



FXopen
when money makes money

Pillar III Disclosures
v1.1 – November 2013

FXOpen is authorised and regulated in the UK by the Financial Conduct Authority
under Firm Reference Number: 579202

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1 COMPANY BACKGROUND

FXOpen Ltd (“FXOL”) is an investment firm in the online Forex and CFD broking arena, serving the investment needs of investors globally, offering the full range of derivative and spread betting services and products via its online trading platforms. FXOL is authorised and regulated by the Financial Conduct Authority (“FCA”) in the United Kingdom under Firm Reference Number **579202** and is incorporated in the United Kingdom under Company Number **07273392**.

Currently FXOL is an IFPRU €125k “Limited License” firm for the purposes of the Capital Requirements Directive (“CRD”) supervision requirements. The firm does not underwrite MiFID financial instruments and / or place MiFID financial instruments on a firm commitment basis but does deal in financial instruments as Principal to transactions utilising the Matched Principal exemption available to it under FCA regulations. The firm is a ‘standalone’ entity in the United Kingdom and is not part of a group for the purposes of the scope of the (“CRD”).

The Board of FXOL meets quarterly for reporting and recording the management and direction of the firm, Compliance status, Money Laundering Prevention, Risk, and Audit.

2 REGULATORY FRAMEWORK

The CRD of the European Union established a revised regulatory capital framework across Europe governing the amount and nature of capital that credit institutions and investment firms must maintain. In the United Kingdom, the CRD, as it impacts Investment Firms, is governed by the FCA.

From 1 January 2014, with the implementation of the CRD, the applicable regulations are:

- a) the Capital Requirements Regulation (“CRR”);
- b) the IFPRU (being the FCA’s Prudential Sourcebook for Investment Firms) sourcebook of the FCA handbook; and
- c) additional standards released by the European Banking Authority.

The framework consists of three “pillars”:

- a) **Pillar I:** Sets out the Tier 1 or ‘Own Funds’ capital requirements firms are required to maintain at all times;
- b) **Pillar II:** Requires firms to assess the amount of internal capital they consider adequate to cover all the risks to which they are, or are likely to be, exposed for example, credit, market, and operational risk. This is implemented through the Internal Capital Adequacy Assessment Process (“ICAAP”) undertaken by the firm. The FCA reviews and evaluates the firm’s ICAAP as part of the Supervisory Review and Evaluation Process (SREP); and
- c) **Pillar III:** Dictates that firms publicly disclose certain details of their risks, capital, and risk management arrangements.

3 CAPITAL RESOURCES

The capital resources analysis below is based on the latest accounting figures as of 31st December 2021 and is consistent with the Firm’s new ICAAP is produced during in March 2022, as of 31st December 2021. The analysis will be updated on an annual basis to reflect the updated results for the year.

4 TIER 1 CAPITAL

The total of FXOL’s Tier 1 capital comprises ordinary shares and retained earnings. Intangible assets are deducted in full in accordance with FCA requirements.





| Tier 1 Capital | (£000s) |
|-----------------------|----------------|
| Ordinary Shares | £4,635 |
| Share Premium | 0 |
| Other Reserves | 0 |
| Minority Interest | 0 |
| Retained Earnings | £-2,234 |
| Less: Deductions | 0 |
| Other Reserves | £-128 |
| Total Capital | (£000s) |
| | £2,273 |

5 RISK MANAGEMENT

FXOL, being authorised and regulated by the FCA, are required to make public disclosure of its risk management principles and policies in accordance with the requirements of Pillar III of the EU Capital Requirements Directive and the ICAAP as prescribed by the FCA.

The firm's Board have overall responsibility for the firm's system of internal controls, the objectives of which are the safeguarding of the clients' assets, ensure the accounting records are properly maintained and mitigate the risks of failure in achieving the firm's business objectives.

The firm's Executive Management is also responsible for oversight on:

- Audit and Risk;
- Remuneration; and
- Operational Management.

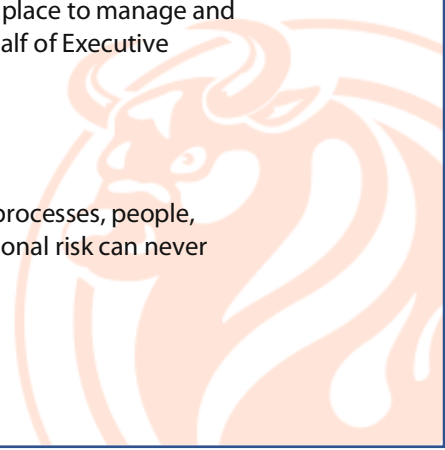
Regarding Audit and Risk, the Board plays a critical role in monitoring the integrity of the financial statements of the firm and overseeing the company's financial reporting processes and internal controls. The firm also contracts a qualified, External Audit consultancy firm to provide independent accounting and regulatory review. By effectively carrying out these functions and responsibilities, the Board helps to ensure that the firm's management properly develops and adheres to a sound system of internal controls.

