

Barclays Investment Solutions Limited

MIFIDPRU 8 Disclosure

31 December 2023

# MIFIDPRU Disclosure Requirements

MIFIDPRU 8 sets out the disclosure requirements for BISL as a non-SNI MIFIDPRU investment firm. The key areas for disclosure requirements are:

- Risk management objectives and policies (MIFIDPRU 8.2)
- Governance arrangements (MIFIDPRU 8.3)
- Own Funds (MIFIDPRU 8.4)
- Own funds requirements (MIFIDPRU 8.5)
- Remuneration policy and practices (MIFIDPRU 8.6)
- Investment policy (MIFIDPRU 8.7)

The MIFIDPRU 8 disclosure is required at an individual entity level.

It is acknowledged that in accordance with FCA rules, the firm's parent, Barclays Bank PLC, has published Pillar 3 information on its remuneration, risk management objectives and policies and on its regulatory capital requirements and resources. This information is available at <https://www.home.barclays/barclays-investor-relations/results-and-reports/annual-reports.html>.

BISL applies the same general principles as set out in the BBPLC Pillar 3 disclosure.

The table below and the subsequent appendices 1-5 set out the disclosure requirements for BISL as a non-SNI MIFIDPRU investment firm.

Disclosure Requirement	Reference
Risk management objectives and policies MIFIDPRU 8.2	Appendix 1
Governance arrangements MIFIDPRU 8.3	Appendix 2
Own funds MIFIDPRU 8.4	Appendix 3: uses the template from MIFIDPRU 8 Annex 1R to disclose the information requested at MIFIDPRU 8.4.1R
Own funds requirements MIFIDPRU 8.5	Appendix 4
Remuneration policy and practices MIFIDPRU 8.6	Appendix 5
Investment policy MIFIDPRU 8.7	N/A: This disclosure relates to investments where the shares are directly held on the entity balance sheet or has a voting right attached to a share in a fiduciary capacity. The Company deals in securities on behalf of clients, not on its own account and does not hold shares on its balance sheet. This disclosure is therefore considered not applicable for the Company.

# Appendix 1: MIFIDPRU 8.2 Risk Management Objectives and Policies

The following information sourced from the Company's financial statements and ICARA is disclosed with respect to MIFIDPRU 8.2 Risk management objectives and policies.

## Risk Management

The Company's activities are exposed to a variety of financial risks. The Company is required to follow the requirements of the Barclays Group risk management policies, which include specific guidelines on the management of foreign exchange, interest rate and credit risks, and advice on the use of financial instruments to manage them.

Risk is inherent in the business activities of the Company and whilst it is not possible nor desirable to eliminate risk altogether, uncontrolled risk poses a threat to the profitability of the Company and its potential long term viability. The Risk Management Framework in place is developed and implemented to manage risk in a manner appropriate to the business activities and strategic objectives and to confirm there is sufficient capital to cover the risks to which the business is exposed whilst delivering successful outcomes for clients, safeguarding their interests and fulfilling regulatory obligations.

## Principal Risks and Uncertainties

The Company is exposed to internal and external risks of ongoing activities. These risks are managed as part of the Company's business model.

The Company's risk management framework is described below and key performance indicators remain within the risk appetite defined by the Company.

## Enterprise Risk Management Framework

For the Company, risks are identified and overseen through the Enterprise Risk Management Framework, which supports the business in its aim to embed risk management and a strong risk management culture. The Enterprise Risk Management Framework specifies the principal risks of the Company and the approach to managing them.

## Own Funds, Concentration Risk and Liquidity

Own Funds: management conducts its own assessment of risk with reference to all the principal risks identified through the Enterprise Risk Management Framework. These principal risks and their relevance to the Company are described in the table below.

Concentration Risk: the Company deals in securities on behalf of clients, not on its own account. Securities transactions in the normal course of settlement are excluded under MIFID 5.10.1.(2). Therefore, the Company's concentration risk focuses on assets not recorded in the trading book. This risk is monitored under the Credit Risk principal risk category.

Liquidity Risk: this is monitored under the Treasury and Capital Risk principal risk category.

