



# **ALL IPO PLC**

## **PILLAR 3 DISCLOSURE**

**PERIOD ENDING 30<sup>th</sup> JUNE 2020**

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## **1 PURPOSE & BACKGROUND**

The Pillar 3 disclosure of All IPO Plc is set out in this document in accordance with the Capital Requirements Directive IV ('CRD') ('Directive 2013/36/EU'), the Capital Requirements Regulation ('CRR') ('Regulation (EU) no 575/2013/EU), the Alternative Investment Fund Manager Directive ('AIFMD') (Directive 2011/61/EU') and the Undertakings for Collective Investments in Transferable Securities ('UCITS') (No 2009/65/EC) of the European Union, which collectively establish the regulatory capital framework governing the amount and quality of capital that European investment firms must maintain.

These requirements have been implemented in the United Kingdom via the Financial Conduct Authority ('FCA')'s Handbook of Rules and Guidance, specifically the General Prudential Sourcebook for Investment Firms ('IFPRU').

Investment firms are subject to the market disclosure requirements under the Basel III framework, which consists of three pillars:

- Pillar 1 – sets out the baseline regulatory capital requirements for credit, market and operational risk;
- Pillar 2 – requires firms and supervisors to consider whether additional capital should be held against risks not covered under the Pillar 1 capital calculations
- Pillar 3 - requires firms to disclose certain information relating to risk-management controls and levels of capital.

The objective of the Pillar 3 public disclosures is to enhance market discipline through increased transparency.

All IPO Plc's Pillar 3 disclosures have been approved the Board of Directors. The information contained in this disclosure document has not been audited by the firm's independent auditors and does not constitute any form of financial statement.

## **2 COMPANY SUMMARY**

ALL IPO Plc is a financial services company that is active in the following business areas:

- Throgmorton Street Capital – a trading name of All IPO Plc under which the firm may conduct corporate broking/advice and finance activity. The firm is not active in this line of business.
- TSCTrade – another trading name of All IPO Plc under which the firm is currently conducting retail stockbroking on an execution-only basis.
- R-Safe – a brand name of All IPO Plc and the name of the initial product of the firm’s new regulatory technology division. The R-Safe compliance tool is currently under development and is projected to be launched to market in 2020.
- Freefaucet - a brand name of Freefaucet Limited, which was incorporated in May 2020 and is a wholly owned subsidiary of Online Blockchain, which is a minority shareholder (<20%) of ADVFN Plc, which in turn owns 100% of All IPO Plc. Freefaucet is a cryptoasset business which applied for FCA Registration in 2020 and which depends upon the officers of All IPO Plc for compliance and operational support. The inclusion of Freefaucet in this Pillar 3 disclosure is due to the capital resources implications for All IPO Plc of the compliance and operational support that is being provided on a temporary basis to Freefaucet.

This Pillar 3 disclosure for All IPO Plc is made on an individual basis and is not consolidated with the wider ADVFN group, which wholly owns All IPO Plc. The group contains no other FCA authorised and regulated entities; the aforementioned Freefaucet has applied to become an FCA Registered cryptoasset business and not a fully authorised firm.

### **3 SCOPE OF APPLICATION**

ALL IPO Plc is authorised and regulated by the FCA as an IFPRU Limited Licence Firm and is subject to CRD IV and to the Pillar 3 disclosure requirements. These Pillar 3 disclosures are made on an individual basis and are not consolidated with its parent firm. All IPO Plc is the only regulated entity within the parent group.

All IPO’s capital resources requirement will normally be the greater of its Base Capital Requirement (set out below) and its Variable Capital Requirement.

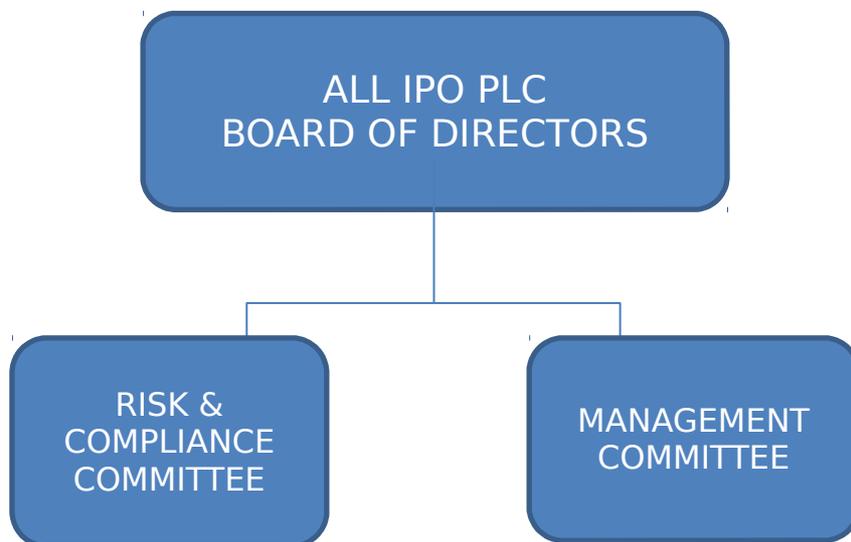
The Base Capital Requirement for an IFPRU limited license firm is €125,000.00.

