

# CF Global Trading (UK) Ltd

## 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 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with the implementation of the Capital Requirement Directive IV (CRV IV), regulations under BIPRU for this firm have been replaced by: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 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 CF Global Trading (UK) Ltd. Pillar 3 requirement.

### Frequency of Disclosure

CF Global Trading (UK) Ltd will report their Pillar 3 disclosure annually or upon material change. These disclosures are based on the firm's audited accounts as at the 31<sup>st</sup> December 2016. 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 board and are attached to their annual accounts. 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. CF Trading (UK) Ltd is a wholly owned subsidiary of CF Global Trading LLC.

## **Risk Management**

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 firm 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 and procedures having regard to relevant laws, 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 as required.

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

The ICAAP has identified the most significant risk types to which CF Global Trading (UK) Ltd is exposed as follows:

- Operational Risk:

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

There is a risk that a client or broker may have a dispute over the execution or non execution of an order resulting in an error. This is mitigated by a large errors and omissions insurance policy and constantly reviewed systems and procedures to help remove the likelihood of any error occurring in the first place.

There is a risk that certain key performers could leave the company, leading to reduced income. This is mitigated by a bonus related pay structure and potential membership being offered to certain key personnel.

There is a risk that the key IT systems could fail. This is mitigated by a robust Business Continuity Plan involving battery backup systems and automated telephone switching systems

- Concentration Risk

*This is the risk that CF Global has too much reliance on too few clients.*

The risk of CF Global losing some of their top ten producers is mitigated by the fact that no individual client is fundamental to the ongoing success of the company. The markets the firm is involved in are also diverse and, as such, there is no market concentration risk aspect.

## **Capital Resources** **December 2016 £'000s**

Core Tier 1 Capital	1506
Permanent Share Capital	450
Profit and loss a/c plus other reserves	1056
Total Tier 1 Capital after deductions	1506
Total Tier 2 capital	0

### **Capital adequacy** in compliance with IFPRU 3, 4, 6 & 7

CF Global Trading (UK) Ltd have forecasts in place to ensure that they will continue to meet they regulatory capital requirement on an ongoing basis.

CF Global Trading (UK) Ltd is an IFPRU €50,000 Limited Licence firm and, as such, is not required to calculate their operational risk capital requirement under Pillar 1 in accordance with BIPRU 6. Instead they are required to calculate a Fixed Overhead requirement in accordance with GENPRU 2.1.53R. The following figures are based on the CoRep return basis December 2016.

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 £45,644.

The Counterparty Risk Capital Component is calculated in accordance with BIPRU 14.2.1, and is zero.

The total Market Risk requirement, (BIPRU 11.5.12), has been calculated at £77,607 which comprises solely of Foreign Currency PRR. The Commodity PRR is zero.

### **Remuneration**

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

Given the relatively small size of the firm, remuneration policy for all code staff is set by the board. The board review remuneration for code staff based upon individual, both financial and non financial criteria, and overall firm performance. Individual performance is also reviewed over an extended period to ensure the long term

objectives of the staff and the firm is not in conflict. The overall level of remuneration is set in the form of a base salary and a bonus. The resources available for bonuses are directly linked to the performance of the firm.

Aggregate information.

CF Global Trading (UK) Ltd 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.

The number of identified code staff equate to the number of directors and FCA registered CF30s in the firm.

### **Further Enquiries**

Should you have any queries please contact:

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