1. OVERVIEW

1.1 Introduction

This document discloses key information about Maxis Investments Ltd as at 31st December 2016, under the CRD IV directive. This Pillar 3 disclosure complements minimum capital requirements (Pillar 1) and supervisory review process (Pillar 2). The disclosure, in conjunction with other notes within the accounts and the Director's Report, is intended to fulfill regulatory requirements for IFPRU firms.

1.2 Background

Maxis Investments Limited ("the Firm" or "the Company") is incorporated in the United Kingdom and is authorised and regulated by the FCA. Following the implementation of Capital Requirements Directive (CRD IV) with effect from 1 January 2014, Maxis Investments Ltd became an IFPRU €125k firm (as defined by the FCA). The firm therefore needs to comply with the EU CRR, supplemented by European Banking Authority (EBA) technical standards and FCA rules and guidance in the FCA sourcebook, the Investment Firms Prudential sourcebook (IFPRU). The Pillar 3 disclosure requirements are contained in the Capital Requirements Regulation (CRR).

CRD IV introduced a stricter definition of capital resources, increased capital requirements, increased reporting obligations (COREP), binding liquidity ratios and new requirements on remuneration. However, the existing Pillar 2 ICAAP assessment, and the FCA's Individual Capital Guidance ("ICG"), is materially unchanged from the previous regime and has been effectively transcribed into the IFPRU handbook.

1.3 CRD IV Capital Rules

The Capital Requirements Directive IV ("CRD") of the European Union created revised regulatory capital requirements framework across Europe governing how much capital resources the firms must retain. The capital rules are set out in CRD under three pillars:

- Pillar 1 sets out the minimum capital requirements to meet credit/counterparty risk, market risk, credit valuation adjustment and fixed overhead requirement

- Pillar 2 requires the Firm to consider whether additional capital should be held to cover risks not adequately covered by the Pillar1 requirements through the Internal Capital Adequacy Assessment Process ("ICAAP"); and

- Pillar 3 requires the Firm to publish 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.

The rules in the PRA and FCA Prudential Sourcebook for Investment Firms ("IFPRU") sets out the provision for Pillar 3 disclosure. This document is designed to meet our Pillar 3 disclosure obligations.

1.4 Frequency of Disclosure

The Firm will be publishing its Pillar 3 disclosures on an annual basis. The Pillar 3 disclosures have been reviewed and approved by the Firm's Board of Directors. The disclosures will be as at the Accounting Reference Date ("ARD").

1.4 Media and Location

The disclosure will be published on the company's website www.maxisinvestments.co.uk under Regulatory Disclosures.

2. RISK MANAGEMENT AND GOVERNANCE

2.1 Risk Management Objective and Policies

Risk is an inherent part of Maxis' business. The objective of risk management is not to completely eliminate risk but to manage it to an acceptable level balancing the risk undertaken with the rewards. The effective risk management assists in the delivery of our strategic objectives and forms a vital part of our capital planning. The risk management adds value to the firm by enhancing our ability to take advantage of the available opportunities.

2.2 Risk Governance

The Company has risk management objectives, policies and procedures in place to manage the different types of risks it is exposed to. The Board of Directors is ultimately responsible for the risk management regime of the firm. The board reviews the relevant risk reports and is the ultimate signatory for any risk related issues. In addition, the Board reviews and determines the ICAAP. Maxis proactively manages the risks arising out of its operations and produces periodic management information report containing risk exposures. Responsibility has been apportioned within the company for ensuring that risk arising from its activities are identified, assessed, monitored, controlled and mitigated in an appropriate and timely manner. This responsibility is divided among the Chief Executive Officer, the Compliance and Risk, and the Operations & Finance Departments. The Compliance Department also monitors the reporting processes covering all the regulated activities across the Company. The Company's appetite for tolerance of risk is low.

Within Maxis, the risk taking as well as monitoring and control falls under three levels:

- Strategic Level encompasses risk management functions performed by the Board of Directors (BOD) and Senior Management
- Macro Level encompasses risk management function across business lines performed by the Senior Management, Compliance and Risk Committee and Compliance, Legal and Risk Department
- Micro Level involves 'On the Line' risk management where risks are actually created. These are performed by the departments and individuals who take risks on the behalf of the firm such as front office, finance, IT, operations functions etc.

2.3 Risk Oversight and Risk Committee

The Board has ultimate responsibility for the Firm's risk management framework and oversight. Within the firm, the Compliance and Risk Committee, headed by the Chief Executive Officer, serves as a focal point for all risk management activities.

3. PRINCIPAL RISKS AND UNCERTAINTIES

3.1 Risk Categories and Exposures

Below are the major risk categories and the Firm's exposure to these:

- Credit risk is the risk that unexpected losses may arise as a result of the Firm's borrowers or market counterparties failing to meet their obligations to pay. The Company's principal financial assets are bank balances and cash, trade and other receivables. This risk is managed by monitoring on an ongoing basis the financial strength of credit institutions with whom the company holds deposits and assets. The Company reduces the amount of credit risk it is exposed to by executing transactions on delivery-versus-payment ("DVP") basis with counterparties and by holding collateral where credit is provided to clients under the margin account facilities. The amounts presented in the balance sheet are net of provisions for doubtful receivables. Provision for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the receivables. The Company has no significant concentration of credit risk.

