TP ICAP PLC

PILLAR 3 DISCLOSURES - 2018

1. Introduction

1.1 Background

The Capital Requirements Regulation (CRR) and Capital Requirement Directive IV (CRD IV), which represented the European Union's ("EU") implementation of the Basel III Accord, is the prudential framework governing the type and amount of capital to be held by credit institutions and investment firms. The CRR has direct effect within the UK, whilst CRD IV has been implemented into UK law through the FCA Handbook, including through the adoption of the Prudential Sourcebook for Investment Firms (IFPRU).

The prudential framework consists of three 'pillars':

- Pillar 1 sets out the minimum capital required to meet credit, market and operational risk exposures.
- Pillar 2 requires firms to undertake an Internal Capital Adequacy Assessment Process ("ICAAP") to assess whether their Pillar I capital is adequate to cover all of the risks to which they are exposed, and if not, to calculate the additional capital required. The ICAAP is then subject to review by the FCA through the Supervisory Review and Evaluation Process.
- Pillar 3 requires firms to disclose specific information concerning their risk management policies and procedures, and to provide a summary of their regulatory capital position.

Articles 431 – 455 of CRR set out the specific disclosure requirements and the purpose of this document is to enable TP ICAP plc and its subsidiaries ("the Group") to meet the requirements contained therein.

1.2 Disclosure Policy

In accordance with Article 431(3) of CRR the Group has adopted a formal disclosure policy to comply with the disclosure requirements, and has policies for assessing the appropriateness of the disclosures, including their verification and frequency.

Under Article 432(1) of CRR, a Group may omit one or more of the required disclosures if the information is not material. Information shall be regarded as material where the information would not be likely to change or influence the decision of a user relying on that information for the purposes of making an economic decision. No disclosures have been omitted on these grounds.

Under Article 432(2) of CRR, a Group may omit one or more of the required disclosures if they would require the disclosure of any information regarded as proprietary or confidential. Proprietary information is that information which would undermine a competitive position, whilst confidential information is that which would breach an obligation of confidence between the Group and its customers. No disclosures have been omitted on these grounds.

In accordance with Article 433 of CRR, the Group will publish this disclosure at least annually on the Group's website.

The disclosures contained herein have been approved by the Boards of the entities listed in Section 2.3 of this document.

2 Scope and Application of the CRR Requirements

2.1 Business Overview

The Group is the world's largest interdealer broker, and acts as an intermediary in the wholesale financial markets, facilitating the trading activity of its clients, in particular commercial and investment banks.

The business covers the following major product groups: Fixed Income Securities and their derivatives, Interest Rate Derivatives, Treasury Products, Equities and Energy and Commodities. The Group's broking business is conducted through:

- voice broking, where brokers, supported by proprietary screens displaying historical data, analytics and real-time prices, discover price and liquidity for their clients; and
- electronic platforms, which complement and support the voice broking capability including a Risk Management Services ("RMS") business which provides clients with post-trade, multi-product matching services.

The Group also has an established data and analytics business (Tullett Prebon Information, ICAP Information, PVM Data Services and Burton-Taylor), which collects, cleanses, collates and distributes real-time information to market data providers and also provides consultancy services.

The Group's operating subsidiaries consist mainly of broking subsidiaries, which provide brokerage services on either a Name Passing, Matched Principal or Executing Broker basis. The Group operates its data and analytics business through separate subsidiaries. The RMS business is operated through broking subsidiaries in Asia.

All of the Group's broking subsidiaries, subject to certain exceptions, are classified as either Limited Activity Firms or Limited Licence Firms, as defined in Article 96(1) and Article 95(2) of the CRR respectively. Several of the Group's energy broking subsidiaries fall outside the CRR regime by virtue of their commodity broking activity, and are classified as either Limited Activity Firms as defined in Section 1.1.12 of the BIPRU Sourcebook of the FCA Handbook or as Oil Market Participants as described in the OMPS section of the FCA Handbook. The data and analytics subsidiaries, along with the service and holding companies within the Group, do not undertake any regulated activities.

2.2 Consolidated Prudential Supervision

On the basis of the Limited Activity / Limited Licence status of its broking subsidiaries (and on the basis that it meets the other requirements set out in Article 15(1) of the CRR), the Group holds a waiver from consolidated supervision, which is valid from 30 December 2016 until 30 December 2026. Under the terms of this waiver, the Group is obliged to undertake the 'Financial Holding Company' test for the purposes of calculating the Group's regulatory capital position, as set out in Article 15(2) of the CRR. The calculation of the Capital Resources Requirement under the Financial Holding Company test compares the Capital Resources of TP ICAP plc with the Capital Resources Requirement of all its subsidiaries.

2.3 Solo Prudential Supervision

The Group's broking subsidiaries in the UK that are FCA regulated on an individual 'solo' basis are:

- Tullett Prebon (Securities) Limited;
- Tullett Prebon (Europe) Limited;
- Tullett Prebon (Equities) Limited;
- ICAP Securities Limited;
- The Link Asset & Securities Company Limited;
- ICAP WCLK Limited;
- ICAP Europe Limited;
- ICAP Energy Limited;
- ICAP Global Derivatives Limited;
- iSwap Euro Limited;
- PVM Oil Futures Limited; and
- PVM Oil Associates Limited.

The regulatory capital position as at 31 December 2018 of Tullett Prebon (Securities) Limited, Tullett Prebon (Europe) Limited, ICAP Securities Limited, The Link Asset & Securities Company Limited, ICAP WCLK Limited, ICAP Europe Limited, ICAP Energy Limited, ICAP Global Derivatives Limited, , iSwap Euro Limited and PVM Oil Futures Limited is set out in Appendix A.

Tullett Prebon (Equities) Limited transferred its business to Tullett Prebon (Europe) Limited in 2010 and is in the process of cancelling its regulatory permissions. PVM Oil Associates Limited is regulated as an Oil Market Participant with a requirement to maintain adequate financial resources but no prescribed minimum level of capital resources. Therefore, no separate disclosures are provided for these entities.

