Onyx Capital Advisory Limited - IFPR Disclosure 2023

Introduction

In accordance with the Financial Conduct Authority's ("FCA") UK Investment Firms Prudential Regime, ("IFPR")[1] Onyx Capital Advisory Limited ("Onyx" or "the firm") is required to disclose the following:

1) Governance arrangements
2) Own funds requirements
3) Own funds
4) Risk management policies
5) Remuneration policy and practices

This disclosure covers Onyx's 2022/2023 financial year.

1) Governance arrangements

In accordance with MIFIDPRU 8.3, Onyx is required to disclose certain internal governance arrangements. Effective governance arrangements help a firm achieve its strategic objectives while also ensuring that risks to the firm, its stakeholders and the wider market are identified, managed and mitigated.

Onyx's governance framework:

- Safeguards overall responsibility for the firm;
- Approves and oversees the implementation of strategy objectives and risk strategy;
- Ensures the integrity and accuracy of the firm's operations including but not limited to accounting, financial reporting, legal and compliance; monitoring and
- Provides responsibility for delegation and effective oversight of senior management and all other staff.

<u>Overview</u>

Board of Directors

- Onyx's Board of Directors includes its Chief Executive Officer, Executive Director, and its Non-Executive Chairman.

Management Committees

- Onyx maintains several Management Committees which have delegated responsbilities from the Board. Committees include (but are not limited to) Onyx's Operational Committee, Remuneration Committee and Risk Committee.

Functional Staff

- All other staff within the business, including Brokerage, Sales, Research, Technology & Infastructure, Finance, Risk, Data, Legal & Compliance and Human Resources.

[1] https://www.handbook.fca.org.uk/handbook/MIFIDPRU/8/?view=chapter

Board of Directors

The Board is collectively responsible for:

- setting an appropriate risk strategy and appetite;
- promoting a comprehensive risk culture and awareness;
- monitoring the implementation of the firm's risk strategy;
- ensuring the independence of the control functions such as Compliance and Risk; and
- verifying that independent control functions operate correctly and effectively.

	External Executive Directorships Held	External Non-Executive Directorships Held
Chief Executive Officer	2	0
Executive Director	1	0
Non-Executive Chairman	0	0

Diversity

Onyx strives for diversity and inclusion on its management body, and does not discriminate on the basis of gender, ethnicity or any other protected characteristics in accordance with the Equality Act 2010.

2) Own funds requirements

In accordance with MIFIDPRU 8.5, Onyx is required to disclose the following:

K-DTF (Daily Trading Flow)	£1,864.99
K-COH (Client Orders Handled)	£1,689.13
KFR Total (K-Factor Requirement / Own Funds Requirement)	£3,554.12
FOR (Fixed Overhead Requirement)	£570,000

Firms must assess whether further capital needs to be held to cover any risks the Own Funds Requirement does not account for. The result of this assessment is the Overall Financial Adequacy Rule ("OFAR"). In accordance with the OFAR, Onyx assess the risks associated with the business model and consider whether any additional capital is required to mitigate them should they materialise. This includes considerations of wind-down costs and whether the requirements under the IFPR cover the risks to market, firm and clients.

Onyx concluded that from an Own Funds perspective, the Permanent Minimum Requirement represents a suitable level of capital for the firm to remain viable throughout the economic cycle. Therefore, Onyx have not set a separate fixed OFAR figure, but will monitor and maintain sufficient Own Funds in line with the Permanent Minimum Requirement.

3) Own funds

In accordance with MIFIDPRU 8.4, Onyx is required to disclose the following:

Composition of regulatory own funds			
	Item	**Amount (GBP thousands)**	**Source based on reference numbers/letters of the balance sheet in the audited financial statements**

1	**OWN FUNDS**	**1,387**	
2	**TIER 1 CAPITAL**	**1,387**	
3	**COMMON EQUITY TIER 1 CAPITAL**	**1,387**	
4	Fully paid up capital instruments	7,536	Page 14
5	Share premium		
6	Retained earnings	(6,149)	Page 14
7	Accumulated other comprehensive income		
8	Other reserves		
9	Adjustments to CET1 due to prudential filters		
10	Other funds		
11	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1		
19	CET1: Other capital elements, deductions and adjustments		
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		

Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements				
Figures in GBP thousands				
		a	b	c
		Balance sheet as in published/audited financial statements	**Under regulatory scope of consolidation**	**Cross reference to template OF1**
		As at period end	**As at period end**	
Assets - *Breakdown by asset classes according to the balance sheet in the audited financial statements*				

1	Tangible assets	63		
2	Debtors	285		
3	Cash at bank and in hand	2,082		
4	**Total Assets**	**2,439**		
Liabilities - *Breakdown by liability classes according to the balance sheet in the audited financial statements*				
1	Creditors: amounts falling due within one year	991		
2	Provisions	15		
3	**Total Liabilities**	**1,006**		
Shareholders' Equity				
1	Called up share capital	7,536		Item 17
2	Profit and loss account	(6,149)		Item 8
3	**Total Shareholders' equity**	**1,387**		

4) Risk management policies

Own funds

The Own Funds Requirement under the Investment Firms Prudential Regime is a reflection of the risk that a firm poses to clients, itself and the wider market. The figure reflects the level of capital that is required to cover the risks that the firm poses. Onyx ensures that at all times, the Own Funds held are higher than the Own Funds Requirement. Maintaining compliance with the capital requirements set by the FCA is one of the firm's highest priorities.

