Pillar 3 and Remuneration Disclosure as at 31 March 2017

Disclosure Policy

Under the CRD IV framework Broad Securities LLP ("Broad Securities", the "Firm", "BSL") is required to make certain disclosures. These disclosure requirements cover relevant risks that apply (e.g. own funds, credit risk, securitisation, market risk, operational risk) as well as information about a firm's risk management, exposures, risk weighting and capital requirements.
Whilst some of the disclosures have been captured within the FCA's Senior Management Arrangements: Systems and Controls (SYSC) Sourcebook, the majority of requirements are contained within Part Eight of Regulation (EU) No 575/2013 (Capital Requirements Regulation - 'CRR').
Broad Securities makes these disclosures annually in line with the Firm's internal policy and assessment of the CRR requirements to adequately convey our risk profile. The disclosures are as at the Accounting Reference Date and are published on the Firm's website.
The disclosures made within this document have been reviewed and approved by the Firm's partners and have not been subject to external audit except where they are equivalent to those prepared under accounting requirements for inclusion in the financial statements.

The Firm may omit information it deems as immaterial, in accordance with the rules. 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. Accordingly where the Firm has considered an item to be immaterial it has not been disclosed.
In addition, if the required information is deemed to be proprietary or confidential then the Firm may take the decision to exclude it from the disclosure. In the Firm's view, proprietary information is that which, if it were shared, would undermine its competitive position. Information is considered to be confidential where there are obligations binding the Firm to confidentiality with our customers, suppliers or counterparties. Where information is omitted for either of these reasons this is stated in the relevant section of the disclosure, along with the jurisdiction.

Introduction

The Firm is authorised and regulated by the FCA and as such is subject to minimum regulatory capital requirements. The Firm is categorised by the FCA, for capital purposes, as an IFPRU €50k Limited Licence firm. It is a matched principal brokerage and, as such has no trading book exposures. The Firm is not required to prepare consolidated reporting for prudential purposes.

The FCA's current prudential regime can be split into three "pillars":

- Pillar 1 – prescribes the minimum capital requirements that authorised firms need to hold. This is the higher of €50k; quarter of the firm's annual adjusted expenditure (the Fixed Overheads Requirement); or the sum of the firm's prescribed Credit risk + Market risk.
- Pillar 2 – requires firms to analyse the risks to the business and then consider whether the risks are mitigated to an appropriate standard. If the firm feels that the risks are not adequately mitigated then they should allocate capital against those risks. Stress and scenario tests are conducted to ensure that the processes, strategies and systems are comprehensive and robust and that the allocation of capital is sufficient.
- Pillar 3 - requires firms to develop a set of disclosures which will allow market participants to assess key information about the Firm's underlying risks, risk management controls and capital position.

The Fixed Overheads Requirement determines the Firm's Capital Resources Requirement.

The Firm is a Limited Liability Partnership and its capital arrangements are established in its Partnership deed. Its capital (as at 31 March 2017) is summarised as follows:

	£000's
Members' capital	86
Revenue reserves	(23)

Members' capital and other reserves	63
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The main features of the Firm's Capital Resources Requirement are as follows:

Capital Item	**£'000s**
Tier 1 capital less innovative tier 1 capital	63
Total tier 2, innovative tier 1 and tier 3 capital	0
Deductions from tier 1 and tier 2 capital	0
Total capital resources, net of deductions	63

Risk Management

Due to the size, nature, scale and complexity of the Firm, there is no independent risk management function. The Partners of the Firm determine the business strategy and risk appetite along with the risk management policies and procedures. Risks to the Firm are identified and considered and the Firm's resultant exposure is assessed after the application of both management and mitigation of these risks. Furthermore the Firm then conduct a series of stress tests and scenario analyses on these risks to determine the effect they would have on the firm.

If necessary the Firm would allocate extra capital to the relevant risk, as per the Pillar 2 requirement: this has not been deemed necessary. This process is conducted at Partners meetings which are held on a quarterly basis and the relevant policies and procedures are updated where necessary.

The Partners have identified operational and reputational risks as the main area of risk to which the firm is exposed.

The LLP has taken the approach to be risk averse and takes reasonable steps to manage its risks. This is reflected in its low appetite for taking on risk in any of its activities. Risks to income generating capability are mitigated wherever possible and measures against actual and potential operating risks are taken where its partners judge the benefit or the potential of the mitigation to exceed the costs of the mitigating controls. The same low tolerance to risk is reflected on the costs side of the business with minimal long term cost commitments. The LLP has little to no tolerance for engaging in activity that adversely influences its risk profile. All risks of any significance are identified, assessed and controlled on an ongoing basis.

Reputational risk is mitigated through strict due diligence conducted on new employees. All existing partners are very well known to each other and are aware of the need to maintain a stellar reputation in the industry and the detrimental impact any perceived wrongdoing could have upon the business.

The Firm has concluded that its Tier 1 capital is sufficient to cover its Pillar 1 and Pillar 2 requirements.

Remuneration disclosure

Governance

The purpose of the Remuneration Code is to ensure firms establish, implement and maintain remuneration policies, procedures and practices that are consistent with, and promote, sound and effective risk management. The Remuneration Code applies to 'Remuneration Code Staff' ('Code Staff'). This includes senior management, risk takers, staff engaged in control functions and who input into the strategic direction of BSL and any employee receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers, whose professional activities have a material impact on the firm's risk profile. BSL has considered the contribution that can be made by a Remuneration Committee. In order to take a proportionate approach given the size and non-complex nature of both the activities undertaken and the organisation, BSL has decided that the governing body will undertake the role which would otherwise be undertaken by a remuneration committee. This is in line with guidance provided by the FCA for tier 3 firms under the

Remuneration code. The governing body will be responsible for setting BSL's policy on remuneration.

BSL's Remuneration Policy will be reviewed, at least, annually by the governing body to ensure that it remains consistent with the Remuneration Code Principles and BSL's objectives. The governing body will use all information available to it in order to carry out its responsibilities under the Code, for example, information on risk and financial performance. In addition, the Compliance Officer, as part of BSL's regulatory monitoring, will include a review of the implementation of this Policy by the firm.

Link between pay and performance

Remuneration at BSL reflects the performance of a person in contributing to the success of the firm and their success in meeting, or exceeding, targets that have been set by the firm on an individual basis.
BSL will also take into account the performance of the business unit concerned and the overall results of the firm. Performance assessment will not relate solely to financial criteria but will also include compliance with regulatory obligations and adherence to effective risk management. In keeping with BSL's long term objectives, the assessment of performance will take into account longer-term performance and payment of any such performance related bonuses may need to be spread over more than one year to take account of the firm's business cycle. The measurement of financial performance will be based principally on profits and not on revenue or turnover.

Quantitative remuneration information

BSL is required to disclose aggregate information on remuneration in respect of its Code Staff, broken down by business area and by senior management and other Code Staff. The relatively small size and lack of complexity of the firm's business is such that BSL only has the one business area, Brokerage, and does not regard itself as operating, or needing to operate, separate 'business areas' and the following aggregate remuneration data should be read in that context.

The information below reflects the remuneration for Broad Securities, given the size of the firm and members interests alongside drawings and the figure reflects information in the firm's financial statements:

Aggregate Remuneration

Code Staff Remuneration £(1000's)
6.5

This remuneration disclosure is made under the Basel Pillar 3 framework. Further quantitative or qualitative data is withheld because it would lead to identification of individuals.