

# Squarepoint Capital LLP

## MIFIDPRU 8 Disclosure

### March 2024

#### *Introduction*

The Financial Conduct Authority (“FCA” or “regulator”) in the Prudential sourcebook for MiFID Investment Firms in the FCA Handbook (“MIFIDPRU”) sets out the detailed prudential requirements that apply to Squarepoint Capital LLP (“Squarepoint” or the “Firm”). Chapter 8 of MIFIDPRU (“MIFIDPRU 8”) sets out public disclosure rules and guidance with which the Firm must comply, further to those prudential requirements.

Squarepoint is classified under MIFIDPRU as a non-small and non-interconnected MIFIDPRU investment firm (“Non-SNI MIFIDPRU Investment Firm”). As such, the Firm is required by MIFIDPRU 8 to disclose information on the following areas:

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

This document has been prepared by Squarepoint in accordance with the requirements of MIFIDPRU 8 and is verified by the Management Body. Unless otherwise stated, all figures are as at the Firm’s 31 December 2022 financial year-end.

#### *Risk Management Objectives and Policies*

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

- Own funds.
- Concentration risk.
- Liquidity.

#### **Business Overview**

Squarepoint Capital LLP is one of three investment management entities in the Squarepoint Group (Group), co-managing the funds and acting as a delegate of Squarepoint Ops LLC, which is the funds’ alternative investment fund manager (AIFM) within the structure. The Squarepoint Group consists of an extensive team of investment and non-investment personnel, with its main offices in Singapore, New York and London, supported by research and technology offices located in Hong Kong, Geneva, Zug, Paris, Montreal, Bangalore, Dubai, Madrid, Houston and Boston at the time of writing.

#### **Own Funds Requirement**

Squarepoint is required to maintain own funds that are at least equal to the Firm’s own funds requirement. The own funds requirement is the higher of the Firm’s:

- **Permanent minimum capital requirement (“PMR”):** The level of own funds required to operate at all times. Based on the MiFID investment services and activities that the Firm currently has permission to undertake this is set at £75,000;
- **Fixed overhead requirement (“FOR”):** The minimum amount of capital that Squarepoint would need to have to absorb losses if the Firm has cause to wind down exit the market. This is equal to one quarter of the Firm’s relevant expenditure; and
- **K-factor requirement (“KFR”):** The KFR is intended to calculate a minimum amount of capital that Squarepoint would need for the ongoing operation of its business. The K-factors that apply to the Firm’s business are K-AUM (calculated on the basis of the Firm’s assets under management (“AUM”)) and K-COH (calculated on the basis of the client orders handled by the Firm).

Squarepoint’s own funds requirement is currently set by its FOR, as this is the highest of the three metrics. The potential for harm associated with Squarepoint’s business strategy, based on the Firm’s own funds requirement, is low. This is due to the relatively consistent and stable growth in the Firm’s revenues and asset base.

A method adopted by the Firm to manage the risk of breach of the Firm’s own funds requirement is the maintenance of a healthy own funds surplus above the own funds requirement. In the event that the Firm’s own funds drop to an amount equal to 110% of the Firm’s own funds threshold requirement, the Firm will immediately notify its Management Body, as well as the regulator. The Management Body will consider the necessary steps required in order to increase the own funds buffer; this may include injecting more own funds into the Firm.

### **Concentration Risk**

Concentration risk is defined as exposure to sectorial, geographic, liability and asset concentrations. The Firm does not trade on its own account and has no principal positions. Therefore, it is not exposed to concentration risk.

### **Liquidity**

The Firm is required to maintain sufficient liquidity to ensure that there is no significant risk that its liabilities cannot be met as they fall due and to ensure that it has appropriate (liquid) resources in the event of a stress scenario.

