



MACKAY SHIELDS UK LLP

MiFIDPRU 8 DISCLOSURE

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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 Mackay Shields UK LLP (“Mackay UK” 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.

MacKay UK is a member of a wider group. Mackay UK is a subsidiary of MacKay Shields (International) Limited and MacKay Shields (Services) Limited, each of which is wholly owned by the Firm’s parent company, MacKay Shields LLC (“MacKay Shields”). MacKay Shields is a U.S.-based investment adviser registered with the U.S. Securities and Exchange Commission, and which is 100% owned by New York Life Investment Management Holding LLC, which in turn is wholly owned by New York Life Insurance Company.

Mackay UK is classified as a small and non-interconnected MIFIDPRU investment firm (“SNI MIFIDPRU Investment Firm”). As such, Mackay UK is required by MIFIDPRU 8 to disclose information regarding its remuneration policy and practices. The purpose of these disclosures is to give stakeholders and market participants an insight into Mackay UK’s culture and to assist stakeholders in making more informed decisions about their relationship with the Firm.

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

Remuneration Policy and Practices

Overview

As an SNI MIFIDPRU Investment Firm, Mackay UK is subject to the basic 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 Mackay UK’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, Mackay UK recognises that remuneration is a key component in how it 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. Mackay UK 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

In an effort to attract and retain the best professional talent, MacKay UK's remuneration is structured to be highly competitive with other investment management firms. The compensation program at MacKay UK includes two components, fixed and variable compensation.

Fixed compensation is based on a range of factors, taking into account each individual's seniority and responsibilities and the market rate of pay for the relevant position. Annual salaries are set at competitive levels to attract and maintain the best professional talent. Staff also receive certain ancillary benefits as part of their fixed remuneration, such as certain medical, pension, and other insurance benefits.

Variable or incentive compensation, both cash bonus and deferred awards, can represent a significant component of total compensation. This approach instils a strong sense of commitment on the part of each employee towards the overall success of the Firm. Long-term incentives, if any, are provided to attract, retain, motivate, and reward staff. Incentive compensation received is generally based on both quantitative and qualitative factors. The quantitative factors include, but are not limited to: (i) investment performance; (ii) assets under management; (iii) revenues and profitability; and (iv) industry benchmarks. The qualitative factors may include, among others: leadership, adherence to the Firm's policies and procedures, and contribution to the firm's goals and objectives.

Any deferred portion of variable compensation is provided to further attract, retain, motivate and reward key personnel. For staff whose total compensation will exceed a pre-determined amount, which amount may be adjusted from year to year, a portion of their variable compensation will be paid in awards under the MacKay Shields Equity Plan (the "Plan"). The Plan provides long-term incentive awards which vest after 3 years. A minimum of one-third of an award under the Plan tracks the performance of MacKay Shields' phantom equity. The individual can choose for up to the remaining two-thirds to emulate the investment performance of one or more private funds sponsored by MacKay Shields.

Governance and Oversight

As an SNI MIFIDPRU Investment Firm, MacKay UK is not required to establish a remuneration committee. Furthermore, the current nature, scope, and complexity of Mackay UK's activities are not deemed to warrant the firm's establishment of a remuneration committee. The Firm's parent company has established a Compensation Committee, that decides the total value of resources made available for the variable remuneration pool for both MacKay Shields and MacKay UK. The UK Management Committee provides input to the MacKay Shields Compensation Committee.

The UK Management Committee oversees the implementation of the Firm's Remuneration Policy to confirm that : (i) the recommendations of the Mackay Shield's Compensation Committee for individual awards of variable remuneration to MacKay UK staff adhere to and have due regard for Mackay UK's Remuneration Policy; (ii) any recommendations for an award of variable remuneration by the Compensation Committee of MacKay Shields are congruent with that staff members' performance advancing the Firm's financial and non-financial objectives related to the successful discharge of their duties; and (iii) an award of variable remuneration to any staff member undertaking a Control Function(s) is in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control.

Quantitative Remuneration Disclosure

For the financial year 1 January to 31 December 2023, the total amount of remuneration awarded to all staff was £2,003,562, of which £983,794 comprised the fixed component of remuneration, and £1,019,767 comprised the variable component. For these purposes, 'staff' is defined broadly, and includes, for example, employees of the Firm itself, directors, partners or members, employees of other entities in the group, employees of joint service companies, and secondees.