



AVALON CAPITAL PARTNERS

MIFIDPRU DISCLOSURE

OCTOBER 2024

1. Overview

Avalon Capital Partners Limited (Avalon) is authorised and regulated by the UK FCA, FRN 769800. As an authorised firm, Avalon is required to disclose information relating to the capital it holds and each material category of risk or harm it faces. These disclosures are made in accordance with the rules of the Investment Firm Prudential Regime (IFPR), which came into force on the 1 January 2022.

Avalon falls within the category of a non-SNI firm under IFPR and believes that the disclosures in this document meets the disclosures required under MIFIDPRU8.

2. Firm Overview

Avalon is incorporated in the UK and is authorised and regulated by the UK FCA and is categorised by the FCA for prudential regulatory purposes as a non-SNI firm.

The Management Team of Avalon has the daily management oversight responsibility, and meets at a minimum quarterly. The Management Team is composed of:

- Jean-Yves Michael Aknin
- Simon George Edward Langford
- Charlene Marie Eyles

The Management Team is responsible for the entire process of risk management, as well as measuring the effectiveness of the process. In addition, the Management Team decides Avalon's risk appetite or tolerance for risk and ensures that Avalon has implemented as effective, ongoing process to identify risks, to measure potential impact and to ensure that such risks are appropriately managed. The Management Team is responsible for designing, implementing and monitoring the process of risk management and implementing the day-to-day business activities of Avalon.

3. Frequency of Disclosure and Means of Disclosure

Avalon updates this disclosure annually or upon material change. These disclosures are based on the company's position as at the 31 July 2023. These disclosures have been reviewed by the Directors and are not subject to an audit except to the extent where they are equivalent to disclosures made under accounting requirements

4. MIFIDPRU

As a non-SNI firm, Avalon must always maintain 'own funds' that are at least equal to its 'own funds requirement', which is the higher of:

- £1,000,000 (Permanent Minimum Requirement 'PMR') or
- Fixed Overhead Requirement ('FOR')

FOR is equal to $\frac{1}{4}$ of the relevant expenditure in the previous year.

Avalon must also hold an amount of core liquid assets that is at least equal to the sum of:

- $\frac{1}{3}$ of the amount of its FOR; and
- 1.6% of the total amount of any guarantees provided to clients.

A full breakdown of Avalon's own funds can be found in Appendix 1.

5. Risk Management

The Directors determine the Avalon's business strategy and risk appetite along with designing and implementing a risk management framework that recognises the risks that the business faces. They also determine how those risks may be mitigated and assess on an ongoing basis the arrangements to manage those risks.

The Directors meet on a regular basis and discuss current projections for profitability and regulatory capital management, business planning and risk management. The Directors manage the Firm's risks through a framework of policy and procedures having regard to relevant laws, standards, principles and rules (including FCA principles and rules) with the aim to operate a defined and transparent risk management framework. These policies and procedures are updated as required.

The company is small with an operational infrastructure appropriate to its size. It carries no market risk, other than foreign exchange risk on its accounts receivable in foreign currency, and a limited amount of credit risk. The ICARA has identified the most significant risk types to which Avalon Capital Partners Limited to be as follows:

Operational Risk

Operational Risk is defined as the risk of loss resulting from inadequate or failed internal processes, people activities, systems or external events. Avalon is exposed to operational risk in several facets of its role as an intermediary in financial markets, such as:

- Employees (both broking and support staff) undertaking their roles correctly and behaving appropriately;
- Multiple IT platforms (including broking, middle office and support platforms);

- The accurate execution of many processes including those required to execute trades; and
- The continued availability of various third-party market infrastructure providers (such as clearing and settlement institutions).

Market Risk

This is the risk that external factors -such as a reduction in trading volumes - will result in an unexpected loss of income. There is a risk that the economic demand for trading reduces because of a weakening economic environment. These risks are mitigated by a large, diversified and loyal client base and an ability to trade in multiple products and markets. Staff are paid performance bonuses allowing reduced overheads in periods of reduced activity. Avalon is subject to further market risk due to foreign exchange risk on trade debtors in non-GBP currencies. The Directors review these risks as part of its financial control process and manages the risk accordingly.

Credit Risk

This is the risk that clients and counterparties fail to meet their financial and commercial obligations. There is a risk that Avalon Capital Partners Limited's clients and counterparties fail to accept a trade for whatever reason. The mitigation is that the trades are given up and settled promptly, ensuring minimal exposure to financial markets. Avalon does not have a trading book and does not take any proprietary positions. Avalon does not hold any client money.

6. Capital Adequacy in Compliance With MIFIDPRU

As at 31st July 2023, Avalon hold regulatory capital resources of £4,137,461 comprised solely of core Tier 1 capital.

Since the Avalon's assessment of capital adequacy pursuant to the Internal Capital and Risk Assessment (ICARA) process, which takes into consideration harm, wind down stress and scenario assessments), it has not identified capital to be held *over* and *above* the former Pillar 1 requirements, the capital resources detailed above are considered adequate to continue to finance Avalon over the next year. No additional capital injections are considered necessary and the Avalon expects to continue to be profitable.

7. Remuneration

Avalon has adopted a remuneration policy and procedures that comply with the requirements of MiFIDPRU and SYSC 19, which considers qualitative, quantitative and all the proportionality elements in line with the FCA Guidance. Avalon's policies and practices continue to promote diversity within the Management Team.