3 Enterprise Risk Management Framework

The enterprise risk management framework ('ERMF') enables the Group to understand and manage the risks it is exposed to and seize opportunities in line with its business objectives and within the defined risk appetite. The ERMF comprises four mutually reinforcing components: risk management philosophy, risk management culture, risk management governance and risk management processes. The Group is undertaking a range of actions to develop and embed its risk management framework in response to changes in the business and regulatory feedback. The framework continues to evolve with the objective of improving the Group's risk management capability and supporting the delivery of the Group's business strategy.

3.1 Risk management philosophy and culture

The Group's risk management philosophy is underpinned by a set of core principles that establish the context for risk management activities. The principles dictate that risk management is value enhancing, addresses the expectations and requirements of key stakeholders, and is integrated into the business processes. The risk management approach is proportionate to the type and complexity of the business model and the nature of the associated risks. Furthermore, risk oversight and assurance functions are sufficiently independent of business decision taking and supported by adequate resources.

The Board recognises that embedding a sound risk management culture throughout the Group is fundamental to the effective operation of the Group, specifically to ensure that all employees are aware of, and act in conformity with, the desired values and behaviours adopted by the Group in their day-to-day activities.

The Group seeks to achieve the implementation of its risk management culture through a combination of frameworks, policies, practices, and incentive schemes.

3.2 Risk management governance structure

The Group has implemented a risk management governance structure based on the industry-standard three lines of defence that segregates risk management (first line of defence) from risk oversight (second line of defence) and independent risk assurance (third line of defence).

The Board has overall responsibility for the management of risk within the Group which includes:

- determining the Group's risk appetite and defining expectations for the Group's risk culture;
- ensuring that the Group has an appropriate and effective risk management and internal control framework; and
- monitoring the Group's risk profile to ensure that it remains within the Group's defined risk appetite.

The Group's risk governance structure ensures the effective oversight and management of risk through the implementation and operation of the ERMF. It comprises:

- Board Risk Committee ('BRC');
- Group Executive Risk Committee ('GERC');

- regional risk committees (in EMEA, Americas and Asia Pacific); and
- other function-specific committees.

First line of defence – risk management within the business
The first line of defence comprises the management of the business units and support functions.

The first line of defence has primary responsibility for ensuring that the business operates within risk appetite on a day-to- day basis.

Second line of defence – risk oversight and challenge
The second line of defence comprises the Risk and Compliance functions, which are separate from operational management.

The functions are responsible for overseeing and challenging the first line of defence in its identification, assessment and management of the risks it is exposed to, and for assisting the Board (and its various committees) in discharging its overall risk oversight responsibilities.

Third line of defence – independent assurance
Internal Audit provides independent assurance on the design and operational effectiveness of the Group's risk management framework and associated activity, including the performance of the business units and support and oversight functions.

3.3 Risk management processes

The ERMF sets out the core risk management activities undertaken by the Group to identify, assess and manage its risk profile within the prescribed risk appetite.

3.4 Risk appetite

The Group's risk appetite represents the type and level of risk which it is willing to accept in pursuit of its long-term strategic business objectives. Risk appetite is articulated by the Board through the Group's risk appetite statements, which are reviewed at least on an annual basis.

The Group sets its risk appetite against five core risk categories and they are summarised as:

- Capital - The Group must ensure it holds or has access to sufficient capital resources to meet any applicable regulatory capital requirements in both expected and stressed business conditions.
- Liquidity - The Group's objective is to ensure that each operating entity must maintain, or have access to, sufficient liquidity to meet all of its funding obligations and comply with any minimum

regulatory requirements, in both normal and stressed conditions.

- Reputation - The Group's objective is to maintain its reputation for being a sound, trusted and reliable market intermediary, with market integrity at the heart of its business, as articulated in the Group's cultural framework.
- Regulatory standing - The Group's objective is to maintain its good standing with all of its regulators and to fully comply with all applicable laws and regulations to which the Group is subject.
- Access to capital markets - The Group's objective is to ensure that it maintains access to the capital markets, and complies with existing bank lending covenants, even in stressed operating conditions.

The Group implements its risk appetite statements through the adoption of risk metrics and thresholds at individual risk level. These thresholds constitute the operational parameters within which the first line of defence must operate on a day-to-day basis.

4 Principal Risks

The Board has conducted a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

In undertaking this assessment on behalf of the Board, the Risk Committee has considered a wide range of information, including regulatory requirements, reports provided by the Risk function, presentations by senior management and the findings from the Group's risk assessment processes.

4.1 Adverse change to regulatory framework

The Group is exposed to the risk of a fundamental change to the regulatory framework which has a material adverse impact on its business and economic model.

Change in risk exposure since 2017

- No change

Potential impact

- Reduction in broking activity
- Reduced earnings and profitability
- Material change in applicable regulatory rules and their interpretation including loss of consolidation waiver

Mitigation

- Close monitoring of regulatory developments
- Active involvement in consultation and rule setting processes

Key Risk indicators

- Key regulatory changes
- Status of regulatory change initiatives

Related strategic objectives

- Build and sustain our technology offering
- Enhance our operational excellence
- Diversify customers and services

4.2 Deterioration in the commercial environment

The risk that due to adverse macro-economic conditions or geopolitical developments, market activity is suppressed leading to reduced trading volumes. The impact of Brexit is addressed separately below.

Change in risk exposure since 2017

- No change

Potential impact

- Reduction in broking activity
- Pressure on brokerage
- Reduced earnings and profitability

Mitigation

- Clearly defined business development strategy to maintain geographical and product diversification

Key Risk indicators

- Operating profit
- Revenues by region
- Trade volumes
- Revenue forecast
- Stress testing scenario outcomes

Related strategic objectives

- Diversify customers and services

4.3 The impact of BREXIT

The risk that Brexit leads to a macro-economic downturn and a consequential reduction in trading volumes and revenue. The risk that the Group is unable to obtain the necessary permissions and implement an appropriate legal structure to preserve cross-border broking between UK and EU clients, resulting in a fragmentation of liquidity and reduced trading volumes.