## Appendix 1: MIFIDPRU 8.2 Risk Management Objectives and Policies continued

Principal Risk	Barclays ERMF Definition	Applicability to BISL
Credit Risk	The risk of loss to the firm from the failure of clients, customers or counterparties (including sovereigns), to fully honour their obligations to the firm, including the whole and timely payment of principal, interest, collateral and other receivables.	BISL is exposed to Credit Risk as part of its day-to-day business activities. Its main exposures are through trade debtors, deferred tax assets to HMRC and settlement risk on balances with Barclays Group. BISL has minor exposures to FX Risk as it settles payments for debtors and creditors in currencies other than GBP.
Market Risk	The risk of loss arising from potential adverse changes in the value of the firm's assets and liabilities from fluctuation in market variables including, but not limited to, interest rates, foreign exchange, equity prices, commodity prices, credit spreads, implied volatilities and asset correlations.	BISL has no direct exposure to traded Market Risk.
Treasury and Capital Risk	<u>Capital Risk</u> : The risk that the firm has an insufficient level or composition of capital to support its normal business activities and to meet its regulatory capital requirements under normal operating environments and stressed conditions (both actual and as defined for internal planning or regulatory testing purposes). This also includes the risk from the firm's pension plans. <u>Liquidity Risk</u> : The risk that the firm is unable to meet its contractual or contingent obligations or that it does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets. <u>Interest Rate Risk in the Banking Book</u> : The risk that the firm is exposed to capital or income volatility because of a mismatch between the interest rate exposures of its (non-traded) assets and liabilities.	BISL is exposed to Capital Risk should it not maintain sufficient capital to support its normal business activities and to meet its regulatory capital requirements under normal operating environments and stressed conditions. BISL is exposed to Liquidity Risk should it not hold adequate liquidity to meet its internal and external requirements.
Operational Risk	The risk of loss to the firm from inadequate or failed processes or systems, human factors or due to external events (for example fraud) where the root cause is not due to credit or market risks.	Operational risk is a material risk to BISL. A scenario based approach is used to quantify Operational Risk for BISL.
Model Risk	The potential for adverse consequences from decisions based on incorrect or misused model outputs and reports.	BISL is exposed to Model Risk should there be adverse consequences due to incorrect or misused model outputs and reports.
Reputation Risk	The risk that an action, transaction, investment, event, decision, or business relationship will reduce trust in the firm's integrity and/or competence.	Reputation Risk is relevant to BISL in the case that any actions, investment, event, decision or business relationship fail to meet client expectations and/or reduce trust in the firm's integrity and/or competence.
Compliance Risk	The risk of poor outcomes for, or harm to, customers, clients and markets, arising from the delivery of the firm's products and services (also known as 'Conduct Risk') and the risk to Barclays, its clients, customers or markets from a failure to comply with the laws, rules and regulations applicable to the firm (also known as Laws, Rules and Regulations Risk 'LRR Risk').	BISL is exposed to Compliance Risk in the case that inadequate delivery of the firm's products & services lead to poor outcomes or harm to customers, clients and markets. The risk could materialise if there is a failure to properly manage the financial risks inherent in managed products & services in line with BISL's clients' reasonable expectations or agreed risk appetites, if defined; it is governed via the Fiduciary Investment Risk Standard and its associated controls.
Legal Risk	The risk of loss or imposition of penalties, damages or fines from the failure of the firm to meet its legal obligations, including regulatory or contractual requirements.	Legal Risk is relevant for BISL, should it face loss or imposition of penalties, damages or fines from failure to meet its legal obligations, including regulatory and contractual requirements.
Climate Risk	Climate Risk is defined as the impact on Financial and Operational Risks arising from climate change through physical risks, risks associated with transitioning to a lower carbon economy.	Climate Risk is a principal risk for Barclays Group, therefore climate considerations are relevant to BISL in investment management and strategy.

## Appendix 1: MIFIDPRU 8.2 Risk Management Objectives and Policies continued

### Risk Appetite

Risk Appetite defines the level of risk the Company is willing to take across the different risk types, taking into consideration varying levels of financial and operational stress. Risk Appetite is key in any decision making process, including ongoing business planning, new product approvals and business change initiatives. The management of risk is embedded into each level of the business, with all colleagues being responsible for identifying and controlling risks.

