

Global Market Index Limited

Pillar 3 Disclosure

1 Introduction

Firms are required under the Senior Management Arrangements, Systems and Controls (SYSC) manual of the Financial Conduct Authority Handbook to have in place robust governance arrangements and effective procedures which allow it to identify, manage, monitor and report the risks it is or might be exposed to.

Global Market Index Limited is authorised and regulated by the Financial Conduct Authority and this document sets out how the Firm complies with its obligations to identify, manage and mitigate risks.

2 Overview

The Capital Requirements Directive ('CRD') of the European Union created a regulatory capital framework across Europe governing how much capital financial services firms must retain. The rules are set out in the CRD under three pillars:

- Pillar 1 sets out the minimum capital resource requirement firms are required to maintain to meet credit, market and operational risks
- Pillar 2 requires firms to assess firm-specific risks not covered by Pillar 1 and, where necessary, maintain additional capital
- Pillar 3 requires firms to disclose information regarding their risk assessment process and capital resources with the aim to encourage market discipline by allowing market participants to assess key information on risk exposure and the risk assessment process.

2.1 Frequency and location of disclosure

Future disclosures will be issued on an annual basis once they have been reviewed and approved by the Board. The disclosures are not subject to audit except where they are equivalent to those prepared under accounting requirements for inclusion in the financial statements.

The report and all future ones will be published on our Firm's website.

2.2 Scope of disclosure

Global Market Index Limited (GMIUK) is an Financial Conduct Authority "FCA" authorised execution only broker for elective professional clients and eligible counterparties.

3 Governance Arrangements

3.1 The Management Body

The Board responsible for the Firm's risk management governance structure and how the Firm's risk exposure must be managed in line with the Firm's overall business objectives and within its stated risk appetite. This includes the governance of the process for identifying, evaluating, managing and reporting the significant risks faced by the Firm.

The Board ultimately responsible for ensuring that the Firm maintains sufficient capital and liquidity resources to meet its regulatory capital and liquidity requirements and to support its growth and strategic objectives. Risk management is embedded throughout the business, with the overall risk appetite and risk management strategy approved by the Board propagated down throughout the business as appropriate.

The Governance Arrangements of the management body of Global Market Index Limited is illustrated below:

Board of Directors



The Firm has reviewed the number of directorships held by members of the Board/The Director has assessed the number of directorships held and are satisfied that the arrangements are such that the management body is able to commit sufficient time and resources to perform their obligations in the Firm. The number of directorships held is monitored on an ongoing basis.

4 Capital Adequacy and ICAAP

The Firm's overall approach to assessing the adequacy of its internal capital is documented in the Internal Capital Adequacy Assessment Process ("ICAAP").

The ICAAP process includes an assessment of all material risks faced by the Firm and the controls in place to identify, manage and mitigate these risks. The risks identified are stress-tested against various scenarios to determine the level of capital that needs to be held.

Where risks can be mitigated by capital, the Firm has adopted the EUCRR requirements for Pillar 1. Where the Board considers that the Pillar 1 calculations do not adequately reflect the risk, additional capital is added on in Pillar 2.

Whilst the ICAAP is formally reviewed by the Board once a year, Senior Management review risks and the required capital more frequently and will particularly do so when there is a planned change impacting risks and capital or when changes are expected in the business environment potentially impacting the ability to generate income.

As of 31/12/18 the firm has a CET1 capital ratio of 42.87%.

4.1 Capital Resources

The Firm is an IFPRU firm because it operates as a limited license matched principal broker that holds client money.

An IFPRU firm must maintain at all times capital resources equal to or in excess of the base requirement (€125k). The Pillar 1 capital requirement for a IFPRU firm is the higher of:

1. Base Capital Requirement OR
2. Credit Risk plus Market Risk plus Counterparty Risk Capital Requirements OR
3. Fixed Overhead Requirement

The Firm must maintain at all times capital resources equal to or in excess of the Pillar 1 requirement. During the 12-month accounting period to 31th December 2018, the Company complied fully with all capital requirements and operated well within regulatory requirements. As at 31 December 2018 the firm held Tier 1 capital resources of c. £1,001,965 comprised of ordinary share capital, share premium, and profit and loss reserves.

The Board are therefore comfortable that the Firm is, and has been throughout the financial year, adequately capitalised for Pillar 1 purposes. The Board are comfortable that this will ensure prudent capitalisation and cover for market downturns and other risks that may materialise in the short to medium term.

The Board constantly monitors the performance of the Firm and capital adequacy is regularly assessed by them. The Firm will also monitor risks throughout the year and decide if additional capital should be held against them. Additional risks that supplement the Pillar 1 requirements are detailed below and, where necessary, additional capital will be provided.

