ELARA CAPITAL PLC
Pillar 3 Disclosures and Policy for an IFPRU Firm as at: August 31, 2022

INTRODUCTION:

Regulatory Context:

The Capital Requirements Directive (CRD) establishes a regulatory capital framework across Europe governing the amount and nature of capital investment firms must maintain. In the United Kingdom, the CRD has been implemented by the Financial Conduct Authority (FCA) in its regulations through the General Prudential Sourcebook (GENPRU) and the Prudential Sourcebook for Investment Firms (IFPRU).

The FCA framework consists of three Pillars:

- Pillar 1 sets out the minimum capital amount that meets the Firm's credit, market and operational risk;
- Pillar 2 requires the Firm to assess whether its Pillar 1 capital is adequate to meet its risks and is subject to annual review by the FCA; and
- Pillar 3 requires disclosure of specified information about the underlying risk management controls, capital position and remuneration.

The rules in IFPRU 11 set out the provision for Pillar 3 disclosure. This document has been produced by Elara Capital PLC (the Firm) (hereinafter referred as "Elara") on a consolidated basis to meet its Pillar 3 disclosure obligations. The document is informed by the Internal Capital Adequacy Assessment Process (ICAAP) which is kept under review and subject to annual formal revision and approval.

Scope and Application of Directive Requirements:

Elara Capital PLC is incorporated in the UK and is authorised and regulated by the FCA as an IFPRU Full Scope Firm. As a result of the firm having permission to deal in investments as principal, it is categorised as an IFPRU €730K firm.

Under the CRDIV framework, Elara Capital PLC is required to make certain disclosures. These disclosure requirements cover relevant risks that apply (e.g. own funds, credit risk, securitisation, market risk, operational risk) as well as information about a firm's risk management, exposures, risk weighting and capital requirements.

Whilst some of the disclosures have been captured within the FCA's Senior Management Arrangements: Systems and Controls (SYSC) Sourcebook, the majority of requirements are contained within Part Eight of Regulation (EU) No 575/2013 (Capital Requirements Regulation - 'CRR').

Frequency:

The firm will be making these disclosures annually in line with our internal policy and assessment of the CRR requirements to adequately convey our risk profile. The disclosures are as at the Accounting Reference Date which is the last day of the financial year i.e. March 31, 2021 ("ARD"). The figures included in this document will be based on the audited accounts as at that date.

Media and Location:

The disclosure will be published on the firm's website.

Verification:

For the avoidance of doubt, this document contains the relevant disclosures for the period ending March 31, 2021 in accordance with Part Eight of the CRR. Where additional disclosures have been made, reference has been made to the relevant rules in order to demonstrate compliance with these additional disclosures.

The disclosures made within this document have been reviewed and approved by the firm's Board of directors and have not been subject to external audit except where they are equivalent to those prepared under accounting requirements for inclusion in the financial statements.

Materiality, Confidentiality and Proprietary & Confidential Information:

To achieve an appropriate balance between the information needs of stakeholders and the potential drawbacks of disclosures for institutions, both in terms of costs and business impact, the CRR contains specific provisions whereby firms may omit one or more items of information included in the disclosure requirements in cases where the information provided by such disclosures is not regarded as material or is regarded as proprietary or confidential. One or more disclosures may be omitted (except for disclosures on Diversity, Own Funds and Remuneration in line with CRR Article 432(1)).

The firm has reviewed the guidelines on materiality, proprietary and confidentiality and frequency, detailing the information that institutions in the EU banking sector should disclose under Part Eight of the CRR. In determining the relevance of these guidelines, the firm may omit information that is not material. In this context, materiality can be taken to mean where its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions.

The firm regards information as proprietary if sharing that information with the public would undermine its competitive position. Proprietary information may include information on products or systems which, if shared with competitors, would render the firm's investments therein less valuable. Further, the firm must regard information as confidential if there are obligations to customers or other counterparty relationships binding the firm to confidentiality. In the event that any such information is omitted, the firm shall disclose such and explain the grounds why it has not been disclosed.

SUMMARY:

These disclosures address the information asymmetry between preparers and users, by providing the latter with information on the solvency, risks and risk exposures of institutions. The firm is an IFPRU €730k Full Scope investment firm with permission as matched principal. The main protection for our customers is provided through client money and asset arrangements.

