IFPR DISCLOSURES

Introduction

Forte Securities Limited (‘**FSL**’) is an investment firm based in 36 Golden Square, London, W1F 9EE and authorised by the Financial Conduct Authority (FRN 478424).

Until 31 December 2021, FSL was, for capital adequacy purposes, subject to the provisions of the UK Capital Requirements Regulations (‘**UK CRR**).

From that date forward most small and medium-sized investment firms are regulated for capital adequacy purposes under the Investment Firm Prudential Regime (‘**IFPR**’).

Under IFPR the nature of a firm’s capital resources calculation will change and in addition the firm must make a number of disclosures as set out in MIFIDPRU 8 of the FCA Handbook. These are

- Risk Management Objectives
- Governance Arrangements
- Own Funds
- Own Funds Requirements
- Remuneration policies and practices
- Investment policy.

This document sets out the proposed text of the relevant disclosures that FSL must make to satisfy its disclosure requirements.

As a minimum, FSL must publicly disclose the information specified in this chapter on its website[1], from the date on which it publishes its annual financial statements[2].

[1] MIFIDPRU 8.1.16
[2] MIFIDPRU 8.1.10

Risk Management Objectives

Disclosure Requirement (1) a concise statement approved by the firm's governing body describing the potential for harm associated with the business strategy; and (2) a summary of the strategies and processes used to manage own funds, concentration and liquidity risks, and how this helps to reduce the potential for harm.

The FSL Board is the governing body of the firm and, as such, is ultimately responsible for the application of a robust internal risk management regime.

The Board is aware of the potential harm arising from its business activities in that, whilst it maintains a cautious approach to the market risks created by its proprietary trading, the nature of the activity is such that related crystallised losses would result in a dilution of both the firm's capital and its liquid resources.

In order to manage the attendant risks, the Board has a number of committees that report into it, and on a monthly basis it receives extensive Management Information ("MI") on the firm's financial and operational performance.

In addition, the Board continuously monitors and, if necessary, enhances, the firm's Business Model, directs the Internal Capital Adequacy and Risk Assessment ('ICARA') process and receives other significant regulatory intelligence which, in aggregate, provide the requisite information to identify trends and issues particularly in relation to

- The adequacy of its own funds;
- The potential existence of concentration risk exposures to corporate clients exceeding 25% of its own funds, or concentration risk exposures to banks or investment firms exceeding 100% of its own funds; and
- The adequacy of its liquid resources enabling the firm to meet its liabilities as they fall due.

In each of these areas the Board's approach is risk averse in order to ensure that the firm has sufficient capital and liquidity to remain in business and to avoid the risks created by undue exposures to a single counterparty or a group of related counterparties.

To this end, FSL monitors its actual and near term capital and liquidity positions on a monthly basis and carries out stress testing of its medium-term financial plans as part of its ICARA process in order to validate the adequacy of its forecast capital and liquidity resources.

The Board uses the information presented in its monthly MI to manage its market risk exposures, thus protecting the integrity of its own funds and liquid resources. Further, it monitors its exposures to particular counterparties and/or commodities to prevent the creation of inappropriate concentration risk.

In addition, the firm carries out a full ICARA process at least annually as a key element of its risk management toolkit.

The Board considers that these measures constitute an effective risk management framework that is proportionate and appropriate to the nature, scale and complexity of FSL.

Governance Arrangements

- Explain how the firm complies with the requirement to ensure the management body defines, oversees and is accountable for the implementation of governance arrangements that ensure effective and prudent management of the firm, including the segregation of duties in the organisation and the prevention of conflicts of interest, and in a manner that promotes the integrity of the market and the interests of clients;
- the number of directorships (executive and non-executive) held by each member of the management body;
- a summary of the policy promoting diversity on the management body,
- whether the firm has a risk committee or is required to have one

The directors of FSL recognise and accept that the Board, as the governing body of the firm, has responsibility for the implementation of governance arrangements that assure its effective and prudent management.

