September 2021

SCBL Pillar 3 Disclosures

1. Overview

Sanford C. Bernstein Limited ("SCBL" or "the Company" or "the Firm") is an indirect wholly owned subsidiary of AllianceBernstein L.P. (the "Parent") and is regulated by the UK Financial Conduct Authority (the "FCA"). The Parent is a publicly reporting United States Securities and Exchange Commission-registered investment adviser.

The principal activity of SCBL is the provision of high-quality independent pan European research and equity dealing services on an agency basis to institutional clients.

The Company will also act as an execution broker for US based clients trading through its affiliate, Sanford C. Bernstein & Co., LLC. In addition, the Company will distribute US and Asian equity research, produced by US and Asia based analysts, to its pan European client base.

The Company is a member firm of the Euronext and London stock exchanges, and various multi-lateral trading facilities and Systematic Internalisers.

There have not been any significant changes in SCBL's principal activities during 2020. AllianceBernstein acquired the business of Autonomous Research LLP ("ARUK") and in 2020 SCBL has transferred its business into ARUK and received approval from the FCA. A single Pillar 3 document will be published next year to reflect the new regulated entity structure.

Since the outbreak of COVID-19 in 2020, the Company has operated its Business Continuity Plan effectively, with all staff working from home for a significant proportion of time with minimal operational incidents or adverse impact on the business.

1.1 Regulatory Requirements for "Pillar 3" Disclosures

Under the FCA's Prudential sourcebook for Investment Firms ("IFPRU"), SCBL is an IFPRU 730K limited activity firm, and reports its Pillar 3 disclosures on a solo basis. SCBL manages its capital and risk requirements using the Basel III framework of the Basel Committee on Banking Supervision ("Basel Committee") as applied by the EU to investment firms in amendments to the Capital Requirements Directive ("CRD"), and the CRR. The Basel III framework consists of three pillars:

- Pillar 1 – Minimum capital requirements: defines rules for the calculation of credit, market, operational and liquidity risk;
- Pillar 2 – Supervisory review process: including a requirement for firms to undertake an Internal Capital Adequacy Assessment ("ICAAP") and Internal Liquidity Adequacy Assessment ("ILAAP"). SCBL is required to produce, use, and update its ICAAP on at least an annual basis; and
- Pillar 3 – Market discipline: requires expanded disclosures to allow investors and other market participants to understand capital and liquidity adequacy, particular risk exposures and risk management processes of individual firms.

SCBL's Pillar 3 disclosures are prepared in accordance with the requirements of Part 8 of the Capital Requirements Regulation (CRR) and relevant guidance from the European Banking Authority (EBA). The document contains the required information concerning the Firm's risk and capital management practices and reflects the position as at 31st December 2020. These disclosures have been approved by the Firm's Risk Oversight Committee ("the ROC") and Board.

1.2 Frequency of Disclosures

These disclosures will be published at least once a year. Given its size and complexity, the Firm assesses that this annual publication should generally meet its disclosure requirements.

1.3 Verification, Media and Location

These disclosures have been prepared solely for the purpose of fulfilling the Firm's CRR Pillar 3 disclosure requirements and are not used for any other purpose.

These disclosures will be published on the website of the Firm's Parent (www.bernsteinresearch.com). In line with Article 434(2) of the CRR, the Firm includes a clear statement in its annual financial statements indicating where it's Pillar 3 statement can be found.

1.4 Additional Information

Audit: Some of the Company's Pillar 3 disclosures have been taken from the Company's audited financial statements (and have been noted as such in the document). However, these Pillar 3 disclosures have not been audited.

Materiality: The Company is required under regulatory guidance to disclose material matters. The Board regards information as material if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making an economic decision. If the Board consider certain information to be immaterial, it may be omitted from this disclosure document.

Proprietary and confidential information: Information shall be regarded as proprietary to an institution if disclosing it publicly would undermine its competitive position. It may include information on products or systems which, if shared with competitors, would render an institution's investments therein less valuable.

