OLIVETREE FINANCIAL

Pillar 3 Disclosure Statement

30 April 2015

Basel Committee on Banking Supervision

Basel II Accord

1. Introduction

1.1 Pillar 3 Disclosures

The Capital Requirements Directive (CRD) introduced a revised regulatory capital framework, based on the provisions of the Basel II Capital Accord, governing the amount and nature of capital that must be maintained by credit institutions and investment firms.

Covering all members of the European Union the directive has been incorporated by the FCA within its regulations and contained within the General Prudential Sourcebook (GENPRU) and the Prudential Sourcebook (BIPRU) for banks, building societies and investments firms.

The regulatory framework comprises of 3 pillars:

- **Pillar 1** sets out the minimum capital required such that the firm will ensure that sufficient capital is maintained to support the company's ongoing business activities. The minimum capital requirement arises from three main components:

    - Credit Risk
    - Market Risk
    - Operational Risk

- **Pillar 2** requires the firm to assess whether the amount of capital held is sufficient against risks not adequately covered under Pillar 1. This discipline is addressed through the Internal Capital Adequacy Assessment Process (ICAAP) which seeks to quantify the risk and impact of certain risk events on the company's profitability and its ability to continue to operate with adequate capital.

- **Pillar 3** governs disclosure requirements regarding the company's capital, risk profile, and its risk management procedures. This Pillar 3 Disclosure arises from that requirement.

1.2 Non Disclosure

The FCA's BIPRU 11 rules set out the requirements for Pillar 3 disclosure and permits non disclosure of information considered by the directors to be immaterial, to the extent that any non disclosure would be unlikely to change or otherwise influence decisions made by a reader relying on such non disclosed information.

The rules additionally permit non disclosure of information of a proprietary and/or confidential nature. Propriety and confidential information includes non public information that is confidential and/or propriety belonging to the firm and/or parties with whom the company transacts business or if the disclosure of such information would prove detrimental to the company's competitive advantage.

1.3 Disclosure Frequency

This disclosure is based upon the position as at 30 April 2015. The next disclosure will be based upon the position as at 30 April 2016.

2. Corporate Background

2.1 Olivetree Financial Limited

Olivetree Financial Limited ("Olivetree" or "the Company") was authorised by the FSA on the 20th April 2009 as a BIPRU €50k full scope firm and as such its capital requirement is the higher of:

a. our Base Capital Resources Requirement of €50k; and
b. the sum of our Credit Risk Capital Requirement, Market Risk Requirement and Operational Risk Capital Requirement.

The Company is authorised and regulated by the UK's Financial Conduct Authority to execute transactions in shares on a "matched principal basis" only. Olivetree is not permitted to execute transactions on a risk basis and does not carry risk/principal positions.

The Company is part of a UK consolidated Group containing, Olivetree Financial Limited, Olivetree USA, LLC and Olivetree Securities (Asia) Pty Ltd (together "the Group"). Olivetree USA, LLC is FINRA registered broker dealer in the US and Olivetree Securities (Asia) Pty Ltd is ASIC licensed broker dealer in Australia.

The Group executes client orders in Core European, US, Canadian and Asian shares, ETFs and ADRs only. The Group's clients are restricted to Eligible Counterparties and Professional Clients only. The company does not have retail clients, or retail clients who have elected to Professional Client treatment as defined under FCA rules. Our client base is predominately UK, US, EEA and Australia based. The Company passports its investment services into other EEA countries and in the US, its US subsidiary Olivetree USA, LLC conducts regulated activities and intermediates in the provision of regulated services to US clients.

2.2 Scope of Disclosure

The scope of this Pillar 3 disclosure applies to the UK Consolidated Group.

3. Risk Management and Risk Categories

3.1 Risk Management

The Board of Directors is ultimately responsible for the continual identification, evaluation and management of both commercial and operational risks relevant to the Group's business, and its trading environment, ensuring a robust control environment and culture exists with effective and pertinent risk mitigation measures in place to protect shareholder investment, client and regulatory confidence, and its employees.

