

TF Global Markets (UK) Limited

Pillar 3 Disclosure

These statements are not part of the audited financial statements and therefore have not been subject to review or audit by the firm's auditors.

Overview

The Pillar 3 disclosure ("Disclosure") is a requirement of the European Union's Capital Requirements Directive ("CRD").

The EU Capital Requirements Directive ("CRD") sets out the regulatory capital framework which is overseen in the UK by the Financial Conduct Authority ("FCA") and the Prudential Regulatory Authority ("PRA") through the General Prudential Sourcebook ("GENPRU") and the Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU"). From 1 January 2014, with the implementation of the Capital Requirement Directive IV (CRV IV), regulations under BIPRU for this firm have been replaced by:

- The Capital Requirements Regulation ("CRR")
- IFPRU sourcebook of the FCA handbook
- additional standards released by the European Banking Authority

The purpose of the Pillar 3 disclosure is to encourage the stability of the financial markets by allowing market participants to assess key information on firm's capital adequacy, risk and control processes.

The FCA framework consists of three 'Pillars':

- Pillar 1: Minimum capital requirements
- Pillar 2: Supervisory review process: the need to assess whether the capital held under Pillar 1 is sufficient to meet the additional risks not covered by Pillar 1
- Pillar 3: Disclosure requirements allowing market participants to assess information on a firms' risks, capital and risk management procedures

The Financial Conduct Authority outlines the minimum disclosure requirements. The information below satisfies TF Global Markets (UK) Ltd's ("ThinkMarkets") Pillar 3 requirement.

Frequency of Disclosure

TF Global Markets (UK) Ltd will report its Pillar 3 disclosure annually or upon material change. These disclosures are based on the firm's financial position as at the 31st December 2018. The Pillar 2 (ICAAP) capital requirements are excluded from this summary but are reviewed annually or upon material change.

Location and Verification

These disclosures have been validated by the executive directors and included in the firm's financial accounts available on the firm's website. These disclosures are not subject to an audit except to the extent where they are equivalent to disclosures made under accounting requirements.

Scope of Application

This disclosure is made on an individual basis.

Governance & Board Committees

ThinkMarkets is managed by its Board of Directors ("Board"). The Board meets at least twice a year.

The board's core roles and responsibilities are to govern TF Global Markets (UK) Ltd in line with its corporate objectives and shareholder expectations, this is achieved by formulating the firm's corporate strategy by determining its risk profile and core objectives. It achieves this by establishing policies, procedures, departments and committees. The board's tasks include; approving annual budgets, hiring of key staff, approving new policies, deployment of new systems and is involved in important decisions.

ThinkMarkets has a number of Standing Committees to provide an appropriate structure & framework. They support an effective management and apply the three lines of defence risk management tool. The committees have written terms of reference to exercise delegated functions and reports regularly to the Board, the Committees include:

CASS Committee
Compliance Committee

Risk Management

The firm undertakes its Individual Capital Adequacy Assessment Process (ICAAP) on an annual basis, or upon material change. The directors are, however, mindful of the changing conditions. The firm's ICAAP is facilitated by a compliance and risk consultancy.

The directors of the firm, in addition to the risk mapping structure of the ICAAP, are very much involved with the day to day running of the company including the continual assessment of risk.

They meet on a regular basis to discuss current projections for profitability, regulatory capital management, business planning and risk management. The directors manage the firm's risks through a framework of policy, procedures, and systems & controls, having regard to relevant laws, regulations, standards, principles and rules (including FCA principles and rules) with the aim to operate a defined and transparent risk management framework.

These policies and procedures are updated, at least annually or as and when it is required.

The firm is relatively small with an operational infrastructure appropriate to its size.

Risk Assessment

ThinkMarkets have undertaken a full risk assessment of the business in conjunction with their Internal Capital Adequacy Assessment Process (“ICAAP”) and have identified the most significant risk types to which TF Global Markets (UK) Ltd is subject to be as follows:

- Operational Risk:

This is the risk associated with inadequate, or the failure of, internal processes or external factors such as regulation.

