G10 CAPITAL
Part of IQEQ

Pillar 3 disclosure

Introduction

The purpose of this document is to set out the Pillar 3 disclosure for G10 Capital Limited ("G10", the "Firm") as required by the FCA rules. G10 has undertaken an Internal Capital Adequacy Assessment Process ("ICAAP"). The most recent ICAAP review was undertaken in November 2021.

It is the intention of the Firm to update its Pillar 3 disclosure on an annual basis unless circumstances warrant a more frequent update. The Firm will make its Pillar 3 disclosure on www.iqeq.com.

Background

The Capital Requirements Directive ("CRD") and the Alternative Investment Fund Management Directive ("AIFMD") adopted under the UK regulatory framework, whilst the UK was a member of the European Union ("EU"), introduced a revised regulatory capital framework. The provisions of the CRD and AIFMD were implemented by the FCA through the General Prudential Sourcebook ("GENPRU"), the Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU"), and the Interim Prudential Sourcebook for Investment Business ('IPRU (INV)'). The CRD was implemented through a series of regulations which, following the UK exit from the EU, are now referred to in the FCA Handbook as UK Capital Requirements Regulations ("CRR").

The UK CRR consists of three 'Pillars':

- Pillar 1 sets out the minimum capital amount that meets the Firm's credit, market and operational risk capital requirement;
- Pillar 2 requires the Firm to assess whether its capital reserves, processes, strategies and systems are adequate to meet Pillar 1 requirements and further determine whether it should apply additional capital, processes, strategies or systems to cover any other risks that it may be exposed to; and
- Pillar 3 requires disclosure of specified information about the underlying risk management controls and capital position to encourage market discipline.

The AIFMD adds further capital requirements based on the Alternative Investment Fund ("AIF") assets under management and professional liability risks.

Scope and application of the requirements

G10 provides two service lines as part of its business model and strategy:

- Regulatory hosting services to a network of Appointed Representatives ("ARs")
- Alternative Investment Fund Management ("AIFM") services – either through the direct appointment as the AIFM to a fund or through a delegation of portfolio management with a focus on private equity and illiquid assets.

The Firm is an authorised UK AIFM (full scope) and is classified as a BIPRU €50k Limited Licence Firm subject to a base minimum capital requirement of €50k. It is categorised as a Collective Portfolio Management Investment Firm ("CPMI") for capital purposes and, as such, it is subject to a base capital requirement of €125,000 in respect of its AIFM activities. G10 is also required to hold 0.02% of the value of the portfolio of AIFs it manages in excess of €250m, subject to a cap of €10m.

The rules in the UK CRR set out the provision for Pillar 3 disclosures and this document is designed to meet the Firm's Pillar 3 obligations. The rules allow for the omission of certain items where the Senior Management of the Firm believe that the information is immaterial and that such that omission would be unlikely to change or influence the decision of a reader relying on that information. In addition, disclosures may be omitted where Senior Management believe that the information is regarded as proprietary or confidential.

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

Appointed Representative Network

ARs undertake regulated activities under the supervision of the Firm acting as principal. Under the regulatory framework, the principal accepts responsibility for the activities of its ARs and any act or omission of the AR. Importantly, the principal is responsible for ensuring that its ARs are fit and proper to deal with clients in its name, and to ensure the investors dealing with ARs have the same level of protections as if they had dealt with the principal itself.

G10 currently has c. 40 ARs which make use of its regulatory permissions. G10's ARs predominantly undertake the following activities:

- Corporate Finance (advising, introducing, arranging, fund raising)
- Fund Advisor (investment advisor)
- AIFM services for full-scope AIFs
- Provision of research to group entities / consulting services
- Marketing and promotion of collective investment schemes to professional investors (including arranging and placement)

Alternative Investment Fund Manager Services

The Firm is either directly appointed as the AIFM or provides portfolio management services to AIFs on a delegated basis. On certain investment mandates, the Firm (as Principal) seconds specific staff from the AR to perform portfolio management or risk management in relation to collective investment schemes or managed accounts. Through these arrangements, the Firm manages a range of asset classes, including private equity and real estate, and liquid assets.

