BTIG Limited

Pillar 3 Disclosure and Policy

Introduction

Regulatory Context

The Pillar 3 disclosure of BTIG Limited ("the Firm") is set out below as required by the FCA's "Prudential Sourcebook for Banks, Building Societies and Investment Firms" (BIPRU) specifically BIPRU 11.3.3 R. This follows the introduction of the Capital Requirements Directive ("CRD") which represents the European Union's application of the Basel Capital Accord. The regulatory aim of the disclosures is to improve market discipline.

Frequency

The Firm will be making Pillar 3 disclosures annually. The disclosures will be as at the Accounting Reference Date ("ARD") which is 31 December 2015.

Media and Location

The disclosure will be published on the Firm's website – www.btig.com.

Verification

The information contained in this document has not been audited by the Firm's external auditors and does not constitute any form of financial statement and must not be relied upon in making any judgement on the Firm.

Materiality

The Firm regards information as material in disclosures if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions. If the Firm deems a certain disclosure to be immaterial, it may be omitted from this Statement.

Confidentiality

The Firm regards information as proprietary if sharing that information with the public would undermine its competitive position. Proprietary information may include information on products or systems which, if shared with competitors, would render the Firm's investments therein less valuable. Further, the Firm must regard information as confidential if there are obligations to customers or other counterparty relationships binding the Firm to confidentiality, or disclosure would risk identification of particular employees.

Summary

The CRD requirements have three pillars. Pillar 1 deals with minimum capital requirements; Pillar 2 deals with Internal Capital Adequacy Assessment Process ("ICAAP") undertaken by a firm and the Supervisory Review and Evaluation Process through which the firm and regulator satisfy themselves on the adequacy of capital held by the Firm in relation to the risks it faces and; Pillar 3 which deals with public disclosure of risk management policies, capital resources and capital requirements. The regulatory aim of the disclosure is to improve market discipline.

BTIG Limited is an authorised broker-dealer and generally trades on a matched principal basis. BTIG is not authorised to hold or control client money or assets.

The Firm seeks to mitigate risk by implementing sound systems and controls and corporate governance arrangements.

We have grouped the risk categories in the overall Pillar 2 rule (GENPRU 1.2.30R) into five groups that are relevant to our type of firm i.e. credit, market, operational, business and other risk. In the case of other risk, we have grouped together liquidity risk; insurance risk; interest rate risk and pension obligation risk. Our greatest risks are business risks (including our reputation) and operational risk.

For business risk, we have identified several scenarios which may have a detrimental impact on our business and subjected them to analysis and a stress test. The results inform the Firm that our capital planning forecasts and proposed management actions ensure we have adequate regulatory capital. The existing financial planning process has been integrated into the Internal Capital Adequacy Assessment Process ("ICAAP") to develop forward looking financial forecasts.

For operational risk, we have assessed if Pillar 2 capital is required taking into account our mitigation plans.

Background to the Firm

Background

The Firm is incorporated in the UK and is authorised and regulated by the Financial Conduct Authority as an IFPRU €730k firm. BTIG is a flexible portfolio firm for conduct and we have been assigned a P3 prudential classification.

The Firm is a Solo regulated entity.

BIPRU 11.5.1

Disclosure: Risk Management Objectives and Policies

Risk Management Objective
The Firm has a risk management objective to develop systems and controls to mitigate risk to within its risk appetite.

Governance Framework
The Board of Directors ("the Board") is the Governing Body of the Firm and has the daily management and oversight responsibility. It formally meets at least twice a year, and is composed of:

- Gary M Hayes, CEO
- Kevin Chessen, Director

The role of the Board is to provide strategic leadership of the Firm within a framework of good corporate governance and prudent and effective controls which enables risk to be assessed and managed. The Board is responsible for setting the Firm's strategic aims, ensuring that the necessary financial and human resources are in place for the Firm to meet its objectives, and reviewing management performance. The Board sets the Firm's values and standards and ensures that its obligations to its shareholders and others are understood.

The Risk Management Framework
The Board regards managing risk as a process of continuous improvement and the Firm's Risk Management Framework is made up of the following components:

Governing Body
The Board of the Firm is responsible for the total process of risk management, as well as forming its own opinion on the effectiveness of the process. The Board, in liaison with the senior management, sets the risk strategy policies.