Change in risk exposure since 2017

- Increase

Potential impact

- Reduction in broking activity
- Loss of market share
- Reduced earnings and profitability

Mitigation

- Adoption of a Brexit plan which would accommodate a range of potential Brexit scenarios (including a 'no deal Brexit')
- Incorporation of new EU subsidiary to hold EU-based business
- Proactive engagement with European regulators and clients

Key Risk indicators

- Key regulatory changes
- Brexit plan tracking

Related strategic objectives

- Build and sustain our technology offering
- Enhance our operational excellence
- Diversify customers and services

4.4 Failure to respond to client requirements

The risk that the Group fails to respond to rapidly changing customer requirements, including the demand for enhanced electronic broking solutions for certain asset classes.

Change in risk exposure since 2017

- No change

Potential impact

- Loss of market share
- Reduced earnings and profitability

Mitigation

- Proactive engagement with clients through customer relationship management process
- Clearly defined business development strategy which continues to enhance the Group's service offering

Key Risk indicators

- Operating profit
- Trade volumes
- Revenues by regions
- New business initiatives
- Client satisfaction surveys

Related strategic objectives

- Build and sustain our technology offering
- Enhance our operational excellence
- Diversify customers and services

4.5 Failure to deliver integration

The risk that the Group fails to achieve the targeted operational efficiencies and associated synergies due to a failure to successfully integrate the ICAP business, or that the cost to complete the integration programme is too high.

Change in risk exposure since 2017

- Decrease

Potential impact

- Double running costs leading to reduced profitability
- Lack of investor confidence

Mitigation

- Clearly defined integration plan
- Robust integration governance structure
- Management of synergies realised and monitoring of integration costs

Key Risk indicators

- Integration plan tracking (status)

Related strategic objectives

- Build and sustain our technology offering
- Enhance our operational excellence
- Diversify customers and services
- Develop our people

4.6 Failure to retain and recruit talent

The Group operates in a highly competitive market and is exposed to the risk that it fails to retain or recruit the employees required to deliver its strategy.

Change in risk exposure since 2017

- No change

Potential impact

- Potential loss of expertise and client relationships
- Increase in employee costs as the Group seeks to counter aggressive competitor activity

Mitigation

- Proactive management of broker contracts
- Competitive remuneration and performance management
- Early Careers Programme

Key Risk indicators

- Staff turnover
- Revenue per broker
- Performance appraisal ratings

Related strategic objectives

- Develop our people

4.7 Cyber-security and data protection

The risk that the Group fails to adequately protect itself against cyber-attack and/or to adequately secure the data it holds, resulting in loss of operability as well as potential loss of critical business or client data.

Change in risk exposure since 2017

- No change

Potential impact

- Loss of revenue
- Remediation costs
- Damage to reputation
- Regulatory sanctions
- Payment of damages/compensation

Mitigation

- Monitor and assess the evolving, and increasingly sophisticated, cyber-threat landscape
- Ensure the Group's control framework to address the potential cyber-threats to which it is exposed is appropriate

Key Risk indicators

- System outages
- Data loss events
- Cyber-security events/losses
- Vulnerability monitoring

Related strategic objectives

- Build and sustain our technology offering

4.8 Operational failure

The Group is exposed to operational risk in nearly every facet of its role as a interdealer broker, including from its dependence on:

- The accurate execution of a large number of processes, including those required to execute, clear and settle trades; and
- A complex IT infrastructure.

Change in risk exposure since 2017

- No change

Potential impact

- Financial loss which could, in extreme cases, impact the Group's solvency and liquidity
- Damage to the Group's reputation as a reliable market intermediary

Mitigation

- Appropriate control framework to manage operational risk within risk appetite
- Reverse stress tests to identify key risks that could undermine the Group's viability
- Effective business continuity plans and capability
- Incident and crisis management plans

Key Risk indicators

- Risk events
- Execution failure
- Settlement fails
- Margin calls

Related strategic objectives

- Build and sustain our technology offering
- Enhance our operational excellence

4.9 Failure to protect proprietary data

The risk that the Group fails to protect unauthorised dissemination of Group's proprietary data leading to loss of potential revenue streams.

Change in risk exposure since 2017

- New

Potential impact

- Failure to achieve future revenue growth targets due to non-contractual use of our market information
- Damage to reputation

Mitigation

- Periodic audit of licences
- Appropriate legal remedies incorporated within licence agreements

Key Risk indicators

- Coverage against defined data audit plan
- Data audit findings

Related strategic objectives

- Diversify customers and services

4.10 Breach of legal and regulatory requirements

The Group operates in a highly regulated environment and is subject to the laws and regulatory frameworks of numerous jurisdictions.

Failure to comply with applicable regulatory requirements could result in enforcement action being taken.

Change in risk exposure since 2017

- No Change

Potential impact

- Regulatory enforcement action including censure, fines or loss of operating licence
- Severe damage to reputation

Mitigation

- Group compliance function to ensure that staff are aware of regulatory requirements, and for monitoring compliance with these requirements
- Cultural framework to implement the Group's core values and principles
- Comprehensive compliance training programme

Key Risk indicators

- Policy breaches
- Regulatory enforcement action

Related strategic objectives

- Enhance our operational excellence

4.11 Counterparty credit risk

The Group is exposed to counterparty credit risk arising from brokerage receivables owed by clients, unsettled Matched Principal trades held with clients and from cash deposit counterparties.

Change in risk exposure since 2017

- No Change

Potential impact

- Financial loss which could, in extreme cases, impact the Group's solvency and liquidity

Mitigation

- Counterparty exposures managed against thresholds, calibrated to reflect counterparty creditworthiness
- Exposure monitoring and reporting by independent credit risk function
- Exposure concentration limits to prevent excessive exposure to one institution

Key Risk indicators

- Matched Principal trade exposure
- Name Passing receivables
- Group cash peak exposure

Related strategic objectives

- Enhance our operational excellence
- Diversify customers and services

4.12 FX exposure

There is a risk that the Group suffers loss as a result of a movement in FX rates whether through transaction risk or translation risk.

