# Pillar 3 Risk Disclosure Statements

TradeSlide Trading Tech Limited

## 1. Introduction

This disclosure has been prepared in accordance with the Capital Requirements Directive (“CRD IV”). This legislation consists of three Pillars.

Pillar 1 sets out the minimum capital resource requirement firms are required to maintain to meet credit, market and operational risks.

Pillar 2 requires firms to assess firm-specific risks not covered by Pillar 1 and, where necessary, maintain additional capital. This also includes a Supervisory Review Process.

Pillar 3 requires firms to disclose information regarding their risk assessment process and capital resources with the aim to encourage market discipline by allowing market participants to assess key information on risk exposure and the risk assessment process.

TradeSlide Trading tech Limited (trading with the commercial name of "Darwinex" or the “Company”) does not have any subsidiary investments and so this Pillar 3 Risk Disclosure Statement is in respect of Darwinex only.

## 2. Exemptions

The Company is permitted to omit required disclosures, if the Company believes that the information is immaterial such that omission would be unlikely to change or influence the decision of a reader relying on that information.

In addition, the Company may omit required disclosures where it believes that the information is regarded as proprietary or confidential. Proprietary information is that which, if it were shared, would undermine the Company’s competitive position. Information is considered to be confidential where there are obligations binding the Company to confidentiality with its customers, suppliers and counterparties.

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

## 3. Scope and Application of the Requirements

The Company is authorised and regulated by the Financial Conduct Authority and, as such, is subject to minimum regulatory capital requirements. The Company is categorised as an IFPRU 730k firm by the Financial Conduct Authority. This status has applied from August 2018.

The Company provides execution-only services for a range of investment types to retail and professional clients. The trades are entered by the clients online on the platform and matched entirely on an STP basis directly with intermediate liquidity counterparty, consistent with the Company's obligations as a Matched Principal broker. All completed transactions are systematically matched to the order entering client's client account. No orders are executed if the client does not have sufficient collateral within his/her client account. The Company will never enter into transactions that will not be netted- off contemporaneously to the client.

Furthermore, the Company provides asset management services for strategies based on a range of investment types to retail and professional clients. The company manages the risk of such investment strategies with proprietary algorithms that validate that ex-post investment risk is in-line with investor expectations.

## 4. Risk Management

The Company is governed by a Sole Director (the "Director"), who, in turn determines the Company's business strategy and risk appetite. The Director is responsible for the Company's overall governance arrangements along with designing a risk management framework that encompasses the risks that the business faces. The Risk management framework implemented by the management recognizes all key risk factors faces by the Company. The director in turn reviews the risks on the basis of the framework, ascertains how the risks the Company faces may be mitigated and assessed on an on-going basis and the arrangements required to be implemented to manage and mitigate those risks.

On a daily basis, the risk management process is overseen by the Compliance Officer whose role is to oversee compliance arrangements, to advise and assist personnel as required, and to ensure, by a process of formal and informal monitoring, adherence to the FCA Rules and internal procedures. The Compliance Officer coordinates with the Director who takes overall responsibility for this process.

The Director also carries out annual review of risk management process covering controls and risk mitigation arrangements and assesses its effectiveness. The Director also considers the financial impact of these risks as part of the business planning and capital management process and concludes whether the amount of regulatory capital is adequate.

This assessment process is documented in the Company's Internal Capital Adequacy Assessment Process ("ICAAP") and the conclusion of the ICAAP is that the Company's eligible capital resources (made up of CET 1 capital) as at 31 March 2018 (last ICAAP date) of £2.7m was in excess of the Total capital resource requirement as summarized in Section 5.2 below.

Specific risks applicable to the Company come under the headings of credit, market and other risks which the Company faces.

### 4.1 Market Risk

The Company's business arrangements have been made to ensure that no market risk is taken. All trades are fully matched, failing which orders are rejected. The

Company has an exclusion clause in client facing documentation stating that if a systemic/platform problem occurs, the Company retains the ability to cancel trades.

The Company is however exposed to a limited amount of non-trading book related market risk on its foreign (non-GBP) bank balances and investments.

### 4.2 Credit Risk

Credit risk is the risk of loss caused by the failure of a counterparty to perform its contractual obligations.

Primary credit risk on posted cash collaterals and trade exposures remains with the liquidity counterparties and third party service provider/securities custodian or account bank, holding the Company assets as a result of the trade execution process with the liquidity counterparty. All account banks are with international banking groups with London branches. Capital is allocated for Credit and Counterparty risk on a prudent basis.

The Company’s end client credit risk is mitigated by the use of: (i) conservative triggers for the sending of client margin call requests; and (ii) the client contract which permit positions to be closed out if a Margin Call is not honoured, or earlier, if the client position continues to deteriorate reaching pre-set levels prior to receipt of requested additional funds from the client.

#### 4.2.1 Exposure to liquidity provider default

Net cash owed to the Company will, in case of a liquidity provider default, be taken up with the relevant liquidator.

The Company has in place appropriate client money trust letters from applicable account bank.

#### 4.2.2 Counterparty Risk

The Director of the Company monitors counterparty risk, including any intermediate broker on an on-going basis. The Company has the ability to reduce leverage and have returned any initial and/or variation margin posted to such counterparties at any time. The Company selects counterparties on the basis of the business model and perceived level of risk they pose and their regulatory status.

The Director of the Company considers the credit risk to be low.

### 4.3 Reputational Risk

The biggest threat to reputation is seen to be a failure to comply with regulatory or legal obligations. Failure to deliver minimum standards of service and product quality to customers follows closely behind. Reputation is ultimately about how the business is perceived by stakeholders including customers, investors, regulators, the media and the wider public at large.