RISK GOVERNANCE:

Article 435
Disclosure: Risk Management Objectives and Policies

Article 435 (1):

The firm is required to disclose its risk management objectives and policies for each separate category of risk which include: (i) the strategies and processes to manage those risks; (ii) the structure and organisation of the relevant risk management function or other appropriate arrangement; (iii) the scope and nature of risk reporting and measurement systems; and the policies for hedging and mitigating risk; and (iv) the strategies and processes for monitoring the continuing effectiveness of hedges and mitigants.

The Firm is committed to good risk management and prioritises risk management through its functional structure, governance processes, monitoring and reporting activities and its emphasis on the Firm's vision and values. From the Board down, the Firm considers its risk appetite in its strategy, business plans and risk management process.

On-going risk reporting provides the Board and the senior management with risk management information concerning Elara's risk exposure. This information also forms part of the Firm's ICAAP. The Firm is committed to managing the applicable risks to the business and maintaining an effective internal control structure which includes oversight, monitoring and reporting of risks. Through independent lines of reporting for risk oversight and operations, our risk governance policies are designed to provide objective assessments and monitoring of risks. Management regularly reviews the level of risk it regards as appropriate in order to operate within its regulatory obligations and achieve its business objectives.

Risk Appetite:

The Firm aims to develop systems and controls to mitigate risk to ensure they remain within the documented risk appetite.

The Firm sets its risk appetite by considering the material risks in the business and then evaluates the level of acceptable risk, either subjective or objective, and the related measurements. Any risk exceeding the risk appetite will be reported to the Board along with the action plans to bring the risk back within tolerance. As the firm's business is not complex and large, the firm does not calculate residual risk. It considers that the other categories of risk quantified and embedded in ICAAP, takes care of the residual risk and hence it need not be calculated separately.

Key Risk Categories:

Elara considers its operations to be prudent and risk averse, with the business objective of achieving client satisfaction and financial strength of the Firm. Elara is exposed to risks inherent in the Firm's business and activities. The Firm has risk management policies, practices and reporting in place for each category of risk it is exposed to. The following inherent risks have been identified and analysed for their impact on Elara:

Risk	Mitigation
Operational risk	Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems. It further includes legal risk. Operational risk can also be defined as arising from a Firm's business functions and from the practical implementation of the management strategy. The Firm has implemented a risk management framework to remove or mitigate the risks inherent in its business and associated with operation errors, including administrative errors, process failures, loss of IT services and competence and negligence of employees. This recognises that operational risk is a significant risk area within Elara and is carefully managed. Elara uses its Risk & Compliance monitoring team to reinforce and oversee the operation of these controls and the risk framework. If required, third parties may also be engaged to undertake independent reviews as a third line of defence. The operational risk framework in place to mitigate operational risks includes: • Errors reporting, reaction and management to ensure root cause and preventative actions are investigated and implemented promptly by the business • Reporting and analysis of risk issues to the Board and Senior Management; • The Firm has in place a group Professional Indemnity Insurance with adequate coverage since inception. The Firm continually endeavours to minimize operational risk wherever possible through a series of measures which include but are not limited to: adoption and implementation of pertinent controls; definition and segregation of duties & authorities; recruitment of suitably experienced personnel; succession planning. Beyond day to day risk controls the Firm is fully aware of the criticality of business interruption planning combined with relevant insurance and hence it endeavours mitigation of business interruption risk by ensuring that key data, trading and settlement systems are sufficiently backed up and a Business Continuity Plan is in place.
Credit risk	Credit risk is the risk that the counterparty to a financial obligation will default on repayments or fail to meet its obligations. The Firm's main exposures to credit risk are the risk that custody and administration fees cannot be collected, and cash held with banks. The Firm holds corporate cash with banks assigned high

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<td>credit ratings. The Firm minimises the amount due from a customer by taking advances before proceeding with a deal. This category of risk encompasses counterparty and concentration risk.

Further, Elara carries out initial and on-going due diligence on new clients, including assessment of their credit risk, and most of all the current clients are FCA regulated, further reducing our exposure to credit risk. Credit risk exposure is therefore considered low and can be mitigated by process controls and, if necessary, can be funded from its capital and liquidity provisions.