Change in risk exposure since 2017

- New

Potential impact

- Financial loss which could, in extreme cases, impact the Group's solvency and liquidity

Mitigation

- Ongoing monitoring of Group's FX positions

Key Risk indicators

- Net currency position
- FX exposure

Related strategic objectives

- Enhance our operational excellence

4.13 Liquidity risk

The Group is exposed to potential margin calls from clearing houses and correspondent clearers. The Group also faces liquidity risk through being required to fund Matched Principal trades which fail to settle on settlement date.

Change in risk exposure since 2017

- No change

Potential impact

- Reduction in Group's liquidity resources which would, in extreme cases, impact the Group's liquidity

Mitigation

- Broking limits that restrict potential margin exposure
- Group maintains significant cash resources in each operating centre to ensure immediate access to funds
- Committed £270m revolving credit facility ('RCF')

Key Risk indicators

- Unplanned intra-Group funding calls
- RCF draw-down
- Level of margin call

Related strategic objectives

- Enhance our operational excellence
- Diversify customers and services

5 Capital Resources

Under the terms of the Financial Holding Company (FHC) calculation, the calculation of the Group's Capital Resources is based on the balance sheet of TP ICAP plc, the holding company for the Group (as per (Article 15(1)(d) of the CRR).

The table below sets out the Group's Capital Resources as at 31 December 2018 and 31 December 2017, reflecting the regulatory capital return submitted for these dates:

£m	31 Dec 2018	31 Dec 2017
Audited Shareholders' Funds	**2,321.5**	**2,343.1**
Less Foreseeable Dividends	(63.1)	(62.0)
Capital Resources	**2,258.4**	**2,281.1**

6 Capital Resources Requirement

6.1 Introduction

The Group's Capital Resources Requirement is the aggregate of the notional Pillar 1 requirement for each Group company. For companies that would be classified as a Limited Activity Firm for FCA purposes, the notional requirement is calculated as ***the aggregate*** of the:

1. Credit Risk Capital Requirement;
2. Market Risk Capital Requirement;
3. Settlement Risk; and
4. Fixed Overhead Requirement (FOR).

In contrast, for companies that would be classified as a Limited Licence Firm for FCA purposes, the notional requirement is ***the higher*** of the:

1. The aggregate of the Credit Risk Capital Requirement and Market Risk Capital Requirement; and
2. Fixed Overhead Requirement (FOR).

Intra-group exposures are not permitted to be netted under the FHC Test.

6.2 Credit Risk Capital Requirement

The Credit Risk Capital Requirement ("CRCR") consists of two elements and is calculated as follows:

6.2.1 Credit Risk Capital Component ("CRCC")

The Group has adopted the standardised approach to calculating risk weights in accordance with Chapter 2 of Title II of the CRR. In accordance with this rule, a capital charge is taken to support the Group's exposure to outstanding Name Passing brokerage and cash deposits. In addition, the Group also includes within its CRCC calculation, any 'other items' falling within Article 134 of the CRR. These include:

- Clearing and settlement guarantees;

- Tangible and intangible assets; and
- Other receivables, prepayments and accrued income.

6.2.2 Counterparty Risk Capital Component ("CPCC")

The Group is exposed to counterparty credit risk on derivatives where: i) on a short term basis the Group acts as an executing broker on an exchange, during the period between the execution of the trade and the client claiming the trade; and ii) the Group enters into back-to-back principal derivatives with clients. Counterparty credit risk on these derivatives is calculated using the mark to market method in accordance with Article 274 of CRR.

The Group acts as an intermediary between customers for collateralised stock lending transactions. Such trades are complete only when both the collateral and stock for each side of the transaction are returned. The gross amounts of collateral due and receivable are disclosed in the balance sheet as deposits paid for securities borrowed and deposits received for securities loaned. Counterparty credit risk on securities financing transactions is calculated using the standardised method in accordance with Article 134 of the CRR.

6.2.3 Total CRCR

Applying the above rules, the CRCR for 31 December 2018 and 31 December 2017 was:

£m	31 Dec 2018	31 Dec 2017
CRCC	347.5	332.3
CPCC	7.9	7.0
Total CRCR	**355.4**	**339.3**
Risk Weighted Assets (RWA)	**4,442.4**	**4,241.6**

6.2.2 Settlement Risk

The Group's Matched Principal activity gives rise to pre-settlement risk. Capital to support this pre-settlement risk is calculated as a given percentage of any negative replacement cost on trades remaining unsettled for five or more days after the due settlement date, in accordance with Article 378 of the CRR.

Number of working days after due settlement date	Capital Required (%)
5 — 15	8
16 — 30	50
31 — 45	75
46 or more	100

Consequently, for DvP transactions, with a normal settlement lag, no capital charge is imposed before the settlement date.

£m	31 Dec 2018	31 Dec 2017
Settlement risk	**1.4**	**0.7**
RWA	**17.3**	**8.8**

6.3 Market Risk Capital Requirement

The Group's 'trading book' arises only where one of the Group's Limited Activity subsidiaries (which broker trades on a Matched Principal basis) has failed to match clients' orders precisely. Such positions are marked-to-market on a daily basis and a Position Risk Requirement ("PRR") calculated in accordance with Part 3 Title IV of the CRR. The Group also calculates a PRR on its 'non-trading book' exposures, as required under Part 3 Title V of the CRR.

The Group's total Market Risk Capital Requirement ("MRCR"), consisting of both the 'trading book' and 'non-trading book' PRRs, for 31 December 2018 and 31 December 2017 was:

£m	31 Dec 2018	31 Dec 2017
Trading Book PRR	-	-
Non-Trading Book PRR	64.0	52.9
Total MRCR	**64.0**	**52.9**
RWA	**800.8**	**660.9**

6.4 Fixed Overhead Requirement

Given the classification of the Group's broking subsidiaries as either Limited Activity or Limited Licence, the Group is exempted from the requirement to calculate an Operational Risk Capital Requirement under Title III of the CRR. Instead, it is required to calculate a Fixed Overhead Requirement ("FOH") in accordance with Article 97 of the CRR.

