

## Pillar 3 Disclosure and Policy

### Overview

#### Regulatory Context

The Pillar 3 disclosure of Invicta Securities Limited (“the Firm”) is set out below as required by the FCA’s “Prudential Sourcebook for Banks, Building Societies and Investment Firms” (BIPRU) specifically BIPRU 11.3.3 R. This follows the introduction of the Capital Requirements Directive (“CRD”) which represents 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 annually or upon material change. The disclosures are as at the Accounting Reference Date (“ARD”), which is 30 June and are published as soon as practicable after the audit of the annual financial statements.

#### Media and Location

The disclosure will be made available on company website.

#### Verification

The information contained in this document has not been audited by the Firm’s external auditors and does not constitute any form of financial statement and must not be relied upon in making any judgment of 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.

### **Invicta Securities Limited**

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## Summary

The CRD requirements have three pillars:

- Pillar 1 sets out the minimum capital requirements firms are required to hold to meet credit, market and operational risk requirements;
- Pillar 2 deals with Internal Capital Adequacy Assessment Process (“ICAAP”) undertaken by a firm and its supervisors to form an opinion on whether it should hold additional capital against risks not adequately covered in Pillar 1, and take action accordingly;
- Pillar 3 is aimed to improve market discipline and deals with public disclosure of risk management policies, risk exposures, capital resources and capital requirements.

The Firm was a full scope license firm as at the balance sheet date. The Firm’s greatest risks have been identified as market risk, business and operational risk as at this date. 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 in place to minimize these risks. The Firm’s main exposure to credit risk is the risk that brokerage fees and secured deposit cannot be collected and, therefore, credit risk is considered low. The Firm holds all cash and Investment grade bonds.

Market Risk exposure in this instance has been assessed by the Firm and is limited to the Firm’s exposure to any cash held on the Firm’s Balance Sheet denominated in a foreign currency and to his own bond portfolio. The Firms Reporting Currency is GBP. Foreign currency assets are kept to balance the volatility of Sterling and are converted when necessary.

### Background of the Firm

Invicta Securities Ltd is incorporated in the UK and is authorised and regulated by the Financial Conduct Authority and as such is subject to the minimum regulatory capital requirements. The Firm’s activities give it the IFPRU categorisation of a IFPRU €730K full scope licence firm by the FCA.

The Firm is a stand-alone regulated entity.

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## BIPRU 11.5.1 Disclosure: Risk Management Objectives and Policies

### Risk Management Objective

The Firm has low appetite for risk in relation to the size of activity and the management uses a cautious and prudent approach. In fact the management objective is to develop systems and controls to mitigate risk to within its risk appetite.

### Governance Framework

The Directors of the Firm are involved with the day to day business activity including the continual assessment of risk. The Board of Directors meets every month to discuss current projections for profitability, regulatory capital management, business strategy and risk management. The Board is responsible for the entire process of risk management, as well as forming its own opinion on the effectiveness of the process, based on the relevant laws, standards, principles and rules with the aim to operate a defined and transparent risk management framework. These policies and procedures are updated as required. In addition, the Board 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.

The Firm is relatively small with an operational infrastructure appropriate to its size.

### Risk Framework

The Firm has a conservative approach to risk and risk within the Firm is managed by identifying it and take immediate measure to fix it.

The Firm has in place an internal control framework to govern its processes and procedures and to mitigate any risks.

The ICAAP has identified the most significant risk types to be as follows:

Risk	Definition
Credit	The risk that counterparties or clients of the firm fail to fulfil their obligations.
Market	The risk of loss due to movements in market risk factors.
Operational	The risk of loss resulting from inadequate or failed processes, people or systems, inaccuracy and improper disclosure of data, (including Legal and Information security risk)
Liquidity	The risk of loss resulting from lack of liquidity.
Insurance	The risk of inadequate cover in place to cover the uncertainty as to the amount and timing of insured liabilities.
Concentration	The risk of over reliance on a limited number of clients.
Business	Reflects the risk of direct or indirect loss, or damaged reputation as a result of changes in external circumstances or events. Business risk includes all risks not mentioned under other risk categories.

