



Bloxham

Pillar 3 Disclosures

**Bloxham
2/3 Exchange Place
IFSC
Dublin 1**

Contents:

1.0	Introduction	3
2.0	Background	3
3.0	Frequency of Disclosures	3
4.0	Risk Management	3
5.0	Operational Risk	4
6.0	Strategic and Earnings Risk	5
7.0	Market Risk	5
8.0	Capital Resources and Capital Requirements	5



Bloxham

Pillar 3 Disclosure statement as at 31 December 2010

1. Introduction

Bloxham is a member of the Irish Stock Exchange and the London Stock Exchange and is regulated by the Central Bank of Ireland. All staff are bound by rules of the the Irish Stock Exchange ("ISE"), Central Bank of Ireland and all prevailing legislation. Bloxham is authorised through MiFID and the Investment Intermediary Act, 1995.

Bloxham reports to the Central Bank of Ireland each month on its capital requirements and resources.

2. Background

The Capital Requirements Directive ("CRD") which was implemented by the European Communities (Capital Adequacy of Investment Firms) Regulations 2006 (S.I. No. 660 of 2006) and the European Communities (Capital Adequacy of Credit Institutions) Regulations 2006 (S.I. No. 660 of 2006) introduced a revised capital adequacy framework for banks and investment firms across Europe aiming to reduce the risk to consumers of financial loss and to minimise the effects of market disruption.

The CRD (Capital Requirements Directive) consists of what are known as three Pillars.

Pillar 1 - Minimum Capital Requirements firms are obliged to meet for credit, market and operational risk.

Pillar 2 – Firms are required to assess as part of their supervisory dialogue with the Central Bank of Ireland, whether any additional capital should be maintained against risks not covered under Pillar 1. The process by which this is achieved is the Internal Capital Adequacy Assessment Process ("ICAAP"), which includes an assessment of each of the risks faced by the firm and the internal controls in place to manage or mitigate those risks.

Pillar 3 – Firms are required to publish details of their risks and capital and risk management procedures unless such details are considered immaterial, proprietary or confidential.

3. Frequency of Disclosures

These disclosures are based on the position as at 31 December 2010. The next report is to be issued when the 31 December 2011 financial statements are finalised.

4. Risk Management

Bloxham is Ireland's largest independent stockbroker, providing stockbroking and wealth management services to a private and institutional client base.

Bloxham specialise in creating investment solutions for a broad range of investors and in developing strategies for investment professionals.

The majority of the Firm's underlying clients, by number, are retail investors but there is also a strong base of institutional and corporate clients.

Bloxham has four material business or income generating units:



These business units are as follows:

- i) Equity Proprietary Trading Desk
- ii) Bond Proprietary Trading Desk
- iii) Private Clients
- iv) Wealth Management

Bloxham is a partnership.

Bloxham follow an integrated approach to risk management to ensure that all material classes of risk are identified and assessed and that its risk management strategy, capital management strategy and overall business strategy are aligned.

The Partnership have overall responsibility for the firms system of internal controls, the objectives of which are the safeguarding of the firms' assets, the maintenance of proper accounting records and the availability of reliable financial information for use within the business. The Risk function is headed by the finance partner who is a member of the Partnership. The finance partner is responsible for the overview of key risk categories including formulation of risk appetite recommendations, establishment of integrated company wide risk measurement and management standards and the embedding of effective individual risk management responsibility at all levels of management.

There is also a risk committee. This committee reviews and identifies areas of potential risk in order to address any potential control weaknesses.

The compliance function is also a critical control functions, which has direct access to the Partnership.

Bloxham's risk management policies and main risk mitigants and controls have been documented in the firms ICAAP. Compliance with these policies is monitored by the Compliance Department.

Bloxham have considered each of the risk categories identified within Pillar 2. For the purposes of Pillar 3 disclosures, the material areas of risk identified are as follows:

- Operational Risk – which includes legal and compliance risk, IT risk and a human resources risk
- Strategic and Earnings Risk
- Market Risk

5. Operational Risk

This is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes IT, legal, financial crime, HR and compliance risk. This is a risk of loss resulting from a failure to comply with laws, contractual obligations and prudent ethical standards. This definition also includes the exposure to litigation from all aspects of the firm's activities.

Operational risk is managed on a day-to day basis by the Managing Partner. A key aspect of this management of operational risk in the stockbroking division is the outsourcing of settlement and custodial functions to Pershing Securities International Ltd (ultimately a subsidiary of Bank Of New York Mellon), coupled with close supervision of that entity's performance in the role by the firms Compliance function.

The firm has also developed contingency plans to cover loss of systems, property and other eventualities and has in place Professional Indemnity and Directors and Officers Liability insurance policies.

6. Strategic and Earnings Risk

Strategic risk refers to the current or prospective risk to earnings and capital arising from changes in the business environment and from adverse business decisions, improper implementation or decisions or lack of responsiveness to changes in the business environment.

Earnings risk refers to an inadequate diversification of earnings or the inability for the institution to provide a sufficient and permanent level of profitability due for example to an inadequate cost to income ratio.

By their nature, the two risks are interlinked insofar as an inadequate strategy to deal with adverse business conditions or maintain business growth will adversely affect earnings.

Additionally, the failure to adapt strategy to take account of economic conditions and in particular recessionary conditions on earnings would pose a potentially critical risk.

These risks are managed through the development of business plans, corporate strategy and management oversight. Partners determine the firms' general strategy. Business plans and strategy generally evolve over time though where necessary may be subject to urgent change as economic circumstances dictate.

7. Market Risk

The current or prospective risk to earnings and capital arising from adverse movements in bond prices, security or commodity prices or foreign exchange rates in the trading book. The risk can arise from market-making, dealing, and position-taking in bonds, securities, currencies, commodities or derivatives (on bonds, securities, currencies, or commodities). This risk includes foreign exchange risk, defined as the current or prospective risk to earnings and capital arising from adverse movements in currency exchange rates.

The areas where market risk exists in Bloxham are on the equity and bond proprietary trading desks. The risk can arise from dealing and position-taking. It may also arise where such positions may be inadvertent or arise from a failure of a client to take up his/her commitment.

The firm manages market risk by establishing position limits within overall investment criteria and policy, and management reports are prepared daily.

8. Capital Resources and Capital Requirements

Capital management is an important area for Bloxham and the capital held is in excess of the capital requirement stipulated by pertaining regulations.

Bloxham's approach to assessing the adequacy of its internal capital to support its current and future activities is documented in its ICAAP. The ICAAP includes an assessment of the key risks to which the Partnership is exposed and details the internal controls which exist to mitigate those risks. This is then stress tested against various scenarios. The conclusion reached following the establishment of the Firm's ICAAP was that there would be an additional capital requirement over and above the level specified under Pillar 1.

Bloxham is required to maintain sufficient capital to meet its liabilities. As at 31 December 2010, Bloxham has exceeded its regulatory capital requirement by 2.2 times, as calculated under Pillar 1. The regulatory capital requirement has been calculated with reference to the sum of the Firm's credit risk, market risk, operational risk and non-trading book risk requirements.

Therefore, the firm's capital currently held is adequate for the current operation.