

# Pillar III Disclosure



## OVERVIEW

This disclosure is made in accordance with the European Union Capital Requirements Directive as adopted and implemented in the UK by the Financial Conduct Authority ("FCA"). The FCA has incorporated this into its regulations through the General Prudential Sourcebook ("GENPRU") and the Prudential Sourcebook ("IFPRU") for investment firms.

Hubwise Securities Ltd is a IFPRU €125k limited license firm and as such is required to comply with the three Pillars of Basel II (the Capital Requirements Directive).

The three 'Pillars' which constitute the Capital Requirements Directive are:

**Pillar 1** Minimum Capital Requirements, being the greater of either the BIPRU license limit or the Fixed Overhead Requirement or the sum of the Credit Risk Requirement and the Market Risk Requirement.

**Pillar 2** requires the regulated firm to evaluate business risk exposures and to calculate the amount of capital that should be held against those exposures. This process forms the basis of the Internal Capital Adequacy Assessment Process ("ICAAP") required by the FCA. The amount of capital the company is required to hold is the greater of the Pillar 1 and Pillar 2 values.

**Pillar 3** sets disclosure requirements which enable market participants to assess information on the Company's risks, capital, and risk management procedures. Part Eight of the Capital Requirements Regulation sets out the Pillar 3 public disclosure requirements.

### Scope and Application of Directive Requirements

Hubwise Holdings Ltd – Companies House number 07348797, is an investment holding company incorporated in the UK and has 100% ownership of five direct subsidiaries,

Hubwise Securities Ltd – Companies House number 06071374, is a trading firm;

Hubwise Services Ltd – Companies House number 07731252, is a trading firm;

Hubwise Connect Ltd – Companies House number 04351250, is a trading firm;

sTechnology Ltd – Companies House number 08132897, is a dormant company; and

Hubwise Software Ltd – Companies House number 07520757, is a software license holding firm.

Hubwise Securities Ltd is the only firm to be authorised by the FCA, firm reference number 502619. Hubwise Securities Ltd is, therefore, the only group entity to be subject to the ICAAP. The firm is not subject to consolidated supervision.

Hubwise Securities Ltd has one subsidiary, Hubwise Nominees Ltd, which is a dormant company and exists for the sole purpose of holding clients' assets and one registered trading name with the FCA for HubwiseConnect.

Hubwise Securities Ltd has no trading-book exposure as it acts as agent in order to place aggregated deals with fund managers for collective investments and Market counterparties for Securities. Hubwise Securities Ltd does not provide any investment advice or deal as principal at any time.



## OVERVIEW CONTINUED

The Group's consolidated accounts are prepared in accordance with International Financial Reporting Standards ("IFRS"), with all of the subsidiaries being included in the financial statements.

There are no current or foreseen material practical or legal impediments to the prompt transfer of capital resources or repayment of liabilities among the parent undertaking and its subsidiary undertakings.

### Frequency of Disclosure

The firm will be making Pillar 3 disclosures at least annually. The disclosures will be as at the Accounting Reference Date which is 31<sup>st</sup> January and any figures included in this document will be based on the audited accounts as at that date.

The figures within this document are as 31<sup>st</sup> January 2021.

### Location of Disclosure

The disclosure will be published on the Hubwise website.

### Verification

The Pillar 3 disclosures have been reviewed and approved by the Board

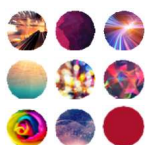
### Materiality and Confidentiality

The CRR rules governing disclosures state that the firm may omit one or more of the disclosures, provided the disclosure omitted is not material (Article 431 (1)). The firm may also choose not to disclose information if its proprietary or confidential,

however, it must state if such items have been omitted (Article 432 (2)), with exception of Risk Management objectives & policy (Article 432 (2) C)), own funds (Article 437) and remuneration policy (Article 450)

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.

The Firm has made no omissions on the grounds that it is immaterial, proprietary or confidential.



