Pillar 3 Disclosures

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Capital Requirements Directive - Pillar 3 Disclosures

1 Background

The European Union's Capital Requirements Directive ("CRD") introduced a set of revised regulatory capital adequacy standards and associated supervisory framework across the European Union. This Banking Supervision which aimed to create an international standard that banking regulators can use when creating regulations about the amount of capital banks need to put aside to guard against various financial and operational risks. The Financial Conduct Authority (the "FCA") implemented the CRD in the United Kingdom.

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;
- Pillar 2 requires the Firm to assess whether its Pillar 1 capital is adequate to meet its risks and is subject to annual review by the FCA and PRA; and
- Pillar 3 requires disclosure of specified information about the underlying risk management controls and capital position.

Unless otherwise stated all information is at 31/12/2020.

2 Scope of disclosure

Regents Park Securities (the firm or RPS) is execution only brokerage firm for Professional and Counterparty clients, dealing in Fixed income, Equities and derivatives.

Regents Park Securities is authorised and regulated by the Financial Conduct Authority, with permissions to hold client money. The firm doesn't fall within the definition of a UK consolidation group and is thus not required to prepare disclosures on a consolidated basis.

3 Risk management objectives and policies

The Firm's risk management objective is to develop and maintain appropriate systems and controls to mitigate the risks to which it is exposed to ensure the exposures remain within its risk appetite. The full range of risks facing the firm including operational, business, liquidity, credit and market risks.

The firm's aim is to minimise the risks to the firm's clients, its counterparties and other stakeholders and to ensure it remains in full compliance with regulatory and legal requirements.

4 Risk Appetite

The board of Directors of RPS set the overall level of risk that the Firm will accept in pursuit of its strategy and business objectives. The level of risk is always subject to review/approval by the firm's directors annually. The approach of RPS to risk management is to have procedures in place which embed risk management in the culture of the organisation, clearly identifying risk exposures and implementing processes, automated if possible, to minimise those risks.

5 Governance Framework

The board of Directors of RPS have the overall responsibility of the appetite and tolerance for the risk. The Compliance officer has daily oversight and management, to ensure risks are actively managed and the process to identify risk is actively managed.

6 Operational Risk

Operational risk is defined by the firm as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The principal operational risks considered by RPS include the risks associated with events which may impact business continuity, and risks relating to IT equipment, interfaces and process failures. In addition, considers aspects of the risks associated with potential fraud events, along with risks related to data security.

RPS seeks to mitigate operational risks through back-up processes, a strong control and governance environment. The Group has and regularly tests a business continuity plan which includes the use of alternative premises and back-up systems.

7 Business Risk

Business risk arises from external industry environment, such as competition, investor appetite and sustained market downturn. The firm's main business risk relates to a possible fall in assets under management and a consequent diminution in investment management fees. This exposure is mitigated, to a certain extent by our range of available instruments and diverse client base and partnerships.

8 Liquidity Risk

RPS directors have oversight of the liquidity risk and are closely monitored. The firm maintains sufficient surplus cash to meet its working capital requirements and other immediate requirements that can reasonably be foreseen.

9 Credit Risk

Credit or counterparty risk addresses the firm's exposure to risk through its interactions with third parties in the course of its business. Given that the most or all of the firm's revenue originates from its clients, exposure could impact the firm through loss of capital, reduction in revenue, loss of clients and reputational damage. To mitigate the risk the firm's controls, include credit exposure and management reports, counterparty diversification and legal documentation.

In the case of bank deposits, money is only deposited with several highly rated approved counterparties.

10 Market Risk

As execution only brokers RPS's has limited market risk, however, is exposed to foreign exchange and interest rate fluctuations as a result of certain assets and liabilities being denominated in currencies other than sterling. To address this the Firm implements limitations on product, clients and trades and actively manages its foreign currency assets and liabilities to make sure they are in balance.

11 Capital resources

11.1 Pillar 1

At 31/12/2020 the firm had capital resources of £928,692.34 which was comprised solely of Tier 1 capital. In accordance with the FCA's prudential rules the sum of the firm's credit risk requirement and market risk requirement has been determined as being the capital required to be held under Pillar 1.

11.2 Pillar 2

The capital required under Pillar 2 is the sum of the capital required under Pillar 1 plus any additional capital required to be maintained against risks not adequately covered by Pillar 1 capital.

The firm's overall approach to assessing the adequacy of its internal capital is set out in its ICAAP. The ICAAP involves consideration of a range of risks faced by the firm and determines the level of capital needed to cover these risks. The level of capital required by the firm to cover identified risks is a function of their impact and probability and risk mitigation controls in place.

12 Remuneration Code

The remuneration policy is the responsibility of the board of directors. The board of directors oversee the remuneration governance framework and ensures that remuneration arrangements are consistent with, and promote, effective risk management. Additionally, RPS considers remuneration in the context of a wider agenda including retention, recruitment, motivation and talent development and the external market environment.

RPS does not have any individuals that are remunerated with guaranteed variable remuneration