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Pillar 3 Disclosures

October 2020

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1. Background

Platform Securities LLP is authorised and regulated by the Financial Conduct Authority and as such is subject to minimum regulatory capital requirements. Platform Securities LLP is categorised as:

a. a limited licence firm by the FCA for capital purposes and
b. a significant IFPRU firm, with client money held in excess of £425 million.

The Capital Requirements Directive (CRD) created a revised regulatory capital framework across Europe, based on the provisions of the Basel II Capital Accord and CRD IV implementing new governance requirements. Effective from 1 January 2014, Basel III, commonly known as CRD IV, revised the definition of capital resources. The disclosures in this document meet the requirements of that Directive.

The disclosures in this document complement the work already undertaken by Platform Securities LLP in the assessment of its capital requirements under the Internal Capital Adequacy Assessment Process (ICAAP).

The operation is run through two legal entities, Platform Securities LLP (the regulated IFPRU €125k Limited Licence firm) and Platform Securities Services (UK) Limited which acts predominantly as a service company providing staff resources and infrastructure to Platform Securities LLP and in addition supports Application Service Provider ("ASP") clients, providing software to transact their business. This disclosure relates to the regulated entity, Platform Securities LLP.

Articles 431-455 of the Capital Requirements Regulation ("CRR") outlines the requirements for this disclosure; whilst no items have been excluded on the grounds of their proprietary nature, materiality or confidentiality, where items identified within the requirements have no relevance to this business they have been excluded.

2. Disclosure Policy

Disclosure will be made on an annual basis as a minimum. The Assets, Liabilities and ICAAP Committee reviews material risks on a monthly basis and should the strategy of the business or the controls within it alter to the extent that the risk profile is significantly altered, a review of Pillar 2 of the ICAAP would be triggered by this committee and this would in turn lead to a Pillar 3 disclosure review.

The Pillar 3 disclosures are prepared purely for explanation of the basis on which Platform Securities LLP has prepared and disclosed certain capital requirements and information about the management of certain risks and for no other purpose.

The report will be published on the Platform Securities website www.platformsecurities.com and will not be subject to external audit, except to the extent that any disclosures are equivalent to those made under accounting requirements. The disclosure will also be made available to stakeholders as appropriate.

3. Capital Resources

The primary objectives of the company's capital management policies are to ensure that the company complies with the externally imposed capital requirements and that it maintains healthy capital ratios in order to support the business. The company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities.

Tier 1 capital is defined as partner's capital and reserves.

The regulatory capital position of the LLP is summarised as follows and is based on latest available audited figures at balance sheet date:

	£000
Partner's Capital	17,489
Deductions from Tier 1 Capital	(3,259)
Total capital after deductions	14,230
Fixed overhead requirement	3,908
Credit risk	633
Pillar 1 capital requirement	3,908
CRD IV excess own funds over Pillar 1 capital requirement	10,322
Total Risk Exposure Amount	48,849
Total Capital Ratio	21%

4. Capital Adequacy

Pillar 2 Risks

Pillar 2 calculations represent an assessment of a 5-year planning horizon in respect of the risks that the business faces. The Pillar 2 assessment is defined as at the end of February 2020 and is based on the business' most significant risk as defined by the Risk & Control Self-Assessment (RCSA) conducted in February 2020. These risks are reviewed every month during the meeting of the oversight committees and any changes to the risk profiles captured in these forums would result in a reassessment of the Pillar 2 capital.

5. Risks

The business evaluates its risks on an ongoing basis with Executive Directors formally redefining the most significant risks on an annual basis. These are subject to a process of ongoing review which is facilitated by an independent Risk and Compliance departments, who also maintain a framework of processes which support risk management from within the business.

Counterparty Credit Risk

On an on-going basis the Platform Securities credit risk requirement is calculated by reference to operational and financial debtors and non-segregated bank and cash balances. Risk is calculated at 8% for each of the standardised credit risk exposure classes. Underlying client debtors created due to delayed settlement of transactions or non-payment of funds for settlement are monitored daily via Oversight and Control and the risks calculated in accordance with Article 378 of the CRR.

