Pillar 3 Disclosure

ICM Capital Limited - As at 31st December 2020

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INTRODUCTION

ICM Capital Limited ("ICM" or "Firm") who is authorised in the United Kingdom ("UK") by the Financial Conduct Authority under FRN 520965, has undertaken the Internal Capital Adequacy Assessment process (ICAAP), in accordance with the requirements of Basel III enacted under both the Capital Requirements Directive IV and the Capital Requirements Regulations (the Rules) which came into effect on 1st January 2014.

Compliance with the Rules is a three-stage process:

- Pillar 1 sets out the minimum capital requirements that firms will be required to meet for credit, market and operational risk;

  Pillar 2 is the process where firms have to take a view on whether they should hold additional capital against risks not covered within Pillar 1 (determined via the ICAAP Process), and where the FCA, in response to the ICAAP, can instruct the firm to hold additional capital under Individual Capital Guidance (ICG); and
- Pillar 3 is in respect of market discipline requiring firms to publish certain details of their risks, capital, risk management and compliance with the Remuneration Code.

IFPRU 11 sets out the provisions governing Pillar 3 Disclosures. This report contains all the disclosures required under IFPRU 11 unless a particular disclosure is not applicable, regarded as not material, or is proprietary or confidential information.

Disclosure and media

ICM will make Pillar 3 disclosures on an annual basis.

The disclosure will be on the ICM Capital website - www.icmcapital.co.uk and will be published to coincide with annual financial statements sign off.

ICM will update its Pillar 3 disclosure more frequently than annually if material changes to its business model have occurred that would affect the calculations of its regulatory capital requirement.

BUSINESS OVERVIEW

ICM was established as a specialist online forex brokerage that enables retail and professional clients to open live trading accounts via its platform. ICM is a full scope IFPRU €730,000 firm (see definition in IFPRU 1.1.8 of the FCA handbook).

ICM follows a structured risk management framework based around identifying risks, establishing appropriate procedures and following a top down management approach where the senior management lead the risk management initiatives.

The senior management at ICM have had previous experience of online trading of Forex and CFDs. The senior management acknowledge its specific responsibilities for risk management and approves the risk management policies implemented by the Firm. It is the aim of these policies that there should be adequate systems and controls in place, which are proportional and relevant to the business to adequately identify, manage, monitor and report risks that the business might be exposed to.

This Pillar 3 disclosure illustrates that the Firm has sufficient capital available to meet its regulatory capital requirement and the Firm's capital needs, even under stressed scenarios. ICM is not a parent undertaking and the disclosures made within this report are made on an individual basis.

CORPORATE GOVERNANCE

The Directors of the Firm determine its business strategy and the risk appetite. They have designed and implemented a risk management framework that recognises the risks that the business faces. The Directors of the Firm also determine how those risks may be mitigated and assess on an ongoing basis, the controls and procedures necessary to manage those risks. The Directors of the Firm, and the Senior Management meet on a regular basis and discuss projections for profitability; liquidity; regulatory capital; business planning and risk management.

Board of Directors

The Board of Directors is responsible for the operation of the firm and the management of relevant operational, regulatory, reputational, financial and other risks.

In particular, the board ensures that:

- the internal control system is appropriate for ensuring orderly and prudent management of the Company's business and risks, by establishing an on-going dialogue with the Head of Finance and Head of Compliance and by abiding to their recommendations;

- the sophistication of risk management and measurement processes reflect the particular risks of the Company, by controlling, evaluating and approving the ICAAP Process; and

The Board of Directors is also responsible for setting ICM's risk appetite, ensuring that it has an appropriate and effective risk management framework, and for monitoring the ongoing process for identifying, evaluating, managing and reporting the significant risks faced by the firm.

Risk Committee

The principal purpose of the Committee is to assist the Board in its oversight of risk within the Firm, with particular focus on the Firm's risk appetite, risk profile and the effectiveness of the Firm's Risk Management Framework. This Committee is held on a monthly basis.

The Committee ensures that due diligence appraisals are carried out on strategic or material transactions, and also works with the Board of Directors to ensure that risk management is properly considered.

Finance Function

The Head of Finance in collaboration with the Board of Directors prepares the relevant financial projections of the Company's position for the next 3-5 years – whereby the Company's Senior Management provides aid in defining the Company's future strategy, which in turns defines the necessary projected budget/capital needs.

By taking as a starting point the Company's Balance Sheet and Profit & Loss accounts, the Head of Finance adds the projected Pillar 1 and Pillar 2 capital requirements to produce a base case scenario for the next 3-5 years. The base case scenario is then stressed to identify whether the Company will hold adequate capital to withstand strenuous incidents/circumstances.

RISK MANAGEMENT

Risk management is embedded throughout ICM, with the overall risk appetite and risk management strategy being approved by the Board and then disseminated throughout the business as appropriate. The Firm has a corporate governance structure in place to ensure that oversight of risk, and relevant actions, are managed at the correct organisational level according to the level of risk and the impact of that risk occurring.

ICM's Risk Management Framework identifies risks within the following areas:

1. Market Risk;
2. Credit Risk;
3. Operational Risk;
4. Business Risk;

Other risks are also identified within the Firm's ICAAP.

