MIRABAUD SECURITIES LIMITED (Formerly Mirabaud Securities Holdings Limited)

PILLAR 3 - DISCLOSURES

31st December 2016

Contents

1. INTRODUCTION AND BACKGROUND

1.1. Scope

The purpose of this document is to set out the disclosures required under the Articles 431 – 455 of the EU Capital Requirements Regulation (CRR), which are more commonly referred to as Pillar 3 Disclosures. The disclosures are required by virtue of the Mirabaud Securities Limited and its regulated subsidiaries, (together collectively referred to as the "Group"), being subject to the CRR and the EU Capital Requirements Directive, ("CRD").

Disclosures in this document will be on a consolidated basis, with individual entity disclosures being made where relevant or where it is considered helpful. It should be noted that in respect of consolidated disclosures, these will include three subsidiaries of the Group that are not covered by the CRD as part of a Non-EEA sub-group.

1.2. Introduction

There are essentially three elements to the Financial Conduct Authority (FCA) rules regarding regulatory capital requirements. These are generally known as Pillars and are:

- Pillar 1 – These FCA Rules define what constitutes the Groups regulatory capital resources, which generally comprises issued share capital, eligible partnership contributions and audited profits. As the Group does not undertake trade book activities, it can only use interim non-trade book profits to the extent that these have been externally audited. In addition, these rules set out the minimum regulatory financial resources the Group must hold. For the Group this amounts to the higher of its fixed overhead requirement or the sum of its credit risk and market risk requirements. Under the CRD, the Group's financial resources requirement has always been its fixed overhead requirement.

- Pillar 2 – Although Pillar 1 sets out minimum regulatory capital requirements, this is extended under Pillar 2 by a process known as Internal Capital Adequacy Assessment Process (ICAA)P. This requires the Group to assess the risks it faces and determine whether additional capital resources should be retained to cope with risks posed to the business by events that may be beyond its control, operational risks or the impact of economic events, as well as retaining additional capital to enable the Group to develop its activities in accordance with its business plans. The ICAAP model is also subject to stress testing.

- Pillar 3 – Is the public disclosure of the Group's regulatory capital position and its policies and processes it undertakes to address the risks inherent in it undertaking business activities, as well as its risk mitigation processes.

Readers of this document may find it helpful to read it in conjunction with the Groups audited financial statements. However, readers should note that this document is itself not subject to independent verification by the Groups auditors.

1.3. Frequency and Verification

The Board of Mirabaud Securities Limited is responsible for assessing the appropriateness of its disclosures.

This document will be updated at least annually and more frequently if events require this to be the case. Such events could include changes in the scale of the Group's operations, its range of activities, its global presence, involvement in different financial sectors, international financial markets or settlement systems or significant changes to its regulated activity permissions.

Disclosure will be annually after the completion of the statutory audit, unless the occurrence of a significant event requires an earlier revision.

1.4. Media and Location

The report will be published on the Mirabaud Website (www.mirabaud.com).

1.5. Corporate Background

Mirabaud Securities Limited is regulated and authorised by the FCA as a BIPRU 12 and IFPRU 125k Limited License United Kingdom company. The company has one subsidiary, Mirabaud Asia Limited, which is authorised and regulated by the Securities and Futures Commission of Hong Kong, and Mirabaud Pereire Nominees Limited.

As detailed in the group accounts, a significant portion of the Groups' revenues are derived from capital raising fees and stock broking commissions.

2. RISK ANALYSIS

2.1. Risk Management Objectives and Policies

The Group's operational structure and management ethos has evolved over time on a basis of a conservative approach to risk and a correspondingly proportionate attitude to risk taking. This is embodied in a strong risk management culture within the Group, which is evidenced by carefully considered opportunities to expand the business of the Group, whilst acknowledging that the Group's activities are not without risk.

The assessment of risk and its mitigation rests with the directors and senior management of Mirabaud Securities Limited, who are also represented on the Executive Committee and the Boards of the subsidiary company of the Group. Risk reporting is considered at the relevant Board and committee meetings, the former being held at least three times a year.

In addition to the formal Boards and executive committees, risk and control issues are also considered by the Senior Management and Compliance Committee which meets monthly and also the Operations Committee which meets fortnightly and both of which report up into the Boards.

Risk and control issues are also subject to oversight by the Group's London based Compliance Department and from the Group's parent's Internal Audit function based in Geneva, Switzerland. Given the size of the operations, managers of departments also have open channels to the Board, senior management and the Compliance Department to raise any issues or concerns that they may have regarding risks posed to the Group, its clients, operations and employees.

2.2. Credit Risk and Dilution Risk

Credit risk relates to the failure, (actual or potential), that an amount due from a client, banker or pre-paid supplier is lost on the default of that person.

In mitigating this risk, the Group regularly monitors amounts due from its clients and any issues regarding late or delayed payment are referred to senior management for resolution.

In terms of credit risk, the Group's material exposure is to the UK, with most balances being due within one month and up to three months for discretionary investment management clients. Bank balances are repayable to the Group on demand.