The Group's Fixed Overhead Requirement as at 31 December 2018 and 31 December 2017 was:

£m	31 Dec 2018	31 Dec 2017
FOR	**278.0**	**272.1**
Notional RWA	**3,474.9**	**3,401.4**

6.5 Large Exposure Requirement

In accordance with Article 388, the Group is not subject to the Large Exposure Regime, due to the fact that the Group only comprises Limited Activity and Limited Licence Firms (within Articles 96(1) and 95(1) of the CRR respectively).

6.6 Pillar 2

The Group has been granted an Investment Firm Consolidation Waiver, in accordance with which the Group is not subject to consolidated capital adequacy requirements. As a result, the Group is not required to prepare an ICAAP submission for the Group as a whole but must instead provide the FCA with an ICAAP submission for each of its UK regulated entities on a solo basis.

Notwithstanding the strict regulatory position, the Group continues to undertake an assessment of the Group's capital adequacy for internal risk management purposes, which is approved by the Board.

7 Capital Adequacy

The table below demonstrates that the Group meets the required capital ratio of 8% of Risk Weighted Assets, under the Financial Holding Company Test and held a surplus of £1,604.6m and £1,702.1m as at 31 December 2018 and 31 December 2017 respectively:

£m	31 Dec 2018	31 Dec 2017
CRCR	355.4	339.3
Settlement risk	1.4	0.7
MRCR	64.0	52 .9
FOR	278.0	272.1
Limited Licence Firm - Deduction	(45.0)	(86.0)
Total Pillar 1 Requirement	**653.8**	**579.0**
Capital Resources	2,258.4	2,281.1
Excess Capital Resources	**1,604.6**	**1,702.1**
Total RWA	8,172.1	7,237.5
Capital Ratio	**27.6%**	**31.5%**

8 Non-Applicable Disclosures

The following disclosures specified in CRR are not applicable to the Group:

- Article 441 – The Group has not been designated an institution of global systemic importance;
- Article 447 – The Group does not have a non-trading book exposure to equities;
- Article 449 – The Group does not securitise its assets;
- Article 450 – The Group's Remuneration Disclosures are published in the Group's Annual Report and the respective legal entity annual reports available on the Group's website or Companies' House;
- Article 451 - The Group is not currently required to comply with the leverage ratio requirements;
- Article 452 – The Group is subject to the standardised approach to credit risk, not the IRB approach;
- Article 454 – The Group has not adopted the AMA approach for calculating its operational risk exposure (as it is not subject to a Pillar 1 operational risk requirement); and
- Article 455 – The Group does not use an internal model to calculate its market risk exposure.

APPENDIX A

The regulatory capital position as at 31 December 2018 of :

- Tullett Prebon (Securities) Limited;
- Tullett Prebon (Europe) Limited;
- ICAP Securities Limited;
- The Link Asset & Securities Company Limited;
- ICAP WCLK Limited;
- ICAP Europe Limited;
- ICAP Energy Limited;
- ICAP Global Derivatives Limited;
- iSwap Euro Limited; and
- PVM Oil Futures Limited.

1 Capital Resources

The Capital Resources of Tullett Prebon (Securities) Limited ("TPSL" or the "Firm") are determined in accordance with Part II of the CRR.

The table below sets out the Capital Resources of the Firm as at 31 December 2018 and 31 December 2017, reflecting the regulatory capital return submitted for these dates:

£m	31 Dec 2018	31 Dec 2017
Share Capital and Reserves[1]	82.5	56.1
Common Equity Tier One Capital	82.5	56.1
Tier One Deductions:		
Intangible Assets	-	-
Tier One Capital After Deductions	82.5	56.1
Tier Two Capital	-	-
Total Capital	**82.5**	**56.1**
Deductions from Total Capital:	-	-
Capital Resources	**82.5**	**56.1**

1. Share Capital and Reserves does not include unaudited profits as at the balance sheet date.

Common Equity Tier One capital comprises the following elements:
- Fully paid up ordinary share capital;
- Share premium;
- Retained earnings; and
- Other reserves.

2 Capital Resources Requirement

2.1 Introduction

Given the Firm's classification as an IFPRU Limited Activity Firm, its capital resources requirement is taken to be ***the aggregate*** of the applicable:

- Credit Risk Capital Requirement;
- Market Risk Capital Requirement;
- Settlement Risk; and
- Fixed Overhead Requirement ("FOR").

2.2 Credit Risk Capital Requirement

The Credit Risk Capital Requirement ("CRCR") consists of two elements and is calculated as follows:

2.2.1 Credit Risk Capital Component ("CRCC")

The Firm has adopted the standardised approach to calculating risk weights in accordance with Chapter 2 of Title II of the CRR.

In accordance with this rule, a capital charge is taken to support the Firm's exposure to outstanding Name Passing brokerage and cash deposits. In addition, the Firm also includes within its CRCC calculation, any 'other items' falling within Article 134 of the CRR. These include:

- Tangible and intangible assets;
- Other receivables, prepayments and accrued income.

The nominated External Credit Assessment Institution (ECAI) is Fitch, whose ratings are used in the determination of risk weights for the following exposure classes;

- Institutions
- Corporates
- Central governments and central banks

The majority of credit risk exposures are with external, highly rated institutions or with unrated corporate entities within the TP ICAP Group. No exposures are deemed to be impaired

Credit risk exposure by exposure class as at 31 December 2018

£m	Exposure Value	Average Exposure Value	Risk Weighted Exposures	Capital Requirements
Institution	38.3	29.0	8.5	0.7
Corporate	20.9	15.6	20.3	1.6
Equity	-	-	-	-
Exposure in default	4.0	2.0	6.0	0.5
Other	2.4	1.7	2.4	0.2
Central government and central banks	30.3	30.7	0.0	0.0
Total	**95.9**	**79.0**	**37.2**	**3.0**

Credit risk exposure by geographic distribution as at 31 December 2018

£m	Exposure Value
United Kingdom	58.0
Rest of Europe	36.2
Other	1.7
Total	**95.9**

Credit risk exposure by residual maturity as at 31 December 2018

£m	Exposure Value
Less than one year	59.2
Undated	36.7
Total	**95.9**

Undated items include investment in subsidiaries.