The Firm also employs the services of Pershing Securities Limited to clear and settle all transactions pursuant to “Model B Clearing” arrangement. Pershing Securities Limited is an affiliate of Pershing LLC, a subsidiary of the Bank of New York Mellon Corporation which is rated as follows:
<table>
<tr><th></th><th>MOODY'S</th><th>S & P</th><th>FITCH</th><th>DBRS</th></tr>
<tr><td>LONG-TERM SENIOR DEBT</td><td>A1</td><td>A</td><td>AA-</td><td>AA (Low)</td></tr>
<tr><td>SUBORDINATED DEBT</td><td>A2</td><td>A-</td><td>A+</td><td>A (High)</td></tr>
<tr><td>PREFERRED STOCK</td><td>BAA1 (HYB)</td><td>BBB</td><td>BBB</td><td>A (Low)</td></tr>
<tr><td>TRUST PREFERRED SECURITIES</td><td>A3</td><td>BBB</td><td>BBB+</td><td>A (High)</td></tr>
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Pershing assumes the counterparty/settlement risk of our clients.

The Firm’s credit risk capital requirement which details the amount of capital it is required to hold as of 31 March 2021 is £3,328k. Depending on the nature of debt risk exposure is calculated using the risk weighted approach of 8% multiplied by non-trading book balance sheet exposures (i.e. assets/amount receivable).</td>
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<td>Concentration risk (Large exposure)</td>
<td>Any risk exposure exceeding 10% of the Firm’s capital base is considered as a large exposure. The Firm’s risk exposure must not exceed £3,426k of its capital resources. As at the accounting reference date, the Firm has not reported any large exposures.

The Firm mitigates against large exposures by ensuring:</td>
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	• cash is in place before trade orders are entered into; • diversification of investments; • there are no off – balance sheet exposures, such as guarantees, unused credit facilities, credit derivatives etc.
Counterparty risk	The Firm mitigates against counterparty risk in the following manner: • all the trades are settled through Pershing Securities Limited and are executed only on a DVP basis; • trading is done with authorised traders only; • not more than 10% of the shareholder funds are used for Derivatives trading. These positions are of blue chip companies and are usually taken for a short term basis. If the value of the securities falls by 10%, • Elara Capital PLC is able to report that it has no history of losses of counterparty risk crystallizing whatsoever.
Risks in India **Exceeding the Firm's FPI limits**	The Foreign Portfolio Investor Limits are governed by Securities & Exchange Board of India and monitored by the Firm, Custodians and Administrators. These limits are monitored by using automated systems and any trade placed which will exceed the said limit, is stopped at the execution level itself. Hence the limits and the risk level are continuously monitored. Settlement risk is covered by the Exchange as the settlement is done though a clearing house in India.
Trading with IG **Market (CFD)**	Not more than 10% of the shareholder funds are used for Derivatives trading. These positions are of blue chip companies and are usually taken for a short term basis. If the value of the securities falls by 10%, then we take corrective actions so as to reduce the losses. Only authorised persons who are qualified for conducting the trading activities are able to operate the account; The Margin Deposit is continuously monitored and any significant change is reported to the CEO for immediate action which includes either reducing or closing the position and funding the account.
Liquidity risk	Liquidity risk is the risk that the Firm may not be able to meet its financial obligations as they fall due or difficulty in selling an illiquid assets or access to fixed

	deposits with Banks. The Firm manages liquidity risk by: • Maintaining an approximate 10% of shareholder's fund in cash at all times which are placed with multiple reputable banks in different geographical areas. The credit rating of these banks is considered prior to selecting them. • Fixed Deposits investments which can be liquidated in a day is around 5%. • As on March 31, 2021, 124.12% of the Firm's investment which including Cash in hand and the Fixed Deposits was in Liquid assets so as to ensure we have liquidity to meet any contingencies. • Not investing in illiquid assets; • Cash position is monitored on a daily basis; • Future cash flow planning is done on a monthly basis to take into consideration future income and expenses. Elara Group has not come across any situations in the past years wherein it is not able to meet its liabilities as they fall due.
Interest rate risk	Interest rate risk directly affects the values of fixed income securities. Since interest rates and bond prices are inversely related, the risk associated with a rise in interest rates causes bond prices to fall and vice versa. The firm has maintained a threshold of up to 15% in Debt investments of Shareholders Funds which are monitored regularly. All of our Debt investments are in convertible debt Instruments. In case of any adverse change in the interest rates, the firm's strategy is to convert the bond instruments in shares and then sell the shares in the local market.
Business Risk (pro-cyclicality)	Business risk is a circumstance or factor that may have a negative impact on the operation or profitability of a given Firm. Sometimes referred to as Firm risk, business risk can be the result of internal conditions, as well as some external factors that may be evident in the wider business community. The Firm is an investment firm focused on Indian Markets. We advise our clients on investments in Indian securities. Fluctuations in these markets have an impact on our positions as well as on client positions.

