



THIRD
FINANCIAL

MIFIDPRU 8 DISCLOSURE

FINANCIAL YEAR END 31ST DECEMBER 2023

Introduction

Third Platform Services (TPS) is authorised by the FCA (FRN 717915) and is categorised as a non-small non-interconnected (Non-SNI) MIFIDPRU investment firm. TPS offers a Model B settlement and safe custody service for customers comprising trade execution, settlement and safeguarding of monies and assets for the underlying clients of these customers.

As a UK investment firm undertaking activities within the scope of the Markets in Financial Instruments Directive (MiFID), TPS is subject to the prudential requirements of the Investment Firms Prudential Regime (IFPR) as contained in the MIFIDPRU Sourcebook of the Financial Conduct Authority (FCA) Handbook. TPS is required to publish disclosures in accordance with the provisions and guidance outlined in MIFIDPRU 8 and this disclosure replaces the previous Pillar 3 Disclosure requirements.

This disclosure is prepared annually and relates to TPS's most recent financial year which ended on 31st December 2023. This report is published on the company's website at <https://www.thirdfin.com/useful-information>.

The provisions of MIFIDPRU require TPS to maintain sufficient capital and liquid resources, the details of which are included in the firm's Internal Capital and Risk Assessment (ICARA) document. The ICARA process includes an assessment of all material harms faced by the firm and the controls established to identify, manage and mitigate these harms. The ICARA is formally updated and reviewed by the management body at least once a year and may be updated more frequently if there is a material change in the risk or business profile of the firm.

Governance Arrangements

The Board of Directors of TPS is responsible for the firm's risk management governance structure and for determining how its risk exposure is managed in line with the firm's overall business objectives and within its stated risk appetite. This includes the firm's procedures for identifying, managing and reporting the significant harms it faces.

The Directors are ultimately responsible for ensuring that TPS maintains sufficient capital and liquid 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 being set by the Board and communicated to the business.

Although the Board of Directors has overall responsibility for oversight of the business, it delegates day to day responsibilities to various business groups and committees. TPS has the following management groups in place: Executive Management Team, Senior Management Team, Operations Committee, CASS Committee and Treasury Committee. Under the provisions of MIFIDPRU 7.1.4R, TPS is not required to have in place Risk, Remuneration or Nomination Committees. Where relevant the required functions of these committees are undertaken by the Executive Management Team.

Following the acquisition of the Third Financial group, including TPS, the make-up of the Board changed on 1st July 2024. As per the requirements of MIFIDPRU 8.3.2 the current TPS Board Directors are:

TPS directors	Number of other relevant directorships
Mike Regan – Chairman, Non-Executive Director	0
Alexander Filshie – Non-Executive Director	3
Peter Docherty – Non-Executive Director	0
Ian Partington – Chief Executive Officer	1
Michael Scott – Chief Financial Officer	0
Stuart Richards – Chief Risk Officer	0

Diversity and Inclusion

TPS understands the advantages of diversity and inclusion, but as a small firm with low staff turnover we do not consciously look to equalize gender or minority roles within the firm, nor do we set any diversity goals. Instead, when hiring new staff we look to recruit the most suitable candidate in each case. TPS has zero tolerance with respect to unfair treatment or any kind of discrimination, both internally as well as in relation to customers, clients or third parties.

Risk Appetite and Risk Management Framework

TPS's overall risk appetite is conservative whilst still exploiting business opportunities that are aligned with the achievement of approved business strategies, goals and plans of the group.

The Board expects all staff to manage the business and act with integrity, honesty and transparency. The Board does not tolerate illegal or fraudulent action by any member of the firm's staff, suppliers and/or customers as well as any actions or activities that have the potential to significantly damage the brand and/or reputation and public standing of the company, its shareholders and staff.

TPS's risk management approach incorporates a number of overall guiding principles:

- Risk management is effected across every level of TPS.
- There exists a consistent, robust and shared set of policies and processes.
- Risk must be actively considered when assessing all business decisions, including their impact on the adequacy of financial resources both during the strategy setting and planning processes.
- The identification and management of risk must be constantly reviewed as part of an ongoing process.
- Risk management policies and procedures must be designed to assist the achievement of approved business objectives in one or more separate but overlapping categories:
 - Strategic: high level goals, aligned with, and supporting the approved business strategy
 - Operations: effective and efficient use of resources
 - Safeguarding of assets: prevent or detect the unauthorised acquisition, use or disposition of assets, including information
 - Reporting: reliability of reporting and management information (internal and external)
 - Compliance: compliance with applicable laws and regulations.
- TPS has appointed a Chief Risk Officer responsible for administering policies and procedures and for investigating complaints regarding the conduct of TPS and its employees.
- TPS will only employ qualified and experienced individuals in the compliance function, and sufficient human and technological resources will be made available to allow a thorough investigation, analysis, implementation and monitoring of risk oversight and compliance actions.
- TPS has established and will maintain a thorough Business Continuity Plan to address disaster recovery or periodic disruptions to operations.
- Achievement of strategic and operational objectives are subject to external events outside of TPS's control. Accordingly, for these objectives, risk management policies and procedures can only be designed to provide reasonable assurance that TPS is moving toward the achievement of those objective

The Board acknowledges that there are limitations to any risk management approach which result from human judgment in decision making. Decisions on responding to risk and establishing controls need to consider the relative costs and benefits. Controls may be circumvented by collusion of two or more people. These limitations preclude the Board from having absolute assurance as to achievement of approved business objectives.