2. Governance Arrangements

The Board is ultimately responsible for the Firm's systems and controls and for reviewing the effectiveness of those arrangements. However, such arrangements are designed to mitigate, not eliminate, risk and therefore can provide reasonable, but not absolute, assurance against material losses or financial mis-statements.

The Board of Directors of SCBL confirms that:

- The Company has a proactive approach to risk management which is aligned to the business plan objectives and priorities and is embedded in the culture of the business. As a result, the Company is able to identify, assess, mitigate, monitor, and report risks arising from its business.
- The Board has reviewed the risk management arrangements of the Company, and considers that the Risk Management Policy and Framework, and the associated systems in place are adequate with regard to the Company's profile and strategy. The Board has adopted a formal policy to comply with the disclosure requirements in the CRR.
- The Company is exposed to a variety of risks that arise in the course of their business. These risks include operational risk, credit risk, market risk, liquidity risk and conduct risk. The Company seeks to limit exposure to all risks or deems such risks to be immaterial in the context of its business.
- The Company has put in place Risk Management Policies and an Operational Risk Framework which are designed to limit the adverse effects of these risks on the financial performance of the Company.
- The Board has defined its risk appetite, which is reviewed at least annually and monitored regularly. Any breach of these appetites is investigated and escalated to the ROC and Board.
- Risks are identified, managed and recorded by each area of the Company by their risk owner. These risks are added to the Key Risk Indicator dashboard which is reported to the ROC which assesses the substance of identified risks and the effectiveness of the mitigation of the reported risks.

The Board receives a monthly business update prepared by the COO/CRO which highlights the key issues arising in the month and a profit/loss account prepared by the Financial Controller. There is also a full Management Information Pack produced on a monthly basis which is circulated to the Board, including board members, with detailed financial analysis and breakdown of inter-alia profit & loss, expenses, revenue, and other key indicators including risk indicators.

The Board has constituted, and delegated certain responsibilities to, the following committees:

- **UK Sellside Risk Oversight Committee** (ROC) which meets quarterly and is chaired by the SCBL COO/CRO;
- **Crisis Management Committee**, a joint committee with SCBL's Buy Side affiliate; and
- **Health and Safety Committee**, a joint committee with SCBL's Buy Side affiliate.

The Board also relies on the activities of a number of committees and sub-committees of the AllianceBernstein group, including:

- **Executive Committee** which is comprised of the Alliance Bernstein L.P. ("Alliance") Chief Executive Officer, the Alliance President/Chief Operating Officer, Strategic Business Unit ("SBU") Heads and other senior executives, sets strategic goals and objectives and manages the day-to-day activities of the international group. The Chairman of SCBL sits on this Committee.

- **The SCB Global Risk Oversight Committee** ("GROC") is chaired by the SCB Head of Risk. The primary purpose of the GROC is to assist the sell-side business of AllianceBernstein in meeting its supervisory/monitoring obligations. Specifically, the Committee is responsible for assessing and overseeing the investment and compliance risk attributes and activities related to AllianceBernstein's sellside brokerage activities. SCBL's Chairman, CEO, and COO/CFO, all sit on this Committee.

- **Audit Committee** – The primary responsibility of the AllianceBernstein Audit Committee is to: assist the international group's board in its oversight of (1) the integrity of the financial statements of the international group, (2) the international group's status and system of compliance with legal and regulatory requirements and business conduct, (3) the independence, qualification, appointment, compensation and evaluation of the external auditor firm, and (4) the performance of the international group's internal audit function. The Audit Committee comprises three independent directors of the Board of the international group.