	• We consider this to be a risk, from both a monetary as well as a reputation perspective. • Our business is closely correlated to political stability in India. Any instability could affect our revenues. • India as an investment destination is administered by government regulations. Any change in these regulations could affect our business. We are consciously working towards diversifying our services by adding new geographies, though we feel that India itself offers ample growth opportunities to minimise the business risk. Please refer to table at the end of this section which sets out the key financial highlights for the past 3 years.
Systems and Controls (start-up risk :)	Internal control is defined as a process effected by an organization's structure, work and authority flows, people and management information systems, designed to help the organization accomplish specific goals or objectives. It is a means by which an organization's resources are directed, monitored, and measured. It plays an important role in preventing and detecting fraud and protecting the organisation's resources, both physical (e.g. machinery and property) and intangible (e.g. reputation or intellectual property such as trademarks). At the organizational level, internal control objectives relate to the reliability of financial reporting, timely feedback on the achievement of operational or strategic goals, and compliance with laws and regulations. At the specific transaction level, internal control refers to the actions taken to achieve a specific objective (e.g. how to ensure the organization's payments to third parties are for valid services rendered.). Internal control procedures reduce process variation, leading to more predictable outcomes. We investigate resources to build strong systems and processes to monitor trades and fund flows as well as their related risks. We undertake complete due diligence before accepting any new counterparty.
Reputational Risk:	Reputation may be an intangible but highly prized asset, often equated with the goodwill of the business. It is seen as a key source of competitive advantage. While the processes and procedures for managing reputational risk may differ, there is a general agreement that reputational risk management is

	supported by "the plans, processes and practices, which engender and sustain the trust of all and each category of corporate stakeholder". There are, however, contrasting, if not contradictory, views of where reputational risk should be positioned as a role in the business enterprise. Reputational risk is seen by the majority of enterprises as the most critical risk. Changes in business practices arising from increasing governance and legal/regulatory influences have made companies more vulnerable to reputational damage. Equally, the power and intrusiveness of media and communications industries have intensified the focus on corporate reputations. While Rajendra Bhatt in his capacity as the Chief Executive Officer may be directly responsible for the management of reputational risk, such responsibility is normally shared with the Board of Directors. A number of functions such as corporate communications in its day-to-day operational mode are deployed. The Firm recognises that the key elements of managing reputational risk are: • Prompt and effective communication with all categories of stakeholder - shareholders, employees, customers and suppliers; • Strong and consistent enforcement of controls on governance, business and legal compliance; • Continuous monitoring of threats to reputation; • Ensuring ethical practice throughout the supply chains; • Establishment and continual updating of a crisis management plan and establishment of a crisis management team, empowered with specific power and authority. We recognise that loss of reputation is systemic in nature. Once germinated, it is difficult to manage and eradicate and other elements of business begin to suffer. Re-establishing reputation takes a long time. Loss of reputation arises as a reaction to the failure of detailed processes and procedures in risk management, business continuity, consolidation and compliance.

Legal Risk:	Legal risk is a risk whereby counterparty is not legally able to enter into a contract. Another legal risk relates to regulatory risk, i.e., that a transaction could conflict with a regulator's policy or, more generally, that legislation might change during the life of a financial contract. The Firm performs the stringent KYC procedure and due diligence before entering into any contract with a client.
Insurance Risk:	Risk is the possibility of loss to scarce resources. Risk management, is the practice of appraising and controlling risk, and has evolved as a discrete field of study and practice, primarily in the area of four risk management techniques. These are risk avoidance, risk prevention, risk retention, and risk transfer, the latter of which is also known as insurance. Insurance is a risk management technique primarily used to hedge against the risk of a contingent, uncertain loss that may be suffered by those individuals or entities that have an insurable interest in scarce resources, by transferring the possibility of this loss from one interested person, persons, or entity to another. Elara has undertaken Professional Indemnity Insurance which covers the liability up to GBP 1,500,000 and in case of loss of document, the liability of GBP 50,000. We have made no claims on the Insurance cover in the past three years.
Money Laundering Risk:	Money laundering is the practice of disguising the origins of illegally-obtained money. Ultimately, it is the process by which the proceeds of crime are made to appear legitimate. The money involved can be generated by any number of criminal acts, including drug dealing, corruption, accounting and other types of fraud, and tax evasion. The methods by which money may be laundered are varied and can range in sophistication from simple to complex. The Firm has put in place the stringent KYC procedure for all clients and the Firm deals mainly with Institutional clients to minimise the money laundering activities.

