

Britannia Capital Markets Limited

CAPITAL REQUIREMENTS DIRECTIVE PILLAR 3 DISCLOSURE FOR THE YEAR ENDED 31 DECEMBER 2018

Capital requirements directive Pillar 3 disclosure

Verification

This information has not been audited by the Company's external auditors and does not constitute any form of financial statement and must not be relied upon in making any judgement on Britannia Capital Markets Limited ("BCM" or "the Company" or "the Firm").

Introduction

Regulatory Context

The Capital Requirements Directive ('the Directive') of the European Union establishes a revised regulatory capital framework across Europe governing the amount and nature of capital that must be maintained by credit institutions and investment firms. In the United Kingdom, the Directive has been implemented by the Financial Conduct Authority ('FCA') in its regulations through the General Prudential Sourcebook ('GENPRU') and the Prudential Sourcebook for Investment Firms ('IFPRU').

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.

Media and Location

The disclosure is only published in our Accounts and will be available from the registered office on request.

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.

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.

The new FCA framework consists of three pillars. Pillar 1 deals with minimum capital requirements; Pillar 2 deals with Internal Capital Adequacy Assessment Process ("ICAAP") undertaken by the 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 a limited license firm primarily acts in an execution only capacity in that no specific advice is given to client. It acts solely as an agent on behalf of clients and does not undertake proprietary trading.

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CAPITAL REQUIREMENTS DIRECTIVE PILLAR 3 DISCLOSURE (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

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

Market Risk

As a Matched Principal Broker Firm, the Firm is not required to have a trading book. The Firm's potential exposures are non-trading book exposures to foreign currency assets or liabilities held on their balance sheet.

Foreign currency position risk is required @ 8%. The risk weighted exposure amount is £60,568. Whilst the Firm's fees may sometimes be in foreign currencies these are converted to sterling upon receipt thus ensuring the Firm is not exposed to any material currency risk on the balance sheet of the Company.

Credit Risk and Counterparty Credit Risk

The Firm's principal exposure to credit risk is the risk that fees cannot be collected and the exposure to banks where cash held is deposited.

The Firm holds all cash with Banks assigned high credit ratings. Consequently risk of past due or impaired exposures is minimal. The Firm's business model utilise client settlement accounts held under trust with counterparties reducing the risk of CCR in the event of a counterparty defaulting.

Business risk

By its nature a brokerage firm has a higher business risk than some other types of business. However within this context the Firm again has a conservative business risk appetite.

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

Operational Risk

This incorporates stringent I.T. controls and processes undertaken as well as the regulatory and contingency planning done at the Firm level. The Firm's operational risk appetite is conservative and, as a result, the Firm invests to mitigate such risks.

The Firm's staffing levels also provide a level of contingency cover in all critical business areas.

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

The Firm aims to keep all aspects of its operations as simple as possible.

Corporate Background

The Firm

The Firm is incorporated in the UK and is authorised and regulated by the FCA. The Firm's activities give it the IFPRU categorisation of a "Limited Licence" and an "IFPRU €125K" firm.

As a Limited Licence Firm, BCM are considered a Proportionality tier three firm for the purposes of the FCA's Remuneration Code.

The Firm is not a member of a UK Consolidation Group and as such this document covers the Firm on a solo basis.

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CAPITAL ADEQUACY & ICAAP

Capital Adequacy

BCM carries out an Internal Capital Adequacy Assessment Process (ICAAP) under the requirements of the FCA and Capital Requirements Directive (CRD). The ICAAP document draws together the Firm's risk management framework, its business planning and capital management. It is the culmination of a series of policy decisions, and procedures and system implementations designed to ensure that the Firm is able to identify manage and monitor its risks in accordance with its risk appetite. On an ongoing basis, the ICAAP is integral to the Firm's risk based approach to its business planning and capital management decisions. The ICAAP is reviewed, and formally adopted, by the Board of BCM on at least an annual basis.

