Capital Requirements Directive: Pillar 3 Disclosure

As at 31 March 2019

1. Introduction

1.1 Purpose and Scope

The purpose of this document is to satisfy the disclosure requirement of Part Eight of Regulation 575/2013 the Capital Requirements Regulation ('CRR'), known as the Pillar 3 disclosures. Pillar 3 disclosures require regulated entities to publicly disclose certain information regarding capital resources, risk exposures and governance and risk management arrangements.

Pillar 3 requirements are intended to ensure that disclosures are sufficient to allow reviewers to form an assessment of the firm's risk profile and capital resources on a basis comparable with other regulated financial services firms.

This document presents the Pillar 3 disclosures for Global Prime Partners Ltd ('GPP' or 'the firm') which is authorised and regulated by the Financial Conduct Authority ('FCA') as an IFPRU €125k Limited Licence firm with permission to undertake certain regulated investment activities. GPP is classified as a significant IFPRU firm. The disclosures made below are made by GPP on a standalone basis.

1.2 Pillar 3 Disclosure Policy

All disclosures, unless otherwise stated, apply as at 31 March 2019 or for the 12 months ending 31 March 2019 in line with the firm's financial year end.

The disclosures are prepared on an annual basis solely for the purposes of complying with the CRR Pillar 3 requirements. The disclosures have not been audited and do not form part of the annual audited financial statements of the firm, however they are subject to internal review and verification and are approved by the GPP Board of Directors (the 'Board'). The firm may consider it appropriate to publish updated disclosures more frequently should a significant change in business or operating environment require this.

Under the terms of CRR, GPP may omit required disclosures if it believes that the information is immaterial such that omission of such would not change or influence the decision of a user relying on that information to make an economic decision on the firm.

GPP may also omit disclosures where it believes that the information is proprietary or confidential. GPP considers proprietary information that which, if it was shared, would undermine the competitive advantage of the firm. Information is considered confidential where GPP is bound by confidentiality to customers, suppliers or counterparts.

GPP has made not made any omissions from this disclosure on the grounds that information is immaterial, proprietary, or confidential.

1.3 Summary of Key Financial Information

The key capital ratios for the firm are presented below:

Total Own Funds	29,278
Pillar 1 Capital Requirement	21,178
Total Capital Ratio	11.06%

2. Governance Structure

The Board of Directors is the ultimate decision-making body for the firm. The Board defines the purpose and values of the firm, develops the firm's business strategy and is responsible for directing the firm's business and the management of risks that arise in the course of doing business. The Board met five times during the financial year. Meetings are minuted and the Board has a schedule of regular and standing agenda items with a schedule of Matters Reserved for the Board which is reviewed annually.

As at 31 March 2019, the Board comprised of the following individuals:

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

Name	Position	Directorships Held *
Julian Parker	CEO	2
Daniel Bunner	Director	2
Amit Unalkat	Director	2
Markus Ruetimann	Chairman	6
Clive Atkinson**	CFO	1

**Clive Atkinson resigned from the Board and GPP 8 October 2019
Margaret Ammon joined the Board as a Non-Executive Director 18 November 2019

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 senior management diversity, recruitment, equal opportunities, disciplinary and grievance and remuneration. The firm recognises the importance of diversity and has started recording and reporting the gender split across the group companies.

In order to support effective governance and management of the Board's responsibilities and in compliance with the FCA's requirements of a significant IFPRU firm, the Board has created a committee structure with various delegated authorities, All committees have documented Terms of Reference, written information and escalation paths with scheduled reporting.

2.1 Board Level Committees

Audit & Risk Committee

The Audit & Risk Committee ('the ARC') is responsible for the firm's risk management framework and internal and external audit reviews of the firm. The ARC is also responsible for the Internal Capital Adequacy Assessment Process ('ICAAP') review, challenge and recommendation to the Board for approval.

The ARC is chaired by a non-executive director and membership includes Board level and executive staff. The ARC met four times during the financial year.

Staff Committee

The Staff Committee is responsible for all aspects of staffing across the group, including the remuneration of senior staff. The Staff Committee ensures that the remuneration arrangements support the strategic aims of the business while complying with regulatory requirements.

It is chaired by the Chair of the Board and membership includes Board level and Executive Staff. The Staff Committee meets at least twice a year or more regularly if required.

2.2 Executive Committees

Executive Management Committee

The Executive Management Committee ('ExCo') meets weekly and is responsible for the day to day management of the firm including the current financial performance, business initiatives, business infrastructure, and operations.

Executive Risk Committee

The Executive Risk Committee ('ERC') meets monthly and reviews all aspects of the firm's risk profile, monitoring and management, with the exception of CASS matters. The ERC is responsible for the regular review of the firm's risk profile against the stated appetite to ensure the firm continues to operate with the Board directed framework.

CASS Committee

The CASS Committee meets monthly to discuss all matters relating to client money and client assets to ensure the firm is acting in compliance with the regulatory rules.

Transaction Reporting Committee

The Transaction Reporting Committee ('TR Committee') meets fortnightly to ensure the firm adheres to its transaction reporting regulatory requirements. The TR Committee was set up in November 2019.

