Makor Securities London Limited

(the "Firm")

PILLAR 3 AND REMUNERATION DISCLOSURE

The Capital Requirements Directive ('CRD') (Directive 2013/36/EU) and the Capital Requirements Regulation ("CRR") (Regulation (EU) No 575/2013) of the European Union establish the regulatory capital framework across Europe governing the amount and nature of capital credit institutions and investment firms must maintain.

In the United Kingdom, the CRD has been implemented by the Financial Conduct Authority ('FCA') in its rules through the Prudential Sourcebook for Investment Firms ("IFPRU").

The CRD consists of three 'Pillars':

- Pillar 1 sets out the minimum capital amount that meets the firm's credit, market and operational risk capital requirement;

- Pillar 2 requires the firm to assess whether its capital reserves, processes, strategies and systems are adequate to meet pillar 1 requirements and further determine whether it should apply additional capital , processes, strategies or systems to cover any other risks that it may be exposed to; and

- Pillar 3 requires disclosure of specified information about the underlying risk management controls and capital position to encourage market discipline.

The CRR set out the provisions for Pillar 3 disclosure. This document is designed to meet our Pillar 3 obligations under Part Eight of the CRR (articles 431-455).

The Pillar 3 disclosure document has been prepared by the Firm and is verified by the COO and CFO. Unless otherwise stated, all figures are as at the 31st December 2019 financial year-end.

Pillar 3 disclosures will be issued on an annual basis after the year end and published as soon as practical with the annual accounts.

We are permitted to omit required disclosures if we believe that the information is immaterial such that omission would be unlikely to change or influence the decision of a reader relying on that information for the purpose of making economic decisions about the firm.

In addition, we may omit required disclosures where we believe that the information is regarded as proprietary or confidential. In our view, proprietary information is that which, if it were shared, would undermine our competitive position. Information is considered to be confidential where there are obligations binding us to confidentiality with our customers, suppliers and counterparties.

We have omitted certain data on the grounds of proportionality and/or materiality.

Where we have chosen to omit information because it is proprietary or confidential we have explained the omission and provided our reason.

Scope and application of the requirements

The Firm is authorised and regulated by the FCA and as such is subject to minimum regulatory capital requirements. The Firm is categorised as an 'IFPRU Limited Licence Firm', by the FCA for capital purposes.

The Firm is incorporated in England and Wales and is authorised and regulated by the FCA to provide agency brokerage services to clients. The Firm does not provide any clearing or settlement services, hold client money or take any proprietary positions. The Firm only deals with Eligible Counterparties or Professional Clients and does not have any retail clients.

As an IFPRU Limited Licence Firm we are considered a Proportionality level three firm for the purposes of the FCA's Remuneration Code (SYSC 19A). This allows it not to apply many of the technical requirements of the Code and proportionately apply the Code's rules and principles in establishing its Remuneration Policy.

The Firm is a member of a group and so is required to prepare consolidated reporting for prudential purposes. Although part of a group, the Firm is managed on a "stand-alone" basis for liquidity purposes and we do not foresee any impediments to the prompt transfer of capital between group entities, should the need arise.

Risk management

The Chief Operating Officer/Chief Financial Officer (COO/CFO) is ultimately responsible for the overall risk management approach of the Firm and for approving and monitoring risk strategies, setting limits, applying principles and ensuring appropriate risk reduction strategies and procedures are coordinated and implemented.

Core to the Company's risk management is the Individual Capital Adequacy Assessment Process ("ICAAP"). The ICAAP is a firm specific internal assessment of capital adequacy. It also serves as a management tool to assess the robustness of risk management processes, systems and controls within the Firm and where appropriate, set the level of risk tolerated by the Firm. The ICAAP is in place to ensure the Firm complies with all relevant FCA Rules.

In addition to risk management by category detailed below all new business proposals require approval by the Executive Committee and this includes a consideration of the associated risks.

Furthermore the Compliance Department has unrestricted access to all parts of the business and produces a quarterly compliance monitoring programme for approval by the Executive Committee.

The monitoring includes random sample checking of transactions, against procedures, e.g. monthly reconciliations and a client surveillance programme.

Operational risk

The Firm's operational risk is the risk that the Firm will derive losses through inherent failure in its processes, personnel, technology or infrastructure or by external forces impacting on any of these. These risks are countered through regular assessment of the likelihood of these risks as part of the Firm's ongoing internal risk management procedures, including maintaining a fully up-to-date ICAAP and contingency planning for how to deal with such risks arising. The Firm's ICAAP also details the expected costs which would be associated with risks which cannot be fully mitigated, and these are taken into account when planning the Firm's capital.

Credit risk

The Firm's credit risk is the risk that clients will cause a financial loss for the Firm by failing to discharge their financial obligations to it.

The Firm's policy is to monitor trade debtors and avoid significant concentrations of credit risk. Aged debtors reports are reviewed regularly and significant items brought to the attention of senior management and the relevant salesperson.

All new clients are approved both internally and where applicable by third party firms providing clearing and settlement services.

