Your Strategic Partner

GCM Prime Pillar 3 Disclosure

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December 2016

Disclosure Policy

The Pillar 3 rules in BIPRU 11 set out the need for firms to have a formal disclosure policy. In accordance with the rules of the Financial Conduct Authority (“FCA”) GCM Prime (the “Firm”) will disclose the information set out in BIPRU 11 (the Pillar 3 rule) on at least an annual basis.

The Firm may omit information it deems as immaterial, in accordance with the rules. Materiality is based on the criterion that the omission or misstatement of any information would be likely to change or influence the decision of a reader relying on that information. Accordingly, where the Firm has considered an item to be immaterial it has not been disclosed.

In addition, if the required information is deemed to be proprietary or confidential then the Firm may take the decision to exclude it from the disclosure. In the Firm's view, proprietary information is that which, if it were shared, would undermine its competitive position. Information is considered to be confidential where there are obligations binding the Firm to confidentiality with our customers, suppliers or counterparties. Where information is omitted for either of these reasons this is stated in the relevant section of the disclosure, along with the jurisdiction.

Introduction

The Firm is authorised and regulated by the FCA and as such is subject to minimum regulatory capital requirements. The Firm is categorised by the FCA, for capital purposes, as a limited license firm. It is a retail FX platform provider acting as a match principal brokerage business firm and has no trading book exposures. The Firm is not required to prepare consolidated reporting for prudential purposes.

The FCA’s current prudential regime can be split into three “pillars”:

- Pillar 1 – prescribes the minimum capital requirements that authorised firms need to hold. This is the higher of €125k; quarter of the firm’s annual adjusted expenditure (the Fixed Overheads Requirement); or the sum of the firm’s prescribed Credit risk + Market risk.

- Pillar 2 – requires firms to analyse the risks to the business and then consider whether the risks are mitigated to an appropriate standard. If the firm feels that the risks are not adequately mitigated, then they should allocate capital against those risks. Stress and scenario tests are conducted to ensure that the processes, strategies and systems are comprehensive and robust and that the allocation of capital is sufficient.

- Pillar 3 - requires firms to develop a set of disclosures which will allow market participants to assess key information about the Firm's underlying risks, risk management controls and capital position.

The Fixed Overheads Requirement determines the Firm's Capital Resources Requirement.

The Firm is a Limited Company and its capital arrangements are set out in its Articles of Association. The main elements of its capital structure (as at 30th June 2016) are as follows:

	£000s
Share capital	7,280
Audited reserves	(2,463)
Tier 2 capital	0
Total capital	**4,817**

The main features of the Firm's Capital Resources Requirement are as follows:

Capital Item	£000s
Tier 1 capital less innovative tier 1 capital	4,817
Total tier 2, innovative tier 1 and tier 3 capital	0
Deductions from tier 1 and tier 2 capital	0
Total capital resources, net of deductions	**4,817**

Risk Management

Due to the size, nature, scale and complexity of the Firm, there is no independent risk management function. The directors of the Firm determine the business strategy and risk appetite along with the risk management policies and procedures. Risks to the Firm are identified and considered and the Firm's resultant exposure is assessed after the application of both management and mitigation of these risks. Furthermore, the Firm then conduct a series of stress tests and scenario analyses on these risks to determine the effect they would have on the firm.

If necessary the Firm would allocate extra capital to the relevant risk, as per the Pillar 2 requirement: this has not been deemed necessary. This process is conducted at board meetings which are held on a quarterly basis and the relevant policies and procedures are updated where necessary.

The directors have identified operational, business, and key person risk as the main areas of risk to which the firm is exposed.

Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk. Part of the legal risk is the fact of the Firm's failing to comply fully with the terms of the client categorisation requirements. In the event of such failure, a firm can be exposed to substantial losses resulting from customers' claims and legal actions. We take this risk very seriously and undertake our client 'Know Your Customer– KYC' processes in such a way, that it is clear what constitutes risk beyond the control of the firm.

The Firm's approach to mitigating operational risk is as follows:

- We have adequate working capital to cover expenses, the savings are held in highly rated bank deposits
- The recruitment, retention and motivation of high quality professionals.
- Appropriate apportionment of responsibilities amongst senior management;
- A risk based monitoring plan, the outcomes of which are reported to the senior partners;
- Robust policies and procedures in respect of regulatory compliance, anti-money laundering and finance;
- Regular maintenance and update of IT systems;
- Continual reviewing and upgrading of internal controls and procedures.

Business Continuity Risk

The Firm has a business continuity plan that is tested annually. Board is satisfied that the plan will allow the Firm to continue to function under a wide range of disaster scenarios. The business model can continue to operate from any location provided that there is secure internet access.

Business – Strategic Risk

Business Risk is the exposure of the Firm's business to risk caused by uncertainty in the macroeconomic environment, with specific consideration of earnings volatility and cost overruns in severely adverse conditions. Business Risk is managed with a mid-term focus and is assisted by careful development of business plans, appropriate management oversight and an embedded corporate governance framework. Strategic Risk can be a manifestation of business risk as it is any diversion away from the business plan/risk appetite statement due to changes in the environment or because management is unable to deliver the strategy as intended.

The Board of the Firm has undertaken to identify early warning indicators that would allow the Board to monitor the market and take appropriate actions well in advance to mitigate the adverse market effects.

It is possible that such an approach may cause the Firm’s strategy to become uncompetitive: if so, the business strategy will be reviewed rather than the risk appetite increased.

Key Person Risk

Key person risk is the risk that a member of the senior management of the Firm may depart unexpectedly leaving the Firm with a shortfall in either its structure or expertise that it cannot cover or replace internally: in these circumstances an appropriate person has to be hired temporarily - usually at a high cost - until a permanent replacement can be found.

The Firm manages this risk by having a formal, documented succession plan in place for its senior management team and by having taken a number of steps to strengthen both its senior and middle management teams. At least two members of the senior management team can substitute effectively for the CEO (as well as being credible candidates to succeed him) and the senior executives all have competent deputies who would be capable of covering the position.

Remuneration

At the heart of GCM Prime's Remuneration Policy is the need to ensure that the structure of an employee's remuneration is consistent with, and promotes, effective risk management.

In keeping with GCM Prime's long term objectives, the assessment of performance will take into account longer-term performance and payment may of any such performance related bonuses may need to be spread over more than one year to take account of the firm's business cycle. The firm does not award guaranteed variable remuneration.

In the case of early termination of a contract any payments will reflect performance achieved over time; GCM Prime does not reward failure.

Under the FCA remuneration code, the Firm is classified as a Proportionality Level 3 Code Firm whereby Code staff are defined as the firm's employees whose activities could have a material impact on the firm's risk profile and who fall into the Code Staff categories set by the FCA Code. The Code requires the Firm to consider its processes for those senior staff that control and/or could affect the Firm's risk profile. As of end June 2016 the firm identified the persons classified as Code Staff and their remuneration can be found below.

	Total Fixed £	Total Variable £	Total no of staff
Executive	480,000	40,000	6

GCM Prime's Senior Management does not consider this risk requires the provision of extra capital above the amount held against the Pillar 1 requirement.

Conclusion

The Firm has concluded that its Tier 1 capital is sufficient to cover its Pillar 1 and Pillar 2 requirements.