

# **Reyker Securities plc**

(Authorised and regulated by FSA – Registered N° 115308)

## **Basel Committee on Banking Supervision**

### **The Basel II Accord**

## **Pillar 3 Disclosure**

## **Reyker Securities plc – Pillar 3 Risk Disclosure**

### **Introduction**

The European Union Capital Requirements Directive introduced a revised regulatory capital framework governing the amount and nature of capital that must be maintained by credit institutions and investment firms. In the UK the directive has been incorporated by the Financial Services Authority (“FSA”) into its regulations through the General Prudential Sourcebook (“GENPRU”) and the Prudential Sourcebook (“BIPRU”) for banks, building societies and investments firms.

The regulatory framework consists of three “Pillars”:-

- **Pillar 1** sets out the minimum capital required to meet credit, market and operational risk;
- **Pillar 2** is a supervisory review process requiring that each individual firm should assess the likelihood that its Pillar 1 capital is adequate to meet other risks not covered by Pillar 1; and
- **Pillar 3** requires firms to disclose publicly both qualitative and quantitative information about the firm’s risk profile, its risk exposures, and its risk management procedures.

FSA’s BIPRU 11 rules set out the provisions for Pillar 3 disclosure and permit non-disclosure of information that the directors believe to be immaterial, to the extent that such non-disclosure would be unlikely to change or influence the decision of a reader relying on that information. Material considered to be proprietary and/or confidential, disclosure of which might affect the competitiveness of the firm and/or breach client confidentiality obligations may also be omitted.

We have made no such omissions in this, our Pillar 3 disclosure.

### **Scope and Application of the Directive Requirements**

Reyker Securities plc (“Reyker”) is a €125K limited licence firm, authorised and regulated by the FSA and subject to minimum capital requirements. Reyker is not a part of a larger group and is not subject to consolidated reporting requirements. Reyker has no trading-book exposure.

The directors determine the firm’s business strategy and risk appetite and are responsible for the design and implementation of the firm’s risk management framework, based largely on an Internal Capital Adequacy Assessment Process (“ICAAP”) which is regularly reviewed and updated.

Reyker is approved by HM Revenue & Customs to act as an ISA Manager and as a Provider of Child Trust Funds. The company provides financial institutions, asset managers, investments managers, brokers and private individuals with ISA and CTF

wrappers and with electronic share settlement and custodial services by way of its membership of Euroclear plc.

Reyker is a limited liability company and the company's capital position at 31<sup>st</sup> December 2009 was as follows:

**Capital items:**

Tier 1 Capital less innovative Tier 1 capital	£309,000
Total tier 2, innovative tier 1 and tier 3 capital	-
Deductions from Tier 1 and Tier 2 capital	-
<b>Total Capital and Resources, net of deductions</b>	<b>£309,000</b>

Risk appetite is the degree of risk that the directors are willing to accept without having to apply further resources and capital to mitigate said risk or risks. Risks are assessed in terms of the probability of the risk occurring after taking into account any risk mitigation. All reasonable steps are taken by the directors to reduce the probability of any risk crystallizing.

Reyker is a small firm with a very simple operational infrastructure and an equally simple business model. The company's market, credit, and business and operational risks are considered to be negligible and the company follows the simplified standard approach to credit risk.

As a limited licence firm, the company's capital requirements are the greater of its:

- base capital requirement of €125,000;
- combined market, operational and credit risk requirements; and
- fixed overhead requirement.

The directors have concluded that as the company's credit and market risk exposures are negligible, the fixed overhead requirement is the greatest of the three, and that the firm's minimum capital requirement is its fixed overhead requirement ("FOR") which is currently £165,000.

Approved for issue by the Board of Directors

4<sup>th</sup> January 2010