## CAPITAL RESOURCES

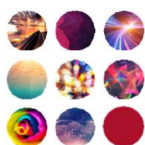
The capital of Hubwise Securities Limited can be summarised as follows:

CAPITAL ACCOUNT	£
Shareholders' Equity	1,032,884
<b>Total</b>	<b>1,032,884</b>

The main features of the Firm's capital resources for regulatory purposes are as follows:

CAPITAL ITEMS	£
Tier 1 capital less innovative tier 1 capital	1,032,884
Total tier 2, innovative tier 1 and tier 3 capital	-
Deductions from tier 1 and tier 2 capital	-
<b>Total capital resources, net of deductions</b>	<b>1,032,884</b>

Percentage Cover	
FOR	£191,521
<b>% Cover</b>	<b>539%</b>



## RISK GOVERNANCE

The board of directors of Hubwise Holdings Ltd, on behalf of Hubwise Securities Ltd, determine the firm's business strategy and appetite to risk. They are responsible for the design and implementation of the firm's risk management framework, based largely on the ICAAP which is regularly reviewed and updated.

Hubwise Securities Ltd also reports on financial risk management objectives and policies within its annual accounts and within those of its parent, Hubwise Holdings Ltd. The Hubwise group risk appetite is low and Hubwise Securities Ltd is exposed to minimal risk. It undertakes scenario testing on the most significant risks. The outcome of stress testing is included within the ICAAP.

### Key Risk Categories

**Credit Risk Requirement ("CRR")** - Investment trades are only executed once the client has cleared funds in the Hubwise Client bank account or when stock has completed the registration process into Hubwise's nominee company. Currently, the only time a credit facility may be required is when investors switch from one investment into another and for some reason the sale remains unsettled. The potential effect from switching is currently considered to be low. As a result of the ICAAP, there are currently no additional Credit Risk Requirements.

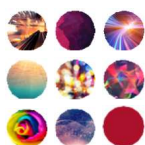
**Market Risk Requirement ("MRR")** - The principle activities of Hubwise Securities Ltd are to aggregate deals and execute these with fund managers and execute trades in securities with market counterparties. It does not deal as principal and therefore will not be significantly exposed to market movement. All trades are dealt on an

execution-only basis. The only occasion where there may be some market risk is when dealing out of an incorrect market position. Such examples will be strictly controlled by the credit risk management procedures.

### Operational Risk Requirement ("ORR") -

Operational risk covers the potential impact of internal processes, people or external events that may adversely affect the company. The potential operational risks are expected to be minimal as management believe the fully automated straight-through process should ensure that manual dealing and settlement errors do not occur. The operational risks have been documented, assessed and agreed by the Hubwise Holdings Ltd board as part of the ICAAP process. Risk reduction strategies, including greater automation and the use of insurance reduce the impact of any remaining residual commercial risk.

The compliance risk of the company is controlled through the use of robust policies, procedures, segregation of tasks, internal reviews and systems controls.



## CAPITAL REQUIREMENT

The capital requirement of Hubwise Securities Ltd has been calculated as per Pillar 1 as being calculated as the IFPRU (€125,000 = £104,987) license limit.

The Fixed Overhead Requirement ("FOR") has been calculated based on the latest audited figures as at balance sheet date, and both this and the sum of the CRR, MRR and ORR falls below the IFPRU.

It is the view of the Board that funds held by Hubwise Securities Ltd qualifying as Tier 1 capital, is comfortably above the capital requirement level. Currently, the percentage cover is 410% for Hubwise Securities Ltd.

## REMUNERATION POLICY

Overall remuneration will primarily take into account financial performance, which will be a determinant of the amount of remuneration received. Any bonus pool is solely determined by reference to the company's performance and in particular profitability, always taking into account the company's regulatory capital.

The total remuneration offered to existing and potential new members of the company is in line with industry norms. The company seeks to attract and retain employees who are motivated by its client focused culture, independence, high ethical standards and reputation.