TRADERISKS®
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# TRADERISKS LIMITED PILLAR 3 DISCLOSURES

## Background

The Capital Requirements Directive ('The Directive') of the European Union establishes a regulatory capital framework across the European Union governing the amount and nature of capital that credit institutions and investment firms must maintain.

In the United Kingdom, the Directive has been implemented by the Financial Conduct Authority ("FCA") in its regulations through the Prudential Sourcebook for Investments Firms (IFPRU) and

The FCA framework consists of three "Pillars"

- Pillar 1 sets out the minimum capital amount that meets the firm's credit, market and operational risk capital requirement.
- Pillar 2 requires the firm to assess whether its capital reserves, processes, strategies and systems are adequate to meet pillar 1 requirements and further determine whether it should apply additional capital, processes, strategies or systems to cover any other risks that it may be exposed to.
- Pillar 3 requires disclosure of specified information about the underlying risk management controls and capital position, and remuneration policy and amounts to encourage market discipline.

The rules set out the provision for Pillar 3 disclosure. This document is prepared to meet our Pillar 3 obligations.

The Pillar 3 disclosure document has been prepared by TradeRisks Limited ("the Firm") and is verified by the senior management. Unless otherwise stated, all figures are as at the financial year end.

Pillar 3 disclosures will be issued on an annual basis after the year end and published with the annual accounts.

The Pillar 3 disclosures of TradeRisks Limited and Public Sector Investment Gateway Limited ("the Firms") as required by EU Capital Requirement Regulation (CRR) and Prudential Source Book of Investment Firm (IFPRU) are detailed below and are available from our registered office. The below disclosure covers the year ended 31 July 2016.

## PILLAR 3 Disclosures

The Firms are incorporated in the UK and are authorised and regulated by the Financial Conduct Authority as a Limited Licence IFPRU €125k firm.

The Firms are regulated entities and each has 5 directors. They are IFPRU investment firms without an Investment Firm Consolidation Waiver deducting material Holdings under GENPRU 2 Annex 4.

Governance Framework

The directors of the Firms have the daily management and oversight responsibility.

Risk Framework

The directors determine the Firms' business strategies and risk appetites. In conjunction with the senior executives, they have designed and implemented a risk management framework that recognises the risks that the businesses face. The directors determine how these risks may be mitigated and assess on an ongoing basis the controls and procedures necessary to manage those risks.

The Firms have taken various steps to mitigate these risks including:

- Implementing robust risk controls
- Combining in-house and external compliance expertise
- Developing a stable and diversified revenue stream
- Funding all business growth from earnings, i.e. maintaining a no debt policy
- Offsite storage of key documents and electronic back up of data and e-mails
- Conservative management of litigation and/or reputation risks
- Continuous monitoring and validation of security procedures
- Maintaining appropriate insurance policies

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**FCA capital resources and Financial risk management**

The Firm is an IFPRU Limited License Firm subject to a €125,000 base capital requirement.

**Regulatory Capital resources as at 31 July 2016 amounted to:**

Tier 1 capital £5,294,394

Tier 2 capital -

Tier 3 capital -

Deductions - £186,024

Total Capital resources £5,108,370

**Market risk**

There is a negligible risk to the Firm arising from market movements.

**Credit risk**

The main credit risk for the Firm relates to its cash balances with HSBC, Lloyds and Santander.. This risk is managed through the monitoring of their CDS, equity price movements and credit ratings – a service the firm provides to its own clients.

**Operational risk**

The Firm utilises the Fixed Overhead Requirement (FOR) as a proxy for the Pillar 1 Operational Risk calculation. The firm's FOR for 2015/2016 was £814,000.

**Liquidity risk**

The Firm manages its liquidity position with the objective of maintaining cash balances sufficient to meet all expenses for a year under the extreme scenario of zero non-contractual revenues over a 12 month period, i.e. considerably in excess of the FCA's solvency requirements that the Firm is expected to meet.

**Interest rate risk**

The Firm's operating activities are currently fully funded through existing cash resources. There is a negligible risk to the Firm arising from movements in interest rates.

**Business Risk**

Business risk is the exposure to uncertainty in the macroeconomic and competitive environment in which the Firm operates. It is managed through a diversified revenue stream based on corporate finance advisory fees and associated debt arranging and placing mandates. From time to time the Firm takes advantage of market opportunities in derivatives advisory, end-user to end-user swaps structuring and execution, and fund management. .

TradeRisks Limited

30 September 2016