



**EquiLend Limited (EquiLend or the “Firm”)  
Pillar 3 Disclosure**

**1. INTRODUCTION**

The Disclosures included here are required by Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (the “CRR”) and the Capital Requirements Directive 2013/36/EU (the “CRD”) (herein referred to together as “CRD IV”).

**2. PREAMBLE**

EquiLend is regulated by the Central Bank of Ireland (the “Central Bank”) and is authorised as an Investment Firm pursuant to Statutory Instrument No. 375/2017 European Union (Markets in Financial Instruments) Regulations 2017 (the “MiFID Regulations”).

This document sets out the Pillar 3 Disclosures of the Firm as at 12 December 2019 (the “Disclosures”).

**3. OVERVIEW**

CRD IV is a capital adequacy framework for credit institutions and investment firms in the European Union. Its purpose is to provide for a comprehensive and risk-sensitive capital adequacy structure within credit institutions and investment firms and to promote enhanced risk management systems and controls amongst financial institutions.

The CRD framework consists of three pillars:

- Pillar 1 specifies the minimum amount of capital that a financial services firm is required to maintain to support its business;
- Pillar 2 requires the firm to assess whether any additional capital should be maintained against any risks not adequately covered under Pillar 1;



- Pillar 3 specifies the disclosures which the firm is required to make about its capital, its risk exposures and its risk assessment processes.

The Disclosures meet the Firm's obligations with respect to Pillar 3 and the requirements outlined in Articles 431-455 of the CRR. The Disclosures are drafted having regard to such guidance as issued by the European Banking Authority ("EBA") and the Central Bank from time-to-time.

#### **4. SCOPE**

The disclosures included here have been prepared solely for the purpose of fulfilling the Firm's Pillar 3 disclosure requirements and are not used by management for any other purpose. They have not been audited nor do they constitute any form of audited financial statement.

The Disclosures are solely in respect of the Company and on a non-consolidated basis. The Disclosures have been prepared as at 12 December 2019.

EquiLend publishes its Pillar 3 Disclosures on the Group's website: <https://www.equilend.com/>

#### **5. SUMMARY OF THE FIRM AND GOVERNANCE**

The Firm was incorporated in Ireland as a private limited company on 16 April 2018 and is authorised by the Central Bank to provide the investment service of "operation of an MTF" pursuant to the MiFID Regulations. The Firm provides services to the securities lending market and connects borrowing / lending clients on-boarded to the platform (the "Platform" / the "Irish MTF") with counterparties.

EquiLend Limited is a member of the EquiLend Group (the "Group") and is a subsidiary of EquiLend Holdings LLC (the "Parent"). The Group has offices in Boston, Dublin, London, New York, Tokyo, Toronto and Hong Kong.



The members of the Board of Directors (the “Board”) consists of:

Name	Job Title
Paul McGowan	Independent Non-Executive Director and Chairperson
Laurence Marshall	Chief Executive Officer and Executive Director
Neil MacDermott	Chief Operating Officer, Chief Financial Officer and Executive Director
Brian Lamb	Non-Executive Director
Paul Nigrelli	Non-Executive Director

The board consists of executive and non-executive directors who bring a complementary skillset to the governance framework.

The Firm has established an Audit Committee and a Risk Committee.

## 6. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Firm’s risk management framework, business planning and capital management (together “the Governance Framework”) are monitored and controlled in the first instance by the Chief Executive Officer (“CEO”), Chief Operations Office / Chief Financial Officer (“COO/CFO”), and Head of Compliance and Risk (“CCO/CRO”) of the Firm, and in the second instance by the Board of Directors of the Firm. The Governance Framework focusses on identifying potential risks as well as designing / implementing contingency measures to minimise, monitor and control the probability or impact of unfortunate events. It is the responsibility of the CEO, COO/CFO, and CCO/CRO at the direction of the Board of Directors to drive and communicate the Firm’s business strategy as well as conveying the Firm’s appetite in relation to risk to its employees. The Framework also seeks to enable meaningful, continuous dialogue amongst stakeholders, embedded in the firm’s day-to-day management processes, supported by the Firm’s culture.