- **Business Continuity & Disaster Recovery Committees** conduct an independent assessment of business continuity and disaster recovery plans, as well as the testing associated with such plans;

- **Fraud Committee** is responsible for informing Risk Management of actual or potential incidents of fraud (internal and external), and losses associated with such incidents are recorded in the Loss-Incident Database;

UK Sellside Risk Oversight Committee

The UK Sellside Risk Oversight Committee (ROC) is chaired by the Firm's Chief Risk Officer and meets quarterly. It is comprised of members of senior management including the CEO. The role of the ROC is to ensure that the systems and controls of SCBL operate effectively and to advise the Board of Directors on the establishment, implementation, and maintenance of adequate policies and procedures relating thereto. It is the duty of the Committee to review and to escalate to the Board such regulatory or systems and controls issues as, in its reasonable opinion, warrant Board discussion and/or direction with appropriate recommendations or guidance. In particular, but without prejudice to the generality of the foregoing, the Committee advises the Board on:

- Identifying operational, compliance and regulatory risks relating to all the activities, systems and processes of SCBL;
- Setting the level of risk tolerated by SCBL;
- Managing the risks identified (within any risk tolerance);
- Monitoring the effectiveness of SCBL's systems and controls (including risk management and control policies and procedures), and compliance with such arrangements policies and remedial action;
- Reviewing the firm's arrangements for the effective management of conflicts of interest; and
- Reviewing the firm's Pillar 3 disclosure documents.

SCBL Directors as at 31st December 2020

The Board of Directors of the firm is shown below along with the number of directorships held by each member.

Name of Board Director	Number of directorships held
Tobias Bayliss	1
Suren Chellappah	6
Daniel Gordon	9
Alexandra Perricone	2
John McConnell	1
Denise Keen	1
Sebastian Lewis	1
Dipak Mistry	1
Robert van Brugge	4

The recruitment policy for Board directors complies with the FCA requirements on the suitability of members of the management body and key function holders. A multi-stage interview process is conducted to ensure that candidates have the appropriate aptitude, skills and experience to contribute to achieving the Firm's strategic objectives. The balance and diversity of the board is important, and this is considered when making a selection decision, but it should be noted that the Board does not have any rigid diversity targets although the Firm's governance procedures are designed to facilitate constructive challenge and debate amongst the management body, based on a range of perspectives and viewpoints.

The policy provides that directors should be suitable at all times and should be reassessed periodically. Suitability in this context includes, but is not limited to, the following criteria:

- Being of good repute;

- An ability to act with honesty, integrity and independence of mind;
- Overseeing, monitoring and challenging management decision making effectively;
- The possession of sufficient knowledge, skills and experience to perform their duties;
- Disclosing any financial or non-financial interests that could create potential conflicts of interest;
- Being able to commit sufficient time to perform management body functions in a supervisory context; and
- Not being restricted from taking up the position by any regulatory requirement.

3. Risk Management Objectives and Policies

The Firm's risk management objectives and policies are supported by its corporate governance arrangements, its risk management framework and its risk management processes, including its processes for mitigating and monitoring risk.

3.1 Risk Management Framework: Three Lines of Defence

The Firm has adopted a "three lines of defence" model which can be summarised as follows:

First Line of Defence

The first line of defence is comprised of the senior managers responsible for the Firm's business units and departments who are primarily responsible for identifying and managing risks in their area and for developing and communicating policies, guidance, and procedures necessary to manage those risks.

Second Line of Defence

The second line of defence is comprised of the Risk and Compliance functions.

- The Risk function is responsible for facilitating the development, implementation and embedding of processes whereby management identifies assesses, monitors, controls and mitigates the risks in their areas.
- The Compliance function is responsible for monitoring adherence to regulatory standards and for reporting its findings to relevant senior management and to the Board. The Compliance function is also responsible for the provision of technical regulatory/compliance advice and support.

Third Line of Defence

The third line of defence is comprised of the Internal Audit function.

Internal Audit provides independent assurance of the suitability and effectiveness of the Firm's risk management framework, including management's execution of its responsibilities to ensure an effective system of internal controls, risk management, and compliance is embedded throughout the Firm.

