



Capital Requirements Directive: Pillar 3 Disclosure

As at 31 March 2021



1. Introduction

1.1 Purpose and Scope

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 €750K Limited Activity firm with permission to undertake certain regulated investment activities.

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

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

1.2 Pillar 3 Disclosure Policy

All disclosures, unless otherwise stated, apply as at 31 March 2021 or for the 12 months ending 31 March 2021 in line with the Firm's financial year end. All disclosures are for GPP on a standalone or company basis as GPP is not subject to consolidated prudential supervision under the CRR.

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 GPP's Board of Directors. 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 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 counterparties.

GPP has made no omissions from this disclosure on the grounds that information is immaterial, proprietary, or confidential.



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 six times during the financial year. 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.

As at 31 March 2021, the number of directorships held by members of the Board outside of GPP Group were as follows:

Name	Position	Directorships Held
		2021
Markus Ruetimann	Chairman	6
Margaret Ammon	Non Executive Director	0
Julian Parker	Chief Executive Officer	0
Amit Unalkat	Executive Director	1
Raj Somal	Executive Director	1

For details of the directors who held office during the year and up to 29th September 2021 please see the Directors Report included in GPP's Annual Report and Financial Statements.

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 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, the Board has created a committee structure with various delegated authorities. All committees have documented information and escalation paths with scheduled reporting. On occasion additional committees may be established by the Board or management to monitor and investigate a specific topic or issue in more detail.

2.1 Board Level Committees

Audit & Risk Committee

The Audit & Risk Committee (ARC) is responsible for the Risk Management Framework and Internal and External Audit reviews of the Firm. ARC is also responsible for the Internal Capital Adequacy Assessment Process (ICAAP) challenge and recommendation to the Board for approval.

ARC was chaired by Margaret Ammon, a non-executive director who was appointed SMF10 (Chair of the Risk Committee) and SMF11 (Chair of the Audit Committee) and is comprised of Board level staff. The ARC met six 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 committee ensures that the remuneration arrangements support the strategic aims of the business, while complying with regulatory requirements including its corporate culture and approach to risk management.

It was chaired by the Firm's Chairman with membership comprising Board level and executive staff members. The Staff Committee meets at least twice a year or more regularly if required. The Staff Committee met four times during the financial year.

2.2 Executive Committees

Executive Management Committee

Executive Management Committee ("ExCo") is responsible for the day-to-day activity of the Firm and ensuring that business operations are within the parameters of the risk management framework.

The Executive Committee meets weekly and is comprised of three members. As at 31st March 2021 all of its members were executive Board members.

Executive Risk Committee

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

CASS Committee meets monthly to discuss all matters relating to client money and client assets to ensure the Firm is acting within the required regulatory rules.



3. Risk Management

In order to ensure appropriate management and monitoring of the firm's risk profile, GPP has established the governance framework outlined above. The Board has approved a Risk Management Framework which sets out the Firm's approach to risk appetite, governance and management processes.

3.2 Risk Management Framework

GPP's Risk Management Framework ("RMF") defines the firm's approach to risk appetite, governance and management processes. The Risk Management Framework (RMF) is designed to provide senior management with assurance that risks are being appropriately managed and that the system of internal risk control is adequate, with assurance provided through transparent, timely and objective risk reporting and disclosure. The RMF includes the following components:

- Risk Appetite Statements for each key risk
- Setting out the risk culture of GPP
- Defined scheme of risk classification (Risk Taxonomy)
- Maintaining three lines of defence for risk ownership, oversight and assurance
- Risk identification, assessment and measurement and management processes
- Risk monitoring and reporting process based on key risk indicators
- Scenario analysis and stress testing

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 as they fall due. GPP's main sources of credit risk are:

- Amounts due from its Clearing and Custody Clients: GPP mitigates this risk by requiring client purchases to be prefunded and/or appropriate margins to be lodged. Client accounts are monitored daily to ensure that accounts remain adequately funded and exposures do not exceed limits. End service providers are reviewed regularly to ensure their risk profile remains appropriate.
- Cash placed at banks: GPP mitigates this risk by only placing funds with globally or domestically systemic banks.

The Firm maintains a Credit Risk policy that is reviewed and updated regularly.

Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. GPP recognises that given the nature of Operational Risk, it is present in all aspects of the business however the manifestations differ by department. In order to appropriately identify, manage and monitor this risk on a firm-wide basis, GPP has implemented an Operational Risk Framework. All operational risks are logged, analysed by Risk and summarised by the ERC. Significant operational incidents are reviewed by the ERC and, depending on their impact, may be escalated to the ARC and the Board.

The Firm undertakes a detailed risk assessment process annually across all departments to identify potential sources of operational risk, on an inherent basis, including identification of controls with an assessment of the residual risk per event. Residual risks that are determined to have a high impact and likelihood are reviewed with a view to implementing additional controls or strengthening current controls.



To manage, monitor, and mitigate operational risks, GPP has established:

- Annual Risk Assessment using risk matrices
- Security standards for technology infrastructure
- Business Continuity Planning
- Daily reconciliations
- Regular management information and escalation paths for incidents/events
- In-depth analysis of new products or business initiatives

Liquidity Risk

Liquidity Risk is defined as the risk that a firm, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due or can only secure such resources at excessive cost. GPP is subject to liquidity risk when it cannot pay monies due to a client, counterparty or creditor, where GPP does not have sufficient money to pay for a share or bond purchase or where liquidity is only available at an excessive cost.