### Three Lines of Defence

The First Line of Defence (the “first line”) comprises all employees engaged in the revenue generating and client facing areas of the firm and all associated support functions, including Finance, Treasury, Technology and Operations, Human Resources, etc. Employees in the first line have primary responsibility for their risks, including: identifying and managing all the risks to which they are exposed; operating within any and all limits which the Risk and Compliance functions, as the Second Line of Defence (the “second line”), establish in connection with the Risk Appetite of the firm; and escalating risk events as per the Operational Risk Framework and to Risk and Compliance as per the requirements in their respective frameworks.

The first line may establish their own Policies, Standards and controls subject to the Barclays Control Framework (BCF) for their operational activities and require their colleagues to manage all controls to specified tolerances. These activities are permitted so long as they are within any applicable limits and/or tolerances, and Policies and/or Standards as set and established, respectively, by the second line.

All activities in the first line are subject to oversight from the relevant parts of the second and third lines.

Employees of Risk and Compliance comprise the Second Line of Defence. The role of the second line is to establish the Frameworks, Policies and Standards, limits, rules and constraints under which all activities shall be performed, consistent with the Risk Appetite of the firm, and to oversee the performance of the firm against these Frameworks, Policies and Standards, limits, rules and constraints. Where these limits, rules and constraints are quantitative and/or model based, the measures may only be developed or approved by the second line.

The Second Line of Defence may establish limits for first line activities to manage risk exposure in line with Risk Appetite as appropriate.

Employees of Internal Audit comprise the Third Line of Defence (the “third line”). They provide independent assurance to the Board and Executive Management of the effectiveness of governance, risk management and controls over current, systemic and evolving risks.

Although the Legal function does not sit in any of the three lines of defence, it works to support them all and plays a key role in overseeing Legal risk. The Legal function is also subject to oversight from the Risk and Compliance functions with respect to the management of operational and conduct risks.

### Monitoring the Risk Profile

Together with a strong governance process, using Business and Group-level Risk Committees as well as Board level forums, the Directors of the Company receive regular information in respect of the risk profile of the Company, and have ultimate responsibility for Risk Appetite and capital plans.

The Directors have established a Board Risk Committee and a Board Audit Committee to implement and oversee this framework. The Board Risk Committee defines the risk appetite of the Company within that framework and the Board Audit Committee monitors the key performance indicators, by reviewing the controls that operate within the framework.

## Appendix 2: MIFIDPRU 8.3 Governance arrangements

The following information describes the governance arrangements of the Company.

### Management of the Company

The Board is the management body of BISL and has a schedule of Matters Reserved to the Board which states that its responsibilities include:

- Responsibility for the overall leadership of BISL
- Approval of BISL strategic aims and objectives
- Approval of the BISL Risk Appetite
- Responsibility for overseeing the maintenance of a sound system of audit, risk management, compliance and internal control and approval of BISL's Risk Management Framework
- Adoption and review of policies.

The Board has standing committees which operate primarily in an advisory/review capacity and whose responsibilities are contained in written Terms of Reference. None have executive powers although the BISL Board Audit Committee, BISL Board Remuneration Committee, BISL Board Risk Committee and BISL Board Nominations Committee all have important control functions. Membership of standing committees is restricted to Non-Executive Directors.

The Board has scheduled meetings at least four times a year and receives written reports from senior management on key areas of the business and key functions as well as receiving reports from the standing committees.

The Board maintains a conflicts of interest register and has adopted Charter of Expectations which sets out the role profile and expectations for Directors.

The Board and its standing committees are subject to annual evaluations.

### Directorships

Five directors held one directorship; two directors held two directorships; and one director held four directorships.

No waiver has been requested in order to allow a member of the management body to hold additional directorships.

### Diversity Policy

#### *Gender Diversity*

The Board's current target is to ensure that by 2025:

The proportion of women on the Board is at least 40 per cent; and

At least one of the following senior Board positions is held by a woman: Chair, Chief Executive or Chief Finance Officer, and that this is maintained going forward.

The proportion of women on the Board is 60% and women hold the positions of Chair and Chief Executive.