The Firm retains an amount it considers suitable for providing sufficient liquidity to meet the working capital requirements under various conditions. Squarepoint has always had sufficient liquidity within the business to meet its obligations and there are no perceived threats to this given the cash deposits it holds with a well-established, multinational institution. Material debtors of the Firm are from within Squarepoint Group, meaning requests for payments can be facilitated promptly. In turn, the Firm can access the liquidity of Squarepoint Group if required. The cash position of the Firm is monitored by the senior management on a regular basis.

### **Risk Management Structure**

The Management body is responsible for the management of risk within the Firm and their individual responsibilities are clearly defined. Reporting and management of risks to the Management body is undertaken by three distinct committees, namely: the Risk Committee; the Best Execution Committee; and the Valuation Committee. The minutes of these committees are communicated to the Management Body, who can act on and escalate matters as they see fit. Squarepoint has clearly documented policies and procedures (these are contained in the Firm’s Compliance Policies and Procedures Manual), which are designed to minimise risks to the Firm and all staff are required to confirm that they have read and understood them.

The Firm’s Management body has adopted a policy to maintain a strong capital position and balance sheet throughout all market cycles with strong liquidity and a robust capital structure.

As an investment management company, risk is a fundamental characteristic of the Firm’s business and is inherent in every transaction undertaken. As such, the Firm’s approach to risk taking and how it considers risk relative to reward directly impacts its success. Therefore, the Firm has established limits on the level and nature of the risk that it is willing and able to assume in achieving its strategic objectives and business plans.

A key risk the firm faces is causing harm to its clients. Additionally, strategic risk may arise from the failure to remain relevant and competitive, and some credit and market risk may arise from exposure to foreign exchange or seed capital investments. The Management body recognises that reputational risk could arise from shortcoming in any of these areas.

Squarepoint is committed to ensuring all business activities are conducted with a clear understanding of the risks, to maintaining a robust risk management framework, ensuring transparent disclosure, and treating its clients fairly, and to meet the expectations of major stakeholders, including clients, shareholders, employees and regulators.

### Governance Arrangements

#### Overview

Squarepoint believes that effective governance arrangements help the Firm to 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 Management Body has overall responsibility for Squarepoint and is therefore responsible for defining and overseeing the governance arrangements at the Firm.

The Management Body approves and oversees the implementation of the Firm's strategic objectives and risk appetite, ensures the integrity of the Firm's accounting and financial reporting systems, including financial and operational controls, ensures compliance with the requirements of the regulatory system, assesses the adequacy of policies relating to the provision of services to clients, and provides oversight of the Firm’s senior management.

#### The Management Body

The table below shows the members of Squarepoint Capital LLP’s Management Body, as of 20<sup>th</sup> September 2023.

Management Body Member	Position at Squarepoint
Thibaut Bondoux	Chief Investment Officer
Russell Morgan	Chief Operating Officer
Ganesh Chodisetti	Technology Chief Operating Officer

### Own Funds

As at 31st December, 2022 the Firm holds own funds of £167,789k and therefore has an own funds surplus of £141,803k. The below regulator-prescribed tables provide a breakdown of the Firm’s own funds:

<b>Own Funds: Reconciliation of Regulatory Own Funds to Balance Sheet in the Audited Financial Statements</b>				
		<b>Balance Sheet as in Published/Audited Financial Statements</b>	<b>Under Regulatory Scope of Consolidation</b>	<b>Cross-Reference to Above Template</b>
		As at 31 December	As at 31 December	
<b>Assets - Breakdown by Asset Classes According to the Balance Sheet in the Audited Financial Statements (in £'000)</b>				
1	Non-current assets	17,457		
2	Current assets	239,229		
3	Total assets	256,686		
4	<b>Total Assets</b>	256,686		
<b>Liabilities - Breakdown by Liability Classes According to the Balance Sheet in the Audited Financial Statements (in £'000)</b>				
1	Current liabilities	80,056		
2	Non-current liabilities	8,841		
3	<b>Total Liabilities</b>	88,897		

## Own Funds Requirements

Squarepoint is required to at all times maintain own funds that are at least equal to the Firm's own funds requirement. The own funds requirement is the minimum requirement of capital the Firm is required to hold, taken as the higher of the PMR and FOR.