The Firm is classified by the FCA as a non-ILAS firm and is therefore subject to the FCA's Overall Liquidity Adequacy Rule (BIPRU 12.2.1). GPP maintains a Liquidity Risk Management Framework and a Contingency Funding Plan which ensures compliance with all relevant BIPRU requirements.

Market Risk

Market Risk is the risk of loss due to adverse changes in the price of financial assets. GPP does not take any proprietary positions and therefore has no direct market risk arising from holding securities or investments. GPP only executes an order in the underlying market once it has received a client order, this process can be considered instantaneous. It is not GPP policy to make money from holding client positions and attempting to hedge at a preferential market rate. GPP may only hold principal positions as a result of settlement mismatches.

GPP exposure to foreign exchange risk on balances held in currencies other than the Firm's functional currency of GBP, is mitigated as fees are predominantly charged in EUR, USD and GBP, limiting the number of currencies GPP has exposure to. Currency exposures are also regularly assessed and large currency balances converted to GBP to prevent the build-up of large currency balances and therefore the potential FX impact.

GPP mitigates its market risk through:

- Daily monitoring of the market value of incidental positions
- Defined FX limits per currency which are monitored daily
- Regular management reporting

Concentration Risk

Concentration risk is the risk arising from exposures to groups of connected parties, counterparties in the same sector, or counterparties undertaking the same activity. Concentration risks are incorporated into the specific risk assessments for credit, market and operational risk as indicated above.

Interest rate risk

Interest rate market risk is defined as the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes to the yield curve and volatilities in market interest rates.



The firm does not hold financial instruments and therefore its main exposures to interest rate risk is to fair value interest rate risk on its fixed rate borrowings and cash flow interest rate risk on floating rate deposits, bank overdrafts and loans. The interest rates charged to clients on overdrawn balances, cash and stock shortfalls are at a margin over or below relevant market benchmarks for deposits and loans respectively.

Strategic Risk

Strategic Risk is defined as the risk that the Firm's strategy is not adequately executed or is not appropriate in the operating environment. This includes business risk as being the risk that GPP is not able to earn enough revenue to pay off the expenses of the business. Strategic Risk is mitigated by:

- Articulated business strategy that is cascaded amongst the business
- Monthly financial reporting against budget
- Regular strategic reviews
- Governance oversight, analysis and decision making

Regulatory Risk

This is defined as the risk of the effect of changes in laws or regulations that could potentially cause losses to GPP. As an FCA regulated firm, GPP 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 the FCA's CASS requirements.

The Firm mitigates and controls its regulatory risk through:

- A Compliance monitoring plan designed to cover all regulatory risks
- Relevant policies and procedures covering the Firm's obligations
- Regular management information and updates to the ARC
- Regular mandatory staff training on Firm and personal obligations and responsibilities

3.3 Board Declaration

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)).



4. Internal Capital Adequacy Assessment Process (ICAAP) and Capital Resources

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

GPP undertakes an Internal Capital Adequacy Assessment Process (ICAAP) at least annually. The ICAAP reviews the means by which the Firm identifies and manages its principal risks and determines the level of regulatory capital required to meet its regulatory minimum requirements and internal capital targets in both business-as-usual and stressed scenarios.

As at 31 March 2021 the capital position of the Firm was:

Capital Summary		£'000
Total Own Funds		41,224
Pillar 1 Capital Requirement		12,772
Total Capital Ratio		26%

4.1 Capital Resources

As at 31 March 2021, GPP had the following capital resources:

Total Own Funds		£'000
Share capital: ordinary shares of £1 each		2,258
Share Premium Account		127
Capital redemption reserve		1,159
Audited retained earnings		33,541
Interim profit verification		4,311
Deduction for unpaid shares		(172)
Other Deductions		-
Total Tier 1 Capital, Total Capital and Own Funds		41,224

The Firm's Tier 1 capital is adjusted for 45,141 X Ordinary shares issued for total consideration of £171,987 which were unpaid at 31 March 2021. For further details see GPP's Annual Report and Financial Statements for the year ended 31 March 2021 (note 15).

The Firm has no Tier 2 capital and no deductions from Common Equity Tier 1.



4.2 Capital Requirements

As at 31st March 2021 GPP was classified as a limited activity investment firm and therefore, in accordance with subject to Article 96 of the CRR and is required to maintain Pillar 1 capital as the higher of:

- The sterling equivalent of the base capital requirement of €730,000 being £621,012.
- The fixed overhead requirement (25% of the prior year fixed overheads based on the most recent financial statements) of £3,802,464 plus the total of credit risk, market risk and counterparty risks as shown below:

Specific Risks	RWA	Capital requirement
	£'000	£'000
Credit risk	51,235	4,099
Market risk	60,878	4,870
Settlement risk	0	0
Counterparty risk	1	0
Total	112,114	8,969

The Pillar 1 capital requirement is therefore £12,771,594.

GPP is also required to maintain additional capital buffers (CRD IV buffers) in order to increase its financial resilience during periods of stress. As at 31st March 2021 these buffers were:

Capital Buffer	Capital requirement
	£'000
Capital Conservation Buffer	2,443
Countercyclical Credit Buffer	610
Total Capital Buffers	3,053



5. 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 activity 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; for the financial year to 31 March 2021, the total remuneration for these staff was £1,373,046.