#### *Ethnic Diversity*

That at least one Board member is from a minority ethnic background excluding white ethnic groups.

The target has not been achieved because of a lack of candidates from minority ethnic backgrounds and so there will be emphasis on having more candidates from such backgrounds in future recruitment processes.

Given the relatively small size of the Board and the length of Board terms the target date is 2029.

### Risk Committee

The firm is required to have a Risk Committee and has established a Risk Committee.

## Appendix 3: MIFIDPRU 8.4 Own Funds

Composition of regulatory own funds 31 December 2023			
	Item	Amount (GBP thousands)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1	OWN FUNDS	102,263	Note 21
2	TIER 1 CAPITAL	102,263	Note 21
3	COMMON EQUITY TIER 1 CAPITAL	102,263	Note 21
4	Fully paid up capital instruments	22,325	Note 21
5	Share premium	53,425	Note 21
6	Retained earnings	26,513	Note 21
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		
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		

## Appendix 3: MIFIDPRU 8.4 Own Funds

continued

Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements  
31 December 2023

		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	Investments in equity-accounted associates	0		
2	Deferred tax assets	6		
3	Cash and cash equivalents	262,246		
4	Cash collateral and settlement balances	86,591		
5	Trade and Other receivables	45,305		
6	Current Tax Asset	1,826		
	Total Assets	395,974		

Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements

1	Cash collateral and settlement balances	89,204		
2	Trade and other payables	202,086		
3	Current tax liabilities	-		
4	Provisions	2,421		
	Total Liabilities	293,711		

Shareholders' Equity

1	Share capital	22,325		4
2	Share premium reserve	53,425		5
3	Retained earnings	26,513		6
	Total Shareholders' equity	102,263		



## Appendix 4: MIFIDPRU 8.5 Own Funds Requirements

The IFPR rules seek to mitigate risk to clients and risk to the market, as well as the regulatory focus of risks of the firm. Firms are expected to hold sufficient capital and liquidity, in their own name, to meet these risks. BISL is an FCA investment firm and subject to these ICARA requirements (Internal Capital Adequacy & Risk Assessment).

The Company has considered the INITIAL CAPITAL REQUIREMENT as the highest value from three different tests:

- i. The firm's Permanent Minimum Requirement (£750k).
- ii. The firm's Fixed Overheads Requirement (one quarter of its fixed cost base).
- iii. The firm's K-factor Requirement (a prescribed regulatory capital assessment).

In addition to the Company's INITIAL CAPITAL REQUIREMENT, as part of its ICARA process and to determine its OVERALL CAPITAL REQUIREMENT, the Company has also assessed whether it should hold additional own funds adequate for:

- i. The estimated cost of executing an orderly wind down of the firm with minimal market disruption.
- ii. The firm's assessment of the specific risks for its ongoing operations and the capital it should hold against those risks.

The Company has also conducted a stress test of its expected capital resource to ensure resources remain above capital requirement during a stress event.

The capital requirements have been assessed and having considered the Company's risk appetite the ICARA process has set the Company's capital requirement. The Company maintains capital resource above that requirement and continues to monitor the capital surplus and related early warning indicators.

The table below sets out the Company's K-factor requirements and fixed overhead in accordance with MIFIDPRU 8.5.1

Disclosure Requirement	£'000
Sum of the K-AUM requirement, the K-CMH requirement and the K-ASA requirement	19,500
Sum of the K-COH requirement and the K-DTF requirement	79
Sum of the K-NPR requirement, the K-CMG requirement, the K-TCD requirement and the K-CON requirement	23
Fixed overhead requirement	58,500

## Appendix 5: MIFIDPRU 8.6 Remuneration policy and practices

The following disclosures are made in accordance with section 8.6 of the FCA's Prudential Sourcebook for MiFID Investment Firms ('MIFIDPRU').

### Remuneration governance

Barclays Bank PLC ('BBPLC') has been the parent company of Barclays Investment Solutions Limited ('BISL') since 1 May 2023. Prior to 1 May 2023, the parent company was Barclays Bank UK PLC ('BBUKPLC'). BISL had no direct employees during 2023 and there were no employees of other entities within the Barclays Group whose services or remuneration were under the control of BISL, although some BBPLC and BBUKPLC employees (including some individuals identified as Material Risk Takers ('MRTs') of BBPLC & BBUKPLC) provided services to BISL during 2023.