With respect to equities and fixed income, trades settle on a delivery versus payment (DVP) basis. Counterparty risk is borne by the Tier 1 third party settlement providers currently being SG Securities (Paris) or Citigroup Global Markets Limited for equities and Pershing Securities Limited for fixed income. With respect to FX transactions, all trades are given up to a central counterparty, currently RBS and BNP Paribas, for settlement.

In the normal course of business due to the quality of the clients and the fact that for the vast majority of the transactions counterparty risk is not borne by Makor as well as the robust credit and KYC/AML checks, credit risk issues are significantly reduced.

For each of the exposures, as detailed below, the Firm references credit rating assessments issued by External Credit Assessment Institutions ("ECAI"). The following ECAIs are used:

- Fitch Ratings;

- Moody's;

- Standard & Poor's;

Ratings are used in conjunction with the credit quality step map issued by the Bank of England to ascertain an appropriate weighting for each exposure.

These exposures comprise:

Exposure Class	Gross exposure	Risk weighted exposure
Institutions	$21,075,774	$4,910,911
Corporates	$2,212,193	$2,212,193
Individual/Other assets	$1,851,223	$1,454,269

Market risk

The Firm's market risk is the risk that arises from fluctuations in values of, or income from, assets or in interest or exchange rates. As at 31 December 2019, the foreign-exchange risk of the business due to non-USD asset and liability exposures was $154,323 ($1,929,038) when multiplied by the 12.5 factor).

The Firm is an execution only intermediary, therefore, does not take any proprietary positions. Market risk may only arise if an error trade occurs which would require the immediate closure of the position, leaving the Firm vulnerable to fluctuation in market conditions. The Operations Department consistently monitors for error trades ensuring that if any arise, they are escalated to

Head of Desk where steps will be taken to resolve the issue. Error trades are monitored on a monthly basis by Senior Management for trend analysis.

In addition to the above Makor Securities London Limited has Errors and Omissions Insurance placed at Lloyds in the amount of £2M.

Liquidity risk

Liquidity risk is the risk that the Firm will encounter difficulty in meeting its financial obligations as they fall due. The majority of operating expenses are relatively fixed and therefore can be planned for. Daily cash flows are prepared by Finance together with a monthly forecast. These are reviewed by the COO/CFO on a daily basis and discussed in the context of the monthly group senior management meetings.

Legal and regulatory Risk

This is defined as the risk that staff, policies and/or procedures are not compliant with legal and/or regulatory requirements nor has adequate responsibility taken by designated senior management performing significant influence functions. This could result in financial loss and/or regulatory sanction and reduced credibility/reputational damage to customers and others stakeholders.

The Compliance Officer has unrestricted access to all parts of the business' activities and reports directly to the COO/CFO. In addition Makor uses the services of outside compliance consultants and counsel where necessary.

The Compliance Officer is also the firm's Money Laundering Reporting Officer (MLRO). Besides the AML procedures done internally, our third party settlement providers also needs to approve each client. An annual MLRO report is presented to the Board. Detailed procedures and policies are in place across the Firm with the risks monitored through the Compliance Monitoring programme and through other key risk indicators.

Reputational Risk

This is defined as risk of loss of income due to damage to Makor's reputation in the marketplace. Besides the regular compliance monitoring and keeping abreast of regulations, a training program exists for all sales staff and non-sales staff performing control functions. Salespeople can only undertake sales activity after meeting the requirements necessary to successfully achieve "fitness and competency" permission.

Fraud Risk

This has been defined as the risk of loss through either internal or external fraudulent activity. For any cash transfers two authorised signatories are required, one of which must be on the Executive Committee.

HR policies ensure that full references are sought for new employees and that a thorough background check is carried out for all employees that are to be FCA approved.

With respect to daily commission income, trade blotters are either generated automatically by the order management system or individual brokers prepare daily blotters which summarize all trades completed that day. Being an agency broker by definition we start each day new with no prior positions.

Operations then reconciles these with the trade reports generated by third party settlement providers to ensure that settlement quantities and currency amounts are matching. The Operations team have no ability to transfer funds to any external account.

Following this the trades with their estimated commissions are sent to finance for reconciliation against third party commission reports. The daily trades as reconciled are sent to each salesperson for review and comment as well as to senior management and the Compliance Officer.

In summary the risk of fraud is significantly mitigated due to the clear separation of roles & responsibilities, thorough reconciliation and detailed daily review by senior management.

Other Risks

In addition to the above risks, the Firm' considers the cost of an orderly wind-down and the Fixed Overheads Requirement ("FOR"). The FOR is based on annual expenses net of variable costs deducted, which include discretionary bonuses paid to staff. The Firm monitors its expenditure on a monthly basis and takes into account any material fluctuations in order to determine whether the FOR remains appropriate to the size and nature of the business or whether any adjustment needs to be made intra-year.

This is monitored by the internal accounts team at the parent level in collaboration with the third party accounting support provider and reported to senior management on a monthly basis.

