ICARA Public Disclosure 2024

1. Introduction

Moneybox is subject to the Financial Conduct Authority (FCA) Investment Firms Prudential Regime (IFPR). Moneybox's governance, risk management, own funds (capital) and own funds requirements disclosures are in accordance with the IFPR requirements set out in the FCA's MIFIDPRU rules.

Moneybox is required to disclose certain information in line with prudential rules issued by the FCA, and this document provides full disclosure of Moneybox's capital requirements.

The information provided within this document is aligned to the date of its financial year end (31st May 2024), which is the date used for the audited accounts and Moneybox's Internal Capital Adequacy and Risk Assessment (ICARA) report.

2. Governance Arrangements

Moneybox Board

The Board is the ultimate decision-making authority within the Moneybox group and is responsible for risk governance throughout the business. Its current members are the executive directors and three non-executive directors.

The Board meets every two months and discusses business progress, financial reporting, business plans, and any significant risk or compliance events.

Directorships Held

As at the 31st May 2024, the Moneybox Board comprised two executive and four non-executive directors. Collectively, those directors held a total of seventeen additional directorships.

Board Risk Committee

As an enhanced scope Senior Managers and Certification Regime (SMCR) firm, Moneybox is required to establish a risk committee in accordance with FCA rules.

The Board Risk Committee (RiskCo) has formally delegated responsibility from the Board for the oversight of risk and compliance. The RiskCo meets four times a year, receives risk and compliance reporting, and discusses key developments and specific issues. Significant items are escalated by the RiskCo to the Board.

Diversity

Moneybox puts great emphasis on providing equality of opportunity for all employees and ensures that fair selection and development procedures apply. Moneybox's aim is to ensure that no job applicant or employee receives less favourable treatment on the grounds of age, sex, sexual orientation, disability, marital status, colour, religion, race, or ethnic origin, or is disadvantaged by conditions or requirements which cannot be shown to be justifiable. In the event of an employee becoming disabled whilst in Moneybox's employment, measures will be taken to ensure that they can continue in their employment as far as is practicable.

3. Risk Management

Moneybox is a saving and investment platform, operating an agency model. It undertakes limited trading of corporate funds on its own account in line with treasury policy, and does not hold customer deposits on its balance sheet. The main risks that Moneybox is exposed to are operational risk, regulatory and compliance risk, financial risk and strategic risk.

Moneybox manages risk through a "three lines of defence" model, which is overseen by the Board, Board committees and management committees. Key management committees include the Executive Committee and its sub-committees: CASS & Trust Committee; Product Governance Committee; Information Security Management Committee; Operations Committee; and Treasury Management Committee.

Moneybox's Enterprise Risk Policy sets out the enterprise risk management framework, including roles and responsibilities.

First Line of Defence

The first line is made up of business areas which, aligned with accountability for executing Moneybox's strategy, own the risks that could jeopardise the successful delivery of the company's objectives. The first line is therefore responsible for designing, implementing and maintaining controls to manage risk within Moneybox's risk appetite.

Second Line of Defence

The second line comprises Risk and Compliance, who partner with the first line and provide independent oversight and challenge of business activities through a risk lens. Risk and Compliance is responsible for developing policies and procedures that provide a common approach and structure for risk management and compliance processes and practices, as well as control requirements.

Risk and Compliance carries out risk-based monitoring and reviews to assess the effectiveness of first line arrangements to meet regulatory and risk management requirements, including the principles and standards outlined in the enterprise risk management framework.

Third Line of Defence

The third line at Moneybox is provided by an externally resourced Internal Audit function. Appropriately skilled independent external parties carry out specific risk-based reviews of business areas which are agreed with the Board Risk Committee.

Key Harms and Material Risks

Strategic and Business Risk

Strategic risk is a function of the compatibility of a firm's resources to accomplish its goals, for example delivery channels, operating systems and managerial capacity and capabilities.

