Londinium

REGULATED BY CENTRAL BANK OF IRELAND

PILLAR 3 RISK MANAGEMENT DISCLOSURES

Capital Requirements Directive

Indroduction

Londinium Designated Activity Company (“Londinium”) is regulated by the Central Bank of Ireland (the “Central Bank”) in Ireland as an investment firm authorised to carry out portfolio management.

The Capital Requirements Directive (“CRD”) as transposed into Irish law, previously required all investment firms and banks across Europe to comply with a three pillars capital adequacy framework.

Pillar 1 sets out the methodology for the calculation of investment firms’ minimum regulatory capital.

Pillar 2 is the capital adequacy assessment made by each individual firm. The adequacy of the firm’s minimum capital is achieved through the Internal Capital Adequacy Assessment Process (ICAAP) that fully assesses the firm’s risks and ensures there is a practical link between the risk profile and the maintained capital.

Pillar 3 introduces public disclosure of qualitative and quantitative information and is designed to promote market discipline by providing market participants with key information on firm’s risk exposures and risk management processes.

On 1 January 2014 the Capital Requirements Directive IV (“CRD IV”) and the Capital Requirements Regulation (‘CRR’) came into effect in Ireland. Under CRR, Londinium is categorized as a “CRD IV exempt FOR firm” and accordingly only Pillar 1 and Pillar 2 apply to it. However, the board of directors of Londinium have decided to continue to disclose Pillar 3 information in order to be fully transparent.

Verification, Location and Frequency of Disclosure

Unless there is a foreseeable and significant risk event that would detrimentally impact the ICAAP and regulatory capital requirements in accordance with Pillar 2 risk analysis and stress tests, the disclosures set out herein will be updated on an annual basis and published on Londinium’s website (www.londinium.ie).

Risk Management Objectives and Policies

Londinium has established and maintains an independent risk management function.

The risk management function in responsible for implementing effective risk management policies and procedures which identify the risks relating to Londinium's activities, processes and systems, and where appropriate, set the level of risk tolerated by Londinium.

The directors of Londinium determine the business strategy and risk appetite together with the design and implementation of a risk management framework. Londinium's risk management function identifies each of the risks affecting the company and considers controls and mitigating factors for each risk. Risks are primarily managed by maintaining appropriate documented procedures with the aim of operating a defined and transparent risk management framework. In addition, as new risks arise, they are dealt with appropriately at the time.

The risk appetite is the degree of risk that the board is willing to accept without applying further resources and capital to mitigate the risk. Risks are assessed in term of probability of the risk occurring after having taken into account any risk mitigation together with the impact. Reasonable steps are taken by Londinium to reduce the probability of any risk crystallizing. Furthermore, additional capital resources will be maintained for risks which Londinium does not wish to bear.

Londinium is a small firm with a simple operational infrastructure. It carries no market risk, no commodity position risk, no interest rate risk and a small credit risk. Londinium follows the standardised approach for the assessment of both market risk and credit risk, using a simplified approach to calculate risk weightings for credit risk exposures.

Capital Requirements and Resources

Londinium's minimum capital requirement under Pillar 1 is the greater of the minimum regulatory capital, the fixed overhead requirement and the sum of market and credit risk requirements.
Market risk is not considered material for the firm while fixed overhead and credit risk are higher than the minimum regulatory capital, therefore the minimum capital required under Pillar 1 is €230,000.

The approach of Londinium in assessing the adequacy of its internal capital to support current and future activities is contained in Londinium's ICAAP. All known risks, including operational risks, have been assessed and appropriate stress tests and scenario analysis have been undertaken to help determine any additional capital required under Pillar 2. In addition to the required minimum capital under Pillar 1, the board believes that Londinium needs a further €50,000 to properly cover its ongoing risks. Based on Londinium's ICAAP, the total capital needs are €280,000.

As of 30 October 2015 Londinium's regulatory capital resources are in excess of 2 times the total capital needs resulting from its ICAAP.

Londinium's conclusion is that the capital held at 30 October 2015 is adequate for current operations and those of the foreseeable future.

Last Review: 9 September 2016