

DELTA FINANCIAL MARKETS (The “Company”)
(Registered number: 07280005)

Pillar 3 Disclosure

30th October 2015

1. Introduction

1.1 Regulatory Framework for Disclosures

The Basel II Accord, implemented by the European Union through the Capital Requirements Directive (“CRD” or “the Directive”), establishes a regulatory capital framework for the financial services industry governing the amount and nature of capital that credit institutions and investment firms must maintain. Within the United Kingdom, the Directive has been implemented by the Financial Conduct Authority (“FCA”). From 1 January 2014, with the introduction of the Capital Requirements Directive IV (“CRD IV”), the regulations previously implemented in the UK through rules and guidance in the General Prudential Sourcebook (“GENPRU”) and the Prudential Sourcebook for Banks, Building Societies and Investment Firms (“BIPRU”), have been supplemented and in some cases replaced by:

- The Capital Requirements Regulation (“CRR”), and
- FCA’s Prudential Sourcebook for Investment Firms (“IFPRU”).

The framework consists of three “pillars”:

Pillar 1: specifies minimum capital requirements that firms are required to meet for credit, market and operational risk.

Pillar 2: requires firms and their regulatory supervisors to assess the need for the firm to hold additional capital to cover risks not covered under Pillar 1. In the UK this is implemented through the Internal Capital Adequacy Assessment Process (“ICAAP”) undertaken by the firm, and through the Supervisory Review and Evaluation Process (“SREP”) undertaken by the FCA.

Pillar 3: requires firms to publicly disclose certain details regarding their risk exposures, capital, risk assessment and risk management arrangements.

The Pillar 3 disclosure requirements are contained in Articles 431 to 455 of the CRR and are intended to ensure that disclosures are sufficient to allow market participants to form an assessment of the firm’s risk profile.

1.2 Scope of Disclosures

These disclosures relate to DELTA FINANCIAL MARKETS LIMITED (the “Company”). The Company was incorporated with limited liability in England and Wales on 10th June 2010 and is authorised and regulated by the Financial Conduct Authority (the “FCA”) number 534027 to act as a market-maker and provider of rolling spot Forex contracts, financial

contracts for differences and spread bets, as well as to offer related services. The Company is categorised as a full scope €730,000 firm by the FCA for capital purposes.

CRR Article 432(2) provides that a firm may omit one or more items of information included in the required disclosures if those items include information which is regarded as proprietary or confidential. Information shall be considered as proprietary to a firm if disclosing it publicly would undermine its competitive position. Where information has been omitted from these disclosures in accordance with either CRR Article 432(1) or Article 432(2), this has been stated in the relevant section.

1.3 Frequency and Means of Disclosure

These disclosures are published on this website (www.dfmarkets.co.uk) on an annual basis. The disclosures will be updated more frequently if necessary to reflect material changes to the company's internal capital adequacy assessments.

2. Risk management objectives and policies

The Directors of the Company determine its business strategy and the risk appetite. They have designed and implemented a risk management framework that recognises the risks that the business faces. The Directors of the Company also determine how those risks may be mitigated and assess on an ongoing basis, the controls and procedures necessary to manage those risks. The Directors of the Company and Compliance Officer meet on a regular basis and discuss projections for profitability, liquidity, regulatory capital, business planning and risk management.

As a market maker, the Company considers the following as key risks to its business:

Business risk – This risk represents a fall in client activity and client numbers, the loss of key staff or a lack of client and investor diversification which may reduce the dealing spread income earned by the Firm and hinder its ability to finance its operations and reimburse its expenses. Business risks are assessed and mitigated as part of the Internal Capital Adequacy Assessment Process ("ICAAP").

Operational risk – This risk covers a range of operational exposures from risk of trading errors to risk of valuation errors on the dealing platform. Legal and reputational risks are also included within the category of operational risk. Operational risks and mitigants are assessed as part of the ICAAP.

Credit risk – This risk relates to the counterparty exposure relating to the Company's bank balances and any other debtors, including non-banks for hedging and trading exposures. This is monitored by the Board of Directors and reported monthly.

3. Capital Resources

The capital resources of the business comprise of Tier 1, Tier 2 and Tier 3 capital with no deductions.

As a full-scope licence firm the capital resources requirement is calculated as the total of Pillar 1 and Pillar 2 capital.

