Helikon Investments Limited

MIFIDPRU 8 Remuneration Disclosure

30 September 2024

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1. INTRODUCTION

1.1 BACKGROUND AND DISCLOSURE

Helikon Investments Limited ("Helikon" or "the Firm") is an investment management firm authorised and regulated by the UK Financial Conduct Authority ("FCA"). In January 2022, the FCA implemented the Investment Firms Prudential Regime ("IFPR"). Under the IFPR, Helikon must make certain public disclosures as per Chapter 8 of the Prudential Sourcebook for MiFID Investment Firms in the FCA Handbook ("MIFIDPRU 8"). The Firm is a London based private limited company that has been established to provide clients with financial investment services. Helikon is dual regulated by the FCA under the Markets in Financial Instruments Directive ("MiFID") and the Alternative Investment Fund Managers Directive ("AIFMD") as a Collective Portfolio Management Investment Firm ("CPMI") Firm.

Helikon is classified under MIFIDPRU as a Non-Small and Non-Interconnected MIFIDPRU Investment Firm ("Non-SNI MIFIDPRU Investment Firm"). As such, Helikon is required by MIFIDPRU 8 to disclose information on the following areas:

- Risk management objectives and policies
- Governance arrangements
- Own funds
- Own funds requirements
- Remuneration policy and practices

CPMI firms are required to make a remuneration disclosure in respect of the whole of their business, i.e. MIFID and AIFMD. As a CPMI Firm, Helikon is subject to the Remuneration Code contained under SYSC 19B for the AIFM business and those sections of SYSC 19G relevant to a Non-SNI Firm for the MIFID business. The disclosure requirements have been prepared in line with both remuneration codes under SYSC 19B and SYSC 19G. The renumeration policy includes the most stringent requirements of each Remuneration Code.

The purpose of these disclosures is to give stakeholders and market participants insight into the Firm's culture, while the data on the Firm's own funds and own funds requirements allows stakeholders to assess the Firm's financial strength. These disclosures have been prepared by Helikon in accordance with the requirements set out in MIFIDPRU 8 and have been verified by the Firm's management team (as defined in Section 3 below).

1.2 REGULATED ACTIVITIES OF THE FIRM

The Firm is authorised to carry out the following activities and services as per the FCA register:

- Advising on investments (except on Pension Transfers and Pension Opt Outs)
- Arranging (bringing about) deals in investments
- Arranging safeguarding and administration of assets
- Dealing in investments as agent
- Making arrangements with a view to transactions in investments
- Managing an unauthorised AIF
- Managing investments
- Agreeing to carry on a regulated activity

1.3 FREQUENCY OF DISCLOSURE

The Firm completes the MIFIDPRU 8 disclosure annually on the date the Firm publishes its annual financial statements. As appropriate, the disclosures will be made more frequently if there is a major change to the Firm's business model.

All figures within this disclosure are as at the Firm's financial year end, 30 September 2024.

1.4 APPROVAL OF THE DISCLOSURE

This document is prepared by the Senior Management Team and is reviewed and approved in order to ensure compliance with the regulatory requirements stated within MIFIDPRU 8. The document is reviewed and challenged by the Firm's Board prior to the publication of the document.

The disclosures are not subject to any independent external audit, they will only be subject to external verification to the extent that they are equivalent to those taken from the audited financial statements.

2. RISK MANAGEMENT OBJECTIVES AND POLICIES (MIFIDPRU 8.2)

This section describes Helikon's risk management objectives and policies for the categories of risk addressed by the requirements of the Firm in the following areas:

- Own Funds
- Liquidity Risk
- Concentration risk

2.1 STATEMENT OF RISK APPETITE

Helikon has adopted a low overall risk appetite in respect to all types of material harms that arise in the course of pursuing its business model and strategy. The Firm's low-risk appetite is reflected in its maintenance of own funds and core liquid assets well in excess of its own funds and liquid assets requirements, which is indicative of the fact that the Firm seeks to minimise the risk of being unable to meet its liabilities as they fall due. Measures are nonetheless implemented to ensure that risks that fall within the Firm's risk appetite are mitigated to the extent possible.

