of at least 'A' on the S&P ratings scale.
- Earnings - the Firm has 27 funds of which the majority are closed ended, therefore the Firm does not have any significant concentration risk relating to earnings.

The Firm's assessment in relation to each concentration risk is that, given its control strategies, it does not present a material risk to the Firm, its clients or the market.

Liquidity Risk

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

The majority of the funds managed by the Firm are closed-ended and the contractual nature of income is based on a percentage of the Park Square Capital funds' invested capital and / or committed capital. This allows the Firm to forecast its liquidity over an 18-to-24-month period with a reasonable degree of accuracy which are also stress tested.

Additionally, liquidity is monitored daily to ensure it is within regulatory thresholds.

3. Governance arrangements

The Firm has governance arrangements, which include a clear organisational structure with appropriate lines of responsibility and effective processes to identify, manage, monitor and report the risks that it is, or might be, exposed to.

The Firm is managed by its ExCo, whose reporting lines are defined within the organisation structure. The Firm ensures that the members of the ExCo are of sufficiently good repute; possess sufficient knowledge, skills and experience to perform their duties (as well as a sound understanding of the Firm's activities and main risks). The Firm ensures that it dedicates sufficient human and financial resources to the induction and training of members of the ExCo.

Risk management is implemented and overseen by Park Square's Risk Committee. The Risk Committee provides an oversight of the investment process and governance of Investment Committee decisions to identify, manage and escalate any operational, ESG and business risks.

The Executive Committee meets at least four times per calendar year.

Senior Managers

The table below relates to the appointments of the Firm's Senior Managers as at 18.09.2023.

SMF / Role	Name	Number of Other External Directorships
SMF1 (Chief Executive) **SMF27 (Partner)**	Robert George Doumar	0
SMF16 (Compliance Oversight) **SMF17 (Money Laundering Reporting Officer (MLRO))** **SMF27 (Partner)**	Andrew Haywood	0
SMF27 (Partner)	Osvaldo Emilio Pereira	0
SMF27 (Partner)	Ruediger Blank	0
SMF27 (Partner)	Matthias Gustav Alt	0
SMF27 (Partner)	Martino Andrea Tomaso Ghezzi	0

Diversity

The Firm recognises that diversity improves the quality and objectivity of the decision-making process by bringing new voices to the table; it fosters innovation, creativity and a better understanding of customer insights through a greater variety of problem-solving approaches, perspectives and ideas.

The Firm approaches diversity in the broadest sense, recognising that successful businesses embrace diversity at all levels, including at ExCo and senior management. The Firm's ExCo considers diversity aspects, including but not limited to:

- Ethnicity
- Gender

- Educational and professional background
- Age
- Geographical provenance

Conflicts of Interest

The Firm has a Conflicts of Interest Policy which identifies the circumstances that constitute or may give rise to a conflict of interest entailing a material risk of damage to the interests of one or more clients, whilst specifying the procedures to be followed and the measures to adopt to manage the conflicts. Staff are provided with regular training in relation to Conflicts of Interest.

4. Own Funds Disclosure

Park Square's regulatory capital consists of Common Equity Tier 1 (CET 1) capital, which is comprised of share capital, other audited reserves and retained earnings.

The Firm is required by MIFIDPRU 8.4 to provide a breakdown of its Own Funds instruments and to provide information on how these reconcile with the Firm's balance sheet. Furthermore, the Firm is required to disclose a description of the main features of the Own Fund instruments it has issued.

The Firm does not hold any Additional Tier 1 (AT1) or Tier 2 (T2) Capital. The table below summarises the Firm's capital and liquidity situation against its regulatory capital requirements as at 31 December 2022.

	Table 1 - Composition of regulatory own funds	£'000
	Own Funds Total	7,272
	T1 Total	7,272
	CET 1 Total	7,272
1	Paid up capital instruments	11
2	Share premium accounts	
3	Retained earnings	7,261
4	Accumulated other comprehensive income	-
5	Other reserves	-
6	Funds for general banking risk	-
	Less	
7	Losses for the current financial year	-
8	Intangible assets	-
9	Deferred tax assets that rely on future profitability	-
10	Deduction of holdings of CET 1 instruments of financial sector entities	-
	AT 1 Total	-
11	Capital instruments (where the conditions laid down in Article 52(1) are met)	-
12	Share premium accounts (related to the instruments above are met)	-
	Less	
13	Art 56 deductions (inc holdings)	-
	T2 Total	-
14	Capital instruments (where the conditions laid down in Article 63 are met and to the extent specified in Article 64)	-
15	Share premium accounts (related to the instruments above are met)	-
	Less	
16	Art 66 deductions (inc holdings)	-

