TICKMILL

Pillar III Disclosure

Tickmill UK Ltd

June 2022

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1 Introduction

1.1 This Pillar 3 Disclosure Notice has been prepared based on the European Union's Capital Requirements Directive ('CRD') and subsequent Capital Requirements Regulation (EU CRR) came into effect on the 1st January 2014. CRD (the latest version is CRD IV) introduced a framework that governs the amount and type of capital that must be maintained by financial institutions. The Financial Conduct Authority ("FCA") has introduced the directive through its General Prudential Sourcebook (GENPRU) and the prudential sourcebook for Investment Firms (IFPRU).

1.2 Tickmill UK Ltd (the "Company", "we" or "us") is required to disclose information relating to the amount of capital it holds and the risks it faces in order to inform users of its accounts and to encourage market discipline.

1.3 The primary aim of these disclosures, collectively known as "Pillar 3", is to provide information on the risks faced by the Company and the risk assessment process it has put in to monitor such risks.

- Pillar 1 - sets out the minimum capital requirement to meet the Company's credit, market and operational risk exposures.

- Pillar 2 - requires the Company to undertake an Internal Capital Adequacy Assessment Process ('ICAAP') to establish whether our Pillar 1 capital is adequate to cover all the risks faced and if not, to calculate the additional capital required.

- Pillar 3 - requires the Company to disclose specific information concerning its risk management policies and procedures and its regulatory capital position.

The Company does not have any subsidiary investments and so this Pillar 3 Risk Disclosure Statement is in respect of Tickmill UK only.

2 Exemptions

2.1 The Company is permitted to omit required disclosures where it believes that such information is regarded as immaterial to a reader's decision-making process. Further, the Company may omit disclosures where it believes that such information could be regarded as proprietary or confidential and potentially undermine the Company's competitive position if it were to be made public.

2.2 The Company made no omissions on the grounds that it is immaterial, proprietary, or confidential.

3 Scope and Application of the Requirements

3.1 The Company is authorised and regulated by the FCA and is therefore subject to minimum regulatory capital requirements; it is categorised as an IFPRU £730k full scope Firm by the FCA.

3.2 The Company provides an execution-only service for a range of investment types to Retail, Professional and Eligible Counterpart clients. Orders are entered by Clients, online into a trading platform and matched on a Straight Through Process (STP) basis with liquidity providers, consistent with the Company's obligations as a Matched Principal broker. All executed transactions are systematically matched to the Order entering the Client's trading account. Orders will never be executed if the Client does not have sufficient collateral within his/her client account. The Company will never enter into transactions which will not be simultaneously netted- off to the Client.

4 Risk Management and Governance Structure

4.1 The Company is governed by a Board of Directors (the "Board") who are responsible for the Company's business strategy and risk appetite. The Board is responsible for the Company's overall governance arrangements as well as designing and managing a risk management framework for the business risks to be encountered. The Board review the risk management framework and ascertain how such risks may be assessed and what arrangements are required to manage and mitigate those risks.

4.2 The Risk & Compliance Director overseas the risk management process on a daily basis, whose role it is to oversee compliance arrangements and to ensure adherence to internal procedures and applicable regulatory requirements via informal and formal monitoring. The Risk & Compliance Director coordinates with the Board who take overall responsibility for this process.

4.3 The Board implements an annual review of the risk management process and considers the financial impact of these risks as part of the business planning and capital management process to conclude whether the amount of regulatory capital is adequate.

4.4 The review process is documented in the Company's Internal Capital Adequacy Assessment Process ("ICAAP") and the conclusion of the ICAAP is that the Company's Pillar 1 capital as of July 2020 of £1.9m was in excess of the capital resource requirement.

4.5 The Company will make Pillar 3 disclosures on an annual basis, as soon as reasonably practicable following completion of its annual financial statements. It may make such disclosures more frequently if material changes to its business model have occurred that would affect the calculations of its regulatory capital requirement.