TPS has in place a number of processes that are used to identify potential risks and harms that may impact our customers, the wider market and TPS itself. These include annual operational risk assessments, an Errors and Breaches Policy and procedures, client status reporting, system analysis tools and other types of management information reporting.

A brief summary of the main risks that have been identified are listed below:

Principal risks	Detail	Mitigation
Strategic risk	<p>New business opportunities are taken on that don't align with the firm's existing business model and capabilities.</p> <p>TPS does not react to changing requirements of existing customers.</p>	<p>Due diligence is carried out prior to undertaking any new business opportunity or change in service and a full assessment made of the potential and actual risks involved.</p> <p>Strong customer relationships are maintained to ensure TPS can work with customers as their business requirements evolve.</p>
Systems risk	<p>TPS is reliant on the systems it operates. The loss of these systems will prevent TPS from delivering its service effectively.</p> <p>Inadequate systems would impact performance and competitiveness of the service offering, while insecure systems could result in the loss or impairment of customer data.</p>	<p>TPS makes available sufficient resources to ensure it can properly maintain and develop its systems to meet the needs of current and future strategies. The internal support and development functions ensure systems remain appropriate for customers and the services provided. TPS has in place a robust business continuity plan and cyber security policies that ensure systems are usually available; are free from malicious code; that all data is regularly backed up; and that data is held securely. Third financial is certified ISO 27001:2022 compliant.</p>
Market risk	<p>The risk that adverse market conditions can negatively impact tps's financial strength due to fluctuations in the market value of assets under administration (aua) which drives a proportion of revenues.</p>	<p>Correlation with the market is not excessively high as most TPS customers actively manage portfolios to protect capital. The majority of customers have fixed minimum fees in place which would help protect the business from severe market declines. Customers are not permitted to apply leverage to client portfolios. TPS is part of third financial and approximately 38% of group revenues are fixed and therefore not based on AUA.</p>
Operational risk	<p>TPS undertakes regulated and other important operational functions on behalf of customers. Operational risk is that these processes are undertaken incorrectly or that adequate arrangements are not in place, resulting in errors and breaches.</p>	<p>TPS has in place operational procedures for all processes that are undertaken which are reviewed annually. TPS also commissions the completion of an independently verified ISAE 3402 type 2 assurance report. All employees are provided adequate training and guidance on their obligations and adequate human resources are in place.</p>
Client asset risk	<p>As a firm that provides model b custody services TPS is responsible for the safekeeping of client assets, and complying with the FCA's CASS rules is a fundamental requirement. Failing to have adequate arrangements in place could impact the firm from a regulatory, financial and reputational perspective.</p>	<p>TPS has in place a CASS oversight officer and a CASS committee who together are responsible for ensuring the operational effectiveness of the firm's systems and controls.</p>
Credit risk	<p>The risk of financial loss due to the failure of creditors to meet their obligations to settle outstanding amounts. Also, the risk that TPS places client money in institutions that fail, or where access becomes restricted.</p>	<p>Thorough due diligence is undertaken on all customers before they are taken on, including review of their business model, financial projections and balance sheet capitalisation. Security deposits are placed with TPS which are multiples of monthly minimum fees.</p> <p>TPS undertakes initial and ongoing annual due diligence on all financial institutions where client money is placed. All institutions have to be approved by TPS before they can be used to hold client money. TPS only utilises banks that are categorised as global systemically important banks or UK other systemically important institutions. Deposits of up to £85,000 per client per deposit taker are also covered by the FSCS's compensation scheme if a deposit taker fails. By diversifying client money across a number of deposit takers, the risk for those clients who hold more than £85,000 in cash can be reduced.</p>
Liquidity risk	<p>The risk that TPS does not have sufficient liquid resources to meet its actual or potential obligations in a timely manner as they fall due.</p>	<p>TPS regularly reviews its liquid resources in order to maintain sufficient and accessible levels to meet any obligations and also to put in place contingency funding arrangements should additional funds be required.</p>

Capital Resources Requirements

Under MIFIDPRU 8.4 TPS is required to disclose the composition of its Own Funds and provide a reconciliation of these to the balance sheet of the firm's most recent set of audited financial statements:

Composition of own regulatory funds			
	Item	Amount (GBP Thousands as at 31- Dec-23)	Page reference in Audited financial statements
1	Own funds	9,323	9
2	Tier 1 capital	9,323	9
3	Common equity tier 1 capital	9,323	9
4	Fully paid-up capital instruments	1,267	9
5	Share Premium	1,485	9
6	Retained Earnings	6,571	9
7	Accumulated other comprehensive income		
8	Other reserves		
9	Adjustments to CET1 due to prudential filters		
10	Other funds		
11	(-) Total deductions from common equity tier 1		
19	CET1: Other capital elements, deductions and adjustments		
20	Additional tier 1 capital		
21	Fully paid-up, directly issued capital instruments		
22	Share premium		
23	(-) Total deductions from additional tier 1		
24	Additional Tier 1: Other capital elements, deductions and adjustments		
25	Tier 2 capital		
26	Fully paid-up, directly issued capital elements		
27	Share premium		
28	(-) Total deductions from tier 2		
29	Tier 2: other capital elements, deductions and adjustments		

Reconciliation of regulatory own funds to balance sheet in audited financial statements

	A	B	C
	Balance sheet as in published/audited financial statements (in GBP Thousands as at 31-Dec-23)	Under regulatory scope of consolidation	Page reference in Audited Financial Statements

Assets – Breakdown by asset classes according to the balance sheet in the audited financial statements

1	Investments	1	9
2	Tangible fixed assets	23	9
3	Debtors	2,478	9
4	Cash at bank	9,239	9
	Total Assets	11,741	9

Liabilities – Breakdown by liability classes according to the balance sheet in the audited financial statements

1	Trade creditors	2,418	9
	Total Liabilities	2,418	9

Shareholders' Equity

	Total Shareholders' Equity	9,323	9
--	----------------------------	-------	---

TPS is required to hold Own Funds of a sufficient quantity and quality to absorb certain losses and meet specific regulatory requirements, referred to as Own Funds Threshold. TPS's Own Funds Threshold is the largest of the following:

- Permanent Minimum Capital requirement as determined by FCA rules. This is currently £150,000.
- Fixed Overhead Requirement which is equivalent to 25% of TPS's annual overheads. TPS's Fixed Overhead Requirement as of 31st December 2023 is £1,270,212
- K Factor Requirements designed to require the firm to hold capital driven by specific metrics of the value of Client Money Held, Assets Safeguarded and Administered and Client Orders Handled. This requires TPS to hold £2,758,374.

Plus, any capital allocated to cover residual risks identified in the risk assessment process. This is currently £150,000.

As the K factor Requirement is the higher of a), b) and c) this is the figure taken, plus the additional funds identified to cover residual risks, as TPS's Own Funds requirement. With Capital of £9,322,822 this provides an excess of £6,414,448.

Remuneration

TPS's policy towards remuneration is to ensure a consistent approach in recruiting and retaining employees who will be engaged, appraised, trained and motivated to play a key part in TPS's growth and culture. TPS's approach has two main objectives: to ensure that the firm's remuneration policy is in line with its business strategy, objectives, values and long-term interests; and to ensure that a consistent approach is taken to attract, develop, retain and reward employees for contributing to the firm's success whilst maintaining financial stability and robust and effective risk management.

Composition of Remuneration

Remuneration for staff is made up of a fixed basic salary plus additional benefits such as pension contributions and private health care. Base salaries are dependent upon the employee's professional experience and organisational responsibility as set out in their job description and terms of employment, as well as performance and expertise in specific areas.

The firm offers variable compensation bonuses to a small number of senior employees. The level of variable remuneration is capped per employee, constitutes a small percentage of the total amount and is dependent on the firm and individuals meeting certain targets agreed by the Board.

Quantitative Remuneration Disclosure

TPS is required to disclose quantitative remuneration information for its Code Staff in a manner that is appropriate to its size, internal organisation and nature, scope and complexity of its activities. Remuneration Code Staff comprises categories of staff including senior management, risk takers, staff undertaking FCA control functions and staff in positions whose professional activities have a material impact on the firm's risk profile as per SYSC19G.5. The following table summarises the aggregate remuneration expenditure for Code Staff for the financial year ending 31st December 2023:

	Senior Management	Other Code Staff	Total
Number of beneficiaries	3	3	6
Aggregate fixed remuneration	£589,000	£357,000	£946,000
Aggregate variable remuneration	£164,000	£35,200	£199,200
Aggregate total remuneration	£753,000	£392,200	£1,145,200



THIRD
FINANCIAL

“Third Financial” is the trading name of Third Financial Software Ltd (TFS) (registered in England, number 06448163) whose registered office is at Birchin Court, Birchin Lane, London, England, EC3V 9DU. TFS is registered with VAT registration number 224590220. TFS is a wholly owned subsidiary of Nucleus Financial Platforms Limited (registered in England, number 06033126) whose registered office is at Suite B & C, First Floor, Milford House, 43-55 Milford Street, Salisbury SP1 2BP, and is a member of the Nucleus Group. Further details of the Nucleus Group can be found at nucleusfinancial.com (12/24)

part of
nucleus
group 