

## Mesirow Financial International UK Ltd

### Pillar 3 Disclosure

The Capital Requirements Directive (“CRD”) is the framework for implementing Basel II in the European Union. Basel II implements a risk sensitive framework for the calculation of regulatory capital. This was implemented in the United Kingdom through changes to the Financial Conduct Authority (“FCA”) Handbook of Rules and Guidance, and specifically through the creation of the General Prudential Sourcebook (“GENPRU”) and the Prudential Sourcebook for Banks, Building Societies and Investment Firms (“BIPRU”), specifically BIPRU 11.

The framework consists of three pillars:

- Pillar 1 – sets out the minimum capital requirements for the investment manager;
- Pillar 2 – deals with the Internal Capital Adequacy Assessment Process (“ICAAP”) undertaken by the Firm to assess the adequacy of capital held in relation to its material risks; and
- Pillar 3 – requires the Firm to publicly disclose its policies on risk management, capital resources and capital requirements.

The Pillar 3 disclosure of Mesirow Financial International UK Ltd (“MFIUK” or the “Firm”) is set out below. The regulatory aim of the disclosure is to improve market discipline.

MFIUK makes Pillar 3 disclosures annually, via either its website and/or the MFIUK Annual Report and Financial Statements filed at the UK Companies House. The information contained in this disclosure is accurate as at March 31, 2021. It has not been audited by MFIUK’s external auditors and does not constitute any form of financial statement.

Certain information relating to BIPRU 11.5 may be omitted on the basis that it has been deemed to be immaterial or proprietary/confidential. The Firm regards information as material in the disclosure if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions. The Firm regards information as proprietary/confidential if sharing that information with the public would undermine its competitive position. Proprietary/confidential information may include information on products or systems which, if shared with competitors, would render the Firm’s investments therein less valuable. Further, the Firm must regard information as confidential if there are obligations to customers or other counterparty relationships binding the Firm to confidentiality.

### Background to the Firm

The Firm is authorised and regulated by the FCA and as such is subject to minimum regulatory capital requirements. The Firm is categorised by the FCA, for capital purposes, as a BIPRU firm. It is an investment management firm and has no trading book exposures. The Firm is not required to prepare consolidated reporting for prudential purposes.

## Capital Resources Requirement

### Pillar 1 - Minimum Capital Requirements

As a BIPRU firm, MFIUK has adopted the standardised approach for the Pillar 1 regulatory capital calculation of credit risk. MFIUK does not deal as principal and holds no commodity or securitisation positions. The Firm calculates its Foreign Currency Position Risk Requirement by multiplying the sum of the absolute values of its 'open currency position' by 8%.

The Pillar 1 capital requirement for a BIPRU firm is calculated as the higher of the:

- Fixed Overheads Requirement ("FOR"); and
- the sum of market and credit risk requirements or
- the base capital requirement of €50,000.

The Firm has deemed the FOR to be the higher and this is therefore used for the Pillar 1 calculation.

### Pillar 2 – ICAAP

The Firm's ICAAP includes an assessment of the design and performance of the internal controls in place to mitigate risks, the probability of the risk occurring, the potential financial and reputational impact, and the adequacy of the Firm's capital base.

The ICAAP is the process through which MFIUK determines that it is able to identify and manage its key risks on an on-going basis and ensure that it has sufficient capital in respect of such risks. The process is forward looking and is an integral part of the management of the Firm. The Chief Compliance Officer (CCO) of MFIUK and Chief Executive Officer of the Currency Division of MFIUK are responsible for the ICAAP and consulted with appropriate members of staff to ensure the accuracy of their findings.

The Firm's senior management formally reviews and approves a finalised ICAAP document on at least an annual basis (or more frequently if there are material changes to the Firm's business model and risk exposures). The senior management, as part of its review of the ICAAP, sets the Firm's risk appetite, validates that the Firm's key material risks have been considered and assessed, and validates the stress testing scenarios.