As a firm which deals exclusively as an agent, All IPO will never incur position risk or counterparty exposures. This means the business model entails no market risk or credit risk. Therefore, the minimum capital requirement will be the Fixed Overhead Requirement (25% of annual relevant fixed expenditures as identified in the firm's audited accounts or €125,000.00, whichever is higher).

#### **4 RISK GOVERNANCE**

All IPO Plc recognises the importance of effective corporate governance. The firm benefits from a transparent hierarchy of governance arrangements, consisting of committees which have the necessary authority to ensure robust risk management and which report directly to the Board of Directors.

See below for an overview of the structure of All IPO Plc's risk governance arrangements:



#### **4.1 Board of Directors**

The Board of Directors is responsible for commercial, strategic and operational business decisions and for overseeing the governance and control arrangements within the business.

The powers and duties of the Board and its senior executives including the Chief Executive Officer are set forth in the group's Corporate Governance Framework.

The Board provides a forum to advise and oversee the CEO and management in the decisions that are taken in order to run the business. The Board meets no less frequently than on a quarterly basis and principally considers the execution of commercial strategy. Additionally, the Board considers, approves, and oversees progress against the firm's budget allocation, risk appetite, operational metrics, and legal and regulatory controls.

#### **4.2 Management Committee**

The CEO is responsible for the day-to-day management of the firm in accordance with the authority delegated by the Board of Directors. The CEO establishes the Management Committee under this delegated authority recommends items for the Board to consider.

Key responsibilities include:

- Recommending strategic initiatives for the firm in the development of its business, having due regard to the interests of shareholders, customers, employees, and other stakeholders.
- Recommendation of the annual budget and multi-year strategic business plan to the Board, and, following approval, the execution of the business plan.
- Optimisation of the allocation and deployment of the firm's resources.
- Formulation of the risk-management framework and determining risk-appetite.

#### **4.3 Risk & Compliance Committee**

The Risk & Compliance Committee is responsible for monitoring the firm's risks and it supports the Management Committee by advising upon and providing recommendations in respect of all areas of identified risk.

Key responsibilities include:

- Advising on the optimal risk appetite and risk tolerance for the firm.
- Advising on the firm's risk profile, considering significant exposures, the financial position of the firm, and its capacity to identify, assess, manage, mitigate, and report risks.
- Making recommendations on the risk management framework and policies.
- Reviewing and monitoring all risk exposures, incidents, developments in legal, regulatory and accounting requirements and their implications for compliance and risk management, and ultimately making recommendations for actions as appropriate.

This disclosure has been approved by the Board of Directors of All IPO Plc.

## **5 RISK MANAGEMENT**

### **5.1 Overview**

All IPO Plc's risk management framework is structured into three lines of defence, with clearly defined and segregated responsibilities within the risk cycle:

#### **1st Line of Defence:**

The business manages its risks and the Board maintains overall responsibility for the firm's strategy, risk, financial and capital management. All IPO Plc's Board is responsible for ensuring a sound system of internal control and risk management, including approving its Risk Management Framework and Risk Appetite Statement.

#### **2nd Line of Defence:**

The Management Committee and Risk & Compliance Committee oversee the practical management and oversight of the Firm's risks. The Risk & Compliance Committee is responsible for monitoring the Firm's risks and assists the Management Committee by advising and making recommendations on all areas of risks.

#### **3rd Line of Defence:**

External Audit conducts independent assurance reviews to assess the effectiveness of the internal risk-management and risk-control framework

### **5.2 Risk Appetite**

Risk Appetite defines the types of risk and level of risk that All IPO Plc is willing and able to accept in pursuit of its strategic objectives. The Risk Appetite is represented by limits and statements for different metrics that express the firm's key risk exposures under both current and stressed conditions. This enables the Board and senior management to:

- Understand resilience to the risks embedded in the business strategy and assess All IPO Plc's ability to withstand plausible stress scenarios.
- Adapt strategies and business plans to ensure the risk profile does not exceed the defined maximum levels.