4.6 Disclosures are verified and approved by the Board prior to being published on the Tickmill UK website www.tickmill.co.uk.

4.7 Due to the nature, scale and complexity of its business, Tickmill UK does not have a dedicated Internal Audit Function, but has delegated much of the task of monitoring the appropriateness and effectiveness of its systems and controls to the Compliance Oversight Function combined with the use of external consultants on technical reviews.

5 Principal Business Risks

5.1 The Company's Risk Management Framework identifies risks within four risk categories:

(1) Market Risk;

(2) Credit Risk;

(3) Operational Risk; and

(4) Business Risk.

5.2 Risks

The risks within each area are analysed, mitigating factors assessed and relevant controls identified. The risks within each category are rated according to their potential impact and probability and assigned a risk rating (low to high). Action is taken by the Board to manage the key risks, as appropriate, to safeguard the Company and its clients.

5.3 Market Risk

Market risk is the vulnerability of the Company to movements in the value of financial instruments held either by itself, or by its clients. The Company's business arrangements have been designed to ensure that all trades are fully matched and if a Client order cannot be matched it will not be executed. Various clauses in the client facing terms and conditions also allow the Company to cancel trades in the event of a systematic or platform failure.

5.4 Credit Risk

Credit Risk is the risk that a counterparty will fail to pay monies due to the Company.

The Company's Clients are not permitted to begin trading until such time as sufficient funds have been deposited into their accounts. The Company operates a strict Margin Call Policy, where timely alerts are sent to Clients where a Margin Call has been triggered. Further, where a Margin Call is not honoured, client positions will be closed automatically at pre-set levels if existing positions continue to deteriorate.

Tickmill UK faces credit risk from banks and counterparties where deposits and other balances are held. Tickmill UK minimises this risk by only using top tier banks to hold its funds. Where possible, both the Company's and Client securities are held in segregated accounts. The Company has in place appropriate client money trust letters from its bank(s) and other counterparties. In the event of a liquidity provider default, any net cash owed to the Company will be taken up with the relevant liquidator.

5.5 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. As such, operational risk spans a wide and diverse range of potential risks, including: loss of key staff; IT system failures; loss of data; telecommunications failures; loss of power supply; failure or disruption of a critical business process; disaster occurrences, natural or otherwise.

Senior individuals continuously monitor such risks to identify, mitigate and/or manage those risks. By implementing adequate systems and controls the Company believe that operational risk can be managed effectively.

5.6 Business Risk

Tickmill UK operates in an environment characterised by intense competition, rapid technological change and a continually evolving regulatory framework. Failure to adapt to changing market dynamics, customer requirements, or the way OTC markets and their participants are regulated constitutes a significant long-term risk.

Tickmill UK's main strategy for managing and mitigating these risks is through the continued development of its electronic brokering capability, active management of client relationships and by keeping abreast of all relevant regulatory reforms affecting the operation of OTC markets.

6 Capital Adequacy

The Company has a regulatory obligation to ensure that it maintains overall financial resources, including both capital resources and liquidity resources, which are adequate both as to the amount and quality, to ensure there is no significant risk that its liabilities cannot be met as they fall due.

6.1 Internal Capital Adequacy Assessment Process (ICAAP)

The ICAAP formally records the assessment as to whether a firm's capital and liquidity resources are sufficient to cover the risks identified in the Risk Management Framework. The Company's ICAAP is updated and formally approved by the Board on at least an annual basis.

7 Capital Management

The Company's capital management objectives are to:

(1) to ensure the Company continues operating as a going concern, and
(2) meets its regulatory capital requirements at all times.

These objectives are primarily met by managing the risks that the Company faces on a regular basis.

8 Remuneration

Tickmill UK has delegated a Remuneration Committee which last met in December 2019.

8.1 Code Staff

The only Code Staff are the Tickmill UK's Directors and the Compliance Officer/MLRO where applicable.