3.2 Risk Appetite

The SCBL risk appetite is set by the Board in conjunction with its business strategy and in consideration of its capital and liquidity resource adequacy framework. The Firm's approach to setting risk appetite first considers the risks inherent in each of its strategies and objectives and then evaluates the most effective way to provide for these risks.

The Firm's risk appetite articulates the aggregate level and type of risk that SCBL is willing to accept in order to execute its business strategy and is set to be within the resource capacity constraints.

The Risk Appetite Statement includes risks that have both qualitative and quantitative elements such as market, credit, operational and liquidity risk, and risks that are qualitative across risk types including reputational, conduct and model risk, further details for which are set out in this document. The combination of qualitative risk appetite and tolerance statements and quantitative limits aims to ensure that SCBL's businesses are carried out in line with the risk appetite approved by the Board, and to protect SCBL's reputation in both normal and stressed environments.

For the key risks which cannot be perfectly controlled, the residual risks are quantified, and a determination is made whether to provide for each risk with financial planning buffers or with capital (or a combination of both). Generally, expected losses are provided for with financial planning and P&L buffers and unexpected or extreme losses are provided for with capital. These quantifications of risk appetite are the basis on which the Firm's Internal Capital Adequacy Assessment Process ("ICAAP") is developed.

The Board is actively involved in establishing the risk appetite of the Firm in several ways and participates in the development and approval of the Firm's 'Top'/ material risks, as well as the scenarios and stress tests associated with those risks, which in turn are incorporated into the Firm's ICAAP process and the determination of its capital requirements.

There are currently 14 'Top' risks identified on the risk register and approved by the Board. The Board considers that all 14 of these risks are "overall material" to the Firm. The risks are all operational in nature. As part of the firm's regulatory capital calculations, each risk was modelled to a 99.5% confidence level using a Monte Carlo simulation engine. The risks modelled also include the operational aspects of liquidity and concentration risk.

Finally, the Board receives regular updates from Risk Management regarding the overall risk profile of the Firm's activities and, as appropriate, approves the allocation of mitigation resources and monitors the status of those risks.

The Board takes a cautious and prudent approach to Risk. As such, the Firm does not materially commit its own capital in its activities (i.e. no proprietary trading) and instead only undertakes trading on behalf of its clients wherever possible on a matched-principal and delivery-versus-payment ("DVP") basis. New activities are evaluated on the basis of both their risk profile and cost-benefit analysis.

The Board further demonstrates its approach to Risk Appetite by setting tolerances on its major risks with early warning indicators, where appropriate, for these key risks.

4. Risk Management by Category of Risks

As with all broker-dealers, risk is inherent in the nature of the Firm's business and activities and the key risks to which the Firm is exposed are primarily operational risks.

Risk management is the process of identifying, measuring, monitoring and managing both enterprise and portfolio risks in order to minimize unanticipated losses and uncompensated risks. The goal is not to eliminate risk, but rather to identify and understand the risks being taken, and to ensure that appropriate processes and tools exist to manage these risks. The Firm has clear risk management policies and practices in place to manage each category of risk.

Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

The Firm has a Risk Management function which facilitates the ongoing identification, assessment, monitoring and mitigation of risks.

The Firm uses a Monte Carlo simulation to calculate the amount of capital to be set aside for each of its key operational risks. The ROC escalates key risks to the Board for consideration as "Top Risks", which are in turn developed into scenarios for capital modelling purposes at a 99.5% (1 in 200) confidence level.

We note that since the COVID-19 pandemic the Firm has operated in an environment of heightened operational risk, however this has been managed successfully through remote working, with minimal operational incidents or adverse impact on the business. The Firm has demonstrated operational resilience, whilst the new regulated entity is building towards fully establishing its operational resilience framework (including policy and tolerance thresholds) in 2022.