BCM's Pillar 1 regulatory capital requirement is based on the Firm's TREA, which is calculated as the higher of its Fixed Overhead Requirement and its Variable Capital Requirement (the sum of the Credit Risk Capital and Market Risk Capital Requirements). The Credit Risk Capital Requirement is made up of the Credit Risk Capital Component and the Counterparty Risk Capital Component.

As stated above the Firm is a limited license firm and as such its capital requirements are the greater of:

- Its base capital requirement of €125,000; or
- The sum of its credit and market risk requirements; or
- Its fixed overhead requirement

Capital Resources and Capital Ratio

The Firm has maintained a significant capital surplus over the Firm's regulatory resources requirement (FRR) at all times. At 31 December 2018 the Firm's capital position was as follows:

Capital Position	£
Share Capital	3,825,430
Audited Retained Earnings	(2,103,147)
Less interim losses	(786,075)
Less other deductions – deferred tax asset	(571,983)
Common Equity Tier 1 Capital	364,225
Tier 2 Capital	-
Own Funds & Total Capital	364,225
Total Risk Exposure Amount (TREA) (FOR of £216,495 x 12.5 factor)	2,706,192
Surplus Capital over minimum requirement	147,730
Required Core Tier 1/Total Capital Ratio	8.00%
Actual Core Tier 1/Total Capital Ratio	13.46%

In addition, BCM sets aside a capital amount of £107,000 against Pillar 2 risks, for which there is sufficient surplus regulatory capital available.

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Risk Management and Risk Categories

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

Credit Risk calculation @ 31 December 2018
Credit Risk Capital Requirement: £17,447

Market Risk is calculated based on the Foreign Currency Position Risk Requirement which assesses the exposure of the Firm's assets and liabilities denominated in non-GBP currencies to potential movements in those currencies.

Market Risk calculation @ 31 December 2018
Foreign Currency Position Risk Requirement: £4,845.

Risk Management Objective

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

Governance Framework

Mr Julio Herrera, Mr Jose Francisco Herrera, Mr Daniel Reiser, Ms Sofia Saracho and Ms Gabriela Maldonado make up the Managing Board of Britannia Capital Markets UK Limited. The Board meets informally on a weekly basis and formally on a quarterly basis.

Risk Framework

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

Overall Pillar 2 Rule

The Firm has adopted the "Structured" approach to the calculation of its ICAAP Capital Resources Requirement as outlined in the Committee of European Banking Supervisors Paper, 25 January 2006.

The ICAAP is reviewed by the Managing Board of the Firm annually, or when a material change occurs.

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 bank.

See above (Capital Requirement) for calculation of credit risk as at 31 December 2018.

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.

Fixed Overhead Requirement: £216,495.

Disclosures: Exposures to Interest Rate Risk in the Non-Trading Book

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

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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.

The Managing Board will consider the need to add any new joiners to the list of Remuneration Code Staff during the year.

Application

Based on the Firm's profile, it is defined as a Proportionality Tier Three investment firm ("Tier Three Firm") and adopted a proportioned approach to its remuneration policy. The Firm has considered its individual needs on an ongoing basis and where appropriate disapplied certain provisions in accordance with FCA and CEBS/EBA guidance. The Managing Board will review any provisions which have been disapplied 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, the Firm does not consider it appropriate to have a separate remuneration committee. Instead this function is undertaken by the Managing Board. This will be kept under review and should the need arise, the Firm will consider amending this arrangement to provide greater independent review.

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

The Managing Board of Britannia Capital Markets UK 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 who are members of the Managing Board.

Information on the link between pay and performance

A key objective in utilising the Company's structure was to align the interests of the directors with the overall goal of achieving the best performance over the long-term for the Firm.

Aggregate Value of Directors salaries for period to 31 December 2018

Based on the profile of the Firm it is considered that they 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 remuneration disclosure requirement, we disclose, as per the audited accounts of the Firm, the total Directors salaries which, for the period to 31 December 2018 was £103,333