Helikon reviews its risks and corresponding controls to ensure that residual risks are adequately mitigated and monitored appropriately. The Firm is committed to ensuring its business activities are conducted with a clear understanding of the risks, to maintaining a robust risk management framework, ensuring transparent disclosure, treating its clients fairly, and to meet the expectations of major stakeholders.

2.2 RISK MANAGEMENT

Helikon has established a risk management process to ensure that it has effective systems and controls in place to identify, monitor and manage risks arising in the business. Risk management for Helikon is the responsibility of the senior management team. Due to the nature, size and complexity of the Firm, Helikon does not have a separate and independent risk or nomination committees.

Own Funds Requirements

To calculate the Firm's own funds threshold requirement, Helikon identifies and measures the risk of harms applicable to the Firm and considers these risks with regards to its ongoing operations and from a wind-down perspective. The Firm then determines the extent to which systems and controls in place mitigate the Firm's risks and the potential for a disorderly wind-down, and thereby determines the appropriate amount of additional own funds required on top of the K-factor requirement to cover the residual risks.

Helikon's risks are controlled by a set of compliance, operational policies and procedures. This also links to the Internal Capital Adequacy and Risk Assessment process ("ICARA") as a continuous internal review process that supports the senior management in the decision-making process and its exercise of oversight and control over the Firm. As explained further, the ICARA process is an important component that feeds into and derives from the policies, procedures, systems and controls that play a key role to ensure that the Firm operates effectively.

At 30 September 2024, the Firm's own funds threshold requirement is £643,307 which is driven through the assessment from other prudential regimes (AIFMD requirement) and this amount is considered adequate to support its ongoing operations and assessment to wind down.

Liquidity Risk

Liquidity risk is the risk that the Firm may be unable to generate sufficient cash or other liquid assets in a timely manner to meet its commitments as they become due. Helikon's systems, policies and processes in place allow it to monitor and manage regulatory capital requirements, working capital needs and cash flows to help provide a sufficient buffer against liquidity risk. Given the nature of the Firm's business, financial liabilities are on the whole short term and the Firm maintains adequate cash resources to cover its immediate liabilities.

Concentration Risk

The Firm does not deal on its own account and therefore is not subject to position risk (specific or general) as a result the Firm does not have a concentration risk (K-CON) capital requirement. The Firm does monitor the concentration of assets to a client/group of connected clients on an ongoing basis. As a Non-SNI, the Firm reports concentrations to the FCA via MIF004 on a quarterly basis.

3. GOVERNANCE ARRANGEMENTS (MIFIDPRU 8.3)

3.1 SENIOR MANAGEMENT TEAM

Helikon believes that effective governance arrangements help the Firm achieve its strategic objectives while also ensuring that the risks to the Firm, its stakeholders and the wider market are identified, managed, and mitigated.

The Firm's senior management team are responsible for determining the business strategy and risk appetite along with designing and implementing a risk management framework that recognises the risks that the business faces, determine how those risks may be mitigated and assesses the ongoing management of those risks. The Firm’s senior management team meet on a regular basis and discuss the projections for profitability, capital management, business planning and risk management for the business.

The table below lists the individuals who make up the senior management team at Helikon, including their positions, SMF functions/roles, and the number of directorships (executive and non-executive) they hold:

Name	Position at Helikon	SMF Function/Role	No. of external directorships held
Federico Riggio	Partner & Chief Investment Officer	SMF3	Nil
David Grazzini	Partner	SMF3	Nil
Flavio Russo	Head of Trading	SMF3	Nil
Paul McLernon	Chief Operating Officer	SMF3, SMF16, SMF17	Nil

3.2 APPROACH TO DIVERSITY OF THE SENIOR MANAGEMENT TEAM

The Firm’s Diversity & Inclusion Policy highlights its belief that embracing diversity is essential to achieving its mission of delivering exceptional value to clients, employees, and stakeholders. The policy applies to all individuals acting on behalf of the Firm and supports inclusivity across a wide range of protected characteristics, including gender, ethnicity, age, disability, and more. It commits to providing a respectful and harassment-free workplace, with a zero-tolerance approach to any form of discrimination or misconduct. The policy is reviewed regularly to ensure it remains effective and aligned with legal standards.