The below illustrates the core components of Squarepoint's own funds requirements:

Requirement	£'000
(A) Permanent Minimum Capital Requirement ("PMR")	75
(B) Fixed Overhead Requirement ("FOR")	25,986
(C) K-Factor Requirements ("KFR")	2,983
<b>(D) Own Funds Requirement (Max. [A, B, C])</b>	<b>25,986</b>

Squarepoint is also required to comply with overall financial adequacy rule ("OFAR"). This is an obligation on Squarepoint to hold own funds and liquid assets which are adequate, both as to their amount and quality, to ensure that:

- 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.

Where Squarepoint determines that the FOR is insufficient to mitigate the risk of a disorderly wind-down, the Firm must maintain 'additional own funds required for winding down', above the FOR, that are deemed necessary to mitigate the risks of a disorderly wind-down. Similarly, where the Firm determines that the KFR is insufficient to mitigate the risk of harm from ongoing operations, the Firm must maintain an amount of 'own funds required for ongoing operations', above the KFR, that is deemed sufficient to ensure the viability of the Firm throughout economic cycles.

The Firm's own funds threshold requirement is the higher of:

- The Firm's PMR;
- The sum of the Firm's FOR and its additional own funds required for winding down; and
- The sum of the Firm's KFR and its additional own funds required for ongoing operations.

This is the amount of own funds that Squarepoint is required to maintain at any given time to comply with the OFAR.

To determine the Firm's own funds threshold requirement, Squarepoint identifies and measures the risk of harm faced by the Firm and considers these risks in light of its ongoing operations and also from a wind-down planning perspective. The Firm then determines the degree to which systems and controls alone mitigate the risk of harm and the risk of a disorderly wind-down, and thereby deduces the appropriate amount of additional own funds required to cover the residual risk.

This process is documented and presented to, and ratified by, the Management Body on at least an annual basis.

## *Remuneration Policy and Practices*

### **Overview**

As a Non-SNI MIFIDPRU Investment Firm, the Firm is subject to the basic and standard requirements of the MIFIDPRU Remuneration Code (as laid down in Chapter 19G of the Senior management arrangements, Systems and Controls sourcebook in the FCA Handbook (“SYSC”)). The purpose of the remuneration requirements is to:

- Promote effective risk management in the long-term interests of the Firm and its clients;
- Ensure alignment between risk and individual reward;
- Support positive behaviours and healthy firm cultures; and
- Discourage behaviours that can lead to misconduct and poor customer outcomes.

The objective of the Firm’s remuneration policies and practices is to establish, implement and maintain a culture that is consistent with, and promotes, sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profile of the Firm and the services that it provides to its clients.

In addition, Squarepoint recognises that remuneration is a key component in how the Firm attracts, motivates, and retains quality staff and sustains consistently high levels of performance, productivity, and results. As such, the Firm’s remuneration philosophy is also grounded in the belief that its people are the most important asset and provide its greatest competitive advantage. Squarepoint is committed to excellence, teamwork, ethical behaviour, and the pursuit of exceptional outcomes for its clients. From a remuneration perspective, this means that performance is determined through the assessment of various factors that relate to these values, and by making considered and informed decisions that reward effort, attitude, and results.

### **Characteristics of the Firm’s Remuneration Policy and Practices**

Remuneration at Squarepoint is made up of fixed and variable components. The fixed component is set in line with market competitiveness at a level to attract and retain skilled staff. Variable remuneration is paid on a discretionary basis and takes into consideration the Firm’s financial performance as well as the financial performance of each business unit, and the financial and non-financial performance of the individual in contributing to the Firm’s success. All staff members are eligible to receive variable remuneration.