2.2.2 Counterparty Risk Capital Component ("CPCC")

The Firm is exposed to short term counterparty credit risk on derivatives where the Firm acts as an executing broker on an exchange, during the period between the execution of the trade and the client claiming the trade. Counterparty credit risk on these derivatives is calculated using the mark to market method in accordance with Article 274 of CRR.

Counterparty credit risk exposure as at 31 December 2018

£m	Gross exposures	Collateral	Risk Weighted Exposures	Capital Requirements
Derivatives*	-	-	-	-

*In the table above, the gross exposure for derivatives is the gross positive fair value

2.2.3 Total CRCR

Applying the above rules, the CRCR for 31 December 2018 and 31 December 2017 was:

£m	31 Dec 2018	31 Dec 2017
CRCC	3.0	1.2
CPCC	-	-
Total CRCR	**3.0**	**1.2**
Risk Weighted Assets (RWA)	**37.2**	**15.2**

2.3 Settlement risk

The Firm's Matched Principal activity gives rise to pre-settlement risk. Capital to support this pre-settlement risk is calculated as a given percentage of any negative replacement cost on trades remaining unsettled for five or more days after the due settlement date, in accordance with Article 378 of the CRR. Consequently, for DvP transactions, with a normal settlement lag, no capital charge is imposed before the settlement date.

£m	31 Dec 2018	31 Dec 2017
Settlement risk	**0.1**	**0.2**
RWA	**0.9**	**2.0**

2.4 Market Risk Capital Requirement

The Firm's 'trading book' arises only where the Firm, when broking a trade on a Matched Principal basis, has failed to match clients' orders. Such positions are marked-to-market on a daily basis and a Position Risk Requirement ("PRR") calculated in accordance with Part 3 Title IV of the CRR. The Firm also calculates a PRR on its 'non-trading book' exposures, as required under Part 3 Title V of the CRR.

The Firm's total Market Risk Capital Requirement ("MRCR"), consisting of both the 'trading book' and 'non-trading book' PRRs, for 31 December 2018 and 31 December 2017 was:

£m	31 Dec 2018	31 Dec 2017
Trading Book PRR	-	-
Non-Trading Book PRR	0.6	0.6
Total MRCR	**0.6**	**0.6**
RWA	**7.6**	**7.2**

2.5 Fixed Overhead Requirement

Given the Firm's classification as a Limited Activity Firm, it is exempted from the requirement to calculate an Operational Risk Capital Requirement under Title III of the CRR. Instead, it is required to calculate a Fixed Overhead Requirement ("FOH") in accordance with Article 97 of the CRR.

The Firm's Fixed Overhead Requirement as at 31 December 2018 and 31 December 2017 was:

£m	31 Dec 2018	31 Dec 2017
FOR	**12.1**	**11.6**
Notional RWA	**150.8**	**145.0**

2.6 Large Exposure Requirement

In accordance with Article 388, the Firm is not subject to the Large Exposure Regime, due to the fact that the Firm is a Limited Activity Firm (under Article 96(1) of the CRR).

2.7 Pillar 2

As an FCA regulated firm, the Firm is obliged to ensure that it maintains overall financial resources, including both capital resources and liquidity resources, which are adequate, both as to amount and quality, to ensure that there is no significant risk that its liabilities cannot be met as they fall due ("the Overall Financial Adequacy Rule").

It is also required to have in place sound, effective and complete processes, strategies and systems to assess and maintain, on an ongoing basis, the amounts, types and distribution of financial resources that it considers adequate to: (i) comply with the Overall Financial Adequacy Rule; (ii) provide sufficient cover for the risks to which it is or might be exposed; and (iii) meet its future Capital Resources Requirements.

The Firm's Board periodically assesses the adequacy of the Firm's financial resources, including through the Internal Capital Adequacy Assessment Process ("ICAAP").

3 Capital Adequacy

The table below demonstrates that the Firm meets the required capital ratio of 8% of Risk Weighted Assets, and held excess capital resources for 31 December 2018 and 31 December 2017 of £66.7m and £42.5m respectively:

£m	31 Dec 2018	31 Dec 2017
CRCR	3.0	1.2
Settlement risk	0.1	0.2
MRCR	0.6	0.6
FOR	12.1	11.6
Total Pillar 1 Requirement	**15.8**	**13.6**
Capital Resources	82.5	56.1
Excess Capital Resources	**66.7**	**42.5**
Total RWA	196.6	169.4
Capital Ratio	**42.0%**	**33.1%**

4. Capital Buffers

The table below provides the geographical distribution of the Firm's credit exposures relevant for the calculation of its Countercyclical Capital Buffer (CCyB) as at 31 December 2018. The total CCyB for 31 December 2018 and 31 December 2017 were £1.8m and £0.0m respectively.

£m	CCyB rate	CCyB
UK	1.0%	**1.8**
Norway	2.0%	**0.0**
Sweden	2.0%	**0.0**
Other	-	-
Total		**1.8**

The Firm's Capital Conservation Buffer (CCB) for 31 December 2018 and 31 December 2017 was £3.7m and £2.1m respectively, calculated at the transitional rate.

1 Capital Resources

The Capital Resources of Tullett Prebon (Europe) Limited ("TPEL" or the "Firm") are determined in accordance with Part II of the CRR.

The table below sets out the Capital Resources of the Firm as at 31 December 2018 and 31 December 2017, reflecting the regulatory capital return submitted for these dates:

£m	31 Dec 2018	31 Dec 2017
Share Capital and Reserves[1]	119.6	82.6
Common Equity Tier One Capital	119.6	82.6
Tier One Deductions:		
Intangible Assets	-	-
Tier One Capital After Deductions	119.6	82.6
Tier Two Capital	-	-
Total Capital	**119.6**	**82.6**
Deductions from Total Capital:	-	-
Capital Resources	**119.6**	**82.6**

1. Share Capital and Reserves does not include unaudited profits as at the balance sheet date.

Common Equity Tier One capital comprises the following elements:
- Fully paid up ordinary share capital;
- Share premium;
- Retained earnings; and
- Other reserves.