Table 2 - Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements			
£,000	**Balance sheet as in audited financial statements**	**Under regulatory scope of consolidation**	**Cross reference to Table 1**
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements			
Tangible assets	1,482		
Debtors	10,323		
Cash at bank and in hand	3,271		
Total	**15,076**		
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements			
Creditors: amounts falling due within one year	7,555		
Creditors: amounts falling due after one year	248		
Total	**7,803**		
Shareholders' Equity			
Members' capital classified as liability	1		
Members' capital classified as equity	11		1
Members' other interests - other reserves classified as equity	7,261		3
Total	**7,273**		

Table 3 Main Features of Own Funds Instruments	
Initial Capital	Instrument Type: Amount Recognised in Regulatory Capital: Nominal amount of instrument: Accounting Classification:
Reserves	Instrument Type: Amount Recognised in Regulatory Capital: Nominal amount of instrument: Accounting Classification:
Retained Earnings	Instrument Type: Amount Recognised in Regulatory Capital: Nominal amount of instrument: Accounting Classification:

5. Own Funds Requirements

Park Square must disclose its K-Factor requirement and Fixed Overheads Requirement amounts in relation to its compliance with the requirements set out in MIFIDPRU 4.3 (Own Funds Requirements).

Own Funds Requirement	£'000
Permanent Minimum Requirement (PMR)	75
Sum of K-AUM, K-CMH and K-ASA	461
Sum of K-COH and K-DTF	-
Sum of K-NPR, K-CMG, K-TCD and K-CON	-
Fixed Overhead Requirement (FOR)	4,559
IFPR Capital Requirement	**4,559**

Overall financial adequacy rule

Park Square must at all times, hold own funds and liquid assets which are adequate, both as to their amount and their quality, to ensure that:

- The Firm is able to remain financially viable throughout the economic cycle, with the ability to address any material potential harm that may result from its ongoing activities; and
- The Firm's business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

Risk of harms analysis

The Firm analyses its risk of harms to clients, market and itself through its risk assessment framework. Fundamental to this is the Firm's risk and harms matrix which identifies risks that the Firm's business could give rise to. Each categorised risk holds a description of the harm that crystallisation of the risk event could visit on the three broad categories of entities interacting with the Firm; clients, market and Firm itself. Each categorised risk is then graded with measures of harm and severity of consequence before and after controls and mitigations are put in place.

This methodology also codifies a means of allocating capital provision at the risk category level in order to inform the Firm of its own analysis capital requirement in comparison to its Own Funds requirement.

The current methodology for capital allocation involves the allocation of impact bands on a per risk driver basis, alongside harm mitigation costs. Within each category of risk (i.e. group of drivers), the highest impact is taken as a basis for capital allocation.

Wind Down Capital Requirement

The Firm has carried out wind-down simulation within its ICARA with the aim of establishing the amount of regulatory capital and liquidity needed to ensure the Firm winds down in an orderly manner. As part of the wind-down simulation, the Firm identifies the cost and time for the Firm to effectively wind down its operations if a significant stressed event was to either breach the

Own Funds requirement or, if for whatever reason, the Firm's management body decided to cease operations.

6. Remuneration Policy and Practices

The Firm is subject to the FCA Rules on remuneration as they apply to a Non-Small and Non-Interconnected (Non-SNI) MIFIDPRU investment Firm. These are contained in the FCA's MIFIDPRU Remuneration Code located in SYSC19G of the FCA's Handbook.

Approach to Remuneration

The Firm applies the same approach to remuneration to staff whether they are classed as Material Risk Takers or not (see below) to contribute to sound risk management and a healthy firm culture.

As a non-SNI firm, Park Square, through proportionality related to the scale and complexity of its business, must comply with the 'basic remuneration requirements' for all staff and 'standard remuneration requirements' for material risk takers, which is documented using the FCA's remuneration policy template for code staff.

Staff have the opportunity to share in the success of the Firm in years of good performance and also accept reduced levels of variable pay in times of weaker performance.

The Firm does not remunerate or assess the performance of its staff in a way that conflicts with its duty to act in the best interests of its clients. Nor does the Firm make any arrangement by way of remuneration, sales targets or otherwise that could provide an incentive to its staff to recommend a particular financial instrument to a client when the Firm could offer an alternative financial instrument which would better suit the client's needs.