### Capital Resources

The main features of the Firm's Capital Resources are as follows:

Capital Item	£'000s
Tier 1 capital less innovative tier 1 capital	4,776
Tier 2 capital	0
Tier 3 capital	0
Total capital resources, net of deductions	3,639

## Risk Management Objectives and Policies

Due to the nature, size and complexity of the Firm, MFIUK does not have an independent risk management function. The Firm's primary business activities are marketing and currency management. The Firm's currency management business is closely related to the currency management business of its U.S. affiliate, Mesirow Financial Investment Management, Inc. (MFIM)<sup>1</sup> (collectively, "Mesirow Currency"). With respect to currency management activities, risk governance is managed jointly by Mesirow Currency through a business-specific risk committee that reviews and addresses risks associated with Mesirow Currency. Additionally, Mesirow Currency has reporting responsibilities to a corporate-wide enterprise risk group.

The Firm's marketing activities are generally associated with the global marketing and distribution division ("Global Marketing") of its parent company, Mesirow Financial Holdings, Inc. and risk governance is managed by Global Marketing. Global Marketing has reporting responsibilities to a corporate-wide enterprise risk group. In 2020, the Firm hired an employee focused primarily on marketing the existing investment banking business of the Firm's U.S. affiliate, Mesirow Financial, Inc. ("Investment Banking"). Investment Banking has reporting responsibilities to a corporate-wide enterprise risk group.

Senior management from Mesirow Currency, Investment Banking and Global Marketing report to the enterprise risk committees on a frequent basis regarding the new and existing risks. Mesirow Currency, Investment Banking and Global Marketing have clearly documented policies and procedures, which are designed to identify and minimise risks to the Firm and all staff are required to confirm that they have read and understood them.

MFIUK undertakes an ICAAP at least annually, which is the process through which MFIUK determines that it is able to identify and manage its key risks on an on-going basis and that it has sufficient capital in respect of such risks. The process is forward looking and is an integral part of the management of the Firm.

Following the completion of the ICAAP, the Firm has concluded that its Tier 1 capital is sufficient to cover its Pillar 1 and Pillar 2 requirements.

## Remuneration

MFIUK must comply with the BIPRU Remuneration Code ("the Code"). The purpose of the Code is to ensure that firms have risk focused remuneration policies, which are consistent with and promote effective risk management and do not expose themselves to excessive risk.

Senior management are responsible for setting the Remuneration Policy Statement for all staff and the Compliance Officer is a member of the senior management team. No external consultants have been engaged on remuneration matters.

The Code can be applied in a proportionate way and the FCA have stated that it will normally be appropriate to disapply certain rules. As such senior management has determined that the following rules are not proportionate to MFIUK and have not implemented these detailed rules:

---

<sup>1</sup> Mesirow Financial Investment Management, Inc. is an SEC registered investment advisor and is an affiliate of the Firm. MFIM offers currency management services to public/governmental and private pension plans, superannuation funds, corporate entities, foundations, endowments and other institutional investors.

- SYSC 19C.3.44 – Ratios between fixed and variable components of total remuneration;
- SYSC 19C.3.47 – Retained shares or other instruments;
- SYSC 19C.3.49 – Deferral; and
- SYSC 19C.3.51 – Performance adjustment

Variable remuneration is not based solely on the financial performance of the individual. Senior management also considered the individual's overall (non-financial) performance to the whole team and the overall results of the firm. The performance of the individual is assessed over the entire year.

### Quantitative Information

The following business areas received the following aggregate amount of remuneration for the 12-month period ending March 31, 2021:

Business Area*	Aggregate Remuneration (£'000s)
Marketing/Operations/Support	£1,518
Research/Portfolio Management	£925
Governance/Oversight	£657

\* Includes partial year compensation for employees hired after April 1, 2020 or exiting before March 31, 2021 and compensation for non-UK employees attributable to functions being performed on behalf of MFIUK. Compensation for non-UK employees converted to GBP using GBP1:USD1.37 exchange rate.

Percentage of total remuneration of senior management and risk takers as follows\*:

	Senior Management	Risk Takers
<b>Total remuneration for the year</b>	67%	58%

\* Includes partial year compensation for employees hired after April 1, 2020 or exiting before March 31, 2021 and compensation for non-UK employees attributable to functions being performed on behalf of MFIUK. Compensation for non-UK employees converted to GBP using GBP1:USD1.37 exchange rate.