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The Share Republic.com Limited Pillar 3 Disclosures

1 Introduction

The European Union Capital Requirements Directive (CRD) seeks to create a direct correlation between a firm's capital requirement and the risks it faces through its operational activities, by way of an approach in three stages which have become known as the three pillars. These are:

Pillar 1, minimum capital requirement

- This sets minimum capital requirements for firms in respect of credit, market and operational risk. The Share Republic.com Limited is classified by the FSA as a BIPRU 50 firm. Therefore its minimum capital requirement is 50,000 Euros.

Pillar 2, supervisory review

- This places an obligation on firms to hold internal capital that is consistent with their risk profile and strategy, and establishes a joint supervisory process to enable the regulator to review firms' capital adequacy assessments. The Share Republic.com Limited submitted its accounts to the FSA every six months via the regulatory reporting site.

Pillar 3, market discipline

- This requires firms to make specific disclosures with the aim of strengthening the market's role in judging individual firms' capital adequacy.

2 Risk Management objectives and policies

The Share Republic.com Limited is a company created in 2009 by four individual investors. The company is a lean operation comprising of three executive directors and outsourced firm or individual service providers/consultants.

TSRC's approach to risk and risk management is commensurate to the size of its operation.

The board is responsible for defining the company risk appetite.

It has developed its risk management register as part of the company's quarterly compliance monitoring programme. This is to be reviewed quarterly at board meetings.

The executive directors have significant equity stake in the firm and its success and reputation impact directly to their personal investment.

In addition, where realistic and practical, the business systems and procedures were designed to help meet TSRC's compliance requirement, as stipulated in its business procedures and compliance manual.

The board is satisfied that the firm has taken proportionate steps to identify and manage the company's risks and that the resources put in this activity is commensurate to the size of the company and its business activities.

The board is allocating 10% of its resources - both monetary and staff time - to risk management and finds this an adequate balance of its total expenditures to establish a sustainable business.

2.1 Risk Appetite

The company's risk appetite is determined by the board of Directors who are all founder shareholders, and who have equal majority equity stake in the firm.

The Directors have taken a prudential approach to risk, and this has been applied to all its business activities conducted during the accounting period covered in this report, namely up to 31 May 2012.

Corporate finance activities involve a degree of uncertainty. TSRC cannot guarantee that money will be raised, or assignment completed, because of both market and other external factors.

TSRC's approach is to establish a degree of risk tolerance that is commensurate with the financial size of the business, the complexity of the transactions, and the geographical location of the transactions.

This statement of risk appetite does not supersede our strict compliance procedures relating to carrying out corporate finance business.

2.2 Risk categories and exposure

We have identified a number of risks applicable to TSRC's Corporate Finance business, and are providing a comprehensive and proportionate approach to dealing with those risks. It takes into account the fact that each of TSRC's small number of employees has director's responsibilities and is a controller shareholder in the company.

TSRC directors discuss the company's financial cash flow at quarterly board meetings. The board also identifies provision for capital injection necessary to meet the company's capital resources requirement.

In addition, the following risks have been identified as applicable to TSRC's corporate finance operation. They are listed on the TSRC risk management framework which is reviewed at least annually.

The risk management is also embedded on the Corporate Finance Client Engagement Form and the Engagement letters, as part of the business due diligence programme with its clients.

(a) Credit risk:

TSRC has not had exposure to claims or contingent claims over the reporting period.

(b) Market risk:

Market risk does not apply to TSRC. All of TSRC's assets and liabilities arising from its regulated business are *non trading book*. However the foreign currency PRR also applies to non trading book positions, so it is the only one of the six components listed in market risk which is applicable to TSRC. TSRC considers this exposure as low and the impact as low.

(c) Liquidity risk:

We must ensure that we have sufficient resources to meet all present and future liabilities to the firm. TSRC directors' degree of liquidity tolerance is currently low which is in line with its risk appetite for a prudent business management.

The firm avoids engaging in medium and long term contracts until funds are raised to invest in sustainable revenue generating activities.

We have conducted a stress testing scenario on our forecast budgets, with a reduction of revenue 25%, 50%, 75% and 100%.

The directors review the company immediate future cash flow at each board meeting.

(d) Operational risk:

TSRC have identified its operational risks around People, Processes and systems, Business Continuity, Outsourcing and Insurance. These are listed in its risk register which is reviewed by the board every six months.

(e) Insurance risk is not applicable to TSRC

(f) Concentration risk:

TSRC does not have a trading book. TSRC did not have any large exposure over the reporting period on its non trading book and does not anticipate doing so in the future.

(g) Residual risk is not applicable to TSRC

(h) Securitisation risk is not applicable to TSRC

(I) Business risk:

The main business risks for TSRC are related to inability to generate corporate finance revenue due to economic downturn, loss of good will from prospective clients, personnel issue relating to loss of a key individual, and damage of reputation arising from poor service or poor performance.

Our business risks are mitigated by the fact that no remuneration is paid before a transaction is fully completed and that it has been conducted in accordance to the TSRC compliance rules applicable at all time whilst the business was carried out to completion.

(j) Interest rate risk: Not applicable

(k) Pension obligation risk: not applicable.

3 Capital resources

At 31 May 2012, our net current asset which forms our total capital resources was £44,848.

This is our tier one capital, and we do not undertake any activities that fall into tier two and tier three capital calculations.

4 Capital adequacy

At 31 May 2011, we assessed our minimum internal capital adequacy requirement at Euros 50,000 based upon 25% of our fixed overhead requirement.

We met this minimum requirement at year end 31 May 2012.

This policy is reviewed annually by the directors, and for the account year 2012/2013, based on the results of the 2011/2012 accounts, 25% of our fixed overhead costs is £8,000 which is lower than the base minimum capital requirement for a BIPRU 50 firm of 50,000 Euros.

Therefore, for the purpose of calculating and monitoring our ICAAP, we set our minimum capital requirement to £40,000 for the year 2012/2013.

The Share Republic.com Limited – 31 August 2012