FSL considers that the existing arrangement whereby a non-executive director works in partnership on the Board with two executive directors facilitates good corporate governance. The non-executive director provides a perspective that is detached from the operational mindset of the executive directors, whilst the fact there are two executive directors enables organisational arrangements that avoid conflicts of interest within the firm's management structures.

Whilst the Board readily acknowledges its collective risk management responsibility, it should be noted that the executive directors are also held accountable for specific areas of delivery under the Senior Managers and Certification Regime.

The Board implements its collective responsibility through the policies and procedures that it approves and cascades to FSL employees and contractors. The implementation of these policies and procedures not only protects the reputation of the firm but also serves to promote market integrity and the interests of FSL clients.

The effectiveness and accuracy of their execution is validated by ongoing compliance monitoring which either validates their successful practical application or identifies failures that can be promptly remediated.

At a macro level, the Board frequently reviews and updates the firm's risk register, and it carries out an extensive ICARA process at least annually.

The Board considers that these measures serve to simultaneously protect the interests of the shareholder, clients and market integrity.

FSL Directors – Other directorships (outside Forte Securities group)

Given its modest scale[3], there is no prohibition on FSL's directors holding other directorships.

The other directorships held by FSL directors are as follows

Director	SMF Function / Role	Number of other external directorships
Marco Bach	SMF3 Executive Director, CFO	2
Fadi Kassis	SMF17, SMF3 Executive Director	8
Steven Seamen	SMF1 Chief Executive	1

Each individual has demonstrated the capacity to manage the positions listed above without any dilution of their commitment to FSL.

Board Diversity

It is FSL policy that its directors, in aggregate, have a sufficient range of skills and experience to manage a business of FSL's nature, scale and complexity.

Whilst, the Board believes that its current composition satisfies this principle, the option for further appointments remains an ongoing consideration.

Any future appointments will be assessed on the single criterion that the individual recruited would have skills and experience that complement those of the existing directors.

[3] FSL does not meet the criteria for a 'Significant SYSC firm set out in SYSC 1.5.2

Own Funds

Using template below, provide

a) a reconciliation of common equity tier 1 items, additional tier 1 items, tier 2 items, and the applicable filters and deductions applied in order to calculate the own funds of the firm;

(b) a reconciliation of (a) with the capital in the balance sheet in the audited financial statements of the firm; and

(c) a description of the main features of the common equity tier 1 instruments, additional tier 1 instruments and tier 2 instruments issued by the firm.

Composition of regulatory own funds			
	Item	**Amount (GBP thousands)**	**Source based on reference numbers/letters of the balance sheet in the audited financial statements**
1	**OWN FUNDS**	17,398	
2	**TIER 1 CAPITAL**	17,398	
3	**COMMON EQUITY TIER 1 CAPITAL**	17,398	
4	Fully paid up capital instruments	1,000	22
5	Share premium		
6	Retained earnings	16,398	23
7	Accumulated other comprehensive income		
8	Other reserves		
9	Adjustments to CET1 due to prudential filters		
10	Other funds		
11	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(1259)	
19	CET1: Other capital elements, deductions and adjustments		
20	**ADDITIONAL TIER 1 CAPITAL**		
21	Fully paid up, directly issued capital instruments		
22	Share premium		
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1		
24	Additional Tier 1: Other capital elements, deductions and adjustments		
25	**TIER 2 CAPITAL**		

26	Fully paid up, directly issued capital instruments		
27	Share premium		
28	(-) TOTAL DEDUCTIONS FROM TIER 2		
29	Tier 2: Other capital elements, deductions and adjustments		

Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements				
Flexible template - rows to be reported in line with the balance sheet included in the audited financial statements of the investment firm. Columns should be kept fixed, unless the investment firm has the same accounting and regulatory scope of consolidation, in which case the volumes should be entered in column (a) only. Figures should be given in GBP thousands unless noted otherwise.				
		a	b	c
		Balance sheet as in published/audited financial statements	**Under regulatory scope of consolidation**	**Cross reference to template OF1**
		As at period end	**As at period end**	
Assets - *Breakdown by asset classes according to the balance sheet in the audited financial statements*				
1	Tangible Assets	153		
2	Investments	13,660		
3	Debtors	9,379		
4	Cash at bank and in hand	7,256		
5				
	Total Assets	30,448		
Liabilities - *Breakdown by liability classes according to the balance sheet in the audited financial statements*				
1	Current Liabilities	13,037		
2	Provisions	13		
3				
4				

	Total Liabilities	13,050		
Shareholders' Equity				
1	Ordinary Shares	1,000		
2	Retained Earnings	16,398		
3				
	Total Shareholders' equity	17,398		

Own funds: main features of own instruments issued by the firm
Free text. A non-exhaustive list of example features is included below.
Perpetual ordinary shares issued and paid up - £1,000,000 @ £1 each. The instruments rank below all other claims in the event of FSL's insolvency or liquidation.
Examples
Public or private placement
Instrument type
Amount recognised in regulatory capital (GBP thousands, as of most recent reporting date)
Nominal amount of instrument
Issue price
Redemption price
Accounting classification
Original date of issuance
Perpetual or dated
Maturity date
Issuer call subject to prior supervisory approval
Optional call date, contingent call dates and redemption amount

Own Funds Requirements

> MIFIDPRU 8.5 – Own Funds Requirement
>
> A firm must disclose the following information regarding its compliance with the requirements set out in MIFIDPRU 4.3 (Own funds requirement):
>
> (1) the K-factor requirement, broken down as follows:
>
> (a) the sum of the K-AUM requirement, the K-CMH requirement and the K-ASA requirement;
>
> (b) the sum of the K-COH requirement and the K-DTF requirement; and
>
> (c) the sum of the K-NPR requirement, the K-CMG requirement, the K-TCD requirement and the K-CON requirement; and
>
> (2) the fixed overheads requirement.
>
> A firm must disclose its approach to assessing the adequacy of its own funds in accordance with the overall financial adequacy rule in MIFIDPRU 7.4.7R. which is
>
> > (1) A firm must, at all times, hold own funds and liquid assets which are adequate, both as to their amount and their quality, to ensure that:
> >
> > (a) the firm is able to remain financially viable throughout the economic cycle, with the ability to address any material potential harm that may result from its ongoing activities; and
> >
> > (b) the firm's business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

Item		**Total (GBP 1,000s)**
K-factor	Sum K-AUM, KCMH, KCOH, K-ASA	260
	Sum K-NPR, K-CMG	2,640
	Sum K-TCD, K-DTF, K-CON	413
Total K-Factor		**3,313**
FOR		864
Own funds req.	**Max (K-factor total, FOR)**	**3,313**

K- factors Definition

The Prudential sourcebook for MIFID investment firms (i.e., MIFIDPRU) of the FCA Handbook sets out the KFR methodology for calculating own funds requirements effective from 1 January 2022. The IFPR introduced nine K-factors. The application of each K-factor at individual investment firms is determined by a firm's regulatory permissions.

Summary of individual K-factors used in the KFR methodology

K-factor	Description
K-AUM	Assets under management
K-COH	Client orders handled
K-ASA	Assets safeguarded and administered
K-CMH	Client money held
K-NPR	Net position risk
K-CMG	Clearing margin given
K-TCD	Trading counterparty default
K-DTF	Daily trading flow
K-CON	Concentration risk

FSL assures its compliance with the overall financial adequacy rule[4] in a number of ways

- Ongoing monitoring of actual and near-term capital and liquidity positions;
- Stress testing of medium term financial plans;
- Maintenance of a credible plan to achieve the orderly wind down of the firm whilst minimising harm to clients and/or other market participants.

All of these activities are supervised by the FSL Board.

[4] MIFIDPRU 7.4.7