Core to the Company's risk management is the ICAAP which is prepared by the Company's Finance Officer, reviewed by the Chief Administrative Officer/Compliance Officer, and approved by the Board annually. In the event that there is a significant change to the Group's business model, business plan or circumstances, the ICAAP may be reviewed and amended and re approved by the Board on an interim basis. Given that the Group is currently small in size, senior management of the Group is involved in assessing the Group's overall risk on a close and continuous basis.

The Company believes that risk presented by even minor changes to the business or its environment, or proposed non-standard transactions can be considered and addressed quickly. Comprehensive monthly financial statements are prepared by the Company's Finance Officer and reviewed by senior management. The capital resource requirement is monitored on a daily basis and reviewed formally on a monthly basis. FCA returns are also reviewed by senior management. We believe the components of this approach are appropriate to the scale and risk profile of the business and commensurate with its conservative risk appetite.

The Company's ICAAP includes a consideration of minimum regulatory capital requirements and the amount of capital the Company believes is required to meet its business growth objectives and avoid breaching regulatory capital requirements. In addition, the ICAAP assesses all relevant risks by taking into account the probability of such risks materialising and the likely impact should that risk materialise, after mitigating factors have been taken into account. Where the risk remains "High" after considering mitigating factors, the Company performs scenario based analysis, determining capital buffers against those risks materialising and causing the Company to breach minimum regulatory capital requirements.

3.2 Risk Management by Category

Credit Risk

Credit risk relevant to the Company is the risk of default by an obligor and in the Company's case specifically relates to business banking balances, settlement agent balances, and suppliers with regard potential failure to supply goods or services where such goods or services have been paid for in advance.

The Company analyses credit risk prior to entering into business banking relationships seeking to spread risk where both possible and practical to alleviate concentration risk.

The Company maintains cash balances with its bankers and additionally, balances due from the Company's clearing and settlement agent. Other applicable credit exposures relate to prepaid expenses, such exposure is only entered into after appropriate credit checks have been carried out as to the financial strength and reputation of the supplying company.

The company employs the services of Pershing Securities Limited to clear and settle all transactions in European shares pursuant to a "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 AAA by Moody's and AA by both Standard & Poors and Fitch. The Company only acts as a riskless principal and Pershing assumes the counterparty/settlement risk of our market counterparties.

Credit risk exposure is calculated at either 8% for other debtors or 1.6% in the case of recognised credit institutions.

Market Risk

As a matched principal trader the Company does not hold proprietary positions and therefore has no risk in this respect. Market risk does however apply with regard to unconverted commission earnings in currencies other than the base currency however such exposure is short term, typically less than one month, and not at significant exposure levels which would warrant mitigation beyond our internal controls.

Operational Risk

The Basel Committee defines operational risk as "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events". The Company 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; and succession planning. Beyond day to day risk controls the Company is fully aware of the importance of business continuity planning combined with ensuring relevant insurance plans are in place:

- Mitigation of business interruption risk by ensuring that key data, trading and settlement systems are sufficiently backed up and Disaster Recovery arrangements are in place and/or outsourced to long standing and reputable organisations;
- Business Interruption insurance in place with appropriate sum insured whilst recognising the period between event and claim;
- Employers Liability insurance;
- Directors and Officers insurance;
- Trade Error, Civil and Criminal Liability Insurance;
- Contents insurance.

The company uses the Basic Indicator Approach when calculating its Operational Risk Capital Requirement thereby requiring capital equal to 15% of 3 year historic average net revenue.

Liquidity & Interest Rate Risk

Liquidity risk is the risk that the Company may not be able to meets its financial obligations as they fall due.