5 Management of Risk Framework

5.1 Risk Profile

Global Market Index Limited has identified the following core risk categories: e.g. strategic, market, credit, liquidity, operational, legal, interest rate, excessive leverage and financial crime.

Global Market Index Limited's profile of these risks is continually evolving and is generally driven by:

- Changes to the market in which we operate;
- Global Market Index Limited's strategies and business objectives and;
- Global Market Index Limited's business/operating models

Global Market Index Limited will seek to generate positive returns through carefully considered risk taking and robust risk management. As such the effective management and control of both the upside of risk taking and its potential downside is a fundamental core competency of the Firm.

5.2 Risk Appetite

The Board responsible for setting the Firm's risk appetite, defining the type and level of risk that the Firm is willing to accept in pursuit of its business objectives.

5.3 Three Lines of Defence

The Firm's governance structure is designed such that the business is the first line of defence, the compliance function is the second line of defence with the Board representing the third line of defence.

	Strategies and goals	Firm Values	Risk Appetites
First line of Defence Business	Identification, control and management of risks. Operating requirements: roles and responsibilities, supervision, procedures, systems and controls		
	Identifying Risks Faced	Identifying Risks Taken	
	Control and Management of Risks		
Second line of Defence Compliance and independent oversight of business	Risk Management Framework		
	Policies and Procedures, Guidance and Training		
	Monitoring		
Third Line of Defence Senior Management/Board	Governance		
	Full accountability for the management of risks		

5.4 Risk Assessment Framework

The Board responsible for approving the Risk Assessment Framework, which is used to ensure that the Firm has a comprehensive understanding of its risk profile, including both existing and emerging risks facing the Firm, and to enable it to assess the adequacy of its risk management in the context of the Firm's risk appetite.

Principal Risks	Appetite	Key Drivers	Mitigation
Strategic Risk			
The risk that arises decisions that fail to reflect the full business operating environment and the impact of failing to adequately identify changes to the business model.	The Firm will remain competitive by identifying opportunities and assessing the risks, rewards and costs associated with them before proceeding	Regulatory landscape impacting the business. Commercial/market conditions Internal business/operating model	Due diligence is carried out prior to any new business opportunity and a full assessment of the potential and actual risks taken into account. Appointment of external compliance consultants
Counterparty Credit Risk			
The risk of financial loss due to the failure of a customer to meet their obligations to settle outstanding amounts	The Firm will only engage in activities where customers have adequate collateral deposited	Market conditions Counterparty credit worthiness	The Firm uses the standardised method of calculating Credit Risk. The firm also has also employed a risk specialist to monitor the risk.

Principal Risks	Appetite	Key Drivers	Mitigation
Market Risk			
Risk of losses in on and off balance sheet positions arising from adverse movements in market prices	The Firm does not engage in propriety trading and does not actively seek market exposure. The firm acts on a matched principle basis only.	Volume and complexity of trading Market movements Liquidity	Risk department monitors market conditions
Liquidity Risk			
The risk that the Firm does not have sufficient liquid resources or is unable to deploy such resources to meet its actual or potential obligations in a timely manner as they fall due	The Firm will have sufficient and accessible financial resources as to meet any financial obligations as they fall due. The firm has always held significantly more than its minimum requirement.	Operational risk Credit risk events Internal business operating model	Daily reviews of financial resources Contingency funding arrangements in place
Operational Risk			
The risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events	The Firm will actively identify and manage the risk of its people, processes or systems failing. Operational risk is inherent in any business however the Firm will take steps to prevent such risks from increasing operating costs	Internal business operating model External threats Market conditions	Employees provided training and guidance on their obligations Timely escalation and mitigation of identified risks BCP is updated regularly
Risk of Excessive Leverage			
The potential increase in risk caused by a reduction in the Firm's own funds through expected or realised losses.	The Firm will only engage in activities where collateral is held The Firm will have adequate financial resources in place	Operational risk Market conditions Liquidity	Collateral is monitored and trading margin managed Regular reviews of financial resources Excessive leverage is not offered.
Financial Crime Risk			
The risk that the Firm fails to prevent its involvement	The Firm has no appetite for any breaches or lapses occurring that result in	External threats Internal controls	Training is provided to all employees regularly

Principal Risks	Appetite	Key Drivers	Mitigation
in or use by other parties to commit financial crime	financial crime taking place		Financial crime procedures and regular monitoring

6 Remuneration Policy

Global Market Index Limited's Remuneration Policy complies with the Remuneration Code in relation to its size, nature, scope and complexity of our activities.

The Policy is aligned to the Firms' business strategy, objectives, values and long term interests in respect of performance and effective risk management in line with the Firm's risk appetite.

A copy of the Firm's Remuneration Policy is available on request.