2 Capital Resources Requirement

2.1 Introduction

Given the Firm's classification as an IFPRU Limited Activity Firm, its capital resources requirement is taken to be ***the aggregate*** of the applicable:

- Credit Risk Capital Requirement;
- Market Risk Capital Requirement;
- Settlement Risk; and
- Fixed Overhead Requirement ("FOR").

2.2 Credit Risk Capital Requirement

The Credit Risk Capital Requirement ("CRCR") consists of two elements and is calculated as follows:

2.2.1 Credit Risk Capital Component ("CRCC")

The Firm has adopted the standardised approach to calculating risk weights in accordance with Chapter 2 of Title II of the CRR.

In accordance with this rule, a capital charge is taken to support the Firm's exposure to outstanding Name Passing brokerage and cash deposits. In addition, the Firm also includes within its CRCC calculation, any 'other items' falling within Article 134 of the CRR. These include:

- Tangible and intangible assets;
- Other receivables, prepayments and accrued income.

The nominated External Credit Assessment Institution (ECAI) is Fitch, whose ratings are used in the determination of risk weights for the following exposure classes;
- Institutions
- Corporates
- Regional governments

The majority of credit risk exposures are with external, highly rated institutions or with unrated corporate entities within the TP ICAP Group. No exposures are deemed to be impaired.

Credit risk exposure by exposure class as at 31 December 2018

£m	Exposure Value	Average Exposure Value	Risk Weighted Exposures	Capital Requirements
Institution	92.1	79.4	19.0	1.5
Corporate	40.9	35.3	33.9	2.7
Equity	5.7	4.8	7.1	0.6
Other	4.2	3.8	4.1	0.3
Exposures in Default	8.0	-	12.0	1.0
Regional governments	0.1	0.1	0.0	0.0
Total	**151.0**	**123.4**	**76.1**	**6.1**

Credit risk exposure by geographic distribution as at 31 December 2018

£m	Exposure Value
United Kingdom	115.4
Rest of Europe	24.8
Other	10.8
Total	**151.0**

Credit risk exposure by residual maturity as at 31 December 2018

£m	Exposure Value
Less than one year	133.1
Undated	17.9
Total	**151.0**

Undated items include investment in subsidiaries.

2.2.2 Counterparty Risk Capital Component ("CPCC")

The Firm is exposed to short term counterparty credit risk on derivatives where the Firm acts as an executing broker on an exchange, during the period between the execution of the trade and the client claiming the trade. Counterparty credit risk on these derivatives is calculated using the mark to market method in accordance with Article 274 of CRR.

Counterparty credit risk exposure as at 31 December 2018

£m	Gross exposures	Collateral	Risk Weighted Exposures	Capital Requirements
Derivatives*	-	-	-	-

*In the table above, the gross exposure for derivatives is the gross positive fair value

2.2.3 Total CRCR

Applying the above rules, the CRCR for 31 December 2018 and 31 December 2017 was:

£m	31 Dec 2018	31 Dec 2017
CRCC	6.1	3.5
CPCC	0.1	-
Total CRCR	**6.2**	**3.5**
Risk Weighted Assets (RWA)	**77.1**	**43.9**

2.3 Settlement risk

The Firm's Matched Principal activity gives rise to pre-settlement risk. Capital to support this pre-settlement risk is calculated as a given percentage of any negative replacement cost on trades remaining unsettled for five or more days after the due settlement date, in accordance with Article 378 of the CRR. Consequently, for DvP transactions, with a normal settlement lag, no capital charge is imposed before the settlement date.

£m	31 Dec 2018	31 Dec 2017
Settlement risk	**-**	**-**
RWA	**-**	**-**

2.4 Market Risk Capital Requirement

The Firm's 'trading book' arises only where the Firm, when broking a trade on a Matched Principal basis, has failed to match clients' orders. Such positions are marked-to-market on a daily basis and a Position Risk Requirement ("PRR") calculated in accordance with Part 3 Title IV of the CRR. The Firm also calculates a PRR on its 'non-trading book' exposures, as required under Part 3 Title V of the CRR.

The Firm's total Market Risk Capital Requirement ("MRCR"), consisting of both the 'trading book' and 'non-trading book' PRRs, for 31 December 2018 and 31 December 2017 was:

£m	**31 Dec 2018**	**31 Dec 2017**
Trading Book PRR	-	-
Non-Trading Book PRR	3.2	2.9
Total MRCR	**3.2**	**2.9**
RWA	**39.7**	**36.2**

2.5 Fixed Overhead Requirement

Given the Firm's classification as an IFPRU Limited Activity Firm, it is exempted from the requirement to calculate an Operational Risk Capital Requirement under Title III of the CRR. Instead, it is required to calculate a Fixed Overhead Requirement ("FOH") in accordance with Article 97 of the CRR.

The Firm's Fixed Overhead Requirement as at 31 December 2018 and 31 December 2017 was:

£m	**31 Dec 2018**	**31 Dec 2017**
FOR	**38.3**	**33.0**
Notional RWA	**478.2**	**412.7**

2.6 Large Exposure Requirement

In accordance with Article 388, the Firm is not subject to the Large Exposure Regime, due to the fact that the Firm is a Limited Activity Firm (under Article 96(1) of the CRR).

2.7 Pillar 2

As an FCA regulated firm, the Firm is obliged to ensure that it maintains overall financial resources, including both capital resources and liquidity resources, which are adequate, both as to amount and quality, to ensure that there is no significant risk that its liabilities cannot be met as they fall due ("the Overall Financial Adequacy Rule").

It is also required to have in place sound, effective and complete processes, strategies and systems to assess and maintain, on an ongoing basis, the amounts, types and distribution of financial resources that it considers adequate to: (i) comply with the Overall Financial Adequacy Rule; (ii) provide sufficient cover for the risks to which it is or might be exposed; and (iii) meet its future Capital Resources Requirements.

