Internal Capital Adequacy and Risk Assessment (ICARA)

EmergX Finance Corporation
Date: July 2025

1. Introduction

This ICARA outlines EmergX Finance Corporation's assessment of its material risks, capital adequacy, liquidity buffers, and wind-down strategy, in compliance with the FCA's Investment Firms Prudential Regime (IFPR).

2. Business Model and Risk Context

EFC operates as an SNI MiFIDPRU firm, structuring and managing investment funds and SPVs. It does not hold client money, does not safeguard assets, and maintains low inherent financial risk. Key risks relate to operational scale-up, compliance, and third-party performance.

3. Risk Identification and Assessment

EFC has conducted a risk mapping process to identify material exposures across:
- Operational Risk (systems, staff, vendors)
- Compliance and Conduct Risk
- Strategic/Execution Risk (fundraising and delivery)
- Reputational Risk
- Liquidity Risk

These are reviewed quarterly and tested against stress scenarios.

4. Harm Mitigation and Controls

Risk mitigants include:
- Governance oversight (board committees, risk register)
- Strong internal policies (AML, ethics, data protection)
- Outsourcing controls with third-party legal and compliance firms
- Business continuity plans and cloud redundancy protocols

5. Capital Assessment

EFC has assessed its Fixed Overhead Requirement (FOR) at approximately £200,000. Initial capital of £5 million provides a sufficient buffer against projected expenses, ensuring solvency and wind-down support.

No K-Factor requirements apply due to SNI status. Capital will be reassessed annually or upon major business changes.

6. Liquidity Risk and Adequacy

Liquidity is monitored through rolling 12-month forecasts. Cash reserves are expected to cover at least 6 months of overheads.

Liquidity risks are low given absence of short-term funding obligations and minimal leverage. No reliance on intercompany transfers.

7. Wind-Down Plan

EFC has prepared a realistic wind-down plan estimating a 3-month wind-down period and associated cost buffer of £300,000. Triggers include:
- Inability to raise funds
- Regulatory breaches
- Strategic failure

The plan includes:
- Ceasing new deals
- Notifying investors and regulators
- Disengaging staff and services
- Covering obligations

8. Monitoring and Review

The ICARA is reviewed at least annually or upon significant changes. Quarterly updates are provided to the board's Risk & Compliance Committee.

Updates are informed by:
- Business performance
- Risk exposures
- Stress testing
- FCA or external guidance