Axi Financial Services (UK) Limited

Pillar 3 Disclosure

June 2022

PILLAR 3 DISCLOSURES

INTRODUCTION

On 1 January 2022 the Investment Firms Prudential Regime ("IFPR") was introduced, and capital requirements are now calculated by reference to the IFPR. References to CRD and CRR in this document includes the equivalent legislation implemented into UK law.

The third EU Capital Requirements Directive (CRD) came into effect on 1 January 2007. It established a regulatory capital framework across Europe governing the amount and nature of capital credit institutions and investment firms must maintain. On 1 January 2014, CRD IV, the fourth amendment of the CRD came into effect.

The framework consists of three 'Pillars':

- **Pillar 1** sets out the minimum capital requirements for measuring a firm's credit, market and operational risk.

- **Pillar 2** requires firms to undertake an Internal Capital Adequacy Assessment Process (ICAAP) to assess whether its Pillar 1 capital is adequate to meet its risks and if not, to calculate the additional capital required; and

- **Pillar 3** requires public disclosure of a firm's risks, risk management and capital position.

In the UK, the Financial Conduct Authority (FCA) has implemented the Directive through its Handbook of Rules and Guidance. The rules set out the provision for Pillar 3 disclosure and this document is designed to meet those obligations.

The information contained in this Pillar 3 Disclosure has been prepared in accordance with the requirements. However, we are permitted to omit particular 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. 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 made no omissions on the grounds that it is immaterial, proprietary or confidential.

SCOPE, APPLICATION AND FREQUENCY OF THE REQUIREMENTS

Axi Financial Services (UK) Limited ("the Firm") is authorised and regulated by the FCA and as such is subject to minimum regulatory capital requirements. Given the nature of the Firm's permissions, it has been categorised as an IFPR £750k full scope investment firm.

All disclosures are on an unconsolidated basis.

The Firm's Pillar 3 disclosures will be published annually. The Firm has concluded that more frequent disclosure is unnecessary because the Firm's business model and the services that it offers are unlikely to change materially during any one year. This conclusion will be reassessed annually prior to the annual disclosure and consideration will be given to the need to disclose some or all of the disclosure requirements on a more frequent basis. The disclosures are as at the Accounting Reference Date ("ARD") i.e., 30th June 2022.

The disclosures will only be externally audited if they are required to be under accounting requirements. The Pillar 3 disclosures have been prepared purely for explaining the basis on which the Firm has prepared, calculated and disclosed certain capital requirements and information about management of certain risks and for no other purposes. They do not constitute any form of financial statement.

RISKS AND RISK MANAGEMENT

The Firm is governed by its Directors ("Principals") who determine its business strategy and risk appetite. They are also responsible for establishing and maintaining the Firm's governance arrangements along with designing and implementing a risk management framework that recognises the risks that the business faces.

The Principals also determine how the risks the business faces may be mitigated and assess on an ongoing basis the arrangements to manage those risks. The Principals meet on a regular basis and discuss current projections for profitability, cash flow, regulatory capital management, and business planning and risk management. The Principals manage the Firm's business risks through a framework of policy and procedures having regard to relevant laws, standards, principles and rules (including FCA principles and rules) with the aim to operate a defined and transparent risk management framework.

The Firm's Individual Internal Capital and Risk Assessment (ICARA) overall approach to assessing the adequacy of the Firm's capital. The ICARA involves separate consideration of risk to the Firm's capital combined with stress testing using scenario analysis.

The Principals have identified that the main areas of risk to which the Firm is exposed are:

- Liquidity risk
- Concentration risk

Annually the Principals formally review their risks, controls and other risk mitigation arrangements and assess their effectiveness. Where the Principals identify material risks they consider the financial impact of these risks as part of their business planning and capital management and conclude whether the amount of regulatory capital is adequate.

CAPITAL RESOURCES

As discussed above the Firm is a 'limited licence firm' and as such its capital requirements are calculated in accordance with the IFPRU Sourcebook within the FCA Handbook and are based on its 'own funds' and 'leverage ratios'.

The Firm's capital as at the ARD is summarised as follows:

Capital and Reserves	USD	GBP
Share Capital	11,498,590	8,748,300
Audited Reserves	6,513,655	4,972,256
Capital Resources	18,012,245	13,749,805

The Firm's reporting currency is USD, but the FCA require capital resources and requirements to be reported in GBP. Capital and reserves are shown as within the audited financial statements and as reported to the FCA.

The Firm's capital resources comprise of core Tier 1 capital only and therefore there are no other items or deductions.

REMUNERATION POLICY

The Firm is compliant with its requirement to have a Remuneration Policy in place which has been approved by the Board.

Broad Principles:

Remuneration of all staff is based upon the principal of a market standard basic salary, plus a bonus. No other reward or compensation schemes are in place.

For some employees, bonuses may be performance based with reference to a pre-determined target; for others, bonuses will be discretionary.

All bonuses should be subject to the underlying profitability of the Firm and no bonus should be paid which, in the opinion of the Remuneration Committee, may compromise the financial resources or the credibility of the Firm.

Bonuses should recognize and reward good and excellent performance of employees and focus on retaining high performing senior management.

Bonuses should not be used to reward behaviour that increases the Firm's exposure to risks.

All bonuses must be proportionate and prudent and consistent with regulatory requirements.