Fortem Capital Limited

Disclosure under Pillar 3 of Capital Requirements Directive

Date: As at 20/06/2018, based on Financial Data as at 31/03/2018

Fortem Capital Limited ("the Firm") is authorised and regulated by the Financial Conduct Authority and is categorised as a BIPRU €50,000 Limited Licence Firm for regulatory purposes. The firm is not part of a group or subject to consolidated reporting. This statement has been prepared by the firm in accordance with BIPRU 11 and summarises the material disclosures the firm is required to make under Pillar 3 of the Capital Requirements Directive.

Frequency

Pillar 3 disclosures will be issued on annually after the firm's audited accounts have been prepared. The disclosures are made at the firm's accounting reference date which is 31st March 2018.

Materiality

The firm regards the information in these disclosures as material if its omission or misstatement could change or influence the assessment or decision of a user relying on this information to make an economic decision. If the firm deems a certain disclosure to be immaterial, it may be omitted from this statement.

Risk Management

The firm is formally governed by its governing body which consists of three directors; Mr Christopher Dagg, Mr Ryan Rogowski and Mr Edward Senior.

The governing body, apart from being the primary body to consider and approve general business matters (such as strategy, finance, people and operational matters), oversees the stewardship of the firm's reputation and stature with clients, counterparts and regulators. In order to discharge this responsibility, the governing body meets at least annually to consider and approve, amongst other things: internal policies; compliance matters; financial results and budgets; capital adequacy; investment performance; terms of engagement with clients and investors. The Firm also runs an Investment Committee to consider portfolio risk management, investment research and portfolio construction matters.

The Firm has commissioned independent compliance support from Newgate Compliance Limited and accounting/auditing services from Gerald Edelman. Monthly management accounts are used to monitor and project its capital resources and a compliance manual, a compliance monitoring programme and an ICAAP process have been adopted to facilitate risk management in the firm.

Given the nature and activities of the firm, its risk appetite is low. It does not securitize assets or deal as principal and therefore does it does not have a trading book. The key risks are as follows:

Market risk

The firm has negligible exposure to foreign currency or to other financial markets and therefore is not subject to material market risk.

Interest rate risk

The firm is not exposed to interest rate risk as it does not rely on borrowings to meet operating expenditure and does not make loans to clients.

Credit risk

The main credit risk of the firm is a defaulting debtor, although the firm does not extend credit to its clients. The key credit exposures that the firm has are cash balances maintained with its UK clearer, management fees receivable from the funds it manages, and fees owed from partner banks. Cash balances are held in overnight deposit accounts and are readily available. Arrangement and Management fees are payable within 30 days of their calculation.

Under Pillar 1, cash balances are risk weighted at 1.6% and fees receivable at 8%. The directors believe that the Pillar 1 risk weight is adequate and that a Pillar 2 adjustment is not required.

Liquidity risk

The liquidity risk that the firm faces is the inability to settle its liabilities as they fall due. The risk management process includes frequent monitoring of the liquidity position of the firm. Bank reconciliations and cash flows are prepared on a regular basis to ensure that all liabilities are identified promptly and can be settled as they fall due.

Cash resources of the firm are maintained in bank accounts with instant access.

Operational risk

As a BIPRU €50,000 Limited Licence firm, the firm is not subject to an operational risk requirement under Pillar 1. However the firm is aware of the reputational damage that could result from a failure in operating procedures. The firm’s key policies and procedures are documented in the compliance manual and their effectiveness kept under review via the compliance monitoring programme.

Changes to procedures are communicated to directors and staff as they occur and personnel provide a written confirmation of their understanding and acknowledgement of any significant changes.

Directors and staff remain aware of the policies and procedures and periodically confirm their compliance via a bi-annual compliance declaration.

Remuneration risk

The Firm is authorised and regulated by the Financial Conduct Authority as a Limited Licence Firm and so, it is subject to FCA Rules on remuneration. These are contained in the FCA's Remuneration Code located in the SYSC Sourcebook of the FCA’s Handbook. The

Remuneration Code ("the RemCode") covers an individual's total remuneration, fixed and variable. The Firm incentivises staff through a combination of the two.