Onyx Capital Advisory conducts MiFID business with clients across the globe but does not currently carry any market risk or hold client money, so its own funds requirements are derived from its permissions. As a firm with permission to execute client orders and with a daily trading flow (K-DTF) of more than zero, Onyx's Permanent Minimum Requirement is £750,000.

Onyx treat the Own Funds Requirement with the highest priority and are therefore proactive in the monitoring and management of the capital position.

The Onyx Finance Team recalculate the firm's Own Funds level every month, which is monitored against the static requirement. Trends and capital planning are used to forecast any threats to the limit. This allows Onyx to take appropriate action in advance and ensure compliance with the requirement.

Onyx operate with an additional, more conservative threshold limit in place, which triggers internal actions when surpassed. These actions can include raising the own funds level through capital injections from the Group.

Liquidity

Liquidity Risk arises when a firm is unable to meet its short term financial obligations as they fall due.

The potential harm of liquidity risk associated with Onyx's business strategy is limited because no positions are taken in the course of the brokerage business, and no client money is held. As such, outgoing payments are limited in size and number, for example, to third party service providers or routine business costs. These costs are not significant and do not put pressure on the liquidity position of the firm.

The Onyx Group has a strong liquidity position as a result of the trading profits of Onyx Commodities Limited. Regardless, Onyx monitors its position at a firm level against its requirement on a monthly basis, when the Finance Team recalculate the liquidity position.

As with the Own Funds, Onyx monitors the liquidity position of the firm against the limits, utilising an internal, more conservative limit to trigger appropriate action when a potential risk is identified.

Concentration

Onyx does not take any positions, so there is no trading counterparty exposure. The concentration risk to firm and the wider market is considered minimal as a result of this.

Onyx has a diverse client portfolio and does not rely solely on specific clients or entities for its revenue. This results in low client concentration risk. There are no applicable concentration risk K-Factors.

5) Remuneration policy and practices

Qualitative disclosures

Onyx's business strategy is to develop and expand its 360-degree service offering in commodity derivatives. Onyx's remuneration policy encourages staff to responsibly promote the success of the business through their role.

The Remuneration Committee aim to incentivise and reward staff. Onyx's policy has been written in line with the firm's cultures and values. Performance criteria includes both financial and non-financial indicators, but will differ depending on an individual's role within the firm. Onyx encourages responsible business conduct and fair treatment of any other market participants. Performance assessments include considerations of business strategy and objectives, compliance with regulatory obligations, culture and conduct, and adherence to effective risk management. These assessment considerations, derived from the firm's risk profile, discourage any behaviour or action which could cause detriment to the business or wider market.

All remuneration paid to staff is clearly categorised as either fixed or variable. Such fixed remuneration must be and is recognised as adequate compensation to an individual for the provision of their services in accordance with a contract.

All employees receive a salary as agreed in their contract, which comprises the fixed part of their remuneration.

The main form of variable remuneration available to Onyx's Code Staff, is an annual, discretionary cash bonus dependent both on their own individual performance and that of Onyx's. All employees are eligible.

Financial performance is an important factor in the calculation of any variable remuneration. Onyx's measurement of financial performance is assessed based on profit (not revenue or turnover). Awards will reflect Onyx's financial performance and as such, variable remuneration will be contracted where subdued or negative financial performance occurs.

All end-of-year discretionary bonuses can be considered ex-post adjusted as they are a reflection of both the firm and individual's performance, so are adjusted accordingly. In light of this, there is by default, no ex-ante adjustment made to the variable remuneration amounts because they are based on historical data.

Onyx does not reward failure and maintains controls around malus and clawback. Examples of where malus may be applied, include (but are not limited to):

- cases of fraud or other conduct with intent or severe negligence which led to significant losses;
- where the Material Risk Taker ("MRT") in question participated in or was responsible for conduct which resulted in significant losses to firm, or
- where the MRT in question failed to meet appropriate standards of behaviour and/or fitness and propriety.

In the case of early termination of a contract, any payments will reflect performance achieved over time.

In both measuring and allocating variable remuneration, Onyx's Board will make qualitive judgements, making due recourse to the firm's Internal Capital Adequacy and Risk Assessment ("ICARA"), and will consider the current and future risks faced by the firm. Considerations include capital, liquidity and own funds planning in line with the ICARA, in addition to the assessment of risk. Onyx does not award guaranteed variable remuneration.

Onyx identifies Material Risk Takers as any members of the firm's management body, senior management or any individual with managerial responsibility for certain areas of the business. In this disclosure there are no MRTs who are not included in the Senior Management bracket.

Quantitative disclosures

	Senior Management	**All Other Staff**
Number of Staff	13	23
(GBP thousands)		
Total Fixed Remuneration	426	471
Total Variable Remuneration	93	133
Total Awarded Remuneration	519	604

Onyx Commodities Limited and Onyx Capital Advisory Limited share multiple Senior Managers who provide services to both firms. Where a Senior Manager provides services to both firms, they have been included in the Senior Manager head count for both firms, however their remuneration has not been double-counted and has been included solely in the disclosure of their employer.