MIFIDPRU Disclosures

For year ending 31/12/2022

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B
Corporation

ebi meets high standards of social and environmental impact.

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Overview

The Investment Firm Prudential Regime (IFPR) is the prudential regime for MIFID investment firms which aims to streamline and simplify the prudential requirements for UK investment firms, with requirements that are relevant to the level of risk undertaken by the firm. It came into effect on 1 January 2022 and its provisions apply to ebi Portfolios Ltd (ebi).

ebi is categorised as non-small interconnected (non-SNI) MIFIDPRU investment firm.

As an FCA-authorised and regulated firm ebi is required to meet the FCA's capital resource requirements set in MIFIDPRU Prudential sourcebook for MIFID investment firms of the FCA Handbook, including:

- at all times hold own funds and liquid assets which are adequate, both as to their amount and to their quality, to ensure it can remain financially viable throughout the economic cycle, with the ability to address any material potential harm that may result from its ongoing activities; and
- ensure that the business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

ebi is required to publish disclosures in accordance with the provisions outlined in MIFIDPRU 8 and this disclosure is prepared on an individual basis. We believe that the information disclosed is proportionate to ebi's size and to the nature, scope and complexity of our activities.

This disclosure has been approved by Board of ebi.

Principle activities

ebi provides various services to financial advisors. This centres around suites of passively managed portfolio templates constructed using investment principles formed from the evidence generated by a long history of peer reviewed academic research.

In addition to providing investment portfolio management, ebi also provides a wide range of documentation and online applications along with supporting data required by an advisor to work with their clients. Managing assets directly on behalf of advisers involves ebi being appointed to provide a limited range of discretionary fund management activities such as rebalancing and fund swaps. ebi's discretionary powers are not used to undertake any form of active fund management such as tactical asset allocation, market timing or any other strategy that seeks to adjust portfolio holdings based on forecasting. ebi only uses tracker and passively managed rules-based funds in its portfolios. This excludes all 'alternative' investments such as hedge tunds, private equity, derivatives, structured products etc that would normally be regarded as higher risk investments.

The purpose of ebi's Model Portfolios Service (MPS) is to relieve advisors from the complex process of monitoring portfolios to identify appropriate times to rebalance and swap funds and then communicating with each client to gain authority before trading, typically one at a time.

Governance

ebi's Board is responsible for the overseeing the management of ebi and being responsible for the controlling activities of the business, ensuring that ebi has a robust corporate governance structure in place.

The Board meets on no less than a quarterly basis.

ebi's Board consists of the following members:

- Craig Burgess, Chief Executive Officer & Chief Investment Officer
- Mike Morrow, Chair of the Governing Body (Non-Executive)

No other directorships are held by either of the above Board members.

The Board are supported by a Senior Management team.

The Senior Management team is accountable for the day-to-day implementation of governance arrangements that ensures effective and prudent management of the firm.

The Senior Management team meets on no less than a monthly basis.

When assessing new appointments to the Board or Senior Management team, we review the combined skills and experience of the existing members to determine what characteristics we are looking for. Each member must have the skills, experience and character that will enable them to contribute, both individually and as part of the team, to the effectiveness and the success of ebi.

ebi values the innovation and creativity that diversity of thought brings to the workplace and understands that the concept of diversity, belonging and inclusion plays a critical role in establishing strong governance and maintaining a healthy culture.

The Firm's focus on the broad agenda of diversity spans across all aspects of the business, starting from the attraction of diverse talent, our continued nurturing of our current diverse talent through to education and awareness, in recognition that a content and varied workforce is a firm's greatest strength.

Risk Management

Business areas within ebi are responsible for day-to-day risk management, owning their own risks, setting policies, defining risk tolerances and providing assurance through the identification and remediation of risks and incidents, implementing controls and reporting on progress within their functional areas.

ebi's Compliance has oversight of risk management and compliance activity within ebi, with Parmenion providing regulatory guidance and support.

ebi may look to utilise external resources for audit purposes.

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Analysis of risk

The Directors of ebi believe that the nature of our business reflects its low appetite for risk. This is because:

1) We solely invest investment portfolios for clients (using discretionary and advisory permissions).
2) The investment committee has 4 active members. None of the members have absolute authority over investment decisions. As at the date of this document, these meetings are held on a quarterly basis.
3) We do not hold client money.
4) We do not act as a Principal.
5) The main source of our income is paid by our custody and trading providers who are all well-established, well capitalised financial services groups in the UK.
6) We have detailed compliance monitoring procedures in place to reduce our regulatory risk and the likelihood of consumer detriment.
7) Our discretionary investment service only invests on behalf of our clients in collective investment schemes.

