### KNG Securities LLP Pillar 3 Disclosure and Policy for an IFPRU Firm as at 31 March 2021

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| **Introduction** |
| **Regulatory Context**  The Pillar 3 disclosure of KNG Securities LLP (“the Firm”) is set out below as required by the Capital Requirement Regulation Art. 431et seq. This is a requirement which stems from Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on Prudential requirements for Credit Institutions and Investment Firms and amending Regulation (EU) No 648/2012 (“Capital Requirement Regulation”, “CRR”) which represented the European Union’s application of the Basel Capital Accord. The regulatory aim of the disclosures is to improve market discipline.  **Frequency**  The Firm will be making Pillar 3 disclosures at least annually. The disclosures will be as at the Accounting Reference Date (“ARD”).  **Media and Location**  The disclosure will be published as an appendix to our Statutory Audited Annual Accounts.  **Verification**  The information contained in this document has not been audited by the Firm’s external auditors, as this is not a requirement, and does not constitute any form of financial statement and must not be relied upon in making any judgement on the Firm.  **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.  **Confidentiality**  The Firm regards 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 must 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. |

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| **Summary** |
| The CRR, to which the Firm is subject to, has 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 and capital requirements.  The regulatory aim of the disclosure is to improve market discipline.    The Firm is an IFRU broker. It acts as agent and principal. The Firm’s greatest risks have been identified as business and operational risk. The Firm is required to disclose its risk management objectives and policies for each separate category of risk which include the strategies and processes to manage those risks; the structure and organisation of the relevant risk management function or other appropriate arrangement; the scope and nature of risk reporting and measurement systems; and the policies for hedging and mitigating risk, and the strategies and processes for monitoring the continuing effectiveness of hedges and mitigants.    The Firm has assessed business and operational risks in its ICAAP and set out appropriate actions to manage them.  The Firm has an operational risk framework (described below) in place to mitigate operational risk. The Firm’s main exposure to credit risk is the risk that balances held with clearers will not be paid. These are large institutions and, therefore, credit risk is considered low.  Market Risk exposure has been assessed by the Firm and is limited to the Firm’s exposure to foreign currency exchange rate risk and any positions held on an overnight basis both of which are low and monitored. |
| **Background to the Firm** |
| **Background**  The Firm is incorporated in the UK and is authorised and regulated by the FCA as an IFPRU Firm. The Firm will occasionally hold positions to facilitate client orders and gives the Firm the category of an IFPRU 730K full scope firm.  The Firm is a Solo regulated entity. |

