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BIPRU 11 : Pillar 3 Disclosure

Introduction

CarbonDesk Limited (CD) is authorised to conduct business under the Financial Services and Markets Act 2000 through membership of the Financial Services Authority (FSA).

In accordance with Article 48 of the European Capital Adequacy directive 2006/49/EC dated 14th June, 2006 the company is exempt from the capital requirements of the directive until 31st December 2014 or the date of entry into force of any modifications to the directive, whichever is the earlier.

Therefore the company continues to calculate its regulatory financial resources under the terms of Chapter 3 of the FSA's IPRU (INV) rulebook. The company is classified as an "Exempt BIPRU Commodities Firm" by the FSA.

Chapter 11 of the FSA's Prudential Sourcebook for Banks, Building Societies and Investment Firms ('BIPRU') requires Exempt BIPRU Commodities firms to make certain disclosures to market participants. These are known as Pillar 3 disclosures.

Disclosure Policy

The CD's Board of Directors' policy is to review and approve the issue of the Company's Pillar 3 disclosures on an annual basis, unless circumstances necessitate additional disclosures. Disclosures are prepared by CD in conjunction with the preparation of the annual statutory accounts. The current chosen location for disclosure is the Company's website.

The BIPRU 11 requirements allow firms to omit one or more of the disclosures listed under BIPRU 11.5 if the information provided by such disclosures is not regarded as material. The requirements similarly allow firms to omit items of information from the BIPRU 11.5 disclosures if the information is regarded as proprietary or confidential.

Disclosure Data

This disclosure is prepared in conjunction with the annual statutory accounts and FSA report covering the financial year ending 30th April 2010.

Risk Management – Objectives, Policies & Disclosures

Risk Management

The company's risk management focuses on the major areas of market risk, credit risk, liquidity risk and operational risk.

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Authority flows from the Board of Directors to individual directors of the company and from them to the business managers who are integral to the management of risk.

The Board of the company determines the acceptability of risks that the company faces. The principal risks facing the business relate to the following:

Market Risk

Market Risk is the risk associated with adverse movements in the prices of commodities in which the company holds positions.

All exposures are marked to market and monitored against their respective limits on a daily basis.

Credit Risk

Credit Risk is the risk that a counterparty to a trade will fail to perform an obligation to the firm.

All counterparties are assessed for credit purposes and trading facilities are granted accordingly. Counterparty trading facilities are reviewed at least annually and a credit committee meets regularly to monitor the review process and examine outstanding issues.

Liquidity Risk

Liquidity Risk is the risk that a firm will be unable to meet its payment obligations when they become due.

The Company maintains sufficient financial facilities to conduct its business and complies with its regulatory capital adequacy requirements on a daily basis.

Operational Risk

Operational risk, inherent in all businesses, is the potential for financial and reputational loss arising from the failures in internal controls, operational processes or the systems that support them. It includes errors, omissions, disasters and deliberate acts such as fraud.

The regulated environment, in which the company operates, imposes extensive reporting requirements and continuing self assessment and appraisal. The company seeks continually to improve its operating efficiencies and standards.