The Firm has taken a number of measures to minimize the spread of the COVID virus within the office, and to maximise efficiency of remote working. These measures include;

- Office social distancing, enhanced cleaning and sanitising;
- Financial assistance with home working set up;
- HR-led Employee Assistance programme, including counselling.

Equity position risk

The Firm operates on an agency/ matched principal basis. Any reported net position is expected to be due to inadvertent positions arising from either a trader error and/ or client facilitation and therefore this risk is managed similarly to operational risks.

Foreign exchange risk

Foreign Exchange Risk (FER) is the exposure of the Firm's financial condition to adverse movements in exchange rates from its non-sterling revenue streams and from its non-sterling assets and liabilities. These items arise substantially from the Firm's trading activities in continental European equities.
The Firm actively manages its cash balances and converts surplus foreign currency balances to sterling at each month end.

Credit risk

The Firm's credit risk arises from its cash deposits with banks and financial institutions, as well as credit exposures to debtors in respect of outstanding receivables. Cash deposits are only held with high quality institutions and regularly monitored. All cash is held either in current accounts or overnight deposits only i.e. there are no deposits terms greater than one day.

In addition, there is an active credit control monitoring process whereby aged receivables are reviewed on a regular basis and where appropriate, an amount set aside as provision for debts that are not expected to be collected in full.

Concentration/ large exposures

The Firm, as a Limited Activity firm, is not subject to the FCA's limits on large exposures.
The Firm's main concentration risk is associated with cash it holds at banking organisations and it mitigates this risk by ensuring all such organisations are either globally or domestically systemically important banks.

The Firm is not concentrated by client, with no single client representing more than 2.5% of revenue. In addition, each client has a hard credit limit in the Firm's trading systems based on its internal credit rating and therefore is allocated one of three daily credit limits. It should also be noted that the Firm only deals with Institutional clients who are invariably regulated entities.

Settlement / Delivery risk

In the normal course of business, the Company is exposed to limited settlement risk as transactions are settled via the delivery versus payment settlement process and invariably within 5 business days. Failed trades are typically not a capital issue for the Firm as nearly all trades settle by Settlement Date +1. However, the Firm does monitor aged failed trades on a daily basis.

Liquidity risk

Liquidity Risk is the risk that a firm, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due or can secure such resources only at excessive cost. In accordance with BIPRU 12, the Firm has a Liquidity Risk Management Framework and a Contingency Funding Plan.

The liquidity requirements for SCBL arise from two sources:

- Clearing and settlement of securities trading activities; and
- Day-to-day routine financial activities including the settlement of non-trading book creditors, Accounts Payable and payroll, offset by the receipt of non-trading book receivables, particularly non-trading accounts receivable.

Business risk

This is the risk that the Firm's strategy does not materialise as planned. The Firm operates in a dynamic and competitive business sector and consequently the Firm must pay close and constant attention to its pricing, product and operating model.

Interest rate risk

Interest rate risk is the exposure of a firm's financial condition to adverse movements in interest rates.
The Firm's analysis of its exposures to interest rate risk is set out below:

1. The Firm does not hold interest bearing government or corporate bonds - either from a proprietary trading book or a non-trading book perspective.
2. Cash is held in either current accounts or, if surplus, on overnight deposit. Cash is used to facilitate the settlement process and as such is used from a working capital perspective - it is not regarded as an investment. Current account and overnight interest rates are traditionally low and are likely to remain so into the foreseeable future. The Firm does not rely on interest income to fund its operations.
3. The Firm has not issued any intercompany loans.
4. A 200 point basis movement would have an annual insignificant incremental interest charge impact (in the context of the Firm's size), and even lower post tax.
5. The Firm does utilise intra-group loans to cover central counterparty margin payments when it trades through its direct memberships of execution venues. However, these margin payments can be eliminated if the Firm trades exclusively through its broker counterparts, and as such avoid the impact of an increase in interest rates.

