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## **FCA Pillar 3 disclosure**

31 March 2017

### **FCA Pillar 3 disclosures**

The Capital Requirements Directive ('the Directive') of the European Union establishes a revised regulatory capital framework across Europe governing the amount and nature of capital credit institutions and investment firms must maintain. In the United Kingdom, the Directive has been implemented by the Financial Conduct Authority ('FCA') in its regulations through the General Prudential Sourcebook ('GENPRU') and the Prudential Sourcebook for Banks, Building Societies and Investment Firms ('BIPRU').

The FCA framework consists of three 'Pillars':

- Pillar 1 sets out the minimum capital amount that meets the firm's credit, market and operational risk;
- Pillar 2 requires the firm to assess whether its Pillar 1 capital is adequate to meet its risks and is subject to annual review by the FCA; and
- Pillar 3 requires disclosure of specified information about the underlying risk management controls and capital position.

The rules in BIPRU 11 set out the provision for Pillar 3 disclosure. This document is intended to meet the Pillar 3 obligations.

The Directors are permitted to omit required disclosures if they believe 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 Directors may omit required disclosures where they believe that the information is regarded as proprietary or confidential. In the view of the Directors, proprietary information is that which, if it were shared, would undermine their competitive position. Information is considered to be confidential where there are obligations binding them to confidentiality with their customers, suppliers and counterparties.

Other than noted below, the Directors have made no omissions on the grounds that it is immaterial, proprietary or confidential.

#### *Scope and application of the requirements*

Tavira Securities Ltd ("the Firm") is authorised and regulated by the Financial Conduct Authority and as such is subject to minimum regulatory capital requirements. The Firm is categorised as a limited licence firm by the FCA for capital purposes. It has no trading book exposures.

#### *Risk management*

The Firm is managed day to day by the Directors; ultimate responsibility for management of the business rests with the Directors. The Directors determine the Firm's business strategy and risk appetite. The Directors are responsible for maintaining the Firm's governance arrangements along with implementing a risk management framework that recognises the risks that the business faces.

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### FCA Pillar 3 disclosures (continued)

The Directors also determine how the risk the business faces may be mitigated and assesses on an ongoing basis the arrangements to manage those risks. The Directors manage the Firm's business 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 operating a defined and transparent risk management framework. These policies and procedures are updated as required.

The Directors have identified that market, liquidity and credit risks are the main areas of risk to which the Firm is exposed. Annually the Directors formally review their risks, controls and other risk mitigation arrangements and assess their effectiveness. Where the Directors identify material risks they consider the financial impact of these risks as part of the business planning and capital management process and conclude whether the amount of regulatory capital is adequate.

### Regulatory capital

The Firm is a Limited Company and its capital arrangements are established in its Company formation documents (available at Companies House) . Its capital is summarised as follows:

<b>Capital</b>	<b>£'000</b>
Share Capital and Share Premium	772
Reserves	386
Net assets	<u>1,158</u>

The main features of the Firm's capital resources for regulatory purposes are as follows:

<b>Capital item</b>	<b>£'000</b>
Tier 1 capital less innovative tier 1 capital	1,158
Total tier 2 innovative tier 1 and tier 3 capital	—
Deductions from tier 1 and tier 2 capital	—
Total capital resources net of deductions	<u>1,158</u>

The Firm has a simple operational infrastructure. It does not have significant risks from foreign exchange. Its credit risk arises from fees receivable and the onboarding of clients. The Firm mitigates the credit risk by holding its assets with high credit rated institutions. The Firm and its parent Company assess the liquidity risk of the business and believe the availability of funds is adequate for the business.

The Firm is subject to the Fixed Overhead Requirement and is not required to calculate an operational risk capital charge though it considers this as part of its process to identify the level of risk based capital required.

As discussed above the firm is a limited licence firm and as such its capital requirements are the greater of:

- Its base capital requirement of €125,000; or
- The sum of its market and credit risk requirements; or
- Its Fixed Overhead Requirement.

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### **FCA Pillar 3 disclosures** (continued)

The firm does not have a market risk capital requirement.

The firm's capital requirement is governed by its Fixed Overhead Requirement . As at 31<sup>st</sup> March 2017, the FOR was £783,000 giving rise to a surplus versus the capital of the firm.