BLACKWELL GLOBAL INVESTMENTS (UK) LIMITED

Pillar 3 Disclosure

July 2019

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PILLAR 3 DISCLOSURE 2019

Blackwell Global Investments (UK) Limited is a limited liability company registered in England and Wales with its registered office at 107 Cheapside, London EC2V 6DN. Company Number 09241171. Blackwell Global Investments (UK) Limited is authorised and regulated by the Financial Conduct Authority. Financial Services Register Number 687576.

Capital Requirements Directive - Pillar 3 Disclosure

Introduction

Pillar 3 complements the minimum capital requirements (Pillar 1) and the supervisory review process (Pillar 2). The requirements of the CRD have been outlined by Financial Conduct Authority (FCA) rules and guidance within the General Prudential Sourcebook (GENPRU) and the Prudential Sourcebook for Investment Firms (IFPRU). Pillar 3 also incorporates the provisions of Systems and Controls (SYSC 19A) related to remuneration.

On 26 June 2013 the European Parliament and Council approved the Capital Requirements Regulation ("CRR") and Capital Requirements Directive ("CRD"), which together comprise CRD IV. This came in to force from 1 January 2014 with the CRR directly binding on all EU member states while the CRD needed to be incorporated into national law by the same date. CRD IV replaces the existing capital requirements for banks, building societies and a number of investment firms and, for firms within its scope, is applicable at a solo (entity), sub-consolidated and consolidated basis. Blackwell Global Investments (UK) Limited (Hereafter Blackwell Global or the Firm) is an IFPRU €730k Full Scope Firm (as defined by the FCA), and will need to comply with the EU CRR and the FCA's IFPRU handbook.

CRD IV introduced a stricter definition of capital resources, increased capital requirements, increased reporting obligations (COREP), binding liquidity ratios and new requirements on remuneration. However, the existing Pillar 2 ICAAP assessment, and the FCA's Individual Capital Guidance ("ICG"), is materially unchanged from the previous regime and has been effectively transcribed into the IFPRU handbook.

The changes arising from the implementation of CRD IV have been considered by the Firm in its latest ICAAP assessment, which shows that the Firm remains comfortably in excess of its minimum capital requirements under CRD IV. This document has been developed and published by Blackwell Global in order to provide material information for market participants to assess key information about the Company's risk management objectives and controls, its remuneration policies and its capital position.

Overview

The Capital Requirements Directive IV ("CRD") of the European Union created a revised regulatory capital framework across Europe governing how much capital financial services firms must retain. The rules are set out in the CRD under three pillars:

- Pillar 1 sets out the minimum capital resource requirement firms are required to maintain to meet credit, market and operational risks.
- Pillar 2 requires firms to assess firm-specific risks not covered by Pillar 1 and, where necessary, maintain additional capital.
- Pillar 3 requires firms to disclose information regarding their risk assessment process and capital resources with the aim to encourage market discipline by allowing market participants to assess key information on risk exposure and the risk assessment process.

The rules in the PRA and FCA Prudential Sourcebook for Investment Firms ("IFPRU") set out the provision for Pillar 3 disclosure. This document is designed to meet our Pillar 3 disclosure obligations.

Frequency

The Firm will be making Pillar 3 disclosures annually. The disclosures will be as at the Accounting Reference Date ("ARD") which is currently 31st March.

Media and Location

The disclosure is published on the Firm's website only and will be available from the Registered Office on request.

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 on Blackwell Global.

Materiality and Confidentiality
The rules provide that Blackwell Global may omit one or more of the required disclosures if it believes that the information is immaterial. Materiality is based on the criterion that the omission or misstatement of any information would be likely to change or influence the decision of a reader relying on that information. Where the Firm has considered a disclosure to be immaterial is has been stated this in the document.

In addition, we may also omit one or more of the required disclosures where we believe that the information is regarded as proprietary or confidential. In our view, proprietary information is that which, if it were shared, would undermine our competitive position. Information is considered to be confidential where there are obligations binding us to confidentiality with our customers, suppliers and counterparties.

Corporate Background

The Firm
The Firm is incorporated in the UK and is Authorised and Regulated by the FCA to provide execution-only trading services and to deal on its own account. Blackwell Global is permitted to deal with all customer types - Retail, Professional and Eligible Counterparties. The Firm may hold and control client money. The Firm's activities give it the categorisation of an IFPRU €730k "Full Scope" firm. The Firm is considered a Proportionality level three firm for the purposes of the FCA's Remuneration Code. This allows the Firm to disapply many of the technical requirements of the Code and proportionately applies the Code's rules and principles in establishing its Remuneration Policy.