The following business risk factors have been identified, which may impact Moneybox's ability to successfully execute its strategy, including:

- Heightened competition may mean that Moneybox needs to revise fees and Net Income Margin in order to remain competitive.
- Policy and macroeconomic uncertainty, including ongoing impact on the UK economy, leading to a change in customer saving behaviour.
- Concentration risk: Moneybox places its own liquidity with a number of financial institutions in the form of corporate cash deposits, diversified across a number of banking partners. The approach to the management and selection of counterparty banks is governed by an approved Bank and Counterparty Selection policy designed to identify, assess and manage the risks associated with using and placing money with financial institutions and to set prudent and appropriate limits to diversify its concentration risk. The overriding objective is to ensure that there are proper and robust safeguards in place for the security of Moneybox's liquidity. The financial stability of the banks used is monitored daily by the Treasury team, which is supplemented through the deployment of additional real time market metrics as an indicator of the likelihood of a bank failure, enabling the Treasury Management Committee to make an informed decision on where to place Moneybox' liquidity.
- Concentration in Moneybox's source of revenue, primarily driven by the net interest margin of two products: Cash Lifetime ISA and Cash ISA. Moneybox is therefore reliant on these products for a significant proportion of its revenue currently. Moneybox also retains its investment products, which are not reliant on net interest margin to produce revenue.

Emerging strategic and business risks are discussed at Executive Committee and Board meetings.

Financial Risk

Liquidity Risk

- The management of the liquidity profile and the investments made, is undertaken with a conservative approach to ensure there is sufficient liquidity to meet Moneybox's obligations as they fall due, plus a prudent buffer for unforeseen contingencies, as set out in the ICARA analysis. Effective management of liquidity risk involves regular monitoring of current as well as future cash flows, and strategic planning of the use and deployment of liquidity. This approach is underpinned by the liquidity risk framework as set out in an approved Corporate Investment Strategy and Liquidity Risk Policy. Corporate liquidity levels are monitored daily and Treasury has ownership and responsibility to ensure that the liquidity requirements are maintained in alignment with policy limits.
- Moneybox does not have a requirement to manage its own liquidity across business lines, and has very little exposure to foreign currencies. There are no intraday obligations or time critical payments that require utilisation or allocation of liquidity.

Market Risk

Moneybox undertakes limited trading of corporate funds on its own account. This is restricted to the purchase of short term UK Gilts and is managed in line with the appropriate treasury policies, overseen by the Treasury Management Committee.

Operational Risk

Operational risk is the risk of loss due to failed processes, people, systems or external events. The harm from the materialisation of operational risk assessments would impact the firm and the firm's clients. Moneybox's management of errors and incidents aims to minimise or prevent impact on clients.

The main repository of risk information for ongoing business operations is the Risk and Control Self Assessments ("RCSA"). These are in place for each area of the business and are combined to provide a company-wide risk register and risk profile.

The RCSA exercise is completed formally on an annual basis, but reviewed at least every 6 months. They are mapped to a pre-defined risk taxonomy and assessed using consistent criteria.

These risks have also been analysed through stress scenarios to determine whether additional action or capital is required.

4. Own Funds

Moneybox's total capital resources at 31st May 2024 were £65.4m. Moneybox's capital consists of Moneybox shares and reserves. Certain adjustments need to be made to capital resources, which are set out in the table below:

Composition of Regulatory Own Funds (OF1)

	Item	**Amount (£'000s)**	**Source based on reference numbers/letters of the balance sheet in the audited financial statements**
1	OWN FUNDS	65,397	
2	TIER 1 CAPITAL	65,397	
3	COMMON EQUITY TIER 1 CAPITAL	65,397	
4	Fully paid up capital instruments	0	
5	Share premium	12	Statement of changes in Equity
6	Retained earnings	-10,399	Statement of changes in Equity
7	Accumulated other comprehensive income	0	
8	Other reserves	102,369	Statement of changes in Equity (Distributable Reserve & Share Based Payment Reserve)
9	Adjustments to CET1 due to prudential filters	0	
10	Other funds	0	
11	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	-26,585	
19	CET1: Other capital elements, deductions and adjustments	-26,585	Note 12 & Note 16
20	ADDITIONAL TIER 1 CAPITAL	0	
21	Fully paid up, directly issued capital instruments	0	
22	Share premium	0	
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	0	
24	Additional Tier 1: Other capital elements,	0	

	deductions and adjustments		
25	TIER 2 CAPITAL	Not Applicable	
26	Fully paid up, directly issued capital instruments	Not Applicable	
27	Share premium	Not Applicable	
28	(-) TOTAL DEDUCTIONS FROM TIER 2	Not Applicable	
29	Tier 2: Other capital elements, deductions and adjustments	Not Applicable	