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## BIPRU 11.5.4 Disclosure: Compliance with BIPRU 3, BIPRU 4, BIPRU 6, BIPRU 7, BIPRU 10 and the Overall Pillar 2 Rule

### Capital Resources

The regulatory capital figures set out below are those of Invicta Securities Ltd for the year ended 30 June 2020:

#### Capital Resources:

Ordinary Share Capital	£250,000
Audited Retained Earnings	<u>£713,858</u>
 Total Tier 1 Capital	 £ 963,858

The Firm has forecasts in place to ensure that it will continue to meet they regulatory capital requirement on an ongoing basis.

### Pillar 1

Invicta Securities is a IFPRU €730,000 Full Scope Licence firm and, as such, is required to calculate their Pillar 1 as a variable capital requirement based on the sum of operational, market and credit risk and base capital requirement.

The firm has adopted the following approach to its Pillar 1 capital calculation

- Credit Risk – the “Standardised Approach” Article 111-141 CRR
- Market Risk – “Trading Book” and “Non Trading Book” Articles 325-377 CRR
- Operational Risk – “Basic Indicator Approach” Articles 315-316 CRR

The total Operation/Credit/Market/FX/Counterparty Risk requirement, (BIPRU 11.5.12), has been calculated at Credit: £1,000, FX: £11,000 and Counterparty: £7,000. The resultant total potential is therefore calculated as £58,000. The outgoings for 2019/20 are calculated as £230,000 so the Fixed Overheads Requirement of is one quarter of this figure is £58,000. As a result the firm uses the sum of CMCR Requirement in determining its Pillar 1 capital requirement.

	Pillar 1	ICAAP
	Minimum Capital	Pillar 2 Capital
Base Capital Requirement	646,018	
Credit Risk	19,967	63,039
Market Risk	79,279	155,398
Operational Risk	383,368	283,368
Foreign Exchange Risk	36,214	22,000
Other Risk		
Wind down Net Costs		93,900
Additional capital to cover stress testing		253,000

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<b>Capital Requirements</b>	646,018	770,705
<b>Current total capital (30/06/20)</b>	963,858	963,858
<b>Total capital (3Y financial projections)</b>	<b>729,746</b>	<b>729,746</b>
<b>Surplus</b>	445,029	93,153

The total Credit/Market/FX/Counterparty Risk requirement, (BIPRU 11.5.12), has been calculated at Credit: £1,000, FX: £11,000 and Counterparty: £7,000. The resultant total potential is therefore calculated as £58,000. The outgoings for 2019/20 are calculated as £230,000 so the Fixed Overheads Requirement of is one quarter of this figure is £58,000. As a result the firm uses the sum of CMCR Requirement in determining its Pillar 1 capital requirement.

At 30 June 2020 the Firm's capital resources were in excess of its Pillar 1 minimum capital requirement.

The Firm does not adopt the Internal Rating Based approach and hence BIPRU 4 is not applicable.

The Firm is not subject to the Large Exposure Rules at BIPRU 10 and, therefore, no disclosure on this is required.

## Pillar 2

Invicta Securities continually assesses its ongoing liquidity to support current and future activities.

In line with Pillar 2 requirements, the Firm's Individual Capital Adequacy Assessment Process identifies the Firm's internal capital requirements.

Invicta Securities' ICAAP and the internal capital requirement it identifies is formally reviewed and signed off by the Board of Directors on an annual basis.

At 30 June 2020, the Firm's capital resources were in excess of its Pillar 2 internal capital requirement.

## Disclosure: Remuneration

BIPRU 11.5.18R requires that a firm makes a disclosure of details regarding its remuneration policy.

Given the relatively small size of the Firm, remuneration policy for all code staff is set by the Board. The Board is responsible for the Firm's remuneration policy. The Board review remuneration for code staff based upon individual, both financial and non-financial criteria, and overall company performance. All variable remuneration is adjusted in line with capital and liquidity requirements.

Approved by the Board November 2020.

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