The risks within each area are analysed, mitigating factors assessed and relevant controls identified. The risks within each category are rated according to their potential impact and probability and assigned a risk rating. Action is taken by the Board to manage the key risks, as appropriate, to safeguard ICM and its clients.

The Risk Management Framework is regularly updated and is reviewed at least annually by the Board, with particular focus on those risks rated 'High'. The Risk Management Framework is used to identify the risks to be considered in the ICAAP.

Market Risk

Market risk is the vulnerability of firms to movements in the value of financial instruments held either by themselves, or by their clients. ICM is exposed to trading risk on any client positions which are not hedged and give rise to this risk which is monitored and managed dynamically. When ICM hedges a position, the firm is not exposed to market risk as orders are matched.

Credit Risk

Credit Risk is the risk that a firm's clients and counterparties fail to pay monies due to the company. This risk relates to the counterparty exposure relating to the Firm's bank balances, financial assets and any other debtors. This is monitored by the Board of Directors, and reported monthly.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. As such, operational risk spans a wide and diverse range of potential risks, including: loss of key staff; IT system failures; loss of data; telecommunications failures; loss of power supply; failure or disruption of a critical business process; disaster occurrences, natural or otherwise.

Operational risks are identified, mitigated and/or managed at ICM by senior individuals who are alert to the risks faced by the area of the business they are responsible for e.g. Trading, Operations, Finance, Compliance, etc.

Business Risk

ICM operates in an environment characterised by intense competition, rapid technological change and a continually evolving regulatory framework. Failure to adapt to changing market dynamics, customer requirements, or the way OTC markets and their participants are regulated constitutes a significant long-term risk.

ICM's main strategy for managing and mitigating these risks is through the continued development of its electronic brokering capability, active management of client relationships and by keeping abreast of all relevant regulatory reforms affecting the operation of OTC markets.

CAPITAL ADEQUACY & SUMMARY

ICM has a regulatory obligation to ensure that it maintains overall financial resources, including both capital resources and liquidity resources, which are adequate both as to the amount and quality, to ensure there is no significant risk that its liabilities cannot be met as they fall due.

Based on ICM's COREP reporting in Q4 2020 (Pillar 1), and the Pillar 2 Risk Assessment contained within the Firm's ICAAP, please find the following summary of the Firm's capital position:

At 31st December 2020	£
Capital Resources	
Tier 1:	
Ordinary Share capital	1,099,713
Reserves	3,294,218

Tier 1 Capital	4,393,931
Tier 2 Capital	-
Tier 3 Capital	-
Deduction from Tier 1	(76,698)

Total capital resources	4,317,233
Capital requirement	
Pillar 1 Resource Requirement	1,122,770
Pillar 2 Resource Requirement	898,215

Total Capital Requirement	2,020,985

Surplus/(deficit)	2,296,248
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REMUNERATION CODE

ICM is subject to the prudential requirements under the IFPRU sourcebook and as such, ICM is subject to the Remuneration Code ('Code') incorporated in SYSC 19A. In addition, as a MiFID investment firm, ICM is also subject to the MiFID Remuneration Incentives as transposed under SYSC 19F of the FCA Handbook. The Code is applied on a proportional basis depending upon which of three 'tiers' a firm falls under. ICM falls within 'proportionality level three'.

The Code aims to ensure that firms have risk-focussed remuneration policies which are consistent with and promote effective risk management and do not expose them to excessive risk. It expands upon the general organisational requirements of SYSC 4.1.1. If a Firm's remuneration policy is not aligned with effective risk management, the FCA believes that it is likely that employees will have incentives to act in ways that might undermine effective risk.

MiFID II requires ICM does not remunerate or assess the performance of its staff in a way that conflicts with its duty to act in the best interests of its clients. In particular, a firm must not make any arrangement by way of remuneration, sales targets or otherwise, that could provide an incentive to its staff to recommend a particular financial instrument to a retail client when the firm could offer a different financial instrument which would better meet that client's needs.

The term 'remuneration' encompasses any form of remuneration including salaries, discretionary pension benefits and benefits of any kind.

The Code is based upon 12 Principles (which can be found in SYSC 19A.3.7R to SYSC 19A.3.51R) although as the FCA has adopted a proportionate approach in applying the Code, not all the Principles will be relevant to ICM. Specifically, Principle 7 ('Exceptional government intervention') is unlikely to be relevant to ICM, or indeed to the majority of regulated firms. In addition, certain elements of Principle 12 ('Remuneration structures') are dis-applied for ICM.

While some of the Principles apply on a firm-wide basis, in general, the Code applies to 'Remuneration Code staff'. The latter comprises categories of staff including senior management, risk takers, staff engaged in control functions and any employee receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers, whose professional activities have a material impact on the firm's risk profile.

ICM is required to maintain a record of its Remuneration Code staff and to take reasonable steps to ensure that such staff understand the implications as per SYSC 19A.3.5.

All firms subject to the Code and that maintain a website must explain on that website how it complies with the Remuneration Code (SYSC 19A.3.12A).

Code Staff & Aggregate Remuneration

The Code Staff are the three Directors, the Head of Compliance, the Head of Dealing, and the Head of Finance. The table below illustrates the aggregated remuneration for the year ending in 31 December 2020.

	Total £	Total No. of Staff
Code Staff	£ 655,245	Seven