To support its diversity goals and enable the Firm to identify areas of inequality, the Firm monitors workforce demographics such as ethnicity, gender, age, and disability on a voluntary basis. It also tracks data related to hiring, training, grievances, and employee departures to identify and address any disparities. The policy establishes a framework for continuous improvement through regular reviews and compliance with a broad range of equality legislation. This approach ensures the Firm remains accountable and responsive in fostering an inclusive workplace culture.

4. OWN FUNDS (MIFIDPRU 8.4)

4.1 COMPOSITION OF REGULATORY OWN FUNDS

Helikon's own funds are made up of Common Equity Tier 1 (CET1) capital. As at 30 September 2024, the Firm had sufficient regulatory capital to cover its own funds requirements. This can be seen summarised in the table below:

Composition of regulatory own funds			
	Item	**Amount (£'000)**	**Source based on the reference numbers/ letters of the balance sheet in the audited financial statements**
1	**OWN FUNDS**	**975**	
2	**TIER 1 CAPITAL**	**975**	
3	**COMMON EQUITY TIER 1 CAPITAL**		
4	- Fully paid-up capital instruments	0	Page 10
5	- Share premium	975	Page 10
6	- Retained earnings	-	
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	-	

The CET1 capital is wholly comprised of fully paid-up capital instruments.

4.2 RECONCILIATION OF REGULATORY OWN FUNDS THE AUDITED FINANCIAL STATEMENTS

The table below shows the reconciliation of regulatory own funds to balance sheet in the audited financial statements for the year ended 30 September 2024.

Reconciliation of regulatory own funds to balance sheet in the audited financial statements			
		a	**b**
	£'000	**Balance as per audited financial statements**	**Cross-reference to template OF1**
	30/09/24	**30/09/24**	
Assets			
1 – Tangible assets	144	143,881	
2 – Debtors (Due within 1 year)	5,333	5,332,942	
3 – Cash at bank and in hand	35,230	35,229,631	
	Total Assets	**40,706,454**	
Liabilities			
1 – Creditors (Due within 1 Year)	31,704	31,704,093	
	Total Liabilities	**31,704,093**	
Equity			
1 – Share capital	0	2	Item 4
2 – Share premium	975	974,999	Item 5
3 – Profit and loss account brought forward	*8,870*	*8,870,005*	
4 – Profit for the year	*67,136*	*67,136,020*	
5 – Dividends paid	*(67,979)*	*(67,978,665)*	
	Total equity	**9,002,361**	

5. OWN FUNDS REQUIREMENTS (MIFIDPRU 8.5)

5.1 PERMANENT MINIMUM CAPITAL REQUIREMENT (PMR), FIXED OVERHEAD REQUIREMENT (FOR) & K-FACTOR REQUIREMENT (KFR)

The below table summarises the Firm's own funds requirement. Helikon is required to always maintain own funds that are at least equal to or greater than the Firm's own funds requirement. The own funds requirement is the higher of the Firm's PMR, FOR and KFR:

Requirement as at 30 September 2024	**£'000**
Permanent Minimum Capital Requirement (PMR)	**75**
Fixed Overhead Requirement (FOR)	**602**
K-Factor Requirement (KFR)	**417**
- K-AUM Requirement	417
Total MIFIDPRU 4 Own Funds Requirement	**602**

5.2 APPROACH TO ASSESSING THE ADEQUACY OF OWN FUNDS

Helikon is subject to MIFIDPRU 7, which requires firms to use the Internal Capital Adequacy and Risk Assessment (ICARA) process to identify whether they comply with the Overall Financial Adequacy Rule (OFAR). The ICARA process is the collective term for the internal systems and controls which a firm must operate to identify and manage potential harms which may arise from the operation of a firm's business, and to ensure that its business can be wound down in an orderly manner. The OFAR requires that a firm must, at all times, hold own funds and liquid assets which are adequate, both as to their amount and their quality to ensure:

- The Firm is able to remain financially viable throughout the economic cycle, with the ability to address any material potential harm that may result from its ongoing activities; and
- The Firm's business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

The adequacy of the ICARA process is assessed at least on an annual basis, or more frequently if there is a material change in the business model/risk profile.

