

IS Prime Limited Pillar 3 Disclosure and Policy for IFPRU Firm as at 31 March 2017

INTRODUCTION

Regulatory Context

The Pillar 3 disclosure of IS Prime Limited (the “Firm”) is set out below as required by the Capital Requirement Regulation Art. 431 et seq. This is a requirement which stems from Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on Prudential requirements for Credit Institutions and Investment Firms and amending Regulation (EU) No 648/2012 (“Capital Requirement Regulation”, “CRR”) which represented the European Union’s application of the Basel Capital Accord. The regulatory aim of the disclosures is to improve market discipline.

Frequency

The Firm will be making Pillar 3 disclosures at least annually. The disclosures will be as at the Accounting Reference Date (“ARD”).

Media and Location

The disclosure will be published on the Firm’s website.

Verification

The information contained in this document has not been audited by the Firm’s external auditors, as this is not a requirement, and does not constitute any form of financial statement and must not be relied upon in making any judgement on the Firm.

Materiality

The Firm regards information as material in disclosures if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions. If the Firm deems a certain disclosure to be immaterial, it may be omitted from this Statement.

Confidentiality

The Firm regards information as proprietary if sharing that information with the public would undermine its competitive position. Proprietary information may include information on products or systems which, if shared with competitors, would render the Firm’s investments therein less valuable. Further, the Firm must regard information as confidential if there are obligations to customers or other counterparty relationships binding the Firm to confidentiality. In the event that any such information is omitted, the Firm shall disclose such and explain the grounds why it has not been disclosed

BACKGROUND

Regulatory background

The CRR, to which the Firm is subject to, has established a regulatory framework consisting of three Pillars:

- Pillar 1 sets out the minimum capital required to meet a firm’s credit, market and operational risk;
- Pillar 2 requires a firm to establish an Internal Capital Adequacy Process (“ICAAP”) to assess whether its Pillar 1 capital requirements is sufficient to cover the risks faced by the Firm, and if not, to calculate the additional capital required; and

- Pillar 3 requires a firm to disclose specific information concerning its risk management policies and procedures, and its regulatory position.

As required by BIPRU 11.5 of the FCA Handbook, this disclosure describes IS Prime's risks management objectives, policies and risks management framework and the measures adopted to monitor and report within this framework. Risk management is an integral part of IS Prime's business. Detailed in this disclosure also are the major components of capital structure, the key risk exposures and its associated capital requirements.

The main risks faced by IS Prime are credit risk, operational and business risks.

IS Prime has assessed business and operational risk in its ICAAP and set out appropriate actions to manage them.

The Firm has an operational risk framework (described below) in place to mitigate operational risk. The Firm's main exposure to credit risk is the risk that revenue cannot be collected and, therefore, credit risk is considered low. The Firm holds all cash balances with banks assigned high credit ratings.

Market Risk exposure has been assessed by the Firm and is limited to the Firm's exposure to foreign currency exchange rate risk and hence to any assets held on the Firm's Balance Sheet denominated in a foreign currency. The Firm's Reporting Currency is GBP and all foreign currency assets are converted into GBP where possible on a regular basis.

It is the responsibility of IS Prime Board to ensure appropriate assessment and management of these risks.

Information about the Firm

The Firm is incorporated in England & Wales and is authorised and regulated by the Financial Conduct Authority ("FCA"). IS Prime is an IFPRU Limited License Investment Firm with permission as matching principal and to hold client money.

The Firm is a Solo regulated entity with a Non-EEA parent.

DISCLOSURE

Risk Management Objectives and Policies

Governance & Risk management Framework

IS Prime's Board is the Governing Body of the Firm and it has the daily management and oversight responsibility. The role of the Board is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enables risks to be assessed and managed. The Board meets on a quarterly basis and is responsible for the entire process of risk management, as well as forming its own opinion on the effectiveness of the process. In addition, the Board of Directors decides the Firm's risk appetite or tolerance for risk and ensures that the Firm has implemented an effective, ongoing process to identify risks, to measure such risks' potential impact and to ensure that such risks are actively mitigated and/or managed. Senior Management are accountable to the Board of Directors for designing, implementing and monitoring the process of risk management and implementing it into the day-to-day business activities of the Firm. Risk identified through the operation of the risk management framework are assessed as part of the Firm's ICAAP and Pillar 2 processes.

The day to day risk management, control & reporting is carried out by the risk and operations team and supervised by the Risk Manager and Head of Operations. The Risk Manager is also a Director of IS Prime and is therefore part of the IS Prime Board.

Risk Management Objective

The Firm has a risk management objective to develop systems and controls to mitigate risk within its risk appetite.

Strategies and Processes for managing risks

The risk management framework sets out the responsibilities and escalation procedures for the identification, monitoring and management of risks. Personnel and senior management are assigned responsibility for the risks across the Firm's business. The Board takes overall responsibility, with the independent assistance of Risk, Operations and Compliance for identifying material risk to the Firm and implementing appropriate controls.

The governance and controls structure for the risk management of IS Prime is based on the following three lines of defence against risk:

- First line of defence: individuals who are responsible for assessing, evaluating, measuring and controlling risks through the day-to-day activities of the business, within the framework set by the second line of defence. These individuals report to the Firm's senior management and second line of defence.
- Second line of defence: Risk Manager and Head of Operations are responsible for implementing and controlling the risk framework set out by the Board. It provides oversight of the first line of defence and the tools to support and improve processes to meet risk management objectives. These functions report to senior management and Board.
- Third line of defence: Compliance, external auditors and Compliance consultants are responsible for providing an independent assessment of the adequacy and effectiveness of the risk management framework. It provides independent oversight of the first and second lines of defence.