The core element of the Firm's business is to service the provision of bank issued derivative linked investments to UK discretionary fund managers to include in their portfolios.

Our policy is designed to ensure that we comply with the RemCode and our compensation arrangements:

1. are consistent with and promotes sound and effective risk management;
2. do not encourage excessive risk taking;
3. include measures to avoid conflicts of interest; and
4. are in line with the Firm's business strategy, objectives, values and long-term interests.

Proportionality

Enshrined in the European remuneration provisions is the principle of proportionality. The FCA has sought to apply proportionality in the first instance by categorising firms into three levels. The Firm falls within the FCA's proportionality level three and as such this disclosure is made in line with the requirements for a Level three.

Application of the requirements

We are required to disclose certain information on at least an annual basis regarding our Remuneration policy and practices for those staff whose professional activities have a material impact on the risk profile of the firm. Our disclosure is made in accordance with our size, internal organisation and the nature, scope and complexity of our activities.

1. Summary of information on the decision-making process used for determining the firm's remuneration policy.

    - The Firm's policy has been agreed by the governing body in line with the RemCode principles laid down by the FCA.
    - Due to the size, nature and complexity of the Firm, we are not required to appoint an independent remuneration committee.
    - The Firm's policy will be reviewed as part of annual process and procedures, or following a significant change to the business requiring an update to its internal capital adequacy assessment.
    - BIPRU Investment Management Firm - The Firm's ability to pay bonuses is based on the overall performance of the Firm overall once its fees from acting as a distributor and introducer have been calculated and profits earned from its portfolio management activities determined.

2. Summary of how the firm links between pay and performance (See RemCode).

    - Individuals are rewarded based on their contribution to the overall strategy of the business.
        a. Investment Generation
        b. Investment Trading
        c. Sales & Marketing

d. Operations

- Other factors such as performance, reliability, effectiveness of controls, business development and contribution to the business are taken into account when assessing the performance of the senior staff responsible for the infrastructure of the firm.

3. Aggregate quantitative information on remuneration, for staff whose actions have a material impact on the risk profile of the firm.

Code Staff	**Aggregate compensation expense in [2017/2018 fiscal year]**
Senior Management:	N/A
Others (If applicable)	N/A

We may omit required disclosures where we believe that the information could be regarded as prejudicial to the UK or other national transposition of Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data.

We have made no omissions on the grounds of data protection.

Capital Resources

As the firm is a BIPRU €50,000 Limited Licence Firm. It has calculated its capital resources in accordance with GENPRU 2.2. The firm's capital resources are detailed in the below.

	£000
Tier 1 capital resources*	280
Tier 2 capital resources	0
Tier 3	0
Deductions form total capital e.g. illiquid assets	(0)

Total capital resources as at 31st March 2018	280

*Tier 1 capital is not subject to any deductions and does not include any hybrid capital or capital instruments.

Capital Resource Requirements

Pillar 1 capital is the minimum capital requirement that firms are required to meet for credit, market and operational risk. The Firm's Pillar 1 requirement is calculated as the higher of:

1. The Base Capital Requirement (€50k)

2. The sum of:

   The Credit Risk Capital Requirement; and

   The Market Risk Capital Requirement.

3. The Fixed Overheads Requirement (3 months expenditure of the firm).

In the opinion of the directors the highest of these three is likely to be the credit Risk Capital Requirement while the firm's current activity level is maintained. However, the directors will evaluate whether the Fixed Overhead Requirement, the Base Capital Requirement or the Market Risk Capital Requirement should determine the firm's capital requirement instead if business activity changes.

<u>Pillar 1 and Pillar 2</u>

As at the date of this report the firm has a surplus of capital resources over its Pillar 1 capital resources requirement.

Pillar 2 capital is additional capital against risks not adequately covered in Pillar 1. The firm has undertaken an Internal Capital Adequacy Assessment Process (ICAAP) to determine whether it needs any further regulatory capital due to the risks it faces as set out above. As a result of this review the firm has concluded that its regulatory capital requirement is £54,000 under Pillar 2.