

Swissquote Financial Services (Malta) Limited

PILLAR 3 DISCLOSURES



Swissquote Financial Services (Malta) Ltd

Pillar 3 disclosures

1. Introduction

These Pillar 3 disclosures are made annually (or more frequently if necessary) by Swissquote Financial Services (Malta) Ltd (“the Company”) and have been prepared in accordance with the requirements of European Union’s Capital Requirements Directive (“CRD” or “the Directive”) as implemented by the Malta Financial Services Authority (“MFSA”).

The purpose of the disclosure is to encourage the stability of the financial markets by allowing market participants to assess key information on Company’s capital adequacy and risk and control processes. The required disclosures are specified under Part 8, Articles 434-455 of the Capital Requirements Regulation (“CRR”).

The CRR is constituted by three Pillars:

Pillar 1	Establishes the minimum capital requirements in respect of credit, market and operational risk exposures.
Pillar 2	Requires the assessment of whether the Company’s Pillar 1 capital is adequate to meet risk exposures and calculate of the amount of capital that should be held against those exposures and forms the basis of the Internal Capital Adequacy Assessment Process (“ICAAP”).
Pillar 3	Requires the public disclosure of specific information about the underlying risk management controls and capital position.

Pillar 3 disclosures are made where the regulations apply to the Company. The Pillar 3 disclosures made within this document have been reviewed by the Board of Directors.

These Pillar 3 disclosures are not subject to external audit.

Quantitative disclosures are made as at 31 December 2019 and are made as soon as reasonably possible after the completion of the annual financial statements. Any disclosure described herein apply to the Company on an individual basis.

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2. Background information

Swissquote Financial Services (Malta) Ltd is based in Malta and is authorised by the MFSA (licence number IS/57936). The Company provides the investment service of reception and transmission of orders and is authorised to act as a custodian for collective investment schemes and pensions. The Company does not execute trades.

The Company's revenue is primarily earned from custody services. The Company also generates brokerage commission revenue with the Company being dependent upon transaction volumes, regardless whether the clients' trading is profitable or not (except that profitable clients are likely to generate sustained trading volumes).

Swissquote Ltd is part of the Swissquote Group with the ultimate shareholder of the Company being Swissquote Group Holding Ltd ("the Parent Company"), which is listed on SIX Swiss Exchange since 29 May 2000.

Swissquote Group Holding Ltd:

Ticker symbol	Reuters SQZ.S Bloomberg SQNSW Telekurs SQNt
Security number	1067586
ISIN number	CH0010675863
Investor relations	https://en.swissquote.com/company/investors

The Swissquote Group provides online financial services. Swissquote Bank Ltd, a bank incorporated on 24 November 2000 under the supervision of Swiss Financial Market Supervisory Authority also forms part of the Swissquote Group together with offices in Zürich, Bern, Dubai, Hong Kong, Luxembourg, Singapore and London.

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3. Business Risks and Risk Management

In accordance with paragraph 3 of article 432 of the Capital Requirements Regulation (CRR), the Company determined that, the disclosure required under articles 431 to 455, 492 of the CRR and paragraph R4-7.2.1 of the Standard Licence Conditions of Part BI of the Investment Services Rules for Investment Services Providers issued by the MFSA, is considered not to be material. As a result, the disclosure requirement shall not apply to the Company.

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4. Capital resources

The Company maintains sufficient capital to meet its regulatory requirements and takes a prudent approach to the management of its capital base.

The amount and type of own funds (also referred as “Capital resources”) of the Company is set out in the table below:

Own funds/Capital resources	31 December 2019 (amounts in EUR)	31 December 2018 (amounts in EUR)	31 December 2017 (amounts in EUR)
Equity share capital	1,650,000	1, 650,000	1,650,000
Other reserves	1,016,997	995,707	961,707
Retained earnings, including profit for the year (if audited)	(839,386)	(1,017,041)	(1,001,655)
Total Tier 1 capital	1,827,611	1,628,666	1,610,052
Less: deductions from Tier 1 capital	-	-	-
Total Tier 2 capital	-	-	-
Total Capital resources	1,827,611	1,628,666	1,610,052

The Company is required at all times to maintain Own Funds at least equal to its capital resources requirement. The Own Funds may not fall below the amount of initial capital required.

Pillar 1 Capital requirements	31 December 2019 (amounts in EUR)	31 December 2018 (amounts in EUR)	31 December 2017 (amounts in EUR)
Total Pillar 1 Own Funds Requirement	2,496,464	1,643,765	753,148
Excess of capital resources over capital requirements	1,715,270	1,554,698	1,444,625
Total capital ratio (%)	73.20%	99.08%	196.31%

The Company monitors its capital ratio on a quarterly basis and reports the results to the Senior Management. This includes actual business performance to date, budget analysis and any known changes in regulatory requirements.

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4. Capital resources (continued)

The Company also carries out an Internal Capital Adequacy Assessment Process (“ICAAP”) to determine if any additional Pillar 2 capital is required. The outcome of the ICAAP is formally approved by the Board of Directors at least annually (with more frequent reviews if there is a fundamental change to the business or the operating environment).

The ICAAP is the mechanism that the MFSA requires a regulated firm to use to assess the level of internal capital that it considers adequate to cover the nature and level of risk to which it is or might be exposed. The ICAAP process includes an assessment of specific risks to the Company’s business, the likelihood of these risks occurring and controls implemented to mitigate these risk. Pillar 2 covers any risk not fully addressed in Pillar 1.

In order to manage its capital risk, the Company monitors, constantly, its capital adequacy ratio to ensure that this remains at all times above the regulatory minimum.

Calculations are submitted to the MFSA on a quarterly basis. The MFSA rules also establish a supervisory process for the MFSA to challenge firm’s own assessments of their risk exposures and corresponding capital requirements.

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5. Remuneration

The Company seeks to attract and retain employees, who are motivated by its culture, highly ethical business standards and reputation. The Company's remuneration policy promotes staff retention and loyalty.

Given the size and the nature of the Company, the Board of Directors performs the functions of the remuneration committee.

In accordance with MFSA rules, the Company is required to implement and maintain a remuneration policy, procedures and practices for all Directors and employees that are consistent and promote sound effective risk management.

Details of the remuneration paid to the Company's staff and directors in 2019 is as follows (amounts in EUR):

	Fixed	Variable	Total
Board of Directors	15,000	800	15,800
Senior Management & Staff	501,247	21,290	522,537
Total	516,247	22,090	538,337

As part of the Swissquote Group, the Company is subject to the Group's remuneration policy, which is seen as an important component of the Group's corporate framework. Since 2001, it has been the Group's policy to issue annually a Remuneration Report. The Group Remuneration Report provides information on the remuneration policy and the components of the remuneration, and reports on the type and size of payments made during the period under review. The Group Remuneration report is available on the Group website (<https://en.swissquote.com/company/governance>).