The Board decides the Firm's appetite or tolerance for risk – those risks it will accept and those it will not take in the pursuit of its goals and objectives. In addition, the Board ensures that the Firm has implemented an effective, ongoing process to identify risk, to measure its potential impact against a broad set of assumptions and then to ensure that such risks are actively managed.

The Firm's systems of internal control are under constant review and any issues will be reported to the Board as appropriate. The review will cover all material controls, including financial, operational and compliance controls and risk management systems.

Senior Management

- Senior Management is accountable to the Board for designing, implementing and monitoring the process of risk management and implementing it into the day-to-day business activities of the company.
- Senior Management is responsible for effectively communicating the Firm's approach and commitment to establishing and maintaining an effective risk management framework and approach.
- Senior Management is responsible for ensuring that employees are adequately equipped with the right tools and knowledge to enable employees to fulfil their obligations to the risk management process.
- There is no separate risk committee due to the small number of staff.
- Additionally, senior management will:

    (a) monitor, consider, review and make recommendations to the Board concerning all elements of compliance with the rules of The Financial Conduct Authority (FCA) and other organisations (e.g. the London Stock Exchange) as they apply to any regulated companies within the Firm;
    (b) oversee the risk management systems, practices and procedures to ensure effectiveness of risk identification and management throughout the Firm;
    (c) approve or do any act, matter or thing ancillary to any matter referred to in paragraph (a) or (b).
    (d) consider the adequacy of the procedures that have been established to ensure compliance with the Rules and Guidance of the FCA and other regulatory bodies;
    (e) review and assess the risk management strategy of the Firm and, where appropriate, to ensure that risks are adequately mitigated;
    (f) consider any reports or correspondence with the regulatory authorities;
    (g) consider the external auditor's management letter with respect to regulatory and compliance issues;
    (h) ensure that all employees within the Firm are aware of their responsibilities with respect to compliance and risk management;
    (i) ensure that the compliance are adequately resourced and has appropriate standing and independence within the Firm;
    (j) consider other topics, as defined by the Board from time to time.

BIPRU 11.5.4

Disclosure: Compliance with BIPRU 3, BIPRU 4, BIPRU 7, and the Overall Pillar 2 Rule

BTIG's financial planning process has been integrated into the Internal Capital Adequacy Assessment Process ("ICAAP") to develop forward looking financial forecasts. We have identified several scenarios which may have a detrimental impact on our business and subjected them to analysis and a stress test. The results inform the Firm that our capital planning forecasts and proposed management actions ensure we have adequate regulatory capital.

Under this rule the Firm is required to set out its minimum capital requirements for the following:

a) Trading book business:
   - Interest rate PRR
   - Equity PRR
   - Option PRR
   - Collective investment schemes PRR
   - Counterparty risk capital component
   - Concentration risk capital component
b) In respect of all business activities:
   - Foreign currency PRR

All figures are based on the unaudited figures as at 31 December 2015

Credit Risk Capital Component
Credit risk represents the risk of loss through a debtor's non-payment and in the context of BTIG's business, such risk is deemed immaterial because the vast majority of our business is Delivery versus Payment ('DvP'). The credit risk component represents less than 10% of the Tier 1 capital.

Counterparty Risk Component
BTIG had negligible counterparty risk at this time.

BIPRU 3
For its Pillar 1 regulatory capital calculation of Credit Risk, under the credit risk capital component the Firm has adopted the Standardised approach (BIPRU 3.4) and the Simplified method of calculating risk weights (BIPRU 3.5).

BIPRU 4
The Firm does not adopt the Internal Ratings Based approach and hence this is not applicable.

BIPRU 7
To the extent the Firm has an Equity Positional Risk Requirement (BIPRU 7.2), this is included in the Capital Adequacy calculation.

Overall Pillar 2 Rule
The Firm has adopted the "Pillar 1 plus" approach to the calculation of its ICAAP Capital Resources Requirement as outlined in the Committee of European Banking Supervisors

Paper, 25 January 2006.

The ICAAP assessment and risk management objectives are reviewed by the Governing Body and amended where necessary on a regular basis or when a material change to the business occurs.

The ICAAP document is presented to the Governing Body of the Firm, on at least an annual basis, for review and sign off.

