

## **MIRABELLA FINANCIAL SERVICES LLP PILLAR 3, STEWARDSHIP CODE, REMUNERATION DISCLOSURE AND PRIVACY NOTICE**

The Capital Requirements Directive ('CRD') and Alternative Investment Fund Management Directive ('AIFMD') of the European Union establish a revised regulatory capital framework across Europe governing the amount and nature of capital credit institutions and investment firms must maintain.

In the United Kingdom, the CRD and AIFMD have been implemented by the Financial Conduct Authority ('FCA') in its regulations through the General Prudential Sourcebook ('GENPRU'), the Prudential Sourcebook for Banks, Building Societies and Investment Firms ('BIPRU'), The Interim Prudential Sourcebook for Investment Business ("IPRU (INV)").

The CRD consists of three 'Pillars':

- Pillar 1 sets out the minimum capital amount that meets a firm's credit, market and operational risk capital requirement;
- Pillar 2 requires the firm to assess whether its capital reserves, processes, strategies and systems are adequate to meet pillar 1 requirements and further determine whether it should apply additional capital, processes, strategies or systems to cover any other risks that it may be exposed to; and
- Pillar 3 requires disclosure of specified information about the underlying risk management controls and capital position to encourage market discipline.

The AIFMD adds further capital requirements based on the Alternative Investment Fund ('AIF') assets under management and professional liability risks.

The rules in BIPRU 11 set out the provision for Pillar 3 disclosure. This document is designed to meet our Pillar 3 obligations.

The Pillar 3 disclosure document has been prepared by Mirabella Financial Services LLP (the "Firm") in accordance with the requirements of BIPRU 11 and is verified by the Members of the firm (collectively the "Governing Body"). Unless otherwise stated, all figures are as at the 30th June 2019.

Pillar 3 disclosures will be issued on an annual basis after the year end and published as soon as practical with the annual accounts.

We are permitted to omit required disclosures if we believe that the information is immaterial such that omission would be unlikely to change or influence the decision of a reader relying on that information for the purpose of making economic decisions about the firm.

In addition, we may omit required disclosures where we believe that the information is regarded as proprietary or confidential. In our view, proprietary information is that which, if it were shared, would undermine our competitive position. Information is considered to be confidential where there are obligations binding us to confidentiality with our customers, suppliers and counterparties.

We have omitted certain data on the grounds of materiality.

## **Scope and application of the requirements**

The Firm is authorised and regulated by the FCA and as such is subject to minimum regulatory capital requirements. The Firm is categorised as a Collective Portfolio Management Investment Firm ('CPMI') Firm' by the FCA for capital purposes.

It is an agency investment management firm and as such has no trading book exposures.

The Firm is not required to prepare consolidated reporting for prudential purposes. Although part of a group, the Firm is managed on a "stand-alone" for liquidity purposes and we do not foresee any impediments to the prompt transfer of capital between group entities should the need arise. There are no differences in the basis of consolidation for accounting and prudential purposes.

## **Risk management**

The Firm has established a risk management process in order to ensure that it has effective systems and controls in place to identify, monitor and manage risks arising in the business. The risk management process is overseen by the Firm's Directors of Risk, with the Governing Body taking overall responsibility for this process and the fundamental risk appetite of the firm. The Chief Executive Officer has responsibility for the implementation and enforcement of the Firm's risk principles.

The Firm's Governing Body meet on a regular basis and discuss current projections for profitability, cash flow, regulatory capital management, business planning and risk management. The Governing Body engage in the Firm's risks through a framework of policy and procedures having regard to the relevant laws, standards, principles and rules (including FCA principles and rules) with the aim to operate a defined and transparent risk management framework. These policies and procedures are updated as required.

The Governing Body has identified that business, operational, market and credit are the main areas of risk to which the Firm is exposed. Annually the Governing Body formally review their risks, controls and other risk mitigation arrangements and assess their effectiveness.

A formal update on operational matters is provided to the Governing Body on a monthly basis. Management accounts demonstrate continued adequacy of the firm's regulatory capital are reviewed on a regular basis.

Appropriate 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.

## **Business risk**

The Firm's revenue is reliant on continuing to offer services to mandate. As such, the risks posed to the Firm relates to issues attracting such mandates. The Firm aims to mitigate these risks through a strong and committed approach to compliance and risk management, as well a ensuring a high quality of service is provided at all times.

