MIFIDPRU DISCLOSURE (UNAUDITED)
FOR THE YEAR ENDED 31 DECEMBER 2024

Overview

The Capital Requirements Regulation (575/2013) as modified in UK Law by the Capital Requirement (EU Exit) Regulations 2018 (UK CRR) created a revised regulatory capital framework governing how much capital financial services firms must retain. The UK CRR has been implemented by the Financial Conduct Authority ("FCA") in its regulation through the General Prudential sourcebook ("GENPRU") and the Prudential sourcebook for MiFID Investment Firms ("MIFIDPRU").

The rules in MIFIDPRU set out the provision for prudential risk disclosure.

Scope and application of the resources

SBI International Limited ("the Company") is an FCA regulated MIFID PRU Non-SNI Investment firm. The Company's principal activities are:

- providing advisory services to SBI Shinsei Bank, Limited in relation to loan transactions and gathering general information of financial markets in Europe.
- Providing various services to UK clients, mainly research and broking in relation to Japanese equities

Risk appetite

The Company's Board has adopted a conservative approach to risk, resulting in a low risk profile. The Company's risk exposure incurred in its service fee incomes from SBI Shinsei Bank, Limited and SBI Securities Co, Ltd. are limited to counterparty risk of group companies which the Company provides with the services and the impact on income in relation to service fees. In the Company's other main activity, broking and trading of Japanese equities the Company deals as riskless principal in their purchase/sale of Japanese equities between UK financial institutions and a group Company in Japan (SBI Securities Co., Ltd). This business commenced from March 2024. In this equity trading business, the Company's risk exposure is limited as the trading is always on a back-to back basis.

Risk management

The Board of Directors is ultimately responsible for the Company's risk management. The Chief Executive Officer is responsible for the day-to-day monitoring and managing of the Company's exposure to risks.

Credit risk

Credit risk is defined as the risk of loss due to a debtor's non-payment of a loan or other credit. In the context of the Company's business, the most significant risks are non-receipt of service fees from SBI Holdings group companies and the counterparty risk element that clients or counterparties fail to settle securities transactions. The Company takes no credit risks in relation to securities positions because its securities transactions are always on a back-to-back basis.

Risk management (continued)

Concentration Risk

With the large proportion of the Company's service fee revenues deriving from provision of advisory services to its group companies, the Company potentially has a concentration risk to SBI Holdings group should the SBI Holdings group permanently fail to settle the fees. This credit risk is mitigated by the following factors:

- Service fees are invoiced monthly, and the Company monitors outstanding debtors and ensures that appropriate action is taken to recover the debts; and

- The Company has clear visibility of SBI Holdings group's financial position as one of the group companies and is likely to be notified of any financial difficulties and be able to complete outstanding transactions and wind-down trading in an orderly fashion should it be necessary.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company keeps its cash in current accounts or short-term deposits at NatWest Bank, Mizuho Bank and Citigroup, Japan. As at 31 December 2024 the Company has a credit facility of JPY 2 billion available from Mizuho Bank, Ltd. Should SBI Securities Co., Ltd. become insolvent, the Company is most likely to be wound up. The level of liquidity the Company currently holds is considered sufficient for its orderly winding- up.

Foreign currency risk

The Company's activities expose it to risks of changes in foreign currency rates arising from deposits in JPY bank accounts. Because of the limited amount at risk the Company does not take any mitigation measures in relation to the foreign currency risk.

The Company has taken a considered approach to minimising and managing the impact of both of these events. The Company continues to secure business continuity through remote working and is monitoring the operational resilience of the business, and management has performed impact assessments and stress testing using scenarios to assess the financial resilience of the Company.

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Assessment of the adequacy of capital

Capital resources and capital requirement

Capital is defined as the total of share capital, share premium, retained earnings and other reserves. Total capital at 31 December 2024 was £23,590,194. Regulatory capital is determined in accordance with the requirements of the Financial Conduct Authority ("FCA") in the UK.

Capital adequacy and the use of regulatory capital are monitored daily by the Company's management, employing techniques based on the guidelines developed by the Basel Committee and the European Community Directives, as implemented by the FCA in the UK, for supervisory purposes. The FCA requires each firm to maintain surplus capital.

Assessment of the adequacy of capital (continued)

The Company has calculated their capital resources and regulatory capital as at 31 December 2024 in accordance with these definitions as laid out in the table below:

Composition of regulatory own funds			
	Item	**Amount**	**Source based on reference numbers/letters of the balance sheet in the audited financial statements**
1	OWN FUNDS		
2	TIER 1 CAPITAL		
3	COMMON EQUITY TIER 1 CAPITAL		
4	Fully paid up instruments	23,000,000	
5	Share premium		
6	Retained earnings	590,194	
7	Accumulated other comprehensive income		
8	Other Reserves		
9	Adjustments to CETI due to prudential filters		
10	Other funds		
11	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1		
19	CETI: 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		

The Firm's Own Funds Requirement is the highest of:

- Its permanent minimum capital requirement under MIFIDPRU 4.4 (£750,000)
- Its Fixed Overheads Requirement under MIFIDPRU 4.5 (£1,040,965)
- Its K-factor requirement under MIFIDPRU 4.6 (£150)

Assessment of the adequacy of capital (continued)

MIFIDPRU 8.6.2 Remuneration Policy and Practices Disclosure

According to MIFIDPRU 8.6.2 of the FCA Handbook the Company is required to make disclosures in relation to its remuneration policy and practices for all staff. The FCA provides further guidance on proportionality for this rule, as a consequence of which the detailed provisions on the disclosure of criteria used for deferral policy, bonuses payments, shares and a number of other provisions may be disapplied.

The required MIFIDPRU disclosure in relation to its remuneration policy and practices will be available, on request, from the Company's offices.

Internal Capital Adequacy and Risk Assessment ("ICARA ")

Complying with the FCA rules, the Company conducted an Internal Capital Adequacy and Risk Assessment ("ICARA"). The Board reviews and approves the ICARA document at least once a year.

Since the Company's ICARA has not identified capital to be held over and above the own fund threshold requirement, the capital resources detailed above are considered adequate to continue to finance the Company over the next year. The Company monitors the adequacy of its capital and other resources relative to its risks on a regular basis.