Own Funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements

		a	b	c
		Balance sheet as in audited financial statements	**Under regulatory scope of consolidation**	**Cross reference to template OF1**
		31 May 2024	**31 May 2024**	
Assets - *Breakdown by asset classes according to the balance sheet in the audited financial statements*				
1	Property, plant and equipment	635,757		
2	Intangible assets	16,251,228		
3	Other assets	10,524,234		
4	Fixed asset investments	50		
5	Amount due from subsidiary	3,955,770		
6	Trade and other receivables	23,241,283		
7	Cash and cash equivalents	85,802,583		
8	**Total Assets**	140,410,905		
Liabilities - *Breakdown by liability classes according to the balance sheet in the audited financial statements*				
1	Trade Payables	(44,958,962)		
2	Other Current Liabilities	(3,469,940)		
	Total Liabilities	(48,428,902)		
Shareholders' Equity				
1	Ordinary shares	48		
2	Share premium	12,418		5
3	Share based payment reserve	2,938,056		8

		a	b	c
		Balance sheet as in audited financial statements	**Under regulatory scope of consolidation**	**Cross reference to template OF1**
		31 May 2024	**31 May 2024**	
Assets - ***Breakdown by asset classes according to the balance sheet in the audited financial statements***				
4	Distributable reserves	99,430,862		8
5	Retained earnings + Loss in year	(10,399,383)		6
	Total Shareholders' equity	**91,982,001**		

Own Funds: main features of own instruments issued by the firm

Allotted and fully paid	**No.**	**£**
At 1 June 2023	47,886,375	48
Issued during the year	268,568	0
At 31 May 2024	48,154,943	48

Ordinary shares

- There are ten classes of ordinary shares. There are no restrictions on the distribution of dividends. Whilst there is an order preference by share class, there are no restrictions on the repayment of capital.
- During the current year 8,568 Ordinary shares were issued at varying rates during the year. This resulted in an overall nominal increase of less than £1 share capital and £10,785 of share premium issued.

Growth shares

- During the year, 62,000 G1 and 88,000 G2 growth shares were issued at £0.000001. This resulted in an overall nominal increase of less than £1 share capital.

5. Own Funds Requirements

Figures are as at 31st May 2024.

Own funds requirement	Amount (£)
K-ASA	452,000
K-CMH	369,000
K-COH	8,000
K-Factor Total	**829,000**
Fixed overhead requirement	**11,598,441**

Approach to assessing the adequacy of Moneybox own funds

Moneybox has conducted further assessments to determine whether the funds it holds are sufficient to address potential material harms that may result from its ongoing business activities, as well as whether the funds are sufficient to wind-down the business in an orderly manner.

Moneybox assesses its risks and determines how much capital is required to address these business risks should they materialise. Where applicable, the funding for these risks may be offset against the K-factor fund requirement.

Moneybox also carries out wind-down analysis to determine whether the fixed overhead requirement is sufficient to enable an orderly wind-down of the business.

Stress testing is then performed using various scenarios that are considered severe yet plausible. Moneybox's own funds are assessed against these scenarios to determine whether its own funds are sufficient.

6. Remuneration Policy and Practices

The performance of each member of staff is reviewed every six months. Assessment of performance is based on the achievement of objectives, their conduct, behaviour and how this aligns to Moneybox company values. Line managers have budgetary control over the remuneration of staff, within salary bands which are benchmarked and approved by the Co-CEOs every six months. The remuneration of the Risk & Compliance Director and executives are overseen by the Remuneration Committee. Changes to remuneration may be implemented through changes to base salary or offering additional equity incentives.

Moneybox does not pay annual cash bonuses; however, Moneybox does offer variable remuneration in the form of share options for recruitment and retention purposes.

Share options are awarded to all employees according to their seniority level in the company, and further grants are awarded on promotion. These share options vest over three years; however, they can be reduced or clawed back as a result of an employee being a "bad leaver" or when other conduct issues arise as outlined in the Remuneration Policy.

As at 31st May 2024, Moneybox had 17 Material Risk Takers ("MRT") subject to the Remuneration Code. The total fixed remuneration for this group (annualised) was £2,414,000, with a total variable remuneration of £1,410,000 of which £1,386,000 (98.3%) was non-cash, the remaining cash remuneration (1.7%) relates to discretionary pension payments. This is broken down into Senior Managers and other Material Risk Takers as follows:

	Senior Management	Other MRTs		Other Staff
Number of staff	9	8		335
Total fixed remuneration (£)	1,350,000	1,064,000		17,504,000
Total variable remuneration (£)	723,000	687,000		1,865,000
Variable remuneration: non-cash (£)	713,000	673,000		1,699,000
Variable remuneration: cash (£)	11,000	14,000		166,000
Proportion of total variable remuneration deferred	98.51%	98.02%		91.11%