For the Counterparty Risk Component due to the right of setoff which applies to Platform Securities corporate client fees, which includes commissions, fees, security bonds and interest, the daily calculations show a reduction in risk, which over a number of years has been £nil on a daily basis even though volumes have increased. However, the gross Counterparty Risk Component is an exposure of £10,920,389 with a capital charge of £969,758 without the mitigation as described. During the last 12 months there has been a zero-risk position.

The Platform Securities business model deals with a small number of corporate clients. Standard trade terms are offered, and the majority of trades are fully funded in advance. With agreement Model B clients may trade up to 100% of their portfolio value without cash on account (on the basis funds are paid prior to settlement date) which has created an element of gross credit risk on underlying client debtors (c. £2,100,263 as at 31 December 2019) this risk is 100% mitigated as liability sits with the corporate clients and their funds / assets are available for offset under Platform Securities model B contract terms for client default; thus the fixed overhead requirement will exceed the sum of credit and market risk in all cases.

Market Risk

Platform Securities is not permitted to take principal positions in the normal course of its business and foreign exchange positions are matched on a real-time basis with no risk to Platform Securities as the transacted exchange rate is applied to the client. Therefore, Platform Securities is not exposed to market risk, as determined by IFPRU 6, from its trading activity.

Market risk is not material to Platform Securities and is not included in capital projections.

Operational Risk

The nature of the service offering, and the control environment means that operational risk is a notable risk for the business, therefore Platform Securities has a moderate appetite for operational risk. Risks are overseen by independent Compliance and Risk functions who also monitor the risk events, regulatory breaches, audit findings and material issues to understand changes in the control environment and seek improvements in controls.

Clear reporting rules and training have been provided to the business to assist them in understanding when to report breaches and risk events.

Oversight of the issues, events, findings and regulatory breaches also comes from the monthly risk committees, which are outlined in section 6.

Liquidity Risk

Platform Securities are guided by BIPRU 12 (Liquidity standards) and have in place a Liquidity Policy and Liquidity Risk Framework which are documented and are subject to Board approval undergoing at least annual review.

Liquidity risk is the risk of loss resulting from the unavailability of sufficient funds to fulfil financial commitments, including customers' liquidity needs, as they fall due. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price.

Counterparty Risk

The business relies on counterparties to execute and settle trades in the UK and foreign markets but makes no assumption as to the stability of those counterparties. Custodians are subject to close vendor management to ensure a suitable standard of service and they are subjected to annual due diligence which is overseen by the CASS Committee. The liquidity policy provides the rules by which deposits are managed and our partner banks are subjected to the same annual due diligence.

