Creditex Brokerage LLP
Pillar 3 Disclosure and Policy

Introduction

Regulatory Context

Following implementation of the new Capital Requirements Directive (CRD IV) with effect from January 2014, Creditex Brokerage LLP (the "Firm") is classified as an IFPRU €730k Limited License firm.

CRD IV is comprised of the Capital Requirements Regulation (Regulation (EU) No 575/2013) ("CRR") and the Capital Requirements Directive (Directive 2013/36/EU) ("CRD"). Whereas the CRR is directly binding on the Firm and does not need to be implemented by the Financial Conduct Authority (the "FCA") or through UK regulation, the CDD has been transposed into the FCA Handbook.

The Pillar 3 disclosure of Creditex Brokerage LLP is set out below as required by Articles 431 - 455 of the CRR. The regulatory aim of the disclosures is to improve market discipline.

Frequency

The Firm will be making Pillar 3 disclosures 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 and does not constitute any form of financial statement and must not be relied upon in making any judgment on the Group.

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, we shall disclose such and explain the grounds as to why it has not been disclosed.

Summary

The CRR has three pillars. Pillar 1 deals with minimum capital requirements; Pillar 2 deals with Internal Capital Adequacy Assessment Process ("ICAAP") undertaken by a firm and the Supervisory Review and Evaluation Process through which the Firm and Regulator satisfy themselves on the adequacy of capital held by the Firm in relation to the risks it faces and; Pillar 3 which deals with public disclosure of risk management policies, capital resources and capital requirements.

The regulatory aim of the disclosure is to improve market discipline.

The Firm conducts designated investment business and is authorised by the FCA as an IFPRU €730k limited licence firm. The Firm's greatest risk has been identified as operational risk based on the fixed overhead requirement. The Firm is required to disclose its risk management objectives and policies for each separate category of risk which include the strategies and processes to manage those risks; the structure and organisation of the relevant risk management function or other appropriate arrangement; the scope and nature of risk reporting and measurement systems; the policies for hedging and mitigating risk; and the strategies and processes for monitoring the continuing effectiveness of mitigants.

The Firm has assessed business and operational risks 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 management and performance fees cannot be collected and therefore credit risk is low. The Firm holds all cash and performance fee balances with banks assigned high credit ratings.

Market risk exposure has been assessed by the Firm and it is limited to the Firm's exposure to any cash amounts held by the Firm in a foreign currency. Cash balances in currencies other than GBP, the Firm’s functional currency, are reviewed regularly and are converted into GBP when required.

Background to the Firm

The Firm is incorporated in the UK and is authorised and regulated by the FCA. The Firm's regulated activities place it in the category of an IFPRU €730k firm.

Creditex UK Limited (the “Parent Entity”), is a Private limited company registered in England and Wales with company number 03823460. The Parent Entity holds 99% of the Firm, and is a Designated Member and Managing Member of the Firm.

Together Creditex Brokerage LLP, Creditex UK Limited and Creditex Brokerage Holdco Limited (the 1% partner of Creditex Brokerage LLP) form the sub-consolidated group ("The Group"). The Group is covered by the ICAAP.

For prudential purposes the Firm has been deemed a consolidated group with the Parent Entity and Creditex Brokerage Holdco Limited (the "Group"). As such, the Firm reports both on a solo basis and as the Group. All entities are fully consolidated and there are no impediments to the transfer of either capital resources nor repayment of liabilities from the parents to the subsidiary. There are no further subsidiaries not included within this consolidated Group.

Article 435: Risk Management Objectives and Policies

Risk Management Objective

Our general risk management objective is to develop systems and controls to mitigate risk to a level that does not require the allocation of Pillar 2 capital.

Governance Framework

The Firm is governed by its Designated Members (Creditex UK Limited (Managing Member) and Creditex Brokerage Holdco Limited). Under the Partnerships terms of reference, the Designated Members must ensure that the Firm operates within an established framework of effective systems of internal control, risk management and compliance.

The Firm's Partnership is the "Governing Body" of the Firm. It meets periodically and is composed of its Corporate and Individual Membership registered at Companies House and with the FCA as 'approved persons'. The role of the governing body is prescribed in the Deed of the Partnership.

The Directors of the Corporate Member, in conjunction with other members of Senior Management, undertake the management and oversight responsibilities.

Risk Management Framework

The Group's risk management framework is made up of the following components:

Governing Body

The Partnership of the Firm is responsible for the process of risk management, as well as forming its own opinion on the effectiveness of the process. The Partnership, in liaison with Senior Management, sets the risk management policies. There is no separate risk committee.

The Partnership, through its Managing Member (Creditex UK Limited), decides the Group's appetite or tolerance for risk: those risks it will accept and those it will not accept in the pursuit of its goals and objectives. In addition, the Partnership ensures that the Group has implemented an effective, on-going process to identify risk, to measure its potential impact against a broad set of assumptions and then to ensure that such risks are actively managed.