Unencumbered assets

In accordance with Article 443 of the CRR, the below table provides details of encumbered and unencumbered assets. As asset is considered encumbered if;

- it has been pledged, or

- it is subject to any form of arrangement to secure, collateralise or credit-enhance any on-balance-sheet or off-balance-sheet transaction from which it cannot be freely withdrawn.

Assets

	Carrying amount of encumbered assets £'000	**Fair value of encumbered assets £'000**	**Carrying amount of unencumbered assets £'000**	**Fair value of unencumbered assets £'000**
Assets	2,509		22,630	
Equity instruments	-		-	
Debt securities	-		-	
Other assets	2,509		22,630	

Regulatory capital

Capital Management

The objectives when managing capital are to safeguard the firm's ability to continue as a going concern and to ensure there is always adequate capital for ongoing working capital requirements, the FCA's capital requirements and capital requirements requested by third party settlement firms and clients.

In order to maintain or adjust the capital structure, the firm may issue new capital to its parent company.

Capital is managed by the COO/CFO aided by the compliance officer and external advisors who help in the preparation of all regulatory reporting schedules and supporting information for review. Regular meetings attended by senior management are held in which the data is discussed, reviewed and monitored to ensure that capital is in line with the objectives mentioned above. These meetings are also used to review any liquidity forecasts and ensure compliance with the firm's Liquidity Policy requirements.

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

	31 December 2019 $000
Capital	4,508
Retained Earnings	4,893
Deductions from common equity Tier 1 capital	(397)
Common Equity Tier 1 capital	9,004
Own Funds	**9,004**
Common Equity Tier 1, Tier 1 capital and Total capital ratio	**13.81%**

Our Firm is small with a simple operational infrastructure. Its market risk is limited to foreign exchange risk on its accounts receivable in foreign currency, and credit risk from fees receivable. The Firm follows the standardised approach to market risk and to credit risk.

Limited Licence - The Firm is subject to the Fixed Overhead Requirement and is not required to calculate an operational risk capital charge though it considers this as part of its process to identify the level of risk based capital required.

As discussed above the Firm is a Limited Licence Firm and as such its Total Risk Exposure is determined by reference to the higher of:

- The sum of the risk weighted exposures relating to market & credit risk; and

- 12.5 multiplied by the fixed overheads requirement (‘FOR’).

The FOR is calculated, in accordance with the EBA regulatory technical standards, based on the firm’s previous years audited expenditure. The firm has adopted the standardised approach to credit and market risk and the above figures have been produced on that basis. The firm is not subject to an operational risk requirement.

It is the Firm’s experience that the Fixed Overhead Requirement x 12.5 establishes its Total Risk Exposure Amount (TREA).

Capital requirement

The Firm's Total Risk Exposure has been determined by reference to the Fixed Overheads Requirement ('FOR') $5,215,748 and calculated in accordance with Article 95 and the EBA Final draft technical standards. The requirement is based on the FOR since this exceeds the total of the credit and market risk capital requirements it faces and also exceeds its base capital requirement of €730,000.

There are three tests of capital adequacy, which relate to the TREA figure.

Firms are required to have:

- Common Equity Tier 1 capital of 4.5% of TREA. We currently have a Common Equity Tier 1 capital amount surplus of $6,070,082 (13.81% of TREA);

- Tier 1 capital of 6% of TREA. We currently hold a Tier 1 capital amount surplus of $5,092,129 (13.81% of TREA);

- Total capital (Own Funds) of 8% of TREA. We currently hold Own Funds surplus of $3,788,192 (13.81% of TREA).

The Own Funds surplus of $3,788,192 is more than sufficient to meet the Firm's additional capital requirement under Pillar 2; this is assessed in the Firm's Internal Capital Adequacy Assessment Process (ICAAP).

Remuneration disclosure

The Firm is authorised and regulated by the Financial Conduct Authority as an IFPRU Limited Licence Firm and is subject to FCA Rules on remuneration ('the RemCode').

Under the FCA's Remuneration Code, the Firm has determined that it is a Level 3 firm, which allows it not to apply many of the technical requirements of the Code and proportionately apply the Code's rules and principles in establishing its Remuneration Policy.

Decision making Process for Remuneration Policy

Given the relatively small size of the business, remuneration for all Partners and employees is set by the Executive Committee. The Firm's Remuneration Policy takes full account of the Firm's strategic objectives. Its objective is to recognize and reward excellent performance of partners and employees to help drive the sustainable growth and hence value of the Firm.

Code Staff Criteria

The FCA defines Remuneration Code Staff ("Code Staff") in SYSC 19A.3.4 as senior management, risk takers, staff engaged in control functions and any employee receiving total remuneration that takes them into the same remuneration bracket as those detailed above, whose professional activities have a material impact on the firm's risk profile.

Based on the profile of the Firm it has been decided to exclude from Code Staff salespeople who earn based on a set formula of commission generated

The Executive Committee will consider the need to add any new joiners to the list of Remuneration Code Staff during the year.