### **Operational risk**

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

### **Credit risk**

The Firm is exposed to credit risk in respect of its debtors. Given the nature of the Firm's exposures, no specific policy for hedging and mitigating credit risk is in place. The Firm uses the simplified standardised approach detailed in BIPRU 3.5.5 of the FCA Handbook when calculating risk weighted exposures of 1.6% (Cash in Bank) and 8% in respect of its other assets.

The Firm has concluded that its Tier 1 capital is sufficient to cover its Pillar 1 and Pillar 2 requirements.

### **Market risk**

The Firm has limited exposure to market risk. Market risk is limited to exposure to foreign exchange fluctuations of the management fee, denominated in US dollars. Management fee income is converted from US dollars into sterling on a monthly basis and US dollar management fee income is retained only to the extent that it is required to match US dollar denominated liabilities.

### **Professional liability risk**

The Firm has a legal responsibility for risks in relation to investors, products & business practices including, but not limited to; loss of documents evidencing title of assets of the AIF; misrepresentations and misleading statements made to the AIF or its investors; acts, errors or omissions; failure by the senior management to establish, implement and maintain appropriate procedures to prevent dishonest, fraudulent or malicious acts; improper valuation of assets and calculation of unit/share prices; and risks in relation to business disruption, system failures, process management. The Firm is aware of, and monitors, a wide range of risks within its business operations and towards its investors. The Firm has in place appropriate internal operational risk policies and procedures to monitor and detect these risks. These procedures and risks are documented, demonstrating how the Firm aims to mitigate these risks. This is reviewed annually.

The firm has in place appropriate coverage of professional indemnity insurance. The Firm has in place appropriate coverage of professional indemnity insurance, where single claims are covered for up to and exceeding the required 0.7% of total AUF assets under management, and aggregate cover exceeds the required 0.9%. The excess is held in Own Funds.

### **Liquidity risk**

The Firm is required to maintain sufficient liquidity to ensure that there is no significant risk that its liabilities cannot be met as they fall due or to ensure that it can secure additional financial resources in the event of a stress scenario.

The Firm maintains a Liquidity risk policy which formalises this approach.

## Regulatory capital

The Firm is a Limited Liability Partnership and its capital arrangements are established in its Partnership deed. Its capital is summarised as follows:

The main features of the Firm's capital resources for regulatory purposes are as follows:

	<b>30 June 2019</b>
	<b>£000</b>
Tier 1 capital*	600
Tier 2 capital	
Tier 3 capital**	
Deductions from Tiers 1 and 2	
<b>Total capital resources</b>	<b>600</b>
*No hybrid tier one capital is held	

The Firm has a simple operational infrastructure. Its market risk is limited to foreign exchange risk on its accounts receivable in foreign currency, and credit

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.

As discussed above the firm is a CPMI Firm and as such its capital requirements are the higher of:

- €125,000 + 0.02% of AIF AUM; and
- The sum of the market & credit risk requirements; or
- The fixed overheads requirement ('FOR') which is essentially 25% of the firm's operating expenses less certain variable costs.

The Firm's Pillar 1 capital requirement has been determined by reference to the Firm's Fixed Overheads Requirement ('FOR') and calculated in accordance with Article 95 and the EBA Final draft technical standards as referenced in IPRU(INV) 11.3.3A / base €125k plus 0.02% of AIF AUM, 0.02% is taken on the absolute value of all assets of all funds managed by the firm, including assets acquired through the use of leverage, whereby derivative instruments shall be valued at their market value, including funds where it the firm has delegated the management function but excluding funds that it is managing as a delegate.

The requirement is based on the FOR since this exceeds the total of the credit and market risk capital requirements it faces and also exceeds its base capital requirement.

The FOR is based on annual expenses net of variable costs deducted. The Firm monitors its expenditure on a monthly basis and takes into account any material fluctuations in order to determine whether the FOR remains appropriate to the size and nature of the business or whether any adjustment needs to be made intra-year.

This is monitored by the Chief Operations Officer and reported to senior management on a monthly basis.

It is the Firm's experience that the base €125k plus 0.02% of AIF AUM establishes its capital requirements.

### **UK Financial Reporting Council's Stewardship Code**

FCA COBS Rule 2.2.3R requires FCA authorised firms to disclose whether they conform to the requirements of the UK Financial Reporting Council's Stewardship Code (the 'Code'). Adherence to the Code is voluntary. The Firm's business strategy involves a wide variety of investment products and timeframes. Therefore, while the Firm supports the principles of the Code, it does not consider it appropriate to conform to the Code at this time.

If any of the Firm's investment strategy changes in such a manner that the provisions of the Code become relevant, the Firm will amend this disclosure accordingly.

