IBP Markets Limited
PILLAR 3 DISCLOSURE

FOR THE YEAR ENDED 31 DECEMBER 2021

Introduction

Regulatory Context

The Pillar 3 disclosure of IBP Markets Limited ("the Firm") is set out below as required by the FCA's "Prudential Sourcebook for Banks, Building Societies and Investment Firms". This follows the introduction of the Capital Requirements Directive ("CRD") which represents the European Union's application of the Basel Capital Accord, as applicable to the United Kingdom. The regulatory aim of the disclosures is to improve transparency and thereby to protect consumers.

Frequency

The Firm will be making Pillar 3 disclosures annually. The disclosures will be as at the Accounting Reference Date ("ARD") which is currently 31 December. For future years the transparency disclosures will be subject to MIFIDPRU 8.

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.

Governance Framework

Mr D Goezi, Mr S Ayme and Mr M Aylward made up the Board of IBP Markets Limited as at 1 January 2021. Mr M Aylward resigned on 10 November 2021. As at 31 December 2021, the Board was made up of Mr D Goezi and Mr S Ayme. Mr P Zonno was appointed as a director after 31 December 2021.

Risk Framework

The Board of Directors is responsible for risk management and reviews the effectiveness of the Firm's system of internal controls to manage and mitigate the risks identified.

Background to the Firm

Background

The Firm is incorporated in the UK and is authorised and regulated by the FCA as an Investment Advisory Firm. The Firm's activities give it the IPRU categorisation of a "Limited Licence" and an "IFPRU €125K" firm. As a Limited Licence Firm, the Firm is considered a Proportionality tier three firm for the purposes of the FCA's Remuneration Code. The Firm has permission to hold client money and client assets.

Regulatory capital

The Firm is a privately incorporated company, and its capital arrangements are established in its Articles. The main features of the Firm's capital resources for regulatory purposes are as follows:

	2021		2020	
	£'000	£'000	£'000	£'000
Common Equity Tier 1 (CET1) Capital				
Called up share capital		200		165
Share Premium		50		15
Audited reserves brought forward	161		225	
Audited reserves for 31 Dec 21	448		(65)	
Audited Reserves as at 31 Dec 21		609		161
CET1 and Total Capital Resources		859		341

The Firm is small with a simple operational infrastructure. Its market risk is limited to foreign exchange risk on its accounts receivable in foreign currency, and credit risk from fees receivable and cash held at bank. The Firm follows the standardised approach to market risk and the simplified standard approach to credit risk.

Limited Licence - The Firm is subject to the Fixed Overhead Requirement (FOR) and is not required to calculate an operational risk capital charge though it considers this as part of its process to identify the level of risk based capital required.

The FOR is calculated, in accordance with the EBA regulatory technical standards, based on the firm's previous years audited expenditure and may differ if there is a material change during the course of the year in relation to fixed expenditure. The firm has adopted the standardised approach to credit and market risk and the above figures have been produced on that basis. The firm is not subject to an operational risk requirement.

Capital requirement

The Firm's Total Risk Exposure has been determined by reference to the Fixed Overheads Requirement ('FOR') and calculated in accordance with Article 95 and the EBA regulatory technical standards. The requirement is based on the FOR since this exceeds the total of the credit and market risk capital requirements it faces and also exceeds its base capital requirement of €125,000.

The Own Funds of the Firm at 31 December 2021 are £859k (2020: £341k), made up of Ordinary Share Capital of £200k (2020: £165k), Share Premium of £50k (2020: 15k) plus audited retained profits. The requirement is the Firms Total Capital Ratio is greater than 8%. As the Firm only has Common Equity Tier 1 Capital the Common Equity Tier 1 capital ratio and Tier 1 Capital Ratio requirements will automatically be satisfied if the Total Capital Ratio requirement is satisfied. The Firms Total Capital Ratio is 28.4% (2020: 11.6%) giving a surplus of £320,143 (2020: 96,483).

For its Pillar 1 regulatory capital calculation of Credit Risk, under the credit risk capital component the Firm has adopted the Standardised approach of calculating risk weights.

As the Fixed Overhead Requirements exceeds the aggregate of Credit Risk and Market Risk Requirements, Pillar 1 requirements equal to the Fixed Overhead Requirements.

Risk Management

The Firm is mindful of the FCA's comments regarding confidentiality and of the comment that both qualitative and quantitative data must be disclosed.

As such, the Firm's policy is to disclose that information required under the FCA Rules but to treat further 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 will 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 why it has not been disclosed.

Risk Management Objective

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

Summary

The CRD requirements have 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, capital requirements and remuneration policy. The regulatory aim of the disclosure is to improve market discipline and transparency. The Firm is an IFPRU limited licence firm primarily with permission to hold client money.

