Pillar 3 Disclosure

Pillar 3 Disclosure

Content

BACKGROUND

• Introduction

The EU's Capital Requirements Directive ('CRD') introduced consistent capital adequacy requirements for authorised credit institutions and investment firms, through a regulatory framework consisting of three 'Pillars':

• Pillar 1 - sets out the minimum capital requirement to meet a firm's credit, market and operational risk.

• Pillar 2 - requires a firm to undertake an Internal Capital Adequacy Assessment Process ('ICAAP') to establish whether its Pillar 1 capital is adequate to cover all the risks faced by the firm and, if not, to calculate the additional capital required.

• Pillar 3 - requires a firm to disclose specific information concerning its risk management policies and procedures and its regulatory capital position.
The CRD has been implemented into UK law through the FCA Handbook, specifically General Prudential Sourcebook (GENPRU) and the Prudential sourcebook for Investment Firms (IFPRU).

IFPRU 11 sets out the provisions governing Pillar 3 Disclosures. This report contains all the disclosures required under IFPRU 11 unless a particular disclosure is not applicable, regarded as not material, or is proprietary or confidential information.

• Frequency of Disclosure
ICMC will make Pillar 3 disclosures on an annual basis, as soon as reasonably practicable following completion of its annual financial statements. However, ICMC will update its Pillar 3 disclosure more frequently than annually if material changes to its business model have occurred that would affect the calculations of its regulatory capital requirement.

LOCATION AND VERIFICATION OF DISCLOSURE

Disclosures are verified and approved by the Board prior to being published on the ICMC website (www.icmcapital.co.uk).

Scope and Application

• **Business Overview**
ICMC is a IFPRU 730K firm authorised and regulated in the UK by the Financial Conduct Authority (FCA). Financial Conduct Register number: 520965

ICMC provides online access to foreign exchange spot, CFDs markets via its MT4 trading platform.

The firm's services are offered to Eligible Counterparties, Professional Clients and Retail Clients, as defined by the EU Markets in Financial Instruments Directive (MiFID).

• **Solo Basis of Disclosure**
ICMC is not a parent undertaking and the disclosures made within this report are made on an individual basis.

RISK MANAGEMENT GOVERNANCE STRUCTURE

• Introduction
Risk management is embedded throughout ICMC, with the overall risk appetite and risk management strategy being approved by the Board and then disseminated throughout the business as appropriate.

• The Board
The Board is responsible for setting ICMC's risk appetite, ensuring that it has an appropriate and effective risk management framework, and for monitoring the ongoing process for identifying, evaluating, managing and reporting the significant risks faced by the firm.

• Risk Management Framework
ICMC's Risk Management Framework identifies risks within four risk categories:

(1) Market Risk;
(2) Credit Risk;
(3) Operational Risk; and
(4) Business Risk.

The risks within each area are analysed, mitigating factors assessed and relevant controls identified. The risks within each category are rated according to their potential impact and probability and assigned a risk rating. Action is taken by the Board to manage the key risks, as appropriate, to safeguard ICMC and its clients.

The Risk Management Framework is regularly updated and is reviewed at least annually by the Board, with particular focus on those risks rated 'High'. The Risk Management Framework is used to identify the risks to be considered in the Internal Capital Adequacy Assessment Process ('ICAAP').

• Compliance
The Compliance Oversight Function monitors for compliance by ICMC with the various regulatory requirements to which the firm is subject, including those imposed by the UK regulatory regime. The Compliance Oversight Officer reports directly into the Chief Executive Officer.

• Internal Audit
Due to the nature, scale and complexity of its business, ICMC does not have a dedicated Internal Audit Function, but has delegated much of the task of monitoring the appropriateness and effectiveness of its systems and controls to the Compliance Oversight Function.

PRINCIPLE BUSINESS RISKS

- **Market Risk**

Market risk is the vulnerability of firms to movements in the value of financial instruments held either by themselves, or by their clients. ICMC is exposed to trading risk on any client positions which are not hedged give rise to this risk which is monitored and managed dynamically. When ICMC hedges a position, the firm is not exposed to market risk as orders are matched.

- **Credit Risk**

Credit Risk is the risk that a firm's clients and counterparties fail to pay monies due to the company.

ICMC main exposure to credit risk is in respect of its underlying clients. Clients are not permitted to begin trading until such time as money is deposited on their account and ICMC operates a strict Margin Call Policy, which protects clients from losing more money than they have available to trade.

ICMC faces credit risk from banks and counterparties where deposits and other balances are held. ICMC minimises this risk by only using top tier banks to hold its funds.

- **Operational Risk**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. As such, operational risk spans a wide and diverse range of potential risks, including: loss of key staff; IT system failures; loss of data; telecommunications failures; loss of power supply; failure or disruption of a critical business process; disaster occurrences, natural or otherwise.

Operational risks are identified, mitigated and/or managed at ICMC by senior individuals who are alert to the risks faced by the area of the business they are responsible for e.g. Trading, Operations, Finance, Compliance, etc.

- **Business Risk**

ICMC operates in an environment characterised by intense competition, rapid technological change and a continually evolving regulatory framework. Failure to adapt to changing market dynamics, customer requirements, or the way OTC markets and their participants are regulated constitutes a significant long-term risk.

ICMC's main strategy for managing and mitigating these risks is through the continued development of its electronic brokering capability, active management of client relationships and by keeping abreast of all relevant regulatory reforms affecting the operation of OTC markets.

CAPITAL ADEQUACY

ICMC has a regulatory obligation to ensure that it maintains overall financial resources, including both capital resources and liquidity resources, which are adequate both as to the amount and quality, to ensure there is no significant risk that its liabilities cannot be met as they fall due.

• **Internal Capital Adequacy Assessment Process (ICAAP)**
The ICAAP formally records the assessment as to whether a firm's capital and liquidity resources are sufficient to cover the risks identified in the Risk Management Framework. ICMC's ICAAP is updated and formally approved by the Board on at least an annual basis.

CAPITAL MANAGEMENT

The firm's capital management objectives are to:

(1) to ensure ICMC continues operating as a going concern, and
(2) meets its regulatory capital requirements at all times.

These objectives are primarily met by managing the risks that ICMC faces on a regular basis.

REMUNERATION

ICMC has delegated a Remuneration Committee which last met on the 14th Dec 2016.

• Code Staff
The only Code Staff are the ICMC's three Directors and the Compliance Officer/MLRO.

• Aggregate Remuneration

	Total £	Total No. of Staff
Code Staff	£382,090.00	Four