Scope and application of the requirements

Capital Financial Markets Limited (the Firm) is authorised and regulated by the Financial Conduct Authority and as such is subject to minimum regulatory capital requirements. The Firm is categorised as a limited license firm by the FCA for capital purposes. It publishes no research, conducts no agency trades and takes no proprietary positions.

The Firm is not a member of an EEA sub-group and so is not required to prepare consolidated reporting for prudential purposes.

Pillar 3 Disclosure Statement

As required by the rules of the Financial Conduct Authority ("FCA" the company has undertaken an 'Internal Capital Adequacy Assessment Process' ("ICAAP"). The ICAAP is reviewed annually or whenever there is a material change to the business, whichever is sooner. The ICAAP process considered the risks that the company is exposed to and the controls that exist to mitigate those risks. It further considered whether additional capital was required to meet the risks that the company faces including, as required by the FCA rules, the potential cost of closing the company down in the unlikely event that such action was necessary.

Risk Management

The company is an asset manager and does not risk its own capital in the financial markets. The company does not have regulatory permission to take proprietary trading risk and does not take such risk. Accordingly, the risks that the company faces are more limited in scope than for other types of regulated firms. The risks and controls detailed below are, in accordance with the BIPRU rules, risks that the company faces in respect of its own activities. The risk management processes and controls for monies managed by the company are not part of these disclosures.

Capital
The firm is a Limited Company and its capital arrangements are established in its memorandum and articles of association.

Approach to risk

The company has identified and performed an assessment of the key risks that may impact its business. The company is an investment manager and does not undertake proprietary trading. The material risks to the company largely fall within the "Business Risk" and "Operational Risk" categories.

Principal risks and uncertainties
Market risk

Market Risk is the risk that assets/investments will lose money based on a daily fluctuation in the market.

The credit crunch of 2008/09, along with more recent events such as Brexit and the Covid-19 pandemic, have shown that world markets can be extremely volatile in the short term with large fluctuation in prices.

The Firm does not have a trading book; nor does it maintain positions or portfolios on its own account. The

Firm does not consider that additional capital resource is required to mitigate this risk.

Credit risk

Credit risk is the risk that the counterparty to a financial obligation, such as a loan, will default on repayments linked to the obligation.

There are no long-term loans outstanding nor does the firm currently trade in derivatives. It is not considered that there is exposure to counterparty risk.

Liquidity risk

The Firm does not hold any significant illiquid assets and do not intend to in the future and therefore this risk does not apply. A detailed liquidity assessment is completed in the annual ICAAP review.

Operational risk

Operational risk is the risk generated from people, processes, systems or external events.

As a limited licence firm, the Firm is exempt from the requirement to calculate an operational risk capital requirement.

Business risk

Business risk can be defined as any risk to the firm arising from changes in its business, including the risk that the firm may not be able to carry out its business plan and its desired strategy. This is a risk that all businesses face. The directors continuously monitor income and expenditure levels and adjust their plans accordingly.

Concentration risk

Concentration risk is the risk that the company is overly dependent upon any one customer or any one group of connected customers either in terms of income dependency or in terms of credit risk.

The Firm evaluates its risk on an annual basis; it ensures that we do not concentrate our client base on a limited number of clients, or our investment strategy on a geographical or sectoral basis. The directors do not currently believe that there is any measurable risk exposure in this area.

Pension obligation risk

The company has no defined benefit schemes and thus has no pension obligation risk.

Interest rate risk

The company is not exposed to interest rate risk.

Residual risk

This is the risk that credit risk mitigation techniques used by the firm prove less effective than expected.

Residual risk is not considered an issue for the Firm as receipts are mainly from fees that are payable out of clients' funds managed on a discretionary or non-discretionary basis. In addition, the failure of one client to pay fees would have little impact on the Firm's overall financial position due the number of clients that will be on board from the point of authorisation.

Regulatory capital

The Firm is a Limited Company and its capital arrangements are established in its memorandum and articles of association.

Closing Shareholders' Funds as at 31 December 2021 £270,814

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

Capital item	**£'000**
Tier 1 capital	270
Total tier 2, innovative tier 1 and tier 3 capital	0
Deductions from tier 1 and tier 2 capital	0
Total capital resources, net of deductions	270

As at 31 December 2021 the Firm's Regulatory Requirement is €50,000 (approximately £42,000) due to the base capital requirement. Current capital of £270,814 exceeds the requirement by over £228,000. As such the Firm's regulatory solvency ratio is 542%.

Remuneration Policy and Practice

The director and one member of staff are remunerated at a level deemed appropriate given the nature and level of the business.

Stewardship code disclosure

Under the rules of the FCA, COBS2.2.3R the company is required to include on its website or in another accessible form, disclosure about the nature of its commitment to the UK Financial Reporting Council's Stewardship Code (the "Code") or, where it does not commit to the Code, its alternative investment strategy.

The Code is a voluntary code and sets out a number of principles relating to engagement by investors with UK equity issuers. Investors that commit to the Code can either comply with it in full or choose not to comply with aspects of the Code, in which case they are required to explain their non-compliance.

The Firm is currently working to incorporate the code into the working practices of the company.