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| **Article 435**  **Disclosure:** Risk Management Objectives and Policies |
| **Risk Management Objective**  The Firm has a risk management objective to develop systems and controls to mitigate risk to within its risk appetite.  **Governance Framework**  The Executive Committee is the Governing Body of the Firm (‘the Executive Committee’). It meets regularly and is composed of the designated members:   * Nick Nugent * Andrea Podesta * ARP Holdings Limited   The Executive Committee is responsible for the entire process of risk management, as well as forming its own opinion on the effectiveness of the process. In addition, the Governing Body decides the Firm’s risk appetite or tolerance for risk and ensures that the Firm has implemented an effective, ongoing process to identify risks, to measure its potential impact and then to ensure that such risks are actively managed. Senior Management is accountable to the Executive Committee for designing, implementing and monitoring the process of risk management and implementing it into the day-to-day business activities of the Firm.  **Risk Framework**  Risk within the Firm is managed by use of the following:  **Disclosures concerning Executive Committee**  The number of outside directorships held by members of the Executive Committee is as follows:   * Nick Nugent (0) * Andrea Podesta (1) * ARP Holding Limited (0)   Recruitment policy for selection of Executive Committee  The Executive Committee consists of the founding members of the Firm. Any additions would be assessed on the contribution they make to the firm and their overall competence and character.  Policy on Diversity  The Firms procedures contain provision to ensure that individuals are not discriminated against on the grounds of race, religion, disability or sexual orientation.  Risk committee  Due to the size of the Firm a separate Risk Committee has not been set up |
| **Article 437**  **Disclosure:** Own Funds |
| As at the balance sheet date the Firm was an IFRU Limited Licence Firm. Tier 1 Capital comprises of LLP Members Capital.  No prudential filters were applied pursuant to Articles 32 to 35 in respect of:   * Securitised Assets * Cash Flow Hedges and Changes in the Value of Own Liabilities * Additional value adjustments * Unrealised Gains and Losses Measured at Fair Value   No deductions were made pursuant to Articles 36, 56 and 66;   |  |  | | --- | --- | | Tier 1 Capital | £1,008,099 | | Deductions | £0 | | Tier 2 Capital | £0 | | Deductions | £0 | | Capital Resources | £0 | | Tier 3 Capital | £0 | | Deductions | £0 | | **Total Capital** | **£1,008,099** | |  |  | |
| **Article 438**  **Disclosure:** Capital Requirements |
| The Firm has adopted the “Pillar 1 plus” “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 assessment is reviewed by the Executive Committee and amended where necessary, on a quarterly basis or when a material change to the business occurs. The Executive Committee presents the ICAAP document to the Governing Body of the Firm which reviews and endorses the risk management objective each quarter or when a material change to the business occurs at the same time as reviewing and signing off the ICAAP document.   |  |  | | --- | --- | | **Article 112 exposure** | **8% of risk weighted exposure amount** | | exposures to central governments or central banks; | £0 | | exposures to regional governments or local authorities; |  | | exposures to public sector entities; |  | | exposures to multilateral development banks; |  | | exposures to international organisations; |  | | exposures to institutions; | £30,503 | | exposures to corporates; |  | | retail exposures; |  | | exposures secured by mortgages on immovable property; |  | | exposures in default; |  | | exposures associated with particularly high risk; |  | | exposures in the form of covered bonds; |  | | items representing securitisation positions; |  | | exposures to institutions and corporates with a short-term credit assessment; |  | | exposures in the form of units or shares in collective investment undertakings ("CIUs"); |  | | equity exposures; |  | | other items. | £7,793 | | **Total** | **£38,296** |   **Internal Ratings Based Approach**  The Firm does not adopt the Internal Ratings Based Approach and hence this is not applicable. |
| **Article 439**  **Disclosure: Exposure to Counterparty Credit Risk** |
| The firm uses the standardized approach to assign capital to its balances. Cash is held with well rated institutions. |
| **Article 440**  **Disclosure: Capital buffers** |
| The firm was not subject to capital buffers at the Balance sheet date. |
| **Article 441**  **Disclosure: Indicators of Global Systemic Importance** |
| This disclosure is not applicable as we are not a Global Systemic Important Institution |
| **Article 442**  **Disclosure: Credit Risk Adjustments** |
| There are no credit risk adjustments and there is no policy due to the nature of the Firm’s business. |
| **Article 443**  **Disclosure: Unencumbered Assets** |
| Encumbered and unencumbered assets are reported to the FCA regularly, but this is not considered a risk for the business |
| **Article 444**  **Disclosure: Use of ECAIs** |
| |  |  |  |  | | --- | --- | --- | --- | | **Article 112 exposure** | **ECAIs and ECA** | **Exposure value** | **Exposure value after Credit Risk Mitigation** | | exposures to central governments or central banks; | Moody’s |  | , | | exposures to regional governments or local authorities; |  |  |  | | exposures to public sector entities; |  |  |  | | exposures to multilateral development banks; |  |  |  | | exposures to international organisations; |  |  |  | | exposures to institutions; | Moody’s | £1,906,420 | £1,906,420 | | exposures to corporates; |  |  |  | | retail exposures; |  |  |  | | exposures secured by mortgages on immovable property; |  |  |  | | exposures in default; |  |  |  | | exposures associated with particularly high risk; |  |  |  | | exposures in the form of covered bonds; |  |  |  | | items representing securitisation positions; |  |  |  | | exposures to institutions and corporates with a short-term credit assessment; |  |  |  | | exposures in the form of units or shares in collective investment undertakings ("CIUs"); |  |  |  | | equity exposures; |  |  |  | | other items. | N/a | £97,410 | £97,410 | | **Total** |  | **£2,003,830** | **£2,003,830** |   The Firm applies the standard association between ratings and credit quality steps as published by the EBA |
| **Article 445**  **Disclosure: Exposure to Market Risk** |
| Article 92(3) b requirements for trading book business   |  |  | | --- | --- | | **Item** | **Own fund Requirement** | | Position risk | £0 | | Large exposures which exceed limits in Arts 395-401 | 0 | | **Total** | £0 |   Article 92(3) c requirements   |  |  | | --- | --- | | **Item** | **Own fund Requirement** | | Foreign Exchange Risk | £46,878 | | Settlement Risk |  | | Commodities Risk |  | | **Total** | £46,878 |  |  |  | | --- | --- | | **Item** | **Own fund Requirement** | | Specific Interest Rate Risk of Securitisation positions | 0 |   The Firm does not hold securitisation positions and therefore there is no Specific Interest Rate Risk to disclose, |
| **Article 446**  **Disclosure: Operational Risk** |
| The Firm uses the Basic Indicator Approach in its calculation of operational risk. |
| **Article 447**  **Disclosure: Exposures in Equities not Included in the Trading Book** |
| This disclosure is not required as the Firm does not have a Non-Trading Book Exposure to Equities. |
| **Article 448**  **Disclosure: Exposure to Interest Rate Risk on Positions not Included in the Trading Book** |
| Although the Firm has substantial cash balances on its Balance Sheet, there is currently no significant exposure to Interest Rate fluctuations. |
| **Article 449**  **Disclosure: Exposure to Securitisation Positions** |
| This disclosure is not required as the Firm does not Securitise its assets. |
| **Article 450**  **Disclosure: Remuneration Policy** |
| Given the relatively small size of the firm, remuneration policy for all code staff is set by the senior partners. The senior partners review remuneration for code staff based upon individual, both financial and non-financial criteria, and overall firm performance. Individual performance is also reviewed over an extended period to ensure the long-term objectives of the staff and the firm is not in conflict. The overall level of remuneration is set in the form of a base salary and a bonus. The resource available for bonuses is directly linked to the performance of the firm.  The Governing Body is responsible for the Firm’s remuneration policy. All variable remuneration is adjusted in line with capital and liquidity requirements.  The Firm falls within FCA proportionality Level 3 and as such this disclosure is made in line with the requirements for a Level 3 Firm.  All remuneration of Code Staff is in the form of drawings of available profits.   |  |  | | --- | --- | | Senior Management | £3,745,000 | |
| **Article 451**  **Disclosure: Leverage** |
| The Firm does not engage in excessive leverage or use derivatives to increase its leverage. |