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 and has been established with a medium-low tolerance to risk – both at corporate level and within its trading strategies for private clients and funds.

After careful consideration of future developments, and taking into account the size, nature, scale and complexity of Londinium's activities, its profitability history over the years and the low occurrence of operational losses, the Board has selected a Structured Approach as the most consistent with Londinium's risk profile and operating environment. The Structured approach requires Londinium to set the internal capital requirement at a starting point of zero capital and then build on capital due to all Pillar 1 and Pillar 2 risks and external factors. Londinium calculates the Pillar 1 minimum capital requirement but it is not used for the purpose of the ICAAP. All risks applicable to Londinium's business activities are assessed to identify all the material risks and the capital that would be absorbed in the event that one or more the risk identified were to materialise.

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 €228,000.

The approach of Londinium in assessing the adequacy of its internal capital to support current and future activities is contained in Londinium's ICAAP adopting the Structured Approach.

According to the Structured Approach, all known risks, including operational risks, have been assessed and rated for Impact and Likelihood. Gross score resulting from the product of Impact and Likelihood are reduced by Controls in Place and Governance as well as Other Mitigation resulting in a Net Score for each individual risk. The Board has established the Maximum Impact Score, in term of capital requirement, as the loss of excess regulatory capital over the three years budget period.

As part of the internal capital planning process, ICAAP' results are Stress Tested in order to assess the effect of possible unfavorable events on Londinium's capital requirement and profitability.

There are four phases in the Company's stress testing methodology: (1) choice of scenario; (2) translation of scenario; (3) stress test calculation; and (4) evaluation of results and methodology. The Company assesses its main scenarios and their relevance on an ongoing basis. At least once a year, this includes analysing the scenarios that seem to be the most relevant in terms of risks and the current economic situation. New scenarios may be added when necessary. The scenarios are an essential part of the Company's capital planning in the ICAAP.

Here below are the results of the ICAAP's Normal and Stress Scenarios

	Normal Scenario	**Stress Test**
Pillar 1		
Operational Risk	€85,549	€185,884
Credit Risk		€4,224
Market Risk	€4,225	€8,449
Pillar 2		
Business / Strategic Risk	€59,145	€210,231
Liquidity Risk	€4,225	€4,225
Regulatory Risk	€29,572	€71,819
ICAAP Capital Requirement	**€182,715**	**€485,832**

As of 11 October 2017 Londinium's regulatory capital resources are in excess of 2.4 times the total capital needs resulting from its ICAAP and 1.9 times the total capital needs resulting from Pillar 1.

Londinium's conclusion is that the capital held at 11 October 2017 is adequate for current operations and those of the foreseeable future.