For each applicable risk category, the Risk Appetite Statement ('RAS') will set out a full description of the risk, the main sources of the risk, the level of risk the Firm is prepared to accept in pursuit of its strategic objectives, as well as details of how risk is monitored against pre-approved thresholds.

The Board of Directors regularly assesses the capital adequacy of All IPO Plc with the aim of maintaining a level of capital that will provide for the working capital needs of the business and satisfy applicable regulatory capital requirements.

## **6 CAPITAL ADEQUACY**

### **6.1 Regulatory Capital Resources**

All IPO Plc Consolidated Capital Resources as at 30<sup>th</sup> June 2020:

Total Tier One Capital: £712,801

All IPO Plc does not utilise tier two capital or tier three capital.

### **6.2 Capital Requirements**

All IPO Plc is categorised by the FCA as an IFPRU Limited Licence Firm for prudential regulatory purposes. The firm therefore calculates its minimum Pillar 1 regulatory capital requirement as the higher of:

1. Base capital resource requirement of €125,000.00
2. The sum of its market risk and credit risk requirement (i.e. £0)
3. The Fixed Overhead Requirement ('FOR')

The FOR is equal to 13/52 of Relevant Fixed Expenditure from the most recent audited annual financial statements submitted to the FCA, less the following items (if applicable):

- Staff bonuses, except to the extent they are guaranteed;
- Employees' and directors' shares in profits, except to the extent they are guaranteed;
- Other appropriations of profits;
- Shared commission and fees payable which are directly related to commission and fees receivable, which are included within total revenue;
- Interest charges in respect of borrowings made to finance the acquisition of the firm's readily realisable investments;
- Interest paid to customers on client money;
- Interest paid to counterparties;
- Fees, brokerage and other charges paid to clearing houses, exchanges and intermediate brokers for the purposes of executing, registering or clearing transactions;
- Foreign exchange losses; and
- Other variable expenditure

Based on the most recent audited annual accounts, the FOR calculation for All IPO was £41,724.

Additionally, the one-off costs of winding-down All IPO Plc have been calculated at £38,250.

The sum of the FOR and the one-off expenditures related to an orderly winding-down of the business is £79,973. This figure is considerably less than the Base Capital Requirement.

Therefore, the firm is obliged to maintain minimum regulatory capital of €125,000.

As at 30<sup>th</sup> June 2020, €125,000 represented £113,616 in local currency.

All IPO Plc's total tier one capital of £712,801 as at 30<sup>th</sup> June 2020 was a sum equivalent to 627% of the required minimum level of regulatory capital.

## 7 ICAAP

Under the precepts of Pillar 2, All IPO Plc undertakes an Internal Capital Adequacy Assessment Process ('ICAAP') review on an annual basis.

The ICAAP assesses the material risks to which All IPO Plc is exposed, or to which it may be exposed (including risks not captured or adequately assessed under Pillar 1), and the level of capital that is considered necessary to hold against these risks. As part of the assessment, the company performs stress tests and scenario analyses and wind-down analysis to assess the potential impact of adverse events on the business model and the level of capital that is actually held on behalf of All IPO Plc.

All IPO Plc's ICAAP has been reviewed and approved by the Board of Directors.

The firm's approach to assessing the adequacy of its internal capital to support its current and future activities may be characterised as a granular analysis of separate risk factors in conjunction with a policy of proactive maintenance of a cushion of capital far in excess of minimum regulatory requirements.

As at 30<sup>th</sup> June 2020, All IPO Plc has sufficient capital resources to meet both its Pillar 1 and Pillar 2 capital requirements. Although the firm is part of a group, it is managed on a stand-alone basis for liquidity purposes and management does not foresee any impediments to the prompt transfer of capital between group entities should the need arise.

See below for a tabular summary of the key risks to the business that were identified in the 2020 ICAAP:

Risk Category	Risk Assessment
<b><u>Credit Risk</u></b>	Nil risk: All IPO Plc is an execution-only stockbroker. Clients are not offered margin trading services or any other types of credit facility.
<b><u>Market Risk</u></b>	Nil risk: All IPO Plc cannot deal as a principal or otherwise take proprietary positions. The firm's business activities when dealing as an agent on behalf of its clients do not incur market risk.

