Linear Investments Limited

FRN: 537389

IFPR Disclosure: November 2022

1. **Introduction**

Linear Investments Limited (“Linear” or “the Firm”) is a Non SNI MIFIDPRU investment firm. The principal activity of the Firm is to provide Prime Brokerage, custody, clearing and execution services.

Linear is authorised and regulated in the UK by the Financial Conduct Authority (“FCA”), with Firm Reference Number 537389. This document sets out the Investment Firm Prudential Regime (“IFPR”) disclosures for the Firm in accordance with the FCA Prudential Sourcebook for Investment Firms chapter 8 (“MIFIDPRU 8”).

## Scope of application

Linear, as the individual MIFIDPRU Investment Firm, meets the level of application as defined in MIFIDPRU 8.1.7. The disclosure for Linear is prepared on an unconsolidated, solo entity basis.

## Disclosure policy and verification

The prudential disclosures are published annually via the firm’s website. The frequency of disclosure will be assessed, should there be a material change in either the nature or scale of the Firm’s activities.

These IFPR disclosures have been approved by the board of directors of the firm and are not subject to audit, except where they are prepared under accounting requirements for publication in the financial statements.

# RISK MANAGEMENT (MIFIDPRU 8.2)

## Risk management overview

As a MIFIDPRU Investment Firm, Linear is required to establish, implement, and maintain adequate risk management policies and procedures which identify the risks relating to the Firm's activities, processes and systems, and then adopt effective arrangements, processes and mechanisms to manage these risks in line with the Firm’s risk appetite.

The Firm’s risk management framework, policies and processes are considered proportionate to the external and internal context in which Linear operates and ensures the appropriate and timely involvement of stakeholders.

## Risk appetite

As a regulated business, Linear is averse to any risks that threaten the Firm’s ability to meet legal and regulatory obligations and a cautious appetite to financial risks. The Firm retains a cautious risk appetite with regard to reputational risks, relying on reputation in order to influence and secure the engagement and support of clients, regulators and other stakeholders. Linear has a cautious risk appetite towards sustaining appropriate operational processes, systems and controls to support delivery. The Firm has a cautious appetite towards ensuring that the business is protected from organisational or management failures.

## Risk assessment

The risk assessment generally supports the Firm in understanding the potential harm that can be caused to clients, markets or the firm itself as a result of its business activities. Also, as part of the risk assessment, the Firm has considered its position in the context of its external environment and has assessed more generally those areas that represent a potential significant threat to which the Firm may be vulnerable.

## Adequacy of risk management arrangements

As at the reporting date, the Board considered that it had in place adequate and appropriate systems and controls with regard to the Firm‘s strategy and that Linear is properly resourced and skilled to avoid or minimise loss.

# GOVERNANCE ARRANGEMENTS (MIFIDPRU 8.3)

## Board roles and responsibilities

The Board is the governing body of the Firm and is responsible for providing oversight and management of the Firm. The Board also has overall responsibility for the Firm’s risk strategies and policies and for setting the tone and influence of culture and conduct within the Firm. The Board regularly considers the risks that the firm faces and makes recommendations as necessary in order to enable the Firm to mitigate risks. The Board is accountable for the implementation of governance arrangements that ensure effective and prudent management of the firm, including the segregation of duties in the organisation and the prevention of conflicts of interest, and in a manner that promotes the integrity of the market and the interests of clients.

## Members’ Outside Interests

The Board members have the following number of directorships outside of the Firm:

|  |  |  |
| --- | --- | --- |
| **Name** | **Position** | **No.** |
| Paul Kelly | Executive Director | 7 |

## Risk, remuneration and nominations

The Firm qualifies under MIFIDPRU 7.1.4R for exemption from the requirement to have a Risk, remuneration and nomination committees as defined in MIFIDPRU 7.3. Linear is not required to meet the provisions under SYSC 19G (MIFIDPRU Remuneration Code) which are not listed in SYSC 19G.1.6R(2). The Board will consider any potential nominations of Directors or Senior Managers.

## Diversity

The Firm recognises the benefits of a diverse workforce and management team in terms of innovation, creativity and decision making. The Board considers diversity in its assessment of potential appointments, including those to the Board.