Dilution risk relates to the risk that debtor balances are diluted by being offset or a contra made against a corresponding creditor from the same counterparty. Generally our debtors are made up of completely different entities to our creditors, and so this risk is not considered to be material.

2.3. Market Risk

The Group does not trade on its own account or hold any principal trading positions, so is not directly exposed to market risk. The Group does receive fees and maintains small balances in foreign currencies, but the risk is minimal.

In addition, from time to time the Group may receive warrants and shares in lieu of cash fees. These positions are subject to Market Risk up to the total carrying value of the positions. Whilst the group endeavours to dispose of these positions at the earliest possible opportunity, there are often regulatory and commercial restrictions that may prevent this. The value of these warrants and shares have not been considered within our liquidity management policy.

2.4. Operational Risk

Although the Group is not subject to an operational risk requirement under the CRD, it does place a high degree of focus on operational controls to manage and mitigate these risks. The Group also maintains a detailed risk register to help monitor, manage and mitigate operational risk issues, as well as recording, monitoring and evaluating operational risk incidents.

2.5. Liquidity Risk

Liquidity risk affects the Group at various levels, ranging from the requirement to have sufficient funds to settle its daily and short-term liabilities as they fall due to the funding required for longer-term strategic plans.

The Group has various sources for funding to ensure that liquidity risk is minimised. The Group maintains its liquid capital as cash deposits at banks and does not currently use longer term deposits or fixed income instruments. The Group has a detailed liquidity management policy and liquidity contingency plan in place.

2.6. Concentration Risk

The Group considers concentration risk to be low, product concentration being the most notable due to our concentration in equity markets. Recent diversifications into M&A, Advisory and alternative capital markets aims to mitigate this.

Client concentration risk is also considered to be low as our fee income is suitably diversified over a large client base.

2.7. Business Risk

The Group's overall strategy is decided upon by the Boards, (in conjunction with the Group's Swiss parent). Day to day strategy and the implementation of this is carried out by the CEO and Senior Management. In order to mitigate business risk and strategic risk, careful consideration is given to all strategic decisions. All available information is reviewed and discussed by the Board and Senior Management where appropriate.

Any new product or business line will include a thorough assessment of all potential risks, financial or operational, and the systems necessary to minimise these risks.

The Group's Business Continuity plans are regularly reviewed and updated in order to address the decisions which would have to be made in situations which would arise as a result of Business risk.

2.8. Interest Rate risk

In general, the Group's funding requirements mean that its bank balances need to be readily accessible and as such, the Group does not seek to place significant amounts on time deposit. In addition, any borrowings or facilities the Group has in place with its bankers are there for the facilitation of the Group's normal trading activities and have generally been used for short-term business related funding requirements. The Group had no other significant form of borrowings during the year to or as at 31st December 2013. As such, the impact on the Group of interest rate risk relates to the impact that changes in interest rates have on the level of its interest income and interest expense rather than relating to any mismatch between assets and liabilities.

2.9. Settlement Risk

Settlement risk is a sub-category of credit risk. The key risk in this area is the non-settlement of a trade. However, there are controls in place to ensure that this does not occur, and, if it does, that is has no material impact on the Group. The vast majority of trades entered into by the Group are on a delivery versus payment ("DVP") basis thereby reducing the risk of non-settlement considerably. The use of custodians for assets under management by the Group further reduces settlement risk. In addition where the Group uses third party brokers to execute trades, these are executed on an agency basis, which ensures, even in the event of a default of the third party broker, the trades remain intact.

2.10. Reputational Risk

Reputation is difficult to build and establish but very easy to lose, which underlines the importance of having to mitigate this risk. Therefore, the Group strives to maintain a good relationship with its clients or potential clients, and also other third parties in the industry including competitors, lawyers, accountants, bankers, regulators, and the HM Revenue and Customs, and to act in a professional and honest manner at all times.

Reputational risk is managed through strong top down corporate governance. The Boards are responsible for setting the tone, actively supporting reputational risk awareness and reinforcing a risk management culture by creating awareness at all levels of the Group.

More specifically the Group endeavours to respond promptly and accurately to all third parties be they regulators, clients or other oversight professionals. All complaints are handled in accordance with FCA's rules and the Group's Complaints Handling Procedure. The Board would be informed of any significant complaints received, how these are being dealt with, and any risks arising as a result.

Other practical mitigation techniques include thorough vetting of new staff members, strict KYC and account opening procedures to ensure we transact with appropriate counterparties and maintaining a comprehensive system of internal controls and practices, including the upkeep of a detailed risk register and conflicts register.

2.11. Other Risk

Residual Risk – Our Group risk policies, controls and mitigation techniques endeavour to minimise Residual risk.

Securitisation Risk – The Group does not undertake any securitisation or underwriting business.

Pension Obligation risk – The Group operates only defined contribution plans which are managed by a third party, and there is no exposure for the group.

3. CAPITAL REQUIREMENTS

3.1. Regulatory Capital Requirement and Accounting

Since inception the Group has always taken a very conservative view with regards to its level of regulatory capital, ensuring at all times that there has been more than sufficient liquid capital to meet its regulatory requirements.