The Board is satisfied that all foreseeable risks can be mitigated by process controls, and where necessary, can be funded from capital provisions under the Pillar 2 assessment.

GOVERNANCE AND OVERSIGHT FRAMEWORK:

The firm is governed by its Board of Directors ('the Board') this body has daily management and oversight responsibility. It meets bi-monthly and is composed of:

- Rajendra Bhatt
- Ajay Pandey
- Lord Meghnad Desai

The Board is responsible for the entire process of risk management, as well as forming its own opinion on the effectiveness of the process. In addition, the Board decides the firm's risk appetite or tolerance for risk and ensures that the firm has implemented an effective, ongoing process to identify risks, to measure their potential impact and then to ensure that such risks are actively managed. Senior Management are accountable to the Board for designing, implementing and monitoring the process of risk management and implementing it into the day-to-day business activities of the firm.

As the firm is non-complex in its business and operations, the Board considers the risk management systems in place as adequate and proportionate with regard to the firm's profile and strategy.

Risk Management Framework:

Risk management within Elara is based on a 'three lines of defence' model, as follows:

1. First line of defence (business management and staff) - responsible for identifying and assessing the risks faced in the business and ensuring that appropriate controls are established and maintained. This is overseen and strengthened by the Operational Risk and Controls Team.

2. Second line of defence (Compliance; Finance & Risk Team) - responsible for establishing an effective policy framework for the business and conducting compliance monitoring.

3. Third line of defence (CEO & COO) – The firm does not consider it necessary to have a separate internal audit function or audit committee due to the nature scale and complexity of its business. Therefore, in their absence the CEO and COO monitor all the business transactions and provide objective assurance on the effectiveness of risk management, control and governance processes. The CEO and COO also keep the Board of Directors updated on any matters requiring their attention.

Elara is committed to on-going review and development of all three lines of defence in line with its businesses scale and risk profile.

Article 435 (2)(a) – 435 (2)(e):

The number of outside directorships held by members of the Board is as follows:

Name	Internal Directorships	External Directorships
Rajendra Bhatt	Elara Capital Plc.	Trishul Investments Limited
	Elara Finance (India) Private Limited	Myton Enterprises Limited
	Elara Securities (India) Private Limited	Reliance Business Consultants Limited
	Elara Global Funds – Elara India Gateway Fund (Luxembourg)	Elara Properties Development Limited
	Elara Global Funds Ltd – Elara Emerging Markets Fund (Mauritius)	
	Elara India Opportunities Fund Ltd. (Mauritius)	
	Elara Capital (Singapore) Pte. Ltd	
	Elara Capital Inc. (USA)	
	Elara Securities Inc. (USA)	
	Elara Capital (Mauritius) Ltd	
	Elara Asset Management Limited (Mauritius)	
	Elara Capital (Asia) Pte Limited	
	Vespera Fund Limited (Mauritius)	
	Elara Multi Strategy Fund	
	Trishul Investments Limited	
	Myton Enterprises Limited	
	Reliance Business Consultants Limited	
	Elara Diversified Income Fund PCC	
	Pangaea Fund Limited	
	Amalthea Global Fund Limited	
	Elara Fixed Income Fund Limited	
	Elara Wealth Investment Advisers (India) Private Limited	
	Elara Properties Development Limited	
	Elara Story Tellers Advisory Private Limited	
	Afrinex Limited (Mauritius)	
Ajay Pandey	Elara Capital Plc.	Marylebone Road Assets LTD
	Elara Securities (India) Private Limited	Asset Advisors Limited

	Elara Capital (Singapore) Pte. Ltd.	
	Elara Capital Inc. (USA)	
	Elara Securities Inc. (USA)	
	Elara Finance (India) Private Limited	
	Elara Capital (Asia) Pte Limited	
	Marylebone Road Assets Ltd	
	Asset Advisors Limited	
	Elara Global Funds – Elara Emerging Markets Fund	
	Elara Wealth Investment Advisers (India) Private Limited	
	Elara Story Tellers Advisory Private Limited	
	Elara India Opportunities Fund Ltd. (Mauritius)	
	Vespera Fund Limited	
Lord Meghnad Desai	Elara Capital PLC	Cape Claims Services Limited
		OMFIF Foundation Limited

The firm's directors are appointed having regard to their individual knowledge, skills and experience and the combined knowledge, skills, experience and diversity of the Board as a whole.