# OWN FUNDS (MIFIDPRU 8.4)

The Firm is required to maintain sufficient capital resources at all times. The table below shows the Tier 1 capital, specifically Common Equity Tier 1 (CET1) capital held by the Firm. The Tier 1 capital correlates directly with externally verified and audited balance sheet totals. The Firm does not hold any Additional Tier 1 or Tier 2 capital.

|  |  |  |  |
| --- | --- | --- | --- |
| **Composition of regulatory own funds** | | | |
|  | **Item** | **Amount (GBP)** | Source based on reference numbers of the balance sheet (below**)** |
| **1** | **OWN FUNDS** | **7,115,434** | Line 11 |
| **2** | **TIER 1 CAPITAL** | **7,115,434** | Line 11 |
| **3** | **COMMON EQUITY TIER 1 CAPITAL** | **7,115,434** | Line 11 |
| 4 | Fully paid up capital instruments | 4,600,002 | Line 8 |
| 5 | Share premium | 99,998 | Line 9 |
| 6 | Retained earnings | 2,415,434 | Line 10 |
| 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 | - | Line 1 |
| 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 | - |  |

# OWN FUNDS REQUIREMENT (MIFIDPRU 8.5)

The Firm’s own funds requirement is calculated in accordance with MIFIDPRU 4.3, which states that the Firm’s own funds requirement is the highest of:

* its permanent minimum capital requirement under MIFIDPRU 4.4;
* its fixed overheads requirement under MIFIDPRU 4.5; and
* its K-factor requirement under MIFIDPRU 4.6

A summary of these requirements for the year commencing January 2023 is shown within the table below.

|  |  |
| --- | --- |
| **Details** | **Amount (GBP)** |
| Transitional Requirement under MIFIDPRU TP 2.18R (3)(a)(ii) | - |
| Fixed overheads requirement (FOR) | £1,894,000 |
| K-factor requirement: |  |
| - K-AUM, K-CMH and K-ASA | K-AUM: £296.27  K-CMH:£193,055.69  K-ASA: £180,135.85 |
| - K-COH and K-DTF | K-COH: Not applicable  K-DTF: £119,687.09 |
| K-factor total | £493,206.05 |
| **Own Funds Requirement**  (maximum of PMR, FOR and K-factor total) | £1,894,000 |

Linear assesses the adequacy of its own funds in accordance with the prescribed permanent minimum capital, fixed overheads and total of the applicable K-factor requirements. In addition, the Firm undertakes an assessment of own funds requirements through its Internal Capital Adequacy and Risk Assessment and other internal processes to identify additional own funds requirements of the Firm as a result of:

* the material risks associated with ongoing business operations; and
* those required to facilitate an orderly wind-down of the business.

Whilst no adjustment was made in relation to risks associated with ongoing operations, the Firm adjusted its FOR upwards from the baseline calculation of £1,894.000 as a result of its wind-down planning. The revised FOR is included within the table above.

# REMUNERATION POLICY AND PRACTICES (MIFIDPRU 8.6)

## Remuneration policy

The Board considers and agrees the Remuneration Policy for all employees, with particular focus on material risk takers. It ensures that remuneration is aligned to the Firm’s business objectives, values, risk appetite, regulatory compliance, and long-term sustainable success, in order to support a high-performance culture and drive appropriate behaviours.

The Firm’s Remuneration Policy, which is reviewed annually, is designed to adhere to regulatory and legislative principles and aims to recognise the interest of relevant stakeholders of Linear and drive an appropriate risk-based culture within the Firm.

## Link between remuneration and performance

Remuneration for the period ended 31st March 2023 consisted of fixed monthly salaries. There was no performance related pay for this period.

## Material risk taker remuneration

The table below sets out the number of senior managers and other material risk takers.

|  |  |  |
| --- | --- | --- |
| **Details** | **Senior Managers** | **Other material risk takers** |
| **Number of material risk takers** | 2 | 2 |

Linear is exempt from MIFIDPRU 8.6.8 (4), (5a, 5b) & (6) as the aggregation of such information only relates to one or two people and would unfairly prejudice those individuals.