Additional Own Funds Requirement

The additional own funds requirement is the amount of capital identified by Helikon that is necessary to mitigate risks to ensure the viability of the Firm throughout economic cycles and to ensure it can be wound down in an orderly manner. Within the ICARA, Helikon identifies, and measures risk of harms faced by the Firm and considers these risks with regards to its ongoing operations and wind-down. The Firm then determines the degree to which the systems and controls alone mitigate the risk of harm and the risk of a disorderly wind-down.

Ongoing Operations

Helikon has assessed all material harms posed to clients, the market and itself resulting from its ongoing operations, taking into consideration the existing controls in place. Helikon has concluded that no additional capital or liquid assets are required to mitigate the harm arising from these risks.

Wind Down

Wind-down planning has been performed in order to identify potential scenarios that could cause the need to wind down the business, and to determine the level of resources that the Firm would require to wind down in an orderly manner. After carrying out a detailed financial assessment the Firm has concluded that the own funds required for wind-down do not exceed the fixed overhead requirement.

Overall Financial Adequacy Rule (OFAR)

Helikon adopts a 10% buffer ('early warning indicator') on top of its own funds threshold requirement in order to maintain a healthy own funds surplus above the regulatory requirement. If Helikon triggers this warning, then a dialogue would be initiated with the FCA to explain the actions to be taken to rectify this.

The below table shows the OFAR assessment as at 30 September 2024:

OFAR assessment as at 30 September 2024:	**Amount £'000**
Own Funds	**975**
Common Equity Tier 1	975
Total Regulatory Capital	**975**
Own Funds Requirement	
Permanent Minimum Requirement – PMR **(1)**	75
Fixed Overhead Requirement - FOR **(2)**	602
K-Factor Requirement – KFR **(3)**	417
Own Funds Requirement (Higher of (1), (2), (3))	**602**
Assessment (A) from ongoing operations	
As per Risk Assessment	417
Assessment (B) from wind-down	
As per wind down planning	602
Assessment (C) from other prudential regimes	
AIFMD Requirement	644
Own Fund Threshold requirement	
Higher of Assessment A, B, C or PMR	**644**
Early Warning Indicator 110%	**708**
Surplus over the Early Warning Indicator	**267**

6. REMUNERATION POLICY AND PRACTICES (MIFIDPRU 8.6 & SYSC19B)

The below disclosures are made in accordance with the requirements of MIFIDPRU 8.6. This section provides information on Helikon's remuneration policies and governance, as well as quantitative information on the remuneration of those categories of staff whose professional activities are considered by Helikon to have a material impact on its risk profile or on the assets that it manages ("**MRTs**").

Helikon has a Remuneration Policy in place which is in accordance with the relevant rules and guidance for the Firm's remuneration code as contained within the FCA's SYSC Sourcebook of the FCA's Handbook.

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

Helikon's remuneration policy is designed to ensure that it complies with the RemCode and that its compensation arrangements:

1. Are consistent with and promote sound and effective risk management;
2. Do not encourage excessive risk taking;
3. Includes measures to avoid conflicts of interest;
4. Are in line with the Firm's business strategy, objectives, values, and long-term interests; and
5. Are on a gender-neutral basis.

These requirements apply to remuneration of any type paid by the Firm or from the funds it manages, including carried interest (as applicable), as well as any transfer of units/shares of the fund, made in exchange for professional services rendered by the Firm to certain AIFM Remuneration Code Staff.

Proportionality

The Firm has determined the Remuneration policy's compliance with the principles scheduled in SYSC 19B.1.5 to 19B.1.24 inclusive and in accordance with the relevant requirements in SYSC 19G in a way which is appropriate to its size, internal organisation and the nature, scope and complexity of its business model and activities.