Risk Management Objectives

G10 has developed and implemented a Risk Management Framework, which reflects the requirements set out in SYSC 4.1.1R, namely:

> "*A firm must have robust governance arrangements, which include a clear organisational structure with well defined, transparent and consistent lines of responsibility, effective processes to identify, manage, monitor and report the risks it is or might be exposed to, and internal control mechanisms, including sound administrative and accounting procedures and effective control and safeguard arrangements for information processing systems*."

The Framework aims to provide guidance to staff on the management of the risks faced to support the achievement of corporate objectives, protect staff and business assets and ensure financial sustainability.

The Firm faces a wide range of risks including financial, operational and legal/regulatory risks resulting from its main two lines of business. G10 recognises that it is not possible or necessarily desirable to eliminate all sources of risk inherent in its business activities, but the Firm seeks to minimise its overall risk profile through an appropriate control framework.

The Firm recognises that the acceptance of some risk is often necessary to foster innovation and efficiencies within business practices. G10 strives to manage and mitigate all identified risks, to stay within the designated risk appetites and not exceed its overall risk tolerance. There is recognition that ARs brings additional risk which needs to be understood, monitored and managed.

G10's Risk Management Framework involves:

- Understanding the risks - the development and maintenance of a Risk Register including risk identification, assessment, quantification, and identification of controls;

- Setting risk appetite and thresholds – as set out in the Risk Appetite Statement;
- Monitoring on an ongoing basis whether the business being conducted is within the set thresholds – reported via effective management information.

To support the Framework, G10 has developed a suite of policies and procedures appropriate to the size, nature, scale and complexity of its business. This includes:

- Risk Management Policy Framework;
- Appointed Representative Policy;
- Risk Assessment Policy;
- Conduct Risk Policy;
- Conflicts of Interest Policy;
- Financial Promotions & Communications Policy;
- Business Acceptance Policy.

Risk Governance

G10's risk governance arrangements provide transparency and clarity about how decisions are formulated, agreed, implemented and controlled within the course of business. They are documented in the Terms of Reference of the Boards and its committees and are set out in detail in the Risk Management Policy Framework. The effectiveness of the governance arrangements is presented at quarterly Board meetings as a standing agenda item.

The Firm's risk governance arrangements are made up of the following key components:

Responsible party	**Responsibility**
The Board	The Board is responsible for overall risk management as well as forming an opinion on the effectiveness of the Risk Management Framework and associated processes. The Board is responsible for setting the risk appetite, the risk strategy and for approving the relevant policies. The Board decides the Firm's appetite and tolerance for risk – those risks it will accept and those it will not. 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 list of risks is maintained in the Firm's Risk Register. The Board regularly reviews the Firm's systems and controls in accordance with SYSC to cover all material controls, including financial, operational and compliance controls and risk management systems. The Board is accountable for designing, implementing and monitoring the process of risk management and implement it in the day-to-day business activities of the Firm in accordance with SYSC 7.1.16. The Board is also responsible for ensuring that employees are adequately equipped with the right tools and knowledge to enable them to fulfil their obligations to the risk management process.
Compliance Committee	G10 has established a Compliance Committee to oversee risk management and make recommendations to the Board with respect to risk management policies, procedures and risk appetite. The Committee is also responsible for reviewing the principal risks that G10 does or may potentially face, and for escalating risk matters to the Board. In addition, the Committee translates the overall risk appetite of the Firm into a set of limits that flow down through the Firm.