The firm, via its ICAAP continually updates its risk register. This acts as a central repository for all risks identified and, for each risk, includes information such as source, nature, treatment option, existing countermeasures and required remedial action.

Any subordinate stakeholders are required to subject their risks to a regular monitoring program and any concerns or issues are escalated to the Board to ensure appropriate controls remain in place to manage and mitigate risk. The Risk Register is maintained by the Compliance Officer for and on behalf of Executive Management.

6 RISK CATEGORIES & DEFINITIONS OPERATIONAL (BUSINESS) RISK

Operational risk is defined as the risk of loss arising from inadequate or failed internal processes, people, and systems or from external events, including legal risk. The firm is aware that operational risk can never be eliminated but seeks to minimise and mitigate the impact of operational events.



In general, operational risk concerns are managed through sound internal controls, strong governance arrangements and loss mitigation techniques. The firm has a robust risk management framework which underpins all activities conducted within the firm. This includes Board oversight, policies and regularly reviewed procedures to ensure compliance with laws and regulations.

7 CREDIT RISK

This represents the risk of loss through default by a counterparty. The most significant risk to the firm is that a client will fail to settle a trade. Regarding Retail business, the firm does not consider that given the breadth of its client list and the volume of transactions, there is a risk of client default that would be material in the context of the overall business.

The firm is exposed to credit risk which may arise from short term deposits held with UK clearing banks; however, this risk is mitigated using a range of highly rated UK based banks. Under current market conditions it would appear highly unlikely that these banks would default on the deposits that they hold for the firm, however regular due diligence is conducted, and funds are diversified to mitigate the risk.

All Client Money held by the firm is held in Trust for all clients, this is documented in accordance with the FCA CASS rules.

8 MARKET RISK

This is the risk that arises from fluctuations in values of, or income from, assets or in interest or exchange rates. The firm does not deal for its own account on a proprietary basis and only enters 'Matched Principal' positions on a 'Straight Through Process' ("STP") or 'Riskless' basis.

The firm generates small currency exposures because of maintaining Client Money and operating accounts in currencies other than sterling. While changes in interest rates may affect income, they should not pose a significant risk to the firm.

9 CREDIT RISK REQUIREMENT ("CRR")

| PILLAR I RISKS - Minimum Capital | |
|---|-------|
| Credit Risk | 0 |
| Market Risk | 0 |
| Operational Risk | 0 |
| PILLAR II RISKS (£'000's) | |
| Credit Risk | £173k |
| Market Risk | £160k |
| Operational Risk | £10k |

10 REMUNERATION POLICY DISCLOSURES

Executive Management has responsibility to determine and implement the firm's remuneration philosophy and the principles of its Remuneration policy, ensuring that these are in line with business strategy, objectives, values, and long-term interests of the firm and comply with all regulatory requirements and to

create the firm's remuneration statement which ensures that remuneration does not encourage excessive risk-taking. This will be subject to annual review.

Remuneration decisions are based on several financial and non-financial performance indicators including, but not limited to:

- Performance against agreed objectives.
- Performance of a function.
- The generation of profitable business.
- Strategic business requirements.
- Retention and succession planning; and
- Market intelligence.

11 CODE STAFF CRITERIA

It has been determined that only those Approved Persons performing Significant Management Functions within the firm will be classified as Code Staff. For the period ending **31st December 2021**, those staff approved with these functions totalled **2** people. The quantitative information included in this disclosure relates to the **2** staff members identified as Code Staff.

FXOL recognises the responsibility Code Staff have in driving its future success and that remuneration is a key component in motivating and rewarding those staff. Code Staff remuneration is based on competitive, market-based wages that equitably compensate employees for skills provided, work performed, and responsibility undertaken. Overall remuneration may include an annual variable incentive compensation reflecting individual performance and responsibility, both short- term and longterm, as well as the firm's overall performance.

Any remuneration where payment is deferred to a future date may be subject to adjustment and the Board will consider the following factors:

- Misconduct of individual employees.
- Any downturn in the firm's performance and profit projections; and / or
- Any recorded or known failures in the firm's Systems and Controls infrastructure or regulatory non-compliance.

12 INDEPENDENCE OF THE COMPLIANCE FUNCTION

Control functions within Compliance report directly to the firm's Chief Executive Officer. This gives them the appropriate authority to conduct their roles and allows independence from the business they oversee. Employees holding the SMF16, SMF17 Senior Management Functions and the Client Assets Certified Function under SM&CR attend the Board meetings to directly present their reports to Executive Management.

13 QUANTITATIVE DISCLOSURES

- Number of staff to be classified as 'Code Staff' under FCA regulations and the firm's Remuneration Policy = **2**
- Aggregate remuneration expenditure in respect of Code Staff for period ending **31st December 2021** in respect of the **2** Code Staff when factored against benchmark figures for the FCA's REP005 return (€1mln) = **£0k**.
- Remuneration expenditure was divided between fixed and variable remuneration as follows:
 - Fixed remuneration: **£0**
 - Variable remuneration: **£0**
- NB! There has been no deferred remuneration paid for the period ending **31st December 2021**.