### **Remuneration disclosure**

The Firm is authorised and regulated by the Financial Conduct Authority as a Collective Portfolio Management Investment ('CPMI') Firm and, so, it is subject to FCA Rules on remuneration. These are contained in the FCA's Remuneration Codes located in the SYSC Sourcebook of the FCA's Handbook.

CPMI Firms are required make a remuneration disclosure in respect of the whole of their business, i.e. MIFID and AIFMD. The specific requirements of the AIFMD remuneration disclosure are set out in the Annual Report of the AIF(s).

The Remuneration Code ('the RemCode') cover(s) an individual's total remuneration, fixed and variable. The Firm incentivises staff through a combination of the two.

Our policy is designed to ensure that we comply with the RemCode and our compensation arrangements:

1. are consistent with and promotes sound and effective risk management;
2. do not encourage excessive risk taking
3. include measures to avoid conflicts of interest
4. are in line with the Firm's business strategy, objectives, values and long-term interests.

### **Proportionality**

Enshrined in the European remuneration provisions is the principle of proportionality. The FCA has sought to apply proportionality in the first instance by instituting two tests. Firstly, a firm that is

significant in terms of its size must disclose quantitative information referred to in BIPRU 11.5.18R at the level of senior personnel. Secondly, that a firm must make disclosure that is appropriate to the size, internal organisation and the nature, scope and complexity of their activities.

The Firm is classified as a "Proportionality Level 3" Firm. Proportionality Level 3 firms are considered to be the lowest category from a risk perspective and as such can disapply a number of the remuneration code requirements as it is proportionate to do so.

We can confirm that the Firm has considered our individual circumstances and are satisfied that this would be proportionate given our size, internal organisation and the nature, scope and complexity of our activities. The Firm believes that its systems and processes relating to remuneration do not pose a risk to either it, the industry or the regulator's objectives. In line with FCA guidance, and following the Firm's own assessment, the Firm has opted to disapply rules under the remuneration principles proportionality rule relating to deferral, payment in shares or other instruments and ratio between fixed and variable remuneration.

Under the FCA's Remuneration Code, the Firm is required to identify staff who are subject to the Code ('Code Staff'). Remuneration Code staff comprise categories of staff including senior management, risk takers, staff engaged in control functions and any employee receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers, whose professional activities have a material impact on the Firm's risk profile.

#### 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. The Firm's full Remuneration Policy is available at the request of investors.

1. Summary of information on the decision-making process used for determining the firm's remuneration policy including use of external benchmarking consultants where relevant.
  - The Firm's policy has been agreed by the Governing Body in line with the Remuneration principles laid down by the FCA.
  - The Firm's policy will be reviewed as part of annual process and procedures, or following a significant change to the business requiring an update to its internal capital adequacy assessment.

We may omit required disclosures where we believe that the information could be regarded as prejudicial to the UK or other national transposition of Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data.

## Privacy Policy & Notice

This privacy policy and notice (“Policy”) is issued on behalf of Mirabella Financial Services LLP (hereafter “Mirabella”) and is meant to help the recipient of the Policy to understand the type of personal information Mirabella collects and use, why Mirabella uses the information, who it may need to be shared with, how Mirabella seeks to protect information and privacy rights. Personal information is important to Mirabella. That is why Mirabella does so much to protect information. While no one can guarantee absolute information security, Mirabella protects information in many ways—from using safe and secure information security practices, working to ensure that our workplace is secure, to proactively preparing for disasters and business interruptions. Mirabella continually reviews and make enhancements to how Mirabella safeguards and protect information. Specifically, this privacy statement refers to information collected, processed or retained by Mirabella that may be classified as “personal data” as defined under the EU General Data Protection Regulation (2016/679/EC) (“GDPR”)<sup>1</sup>. Mirabella is committed to the protection of personal data and is obliged to notify individuals about the handling of this information.

### About this Policy

This Policy applies to personal information which Mirabella receives from or relate to our: (a) clients, investors and potential investors; (b) business partners and associates; (c) business contacts; (d) contractual counterparties; and (e) others from whom Mirabella collects and uses information. Mirabella is responsible for ensuring that its uses data in compliance with applicable data protection law. This Policy explains the type of personal information Mirabella collects and uses, why Mirabella uses the information, who Mirabella may need to share the information with, how Mirabella seeks to protect your information, and rights under data protection law. Depending on the nature of our relationship, other privacy policies may also apply. References to ‘personal data’ and/or ‘personal information’ mean any information that identifies, or can be used to identify, an individual. References to ‘process’ or ‘processing’ of personal information mean the use of that information as set forth in data protection law.