- Market risk is the risk of any impact on the Firm's financial condition due to adverse market movements caused by market variables such as interest rates, prices etc. The Company is an FCA 'Limited Licence' firm which by virtue of its permissions notice is not authorised to deal on its own account and therefore it does not have any market risk except when investing its own capital resources. Foreign exchange risk is managed by matching assets and liabilities in foreign currencies.

- Operational risk is defined as the risk of loss to the firm resulting from inadequate or failed internal processes, people and systems, or from external events. Mitigation of this risk includes staff training as well as appropriate employment procedures and Business Continuity and Disaster Recovery planning.

- Liquidity risk relates to the risk arising from the Company not being able to meet obligations as they become due. The Company holds sufficient liquidity and it manages the liquidity structure of its assets and liabilities so that cash flows are appropriately balanced to ensure that all funding obligations are met when due. In the event that the Company becomes exposed to liquidity risk, it will require further capital injections from its parent in order to maintain its minimum regulatory capital requirements. As the Company's parent has shown its continuing and strong commitment to support the Company's business through previous capital injections, the board does not consider liquidity to be a material risk.

- Interest rate risk is defined as the risk of loss due to adverse movements in interest rates. The Company's business is not materially exposed to interest rate risk.

- Insurance risk is the inherent uncertainty as the occurrence, amount and timing of insurance liabilities, and is particularly relevant for insurance companies. The Firm is not authorised to underwrite insurance. This risk category is therefore not a relevant issue.

- Securitisation risk - As the Firm's balance sheet is very simple, there is no question of securitising any asset; therefore, this risk is not relevant to the Firm.

- Pension obligation risk - This risk is not relevant to the Firm as there is no defined benefit pension scheme.

4. CAPITAL ADEQUACY

4.1 Capital Adequacy and ICAAP

Maxis' overall approach to assessing the adequacy of its internal capital is documented in the Internal Capital Adequacy Assessment Process ("ICAAP"). ICAAP process includes the assessment of all material risk faced by the firm and 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 the risks can be mitigated by the capital, the Company has adopted the new CRD IV reporting 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.

The ICAAP document is formally reviewed by the Board once a year. The Senior Management of the firm reviews risks and the required capital more frequently where there is a major change in the business environment potentially impacting the ability to generate income, risk and the capital requirements.

4.2 Own Funds - Capital Resources

Own Funds (also referred to as “capital resources”) is the type and level of regulatory capital that must be held to absorb losses. The Firm is required to hold own funds in sufficient quantity and quality in accordance with CRD IV which sets out the characteristics and conditions of Own Funds.

The Firm’s Pillar 1 minimum capital requirement is equal to the higher of its Fixed Overhead Requirement and the total of the Firm’s combined Credit Risk, Market Risk and Credit Valuation Adjustment.

The minimum capital requirement of the firm is driven by the total of Credit Risk, Market Risk and Credit Valuation Adjustment as this value was higher than the Firm’s Fixed Overhead Requirement. Throughout the year, the Firm’s capital resources exceeded its capital requirements.

The own funds held by the Firm comprises of share capital and accumulated profit and loss account with deductions made in line with the CRR. The table below shows the key components of own funds as at 31 December 2016.

Capital Resources	31 December 2016 £000s
Share Capital	5,500
In year Losses	(537)
Previous years’ retained earnings	(2,248)
Other intangible assets	(309)
Tier 1 Capital	2,406
Total Capital Resources	**2,406**

4.3 Pillar 1 Capital Requirements

The Firm meets the definition of Article 95 in the CRR, which outlines that the firm has limited authorization and in particular is not authorized to deal on its own account and/or underwrite financial instruments on firm commitment basis. The firm monitors its Pillar 1 capital requirements and reports the results to the Board of Directors on monthly basis. The management report also includes business performance to date.

The firm’s risk exposure amount, as required within Pillar 1, is higher of the following:

a. Base Capital Requirement (€125,000)

b. Fixed Overhead Requirements – 25% of Fixed Overheads of the preceding year

c. The sum of:
   - Credit and dilution risk
   - Market Risk Exposure from foreign exchange or commodities risk
   - Settlement risk
   - Credit valuation adjustment risk of OTC derivative instruments
   - Counterparty risk arising from the trading book

Due to the nature of Firm’s business, as it doesn’t have its own trading book, the Pillar 1 capital requirements are derived as below:

Capital Requirements	31 December 2016 £000s
Credit Risk (8% of Risk Weighted Exposure Amount for Credit Risk)	1,373
Market Risk (8% of Risk Weighted Exposure Amount for Market Risk)	28
Credit Valuation Adjustment	162
a. Total of above	1,563
b. Fixed Overhead requirement	684
c. Total Capital Requirements (higher of a or b)	**1,563**

5. RISK DISCLOSURES

5.1 Credit Risk and Dilution Risk

Credit risk is the risk that unexpected losses may arise as a result of the firm's borrowers or market counterparties failing to meet their obligations to pay. The company's principal financial assets are bank balances and cash, trade and other receivables. This risk is managed by monitoring on an ongoing basis the financial strength of credit institutions with whom the Company holds deposits and assets. The Company reduces the amount of credit risk it is exposed to by executing transactions on delivery-versus-payment basis with counterparties and by holding collateral where credit is provided to clients under the margin account facilities. The amounts presented in the balance sheet are net of provisions for doubtful receivables. Provision for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the receivables. The company has no significant concentration of credit risk.