Risk and mitigating controls are periodically reassessed by the Board, taking into account the Firm's risk appetite. Actions are taken to improve the control framework when risks are identified which fall outside of the Firm's risk appetite, or when weaknesses are identified in the Firm's mitigating controls.

DISCLOSURE: Own Funds

The Firm is an IFPRU Limited licence Firm. Tier 1 Capital comprises of Shares and Audited Reserves/Losses

Tier 1 Capital	£9,710,198
Deductions	£0
Tier 2 Capital	£0
Deductions	£0
Capital Resources	£0
Tier 3 Capital	£0
Deductions	£0
Total Capital	£9,710,198

DISCLOSURE: Capital Requirements

The Firm has adopted the "Pillar 1 plus" "Structured" approach to the calculation of its ICAAP Capital Resources Requirement as outlined in the Committee of European Banking Supervisors Paper, 25 January 2006.

The ICAAP assessment is reviewed by the Compliance Committee and amended where necessary on a quarterly basis or when a material change to the business occurs. The Compliance Officer presents the ICAAP document to the Governing Body of the Firm which reviews and endorses the risk management objective each quarter or when a material change to the business occurs at the same time as reviewing and signing off the ICAAP document.

Article 112 exposure	8% of risk weighted exposure amount
exposures to central governments or central banks;	£0
exposures to regional governments or local authorities;	£0
exposures to public sector entities;	£0
exposures to multilateral development banks;	£0
exposures to international organisations;	£0
exposures to institutions;	£145,377
exposures to corporates;	£235,066
retail exposures;	£0
exposures secured by mortgages on immovable property;	£0
exposures in default;	£0
exposures associated with particularly high risk;	£0
exposures in the form of covered bonds;	£0
items representing securitisation positions;	£0
exposures to institutions and corporates with a short-term credit assessment;	£0
exposures in the form of units or shares in collective investment undertakings ("CIUs");	£0
equity exposures;	£0
other items.	£2,507
Total	£382,950

Internal Ratings Based Approach

The Firm does not adopt the Internal Ratings Based Approach and hence this is not applicable.

DISCLOSURE: Exposure to Counterparty Credit Risk

The Firm has no Counterparty Credit Risk.

DISCLOSURE: Capital Buffer

The Firm has no Capital buffers.

DISCLOSURE: Indicators of Global Systemic Importance

This disclosure is not applicable as the Firm is not a Global Systemic Important Institution

DISCLOSURE: Credit Risk Adjustments

As an IFPRU Limited Licence Firm, the Firm neither holds client money nor assets on its Balance Sheet nor lends money, and is, therefore, not exposed to Credit Risk in its traditional sense. The Firm's exposure to Credit Risk is the risk that revenue cannot be collected and the exposure to banks where the Firm's revenue is deposited. The Firm's Credit Risk Appetite is low so the Firm holds all cash with UK banks assigned high credit ratings.

DISCLOSURE: Unencumbered Assets

This disclosure is not yet in force

DISCLOSURE: Use of ECAs

The Firm does not use any ECAs.

DISCLOSURE: Exposure to Market Risk

Article 92(3) c requirements for non-trading book business.

Item	Own Fund Requirement
Foreign Exchange Risk	£774,518
Settlement Risk	£0
Commodities Risk	£0
Total	£774,518

The Firm does not hold securitisation positions and therefore there is no Specific Interest Rate Risk to disclose.

DISCLOSURE: Operational Risk

This disclosure is not required as the Firm is not subject to the requirements on Operational Risk.

DISCLOSURE: Exposures in Equities not Included in the Trading Book

This disclosure is not required as the Firm does not have a Non-Trading Book Exposure to Equities.

DISCLOSURE: Exposure to Interest Rate Risk on Positions not Included in the Trading Book

Although the Firm has substantial cash balances on its Balance Sheet, there is currently no significant exposure to Interest Rate fluctuations.

DISCLOSURE: Exposure to Securitisation Positions

This disclosure is not required as the Firm does not Securitise its assets.

DISCLOSURE: Remuneration Policy

Due to the size of the Firm, it does not consider it appropriate to have a separate remuneration committee, as provided for at SYSC 19A.3.12R. Instead this function is undertaken by the Board of Directors with input from Finance, Compliance, Risk and Human Resources. This will be kept under review and, should the need arise, the Firm will establish such a committee.

The Firm has a Remuneration Policy in place and it gets reviewed by the Board of Directors at least annually.

Staff remuneration comes in two parts, base salary and discretionary bonus. Overall responsibility for all employee remuneration lies with the Board of Directors.

Base Salary

Base salaries are reviewed annually. The Board of Directors meets with the department heads for assessment of existing remuneration and any changes required. The individual's performance with respect to specific deliverables and objectives, the wider strategic aims of the department and the Firm will be assessed. The Board of Directors will also make reference to benchmarks within the industry. All base salaries are submitted and subject to a formal review by the Board of Directors.

Discretionary Bonus Pool/variable remuneration

Discretionary Bonuses are paid annually and are in general a function of profits for the year. In years where no or little profit were made, the majority of the employees will not receive a bonus.

The Firm is a Remuneration Code Proportionality Level 3 Firm and has applied the rules appropriate to its Proportionality Level. All variable remuneration is adjusted in line with capital and liquidity requirements.

Remuneration Code Staff Remuneration by Business Area

Business Area	Total Remuneration
Matched Principal Business	£405,175

Aggregated Quantitative Remuneration by Senior Management and Other Remuneration Code Staff

Type of Remunerated Code Staff	Total Remuneration
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Senior Management (SIF) (no variable Remuneration)	£405,175
Other Remuneration Code Staff	£0

Total	£405,175
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DISCLOSURE: Leverage

This disclosure is not applicable as the Firm does not employ any leverage.