### Background to the Mirabella Policy

Mirabella Financial Services LLP is incorporated in England and Wales and are authorised and regulated by the Financial Conduct Authority. As such, Mirabella is subject to certain legal and regulatory requirements that require it to collect and store personal data for certain individuals. The personal information Mirabella process varies depending upon the nature of our relationship. In many instances, the personal information is limited to - Contact information – e.g., email address, physical address, telephone/fax number. In certain cases, Mirabella will collect: (i) Identity information – name, date of birth, nationality, gender, photograph, identification number (e.g., passport number, tax number, national id number, social security number) or other information contained in identity-related documentation (e.g., passport, driver’s license); Depending on the nature of our business relationship, Mirabella may also process the following: (ii). Professional information – occupational history, job title, or other professional information regarding the nature of our business relationship; (iii). Financial information – on income, assets, liabilities, tax residency, bank details, and other financial information, both current and historical; (iv) Transactional information – details about accounts and other details of services you have engaged us to perform; (v) Contractual information – details about the contractual services Mirabella provides; (vi) Technical information – details on the devices and technology; (vii). Communications information –

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<sup>1</sup> Rec.26; Art.4(1) of the GDPR: ‘personal data’ means any information relating to an identified or identifiable natural person (‘data subject’); an identifiable natural person is one who can be identified, directly or indirectly, in particular by reference to an identifier such as a name, an identification number, location data, an online identifier or to one or more factors specific to the physical, physiological, genetic, mental, economic, cultural or social identity of that natural person.

information Mirabella obtains through letters, emails, telephone calls, conversations, social media interactions, or any other correspondence; & (viii) Open Data and Public Records information – details that are available in public records or that are openly available on the internet.

The personal information described above may be collected in a variety of ways, such as: (i) by telephone or in person; (ii) through email or letter correspondence; (iii) due diligence reviews, and interviews; & (iv) National/Tax identity requests; when Mirabella enters into an agreement for the exchange of services. Information received from third parties In addition to information provided to us, it may also collect or receive personal information from third parties such as: (a) Funds to which Mirabella provides investment management services to; (b) other clients; (c) other counterparties; (d) credit reference agencies; (e) social networks; (f) fraud prevention agencies; (g) public information, such as information available for public registries; & (h) Government and law enforcement agencies.

### **What data does Mirabella process and why?**

Mirabella will only use personal information when the law allows us to. Most commonly, Mirabella will use personal information in the following circumstances:

- Where Mirabella need to perform the contract Mirabella is about to enter into or have entered into;
- Where it is necessary for our legitimate interests (i.e. Mirabella has a business or commercial reason for using information) and interests and fundamental rights do not override those interests, such as:
  - Complying with regulations that apply to Mirabella.
  - Administering and managing contracts with our business partners and counterparties.
  - Being efficient about how Mirabella fulfils our legal and contractual duties.
  - Seeking consent when Mirabella needs to make contact.
  - Developing and improving the network security, efficiency and technical specification of our IT systems and infrastructure.
  - Developing and improving how Mirabella deals with and manages financial crime.
- Where Mirabella needs to comply with a legal or regulatory obligation; or
- Where Mirabella has consent.

Personal information may be utilised for the following reasons:

- To comply with our legal and regulatory obligations (including verifying your identity and conducting identity and background checks for things such as anti-money laundering, fraud, sanctions, credit, and security purposes) and to exercise our legal rights.
- To run our business in an efficient and proper way, including in respect of our financial position, business capability, corporate governance, management, compliance, product development, strategic planning, marketing, and communications.
- To process transactions and carry out obligations arising from any contract entered into.
- To exercise our rights in agreements and contracts to which Mirabella is a party.
- To administer auditing, billing and reconciliation activities and other internal and asset management related functions.
- To detect, investigate, report, and seek to prevent financial crime and to manage risk for us and our customers.
- To communicate and respond to your inquiries, including responding to complaints and attempting to resolve them.

- To provide and manage our services and digital technologies.
- To administer and protect our business and our digital technologies.

#### Failure to provide personal information

- Where Mirabella needs to collect personal information by law or under the terms of a contract and Mirabella is unable to access this it may impact on our ability to perform the contract Mirabella has or is trying to enter into. This might also lead us to cancel a service, this will be done following full notification.