Avalon's remuneration policy is designed to ensure that Avalon does not encourage excessive risk taking and staff interests are aligned with those of the clients. Avalon's remuneration policy promotes sound and effective risk management, and does not encourage risk-taking by any individuals within the firm which exceeds our levels of risk tolerance.

The FCA defines Material Risk Takers ("MRT") as senior management, risk takers, staff engaged in control functions and any employee receiving total remuneration that takes them into the same remuneration bracket as those detailed above, whose professional activities have a material impact on the firm's risk profile. In addition to Senior Managers, Avalon has identified the Head of Trading to be a Material Risk Taker

Avalon is not required under MIFIDPRU 7.3.1R to establish a risk committee. Senior Management is directly responsible for the overall remuneration policy which is reviewed annually. Avalon's remuneration is offered as fixed and variable in line with SYSC 19 and MIFIDPRU and variable remuneration is adjusted in line with capital and liquidity requirements as well as the Firm's overall performance. Senior Management review the remuneration strategy on an annual basis together with the remuneration itself.

Remuneration Paid 2022

Pursuant to MIFIDPRU 8.6.8(2) the total amount of remuneration awarded to staff in the reporting period including a breakdown of fixed remuneration and variable remuneration can be obtained by contacting compliance@avaloncp.com.

Monitoring of Compliance with the Remuneration Policy

Given the relatively small size of the business, remuneration for all employees is set by the Directors. The Firm's Remuneration Policy takes full account of the Firm's strategic objectives. Its objective is to recognise and reward excellent performance of employees to help drive the sustainable growth of Avalon. Avalon continually monitors that their aim to promote diversity within the management team is being achieved, along with monitoring the fixed to variable compensation to ensure SYSC 19 and the provisions of MIFIDPRU are adhered to with respect to Total Compensation where applicable. As at 31st July 2023 Avalon has not identified any shortfalls.



APPENDIX 1: OWN FUNDS DISCLOSURE

Avalon's Regulatory Capital Adequacy £'000

MIF001 Own Funds

Basis of Completion

	A
1 Is this report on behalf of a consolidation group?	No
	FRN
2 If Yes, please list the Firm Reference Numbers (FRN) of all FCA regulated entities in the consolidated situation	769800
	606345
	832052

Own Funds Requirement

	A
Own Funds Held	
3 CET1 own funds held (net of deductions - see MIFIDPRU 3.3)	4,137
4 AT1 own fund held (net of deductions - see MIFIDPRU 3.4)	0
5 T2 own funds held (net of deductions - see MIFIDPRU 3.5)	0
Fixed Overheads Requirement	
6 Total annual eligible expenditure	3,030
7 Indicate if varied due to material change in business model	No
Permanent Minimum Requirement	
8 Permanent minimum requirement	750

K-factors Requirement - Non-SNI Firms Only

	A
9 Total K-factor requirement	0
10 K-AUM	
11 K-CMH (segregated)	
12 K-CMH (non-segregated)	
13 K-ASA	
14 K-COH (cash trades)	0
15 K-COH (derivative trades)	
16 K-DTF (cash trades)	0
17 Adjusted K-DTF (cash trades) coefficient, where used	
18 K-DTF (derivatives)	
19 Adjusted K-DTF (derivatives trades) coefficient, where used	
20 K-NPR	
21 K-CMG	
22 K-TCD	
23 K-CON	

Transitional Requirements

	A
24 Transitional own funds requirement (if used)	330
25 Please indicate which transitional provisions are being relied upon	MIFIDPRU TP 2.18R(3)(c)

Own Funds Threshold Requirement/Wind-down Trigger

	A
26 Own funds threshold requirement	758
27 Own funds wind-down trigger	758

Composition of regulatory own funds

	Item	Amount (GBP thousands)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1	OWN FUNDS	4,137	10
2	TIER 1 CAPITAL	4,137	10
3	COMMON EQUITY TIER 1 CAPITAL	4,137	10
4	Fully paid-up capital instruments	100	10
5	Share premium	-	-
6	Retained earnings	4,037	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 instruments	-	-
27	Share premium	-	-
28	(-) TOTAL DEDUCTIONS FROM TIER 2	-	-
29	Tier 2: Other capital elements, deductions and adjustments	-	-



AVALON CAPITAL PARTNERS

Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements

Flexible template - rows to be reported in line with the balance sheet included in the audited financial statements of the investment firm.

Columns should be kept fixed, unless the investment firm has the same accounting and regulatory scope of consolidation, in which case the volumes should be entered in column (a) only.

Figures should be given in GBP thousands unless noted otherwise.

	a	b	c
	Balance sheet as in published/audited financial statements	Under regulatory scope of consolidation	Cross reference to template OF1
	As at period end 31/07/2022	As at period end 31/07/2022	
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements			
1	Debtors	4,843	
2	Cash at Bank	197	
	Total Assets	5,040	
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements			
1	Creditors	903	
	Total Liabilities	903	
Shareholders' Equity			
1	Called-up Share Capital	100	
2	Retained Earnings	4,037	
	Total Shareholders' equity	4,137	

Own funds: main features of own instruments issued by the firm

Avalon's own instruments consist solely of:
£100,000 of share capital, and £4,037,461 of retained earnings.