BP PRIME

Governance Arrangements and Management of Risk Framework

1 Introduction

Firms are required under the Senior Management Arrangements, Systems and Controls (SYSC) manual of the Financial Conduct Authority Handbook to have in place robust governance arrangements and effective procedures which allow it to identify, manage, monitor and report the risks it is or might be exposed to. BLACK PEARL SECURITIES LTD ("BP") is authorised and regulated by the Financial Conduct Authority and this document sets out how the Firm complies with its obligations to identify, manage and mitigate risks.

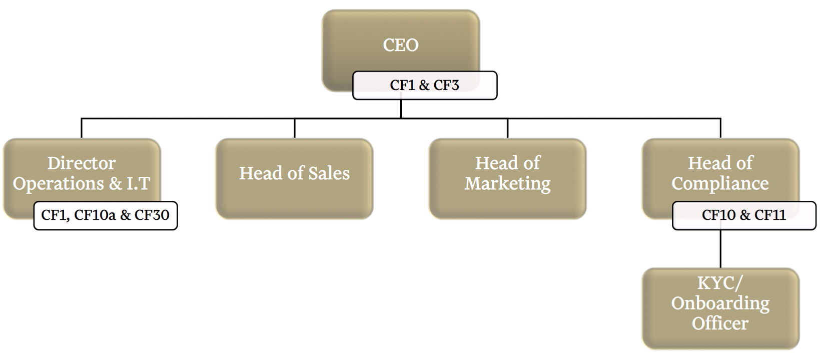
1.1 Governance and Risk Management Framework

The Board is responsible for the Firm's risk management governance structure and how the Firm's risk exposure must be managed in line with the Firm's overall business objectives and within its stated risk appetite. This includes the governance of the process for identifying, evaluating, managing and reporting the significant risks faced by the Firm.

Due to the size of the firm, risk is reviewed and managed on a constant basis, particularly market risk.

The Board is ultimately responsible for ensuring that the Firm maintains sufficient capital and liquidity resources to meet its regulatory capital and liquidity requirements and to support its growth and strategic objectives. Risk management is embedded throughout the business, with the overall risk appetite approved by the Board propagated down throughout the business as appropriate. A risk register is prepared an reviewed by the Board on a half yearly basis, in addition, the firms ICAAP is reviewed each time the Board meets.

The Governance Arrangements of the management body of BP is illustrated below:



1.2 Business Objectives

1.3 BP's Risk Profile

BP has identified the following core risk categories: strategic, market, credit, liquidity, operational, legal, interest rate, excessive leverage and financial crime.

BP's profile of these risks is continually evolving and is generally driven by:

- Changes to the market in which we operate;
- BP's strategies and business objectives and;
- BP's business/operating models

BP will seek to generate positive returns through carefully considered risk taking and robust risk management. As such the effective management and control of both the upside of risk taking and its potential downside is a fundamental core competency of the Firm.

1.4 Risk Appetite

The Board is responsible for setting the Firm's risk appetite, defining the type and level of risk that the Firm is willing to accept in pursuit of its business objectives.

1.5 Three Lines of Defence

The Firm's governance structure is designed such that the business is the first line of defence, the compliance function is the second line of defence with the Board representing the third line of defence.

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Business</td><td colspan="3">Identification, control and management of risks. Operating requirements: roles and responsibilities, supervision, procedures, systems and controls</td></tr>
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Compliance and independent oversight of business	Monitoring
Third Line of Defence **Senior Management/Board**	Governance
	Full accountability for the management of risks

1.6 Risk Management Framework

The Board is responsible for approving the Risk Assessment Framework and Risk Register, which is used to ensure that the Firm has a comprehensive understanding of its risk profile, including both existing and emerging risks facing the Firm, and to enable it to assess the adequacy of its risk management in the context of the Firm's risk appetite.

Principle Risks	Appetite	Key Drivers	Mitigation
Strategic Risk			
The risk that arises decisions that fail to reflect the full business operating environment and the impact of failing to adequately identify changes to the business model.	The Firm will remain competitive by identifying opportunities and assessing the risks, rewards and costs associated with them before proceeding	Regulatory landscape impacting the business. Commercial/market conditions Internal business/operating model	Due diligence is carried out prior to any new business opportunity and a full assessment of the potential and actual risks taken into account.
Credit Risk			
The risk of financial loss due to the failure of a customer to meet their obligations to	The Firm will only engage in activities where customers	Market conditions Counterparty credit worthiness	A margin of 100% and stop level 70% is applied to all customer trades

settle outstanding amounts	have adequate collateral deposited		(professional clients MC and SL may differ) All unmatched trades are rejected
Market Risk			
Risk of losses in on and off balance sheet positions arising from adverse movements in market prices	The Firm does not engage in propriety trading and does not actively seek market exposure.	Volume and complexity of trading Market Movements Liquidity	Monitoring and timely mitigation of unmatched positions
Liquidity Risk			
The risk that the firm does not have sufficient liquid resources or is unable to deploy such resources to meet its actual or potential obligations in a timely manner as they fall due	The Firm will have sufficient and accessible financial resources as to meet any financial obligations as they fall due	Operational risk Credit risk events Internal business operating model	Daily reviews of financial resources Contingency funding arrangements in place Customer collateral held on account
Operational Risk			
The risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events	The Firm will actively identify and manage the risk of its people, processes or systems failing. Operational risk is inherent in any business however the Firm will take steps to prevent such risks from increasing operating costs	Internal business operating model External Threats Market conditions	Employees provided training and guidance on their obligations Critical technology performance monitored Risk scenario contingency planning Timely escalation and mitigation of identified risks

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			Regular review of the Firm's operational risk manager.
Legal			
The risk arising from defective transactions, failing to take appropriate measures to protect assets, changes in law and claims resulting in a liability or loss to the firm.	The Firm will appoint external legal advisors however the Firm does not intend to have any appetite for legal breaches	Regulatory regime Legislative framework	Training is provided to all employees PII cover is maintained Regular monitoring of changes in law and the implications to the Firm
Interest Rate Risk			
The risk that interest rates (e.g. Libor, Euribor) and/or their implied volatility will change	The Firm accepts that volatility in interest rates will impact on cash balances and borrowings and has sufficient resources in place	Market movements Liquidity	Entities with whom balances are held are regularly monitored
Risk of Excessive Leverage			
The potential increase in risk caused by a reduction in the firm's own funds through expected or realised losses.	The Firm will only engage in activities where collateral is held The Firm will have adequate financial resources in place	Operational risk Market Conditions Liquidity	Collateral is monitored and trading margin managed Regular reviews of financial resources

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Financial Crime Risk			
The risk that the firm fails to prevent its involvement in or use by other parties to commit financial crime	The Firm has no appetite for any breaches or lapses occurring that result in financial crime taking place	External threats Internal controls	Training is provided to all employee's Financial crime procedures and regular monitoring

1.7 Remuneration Policies

BP's Remuneration Policy complies with the Remuneration Code in relation to its size, nature, scope and complexity of our activities.

The Policy is aligned to the Firms' business strategy, objectives, values and long-term interests in respect of performance and effective risk management in line with the Firm's risk appetite.

A copy of the Firm's Remuneration Policy is available via our website and sets out how the Firm complies with the Remuneration Code.

1.8 Public Disclosure of return on assets

BP will meet its reporting obligations by disclosing in its annual report and accounts a notice of its return on assets. Details of the average total assets can be found in the Report and Accounts published via our website.