Capital Requirements Directive: Pillar 3 Disclosure

As at 31 March 2018

1. BACKGROUND

1.1 Introduction

Global Prime Partners Ltd (GPP, the firm) is a UK limited liability company (registered number 06962531) which is authorised and regulated by the Financial Conduct Authority (FCA) (firm reference number 533039).

Following implementation of the Capital Requirements Directive (CRD IV) and with effect from 1 January 2014, GPP has been classified as an IFPRU €125k Limited License firm.

This Pillar 3 disclosure is published in accordance with the Capital Requirements Regulation (Regulation (EU) No 575/2013), which is directly binding on the firm, and the Capital Requirements Directive (Directive 2013/36/EU) as transposed by the FCA into the FCA Handbook under the Investment Firms Prudential Sourcebook (IFPRU).

The Firm refers directly to the CRR (supplemented by European Banking Authority (EBA) technical standards) and IFPRU. In particular, the Pillar 3 disclosure requirements are contained in Articles 431 – 455 of the CRR.

The capital requirements framework consists of three Pillars:

- Pillar 1 sets out the minimum capital amount that meets the firm's credit, market and operational risk
- Pillar 2 requires the firm to assess the risk factors specific to its business and assess whether its Pillar 1 capital is adequate to meet its risks. The FCA has implemented this by way of the Individual Capital Adequacy Assessment Process (ICAAP), augmented by the FCA's Supervisory Review and Evaluation Process (SREP) which is a review of the firm's ICAAP
- Pillar 3 requires public disclosure of specified information relating to the firm's policies and procedures for managing risk and its capital position and remuneration.

Part Eight of the CRR (articles 431-455) set out the provisions for Pillar 3 disclosure. Article 432 provides that a firm may omit required disclosures if it believes that the information is immaterial such that omission would not change or influence the decision of a reader relying on that information to make economic decisions. In addition (other than in respect of disclosure of own funds and remuneration policy), a firm may omit required disclosures where it believes that the information is regarded as proprietary or confidential. Proprietary information is that which, if it were disclosed publicly, would undermine a firm's competitive position. Information is regarded as being confidential where the firm has obligations binding it to confidentiality with its customers, suppliers and counterparties. Unless otherwise stated below, this document has no omissions on the grounds that the information is immaterial, proprietary or confidential.

1.2 Basis of Disclosure

GPP is authorised and regulated by the FCA on a standalone basis as an IFPRU €125k Limited Licence Firm, with permission to undertake certain regulated investment activities and is a significant IFPRU Firm. The Pillar 3 disclosures are made by GPP on a standalone basis.

Figures disclosed are as at 31 March 2018, which is GPP's financial year end.

The disclosures have not been audited and do not form part of the annual audited financial statements of the firm, and should not be relied upon in making any judgment on the financial position of the firm.

1.3 Frequency and Means of Disclosure

In accordance with Article 433 of the CRR, Pillar 3 disclosures are made on an annual basis, although the firm pays attention to the need to publish some, or all disclosures more frequently, should change in the business require this.

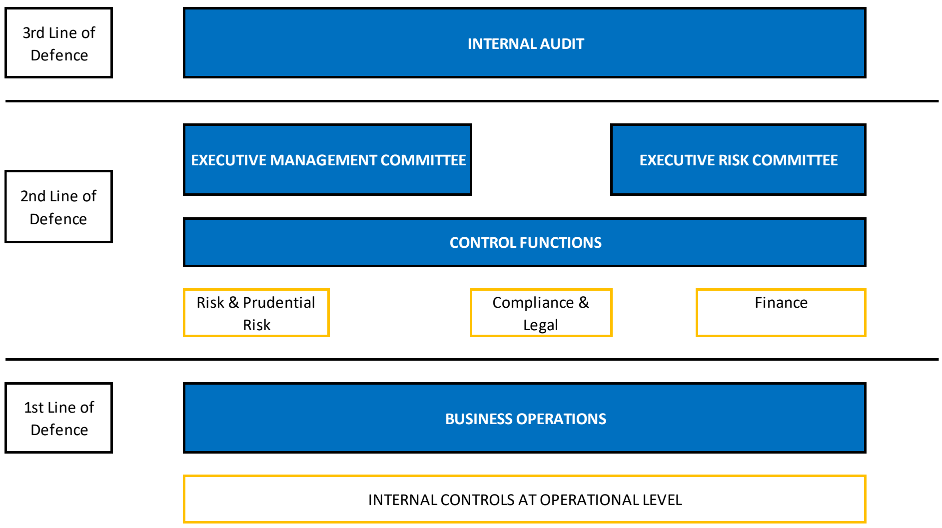
The disclosures are published on the firm's website, www.gpp.group/pillar-3.

2. RISK GOVERNANCE

Overall responsibility for risk rests with the Board of Directors, which sets priorities for risk management through the establishment of functional structures, governance processes and monitoring and reporting processes. The Board recognises that risk will be present as a result of the activities that the firm undertakes and has taken steps to establish a Risk Management Framework to ensure that risks are identified, measured and mitigated on a robust basis.