The Partnership, at least annually, conducts a review of the effectiveness of the Firm's system of internal controls and reports to the Parent entity that they have done so. The review covers all material controls, including financial, operational and compliance controls and risk management systems.

Senior Management typically consists of the Head of Compliance, Head of Finance, General Counsel and the Directors of the Corporate Member.

Senior Management is accountable to the Governing Body for designing, implementing and monitoring the process of risk management and incorporating it into the day-to-day business activities of the Firm. Senior Management is responsible for effectively communicating the Firm's approach and commitment to establishing and maintaining an effective risk management framework and approach.

Senior Management is also responsible for ensuring that employees are adequately equipped with the right tools and knowledge to enable them to fulfill their obligations in relation to the risk management process.

Article 437: Own Funds

The Firm is an IFPRU Limited License Firm. Tier One capital comprises share capital, independently verified reserves and independently verified retained profit and loss. The total Tier One capital amounts to £6,398,000 from which there are no deductions. The below table outlines the composition of the Group's own funds.

	GBP (000's)
Share Capital	£5,600
Retained Earnings	£258
Other reserves	£540
Offset: Deductions	£0
Total Group Own Funds	**£6,398**

Article 438: Capital Requirements and Credit Risk

Credit Risk

The Group is primarily exposed to Credit Risk from the risk that fees cannot be collected. The receivables are managed and reviewed regularly by the accounts team and the Finance Director. The firm is also exposed to risk in relation to its cash held with banks. The Firm's credit risk appetite is low; the Firm holds all cash and performance fee balances with banks assigned high credit ratings.

The group utilizes the standardized approach for determining the risk weighted exposure amounts in relation to its calculation of Pillar 1 capital requirements. The Group utilizes the ICAAP as a risk assessment tool and models the impact of stressed scenarios on the Group's capital. The below tables reflects the exposures of the Group as outlined within Article 112, with any nil values being excluded from the table below.

Category	Risk Weighted Average Exposure GBP (000’s)	8% of Risk Weighted Average Exposure GBP (000’s)
Institutions	£2,489	£199
Other Items	£1,010	£81
Total	**£3,499**	**£280**

The Group does not adopt the Internal Ratings Based approach.

Market Risk

The market risk of the Group is limited to foreign exchange risk due to assets and liabilities being denominated in currencies other than GBP. The table below is reflective of the Groups market risk exposure.

Category	Exposure GBP (000’s)	8% of Exposure GBP (000’s)
Foreign Exchange	**£3,563**	**£285**

No other risks are applicable to the application of own funds for the Group.

Pillar 2

Pillar 2 capital represents the sum of the Capital as required under Pillar 1 plus any additional capital requirements to be maintained against risks not adequately covered by Pillar 1 capital. The ICAAP assessment is reviewed by Senior Management and the Governing Body and amended where necessary, on a periodic basis or when a material change to the business occurs. The ICAAP document is presented to the Governing Body of the Firm which reviews and endorses the risk management objective at least annually, or when a material change to the business occurs, at the same time as reviewing and signing off the ICAAP document. The conclusion from the ICAAP is that no additional Pillar 2 Capital is to be held in addition to that determined in the Pillar 1 approach.

Leverage Ratio calculation

The leverage ratio is utilized to measure the relationship between the capital of the Group and its total assets. A minimum leverage ratio of 3% should be maintained and from the below it is evident that the Group far exceeds this minimum requirement.

	GBP (000's)
Tier 1 Capital	£6,398
Total asset Exposure	£8,734
	73%

Article 450: Remuneration Policy

In accordance with the Capital Requirements Regulation remuneration disclosure requirements, as further elaborated in the FCA's General Guidance on Proportionality: The Remuneration Code (SYSC 19A) & Pillar 3 Disclosures on Remuneration (Article 450 of the CRR), as an IFPRU limited license firm, the Firm falls within proportionality level 3 and 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 ("Code Staff").

The Firm uses a combination of fixed and variable compensation where the fixed component is considered to be a sufficient proportion of the overall remuneration package. Variable remuneration awarded to employees is calculated by reference to revenues generated and adjusted to reflect costs and certain other matters.

The Firm's policy has been agreed by Senior Management in line with the Remuneration Code principles laid down by the FCA.

Due to the size, nature and complexity of the Firm, it is not required to appoint an independent remuneration committee. The Firm's policy will be reviewed annually, or more frequently in the event of a significant change to the business.

The total amount of Remuneration paid to Code Staff in 2015 was £2,106,465.

Break down of total code staff remuneration by band - disclosure per Article 450 (1)(i)

Total Code Staff Remuneration by band	Number of Code Staff
Less than EUR 1.0m	4
EUR 1m - EUR 1.5m	1
EUR 1.5m - EUR 2.0m	0
Over EUR 2.0m	0

Non-Applicable Disclosures

The following disclosures specified in the CRR are not applicable to the Firm:

- Articles 439 - 442
- Articles 444 - 449
- Articles 452 - 455