3. Risk Management

Risk is an inherent part of GPP's business as it strives to meet its objectives. The Board recognises that not all risks can be completely eliminated and therefore has approved a risk management framework which sets out the firm's approach to risk appetite, governance and management processes.

3.1 Risk Management Framework

The risk management framework ('RMF') is designed to provide stakeholders with assurance that risks are being identified and appropriately managed, that the system of internal risk control is adequate, with management information provided through transparent, timely and objective risk reporting and disclosure. The RMF includes the following components:

- Defined risk appetite statements per principal risk;
- Key risk indicators;
- A risk identification and management process; and
- A documented governance structure.

3.2 Principal Risks

Credit Risk

Credit risk is the risk of default if a client or a counterparty is unable to meet its obligations to GPP as they fall due. GPP provides prime brokerage, settlement, execution and custody services to professional clients and as such has relationships with multiple end service providers (ESPs) for the provision of prime broking, settlement, execution custody and banking services. GPP intermediates between clients and counterparties is therefore exposed to credit risk from both clients and counterparties.

GPP has implemented and continues to strengthen its controls and processes to manage and mitigate, where possible, credit risk arising from both clients and counterparties. The firm maintains a Credit Risk Policy to ensure the firm's approach to credit risk is adequately documented for each business line.

Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. The Board recognises that operational risk is an inevitable consequence of transacting business and therefore undertakes a thorough process to identify, manage and mitigate operational risk where possible.

The firm undertakes a detailed risk assessment process annually across all departments to identify potential sources of either inherent or residual operational risk.

Liquidity Risk

Liquidity risk is defined as the risk that the firm may not be able to meet its liquidity obligations as and when these become due or only being able to meet them at excessive cost. GPP is exposed to liquidity risk through the following non-exhaustive instances:

- Increased margin requirements from the ESPs
- Unexpected operational events which result in a liquidity loss

As an IFPRU €125k Limited Licence firm GPP is subject to BIPRU 12, the firm is classified as a non-ILAS firm and is therefore subject to the Overall Liquidity Adequacy Rule (BIPRU 12.2.1).

Market Risk

Market risk is the risk of loss due to adverse changes in the price of financial assets. GPP's business model and regulatory permissions do not permit proprietary trading. GPP's principal exposure to market risk is through foreign exchange risk on balances held in currencies other than the firm's functional currency of GBP.

Strategic Risk

Strategic risk is defined as the risk that the firms' strategy is not adequately executed or is not appropriate given the operating environment which includes the risk of inadequate or inappropriate governance. Strategic risk is mitigated and controlled by the following non-exhaustive measures:

- Regular strategic reviews
- a documented governance structure
- Regular financial reporting against budget

Regulatory Risk

GPP is regulated by the FCA and is an approved significant IFPRU €125k Limited Licence firm. As such the firm is required to follow all relevant FCA rules and requirements in addition to relevant EU Regulations and MiFiD and MiFiR specific requirements. Under GPP's business model the firm holds customer assets under CASS arrangements and is therefore subject to CASS regulatory requirements.

The firm mitigates and controls its regulatory risk through the following non-exhaustive measures:

- Relevant policies and procedures covering the firms' obligations
- Regular management information at various committees
- Regular mandatory staff training on firm and personal obligations and responsibilities

3.3 Board Declaration

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

4. Capital Requirement

4.1 Capital Resources

As at 31 March 2019, 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	25,800
Deductions	-
Total Tier 1 Capital, Total Capital and Own Funds	**29,278**

4.2 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 2019:

	Capital requirement	RWA
	£'000	*£,000*
Credit risk	1,137	14,219
Market risk	38	480
Settlement risk	150	1,880
Counterparty risk	19,705	246,323
Total	**21,174**	**264,671**

As at 31 March 2019 the following figures applied:

	Capital requirement *£'000*
Base capital requirement (€125,000)	110

Fixed overhead requirement	2,317
Risk exposure – as calculated above	21,174

The Pillar 1 capital requirement is therefore £21.2m.

4.3 Capital Ratios

The capital ratios for GPP are all 11.06% as the firm only has Tier 1 capital.

4.4 Capital Assessment Strategy

The firm's capital strategy is to maintain sufficient capital base for its size and complexity of business both in the present and in order to facilitate future growth.

As an IFPRU €125k Limited Licence Firm, GPP is required to undertake an Internal Capital Adequacy Assessment Process ('ICAAP') to determine the sufficiency of the firm's regulatory capital under both business-as-usual and highly-stressed scenarios. The ICAAP is undertaken annually as required however the processes and assessments that form the basis are part of the ongoing risk management framework.

5. Remuneration

In accordance with the CRR remuneration disclosure requirements (Article 450) and as further elaborated in the FCA's "General Guidance on Proportionality: The Remuneration Code (SYSC 19A)", as an IFPRU £125k 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.

5.1 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:

- are in line with the business strategy, and the sustained, long-term performance of the firm;
- neither encourage, nor reward risk taking outside the Board's appetite; and
- promote sound and effective risk management

5.2 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.

For the purposes of the remuneration disclosures required by CRR Article 450, ExCo have identified staff who have a material impact on the risk profile of the firm and for the financial year to 31 March 2019, the total remuneration for these staff was £2,700,095.