



Introduction

This Pillar 3 disclosure for GMG Brokers Ltd is prepared in accordance with the EU's Capital Requirements Regulation ('CRR') and Capital Requirements Directive ('CRD'), together referred to as 'CRD IV', as implemented by the Financial Conduct Authority ('FCA').

Pillar 3 disclosures are intended to increase confidence in the financial markets by allowing market participants to review key information on a firm's capital adequacy, risk exposures and management arrangements

The regulatory framework established by CRD consists of three 'Pillars':

- Pillar 1 sets out the minimum capital required to meet a firm's credit, market and operational risk;
- Pillar 2 ensures that a firm has sufficient capital to support the risks not fully captured by the minimum capital requirements, in accordance with the firm's internal assessment; and
- Pillar 3 requires firms to make public disclosures of certain specific information concerning capital, risk exposures and risk management arrangements.

The disclosures made in this document meet GMG Brokers obligation with respect to Pillar 3 and the requirements outlined in Articles 431-455 of the CRR.

Frequency and Scope of Disclosures

The disclosures made in this document are in respect of GMG Brokers Ltd which is a BIPRU 50K firm and will be as at the Accounting Reference Date ("ARD") which is currently 31 December

These Pillar 3 Disclosures will be reviewed on an annual basis as a minimum. The disclosures will be published as soon as is practical following the finalization of the firm's Internal Capital Adequacy Assessment Process (ICAAP) and the publication of its annual report and accounts.

In these Pillar 3 disclosures GMG Brokers has had regard to CRR Article 432. Article 432 states that a firm may omit one or more of the disclosures if the information provided by such disclosures is either not material, may be regarded as proprietary or if it is confidential. Information in disclosures is regarded as material if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions. Information is regarded as proprietary if disclosing it publicly would undermine its competitive position. Information is regarded as confidential if there are obligations to customers or other counterparty relationships binding an institution to confidentiality

These disclosures have been prepared solely for the purpose of fulfilling the Firm's Pillar 3 disclosure requirements and are not used by management for any other purpose. This information has not been audited by the firm's external auditors and does not constitute any form of financial statement.

Risk Management Objectives and Policies

GMG Brokers is a limited license firm primarily undertaking advisory services. It acts solely as a broker on behalf of clients and does not take proprietary positions for its account.

The risk management strategy for the GMG is set by the Board GMG Brokers. The principal matters addressed by the GMG Brokers Ltd Board are:

- To set the strategic direction for risk management within GMG Brokers



- To set the control structure for the GMG Brokers
- To arrive at and communicate the risk appetite of GMG Brokers

Members of GMG Brokers management are accountable for the operation of the systems of internal control within the business.

GMG Brokers follows the philosophy of being fiscally conservative and staying prepared for market dislocations. To this end, the Firm only undertakes business projects that are well within their capital means.

Overall Risk Statement and Appetite

The Board of GMG Brokers sets the overall level of risk that the Firm will accept. GMG Brokers takes risks to earn revenue in the markets in which it operates, as with all companies. The Board believes that the correct approach to follow is that the only risks to which GMG Brokers is exposed are ones that are fully understood and which are monitored to ensure that overexposure does not occur.

The approach GMG Brokers to risk management is to have procedures in place which embed risk management in the culture of the organization, clearly identifying risk exposures and implementing processes, automated if possible, to minimize those risks.

Risk Assessment Approach

The Firm has a risk management objective to develop systems and controls to mitigate risk to within its conservative risk appetite.

Risks are assessed by GMG Brokers in terms of how likely they are to occur and the magnitude of the consequences if they were to happen. Having assessed the risks, the Firm selects one of the following approaches

- Tolerate the risk - The ability to take effective action against some risks may be limited, or the cost of taking action may be disproportionate to the potential benefit. In this instance, the only management action required is to monitor the risk to ensure that its likelihood or impact does not change.
- Mitigate the risk - The purpose of mitigation is not necessarily to terminate the risk but more importantly to contain the risk to an acceptable level.
- Terminate the risk - This involves decisive action to eliminate a risk altogether

Principal Risks

GMG Brokers principal business activities result in exposure to the major risks described below:

The Board believes that the most significant risk faced is Credit Risk. The other risks noted below are likely to have a minimal impact on GMG Brokers, either due to its business model or because of mitigating actions.

Credit Risk

The Firm's exposure to credit risk is the risk that commission fees cannot be collected and the exposure to banks where cash is deposited.

Credit Risk for GMG Brokers is the most significant risk on a day-to-day basis and so management of credit risk exposures is, therefore, a core process for GMG Brokers.



The Firm holds all cash with an A rated bank.

Market Risk

Market Risk within GMG Brokers is tightly managed as the Firm does not have a trading book.

The area where GMG Brokers is exposed to market risk is in its exposure to foreign currency risk. GMG Brokers exposure to fluctuations in the relative value of foreign currencies against sterling is minimal and arises from the fact that the Firm collects commissions and pays expenses in various currencies. To address this the Firm actively manages its foreign currency assets and liabilities to make sure they are in balance.

GMG Brokers assessment of its market risk exposure is that overall market risk is low due to the business model of the Company and the products offered.

Operational Risk

GMG Brokers management believes that the establishment and operation of this policy has ensured that the level of risk across the business is acceptable.

It is important to note that GMG Brokers has a low tolerance for risk.

Operational Risk arises as a consequence of the way in which a Firm is run, both manually and systematically. The principal operational risks that GMG Brokers is exposed to are:

- Financial Risk
- People Risk
- IT Risk
- Legal and Compliance Risk

Operational Risk is generally managed by establishing control processes. There are a number of such processes including management oversight used to curtail operational risks in the business. The Firm continuously monitors and improves its safeguards.