When appointing directors, the firm adheres to UK and European legislation in relation to equal opportunities and is committed to treating all applicants for positions and employees in a non-discriminatory manner. The firm will also pay due regard to ensuring a broad range of knowledge, skills, diversity and experience is present on the Board.

For the year ended March 31, 2021, the firm did not have a Risk Committee. The firm does not consider it appropriate because of the size, nature and scale of its operations to establish a separate Risk Committee as all functions that would be carried out by it are adequately addressed by Senior Management and the Board.

The Board meets on a regular basis and receives compliance, AML, risk reports on the operations and business areas of the firm. Where necessary, appropriate measures are implemented to mitigate any actual or potential risks.

ARTICLE 437
Disclosure: Own Funds

The firm is a CRD IV €730k Full Scope Firm. The Pillar 1 requirement for the firm is set out at Article 95(2) of the CRR and is the higher of the credit risk capital requirement and the market risk capital requirement, or the Fixed Overheads Requirement (FOR) which equated to one quarter of the firms relevant fixed expenditure).

The 'Total Risk Exposure Amount' (TREA), which, for Elara Capital PLC, is defined as 12.5 times the FOR is the amount used for Pillar 1 Capital Adequacy purposes. Elara Capital PLC has no innovative Tier 1 capital instruments or deductions. On March 31, 2021, the firm had:

	GBP (000's)
Permanent Share Capital	1,590
Share Premium Account	230
Retained Earnings	32,434
Common Equity Tier 1 Items	**34,254**
Deductions from Common Equity Tier 1	9
Deferred Tax	1,750
Common Equity Tier 1 Capital	32,495
Additional Tier 1 Capital	-
Tier 1 Capital	32,495
Tier 2 Capital	-
Eligible Capital and Own Funds	32,495
Total Risk Weighted Exposure Amount ('TREA')	117,937
Common Equity Tier 1, Tier 1 Capital & Total Capital Ratio	28%
Surplus Capital over Pillar 1 Own Funds Requirement	27,189

The Own funds of £32,495k is 94.87 % of the Shareholder's Funds in Elara Capital PLC's 2021 audited financial statements.

The Common Equity Tier 1, Tier 1 Capital and Total Capital Ratio is 28% which exceeds the required minimum ratios.

ARTICLE 438
Disclosure: Capital Requirements

The firm has adopted the "Ground Up" approach to the calculation of its ICAAP Capital Resources Requirement as outlined in the Committee of European Banking Supervisors Paper, 25 January 2006.

The ICAAP assessment is reviewed by the Senior Management and amended where necessary, on an annual basis or when a material change to the business occurs. The Compliance and Finance Officer presents the ICAAP document to the Senior Management and the Board of Directors of the firm which reviews and endorses the risk management objective annually or when a material change to the business occurs at the same time as reviewing and signing off the ICAAP document.

To meet our Capital Requirement, Elara Capital PLC is required to hold the greater of:

- Base capital requirement of €730,000; or
- The sum of the Credit Risk Capital Requirement, Market Risk Capital Requirement based on a risk weighted balance sheet and the Operational Risk Capital Requirement using the Basic Indicator Approach plus
- Any Pillar 2 capital add-on requirement identified in the ICAAP.

Credit Risk:

For the Pillar 1 calculation of Credit Risk, the firm as an IFPRU uses the 'Standardised' Approach as detailed under Article 112.

Under this approach, depending on the nature of the debt, credit risk exposure is charged either at 8% or a lower limit of 1.6% for balances at recognised credit institutions or those held for less than 90 days.

Article 112 exposure	8% of risk weighted exposure amount £000s
exposures to central governments or central banks;	£0
exposures to regional governments or local authorities;	£0
exposures to public sector entities;	£0
exposures to multilateral development banks;	£0
exposures to international organisations;	£0
exposures to institutions;	£117.65 (8% of 1,471)
exposures to corporates;	£ 422.60 (8% of 5,282)
retail exposures;	£0
exposures secured by mortgages on immovable property;	£0

exposures in default;	£0
exposures associated with particularly high risk;	£0
exposures in the form of covered bonds;	£0
Items representing securitisation positions;	£0
exposures to institutions and corporates with a short-term credit assessment;	£0
exposures in the form of units or shares in collective investment undertakings ("CIUs");	£1,463.25 (8% of 18,291)
equity exposures;	£462.88 (8% of 5,786)
other items.	£861.24 (8% of 10,765)
Total	**£3,327.62**

Operational Risk & Fixed Overhead Requirement:

As a full-scope firm, Elara Capital PLC is subject to a Pillar 1 Operational Risk. This is calculated as 15% of the average of the past three years' revenues.