BIPRU 11.5.8

Disclosure: Credit Risk and Dilution Risk

The Firm is primarily exposed to Credit Risk from counterparties failing to settle their trades. However trades are generally made on a delivery versus payment basis and all trades are closely monitored as settlement dates approach. Consequently risk of past due or impaired exposures is minimal. A financial asset is past due when a counterparty has failed to make a payment when contractually due. Impairment is defined as a reduction in the recoverable amount of a fixed asset or below its carrying amount.

BIPRU 11.5.12

Disclosure: Market Risk

The Firm Trading Book Exposure to Market Risk is to Equity Position Risk following client facilitation. The Firm is not exposed to; Interest Rate Position Risk, Commodity Position Risk, Option Position Risk, Collective Investment Undertaking Position Risk or Securitisation Position Risk.

	Rule	Position	Risk Weight	PRR
Equity position risk requirement £000	BIPRU 7.3	£128	16%	£20

BIPRU 11.5.2

Disclosure: Scope of application of directive requirements

This disclosure is not required as the Firm is not within scope of the *Banking Consolidation Directive*.

BIPRU 11.5.3

Disclosure: Capital Resources

The Firm is a BIPRU Investment Firm without an Investment Firm Consolidation Waiver deducting Material Holdings under (GENPRU 2 Annex 4).

BTIG has Tier I Capital of approximately £5.4 million at 31 December 2014. The Tier I Capital at 31 December 2015 will be higher but is subject to audit.

BIPRU 11.5.5

This disclosure is not required as the Firm has not adopted the Internal Ratings Based approach to Credit Risk and therefore is not affected by BIPRU 11.5.4R (3).

BIPRU 11.5.6
This disclosure is not required as the Firm has not adopted the Internal Ratings Based approach to Credit Risk and therefore is not affected by BIPRU 11.5.4R (3) .
BIPRU 11.5.7
This is disclosure of the Firm's exposure to Counterparty Credit Risk on its Trading Book, such as Internal Credit Limits for Counterparty Exposures, Credit Reserves etc. Internal Credit Limits are applied to each client and therefore cannot be publically disclosed. Counterparty Exposures are rare due to our DvP based business.

BIPRU 11.5.9
This disclosure is not required as the Firm does not make Value Adjustments and Provisions for Impaired exposures that need to be disclosed under BIPRU 11.5.8R (9).
BIPRU 11.5.10 **Disclosure:** Firms calculating Risk Weighted Exposure Amounts in accordance with the Standardised Approach
This disclosure is not required as the Firm uses the Simplified method of calculating Risk Weights (BIPRU 3.5).
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BIPRU 11.5.11 **Disclosure:** Firms calculating Risk Weighted Exposure amounts using the IRB Approach
This disclosure is not required as the Firm has not adopted the Internal Ratings Based approach to Credit and therefore is not affected by BIPRU 11.5.4R (3).
BIPRU 11.5.13 **Disclosure:** Use of VaR model for calculation of Market Risk Capital Requirement
This disclosure is not required as the Firm does not use a VaR model for calculation of Market Risk Capital Requirement.
BIPRU 11.5.15 **Disclosure:** Non-Trading Book Exposures in Equities
This disclosure is not required as the Firm does not have a Non-Trading Book Exposure to Equities.
BIPRU 11.5.16

Disclosures: Exposures to Interest Rate Risk in the Non-Trading Book

Although the Firm has substantial cash balances on its Balance Sheet, there is currently no significant exposure to Interest Rate fluctuations.

BIPRU 11.5.17

Disclosures: Securitisation

This disclosure is not required as the Firm does not Securitise its assets.

BIPRU 11.5.18

Disclosures: Remuneration

The Firm is a Remuneration Code Proportionality Level 3 Firm and has applied the rules appropriate to its Proportionality Level. Due to the size and simplicity of the Firm a Remuneration Committee has not been deemed necessary. The Governing Body is responsible for setting and reviewing the Firm's remuneration policy. As an agency broker risk taking is at a minimum. Accordingly the remuneration structure in place is not set up to reward any risk taking. Variable remuneration that may be paid is adjusted in line with capital and liquidity requirements among other factors.

Due to the nature, scope and complexity of the firm, the small number of staff, and the fact that it is privately owned, BTIG has chosen not to disclose this information in accordance with BIPRU 11.3.6 R.