	The Committee provides quarterly reports to the Board on the compliance of the business with the Risk Appetite, as well as the adequacy and effectiveness of the risk management process, and the list of breaches (if any). It is responsible for compiling the Key Risk Indicators (“KRIs”) and the risk dashboard is provided to the Board. The Firm has in place specific safeguards against conflicts of interest and to enable the segregation of duties which both allow for independent performance of risk management activities. The policy is described in the Firm’s “Conflicts of Interest Policy” and the identified conflicts as well as their mitigation and management are contained in the Firm’s “Conflicts of Interest Register”. Both documents are owned by the Compliance Committee.
Risk and Valuation Committee	G10 has established a Risk and Valuation Committee to oversee risk relating to products and services to which it is either appointed as AIFM (“AIFMD activity”) or Investment Manager (“MiFID activity”). The Committee is responsible for reviewing the ongoing performance, adherence to investment policy and risks to end customers (investors) in relation to those products and services.
Business Acceptance Committee	The Board has delegated the authority to make decisions on which proposed ARs are within the Firm’s defined risk appetite to the BAC. The BAC has the authority to turn down business which has been assessed as outside of the Firm’s Risk Appetite.
Senior Leadership Team	G10’s Senior Leadership Team (“SLT”) is a group of senior individuals responsible for executing the strategy of the business. The Board has delegated the ownership of the Risk Management Framework to the SLT. The SLT is responsible for the implementation of the Risk Management Framework and associated policies and procedures across the business. It is also their role to monitor levels of risk and to develop action plans to reduce risks to within appetite if appropriate, and to escalate risk matters to the Compliance Committee for its consideration. The SLT is also responsible for the allocation of specific risks to individuals within the Firm and is also responsible for setting “tone at the top” in respect of risk management culture. This tone from the top also informs the “tone from the middle” and the way in which managers manage their teams.

Risk Identification and Key Risks

The risk assessment process first identifies the risk areas that G10 is exposed to. With regard to IFPRU G10 has identified the risks as set out below:

Risk	Risk Type	Risk Description	Applicable to G10?	Rationale for applicability
Credit and counterparty risk	Financial	The risk that a counterparty to a transaction could default before the final settlement of the transaction’s cash flows.	Y	Exposure to banks where the Firm holds its cash; serviced entities may fail to pay fees due.
Market risk	Financial	The risks that arise from fluctuations in values of, or income from, assets or in interest or exchange rates	N	G10 is not exposed to risks that arise from fluctuations in values of, or income from, assets or in interest or exchange rates.
Liquidity risk	Financial	The risk that a firm, although solvent, either does not have available sufficient financial resources to enable it to meet its	Y	Exposed through reliance on IQ-EQ Group with respect to contingency funding.

		obligations as they fall due, or can secure such resources only at excessive cost.		
Operational risk	Operational	The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk.	Y	All firms are exposed to some aspects of operational risk.
Concentration risk	Financial	The risk arising from concentrations, including those in assets, liabilities or shareholders	Y	Via its shareholders.
Residual risk	Financial	The risk that credit risk mitigation techniques used by the firm prove less effective than expected.	N	The Firm does not engage in credit risk mitigation techniques.
Securitisation risk	Financial	Includes the risk that the own funds held by a firm for assets which it has securitised are inadequate having regard to the economic substance of the transaction, including the degree of risk transfer achieved.	N	The Firm does not engage in securitisation.
Business risk	Strategic	Means any risk to a firm arising from changes in its business, including: The acute risk to earnings posed by falling or volatile income The broader risk of a firm's business model or strategy proving inappropriate due to macro-economic, geopolitical, industry, regulatory or other factors The risk that a firm may not be able to carry out its business plan and desired strategy Its remuneration policy	Y	The Firm's business strategy may be inappropriate due to macroeconomic, geopolitical, industry, regulatory or other factors. In addition, G10 is exposed to the risk that it may not be able to carry out its business plan and desired strategy. G10 is not exposed to business risk from its remuneration policy
Interest rate risk, including in the non-trading book	Financial	The risk arising from the movement in interest rates including any impact on the capital resources of the firm.	N	No liabilities which are interest rate bearing. No exposure to re-pricing, basis, pipeline, or optionality risk.
Risk of excessive leverage	Financial	The risk resulting from an institution's vulnerability due to leverage or contingent leverage that may require corrective measures, including distressed selling of assets which might result in losses or in valuation adjustments to its remaining assets	N	The Firm does not engage in leverage or contingent leverage.

