

# Berkeley Futures Limited

## Pillar 3 Disclosure

These statements are not part of the audited financial statements and therefore have not been subjected to review or audit by the firm's auditors.

### Overview

The EU Capital Requirements Directive ("CRD") sets out the regulatory capital framework which is overseen in the UK by the Financial Conduct Authority ("FCA") and the Prudential Regulatory Authority ("PRA") through the General Prudential Sourcebook ("GENPRU") and the Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU"). From 1 January 2014, with the implementation of the Capital Requirement Directive IV (CRV IV), regulations under BIPRU for this firm have been replaced by:

- the Capital Requirements Regulation ("CRR")
- IFPRU sourcebook of the FCA handbook
- additional standards released by the European Banking Authority

The FCA framework consists of three 'Pillars':

- Pillar 1: Minimum capital requirements
- Pillar 2: Supervisory review process: the need to assess whether the capital held under Pillar 1 is sufficient to meet the additional risks not covered by Pillar 1
- Pillar 3: Disclosure requirements allowing market participants to assess information on a firms' risks, capital and risk management procedures

The Financial Conduct Authority, in BIPRU 11, outlines the minimum disclosure requirements. The information below satisfies Berkeley Futures Limited's Pillar 3 requirement.

### Frequency of Disclosure

Berkeley Futures Limited will report their Pillar 3 disclosure annually or upon material change. These disclosures are based on the company's CoRep report dated 31<sup>st</sup> March 2017. The Pillar 2 (ICAAP) capital requirements are excluded from this summary but are reviewed annually or upon material change.

### Location and Verification

These disclosures have been validated by the board and are published on the Berkeley Futures Limited web site. These disclosures are not subject to an audit except to the extent where they are equivalent to disclosures made under accounting requirements.

### Scope of Application

This disclosure is made on an individual basis.

## Risk Management

The directors of the firm, in addition to the risk mapping structure of the ICAAP, are very much involved with the day to day running of the company including the continual assessment of risk. They meet on a regular basis to discuss current projections for profitability, regulatory capital management, business planning and risk management. The Directors manage the firm's risks through a framework of policy and procedures having regard to relevant laws, standards, principles and rules (including FCA principles and rules) with the aim to operate a defined and transparent risk management framework. These policies and procedures are updated as required.

The firm is relatively small with an operational infrastructure appropriate to its size. The ICAAP has identified the most significant risk types to which Berkeley Futures Limited is exposed to be as follows:

- Operational Risk:

*This is the risk associated with inadequate, or the failure of, internal processes or external factors such as regulation.*

There is an increasing risk that regulatory requirements, in a complex operating environment, require ever increasing resource to maintain. This is currently mitigated by external professional assistance at a number of levels.

- Business Risk:

*This is the risk that external factors, such as a fall in trading volume will result in an unexpected loss.*

There is a risk that the economic demand for brokerage service will diminish, resulting in lesser income. These risks are mitigated by Berkeley Futures Limited having a relatively low cost based structure and a large and diversified client base.

There is a risk that competition will increase, driving commission rates down. This risk is mitigated by Berkeley Futures Limited diversifying away from the individual client and migrating more to the professional client where commissions tend to be lower but volume higher. A range of clients in the client base, trading a variety of different instruments and no specific direct competitor reduces the level of this risk.

- Credit Risk:

*This is the risk that clients and counterparties fail to meet their financial and commercial obligations.*

There is a risk that Berkeley Futures Limited could have a client default on his position or that a dealer error could result in losses to Berkeley Futures Limited. This is mitigated by a flexible and experienced team, tight margining procedures and comprehensive policies regarding the take on of clients and market exposure.

<b>Capital Resources</b>	<b>'000s</b>
Core Tier 1 Capital	7080
Permanent Share Capital	21

Total Tier 1 Capital after deductions	7080
Total Tier 2 capital	-
Total capital before deductions	<u>7080</u>

**Capital adequacy** in compliance with IFPRU 3, 4, 6 & 7

Berkeley Futures Limited has forecasts in place to ensure that they will continue to meet their regulatory capital requirement on an ongoing basis.

The following figures are based on the March 2017 CoRep reporting requirements.

Berkeley Futures Limited is an IFPRU 125k Limited Licence firm and, as such, is not required to calculate their operational risk capital requirement. Instead they are required to calculate a Fixed Overhead Requirement in accordance with GENPRU 2.1.53R.

The Credit Risk Capital Requirement is calculated in accordance with BIPRU 3.5 – The Simplified Method. The company makes an 8% adjustment on all fixed assets, debtors and prepayments and a 1.6% adjustment on bank balances in accordance with BIPRU 3.4.127 – 3.4.133, resulting in a Credit Risk Capital Component of £682,400.

The Firm's Market Risk Capital Requirement is made up of its Foreign Currency PRR, Equity PRR Risk, Interest Rate PRR, Commodity PRR and Option PRR. The Firm's Foreign Currency PRR is calculated on the Firm's trading book debtors and creditors which are denominated in a foreign currency and also its bank accounts some of which are also in the same currencies. The foreign currency PRR is calculated in accordance with BIPRU 7.5 as 8% of the total net long or short position, and totals £77,372. The company's Equity PRR has been calculated as zero and its Interest Rate PRR is zero with the Commodity and Option PRR also both at zero. This gives a total Market Risk Capital Component of £77,372.

**Remuneration**

BIPRU 11.5.18 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 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 are not in conflict. The overall level of remuneration is set in the form of a base salary and bonus. The resources available for bonuses are directly linked to the performance of the firm.

Aggregate information.

Berkeley Futures Limited has one key business activity, that of broking, and under BIPRU 11.5.20R, the firm does not consider that it is 'significant in terms of size, internal organisation and nature and scope of its activities', so is not required to disclose the quantitative information referred to in BIPRU 11.5.18R at the level of senior personnel.

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.

The number of identified code staff is twenty seven.

### **Proprietary Positions**

Berkeley Futures Limited does not take proprietary positions.

### **Further Enquiries**

Should you have any queries please contact:

Berkeley Futures Limited  
18 Savile Row  
London  
W1S 3PW

email: [cthompson@bfl.co.uk](mailto:cthompson@bfl.co.uk)  
Phone: +44 (0) 20 7758 4777  
Fax: +44 (0) 20 7287 5292