The Board of the Firm has ultimate responsibility for the governance of all risk taking activity in the Firm. The Board of the Firm meets at a minimum quarterly. The Firm has adopted a “three lines of defence” framework in the delineation of accountabilities for risk governance. The Firm’s ‘Internal Audit’ Function is provided to the Firm by an external third party professional services firm, which ensures its independence. A number of Board approved frameworks and policies are in place which set out the key principles, roles and responsibilities and governance arrangements through which the Firm’s material risks are managed. The Firm has a Remuneration Policy in place in compliance with CRDIV requirements and the MiFID Regulations. The Remuneration Policy applies to all staff of the Firm.

## **7. RISK EXPOSURES**

The Firm does not provide investment advice to clients, settle client transactions, instruct settlement, hold client assets or monies, or enter into transactions (either on a proprietary basis or on behalf of clients). The Firm does not provide market access services/clearing services to third parties.

### **Operational Risk**

The Firm maintains a highly available platform. The Firm’s priority is to ensure operational effectiveness and continuation of delivery of service to clients during challenging periods. Operational effectiveness is seen as the activities that maintain and recover business activity against any adverse or untoward circumstances. As a technology Firm, the Firm has identified various operational risks. This risk is defined as the risk of loss to the Company resulting from inadequate or failed internal processes or systems, the loss of key personnel, or from external events; it includes legal, reputational and financial crime risks, but does not include business risk. The Firm takes all reasonable steps to mitigate the risks relating to the Firm’s operational risk.

### **Market Risk**

The Firm is not exposed to market risk within the scope of provision of platform services. The Firm does not book trades thus the Firm has no risk to manage in terms of asset class. An increase in the value of the Euro against the US dollar has been identified as a primary FX risk. In 2008, the Parent instituted a foreign currency policy on hedging any consequent exposure. As such the Firm continues to assess its exposure on an ongoing basis in order to determine if and when further hedging is necessary.

### **Liquidity Risk and Credit Risk**

The Firm's position within the Group and risk management arrangements with the Parent ensure liquidity risk is mitigated. The Firm is exposed to limited credit risk given the nature of the tiered billing arrangement in place with clients of the Firm.

### **Business Risk**

Business risk incorporates the risks to the Company arising from not being able to carry out its business plan or its desired strategy due to internal or external changes impacting the business. The external changes may result from a wider range of macro-economic, geopolitical, industry, regulatory or other factors. The Firm is well positioned within the Group to serve clients specifically affected by the current uncertainty associated with the UK's exit from the EU ("Brexit"). Business risks are assessed and mitigated as part of the Internal Capital Adequacy Assessment Process (ICAAP). Business Risk is also mitigated due to the high standard of industry knowledge held by the Board of the Firm.

## **8. CAPITAL REQUIREMENTS**

The Firm is an Investment Firm operating a single MTF subject to Regulation 29 of the CRD Regulations, which requires the Firm to hold initial capital of €50,000. The Firm's full capital requirement is comprised of an initial capital requirement of €50,000 and additional capital requirement of €680,000 (on the basis of (i) Regulation 27(2) of the CRD Regulations and (ii) the additional capital amount prescribed pursuant to Regulation 8(5) of the European Union (Markets in Financial Instruments) Regulations 2017 (S.I. No. 375 of 2017) (the "MiFID Regulations").

As at 30/11/2019 and at all times throughout the year, the Company complied with its prudential minimum capital requirement of CRD IV in that the capital resources were in excess of the capital required by the Company.

The Firm's capital resources<sup>1</sup> are detailed below:

<b>Capital Resources</b>				
<b>Unaudited Accounts 30/11/2019</b>				
			<b>EUR '000</b>	
<b>Tier 1 Capital</b>				
	Ordinary Share Capital		-	
	Capital Contributions		2,243	
	Other Reserves		(438)	
	Retained Earnings		(337)	
<b>Total Tier 1 Capital</b>			<b>1,468</b>	
Tier 2 Capital			-	
<b>Total Tier 1 &amp; Tier 2 Capital</b>			<b>1,468</b>	

The Company's capital resources comprises of ordinary shares, capital contributions made by the Group, retained earnings and other reserves.

### Capital Management

The Company's capital management strategy is focused on delivering a profitable outcome for its shareholders based on a sustainable and predictable income generation whilst complying at all times with its capital requirements under CRD IV and ensure a sufficient excess capital buffer is in place to absorb unforeseen risk events and support strategic initiatives. The adequacy of our internal capital to support future activities is documented in the ICAAP.

As of the 30<sup>th</sup> November 2019 the Company had no encumbered assets on its balance sheet.

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<sup>1</sup> The figures provided are as per unaudited management accounts. These will be updated once 2019 year end audited figures are available.