



HELVEA

Helvea Ltd Pillar III Market Disclosures Document

Purpose of Disclosures

This document sets out the Pillar 3 market disclosures for Helvea Ltd, an authorised and regulated limited licence firm in the UK.

In 2007 and 2008, the Financial Services Authority's new General Prudential Source book ("GENPRU") and Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU") rules came into effect, implementing the Capital Requirements Directive, which is the common framework for implementing Basel II in the European Union.

These rules are built on three pillars:

Pillar 1: Minimum capital requirements

Pillar 2: Guidance for the setting of bespoke capital requirements by the firm's senior management through the Internal Capital Adequacy Assessment Process ("ICAAP") and subsequent Supervisory Review and Evaluation Process ("SREP").

Pillar 3: Rules for the disclosure of risk and capital management, including capital adequacy.

The purpose of Pillar 3 is to encourage market discipline by developing a set of disclosure requirements which will allow market participants to assess key pieces of information on a firm's capital, risk exposures and risk assessment process. The disclosures are to be made public for the benefit of the market.

Background to Helvea Ltd

Helvea Ltd is authorised and regulated by the Financial Services Authority (FSA). It is a 100% owned subsidiary of Helvea SA, a Swiss regulated securities dealer. There are no branches or related entities of Helvea Ltd that are also regulated by the FSA. Helvea Ltd is a BIPRU 50k limited licence firm.

Helvea Ltd is a small securities firm that essentially acts in an introducing capacity. It maintains relationships with UK institutional clients. It provides research produced by both Helvea SA and Helvea Ltd to clients. Any orders received from clients are passed to Helvea SA for centralized trade execution.

Risk Governance within Helvea Ltd

Helvea Ltd is committed to implementing a good practice firm-wide governance and risk management framework appropriate to the size, nature and complexity of the business. The governing body for the risk framework within Helvea Ltd is the Board of Directors which has the ultimate responsibility for managing and controlling risk within the risk appetite of Helvea Ltd.

Risk Management Objectives and Policies

Helvea Ltd's risk management objective is to safeguard the assets of Helvea Ltd while allowing sufficient operating freedom to secure a satisfactory return. The Board of Helvea Ltd recognises that a critical success factor of a good governance and risk management framework is embedding sound risk management into the day to day business of the firm. Helvea Ltd adheres to the Rules on Risk Management of Helvea SA which applies to all subsidiary companies. Risk must be fully understood and adequately measured to ensure that the risk exposure is appropriate for the returns anticipated, and is consistent with Helvea Ltd's long-term goals and obligations to its stakeholders.

Risk in the firm is managed according to common principles and policies approved by the Board. The following key principles are central to Helvea Ltd's risk management strategy:

1. The setting of risk appetite limits;
2. Clearly articulated roles and responsibilities with appropriate segregation of duties;
3. Monitoring of the adequacy and effectiveness of key internal controls;
4. Regular reporting on risk-related issues and forecasts to the Board;
5. Documented and communicated policies addressing key areas of risk to the business.

Risk appetite limits

Risk appetite limits define the level and nature of risks to which senior management considers it is acceptable to expose the firm. It therefore defines the boundaries of activity that the Board intends for the firm. The Board sets and approves, on an annual basis, risk appetite statements for areas of actual or potential significant risk to the business. Helvea Ltd has considered all relevant risk categories suggested by the FSA and has put in place risk appetite statements only for those risk categories which are applicable to the nature of its business. Helvea Ltd's risk appetite is defined by the limits imposed on Helvea SA through the provisions contained in the Swiss Banking Ordinance which sets out the regulatory requirement concerning risk limits and risk diversification.

Roles and Responsibilities

The Board retains final responsibility for ensuring that Helvea Ltd's risk management framework is appropriate to the size, nature and complexity of the business and that this framework is implemented consistently and effectively across the firm.

Senior management in both Helvea Ltd and Helvea SA, the parent company, are accountable for the identification of material risks assumed in their areas of responsibility and for ensuring that these risks are controlled and managed in line with Helvea Ltd's risk policy and within the risk appetite of Helvea Ltd. The principle of individual accountability and responsibility for risk management is an important feature of Helvea Ltd's culture.

Independent review and challenge is provided by the Executive Management Committee of Helvea SA which includes the Chief Executive Officer of Helvea SA, Chief Operating Officer of Helvea SA, the Head of Middle Office of Helvea SA, and the Chief Compliance Officer. The Committee ensures that the risk policy is consistently implemented within Helvea Ltd and monitors the overall adequacy and effectiveness of the risk management framework on behalf of the Board.

As a key part of ensuring a good control environment, functions where an internal conflict may occur are segregated within Helvea Ltd and Helvea SA.

Key Control Monitoring

Helvea Ltd believes that an effective system of internal control is an essential element of good management and Helvea Ltd puts in place appropriate procedures to ensure that key risks are appropriately controlled within Helvea Ltd's risk appetite. Day to day independent and objective assessment and monitoring of key controls is provided by the Head of Middle Office of Helvea SA and the Compliance Officer.

Risk Reporting

Regular reporting is in place to allow the Board to review the firm's risk profile against risk appetite, monitor losses, incidents and any breaches of the risk policy.

Policy

Helvea Ltd has in place documented policies with respect to key areas of risk to the firm. These include market abuse, personal account dealing, error reporting, and a Compliance Manual which sets out ethical guidelines.

Capital Resources

The regulatory capital requirement for Helvea Ltd as at 31 December 2008 is £478,000. The actual capital held by Helvea Ltd as at 31 December 2008 is £1,033,871, less deductions of £30,000, which gives a surplus of £525,871.