Remuneration decisions in respect of BBPLC and BBUKPLC employees are overseen by the Barclays PLC, BBPLC and BBUKPLC Board Remuneration Committees. Variable remuneration awards for 2023 were based on risk, performance and affordability factors relevant for those entities. Information on the remuneration of BBPLC and BBUKPLC employees is included respectively in Appendix B of the 2023 BBPLC Pillar 3 Report and Appendix C of the BBUKPLC 2023 Pillar 3 Report, including explanations of the Barclays Group's approach to performance management and how managers consider risk, control and conduct issues arising within all areas of the organisation. These mechanisms ensure that any issues found within BISL are factored into the performance ratings and pay outcomes for those individuals who provide services to BISL.

The BBPLC and BBUKPLC 2023 Pillar 3 Reports also provide further information on those entities' approaches to remuneration of employees, including:

- The Barclays Group Remuneration Philosophy.
- The different components of remuneration, together with the categorisation of those remuneration components as fixed or variable.
- The financial and non-financial performance criteria used across the firm to determine remuneration outcomes.
- The framework and criteria used for ex-ante and ex-post risk adjustment of remuneration, including how the firm considers current and future risks when adjusting remuneration and how malus and clawback are applied.
- The policies and criteria applied for awards of guaranteed variable remuneration and severance payments.
- The approach to deferral of variable remuneration.
- The different forms in which fixed and variable remuneration are paid.

The BISL Board Remuneration Committee annually reviews the Barclays Group Reward Policy and its implementation approach to determine their suitability for any individual who may provide services to BISL, and is provided with information to satisfy itself that the structure of remuneration for BISL MRTs is in line with applicable regulatory requirements.

### Remuneration of BISL MRTs in respect of the financial year

BISL MRTs are those staff of the Barclays Group whose professional activities could have a material impact on BISL's risk profile, which includes the members of the BISL Board, the members of the BISL Executive Committee and Senior Managers of BISL. A total of 21 individuals were BISL MRTs in 2023, all of whom were employees at that time of either BBPLC or BBUKPLC.

As set out above, remuneration decisions in respect of BBPLC and BBUKPLC employees are overseen by the Barclays PLC, BBPLC and BBUKPLC Board Remuneration Committees.

The following tables set out remuneration disclosures for individuals identified as BISL MRTs for 2023. In the tables, the terms below mean:

- 'Senior Management' means those individuals who are members of the BISL Board or BISL Executive Committee, excluding the Non-Executive Directors of BISL.
- 'Other MRTs' means BISL MRTs excluding those MRTs included in Senior Management.

No guaranteed variable remuneration awards or severance payments were awarded to BISL MRTs in 2023.

One BISL MRT benefitted from the exemption for individual MRTs set out in SYSC 19G.5.9R in 2023. In line with the exemption under MIFIDPRU 8.6.8R, the fixed and variable remuneration of the individual benefiting from the exemption in SYSC 19G.5.9R is not disclosed so as not to lead to the disclosure of information about one or two people.

Remuneration awarded for the financial year (all figures are in £m except for 'Number of staff')

	Senior Management	Other MRTs
1 Number of staff	13	8
2 Total fixed remuneration	5.8	2.4
3 Total variable remuneration	2.5	0.8
4 Of which: cash-based	1.3	0.4
5 Of which: deferred	0.6	0.2
6 Of which: shares or equivalent ownership interests	1.2	0.4
7 Of which: deferred	0.6	0.2
8 Of which: share-linked instruments or equivalent non-cash instruments	—	—
9 Of which: deferred	—	—
10 Of which: other instruments	—	—
11 Of which: deferred	—	—
12 Of which: other forms	—	—
13 Of which: deferred	—	—
14 Total Remuneration	8.3	3.2

Deferred remuneration (all figures are in £m)

	Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year
1 Senior Management		5.5	0.9	4.6	—	1.0
2 Other MRTs		3.1	0.6	2.5	—	0.6