The Board believes that the establishment of relevant policies and consequent operation of controls has ensured that the level of risk across the business is acceptable, although they acknowledge that there is always scope to improve further the controls in existence.

Liquidity Risk

Liquidity Risk is the risk a firm (although solvent) either does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or that it can secure such resources only at excessive cost.

Given the level of liquidity available the sources of any liquidity risk that GMG Brokers may experience are:

- Operating expenses, including charges from exchanges, payroll, rent and other similar expenses.

Historically, liquidity has not been a constraint for GMG Brokers and its management expects to maintain this profile for the foreseeable future.

GMG Brokers assessment of the liquidity risk it faces and how it is addressed is considered in the ICAAP. The Board assesses the Firm's exposure to liquidity risk as limited.



Capital Resources

GMG Brokers policy is to use its earnings to fund growth. Historically no dividends have been paid out and there are no plans to start making dividend payments in the near future. This ability to use the Firm's earnings to fund its expansion and build its capital reserves, considered with the current level of earnings, allows management to feel a reasonable degree of confidence in the financial and capital strength of the business and its ability to withstand future shocks.

Pillar 1 requirement

In accordance with GENPRU 2.1.45R (calculation of variable capital requirement for a BIPRU firm), our capital requirement has been determined as being our Credit risk.

The Pillar 1 capital requirement for GMG Brokers Ltd was \$148,000 as at 31 December 2020

BIPRU 3

For its Pillar 1 regulatory capital calculation of Credit Risk, under the credit risk component the Firm has adopted the Standardized approach (BIPRU 3.4) and the Simplified method of calculating risk weights (BIPRU 3.5)

Credit Risk calculation @ 31 December 2020

Credit Risk Capital Requirement \$148,000

BIPRU 4

The Firm does not adopt the Internal Ratings Based approach and hence this is not applicable

BIPRU 6

The Firm, being a Limited License Firm is not subject to the Pillar 1 Operational Risk Requirement and therefore this is not applicable.

BIPRU 7

The Firm has Non-Trading Book potential exposure only (BIPRU 7.4, 7.5)

Pillar 2 Risks

Pillar 2 requires firms to assess the amount of internal capital they consider adequate to cover all of the risks to which they are, or are likely to be, exposed to in addition to those risks covered by Pillar 1. As an FCA regulated firm, the Firm is obliged to ensure that it maintains overall financial resources, including both capital resources and liquidity resources, which are adequate, both as to amount and quality, to ensure that there is no significant risk that its liabilities cannot be met as they fall due ("the Overall Financial Adequacy Rule").

It is also required to have in place sound, effective and complete processes, strategies and systems to assess and maintain, on an ongoing basis, the amounts, types and distribution of financial resources that it considers adequate to: (i) comply with the Overall Financial Adequacy Rule; (ii) provide sufficient cover for the risks to which it is or might be exposed; and (iii) meet its future Capital Resources Requirements.

Pillar 2 capital requirements are outside the scope of this disclosure document.



Internal Capital Adequacy Assessment Process (ICAAP)

The GMG Brokers Board undertakes an internal assessment of capital requirements via the ICAAP and supporting stress tests at least annually. The ICAAP is the process of identification, measurement, management and monitoring of risks to the business the adequacy of internal capital. In addition, the ICAAP is embedded in GMG Brokers risk management process and is periodically updated throughout the year with regard to identified risks and with current financial data.

Capital Adequacy

CAPITAL	\$000
Tier 1 Capital	\$426,121
Less deductions from Tier 1 Capital	-
Total Capital	\$426,121

Remuneration Policy Disclosures

GMG Brokers as an FCA authorised and regulated BIPRU firm is subject to the FCA's rules on remuneration which located in the Systems and Controls (SYSC 19) of the FCA Handbook as well as Article 450 of the CRR. The Remuneration Code (the "Code") covers an employee's total remuneration, fixed and variable. GMG Brokers incentivizes staff through a combination of the two.

Our policy is designed to ensure that we comply with the Code GMG Brokers compensation arrangements:

- Are consistent with and promotes sound and effective risk management
- Do not encourage excessive risk taking;
- Include measures to avoid conflicts of interest
- Are in line with GMG Brokers business strategy, objectives, values and long-term interests.

EU remuneration provisions and disclosures recognize that not all the Code's provisions apply to all firms equally and introduce a concept of proportionality relative to a firm's size, internal organization and the nature, scope and complexity of their activities. The FCA has applied proportionality by categorizing firms into three levels. GMG Brokers falls within the FCA's proportionality level three and this disclosure meets the requirements for level three firms

GMG Brokers policy is in line with the Code's principals set out by the FCA to its remuneration policies and practices. GMG Brokers policy will be reviewed as part of the annual process and procedures, or following a significant change to the business requiring an update to its internal capital adequacy assessment.

Code Staff Criteria

GMG Brokers considers all employees who undertake Controlled Functions (as defined by the FCA) as Code Staff.



Link between Pay and Performance

GMG Brokers remuneration policy links pay and performance to achieve effective risk management, avoid conflicts of interest and to align with GMG Brokers business strategy as follows:

- Employees are rewarded based on their contribution to the overall strategy of the business. Other factors such as performance, reliability, effectiveness of controls, as well as business development and departmental requirements in line with GMG Brokers long-term interests and objectives, are taken into account when assessing the performance of the senior staff.

- Employees are remunerated by the means of fixed pay, including pension and benefits, and variable remuneration which consists of an annual performance-related bonus.

Remuneration Cost for Code Staff

GMG Brokers is required to disclose aggregate information on remuneration for its Code Staff, broken down both by business area and by senior management and other Code Staff.

GMG Brokers has identified 2 employees as being in senior management positions within the definition of Code Staff. GMG Brokers has made no omissions on the grounds of data protection.