Internal Capital Adequacy and Risk Assessment (ICARA)

EmergX Finance Corporation

Prepared in line with the FCA’s Investment Firms Prudential Regime (IFPR) | July 2025

1. Introduction

The Internal Capital Adequacy and Risk Assessment (ICARA) forms a key part of EmergX Finance Corporation's prudent oversight under the Investment Firms Prudential Regime (IFPR). This ICARA is structured to assess our business model risks, financial and non-financial risks, and the adequacy of our capital and liquidity resources to address potential harms to clients, the markets, and the firm itself.

2. ICARA Objectives and Governance

- Assess material risks and related capital/liquidity needs
- Integrate risk management with strategic and financial planning
- Demonstrate sound wind-down and recovery planning
- Establish clear ownership via the Risk & Compliance Committee, with board oversight

3. Business Model Analysis

EmergX Finance Corporation (EFC) is a Non-SNI investment firm focused on asset management, project finance, and advisory services in emerging markets. It generates income through fees, success-based capital raising, and co-managed investment structures. The firm’s projected growth is balanced by conservative capital and liquidity planning to manage emerging market volatility and strategic execution risks.

4. Risk Identification and Assessment

- Operational Risk: Staff dependencies, third-party service providers, cyber/data risk
- Market Risk: Currency fluctuations, economic cycles affecting project viability
- Credit Risk: Counterparty and investor exposure
- Liquidity Risk: Timing mismatches between capital needs and inflows
- Conduct/Reputation Risk: Mis-selling, governance failures
- ESG & Regulatory Risk: Compliance with sustainability standards and FCA regulation

5. Harm Mitigation and Controls

- Clear governance structure and SMCR role mapping
- Quarterly risk assessments and internal audits
- Outsourcing policy and monitoring framework
- Technology risk mitigation: data backup, encryption, and cyber controls
- ESG oversight embedded in investment decision-making

6. Capital Adequacy Assessment

- Fixed Overhead Requirement (FOR) calculated at £250,000
- Additional buffer of 25% maintained for risk-based capital

- Total Capital Resources: £5 million raise to exceed current capital needs
- Stress tests applied for business continuity and wind-down scenarios

7. Liquidity Adequacy Assessment

- Liquid assets (cash or near-cash instruments) held to cover at least 3 months of operating expenses
- Internal liquidity risk stress testing performed quarterly
- Liquidity Risk Management Policy ensures alignment with MiFIDPRU 7

8. Wind-Down Planning

EFC maintains a detailed Wind-Down Plan (WDP) reviewed annually. It includes:
- Triggers for wind-down (loss of key client, regulatory breach, capital depletion)
- Timeline, communication protocols, and cost estimates
- Minimum capital reserve for orderly exit estimated at £300,000
- Designated wind-down officer under board oversight

9. Ongoing Monitoring and Review

- Risk and Compliance Committee reviews the ICARA process quarterly
- Full annual review and board approval
- Documentation maintained for FCA supervisory engagement
- Triggers defined for early review based on business performance or external events