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Pillar 3 Disclosure

1. Overview / Background

The disclosures contained here are made in order to comply with FSA rules aimed at implementation of the European Union's Capital Requirements Directive (CRD).

The directive consists of 3 distinct "Pillars":

Pillar 1: Minimum capital requirements

Pillar 2: Supervisory review

Pillar 3: Market discipline

The relevant rules for implementation of Pillar 3 are contained in BIPRU 11, and this document contains the disclosures required under these rules.

Pillar 3 Disclosure

2. Frequency of disclosure

Alpari (UK) Limited ('Alpari (UK)', 'Company') will make Pillar 3 disclosures on an annual basis, or more frequently if there is a material change in the approaches or permissions used to calculate regulatory capital. Disclosure will be made as soon as reasonably practicable after completion of the annual financial statements.

3. Location and verification of disclosure

The disclosures made here have been reviewed by the board and will be available on our website (www.alpari.co.uk). These are not subject to external audit.

4. Scope of Application

The disclosures made here relate to the business and activities of Alpari (UK) and its subsidiaries Alpari Forex (India) Pvt Limited and Alpari Deutschland GmbH.

Alpari (UK) offers an execution only trading service to clients wishing to invest in forex, precious metals, CFDs and other high risk derivative products.

5. Risk Management structure, objectives and policies

The directors are responsible for monitoring financial risk management. The Board established a risk committee in Q1 of 2010, with defined terms of reference. The company's management implements the policies set by the board of directors.

The Board is responsible for:

- Defining the risk appetite of Alpari (UK)
- Setting the risk management policies for the business
- Reviewing all relevant management information in order to effectively monitor the firms risk positions

The main objectives of Alpari (UK)'s Risk Management framework is to monitor and control the following risk scenarios

Operational Risk

This is the risk of loss arising from inadequate or failed internal processes, people and systems or from external events.

Business continuity, fraud (internal and external), dealing errors, administrative errors, Information Technology failure and regulatory action have been identified as the key elements of operational risk to which Alpari (UK) is exposed. Not all of these risks can be effectively eliminated, however the board believes that these risks are adequately controlled by key personnel and a rigorous control framework.

Pillar 3 Disclosure

Credit Risk

The risk of the Company's customers and counterparties fail to pay monies due to the Company.

The Company has its main exposure to credit risk in respect of its clients. The company exercises all deals for its clients through an automated system which is programmed to close client positions out automatically when the client's initial deposit is eroded to 20% of the relevant margin requirement. In an unlikely event that the position is closed out outside these parameters, perhaps due to a leap in the market prices, and a debit is owed on the account that the client cannot or is unwilling to pay, the company will suffer a loss. Management regards such event as extremely unlikely and expects profits generated from such volatility of the market at least to compensate for the small bad debt loss. In any event the company is entitled to pursue the client for the loss, but due to the global nature of the client base this option has no guarantee of success.

The company also has credit exposure to other bank and brokers where deposits and other balances are held. Alpari (UK) only uses top tier banks to hold funds. Holdings with the institutions are periodically reviewed to ensure that the internally set concentration levels are not exceeded.

Liquidity Risk

Liquidity risk is the risk that Alpari (UK) Limited will encounter difficulties in meeting obligations of financial liabilities as they arise.

It is management's policy to ensure that the Company will always have sufficient liquidity to meet its financial obligations as and when they fall due.

The liquidity position is monitored on a daily basis, with weekly management information provided to the sub-committee on a weekly basis.

Market Risk

The Company monitors the market risk that arises on client positions against internally approved limits and hedges client positions on internally agreed strategies to manage the Company's net exposure.

Due to the nature of the business the Company is exposed to currency risk. On a weekly basis, assets and liabilities across currencies are matched to ensure that there are sufficient assets to cover liabilities in those particular currencies as and when they fall due. A sub committee appointed by the Board, reviews the exposure in all currencies and manages this in accordance with Company policy.

Pillar 3 Disclosure

6. Capital Resources

Capital requirements as required by the FSA have been met throughout the year and as at 31 December 2010. Alpari (UK) Limited's capital resources at 31 December 2010 reflect the audited accounts as at 31 December 2010 and comprise the following:

	£'000s
Tier 1 capital resources	
Permanent share capital	3,229
Audited Profit & loss account	34,106
Total tier 1 capital before deductions	37,335
Deductions from tier 1 capital	-
Total tier 1 capital after deductions	37,335
Total tier 2 capital	-
Total tier 1 and tier 2 capital after deductions	37,335
Deductions from total capital	
Illiquid assets	1,940
Subordinated loan	1,870
Total capital after deductions	33,525

7. Capital Adequacy

The Company's capital management objectives are:

- To ensure the Company's ability to continue as a going concern, and
- To meet regulatory capital requirements at all times.

These objectives are primarily met by managing the market risks that the Company faces on a regular basis.

The Company is regulated by the Financial Services Authority (FSA), and is required to adhere to a minimum capital requirement. Capital is represented by issued share capital and reserves. The capital requirements are derived from credit risk, operational risk, market risk and counter party risk.

Internal Capital Adequacy Assessment Process

Alpari (UK) has undertaken an internal assessment of capital requirements and will continue to review this process whenever necessary. The internal document covers all of the risks to which the company is exposed and is approved by the Board.

Alpari (UK) recognises the importance of maintaining a strong capital base to support future development.

Market Risk

Alpari (UK) does not use a Value at Risk (VaR) model to calculate requirements for market risk capital and does not have any exposures in equities.

Pillar 3 Disclosure

Operational Risk

Alpari (UK) has adopted the basic indicator approach to Operational Risk.

Credit Risk

The company has implemented policies that require appropriate checks on potential customers before trading. At present all customers deposit funds with Alpari (UK) Limited before trading.

Capital Management

The company believes its capital to be represented by issued share capital and loans to the extent of their contractual amounts as reflected in the financial statements.

The company has pro-active approach to managing its capital with the directors monitoring financial resources on regular basis.