2.1 Risk Management Framework

Risk management within GPP is based on a 'three lines of defence' model, as set out in the chart below:



- The first line of defence is with the business management and staff who are responsible for identifying and assessing the risks faced in the business and ensuring that appropriate controls are established and maintained.
- The second line of defence comprises the control functions of the Risk, Compliance and Legal and Finance departments together with the Executive Management and Risk Committees, which together are responsible for establishing an effective policy framework for the business and conducting compliance monitoring.
- The third line of defence is internal audit, which reports to the Audit & Risk Committee of the Board. The Board has overall responsibility for risk matters for the firm.

2.2 The Board

As at 31 March 2018 the Board was comprised of the individuals listed below. Also included (as required by Article 435 of CRR) are the number of directorships held by members of the Board.

Name	Position	Directorships Held *
Julian Parker	CEO	1
Daniel Bunner	Head of Trading	2
Amit Unalkat	Head of Settlements	2
Andrew Bole	COO	1
Sean Capstick	Head of Prime Brokerage	1
Michael Ward	Head of Business Development	0
Markus Ruetimann	Senior Non-Executive Director	9

* Directorships within the GPP group are counted as a single directorship. Directorships held outside of the GPP group are counted individually.

The Board has a minimum of eight scheduled meetings each financial year, with additional Board meetings convened as required by the business. Meetings are minuted and the Board has a schedule of regular and standing agenda items; there is a schedule of Matters Reserved for the Board which is reviewed annually.

The firm is committed to providing equal opportunities and fair remuneration based on role and performance for all staff, irrespective of gender or ethnicity, including at Board level.

The firm has policies in place for recruitment, equal opportunities, disciplinary and grievance and remuneration. The firm does not have a positive discrimination policy, which actively promotes or fast tracks underrepresented groups of staff members. However, the firm recognises the importance of a diversity and has started recording and reporting the gender split across the group companies.

2.3 Board Committees

Audit & Risk Committee

The Audit & Risk Committee of the Board was formed during the year in order to provide a dedicated forum for consideration of financial reporting and audit matters, risk and controls and compliance and legal matters and with the purpose of encouraging and safeguarding the highest standards of integrity across these areas. The Committee met for the first time in November 2017 and a total of twice during the financial year.

Membership of the Committee comprises the Senior Non-Executive Director, the CEO, COO, the General Counsel and CFO. Members of staff representing risk, legal and compliance as well as representatives of the firm's externally- contracted internal auditor and external auditor also attend as appropriate.

Staff Committee

The Staff Committee of the Board was formed during the year to consider all aspects of staffing across the group, including the remuneration of senior staff. It is comprised of the Senior Non-Executive Director, the COO, the Head of Settlements, the CFO and Head of Human Resources.

2.4 Executive Committees

The Board is supported by the Executive Risk Committee.

The Executive Risk Committee was formed during FY2016-2017 and comprises the executive management committee together with the following:

- The Risk Manager
- The Prudential Risk Manager
- Two Risk Analysts

Additional individuals may be invited to attend meetings of the committee to present on items pertaining to their particular areas of expertise.

As of March 2018, the Committee began meeting weekly and henceforth aims to continue meeting weekly. Prior to this, the Committee generally met monthly, meeting 14 times during the financial year.

2.5 Adequacy of Risk Management Arrangements

The Board is ultimately responsible for the risk management framework of the firm and ensuring that it has implemented an appropriate governance and risk management structure. The Board is responsible for reviewing the effectiveness of the Firm's risk management arrangements and systems and controls, as well as ensuring that the risk appetite of the Firm is clearly defined and is monitored on a regular basis.

The Board believes that it has put in place systems and controls which are adequate with regard to the Firm's risk profile and strategy (Article 435 1 (e)).

3. RISK APPETITE

Risk is an inherent part of GPP's business as it strives to meet its objectives. The firm's aim is not to eliminate risk completely, but to manage it to acceptable levels, balancing the risks taken against the rewards of being in business.

The firm sets its risk appetite by considering the material risks in the business and then evaluating the level of acceptable risk and related measurements. Any risk exceeding the risk appetite will be reported to the Board along with the action plans to bring the risk back within tolerance.

For those key risks which cannot be controlled, the residual financial risk is quantified and included in the ICAAP Pillar 2 assessment, meaning that additional capital may be held against it.

4. PRINCIPAL RISKS TO THE BUSINESS

There are a number of potential risks and uncertainties which could impact GPP's long-term performance. The firm has identified, documented and monitors those risks and ensures that there are adequate controls in place to mitigate those risks. The firm has risk management policies, practices and reporting in place for each category of risk it is exposed to and, via the Risk Committee and the Board, seeks to identify new and emerging risks and develop strategies to ensure exposures to risk remain within acceptable tolerances.

The key risks are identified and analysed below.