When assessing reputational risk, an execution only broker should consider issues such as how poor performance can affect its ability to generate profits or exposure of unethical practices. The effect on its financial position should one or more of its key members of staff leave the Company or the effect on its financial position should it lose some of its largest customers. Companies are exposed due to failure to deliver minimum standards of service and product quality to customers.

Reputational risk is addressed by ensuring the clients understand the methodology of our process and having a clear long term plan. External perception of the Company is regularly measured (among customers, media, pressure groups, etc.) and management is trained to identify and manage those potential reputational risks.

Reputational risk can also be affected by Business Risk which is the exposure of the Company's business caused by uncertainty in the macroeconomic environment, with specific consideration of earnings volatility and cost overruns in severely adverse conditions.

4.4 Liquidity Risk

Liquidity risk is the risk of not being able to meet financial obligations as they fall due. The Company believes this is highly unlikely as funds are not held by the Company but held in liquid assets and use of established and regulated liquidity providers and account banks alike. The cash position is monitored by the Director on a regular basis.

As a result of the simple business model, the Company takes very little risk from a capital adequacy perspective, and does not hold any exposure to the underlying market in any way. Before placing any order as Matched-Principal, the Company ensures that it is matched by a similar client order and clients are required to have money on account, meaning that the Company holds no risk of non-payment. Margin calls are made as and when required and there is a defined policy as to closing out trades when margin requirements are not met by the client, applicable limits are reached.

Liquidity Risk could however arise where the income and revenue streams are either lost completely or are severely reduced. Revenue could be reduced or stopped for a number of reasons. These include, but are not limited to, a marked turndown in market volumes for a prolonged period or a continued period of recession.

The Company’s Directors have mitigated this risk by investing in excess of capital requirement and running the Company with a low expense base.

4.5 Interest Rate Risk

Interest rate risks may arise from a number of sources including risk related to the mismatch of re-pricing of assets and liabilities and long term positions. Risks may also arise from hedging exposure to one interest rate with exposure to a rate, which is re-priced under slightly different conditions. Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair value of financial instruments.

As a matched principal broker, the Company is not exposed to interest rate risk in real terms as it is not carrying open position in its trading book.

### 4.6 Operational Risk

Operational Risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems, or from external parties. Specifically this includes: employees (e.g. fraud or key man dependencies), third party intermediaries, information technology (systems), and processes including failure to meet regulatory/legislative requirements or internal procedures.

The Company's Director will continuously monitor this risk and is of the view that it can be substantially mitigated by placing adequate systems and controls, as well as continuous monitoring.

### 4.7 Business Continuity Risk

The Company has a business continuity plan that will be tested annually. The Company's Director is satisfied that the plan will allow the Company to continue to function under a wide range of disaster scenarios. The business model can continue to operate from any location provided that there is secure internet access.

### 4.8 Legal, Compliance and AML Risk

As a regulated investment Company, the Company is required to comply with different legislation, non-compliance of which may expose the Company to fines, penalties or litigation. Management is fully aware of such risks and has set out documented controls and procedures in the form Compliance Monitoring Programme, AML training and appointment of external compliance consultants to perform compliance reviews. It is the view of management that such procedures are adequate and accordingly, no capital has been set aside for this specific risk. However as the business grows, management will continuously review this risk to assess if there is any need of additional capital.

## 5. Capital Adequacy

As an IFPRU €730k Company, the Company has calculated its capital resources in accordance with CRD IV / EU CRR. The Company's Pillar 1 capital resource requirements are the sum of credit, market and operational risk.

### 5.1 Pillar 1 - Capital Requirement

As of 31 March 2018, the Company's Pillar 1 capital requirement was £459k which was the sum of credit (including counterparty credit and credit valuation adjustment), market, and operational risk.

Capital Requirements (£'000)

(Mar 18)

Pillar 1

Credit Risk

205

Operational Risk

232

Market Risk

-

Counterparty Credit Risk

18

Credit Valuation Adjustment

5

P1 Own funds requirement

459

5.2 Pillar 2 - Capital Requirement

Pillar 2 requires each Company and supervisors to review whether additional capital should be held against risks not covered in Pillar 1 which the Company will face or likely to face and to instigate additional controls to mitigate such risks or a combination of these two approaches. Pillar 2 requires a Company to assess its exposure to risks and the processes it uses for identifying, measuring and controlling risks to ensure on-going compliance with standards laid down in the CRD.

Where risks could be considered material, this may not result in the Company holding additional capital as mitigation to each risk may be appropriate to mitigate each risk using another mechanism, such as a control or management action. It is acknowledged that some risks cannot be mitigated by merely holding additional capital and management will consider other approaches to mitigating those risks.

The Director has assessed each risk as mentioned in section 4 above and included the Pillar II risks highlighted in the table below.

Capital Requirements (£’000)

(Mar 18)

Pillar 2

| | |
|---|---|
| Liquidity Risk | 2 |
| Market Risk | 65 |
| Business Risk | 6 |
| Conduct Risk | 14 |
| People Risk | 8 |
| Regulatory Risk | 10 |
| P2 Own funds requirement | 106 |
| P1 + P2 | 566 |

## 6. Publication

The Pillar 3 disclosure is published on the Company's website.

## 7. Frequency of Disclosure

The Company will report their Pillar 3 disclosure annually or upon material change. These disclosures are based on the Company's position as at 31 March 2018.

## 8. Remuneration

The Firm’s Remuneration Policy complies with the Remuneration Code in relation to its size, nature, scope and complexity of our activities.

The Policy is aligned to the Firms’ business strategy, objectives, values and long term interests in respect of performance and effective risk management in line with the Firm’s risk appetite.

9. Location and Verification

These disclosures have been validated by the Director. These disclosures are not subject to an audit except to the extent where they are equivalent to disclosures made under accounting requirements.