Operational Risk Requirement	£1,953

ARTICLE 439
Disclosure: Exposure to Counterparty Credit Risk

Elara has very limited counterparty credit risk and, whilst it does have permissions to trade in derivatives, the plc currently has no open positions and no business plans to take on positions.

The firm has policies and controls in place in the event that derivatives positions are taken:

- all trades are settled through Pershing Securities Limited and are executed only on a delivery versus payment (DVP) basis;
- trading is done with authorised traders only;
- not more than 10% of the shareholder funds can be used for derivatives trading. These positions have historically been in equities of blue chip companies and were taken on a short term basis.
- Elara has in place stop-loss policies if the value of the securities falls,
- Elara Capital PLC is able to report that it has no history of losses of counterparty risk crystallising.

ARTICLE 440
Disclosure: Capital Buffers

Conservation Buffer

As a full scope firm, Elara is required to hold a capital conservation buffer of CET1 capital equal to 2.5% of its total risk exposure amount (CRD Art 129 via IFPRU 10).

Elara's current TRE is £117.96 million, giving a capital conservation buffer requirement of £2,948k

Countercyclical Capital Buffer

Elara does have credit exposures in jurisdictions with non-zero countercyclical buffer ratings. Elara's institution-specific CCyB is 0.07% which leads to a buffer requirement of £83k

Conclusion

Both these conditions are met.

ARTICLE 441
Disclosure: Indicators of Global Systemic Importance

This disclosure is not applicable as the firm is not considered a 'Global Systemically Important Institution'.

ARTICLE 442
Disclosure: Credit Risk Adjustments

The firm is a CRD IV €730k Full Scope Firm and does not hold client money or assets on its balance sheet, nor does it undertake lending activities and therefore Elara is primarily exposed to Credit Risk from the risk of non-collection of fees and commissions and of money held on deposit with credit institutions.

Thorough due diligence of prospective clients is undertaken by the relevant department, which includes creditworthiness. All cash balances are held with banks that have high credit ratings.

Consequently risk of past due or impaired exposures is minimal. An asset is considered past due when a counterparty has failed to make a payment when contractually due. Impairment is defined as a reduction in the recoverable amount of a fixed asset or goodwill below its carrying amount.

ARTICLE 443
Disclosure: Unencumbered Assets:

The firm does have any encumbered assets, however this position is regularly monitored with the "COR005 Asset Encumbrance" COREP return submitted by the firm on a quarterly basis.

Asset Details	Carrying value of encumbered asset		Fair value of encumbered asset	Carrying value of unencumbered asset		Fair value of unencumbered asset	Proportion of encumbered assets to the total assets
		of which issued by other group entity			of which issued by other group entity		
Total	4,404,628	-		47,571,817			9.26
Equity Instruments	1,588,812		1,509,330	24,385,611		20,793,364	6.12
Debt Securities	-		-	1,821,744		1,770,871	NA
of which : covered bond							
of which : asset backed securities							
of which : issued by general							
of which : issued by financial							
of which : issued by non-financial	-			1,821,744		1,770,871	NA
Other Assets	2,815,816			21,364,462			11.64

ARTICLE 444
Disclosure: Use of ECAIs:

The firm does not use any ECAIs (External Credit Assessment Institutions) nor would this be expected given the firm's business and operations.

ARTICLE 445
Disclosure: Exposure to Market Risk:

Article 92(3) b requirements for trading book business

Item	Own Funds Requirement
Position Risk COREP Own Funds 001 Return C18 and C21	£526.80(8% of £6,585)
Large exposures which exceed limits in Articles 395-401	£0
Total	£526.80

Article 92(3)(c) requirements for non- trading book business.

Item	Own Funds Requirement
Foreign Exchange Risk	£2,565.83 (8%of 32,073)
Settlement Risk	£0
Commodities Risk	£0
Total	**£2,565.83**

For the avoidance of doubt, the firm does not hold securitisation positions and therefore there is no Specific Interest Rate Risk to disclose.

ARTICLE 446
Disclosure: Operational Risk:

Elara Capital PLC as noted above under Article 438 is a CRD IV full scope firm and therefore is subject to the Own Funds Requirement for Operational Risk.