4.1 Credit Risk

This is the risk of loss from the failure of a counterparty to meet its contractual obligations to GPP. The firm provides prime brokerage and settlement services to professional clients and as such has relationships with banking counterparties and providers of settlement and custody services.

Credit losses could occur in the following circumstances:

- A sudden and large market move leaves one or more clients with insufficient funds or readily realisable assets to cover losses incurred
- A settlement counterparty fails
- A banking institution holding GPP cash and/or assets fails

Credit risk is mitigated using the following processes

- Clients are required to collateralise their accounts with cash or high-quality securities. Clients are offered relatively low leverage
- GPP's Risk Department monitors client accounts on a daily basis to ensure that accounts remain properly funded and are not concentrated in higher risk positions
- GPP contracts with well-rated counterparties to hold cash and securities and has broadened the range of such counterparties to add diversification. The firm performs risk reviews on all its counterparties at least annually
- Cash placed with banks is held at call, with no term deposits or use of money market funds

4.2 Market Risk

Market risk is the risk of loss due to adverse changes in the prices of financial assets. GPP's business model (and its regulatory permission) requires that the firm does not trade on its own account. The firm will not, therefore, enter into transactions with the aim of taking on market risk.

However, a small level of market risk will remain due to foreign exchange risk on balances held in currencies other than the firm's functional currency of GBP. This risk is mitigated by setting limits on holdings, daily monitoring and the conversion of excess balances into GBP.

4.3 Liquidity Risk

Liquidity risk is the risk that, whilst solvent, a firm either does not have available sufficient financial resources to enable it to meet its obligations as they fall due or can secure such resources only at excessive cost.

GPP maintains systems and controls to manage its liquidity requirements, which are monitored on a daily basis and stress tested to identify potential sources of liquidity risk.

5. Capital Resources and Requirements

5.1 Capital Resources

As at 31 March 2018, GPP had the following capital resources:

	£'000
Share capital: ordinary shares of £1 each	2,299
Share Premium Account	106
Capital redemption reserve	1,072
Audited retained earnings	21,619
Deductions	-
Total Tier 1 Capital, Total Capital and own Funds	**25,096**

5.2 Capital Requirements

As a firm with limited authorisation which does not deal for its own account, GPP is subject to Article 95 of the CRR and is required to maintain Pillar 1 capital as the higher of:

- The base capital requirement (€125,000)

- The fixed overhead requirement (25% of the prior year fixed overheads based on the most recent financial statements)
- The total of specified calculations for specific risks identified in the CRR, broken down as follows as at 31 March 2018:

	Capital requirement	RWA
	£'000	*£,000*
Credit risk	107	1,343
Market risk in the trading book	85	1,059
Settlement risk	8	93
Credit valuation risk for OTC derivatives	-	-
Counterparty risk	16,547	206,841
Total	**16,747**	**209,336**

As at 31 March 2018 the following figures applied:

	Capital requirement *£'000*
Base capital requirement (€125,000)	110
Fixed overhead requirement	2,314
Risk exposure – as calculated above	16,747

The Pillar 1 capital requirement is therefore £16,747,000.

5.3 Capital Ratios

The capital ratios for GPP are all 11.99% as the firm only has Tier 1 capital, as set out in section 5.1.

6. Remuneration

In accordance with the CRR remuneration disclosure requirements (Article 450), as further elaborated in the FCA's "General Guidance on Proportionality: The Remuneration Code (SYSC 19A)", as an IFPRU limited licence firm GPP falls within proportionality level 3. The firm is required to provide the following disclosures regarding its remuneration policy and practices for those categories of staff whose professional activities have a material impact on its risk profile.

6.1 Policy and Governance

GPP has established a remuneration policy in accordance with the FCA's Remuneration Code, which is the responsibility of the Board. The aim of the remuneration policy and governance framework is to establish, implement and maintain remuneration policies, procedures, governance and practices that:

1. Are in line with the business strategy, and the sustained, long-term performance of the firm
2. Neither encourage, nor reward risk taking outside the Board's appetite
3. Promote sound and effective risk management

The Remuneration Committee was introduced in FY2018 and met 2 times in the financial year. The Committee was established to ensure that the firm's remuneration policy aligns with the firm's values, objectives and risk culture. The Committee also aims to maintain a remuneration policy which attracts and retains adequate talent, for the long-term growth of the firm.

6.2 Link between Pay and Performance

Remuneration at GPP is comprised of fixed pay and variable, performance-related pay.

Fixed pay refers to the employee's base salary. This forms the core element of pay and reflects the individual's role and position within the firm.

Variable, performance related pay refers to discretionary bonus payments. The firm considers both individual and firm level performance as factors to determine bonus payments.

6.3 Code Staff

Aggregate Quantitative information on remuneration for Senior Management Code Staff and other firm Code Staff whose professional activities have a material impact on the Firm's risk profile is provided below.

Category	**Code Staff during financial year ending 31 March 2018**
Total Remuneration	£1,354,133
Number of Code Staff	9