The Company manages liquidity risk by:

- Maintaining an adequate capital base in conjunction with sufficient cash balances;
- Surplus funds being held entirely in cash products and only with recognised credit institutions that possess a strong credit rating;
- Funds being held on an instant access basis to ensure liquidity. In a more rewarding interest rate environment the company would place greater importance on the risk and liquidity quality of surplus cash positions;
- Cash position monitored on a daily basis;
- Future cash flow planning.

4. Capital Position

The ICAAP is a core element of the Company's risk management framework; beyond the risk components contained within Pillar 1 the Company assessed the likelihood and impact of additional risks applicable to its business and trading environment with a view to both determining the need for, and quantifying the amount of additional capital required within Pillar 2.

Regulatory Capital	**GBP**
Tier 1 Capital	3,587,526
Illiquid Assets	(3,506,072)
Tier 1 Capital after deductions	**81,454**
Upper Tier 2 Capital	1,000,000
Total Capital	**1,081,454**
Operational Risk	(750,000)
Credit Risk	(48,652)
Market Risk	(38,072)
Capital Risk Requirement	**(836,724)**
Surplus/Deficit	**244,730**
Pillar 1 Solvency %	**129%**
Pillar 2 Requirement	45,000
Pillar 2 Solvency %	123%

5. Pillar III Remuneration Disclosure

Disclosure of information regarding Olivetree's Remuneration Policy and decision making processes

As a full scope BIRPU 50k firm, the Company is subject to the FCA's Remuneration Code ("the Code"). The Code applies to all overseas branches and subsidiaries of our UK regulated Investment Firm. The Code therefore applies to the Company's US and Australian subsidiaries, Olivetree USA, LLC and Olivetree Securities (Asia) Pty Ltd.

The Code applies to all employees. Certain aspects of the Code apply to identified "Code Staff" only. The Company applies "Proportionality Level 3" as defined by the FCA under the Code. The Firm does not apply rules of the Code where its status as a "Proportionality Level 3" firm permits it to do so and always applies the FCA's "Remuneration Proportionality Rule", as defined by the FCA, such that it applies applicable rules to Code Staff in a way and to an extent that is appropriate to its size, internal organisation and the nature, the scope and the complexity of its activities. Olivetree does not apply the detailed provisions of the Code where the "de minimus" threshold conditions are met.

Pursuant to BIPRU 11.5.18R, Olivetree makes disclosures regarding it remuneration arrangements in this Pillar III statement.

The Company's Remuneration Policy is designed to ensure that the Company has a risk focused approach to remuneration, which is consistent with and promotes sound and effective risk management and does not expose the Company to excessive risk by incentivizing employees to act in ways that might undermine effective risk management. The Policy covers all aspects of remuneration that could have a bearing on effective risk management including salaries, bonuses, long-term incentive plans, options, hiring bonuses, severance packages and pension arrangements.

The Board reviews and approves the Remuneration Policy annually. The Board is responsible for ensuring that the Policy is implemented and that the Policy is in compliance with the Code.

The Company does not have separate Remuneration Committee. Instead, the Company's Board, in its supervisory capacity, reviews and approves remuneration recommendations. Conflicts management processes are in place to manage potential conflicts of interest in relation to the remuneration of the Board members.

The Company's Senior Management Group is responsible for the preparation of recommendations regarding remuneration which are put to the Board for approval.

Disclosure of Information regarding the link between pay and performance

When preparing such recommendations, the Senior Management Group take into account the long-term interests of shareholders, investors and other stakeholders in the Company and recommendations to the board are based on the performance of the Group and the performance of individuals taking into account, where appropriate, effective risk management performance.

Disclosure of quantitative aggregate remuneration information

Aggregate remuneration information broken down by Business Area:

Senior Management	616,254
Brokerage	1,338,750
Support	170,013

Aggregate remuneration information broken down by senior management and members of staff whose actions have a material impact on the risk profile of the Company:

Senior Management	616,254
Remuneration Staff Code	449,865