#### Change of purpose

- Mirabella will only use personal information for the uses and purposes set out above, unless it is reasonably considered that Mirabella needs to use it for another reason and that reason is compatible with the original uses and purposes. If Mirabella needs to use personal information for an unrelated purpose, it will appropriately notify and explain the legal basis which allows us to do so.
- allowing Mirabella to use the information as required under any legal or regulatory order or in the event of any regulatory review or legal proceedings.

It is possible that at times Mirabella may require consent to use certain information. In such cases, you retain the right to withdraw this consent by contacting [gdpr@mirabella.co.uk](mailto:gdpr@mirabella.co.uk)

#### **Who will process your data?**

Your personal data will be processed by Mirabella internal staff. Your personal data will also be transmitted to third parties pursuant to the provision of Mirabella's regulatory hosting services. Such third parties belong to the following categories (among others): brokers, credit search agencies, previous employers and companies specialising in IT services. Your personal data may be transmitted to police, regulatory organisations, and administrative authorities in accordance with applicable law or regulation.

Mirabella may also share personal data with its affiliate, Mirabella Malta Limited. Mirabella Malta Limited is incorporated in Malta and is authorised and regulated by the Malta Financial Services Authority ("MFSA"). As an EU entity, Mirabella Malta Limited also must also comply with the provisions of the GDPR and is also bound by the terms of this privacy statement.

Although unusual, Mirabella may be required to transfer data collected from you to entities outside of the EEA. This may include countries such as Australia, the United States of America or Switzerland. In undertaking this information transfer Mirabella will work to ensure that any personal data is protected as if it were to be shared within the EEA.

#### **Data security**

Mirabella will seek to ensure that it has appropriate technical and organisational measures to prevent the unauthorised and potentially unlawful processing of personal data and against any loss or unauthorised sharing, disclosure or use of personal data. This will include seeking to ensure technical systems are appropriately resilient and secure.

#### **How long will data be stored by Mirabella?**

The GDPR requires Mirabella to consider the time periods it will hold personal data. Mirabella will retain information for as long as your information is necessary for the purposes for which it was collected. The amount of time Mirabella holds information will vary depending on the nature of our business relationship, the purpose for which it is being used, the type of information, and the applicable legal obligations. For example, Mirabella may retain personal data if it is necessary to comply with any legal obligations, meet any regulatory requirements, resolve any disputes or litigation, or as otherwise needed to enforce this Policy and prevent fraud and abuse. If requested by a law enforcement authority, Mirabella may also retain personal data for a period of time.

It may not always be possible to completely remove or delete all of your information from our databases without some residual data remaining because of backups and other reasons. To determine the appropriate retention period for the information Mirabella collects, to consider the amount, nature, and sensitivity of the information, the potential risk of harm from unauthorised use or disclosure of the data, the purposes for which the data is processed, whether Mirabella can achieve those purposes through other means, and the applicable legal requirements.

#### Children's privacy

Mirabella will not knowingly collect or use personal information from children under the age of 13. If it is determined that Mirabella has collected the information of an individual under this age, Mirabella will not use or maintain his or her personal information without parent or guardian consent. If Mirabella becomes aware that it has unknowingly collected personal information from a child under the age of 13, Mirabella will make reasonable efforts to delete such information from our records.

#### **What are your rights?**

Mirabella is required to provide information regarding your legal rights in respect of the personal data that it holds about you. This includes: (i) Mirabella, upon your request, providing information with respect to the processing of your information as well as providing access to the information held in relation to you; (ii) withdrawing your consent for Mirabella to use certain information where this does not contravene regulatory or legal requirements (please keep in mind that Mirabella may be required to process such data under an applicable regulation or law or if there is another legitimate reason for this); (iii) requesting that Mirabella erase your personal data in certain circumstances where this does not contravene applicable regulatory or legal requirements; (iv) requiring Mirabella to correct your personal data in case of error of incomplete records, and (v) requesting that Mirabella block or suppress the processing of your personal data for certain reasons.

Mirabella will consider all requests in relation to personal data that Mirabella holds in relation to you. You can exercise this right by contacting us at [gdpr@mirabella.co.uk](mailto:gdpr@mirabella.co.uk).

If you believe that the processing of your personal data has been carried out illegally, you can file a complaint with one of the supervisory authorities responsible for compliance with the rules on personal data protection (<https://ico.org.uk/concerns/handling/>).

#### **Changes to this information**

Mirabella retains the right to vary this statement at any time and will do so by amending the page where this statement is kept. In doing so, Mirabella expects the reader to check this page on a periodic basis as these provisions are deemed to be binding upon you.