Arian Financial LLP

Pillar 3 Disclosure

Overview

These disclosures are made in accordance with the rules of the Financial Conduct Authority which implement in the UK the EU directives regarding the revised capital adequacy framework agreed by the Basel Committee on Banking Supervision. It is this application of the Capital Requirement Directive and Basel ll that requires Arian Financial LLP to make these disclosures.

The FCA framework now consists of three 'Pillars':

- Pillar 1: Minimum capital requirements
- Pillar 2: Supervisory review process: the need to assess whether the capital held under Pillar 1 is sufficient to meet the additional risks not covered by Pillar 1
- Pillar 3: Disclosure requirements allowing market participants to assess information on a firms' risks, capital and risk management procedures

The Financial Conduct Authority, in BIPRU 11, outlines the minimum disclosure requirements. The information below satisfies Arian Financial LLP Pillar 3 requirement.

Frequency of Disclosure

Arian Financial LLP will report their Pillar 3 disclosure annually or upon material change. These disclosures are based on the company's position as at the 31st March 2013. The Pillar 2 (ICAAP) capital requirements are excluded from this summary but are reviewed annually or upon material change.

Location and Verification

These disclosures have been validated by the partners. These disclosures are not subject to an audit except to the extent where they are equivalent to disclosures made under accounting requirements.

Scope of Application

This disclosure is made on an individual basis.

Risk Management

Arian is a Limited Liability Partnership.

The Partners determine the firm's business strategy and risk appetite along with designing and implementing a risk management framework that recognises the risks that the business faces. They also determine how those risks may be mitigated and assess on an ongoing basis the arrangements to manage those risks. The Partners meet on a regular basis and discuss current projections for profitability and regulatory capital management, business planning and risk management. The Partners manage the Firm’s risks though 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. These policies and procedures are updated as required.

The Firm is small with an operational infrastructure appropriate to its size. It carries no market risk, other than foreign exchange risk on its accounts receivable in foreign currency, and no credit risk from management and performance fees receivable.

The ICAAP has identified the most significant risk types to which Arian Financial LLP to be as follows:

- Operational Risk:

This is the risk associated with inadequate, or the failure of, internal processes or external factors such as regulation.

The risk that Arian is sued by employees for offences in the workplace.

- Market Risk

This is the risk that external factors, such as a fall in trading volume will result in an unexpected loss in income.

There is a risk that the economic demand for trading reduces because of a weakening economic environment. That the competitive environment increases, with new participants and that the commission structure of the market is lowered. These risks are mitigated by a large, diversified and loyal client base and an ability to trade all markets. Staff are paid performance bonuses allowing reduced overheads in quite periods. Entry into the market place is difficult and requires large initial resource. Commission fees in the market place are constantly under review but, equally, the execution fees paid by Arian Financial LLP are also under pressure, ensuring a continuing margin.

- Credit Risk

This is the risk that clients and counterparties fail to meet their financial and commercial obligations.

There is a risk that Arian Financial LLP's clients and counterparties fail to accept a trade for whatever reason. The mitigation is that the trades are given up on a daily basis, ensuring that the risk is that of a movement of an overnight position. Positions are monitored daily to ensure no excessive exposure to one particular client.

Capital Resources	**March 2013 '000s**
Core Tier 1 Capital	1220
Other Tier 1 Capital	0
Total Tier 1 Capital after deductions	1068
Total Tier 2 capital	0
Capital Resources Requirement	261

Capital adequacy in compliance with BIPRU 3, 4 6, 7 & 10 (BIPRU 11.5.4)

Arian Financial LLP have forecasts in place to ensure that they will continue to meet they regulatory capital requirement an ongoing basis.

Arian Financial LLP is a BIPRU 50k limited Licence firm and, as such, is not required to calculate its operational risk capital requirement under Pillar 1 in accordance with BIPRU 6. Instead they are required to calculate a Fixed Overhead requirement in accordance with GENPRU 2.1.53R

The total Credit Risk requirement, (BIPRU 11.5.8), has been calculated at £38,000. The total Market Risk requirement, (BIPRU 11.5.12), has been calculated at £69,000 which comprises solely of Foreign Currency PRR. The Commodity PRR is zero.

Remuneration

BIPRU 11.5.18 requires that a firm makes a disclosure of details regarding its remuneration policy.

Given the relatively small size of the business, remuneration for all employees is set by the partnership. The partnership formally reviews all employees and based upon individual and company performance, the overall level of remuneration is set in the form of a base salary and bonus.

Arian Financial LLP has been identified as a Tier four firm and the number of current code staff has been established as the sum of the partners and FCA registered CF30s.

Further Enquiries

Should you have any queries please contact:

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