Group risk

Group risk is the risk that the financial position of a firm may be adversely affected by its relationships (financial or non-financial) with other entities in the same group or by risks which may affect the financial position of the whole group (eg, reputational contagion).

The Firm relies on London based AllianceBernstein Services Limited ("ABSL") for various administrative and technology support services, including fixed asset ownership (e.g. for instance, IT hardware), Internal Audit, Human Resources, Finance (treasury, corporate taxation, accounts payable) and Facilities support. The technology outsourcing includes interoffice networks and intra-net connections as part of AllianceBernstein's global technology platform. This platform also supports desktop hardware, network servers and communication routers.

The costs associated with these outsourced activities are recharged on an arm's length basis and reflected in the Firm's P&L and base case projections. In the event of ABSL no longer providing these services to the Firm, the Firm would negotiate a suitable exit plan with ABSL before onboarding these activities in-house.

The ultimate parent of ABSL is also the ultimate parent of the Firm.

Cyber risk

Cyber risk is the risk of ineffective cyber security failing to protect IT infrastructure systems, networks, devices and data/ information assets from unauthorised access, damage or attack.

The key drivers of Cyber risk are weak information security or network / IT controls resulting in disruption, loss of access to, or of, information assets. The Firm has reviewed the potential impacts of the following within the key risks which were modelled using the Monte Carlo engine:

- Unavailability of trading systems;
- Unauthorised access to unpublished research by external parties;
- Insider Trading / Frontrunning of research or client trades; and/or
- Fraudulent payments / transfers by or to external parties.

5. Internal Capital Adequacy Assessment Process (ICAAP) and Capital Resources

The Firm undertakes an ICAAP in accordance with CRD Art.73 and the FCA's requirements in IFPRU 2.2, at least annually (or as material changes in conditions warrant) in fulfilment of its Pillar 2 requirements.

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The ICAAP sets out the means by which the Firm identifies and manages its key risks, and also details the required level of regulatory capital for SCBL to meet its regulatory minimum (and internal target) requirements over a three-year forecast period in both base and stress cases. Key features of the ICAAP include:

- Financial and capital forecasts;
- Business strategy and growth plans;
- A comprehensive risk assessment process;
- An internal assessment of capital adequacy;
- The impact of a three years downturn stress scenario;
- The impact of reverse stress scenarios; and
- A wind down analysis.

These are used to confirm to the Board that the Firm has robust processes in place to maintain capital resources that are prudent, appropriate and proportional to the anticipated risks of its business activities.

The ICAAP is reviewed, challenged and approved by the Board. The core components of the ICAAP, including risk identification, measurement and capital assessment and stress and scenario testing are integrated into the key risk management, strategic and decision-making processes of SCBL.

5.2 Capital Resources

The Firm has a simple capital structure and does not use any exotic capital instruments. A summary of the Firm's capital resources appear in the tables below. SCBL seeks to ensure that it has sufficient capital to support its strategy, cover its risks and at all times comply with the CRR regulatory capital requirements.

Capital Resources	**£'000**
Tier 1	
Ordinary share capital (including share premium)	78,042
Audited retained earnings	-38,923
Total Common Equity Tier 1 Capital	39,119
Total Capital resources	**39,119**
Total Capital Resources requirement - Pillar 1	18,015
Capital Surplus	18,015

The figures in the table above are taken directly from the "Company Balance Sheet" section of the SCBL financial statements for the year ended 31 December 2020. Consequently, a reconciliation to the audited financial statements is not required.

SCBL's capital resources comprise Common Equity Tier 1 and Tier 2 subordinated debt capital which are of standard form. Common Equity Tier 1 Capital is the total of called up equity share capital, share premium account, and audited reserves. Audited reserves are the total of the profit and loss account reserve. SCBL has no additional Tier 1 capital and there are no restrictions or prudential filters on SCBL's capital.