ARTICLE 447
Disclosure: Exposures in Equities not included in the Trading Book:

This disclosure is not required as the firm does not have any non-trading book exposure to equities.

ARTICLE 448
Disclosure: Exposures to Interest Rate Risk on Positions not included in the Trading Book:

Although the firm has substantial cash balances on its balance sheet, there is currently no exposure to Interest Rate fluctuations.

ARTICLE 449
Disclosure: Exposure to Securitisation Positions

This disclosure is not required as the firm does not securitise any assets.

ARTICLE 450
Disclosure: Remuneration Policy and Practices:

Due to the size of the firm, it does not consider it appropriate to have a separate remuneration committee, as required by SYSC 19A.3.12R. Instead this function is undertaken by the Senior Management with input from Human Resources. This will be kept under review and, should the need arise, the firm will establish such a committee.

The firm has implemented an appropriate Remuneration Policy which is reviewed by Senior Management at least annually. Staff remuneration comes in two parts, base salary and discretionary bonus. Overall responsibility for all employee remuneration lies with the Senior Management.

Base Salary

Base salaries are reviewed annually. The Senior Management meets with the department heads to assess the existing remuneration and whether any changes are required. Each relevant individual's performance with respect to specific deliverables and objectives, the wider strategic aims of the department and the firm form part of the assessment. The senior management will also make reference to benchmarks within the industry. All base salaries are submitted and subject to a formal review by the senior management.

Discretionary Bonus Pool/Variable Remuneration

Discretionary Bonuses are paid annually and are in general a function of profits and performance for the year. In years where there is poor performance, or little profit is made, the majority, if not all of the employees will not receive a bonus.

The firm is a Remuneration Code Proportionality Level 3 firm and has applied the rules appropriate to its Proportionality Level. All variable remuneration is adjusted in line with capital and liquidity requirements.

Remuneration Code Staff Remuneration by Business Area:

Business Area	Total Remuneration (£)
Asset Management	395,900
Capital Market	1,035,091
Merger and Acquisition	-
Broking	3,395,399
Others	1,073,071
Total	5,899,461

Aggregate Quantitative Remuneration by Senior Management and other Remuneration Code Staff:

Remuneration Type	Senior Management and Significant Influence Functions	Other Code Staff
Fixed Remuneration	1,248,306	2,819,216
Variable Remuneration	821,309	1,010,631
Total Remuneration	14	118

Overall for the year, the total remuneration between remuneration Code Staff was: £5,899,461.

ARTICLE 451

Disclosure: Leverage

The Firm is not a credit institution and the use of leverage is not an integral part of its business model.

In line with Article 451, the firm's Leverage Ratio calculation is presented below:

£000s	
Gross assets as at 31 March 2021 (per audited financial statements)	**£48,880**
Less intangible assets, deferred tax and material holdings	**£8**
Gross assets for the purpose of the leverage ratio (A)	**£48,872**
Tier 1 capital after deductions (B)	**£32,496**
Leverage Ratio (B divided by A)	**66.49%**

The firm currently carries no off-balance sheet items

Management Body (SYSC 4.3A and CRD)

As an investment firm subject to CRD IV, we are required to disclose information (via our website) regarding the managing body of the firm which includes:

- Explaining the obligations placed upon the management body;
- Ensure that as a firm we embrace diversity and;
- Place adequate resources for the employment of reputable and competent board members and appropriate induction and training programmes.

We can confirm that the chairman does not simultaneously exercise the CEO function (SYSC 4.3A.2R) and the firm are not considered a 'significant IFPRU firm'. The directors of the Firm do not hold more directorships than is appropriate.

The Board is the decision-making forum for the Firm and sets out the internal governance structure for the firm. It has overall responsibility for management of the business and establishing business strategy and risk management, and is accountable to shareholders for financial and operational performance. It oversees and appoints the CF10 and CF11 (compliance and anti-money laundering roles) and has signed off the firm's compliance monitoring programme. It reviews formal reports from staff performing these functions on an annual basis (and receives MI on a regular basis which is discussed as a regular agenda item at all board meetings).

The Board considers strategic issues and ensures the Firm manages risk effectively through approving and monitoring the Firm's risk appetite and considering stress scenarios, as well as monitoring and employing the relevant staff and third parties (i.e. our auditors) to ensure the firm manages its resources prudently (assessed formally via our ICAAP and is a constant presence on the boards agenda).