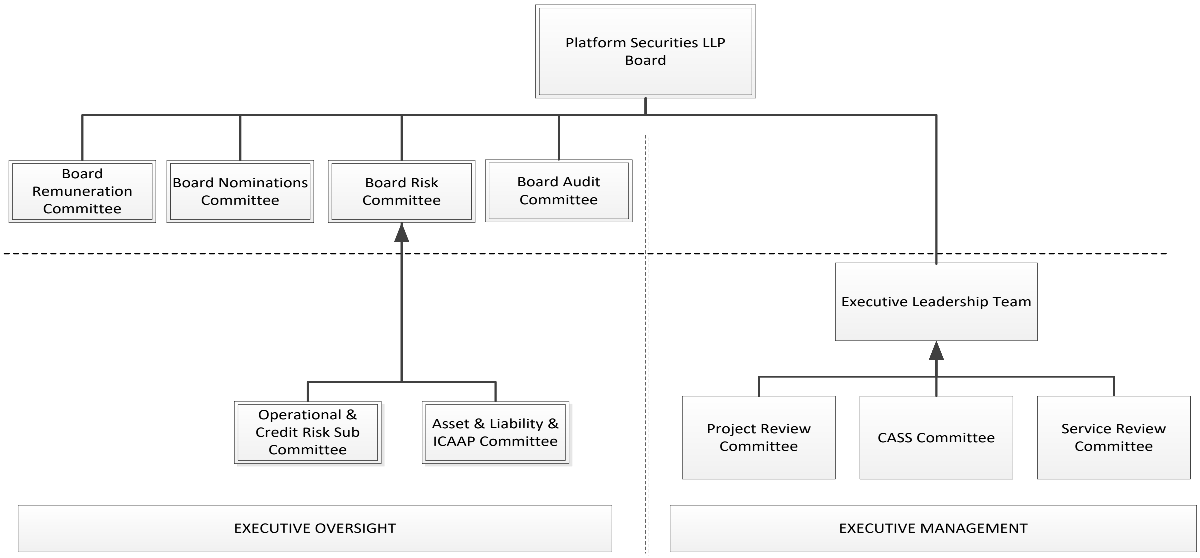
6. Governance and Risk Management

Risk management is at the core of Platform Securities' business. The Chief Executive Officer and the Executive Directors are committed to ensuring that the business operates within the boundaries of their Risk Appetite Statements, which are promoted throughout the organisation as a collective vision of the business' purpose, culture, values and behaviours.

Risk is formally overseen by the Board Risk Committee, which is chaired by an independent Non-Executive Director to ensure the opportunity for the appropriate level of challenge to the Executive Directors.

Both executive oversight and executive management committees have been mandated to ensure that there is an appropriate relationship between decision making and risk taking.

This structure is demonstrated in the following diagram:



Relevant issues are overseen at any of the sub-committees with the more material being reported to the Board Risk Committee, which is the final executive oversight of risk matters before escalation to the Board of Platform Securities LLP. Membership of those sub-committees is drawn from across Platform Securities providing the necessary expertise to discuss key items.

On a day to day basis the risk is overseen by a dedicated Risk department which reports ultimately to the Chief Risk Office within FIS and is responsible for all elements of the risk framework. This framework is designed to meet all relevant recommendations of the Basel Committee on Banking Supervision and Financial Conduct Authority guidance and provides the mechanisms for assessment, escalation, management and monitoring of risk and issues across the business.

7. Remuneration Code Disclosure

In accordance with the Capital Requirements Regulation remuneration disclosure requirements (Article 450), as an IFPRU limited licence firm Platform Securities falls within proportionality level 3 and is required to provide the following disclosures regarding remuneration.

Decision Making Process

A Remuneration Committee has been established to assist the Board in fulfilling its corporate governance and oversight responsibilities relating to the remuneration practices of the Company ensuring that compensation processes:

- are aligned with the business and compensation strategy;
- appropriately reward senior officers for their contribution to the Company;
- considers the implications remuneration has on risk and risk management of the firm;
- are compliant with regulatory expectations and best practice; and
- enable the Company to attract, retain and motivate high performing individuals to create sustainable value.

The Remuneration Committee meets twice a year and is comprised of independent non-executive director, a non-executive member of the Board that shall not perform any executive function within the LLP and with support from the Chief Executive Officer of the firm. No external consultants have been used for the determination of the remuneration policy.

Link Between Pay and Performance

The Firm uses a combination of fixed and variable compensation.

The Platform Securities LLP Management Incentive Compensation Plan ("PSLLP MICP") is an annual incentive plan for Platform Securities LLP Senior Managers and Material Risk Takers who have a direct impact on the financial and non-financial performance and on the firm's risk profile. The plan takes into consideration the requirements set out in the Chapter 19A (IFPRU Remuneration Code) of the FCA's Senior Management Arrangements, Systems and Controls Handbook (SYSC).

Individual performance, financial measures and non-financial measures such as effective risk management and compliance with the regulatory system are considered. The proportion of an employee's remuneration that is variable will be determined by reference to the role of the employee and the specific scheme to which they belong. The rules of each bonus scheme set out how variable remuneration will be determined.

Material Risk Takers (MRTs)

Material Risk Takers (MRTs) have been identified based on the qualitative and quantitative criteria set out in the Regulatory Technical Standard EU 604/2014. This comprises staff such as Executive Directors, risk takers, staff engaged in control functions and any employee whose professional activities have a material impact on the firm's risk profile.

Material Risk Takers Remuneration

Platform Securities LLP regards its activities as one business area. During 2019 the following amounts were paid in fixed and variable remuneration to MRTs. Fixed remuneration includes base salary and core benefits such as employer pension, private medical insurance and car allowance.

Number of Code Staff	10 (17 MRTs - 10 participating)
Fixed remuneration (£)	£1,634,833
Variable remuneration (£)	£265,924
Total (£)	£1,900,757