The Group's regulatory capital requirements under Pillar 1 are calculated as the higher of the Group's Fixed Overhead Requirement (FOR) and Credit, Market, Counterparty and Operational[1] risks. Currently the Group's Pillar 1 is based on FOR[2] calculated on the aggregation method.

The Group's Pillar 2 capital requirements are calculated as part of its ICAAP process. This also includes an assessment of the operational risk requirements not necessary under Pillar 1.

The Group's accounting reference date is 31 December. The assumptions used in the assessments are that accrued income is invoiced and receivable within the 90 days and any illiquid assets are included in the credit risk capital calculation.

3.2. Capital Resources and Adequacy

The Group's capital resources comprise issued and fully paid share capital and audited reserves, (including unaudited current year losses), and small revaluation reserve held within the accounts of Mirabaud Securities Limited. Internally, the Group has determined an amount of audit reserves that are not available for distribution.

The Group's solo and consolidated capital resources are calculated in accordance with GENPRU 2 Annex 4 - Capital resources table for a BIPRU investment firm deducting material holdings. The following table sets out consolidated capital resources disclosures required under Pillar 3:

[1] As limited licence firms, the Group is not subject to an operational risk requirement under PILLAR 1

[2] Where the Group entities' FOR are less than their base requirement, PILLAR 1 will be calculated on the value of the base requirement.

Mirabaud Securities Limited – Consolidated		31st December 2016 £'000	31st March 2015 £'000
Tier One Capital -	Share capital	9,000	3,500
	Audited Reserves	(4,987)	326
Less: Innovative Tier One Capital Resources – None		0	0
Tier One Capital		4,013	3,826
Total Tier Two Capital Resources – Revaluation Reserves		0	0
Plus: Innovative Tier One Capital Resources – None		0	0
Plus: Tier Three Capital Resources – None		0	0
Total		0	0
Deductions from Tier One and Tier Two Capital Resources – None		0	0
Total Capital Resources		4,013	3,826

4. REMUNERATION CODE

4.1. Overview

The following disclosures are in accordance with SYSC 19A.2.1 which requires Firms to establish, implement and maintain remuneration policies, procedures and practices that are consistent with and promote sound and effective risk management, in a proportionate manner to the size, nature and complexity of its business and to disclose details of its remuneration policy (BIPRU 11.5.18).

As Limited Licence firms the Mirabaud regulated entities fall into Tier 4 category of the Remuneration Code, (the "Code").

4.2. Identification of Code Staff

Code Staff are broadly identified by the FCA as:

- Individuals who perform significant influence functions for a firm ("SIFs")
- Senior managers
- All staff whose total remuneration takes them into the same bracket as senior management, and
- Risk takers, whose professional activities could have a material impact on a firm's risk profile.

The Groups' approach to identifying Code Staff is based upon FCA's guidelines which have resulted in it identifying Code Staff as SIFs and those staff that may amount to risk takers whose activities could have a material impact on the Firms' risk profile.

The Group is also required to consider whether there are other people, such as special advisers who might be considered by the FCA to be Code Staff. Secondees also fall within the scope of the Code. The Group does not have any such relationships.

The list of code staff is reviewed on at least an annual basis or as required, for example when new senior staff are recruited.

4.3. Governance and decision making

Given the size of the individual firms it has been decided that it is not appropriate to have a separate remuneration committee (SYSC 19A.3.12R), and this authority has been delegated to senior management, comprising of the Chief Executive Officer ("CEO"), Chief Operating Officer ("COO") and, the Chief Investment Officer ("CIO") together with the Boards and Executive Committees, with oversight form the Heads of Compliance.

Remuneration for the COO and CIO is determined by the CEO. The CEO's remuneration is determined by the Board in Geneva and documented in the partnership agreement with him.

4.4. Remuneration structure and the Link between Pay and Performance

There are three informal bonus schemes in place each of which is intended to reward staff performance, these are described below. All bonuses are payable in cash. There is no vesting or deferral period.

4.4.1. Bonus scheme 1 Brokerage and Sales staff

These bonuses are determined by a percentage of the profit from sales or broking that the individual generates. The percentages are agreed in each employment contract or partnership profit share agreement. These may be varied if certain thresholds are reached by any individual but any such changes are subject to senior management approval. Commissions are only paid net of costs such as settlement.

During the year ending 31st December 2014 there were 48 Code staff entitled to this form of bonus.

4.4.2. Bonus scheme 2 Back Office and Administration Staff

Bonuses are payable on an individual's non-financial performance criteria. They are also directly linked to the performance of the relevant firm as a whole and may be varied according to an increase or decrease in profits.

During the year ending 31st December 2014 there were 8 back office or administration Code Staff during the period.

4.4.3. Bonus scheme 3 Research Staff

Research staff are paid from a bonus pool allocated from profits. This is then allocated to individuals according to a vote from sales staff based upon the quality of the research produced. These votes are recorded.

During the year ending 31st December 2014 there were 7 research staff classified as Code Staff.

4.5. Risk Management

The Group has in place policies, procedures and practices in order to identify, measure, manage and monitor risk. These are encapsulated in the ICAAP and Compliance Monitoring Programme and are proportionate given the nature of the Firms' activities and risk tolerance.