There is no misalignment between the firm's business model and the client interests, as the model seeks to address the specific needs of the target clients.

ebi completes a risk assessment and stress testing to assess the risk ebi is and may be exposed to. The latest assessments show that ebi is quite resilient, and no areas have been identified as needing immediate action.

Concentration risk

In 2021 ebi invested heavily in a senior management team to ensure each area of the business could function without being reliant on the then owners and directors. Each department within ebi has been structured to reduce key man risk and ebi continues to grow its workforce to house a variety of skills and expertise.
With over 400 members using our services, with none having a significant share of the fees levied by ebi, we do not see over dependence on one or a small number of advisers being a risk to the sustainability of the company.

Liquidity

ebi aims to have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the business's reputation.

ebi's cash position, available facilities and forecast cash flows are monitored on a weekly basis, and access to appropriate liquidity is made available where necessary. Compliance with ebi's regulatory capital requirements is also regularly monitored to ensure no breaches occur.

As is the case for capital management, we have also set an early warning indicator for liquidity at 110% above our own fund's liquid assets requirement.

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Own funds

ebi's own funds are exclusively Common equity tier 1 capital.

The following tables are based on ebi's ICARA report and financial statements as at our financial year end 31st December 2022.

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**	**586**	
2	**TIER 1 CAPITAL**	**586**	
3	**COMMON EQUITY TIER 1 CAPITAL**	**586**	
4	Fully paid up capital instruments	<1	Note 23
5	Share premium	95	Statement of Changes in Equity
6	Retained earnings	777	Statement of Changes in Equity
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	(287)	Note 12 and Note 20
19	CET1: Other capital elements, deductions and adjustments		
20	**ADDITIONAL TIER 1 CAPITAL**		
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**		
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		

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Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial				
		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	Intangible assets	358		Item 11
2	Tangible assets	58		
3	Debtors	537		
4	Investments	102		
5	Cash at bank and in hand	88		
Total assets		**1,143**		
Liabilities – *Breakdown by liability classes according to the balance sheet in the audited financial statements*				
1	Creditors: amounts falling due within one year	199		
2	Creditors: amounts falling due after more than one year	-		
3	Deferred tax liability	71		Item 11
Total assets		**270**		
Shareholders equity				
1	Called up share capital	<1		Item 4
2	Share premium account	95		Item 5
3	Profit and loss reserves	777		Item 6
Total shareholders equity		**873**		**Items 1, 11**

Own funds: K-Factor and Fixed Overheads requirements (GBP thousands)	
K-AUM	**290**
Fixed Overhead requirement	**372**

**As a Discretionary Fund Management (DFM) firm, the only relevant K-Factor for the firm is K-AUM.*

ebi is required to disclose its approach to assessing the adequacy of its own funds in accordance with the Overall Financial Adequacy Rule ("OFAR") as outlined in MIFIDPRU 7.4.7R.

The OFAR requires a firm, at all times, to hold adequate own funds and liquid assets to ensure that:

- it can remain financially viable throughout the economic cycle, with the ability to address any potential harm from its ongoing activities.
- allow its business to wind-down in an orderly manner, minimising harm to consumers or to other market participants.

The FCA monitors this through the 'Own Funds Threshold Requirement' and 'Liquid Assets Threshold Requirement' which firms determine through their Internal Capital Adequacy and Risk Assessment (ICARA) process.

ebi's Own Funds Threshold Requirement is then measured as the higher of:

1) Permanent Minimum Requirement (PMR): £75,000

2) K-Factor requirement + additional harms amount for on-going business

3) Fixed Overheads Requirement + additional amounts needed for wind down

The assessments of both capital adequacy and liquidity have been carried out by considering all potential harms from the firm's activities to consumers, markets and to the firm.
Furthermore, the firm has established early warning indicators (EWIs):

- 110% above the Own Funds Threshold Requirement
- 110% above the Own Liquid Assets Threshold Requirement

These indicators help the firm to manage and plan capital proactively. If the company breaches the EWI, this will be escalated to the Board of Directors and more regular, weekly measurement and monitoring will be carried out until we fall back within the EWI threshold requirement.