The firm’s main risk is one of compliance failure leading to enforcement action from a regulator, given the firm’s retail client focus, the increasing complexity of regulations and the low tolerance approach increasingly adopted by the FCA. Mitigation is by way of a full-time, experienced compliance officer situated in the heart of the firm with access to all personnel, documents and policies.

- Credit Risk:

This is the risk that clients and counterparties fail to meet their financial and commercial obligations.

As with all brokerage firms ThinkMarkets faces the risk of its counterparties not honouring deals, or its clients defaulting on positions. Mitigation is by way of all principal trading being conducted on a matched principal basis with the firm’s Australian parent acting as liquidity provider for all trades. Mitigation of client default is by way of “auto closeouts” when funds fall below certain parameters.

- Liquidity Risk

This is the risk that a firm may run low on liquid capital, or end up with illiquid assets on its books that are difficult to value or sell.

As ThinkMarkets is a relatively new firm, there is a risk that the firm may have insufficient liquidity to be able to maintain its capital requirements in times of low income. By way of mitigation, the firm currently has funds well in excess of its capital requirement, with the firm’s well-funded Australian parent able and willing to inject further capital if needed.

Capital Resources December 2019*

Core Tier 1 Capital	£2,573,921
Total Tier 1 Capital after deductions	£2,573,921
Total Tier 2 capital	n/a

Capital Resources Requirement	£577,876
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*per the FCA regulatory returns submitted for period ending 31 December 2019.

Capital adequacy in compliance with IFPRU 3, 4, 5, 6 & 7.

TF Global Markets (UK) Ltd has forecasts in place to ensure that they will continue to meet its regulatory capital requirement on an ongoing basis.

TF Global Markets (UK) Ltd is an IFPRU €125,000 Limited Licence firm and, as such, is not required to calculate its operational risk capital requirement. Instead it is required to calculate a Fixed Overhead requirement in accordance with GENPRU 2.1.53R

The Credit Risk Capital Requirement is made up of the Credit Risk Capital Component and the Counterparty Risk Capital Component.

The Credit Risk Capital Component is calculated in accordance with BIPRU 3.5 – The Simplified Method. The company makes an 8% adjustment on all fixed assets, debtors and prepayments and a 1.6% adjustment on all bank balances in accordance with BIPRU 3.4.127 – 3.4.133, resulting in a Credit Risk Capital Component of £10,303.

The Counterparty Risk Capital Component is calculated in accordance with BIPRU 14.2.1, and is £355,158.

The company's Market Risk Capital Component is made up of its Foreign Currency PRR, Equity PRR Risk, and Commodity PRR Risk. The company's Foreign Currency PRR is calculated on its trading book debtors and creditors which are denominated in foreign currency and also its bank accounts, some of which are in the same currencies. The Foreign Currency PRR is calculated in accordance with BIPRU 7.5 and is £175,338. The company's Equity PRR, the Interest Rate PRR, and the Commodity PRR are all zero.

Remuneration

BIPRU 11.5.18R requires that a firm makes a disclosure of details regarding its remuneration policy.

The remuneration for the directors is outlined in the firm's written remuneration policy. Executive directors receive base salaries proportionate with companies of their size, with the added opportunity to enhance their performance by receiving bonuses linked to the performance of the firm.

TF Global Markets (UK) Limited has one key business activity and under BIPRU 11.5.20R, the firm does not consider that it is 'significant in terms of size, internal organisation and nature and scope of its activities' so is not required to disclose the quantitative information referred to in BIPRU 11.5.18R at the level of senior personnel.

The firm falls within FCA proportionality Level 3 and as such this disclosure is made in line with the requirements for a Level 3 firm.

Further Enquiries

Should you have any queries please contact:

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