**The Remuneration Policy rules and overarching principles are as follows:**

#### **Rules**

- Remuneration will be proportionate to the size of the firm and will promote sound and effective risk management;
- Remuneration will be gender neutral (this means it must be based on equal pay for male and female workers for equal work or work of equal value);
- Squarepoint Capital LLP will ensure that criteria that determine fixed and variable pay, are appropriately balanced, ensuring that no individual staff member is dependent on variable remuneration to such an extent that they could take excessive risks;
- When assessing individual performance, both financial and non-financial criteria will be taken into account.

## Overarching Principles

When establishing and applying the total remuneration policies for Remuneration Code staff (inclusive of salaries and discretionary pension benefits), Squarepoint will ensure that its Remuneration Policy:

- Is consistent with and promotes sound and effective risk management and does not encourage risk taking that exceeds the level of risk tolerated by the Firm;
- Is in line with the business strategy, objectives, values and long-term interests of the Firm;•Includes measures to avoid conflicts of interest;
- Does not allow total variable remuneration to limit Squarepoint's ability to strengthen its capital base;
- Requires that calculation of variable remuneration includes adjustments for current and future risks;
- Requires staff to undertake not to use personal investment strategies to undermine or avoid the risk alignment effects of the Remuneration Policy;
- Applies to all kinds of variable remuneration, including non-standard forms of variable remuneration, such as pension benefits, retention awards, buy out awards and severance pay;
- Ensures the structure of staff remuneration includes (where relevant):
  - Assessment of performance;
  - Controls relating to guaranteed variable remuneration;
  - Appropriate balance between fixed and variable remuneration;
  - Controls on payments related to early termination

## Governance and Oversight

The Management Body is responsible for setting and overseeing the implementation of Squarepoint's remuneration policy and practices. In order to fulfil its responsibilities, the Management Body:

- Is appropriately staffed to enable it to exercise competent and independent judgment on remuneration policies and practices and the incentives created for managing risk, capital, and liquidity.
- Prepares decisions regarding remuneration, including decisions that have implications for the risk and risk management of the Firm.
- Ensures that the Firm's remuneration policy and practices take into account the public interest and the long-term interests of shareholders, investors, and other stakeholders in the Firm.
- Ensures that the overall remuneration policy is consistent with the business strategy, objectives, values, and interests of the Firm and of its clients.

## Material Risk Takers

Squarepoint is required to identify its material risk takers - those members of staff whose professional activities have a material impact on the risk profile of the Firm (and of the assets that the Firm manages). The types of staff that have been identified as material risk takers at Squarepoint are:

- Members of the management body in its management function;
- Those with managerial responsibilities for the prevention of money laundering and terrorist financing;
- Those that are responsible for managing a material risk within the Firm;
- Those that are responsible for managing information technology, information security, and/or outsourcing arrangements of critical or important functions.

## Quantitative Remuneration Disclosure

The below table quantifies the remuneration paid to staff in the financial year 1 January 2022 to 31 December 2022. For these purposes, 'staff' is defined broadly, and includes, for example, employees of the Firm itself and partners,

Period: 31 December				
		Senior Management	Other Material Risk Takers	Other Staff
<b>Total Number of Material Risk Takers</b>		4	0	
<b>Remuneration Awarded</b>	<b>Fixed (£)</b>	£1,154,718.12	n/a	£40,375,308.03
	<b>Variable (£)</b>	£3,296,045.64	n/a	£67,153,741.78
	<b>Total (£)</b>	£4,450,763.76	n/a	£107,529,049.81
<b>Guaranteed Variable Remuneration</b>	<b>Amount (£)</b>	n/a	n/a	
	<b># Staff Awarded</b>	n/a	n/a	
<b>Severance Payments</b>	<b>Amount (£)</b>	n/a	n/a	
	<b># Staff Awarded</b>	n/a	n/a	
<b>Highest Severance Payment Awarded to an Individual (£)</b>		n/a		

MIFIDPRU investment firms are typically required to split the quantitative data in the above table, where relevant, into categories for senior management and other material risk takers. However, the regulator allows firms to aggregate or altogether omit the information to be disclosed for senior management and other material risk takers, where splitting the information between these two categories would lead to the disclosure of information about only one or two individuals.