Simmons & Company International Limited

("SCIL" or the "Firm")

Pillar 3 Disclosures – 2017

***Note**: SCIL ceased trading on 30th April 2017, an application has been made to the Financial Conduct Authority to cancel the Firm's regulatory permissions.*

The following information is provided pursuant to the Pillar 3 disclosure rules as laid out by the Financial Conduct Authority ("FCA") in section 11 of its Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU").

Background

The FCA has implemented a prudential framework for investment firms through the FCA Handbook of Rules and Guidance (specifically in BIPRU). The framework consists of three "Pillars":

- Pillar 1 sets out the minimum capital requirements;
- Pillar 2 is an assessment of whether additional capital is needed over and above that determined under Pillar 1; and
- Pillar 3 requires the Firm to publish its objectives and policies in relation to risk management, and information on its risk exposures and capital resources as well as disclosures with respect to FCA's "Remuneration Code".

The rules provide that disclosures are only required where the information would be considered material to a user relying on that information to make economic decisions. SCIL is a "BIPRU €50,000 Limited Activity Firm".

The disclosures below are the required Pillar 3 disclosures and apply solely to the Firm.

Although the Senior Management of the Firm believes that the risk management framework outlined herein is appropriate for the size and complexity of the Firm and that the Firm's capital is adequate to meet the risks assessed, it can not guarantee that this will actually be the case in the event any particular risk arises. There will always be some unlikely risks with unusually high impact which may require additional capital should they arise.

The main risks facing the Firm relate to the market, its operations, concentration and its business environment. Whilst the Firm does have some exposure to other risks, these are not considered to be material.

Risk management

The Firm operates a risk management framework that sets out the responsibilities and escalation procedures for the identification, monitoring, and management of risks. Capital planning takes these identified risks into account.

The Firm's Chief Executive takes overall responsibility, with the assistance of the other Directors for identifying material risks to the Firm and putting appropriate mitigating controls in place.

Risks and mitigating controls are periodically reassessed, taking into account the Firm's risk appetite. Where risks are identified which fall outside of the Firm's risk tolerance levels, or where the need for remedial action is identified in respect of identified weaknesses in the Firm's mitigating controls, then actions are taken to improve the control framework.

The Directors meet periodically to review the quality of the control framework and to satisfy itself that appropriate controls are in place and that mitigating actions are moving forward.

The main specific types of risks faced by the Firm are;

- Market risk,
- Operational risk,
- Concentration risk, and
- Business risk.

Market risk
This is the risk to a firm that arises from fluctuations in values of, or income from, assets or in interest or exchange rates.
The firm's risk results from an element of its revenues being derived in foreign currencies. SCIL monitor foreign currency movements to ensure risk is managed and if appropriate hedging procedures are used.

Operational risk
This is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk.
The firm has identified a number of key operational risks to manage including budgetary, regulatory and client related. These risks are mitigated through a controls framework.

Concentration risk
This is the risk arising from a firm's exposure to sectoral, geographic, liability and asset concentrations which increase a firm's exposure to credit risk.
SCIL operates in a specific industry sector with the majority of its clients being involved in the energy sector. The risk is mitigated by covering the entire spread of businesses in the industry.

Business risk

This is the 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 broader sense, it also includes exposure to a wide range of macro-economic, geopolitical, industry, regulatory and other external risks that might deflect a firm from its desired strategy.

Scenarios have been modelled in order to assess the impact of adverse economic conditions on the Firm's financial position. This enables the Firm to monitor its business risk and to assist in its capital planning.

Capital adequacy

As at 31st December 2016, the Firm held regulatory capital resources of £3,922K. This comprised solely of core Tier 1 capital.

The Firm's Pillar 1 capital requirement was £2,274k. This has been determined by reference to the Firm's credit risk, market risk and fixed overhead requirements. This is calculated in accordance with the FCA's General Prudential Sourcebook ("GENPRU")

Under Pillar 2 of the FCA's capital requirements set out in BIPRU, the Firm has undertaken an assessment of the adequacy of capital based upon all the risks to which the business is exposed ("ICAAP"). As at 31st Aug 2016, this analysis concluded that the Firm required £1,996K capital against the identified key risks. This is below the Tier 1 capital held by the Firm, it has therefore been concluded that the Firm's resources are sufficient and no additional Pillar 2 capital is required. However, the Board has decided that, as a matter of good practice and to reflect the potential effect of the operational, business and concentration risks identified in this ICAAP, it will hold an additional amount equal to 10% of its Pillar 1 capital requirement as a buffer. The Board considers that such an amount would be sufficient to allow action to be taken to address issues arising in the business identified during the ICAAP process.

Remuneration Code

SCIL FCA REMUNERATION DISCLOSURES

The undernoted disclosures are in accordance with the FCA's Handbooks for banks, building societies and investment firms ("BIPRU") 11.5.

Remuneration of all staff is determined by assessing individual and firm's performance. Remuneration awards are reviewed and approved by a group of the parent company Piper Jaffray Companies' senior executives.

Aggregate remuneration paid to the senior management whose actions impact on the risk profile of the firm in the 18 month period to 31st December 2016 was £7,657,996. (Simmons and Company International Limited does not pay remuneration to its Non Executive Directors, they are employed and remunerated by the firm's US based parent. The figures above do not include sums relating to their service as Non Executive Directors of Simmons and Company International Limited as it is not practical to segregate this from their total remuneration, any such sum is considered to be immaterial to the overall figures which have been disclosed.)

PIPER JAFFRAY LTD FCA REMUNERATION DISCLOSURES

The undernoted disclosures are in accordance with the FCA's Handbooks for banks, building societies and investment firms ("BIPRU") 11.5.

Remuneration of all staff is determined by assessing individual and firm's performance. Remuneration awards are reviewed and approved by a group of the parent company Piper Jaffray Companies' senior executives.

Aggregate remuneration paid to the senior management whose actions impact on the risk profile of the firm in the year to 31 December 2016 was £2,908,1954. (Piper Jaffray Ltd does not pay remuneration to its US Executive Directors, they are employed and remunerated by Piper Jaffray & Co. The figures above do not include sums relating to their service as US Executive Directors of Piper Jaffray Ltd as it is not practical to segregate this from their total remuneration, any such sum is considered to be immaterial to the overall figures which have been disclosed.)