Helvea Ltd's consolidated capital resources as at 31 December 2008 are shown in the table below:

Capital Resources		£000's
Tier One Capital	Permanent Share Capital	750
	P&L a/c and other reserves	284
Tier Two Capital		0
Tier Three Capital		0
Less Deductions		30
Total Capital Resources		1004
Regulatory capital req't		478
Surplus		526

Helvea Ltd's Approach to Assessment of Capital Adequacy

Helvea Ltd maintains sufficient capital to meet UK regulatory requirements. In line with these requirements, Helvea Ltd maintains the higher of Pillar 1 and Pillar 2 (ICAAP) capital requirements. The adequacy of the capital held by Helvea Ltd is assessed, at least annually, as part of the Individual capital Adequacy Assessment Process (ICAAP) and is subject to formal sign off by the Board.

Pillar 1 Capital Calculation

Based upon its regulatory permissions and scope of activities, the firm is subject to the capital requirements for a limited licence firm. Helvea Ltd's pillar 1 capital is based on the Fixed Overhead requirement (FOR), being higher than Helvea Ltd's Credit Risk plus Market Risk exposure.

	Calculation Method	Capital
Credit Risk	The firm uses the standardised approach under which the capital requirement is calculated as 8% of the risk weighted exposure amounts as set out by the FSA.	40,000
Market Risk	The firm calculates its market risk capital requirement using the foreign currency PRR method set out in the FSA's rules.	Nil
Fixed Overhead Requirement (FOR)	The FOR is calculated as 13 weeks' fixed expenditure based on financial statements as at 31 December 2008.	438,000
Pillar 1 Capital	Higher of the sum of the credit and market risk charges: and the FOR	478,000

Pillar 2 (ICAAP)

Helvea Ltd's ICAAP assesses the amount of capital required to mitigate the risks to which Helvea Ltd is exposed over a 12 month time horizon. The ICAAP consider the impacts of future business plans as well as potential adverse scenarios (such as market downturns or significant operational errors) on the capital resources of Helvea Ltd, to ensure regulator capital requirements are met at all times.

Helvea Ltd's exposure to risk categories as defined by the FSA and Helvea Ltd's strategies with respect to material risk categories is shown below:

	Treatment
Operational risk	<p>Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Examples of significant operational incidents that could arise are: technology failures, trade and trade processing errors, outsourcing malfunctions, and settlement issues.</p> <p>Helvea Ltd's exposure to Operational risk has been assessed using a number of approaches, including the consideration of 1 in 25 year type loss events and the consideration of both internal incident history and publicly available data on Operational risk incidents at other firms.</p> <p>Central to the management of Operational risk is the monitoring of key controls. The firm also has insurance designed to reduce its exposure to liability and to protect its assets.</p>
Foreign Exchange risk	<p>Foreign exchange risk is defined as the risk of loss arising from fluctuations in foreign exchange rates.</p> <p>Foreign exchange risk arises in Helvea mainly through the fact that revenues are generated in Swiss francs and expenses are incurred in pounds sterling.</p>
Liquidity risk	<p>Liquidity risk is defined as the risk that the firm, although solvent, either does not have sufficient available resources to enable it to meet its obligations as they fall due, or can secure them only at excessive cost.</p> <p>Helvea Ltd maintains surplus liquid resources sufficient at all times to meet any immediate requirements it could prudently foresee. Liquidity is available in the form of cash which is invested in short-term bank deposits to ensure that it is available as required.</p>

	Treatment
Business and Strategic risk	<p>Business risk is any risk to a firm arising from changes in its business, including the risk that the firm may not be able to carry out its business plan and its desired strategy. In a narrow sense, business risk is the risk to a firm that it suffers losses because its income falls or is volatile relative to its fixed cost base. However, in a broader sense, it is exposure to a wide range of macroeconomic, geopolitical, industry, regulatory and other external risks that might deflect a firm from its desired strategy and business plan.</p> <p>Helvea Ltd regularly considers risk which may threaten its business strategy and expected growth according to a range of assumptions as to the state of the economic or business environment which it faces and puts in place additional controls or other actions where it is deemed cost-effective to do so.</p>
Reputational risk	<p>Reputational risk is defined as the risk of damage to the firm's reputation that could lead to negative publicity, costly litigation, a decline in the customer base or the exit of key employees and therefore directly or indirectly to a loss of revenue.</p> <p>The maintenance of Helvea Ltd's reputation is a key component of its ability to achieve its strategic objectives. Some of the key events which could significantly impact the reputation of Helvea Ltd include high profile Operational risk events such as market abuse or loss of high profile key people.</p> <p>Helvea Ltd monitors the potential reputational impact of all risk categories and takes appropriate action to prevent and manage the kinds of events which may give rise to reputational damage. This is achieved through putting in place frameworks and controls around operational risks and monitoring of the effectiveness thereof.</p> <p>It is the responsibility of the board to identify areas of the business or external factors which may significantly affect the reputation of Helvea Ltd and to ensure that these are adequately managed.</p>
Non-applicable risk categories	<p>The following risk categories are deemed insignificant to the firm's activities:</p> <ul style="list-style-type: none"> • Market risk • Credit risk • Residual risk • Interest rate risk • Securitisation risk • Pension obligation risk • Insurance risk

Helvea Ltd. also calculates realistic wind-up costs and is comfortable that regulatory capital held would allow Helvea Ltd to wind up in an orderly fashion.