5.3 Pillar 1 Capital resources requirement

The firm is required to hold own funds in excess of 8% of their total risk exposure amount ('TREA'). As a 'limited activity' firm, the TREA is the sum of the credit risk requirement plus 12.5 times the sum of the market risk requirement, settlement risk and the fixed overhead requirement (FOR).

The Pillar 1 capital resources requirement for SCBL as at 31 December 2020 is set out in the table below:

Pillar 1	**£,000**
Credit Risk	2,967
Settlement / Delivery Risk	585
Market Risk	476
Fixed Overheads Requirement	13,987
Total	**18,015**

The Firm applies the standardised approach for calculating all credit and market risks. As a limited activity firm, it is not required to calculate a Pillar 1 operational risk capital requirement. It does apply a fixed overhead requirement equal to one quarter of the firm's relevant fixed expenditure after deducting discretionary payments.

SCBL has total own funds, including subordinated debt, of £39.1m.

5.4 Credit and Counterparty Risk

Risk weighted assets are calculated in accordance with the standardised approach and allocated to the following exposure classes:

2020	Total exposures	Risk Weighted Assets	Credit Risk Capital Requirement
	£'000	£'000	£'000
Credit Risk by exposure class			
Institutions	109,814,822	28,970	2,318
Corporations	5,439,048	5,439	435
Equity	2,396,875	296	24
Deferred Tax	0	0	0
Other Items	296,178	2,384	191
	117,946,923	37,089	2,967

There have been no impairments or provisions, general or specific, made against any of the above exposures.

5.5 Credit Risk Mitigation

Netting arises where a single legal obligation is created covering all transactions included in a netting agreement. The most common form of netting which SCBL applies for these purposes is close-out netting and an intra-group agreement with its parent.

Netting is applied to a counterparty balance only when appropriate documentation governing the transactions between the SCBL and the counterparty has been entered into, and which has been confirmed as being legally effective to net with that counterparty, and the relevant regulatory requirements have been complied with.

5.6 External Credit Assessment institutions

The Firm maps ratings as assessed by Moody's to the standardised credit risk weights to calculate SCBL's risk-weighted assets for banking institutions using the mapping published by the EBA and FCA.

The firm also applies the standardised approach to calculating counterparty credit exposure on failed transactions (described as settlement/delivery risk). As at 31st December 2020 the capital resources requirement was £585,000.

5.7 Equities not in the trading book

The Firm held 58 shares in The Society for Worldwide Interbank Financial Telecommunication ("SWIFT") which is a requirement of all direct members of the SWIFT service. The investment is held as a current asset on the balance sheet at market value (which is also fair value). The exposure value of the investment is £296,178.00. The loss over the last 12 months is £31,286.00 and is valued based on based on the value as announced by SWIFT at their Annual General Meeting. SWIFT provides a network that enables financial institutions worldwide to send and receive information about financial transactions in a secure, standardised and reliable environment.

5.8 Asset encumbrance

Asset Encumbrance	**2020**
Encumbered Assets	
- Swift Investment	296
- Stock Borrow Deposit	0
- Client money	702
- Deposits with Clearing Organisations	11,136
= Total other assets	11,838
Unencumbered Assets	
- Deposits with credit institutions	89,218
- Other unencumbered assets	410,878
Total Assets	512,230
Total encumbered assets	12,134
Total unencumbered assets	500,096

As at 31 December 2020, encumbered assets totalled £12.1m versus Unencumbered Assets of £500.1m. An asset is considered encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collateralise or credit enhance any transaction from which it cannot be freely withdrawn.

SCBL, by virtue of being a member of various exchanges and multi-lateral trading facilities, places initial and variation margin on the central counterparties associated with those venues. This margin is placed for the period that a trade remains open/ unsettled and is returned on settlement date. Due to SCBL's high straight through processing almost all margin is returned by Trade date +3.

In addition, SCBL does engage in stock borrowing to facilitate the settlement process for its clients and market counterparts. As part of this facilitation service, SCBL will place cash collateral with the stock lender whilst the stock borrow is open.