Objectives of financial incentives

Park Square's Remuneration Policy provides a framework to ensure all staff are fairly and competitively rewarded in return for a high level of service to the Firm and is clients. In setting remuneration levels, Park Square recognises the importance of attracting and retaining experienced staff. The amount of fixed remuneration paid to an employee will be based on market rates relevant to the employee's role and their knowledge, experience, and competencies. Discretionary bonuses are made to employees to reward them for good performance with a view to increasing and maintaining their productivity. The principal objective in determining variable bonus awards is to reward individual contribution to the Firm whilst ensuring that such payments are warranted given business results.

Decision Making

Senior management shall be responsible for the implementation of this policy as well as the monitoring of compliance risks associated with it. This policy will be reviewed and approved by the management body at least annually to ensure it continues to remain fit for purpose with input from the Firm's Chief Compliance Officer and Head of Human Resources.

Characteristics of Remuneration Policy and Practices

Remuneration typically comprises of fixed and variable elements. Fixed remuneration consists of base salary, (defined contribution) pension contribution and other benefits such as private medical insurance, life assurance which constitutes the fixed payment made to an employee for their services.

The Firm has defined variable pay as annual discretionary bonus, which are awarded based on company performance, departmental performance and individual performance. It can also include employee long term incentive plans, other incentive plans and carried interest. The Firm's policy on variable remuneration is to set aside a proportion of the Firm's profits to form a bonus pool out of which awards will be made. The total bonus pool amount is determined by reference to the Firm's risk-adjusted criteria, which include both quantitative and qualitative measures.

The Firm will ensure that remuneration and similar incentives will not be solely or primarily based on quantitative commercial criteria. Consequently, the Firm will take into account appropriate qualitative criteria (i.e. behavioural measures such as customer feedback) which shall encompass adherence with relevant regulations, fair treatment of clients and the quality of services provided to clients.

The Firm will ensure it always maintains a balance between fixed and variable components of remuneration, so as to mitigate any conflicts of interest between the Firm, its staff and its clients.

The Firm has a Remuneration Committee that considers the remuneration of all staff. When deciding on remuneration, the Committee will consider alongside other qualitative criteria mentioned above, whether the individual has taken any other risks and if post risk adjustments may need to apply. Where this is the case, the Firm will not reward excessive risk taking.

The below principles are applied to remuneration, particularly in the case of MRTs:

- Malus and Clawback

  Malus and Clawback will be considered if the Firm determines that an individual(s) has given cause to do so as defined in the Malus and Clawback policy. The amount of Malus and Clawback that is applied will be determined at the discretion of the Firm's Remuneration Committee, but consideration will be given to the variable remuneration received in the previous three years.

- Guaranteed Variable Remuneration

  Park Square does not pay guaranteed variable remuneration (i.e. guaranteed bonuses regardless of performance) to a material risk taker unless this occurs only in the context of hiring new material risk takers, is limited to the first year of service and the Firm has a strong capital base.

- Severance Pay

  Payments related to termination (severance payments) reflect performance achieved over time and are designed in a way that does not reward failure. The award of severance payments other than in accordance with the terms of the applicable contract is approved by the Firm on an ad hoc basis and in the best interests of the Firm.

Material Risk Takers

The Firm has identified Material Risk Takers (“MRTs”) in accordance with the criteria set out in SYSC 19G.5.3 for the definition of material risk takers for remuneration purposes. Therefore, the Executive Committee have been deemed as the Firm’s Material Risk Takers. The Firm has developed and applied internal qualitative and quantitative assessments against the defined criteria to identify those individuals that have a material impact upon the Firm’s risk profile.

For the performance year 2022, there were 7 MRTs identified.

Remuneration for year ending 2022

The aggregate remuneration awarded to Senior Managers and Material Risk Takers for the period under review was £10.18m, consisting of fixed remuneration of £2.07m and variable remuneration of £8.11m. The aggregate remuneration awarded to Other Staff for the period under review was £12.66m, consisting of fixed remuneration of £6.73m and variable remuneration of £5.93m.

There were no guaranteed variable remuneration awards or severance payments made to Senior Managers or Material Risk Takers during the financial year.

According to MIFIDPRU 8.6.8 (4), a Firm needs to disclose the fixed, variable and total remuneration split into categories of senior management, other MRTs and other Staff. However, disclosure under these requirements would lead to the identification of one or two MRTs and therefore, the Firm is relying on the exemption in relation to these obligations provided by MIFIDPRU 8.6.8 (7) (a).