The Firm's key risks have been identified and grouped as either market, credit, interest rate, business or operational risks. The Firm has assessed these risks in its ICAAP and has set out appropriate actions to manage them.

Market Risk

The firm incurs market risk on foreign currency movements on client cash/liabilities held in foreign currencies. The firm monitors its exposure on a day-to-day basis.

Credit Risk

The Firm's exposure to credit risk is that clients lose more money than they have available in their accounts hence there is a failure to collect payments when they are due. Client margins are monitored on a daily basis so that minimum risk exposure occurs.

The Firm holds all cash with Banks after undertaking an assessment of the credit rating of each Bank.

Business risk

The Firm again has a conservative business risk appetite.

The Firm has a simple business strategy and the main business risk is the loss of client business.

Operational Risk

The Firm’s operational risk appetite is conservative and, as a result, we invest to mitigate such risks. Our staffing levels also provide a level of contingency cover in all critical business areas.

The Firm has documented contingency planning and disasters recovery procedures, and these are regularly reviewed and tested.

We also aim to keep all aspects of our operations as simple as possible

Interest Rate Risk

The firm does not have a material interest rate risk.

Liquidity risk

The Firm is required to maintain sufficient liquidity to ensure that there is no significant risk that its liabilities cannot be met as they fall due or to ensure that it can secure additional financial resources in the event of a stress scenario.

The Firm retains an amount it considers suitable for providing sufficient liquidity to meet the working capital requirements under normal business conditions. The firm has always had sufficient liquidity within the business to meet its obligations and there are no perceived threats to this given the cash deposits it holds and support it receives from the parent company. Additionally, it has historically been the case that all fee debtors are settled promptly, thus ensuring further liquidity resources are available to the firm on a timely basis. The cash position of the firm is monitored by the Senior Management on a regular basis.

The Firm maintains a Liquidity risk policy which formalises this approach.

Unencumbered assets

In accordance with Article 443 of the CRR, the below table provides details of encumbered and unencumbered assets. As asset is considered encumbered if;

- it has been pledged, or
- it is subject to any form of arrangement to secure, collateralise or credit-enhance any on-balance-sheet or off-balance-sheet transaction from which it cannot be freely withdrawn.

Assets

	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
	£'000s		£'000s	
Assets	0		0	
Equity instruments				
Debt securities				
Loans and advances				
Other assets	0		0	

Disclosures

Disclosure: Credit Risk and Dilution Risk

The Firm is primarily exposed to Credit Risk from the risk of non-collection of fees and the exposure to banks where cash held is deposited. The Firm holds all cash with an A rated UK and European banks.

Disclosure: Operational Risk

The Firm's Fixed Overhead Requirement (FOR) is disclosed as a proxy for the Pillar 1 Operational Risk Capital calculation. The Firm's Pillar 1 Capital Resources Requirement is the higher of FOR/the sum of Market Risk and Credit Risk Requirement.

Disclosure: Non-Trading Book Exposures in Equities

This disclosure is not required, as the Firm does not have a Non-Trading Book Exposure to Equities. Disclosures: Exposures to Interest Rate Risk in the Non-Trading Book

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

Disclosures: Securitisation

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

Disclosures: Remuneration

The FCA defines Remuneration Code Staff ("Code Staff") in SYSC 19A.3.4 as senior management, risk takers, staff engaged in control functions and any employee receiving total remuneration that takes them into the same remuneration bracket as those detailed above, whose professional activities have a material impact on the firm's risk profile.

The Firm has decided to treat all Directors as Code Staff.

Application

Based on the Firm's profile we have defined ourselves as a Proportionality Tier Three investment firm ("Tier Three Firm") and adopted a proportioned approach to our remuneration policy. We have considered our individual needs on an ongoing basis and where appropriate dis-applied certain provisions in accordance with FCA and CEBS/EBA guidance. The Managing Board will review any provisions, which have been dis-applied on at least an annual basis, to ensure that it continues to be appropriate.

Information concerning the decision-making process

Due to the size of the Company, we do not consider it appropriate to have a separate remuneration committee. Instead, this function is undertaken by the Board. This will be kept under review and should the need arise; the Company will consider amending this arrangement to provide greater independent review.

The Directors are members of the Board and also jointly have an equal voting interest in the Company.

The Board of IBP Markets Limited is responsible for ensuring that the remuneration policy is developed to align with its risk tolerance. No external consultants assisted in this review. Any person with a question regarding the policy or disclosures made under this policy should refer to the Directors of IBP Markets Ltd.

Based on the profile of the Company we consider we have one business area, market principal broker and all Directors, as Code Staff, have responsibilities that typically fall within job titles FCA guidance indicated would suggest they are senior personnel whose role impacts the risk profile of the Company.

As such, to comply with the FCA disclosure requirements, the total Directors remuneration for the year was £299,888 (2020: £292,946).