The Firm uses a Standardised approach for calculating its credit risk capital requirement. The Firm uses external credit assessments institutions (ECAI) which are recognized by the FCA for the purpose of calculating credit risk assessments under the Standardised approach.

The calculation of credit risk weighted exposure amount as of 31st December 2016 is given below:

	Risk Weighted Exposure Amount £000s	Own Funds Capital Requirements @8% £000s
Credit Risk:		
Institutions	7,580	606
Corporates	9,244	740
Other Items	338	27
Total Credit Risk	**17,162**	**1,373**
Market Risk:		
Foreign Exchange	348	28
Total Market Risk	**348**	**28**
CVA	**2,026**	**162**
Total Exposure	**19,536**	**1,563**

5.2 Settlement Risk

The Pillar 1 Settlement risk exposure is calculated under Title V of the CRR. As of 31st December 2016 the settlement risk exposure amounted to £0.

5.3 Market Risk

The market risk capital requirements are calculated in accordance with CRR Title IV. The Firm only has Non Trading book exposure to market risk. The following table illustrates the Firm's minimum (Pillar 1) market risk capital requirements and risk weighted asset amounts:

Market Risk Calculation

	Position £000	Risk Weight	PRR £000
Interest Rate	£nil	8%	£nil
Equity	£nil	8%	£nil
Commodity	£nil	8%	£nil
Foreign currency	£348	8%	£28
Traded debt instruments	£nil	8%	£nil
CIU	£nil	8%	£nil
Total	**£348**		**£28**

5.4 Credit Valuation Adjustment (CVA)

The Credit Valuation Adjustment is an adjustment to the mid-market valuation of the portfolio of transactions with counterparty. As at 31st December 2016, the Firm's CVA add on was calculated in accordance with Title VI as £2 million, leading to capital requirement of £162k.

5.5 Operational Risk and Fixed Overhead Requirement

As a limited activity firm, the Firm is not required to calculate Operational Risk under Pillar 1. Based on the ICAAP review, we do not believe that it is necessary to hold Pillar 2 capital against operational risk.

As per the EBA guidelines under CRD IV, the firm is required to apply a Fixed Overhead requirement equal to one quarter of the firm's relevant fixed expenditure after discretionary payments.

Under Pillar 1 the Fixed Overhead Requirement amounts to £684,000.

5.6 Capital Ratios

The Capital Ratios for the Firm were all at 12.31%, as the Firm only has Tier 1 Capital.

5.7 Encumbered Assets

As at 31st December 2016, the Firm's encumbered assets amounted to £5.13 million. As an IFPRU firm, Maxis is required to disclose any asset encumbrance on quarterly basis through COREP reporting.

6. REMUNERATION DISCLORUSES

6.1 Remuneration Decision-making Process

The firm follows prescribed FCA guidelines with regards to its remuneration policies and its disclosures relative to the size of the Company. The remuneration is designed to ensure that the firm does not encourage excessive risk taking and staff interests are aligned to those of the clients.

The Board reviews the remuneration of its staff yearly. The Directors take into account the firm's strategic objectives, market conditions and firms productivity in setting remuneration and are mindful of its duties to shareholders/the Group.

6.2 Code Staff Criteria

The following groups have been identified as meeting the FCA criteria for Code Staff:

1) Directors
2) Significant Influence Functions
3) Heads of Significant Business Lines
4) Customer Function staff (CF30)

Maxis currently has 12 code staff

- 2 Non-executive Directors (2 CF2 functions);
- 1 Chief Executive and Executive Director (CF1, CF3, CF10, CF11, CF30 functions)
- 4 Department Heads (Heads of Significant Business Lines; 1 hold CF10a and CF28 and 1 CF30).
- 5 Trading & Sales (5 hold CF30)

6.3 The link between pay and performance for Code Staff

Staff remuneration is made up of fixed pay (Basic) according to the title and department and performance related discretionary pay (Discretionary bonuses).

Staff titles are defined as Associate, Senior Associate, Vice Presidents, Associate Director, Director Level. The fixed element of the role reflects a staff experience, length of service, qualifications and overall status within the company.

The performance element is set against the Remuneration policy and is designed to reflect success or failure against a range of internal targets. The aim of the policy is to encourage good compliance/ trading & customer service by brokers in accordance with their FCA obligations.