STORMHARBOUR SECURITIES LLP PILLAR 3 DISCLOSURE

September 2015

Disclosure Policy

The Pillar 3 rules set out the need for firms to have a formal disclosure policy. In accordance with these rules, StormHarbour Securities LLP (the "Firm") will disclose the information on at least an annual basis or more frequently as necessary. The Pillar 3 disclosure will be made on the Firm's website.

The Firm may omit information it deems as immaterial, in accordance with the rules. Materiality is based on the criterion that the omission or misstatement of any information would be likely to change or influence the decision of a reader relying on that information. Accordingly where the Firm has considered an item to be immaterial it has not been disclosed.

In addition, if the required information is deemed to be proprietary or confidential then the Firm may take the decision to exclude it from the disclosure. In the Firm's view, proprietary information is that which, if it were shared, would undermine its competitive position. Information is considered to be confidential where there are obligations binding the Firm to confidentiality with our customers, suppliers or counterparties. Where information is omitted for either of these reasons this is stated in the relevant section of the disclosure, along with the jurisdiction.

The information contained in this document has not been audited by the Firm's external auditors. It does not constitute a financial statement of any kind, and no reliance should be placed upon it in making any judgment on the Firm.

Introduction

StormHarbour Securities LLP is a broker-dealer and advisory investment firm, and is a full scope IFPRU730K Investment Firm. The Firm is part of a global financial services group (the "StormHarbour Group") and benefits from the sourcing and distribution capability of its affiliates in the United States and Asia. The main activities of the Firm are intermediation of securities and other financial instruments on an agency or matched book basis; and advising financial institutions in relation to financial instruments and capital raising activities. These activities involve only limited settlement, operational and credit risk.

The Firm also has regulatory permission to deal as principal and may from time to time act for its own account primarily

(i) to facilitate sales and trading activity by taking short term positions to facilitate client originated trades; and
(ii) to effect opportunistic longer term investments of the Firm's excess capital resources.

Risk Management Objectives and Policies

The risk appetite of the Firm is broadly set by the objectives of the StormHarbour Group's business plan, which is regularly reviewed and updated in the European Governance Committee (comprising the directors of the Managing Member of the Firm) and StormHarbour Group Governance Group meetings..

The risk appetite for the Firm is low. The Firm will take proprietary or other directional positions only to enable it to operate more effectively for those flows sales and trading transactions that cannot be matched fully, and to take advantage of longer term investment opportunities based on the Firm's market expertise. This creates incremental risk, but allows the operational strategy of the firm, which remains the same, to transact more effectively and not hamper the current business lines and opportunities.

The Firm has appointed a Risk Manager, currently the Chief Administrative Officer, who oversees the risk management of own account positions.

For trade facilitation, there are overall position limits and also criteria for the type of positions that will be permitted within those limits.

Opportunistic trades are approved only in consultation with the Governance Group (or a specified committee) of the StormHarbour Group. Such trades are subject to market and credit risk analyses and are fully funded with cash in excess of any capital and liquidity requirements of the Firm.

The main risks facing the Firm are considered to be:

- **Operational risk**: defined as the risk of loss due to an inadequacy or failure of internal controls, systems and people or from external factors. The Firm minimises this risk through design and implementation of operational controls which are monitored and reviewed regularly in order to ensure that they are adequate.

- **Business risk:** the risk of loss inherent in a firm's operating, business and industry environment and can arise from external factors such as prolonged adverse market conditions or internal factors such as poor investment performance. The Firm manages this risk by close management of operating costs and regular review of budgets and forecasts.

- **Credit risk:** this arises from credit exposure to counterparties of the firm. The majority of exposures arise from fees due from our corporate advisory clients. An exposure also arises in the funds due from our clearing agents. We closely monitor all our credit exposures and take prompt action when necessary.

- **Liquidity risk:** the Firm maintains at all times sufficient cash resources to meet its working capital requirements and any other funding requirements.

- **Market risk:** arises from interest rate risk on our own account positions, and from cash balances that may be held in foreign currencies. This is actively managed by the finance function.

Capital Resources and Capital Requirements

The Firm operates a regular and annual budget process covering expected revenue contribution, investment and cost. Senior managers have responsibility for business development and operational delivery and submit budget proposals for review and confirmation by the regular meetings of the European Governance Committee.

The Firm has prepared an ICAAP, which is reviewed at least on a bi-annual basis.

For calculation of Pillar One capital requirements, the Firm uses the standardized approach for credit risk, the basic indicator approach for operational risk. The Firm uses External Credit Assessment Institutions (ECAIs) to calculate risk weighted exposures in line with the credit quality assessment scale published by the FCA for all credit risk exposure classes. The firm will use the rating that gives the highest risk weighted exposure where there is a difference in ratings provided by each ECAI. The business model of the firm is such that it has not, and does not expect to generate a counterparty credit risk capital requirement.

The Firm reports in UK GAAP. Due to the nature of its business, credit exposures consist primarily of accounts receivable and deposits at financial institutions. Due to the small number of counterparties there is no detailed breakdown of exposure classes given. Past due and impaired exposures are infrequent but have been generated in respect to some advisory fees invoiced by the firm. As at end June 2015 there were no provisions in respect of past due or impaired exposures.

The Firm's long credit risk exposures (in the non-Trading book) at end June 2015 were as follows:

(all figures GBP 000s)

Sovereign	0
Institution	882
Corporate	2,736
Individual	344
Total	**3,962**

As at end June 2015, the Pillar One capital position and capital requirement was as follows:

(all figures GBP 000s)

Core Tier One Capital	10,065
Deductions from capital	5,583

Total capital after deductions	**4,482**
Capital Requirement	
Credit Risk	318
Operational Risk	2,948
Market Risk	184
Interest rate risk PRR – 0	
Foreign Currency PRR - 30	
TOTAL CAPITAL REQUIREMENT	**3,450**
Surplus Capital	1,032
Solvency Ratio	129%

The Firm's capital consists of core tier one partnership capital only. The Firm has no hybrid capital instruments, and no Tier 2 or Tier 3 capital instruments.