6.1 SUMMARY OF THE FIRM'S APPROACH TO REMUNERATION FOR ALL STAFF, INCLUDING THE DECISION-MAKING PROCEDURES AND GOVERNANCE IN ADOPTING THE REMUNERATION CODE:

- Helikon's remuneration policy has been developed internally and agreed by the Firm's Board in line with the Remuneration principles laid down by the FCA. Senior management ensures that the policy remains effective and is in line with the Firm's business and risk strategy and that remuneration awarded promotes effective risk management.
- The Firm complies with the remuneration principles set out in the policy.
- Due to the size, nature and complexity of the Firm, Helikon does not have an independent remuneration committee, and the Board is responsible for the governance of the remuneration function.
- The Firm has adopted a multi-year top-down approach where remuneration is based on business performance, relevant business line and the individual itself (both financial and non-financial factors).
- Helikon's ability to pay a variable remuneration further takes into account both the capital and liquidity regulatory requirements over a rolling three-year period.
- The Firm ensures that there is equal pay for male, female and diverse workers for equal work or work of equal value. The Firm also ensures equal opportunities in relation to pay increases and career progression, as these will impact gender neutral pay in the longer term.
- When assessing individual performance to determine the amount of variable remuneration, the Firm will consider both financial and non-financial criteria.

6.2 KEY CHARACTERISTICS OF THE REMUNERATION POLICIES AND PRACTICES:

- Individuals are rewarded based on their contribution to the overall strategy of the business. Other factors, such as performance, reliability, effectiveness of controls, business development and contribution to the business are taken into account when assessing the performance of the staff.
- Staff who hold control functions are independent from the business functions they oversee to avoid conflict of interest. They are remunerated according to specific objectives linked to their role, independent of the performance of the business area they control and in line with the Firm’s risk profile.
- The various components of remuneration apply to all staff at the Firm and not just those that are categorised as AIFM Remuneration Code Staff and are as follows:

  - Fixed remuneration, including salary, pension and benefits.
    - Primarily reflects a staff member’s professional experience and organisational responsibility as set out in the staff member’s job description and terms of employment. It should be pre-determined, non-discretionary and not dependent on performance.
  - Variable remuneration, including discretionary annual bonus, sign-on bonus, buy-out and retention bonus.
    - The amount of variable remuneration is based on performance of the Firm, business line and the individual (both financial and non-financial aspects).
    - The Firm’s non-financial criteria are based on effective risk management and compliance to the Firms policies and procedures. The non-financial criteria can override the metrics of the financial performance.
    - The Firm ensures that individuals making subjective judgements remain objective by referring to an established framework for making such judgements as follows:
      1. Clearly documented parameters and key considerations
      2. Documented final decisions regarding risk and any performance adjustments
      3. Input from individuals in Controlled Functions
      4. Sign-off by the Board for any performance adjustments.
    - The Firm has adopted a multi-year framework as it recognises that performance within a single year can result in disproportionate results.

- The Board ensures that the fixed and variable components of the total remuneration are appropriately balanced and ensuring that the fixed component represents a sufficiently high proportion of the total remuneration. This allows full flexibility in relation to variable remuneration, including the ability to pay no variable remuneration.

6.3 RISK ADJUSTMENT, MALUS AND CLAWBACK:

- The Firm's risk analysis is incorporated into the Firm's Business Risk Framework and considers actual and potential risks faced by the Firm on an ongoing basis. The variable remuneration pool is based upon risk adjusted profits, rather than revenues, taking into account short- and long-term capital requirements and the Business Risk Framework. For MRTs, Helikon determines malus, clawback and ex-post risk adjustments as effective provisions and arrangements to prevent excessive risk-taking, better align risk and reward incentives and encourage more effective and sound risk management. All variable remuneration for MRTs is subject to these provisions, and the Firm will apply them where appropriate to safeguard business sustainability and prevent individuals from benefiting from crystallised risks.

6.4 AGGREGATE QUANTITATIVE INFORMATION ON REMUNERATION:

With respect to the financial year ended 30 September 2024, the total remuneration awarded to staff, as interpreted under SYSC 19G.1.24G, was as follows: senior management and other Material Risk Takers (MRTs) received £527,650 in fixed remuneration and £12,730,249 in variable remuneration, amounting to a total of £13,257,899. All other staff received £823,583 in fixed remuneration and £6,540,426 in variable remuneration, amounting to a total of £7,364,009. The Firm has identified 4 employees as 'Material Risk Takers' based on the provisions laid out under SYSC 19G.5. There are no other members of senior management in addition to the Material Risk Takers as disclosed.

During the year to 30 September 2024, no awards of guaranteed variable remuneration nor severance payments were made.