Scope of Disclosure
The scope of this Pillar 3 disclosure applies to Blackwell Global Investments (UK) Limited; the disclosure is produced on an individual company basis.

Risk Management
The Firm's Chief Executive Officer ('CEO') is ultimately responsible for the overall risk management approach of the Firm and for approving and monitoring risk strategies, setting limits, applying principles and ensuring appropriate risk reduction strategies and procedures are coordinated and implemented. The Firm's other Executive Director is Head of Risk and responsible for the Firm's day-to-day risk management.

The Firm has exposure to the following risks:
- Market Risk
- Credit Risk
- Liquidity Risk
- Operational Risk
- Foreign Exchange Risk

Risk Management by Category

Market Risk – Trading
All transactions that are executed are done so on a Principal basis by Blackwell Global. All completed transactions are systematically matched to clients' orders. However, no order shall be executed if the client does not have sufficient collateral within their client account. Blackwell Global are therefore never entering a transaction that will not be netted off to the client and as such Blackwell Global are acting as a Matched Principal only, taking no market positions themselves and therefore having no market risk in the course of regular business.

However, Blackwell Global is obliged to offer "Negative Balance Protection" to Retail clients. This was prompted by the ESMA market intervention, which came into force on 1st August 2018. Negative Balance Protection obliges Blackwell Global to ensure that a Retail client's account balance does not fall below zero. This means that, theoretically, Blackwell Global could be exposed to market risk if it were to close out a client's trades when the account balance hit zero, but was not able to close out the matched trade with its counterparties. Blackwell Global has permission under the Financial Services and Markets Act 2000 (FSMA) to Deal in Investments as Principal with no limitations and permission under Directive 2014/65/EU (MiFID II) to Deal on Own Account in order to account for this potential risk, but does not currently use these permissions to actively take on market risk.

Credit Risk
The Firm has credit risk with banks with which it deposits funds and market counterparties. The firm sets limits as to the maximum exposure for each counterparty and where possible requests for its funds to receive client money protection to reduce exposure to credit risk.

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The Firm's credit risk is also the risk that clients will cause a financial loss for the Firm by failing to discharge their financial obligations to it.

The Firm has negligible client credit risk as it requires clients to place a margin or deposit in their account for all trades before they are permitted to deal with the Firm. The Firm has a formal margin policy and clients must top up their margin to pre-set levels if they fall below these, or the Firm may enforce the liquidation of one or more of their open positions.

The Firm does not extend credit over and above clients being permitted to trade at the Firm's pre-set margin levels, nor does it accept financial instruments other than cash by way of collateral. This further mitigates any credit risk to the Firm.

Liquidity Risk

Liquidity risk is the risk that the Firm will encounter difficulty in meeting its financial obligations. The Firm's approach to liquidity is to ensure that as far as possible it will always have sufficient liquidity to meet its clients' and brokers' margin requirements and liabilities when they fall due. This is achieved by ongoing monitoring of the Firm's available working capital as compared with the amounts due to clients and counterparties, as settled daily to their respective P&Ls.

Any failure by the Firm to meet its payment obligations could result in market counterparties closing the Firm's hedging positions or failure to meet client withdrawal requests, either of which would have material adverse consequences for the Firm's business. The cash position of the Firm is therefore monitored closely and contingency plans are always in place to meet unexpected demands.

Operational Risk

The Firm's operational risk is the risk that the Firm will derive losses through inherent failure in its processes, personnel, technology or infrastructure or by external forces impacting on any of these. These risks are countered through regular assessment of the likelihood of these risks as part of the Firm's ongoing internal risk management procedures, including maintaining a fully up-to-date risk register and ICAAP, and contingency planning for how to deal with such risks arising. The Firm's ICAAP also details expected costs which would be associated with risks which cannot be fully mitigated, and these are taken into account when planning the Firm's capital.

Foreign Exchange Risk

The Firm operates globally and uses pounds sterling as its functional currency and is thus exposed to foreign exchange risk arising from various currency combinations. Foreign currency-denominated assets and liabilities together with expected cash flows give rise to foreign exchange exposures. Due to changes in global markets currency combinations will also change within a financial year.