Pillar 1 capital is the greatest of:

1. a base capital requirement of Euro 730,000; and
2. the sum of operational, market and credit risk requirements

Pillar 2 capital is calculated by the Company as representing any additional capital to be maintained against any risks not adequately covered under the requirement in Pillar 1 as part of its ICAAP. The Company reviews its market and credit risk monthly.

The Company applies a standardised approach to credit risk, applying 8% to the Company risk-weighted exposure.

Risk Type	Pillar 1	Internal Capital Assessment (ICAAP)	Capital Required	RWA %
	Minimum capital (£'000)	Pillar 2 capital (£'000)	(£'000)	
Base	523 (€730k)			
Credit risk	127	173	173	1.95%
Market risk	466	751	751	8.45%
Operational risk	118	94	118	1.33%
Business risk		76	76	0.86%
Liquidity risk		75	75	0.84%
Additional capital to cover stress testing / scenario				
Capital requirement	711	1,169	1193	13.42%
% of RWA	8%	13.15%	13.42%	
Risk Weighted Assets (RWA)	8, 888			
Common Equity Tier 1 Capital /Tier 1 Capital/Total Capital			1,327	14.93%

Under CRD IV the firm must, at all times, satisfy the following own funds requirements: **a)** Common Equity Tier 1 capital ratio of 4.5%; **b)** Tier 1 capital ratio of 6%; **c)** Total capital ratio of 8% CRD IV requires these ratios to be calculated using total exposure values, which are the Pillar 1 requirements multiplied by 12 ½.

Common Equity Tier 1 Capital/Tier 1 Capital / Total Capital

Total capital after deductions:	£'000
Called-Up Share Capital	1,400
Audited Retained Earnings	(73)
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Total Common Equity Tier 1 Capital	1,327
Base capital requirement	523 (€730k)

4. Remuneration Disclosures

Overview

Given the size and nature of the company, the directors consider that it does not need to maintain a separate remuneration committee. This decision will be reviewed by in the event of any material changes in the business.

Remuneration of all directors and employees is directly overseen by the CEO in conjunction with the board of directors.

General Requirements

The company is required to implement and maintain a remuneration policy, procedures and practices for all directors and employees that are consistent with and promote sound effective risk management and are in accordance with the FCA's code of practice.

The policy is intended to cover all aspects of remuneration and is subject to the company's general organisation requirements under the FCA's Senior Management Arrangements, Systems and Controls ("SYSC"). The company is a full scope IFPRU 730K investment firm. The Company seeks to avoid creating any incentive for individuals to take inappropriate risk. The remuneration policy is in line with the business strategy, objectives, values and long term interest of the firm, and incorporates measures to avoid conflicts of interest.

The company's business strategy is to provide clients an electronic trading platform in order to trade CFD's and financial spread bets in Forex, shares, stock indices and other financial products.

The company will seek to attract appropriate talent by offering some flexibility and retain confidentiality in respect of some of the terms it introduces. However, these terms will be appropriate and respect the principles of this policy.

Conflicts of Interest

The company regularly reviews potential conflicts and where appropriate updates its conflict of interest policy.

The remuneration structure discourages directors and staff from acting unfairly towards clients. The company ensures fair treatment of clients by ensuring that its client take-on policy complies with the Financial Services and Markets Act 2000.

The company has an anti-bribery policy which prohibits the offering, the giving, the solicitation or acceptance of any bribe whether cash or inducement.

Governance

This policy will be reviewed by the board of directors on an annual basis.

Private Medical Insurance

The company does not have a Medical Insurance Scheme.

Remuneration Structures

Directors and Staff receive an annual salary paid monthly on or around the last day of each month.

Discretionary Bonuses

The company runs a discretionary bonus scheme that is based on individual performance as well as company's profitability. The bonus does not form part of the employees' contractual remuneration.

5 Management of the ICAAP

The approach of the Company to assessing the adequacy of its internal capital to support current and future activities is contained in the ICAAP. This process includes an assessment of the specific risks to the Company and the internal controls in place to mitigate those risks. Finally, an assessment is made of the probability of occurrence and the potential impact, in order to arrive at a level of required capital, as relevant. The Company's ICAAP is formally reviewed by the Directors of the Company approximately annually, but will be revised should there be any material changes to the Company's business or risk profile.

Vladimir Kisikov

Director