

iDealing.com Limited Pillar 3 Disclosure - as at 30 September 2019

This is the Pillar 3 disclosure made in accordance with the UK Financial Services Authority ("FCA") Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU") which is required to be made on an annual basis. Definitions of assets and capital differ between the regulated capital adequacy rules of the FCA and the statutory accounting balance sheet standards. In these Pillar 3 Disclosures the definitions set out in the FCA rules are used.

Capital Resources

Tier 1 Capital

The Company's Tier 1 capital comprises ordinary shares, which may have been issued at a premium, and retained earnings. Intangible assets are deducted in full in accordance with FCA requirements.

£'000	
Permanent Share Capital	1,608,002
Profit and loss account and other reserves	4,850,731
Less Prudential Filters	(1,703)
Total Tier 1 Capital	6,457,030

Tier 2 Capital

£'000	
Revaluation Reserve	0
Total Tier 2 Capital	0

Tier 3 Capital

The Company's Tier 3 capital is comprised of unaudited Interim Profits less Dividends Paid since the previous account date. Tier 3 capital no longer forms part of eligible capital under the Capital Requirements Directive.

£'000	
Total Tier 3 Capital	0

Risk Management Objectives and Policies

The Company has a clearly defined operational strategy, which is

- To maintain a highly trained workforce which is flexible in operational terms to deal with varying levels of income; and
- Retain a strong balance sheet.

The Board has overall responsibility for the Company's system of internal controls, the objectives of which are the safeguarding of the Company's assets, the maintenance of proper systems and accounting records and the availability of reliable financial information for use within the business. This system of internal controls is also designed to provide reasonable, albeit not absolute, assurance against material misstatement, errors, and fraud.

The Company's senior management continuously assess the effectiveness of the Company's internal control systems, which include appropriate levels of authorisation and segregation of duties. Financial reports are continuously updated in real-time.

During the Company's annual external audit, the suitability and effectiveness of the Company's internal controls and risk management are discussed, together with the ongoing monitoring of compliance, financial and operational controls and risk management. This information is reported to the Company Board which is able to conclude, with reasonable assurance, that the appropriate internal control systems have been maintained throughout the year.

Risk categories and definitions

Operational risk

The Company seeks to minimise the risk of loss arising from inadequate or failed internal processes, people and systems or from external events by the application of its policies, procedures, and system controls.

The Company's Operational Risk Capital Requirement is £198,998.

Credit risk including Counterparty default risk

Apart from its margin accounts, the Company takes no credit risk with respect to client settlement obligations of equities and bonds, as it requires cleared funds and/or cleared security balances before transactions to be effected by or on behalf of its clients.

Margin Account risk management is managed by way of prudent collateral requirements and the Company's Forced Stop Order requirement.

Euroclear settlement trades are conducted on the basis of "delivery versus payment", which minimises the counterparty risk of exposure to the difference between the transacted consideration and the current value to the transacted securities while the trade is unsettled. The company regularly reviews its exposure due to unsettled trades and the resultant risk requirement. The Company's Settlement Risk Capital requirement is £0.

The Company's Credit Risk Capital Requirement which results from the risk that its own cash and assets held with other legal entities is not returned, not related to settlements, is £608,965.

Market risk

The Company engages in market making and riskless principal trading. The Company also has foreign currency exposures due to the holding of non-GBP cash balances. Market risk is evaluated daily by the Company.

The Market Risk Capital requirements are assessed using the standardised approach and is £39,626.

Surplus Capital

The Company holds Capital level far in excess of the regulatory requirement. As at 30 Sep 2019 the Company held £5,980,262 in excess of its regulatory CET1 Capital Resource Requirement, and a CET1 Capital Ratio of 60.9%.

Internal Assessment of Capital adequacy

The Company assesses internal capital adequacy, as required by Pillar 2, on at least an annual basis.