Capital

Capital Management

The Firm's objectives when managing capital are to safeguard the Firm's ability to continue as a going concern and to ensure there is always adequate capital to meet trading requirements, margin requirements, ongoing working capital requirements and capital requirements set by the FCA and relevant legislation. In order to maintain or adjust the capital structure, the Firm may issue new shares to its shareholders. Capital is managed through budgeting, forecasting and monthly entity and consolidated capital reporting.

Capital Resources

The Firm regards its capital position to include all financial assets and liabilities; therefore the capital position at 31st March 2019 was £996,565

Capital Adequacy

As the firm is an IFPRU €730k Full Scope Firm, it has calculated its capital resources in accordance with the CRR. The firm's Pillar 1 capital resource requirements is the higher of the base capital requirement of €730,000 and the variable capital resource requirement, being the sum of the Credit, Market and Operational Risk Requirements.

Base Capital requirement:	€730,000 (conservative sterling equivalent £650,000)
Variable capital resource requirement:	The sum of the Credit Risk Capital Requirement, the Market Risk Capital Requirement and the Operational Risk Capital Requirement

Capital Requirement

	£
Ordinary Share Capital (including share premium)	£4,212,782

Retained Earnings	£-3,216,217
Core Tier One Capital	£996,565
Own Funds	**£996,565**
Initial Capital Requirement	**£650,000**
Credit Risk Capital Requirement	£100,014
Market Risk Capital Requirement	£65,760
Operational Risk Capital Requirement	£96,995
Total Variable Capital Requirement	**£262,769**
Surplus Capital over Minimum Requirement	**£346,565**

Based on an assessment of risks, it is the opinion of the Directors that the processes and procedures and governance structure of the firm are suitable to remove any additional capital requirement held above the Pillar 1 assessment. There is a surplus of reserves above the capital resource requirement deemed necessary to cover the risks identified.

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Remuneration

Remuneration Disclosure

Under the FCA's Remuneration Code, Blackwell Global has determined that it is a Level 3 firm, which allows it to display many of the technical requirements of the Code and proportionately apply the Code's rules and principles in establishing Its Remuneration Policy.

Decision making Process for Remuneration Policy

Due to the Firm's size and scale, the Remuneration Policy was determined and administered by the Firm's Directors. The Firm's currently pays discretionary variable remuneration, but only to a limited extent. Not all employees' remuneration is fixed. Variable, discretionary and periodic bonuses are agreed where necessary by the Firm's Directors.

Code Staff Criteria

The following groups of employees have been identified as meeting the FCA's criteria for Code Staff:

- Any employee holding a significant influence function

The Link between Pay and Performance for Code Staff

Code staff remuneration is made up of fixed (basic salary), plus discretionary bonuses. All variable remuneration payable to the Firm's Code Staff is calculated by reference to the Firm's net operating profit, where the underlying revenue is not subject to recovery or downward adjustment.

Aggregate Quantitative Information on Remuneration for Code Staff

For the year ending 31st March 2018, there were three Code Staff employed across the year (as defined above). The Firm is obliged to comply with the rules for disclosures in a manner without prejudice to the UK or other national transposition of Directive 95/46/EC of the European Parliament and of the Council of 24th October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data.

The Firm only has a small number of Code Staff. Therefore, it has deemed the disclosure of the aggregate quantative information as required to be disproportionate and pose a compromise to the individuals' confidential information. Quantitative data is therefore withheld.

Technical criteria on disclosure not relevant to The Firm

Risk exposures IRB approach

These disclosures are not required as the Firm has not adopted the Internal Ratings Based (IRB) approach to Credit Risk and therefore is not affected.

Credit risk and dilution risk

This disclosure is not required as the Firm does not make Value Adjustments and Provisions for impaired exposures that need to be disclosed.

Firms calculating risk weighted exposure amounts In accordance with the standardised approach

This disclosure is not required as the Firm uses the Simplified method of calculating Risk Weights.

Firms calculating Risk Weighted Exposure amounts using the IRB Approach

This disclosure is not required as the Firm has not adopted the Internal Ratings Based approach to Credit and therefore is not affected.

Use of VaR model for calculation of market risk capital requirement

This disclosure is not required as the Firm does not use a VaR model for calculation of Market Risk Capital Requirement.

Non-trading book exposures in equities

This disclosure is not required as the Firm does not have a Non-Trading Book Exposure to Equities.

Exposures to Interest Rate Risk in the Non-Trading Book

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

Securitisation

This disclosure is not required as the Firm does not securitise its assets.

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