<p><b><u>Operational Risk</u></b></p>	<p>Moderate risk: All IPO Plc is exposed to the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.</p> <p>There are sources of operational risk in relation to client-order execution, customer service, financial crime, business disruption, and system failures.</p> <p>All IPO Plc calculates an operational risk capital requirement as part of its ICAAP Pillar 2 assessment based on the input of subject-matter experts across the business to derive severe, yet plausible loss event costings. The identified risk factors and associated cost estimates of crystallised risk are reviewed and challenged by the Board and its committees throughout the ICAAP process.</p>
<p><b><u>Liquidity Risk</u></b></p>	<p>Nil risk: All IPO Plc's policy is to maintain sufficient liquid assets to meet financial payment obligations as they fall due for a minimum of 90 days business activity.</p>
<p><b><u>Concentration Risk</u></b></p>	<p>Nil risk: All IPO has a simple, diversified business model with no material counterparty trading risks. All corporate funds and client money deposits are held in accounts at major UK banks.</p>
<p><b><u>Business Risk</u></b></p>	<p>Moderate risk: All IPO Plc is subject to risk arising from a change in business, due to either internal decisions and actions or to external factors or events. Including:</p> <ul style="list-style-type: none"> <li>• The new regulatory technology venture failing to develop successfully.</li> <li>• Costs of the regulatory technology division exceeding budgeted levels and impairing the overall financial position of the firm.</li> </ul> <p>The firm views this risk as potentially material and the Board of Directors undertakes continuous review of the new regulatory technology division's expenditures and its progress against plans and deadlines.</p> <p>The group sister company Freefaucet Limited has required significant support from All IPO Plc staff during the first half of 2020 as preparations were made to submit the company's initial application for FCA Registration. There is a risk that this resource commitment will continue in the latter part of 2020 in the event that the registration process proves to be complex and lengthy.</p>
<p><b><u>Key Person Risk</u></b></p>	<p>Moderate risk: All IPO Plc is subject to the risk that the business or a business unit may become heavily reliant upon a small team of key individuals.</p> <p>The firm has exposure to key person risk in respect of its regulatory technology division, which depends upon skilled, experienced employees leading the development and testing of new products.</p> <p>The firm views this risk as material and takes steps to ensure that employee compensation is commensurate with market rates.</p>
<p><b><u>Insurance Risk</u></b></p>	<p>Moderate risk: All IPO Plc is required to maintain Professional Indemnity Insurance in the amount of no less than £1 million. There is a risk of this mandatory insurance cover ceasing to be available on affordable terms and/or that the cover that is obtained has unreasonable restrictions or exclusions.</p> <p>The firm views this risk as material and takes all reasonable steps to maintain the availability of insurance cover on reasonable terms and at reasonable cost.</p>
<p><b><u>Pension Risk</u></b></p>	<p>Nil risk: All IPO Plc has no exposure to pension obligation risk.</p>

## **8 REMUNERATION DISCLOSURES**

The remuneration policy statement covering the financial year from 1<sup>st</sup> July 2019 to 30<sup>th</sup> June 2020 has been generated under the FCA Remuneration Code ('the Code'). All IPO Plc is classified under the code as a proportionality level 3 firm.

The Code requires All IPO Plc to consider its process and procedures for those senior staff that control the firm and/or could affect its risk profile. For the financial year ended 30<sup>th</sup> June 2020, the firm identified only FCA Approved Persons performing Significant Influence Functions ("SIF"). These individuals are classified as "Code Staff".

All IPO Plc does not have a formal Remuneration Committee and remuneration is determined by a remuneration group made up of members of the Board of Directors. The group considers remuneration policy for all staff including Code Staff. Due to the size and nature of the business there are no material conflicts of interest.

All IPO Plc policy is to provide remuneration packages to motivate and retain staff who will make a significant contribution to the performance of the company. Remuneration consists of a fixed salary and a variable element of additional compensation designed to reflect and reward individual performance.

Aggregate quantitative information on remuneration for the Code Staff:

For the year ended 30<sup>th</sup> June 2020 there were two Code Staff.

Aggregate remuneration expenditure in respect of the Code Staff was:

Fixed remuneration: £105,000

Variable remuneration: £ 0

Fixed remuneration consists of base salary alone, while variable remuneration consists of incentive schemes assessed on criteria pertaining to fund raising, brokerage retainers, commission earned, and research notes published.