SCBL and its affiliates engage in intercompany trading in the normal course of business. This does not give rise to any asset encumbrance.

6. Remuneration

The following remuneration disclosures are made in accordance with the CRR and the Firm's remuneration policy meets the requirements set out in chapter 19A of the FCA's SYSC handbook which sets out the applicable Remuneration Code. These disclosures are made in accordance with the guidance on proportionality, and the Firm is classified as a proportionality tier 3 firm.

In accordance with the requirements of the Remuneration Code, and on a proportionate basis, the Firm has adopted a Remuneration Policy which has been approved by the Firm's Board.

The Firm's remuneration policy is impacted by the Compensation Committee of our Parent company which has general oversight and policy making powers regarding compensation matters for all employees of its subsidiary companies. The Compensation Committee is ultimately responsible for ensuring that remuneration and incentives are aligned with organizational strategy, do not reward undue risk-taking or failure, and is awarded fairly based on individual, business unit and firm-wide performance.

The Board oversees the remuneration framework and is responsible for maintaining and overseeing the implementation of the remuneration policy.

6.1 Decision Making Process

The Firm's remuneration policy clearly outlines control and governance requirements, links between pay and performance and the role and responsibilities of relevant stakeholders. To oversee the implementation of this policy the SCBL Board meets annually in a closed Board session with the Head of Human Capital and minus the heads of Risk, Legal & Compliance and Internal Audit. Risk Management, Compliance and Internal Audit control functions do, however, have the opportunity to advise the Board during the end of year variable bonus process as to whether they feel any employee has taken undue risks or whether they have any concerns that should influence compensation decisions.

The Board meets quarterly and seeks to ensure that the remuneration policies and practices of the firm are aligned with its duty to manage conflicts fairly, so not to create incentives that may lead Relevant Persons to favour their own or the firms' interests to the potential detriment of clients. SCBL expects all staff to act in the best interests of its clients.

6.2 Link between pay and performance

The Firm operates an annual discretionary cash and deferred award bonus scheme. The purpose of the scheme is to recognise past performance and to encourage loyalty. Individuals' performance is assessed against objectives including adherence to Staff Handbook rules and effective risk management practice and compliance with FCA rules, as relevant to individual roles. The deferred awards vest over a four-year period and receipt of these is contingent upon compliance with the Company's code of conduct. The Firm uses prescribed tables to determine the proportion of any variable remuneration to be paid as cash and in deferred units. The greater the amount of total compensation and the greater the amount of variable bonus, the greater the proportion that will be paid in deferred units.

If undue risk taken in earlier years come to light, the Board expects these risks to be taken into account in determining current year compensation for that business unit or individual. In such scenarios, it would be expected that unvested deferred incentive compensation awards granted for the period in which the failure occurred would be forfeited. Ultimately, if an employee has taken risks beyond their remit, the firm reserves the right to take disciplinary action up to and including termination of employment. This would result in an employee losing all unvested deferred compensation from prior years.

6.3 Code Staff Remuneration

Of the 14 code staff identified, 12 are directly employed by SCBL and the aggregate remuneration for these staff is shown below. The firm considers that it has one line of business, namely equity brokerage services.

Type of Staff	Senior Management £'000	Code Staff £'000	Total £'000
Number of staff	10	2	12
Total Fixed Remuneration	2,226	302	2,528
Total Variable Remuneration	5,955	203	6,158
Of which – paid in cash	3,643	149	3,792
- deferred in cash and shares	2,312	54	2,366

Total fixed remuneration disclosed includes:

- Annual base salaries as at 31 December 2020;
- Pension contributions; and
- Other benefits.

Variable remuneration is awarded for the 2020 performance year, with an element deferred in both cash and shares.

For full year ended 31 December 2020, SCBL had 1 individual earning between GBP1.0-1.5m and all other individuals under GBP1.0m.