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.

Third Platform Services Limited ("**TPS**") is authorised and regulated by the Financial Conduct Authority and this document sets out how the Firm complies with its obligations to define, oversee and be accountable for the effective and prudent management of the Firm.

2. Governance Arrangements

2.1. The Management Body

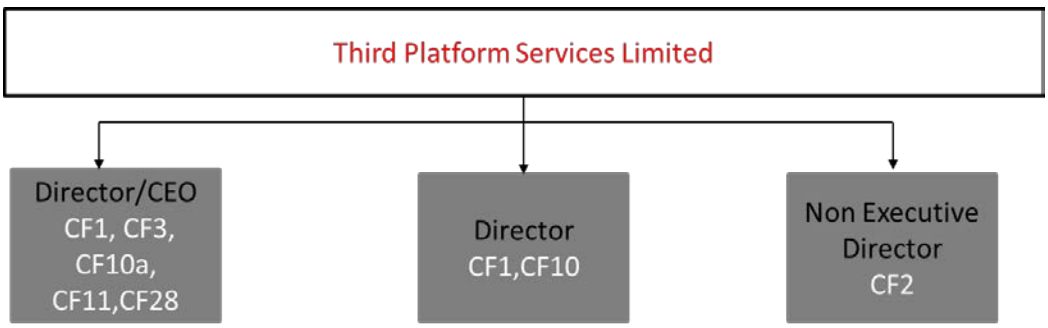
The Management Body is comprised of the Board and senior management who are empowered to set the Firm's strategy, objectives and overall direction, and which oversee and monitor management decision-making. The Board is accountable for the implementation of governance arrangements that ensure the effective and prudent management of the Firm.

As such, the Board are 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.

The Board are 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 and risk management strategy approved by the Board propagated down throughout the business as appropriate.

The Non-Executive Director has broad business and commercial experience with independent and objective judgement and they can provide independent challenge to the Board and senior management. They are able to allocate sufficient time to meet the expectations of their role with the Firm.

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



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The Firm has reviewed the number of directorships held by members of the Board has assessed the number of directorships held and are satisfied that the arrangements are such that the management body is able to commit sufficient time and resources to perform their obligations in the Firm. The number of directorships held is monitored on an ongoing basis.

3. Management of Risk Framework

3.1. Risk Profile

The Firm evaluates its risks on an ongoing basis with Board formally defining the most significant risks on an annual basis. These are subject to a process of ongoing review. TPS has identified the following core risk categories: counterparty credit, market, liquidity, operational and counterparty.

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

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

3.2. Risk Appetite

The Board are 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. The Board have placed a high priority on a strong risk management culture and the members recognise that risk is inherent to the business and the market in which the Firm specialises. The Firm faces a number of business risks which are actively managed.

3.3. Three Lines of Defence

The Firm's governance structure is designed such that business operations are the first line of defence; the compliance and risk function is the second line of defence with internal audit representing the third line of defence.

	Strategies and Goals	Firm Values	Risk Appetites
First Line of Defence Business Operations	Identification, control and management of risks. Operating requirements: roles and responsibilities, supervision, procedures, systems and controls.		
	Identifying Risks Faced	Identifying Risks Taken	
	Control and Management of Risks		
Second Line of Defence Compliance and Risk and Compliance Committee(s)	Risk Management Framework		
	Policies and Procedures, Guidance and Training		
	Monitoring		
Third Line of Defence Internal Audit	Governance		
	Full accountability for ensuring that management of risks is undertaken.		

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3.4. Risk Assessment

The Board is responsible for approving the Risk Assessment, 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.

3.4.1. Counterparty Credit Risk

On an on-going basis, the counterparty credit risk requirement is calculated by reference to operational and financial debtors and non-segregated bank and cash balances. The Firm's credit risk capital component is 8% of the total of its risk weighted exposure amounts. Based on the current financial projections, TPS's non-trading book exposures for credit risk arise on its bank, debtor, and prepayment balances. The firm has applied a 20% risk weight on its bank balances that are held in rate institutions and 100% on debtor and prepayment balances due corporates.

3.4.2. Market Risk

All transactions are executed as agent and TPS does not take-on any market risk. No capital is therefore allocated to Market Risk.

3.4.3. Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk. TPS can count on operational support from the Directors should the need arise. Where a reduction, or erosion, of revenue is experienced by TPS, the firm will still be required to service its fixed overheads. This is likely to take the form of hosting and platform operation charges as an example.

3.4.4. Liquidity Risk

Liquidity risk is the risk of loss resulting from the unavailability of sufficient funds to fulfil financial commitments, including customers' liquidity needs, as they fall due. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price. The Firm maintains sufficient cash balances to ensure that liabilities can be met should they fall due.

3.4.5. Counterparty Risk

The Firm relies on counterparties to execute and settle trades in the UK and foreign markets but makes no assumption as to the stability of those counterparties. Custodians are subject to close vendor management to ensure a suitable standard of service and they are subjected to annual due diligence which is overseen by the CASS Nominated Officer.

4. Remuneration Policy

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

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