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Pension obligation risk	Financial	The risk to a firm caused by its contractual or other liabilities to, or with respect to, a pension scheme.	N	No defined contribution scheme pension risk.
Group risk	Legal & regulatory	The risk that the financial position of a firm may be adversely affected by its relationships (financial or non-financial) with other entities in the same group or by risks which may affect the financial position of the whole group	Y	G10 shares some human resources with Sapia Partners LLP (another FCA regulated company within the IQ-EQ Group) – for example there are common members of the management team. Issues arising in Sapia may have an impact on G10. G10 has outsourced several its backoffice functions to the IQ-EQ Group, including IT, Finance, HR and marketing. It therefore has a reliance on these teams discharging their responsibilities according to the documented Service Level Agreements. Since G10 is a member of the IQ-EQ Group there is also shared reputational risk and contagion risk.

Regulatory Capital

The fourth Capital Requirements Directive ("CRD IV") established the regulatory capital framework governing the amount and nature of capital that investment firms must maintain.

Under the FCA rules, a firm must, at all times, maintain overall financial resources and internal capital, including own funds and liquidity resources, which are adequate both on amount and quality to ensure there is no significant risk that its liabilities cannot be met as they fall due.

The ICAAP rules require a firm to assess on an ongoing basis the amounts, types and distribution of capital that it considers adequate to cover the level and nature of the risks to which it is or might be exposed. The assessment should cover the major sources of risk to the Firm's ability to meet its liabilities as they fall due and should incorporate stress testing and scenario analysis.

Capital Resources

G10 is a CPMI Firm and as such its capital requirements are the higher of:

• €125,000 + 0.02% of AIF AUM; and

• The sum of the market & credit risk requirements; or

• The fixed overheads requirement ('FOR') which is essentially 25% of the firm's operating expenses less certain variable costs

As of September 2021, G10's total capital resources were £1,331m, with allocations of £1,222m to Pillar 1. The Firm is therefore satisfied at the date of this assessment that through its risk management framework and stress tests that the firm has sufficient capital resources to withstand all of the specified stresses as well as allowing for an orderly wind down of the business if there was a need to do so.

Remuneration disclosure

The Firm is authorised and regulated by the FCA as a CPMI Firm and, so, it is subject to FCA Rules on remuneration. These are contained in the FCA's Remuneration Codes located in the SYSC Sourcebook of the FCA's Handbook.

The Remuneration Code covers an individual's total remuneration, fixed and variable, and the Firm incentivises staff through a combination of the two. The Firm's policy is designed to ensure that it complies with the Remuneration Code and to ensure that compensation arrangements:

1. are consistent with and promote sound and effective risk management;
2. do not encourage excessive risk taking;
3. include measures to avoid conflicts of interest;
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 instituting two tests. Firstly, a firm that is significant in terms of its size must disclose quantitative information at the level of senior personnel. Secondly, that a firm must make disclosure that is appropriate to its size, internal organization and the nature, scope and complexity of its activities. The Firm is not a 'significant' firm so makes this disclosure in accordance with the second test.

Application of the requirements

The Firm is required to disclose certain information on at least an annual basis regarding its Remuneration policy and practices for those staff whose professional activities have a material impact on the risk profile of the firm. The Firm's disclosure is made in accordance with the Firm's size, internal organisation and the nature, scope and complexity of its activities. The Firm's policy has been agreed by the Board in line with the Remuneration principles laid down by the FCA, and will be covered as part of annual review of policies and procedures, or following a significant change to the business requiring an update to its internal capital adequacy assessment.

G10 Capital Limited, November 2021