The Firm's Board periodically assesses the adequacy of the Firm's financial resources, including through the Internal Capital Adequacy Assessment Process ("ICAAP").

3 Capital Adequacy

The table below demonstrates that the Firm meets the required capital ratio of 8% of Risk Weighted Assets, and held excess capital resources for 31 December 2018 and 31 December 2017 of £71.9m and £43.2m respectively:

£m	31 Dec 2018	31 Dec 2017
CRCR	6.2	3.5
Settlement risk	-	-
MRCR	3.2	2.9
FOR	38.3	33.0
Total Pillar 1 Requirement	**47.7**	**39.4**
Capital Resources	119.6	82.6
Excess Capital Resources	**71.9**	**43.2**
Total RWA	595.0	492.8
Capital Ratio	**20.1%**	**16.8%**

4. Capital Buffers

The table below provides the geographical distribution of the Firm's credit exposures relevant for the calculation of its Countercyclical Capital Buffer (CCyB) as at 31 December 2018. The total CCyB for 31 December 2018 and 31 December 2017 were £3.1m and £0.0m respectively.

£m	CCyB rate	CCyB
United Kingdom	1.0%	3.1
Sweden	2.0%	0.0
Norway	2.0%	0.0
Czech Republic	1.0%	0.0
Slovakia	1.3%	0.0
Total		**3.1**

The Firm's Capital Conservation Buffer (CCB) for 31 December 2018 and 31 December 2017 was £11.2m and £6.2m respectively, calculated at the transitional rate.

ICAP SECURITIES LIMITED

1 Capital Resources

The Capital Resources of ICAP Securities Limited ("ISL" or the "Firm") are determined in accordance with Part II of the CRR.

The table below sets out the Capital Resources of the Firm as at 31 December 2018 and 31 December 2017, reflecting the regulatory capital return submitted for these dates:

£m	31 Dec 2018	31 Dec 2017
Share Capital and Reserves[1]	376.4	342.0
Common Equity Tier One Capital	376.4	342.0
Tier One Deductions:		
Significant holdings in financial[2] sector entities[1] and DTA adjustments	(254.7)	(227.8)
Tier One Capital After Deductions	121.7	114.2
Tier Two Capital	-	-
Total Capital	**121.7**	**114.2**
Deductions from Total Capital:	-	-
Capital Resources	**121.7**	**114.2**

1. Share Capital and Reserves does not include unaudited profits as at the balance sheet date.
2. Deduction in accordance with Art 36 (1)(i). Holding not deducted in accordance with Article 48 for 31 December 2018 and 31 December 2017 is £36,435,000 and £34,196,000 respectively.

Common Equity Tier One capital comprises the following elements:

- Fully paid up ordinary share capital;
- Share premium;
- Retained earnings; and
- Distributable capital contribution reserve.

2 Capital Resources Requirement

2.1 Introduction

Given the Firm's classification as an IFPRU Limited Activity Firm, its capital resources requirement is taken to be ***the aggregate*** of the applicable:

- Credit Risk Capital Requirement;
- Market Risk Capital Requirement;
- Settlement Risk; and
- Fixed Overhead Requirement ("FOR").

2.2 Credit Risk Capital Requirement

The Credit Risk Capital Requirement ("CRCR") consists of two elements and is calculated as follows:

2.2.1 Credit Risk Capital Component ("CRCC")

The Firm has adopted the standardised approach to calculating risk weights in accordance with Chapter 2 of Title II of the CRR.

In accordance with this rule, a capital charge is taken to support the Firm's exposure to outstanding Name Passing brokerage and cash deposits. In addition, the Firm also includes within its CRCC calculation, any 'other items' falling within Article 134 of the CRR. These include:

- Tangible and intangible assets;
- Other receivables, prepayments and accrued income.

The nominated External Credit Assessment Institution (ECAI) is Fitch, whose ratings are used in the determination of risk weights for the following exposure classes;

- Institutions
- Corporates
- Central governments and central banks

The majority of credit risk exposures are with external, highly rated institutions or with unrated corporate entities within the TP ICAP Group. No exposures are deemed to be impaired.

Credit risk exposure by exposure class as at 31 December 2018

£m	Exposure Value	Average Exposure Value	Risk Weighted Exposures	Capital Requirements
Institution	41.5	51.2	8.4	0.7
Corporate	41.1	27.9	41.1	3.3
Equity	43.7	40.6	68.2	5.5
Other	0.9	0.7	0.9	0.1
Exposures in default	8.5	-	12.8	1.0
Central government and central banks	38.3	19.2	0.3	0.0
Total	**174.0**	**139.6**	**131.6**	**10.5**

Credit risk exposure by geographic distribution as at 31 December 2018

£m	Exposure Value
United Kingdom	120.0
Rest of Europe	52.1
Other	1.9
Total	**174.0**

Credit risk exposure by residual maturity as at 31 December 2018

£m	Exposure Value
Less than one year	82.6
Undated	91.4
Total	**174.0**

Undated items include investment in subsidiaries.

2.2.2 Counterparty Risk Capital Component ("CPCC")

The Firm is exposed to counterparty credit risk on derivatives where; i) on short term basis the Firm acts as an executing broker on an exchange, during the period between the execution of the trade and the client claiming the trade; and ii) the Firm enters into back-to-back principal derivatives with clients. Counterparty credit risk on these derivatives is calculated using the mark to market method in accordance with Article 274 of CRR.

The Firm acts as an intermediary between customers for collateralised stock lending transactions. Such trades are complete only when both the collateral and stock for each side of the transaction are returned. The gross amounts of collateral due to and receivable are disclosed in the balance sheet as deposits paid for securities borrowed and deposits received for securities loaned. Counterpart credit risk on securities financing transactions is calculated using the standardised method in accordance with Article 134 of the CRR.

Counterparty credit risk exposure as at 31 December 2018

£m	Gross exposures	Collateral	Risk Weighted Exposures	Capital Requirements
Derivatives*	230.7	-	0.4	0.0
Securities financing transactions	309.0	223.9	27.3	2.2
Total	**539.7**	**223.9**	**27.7**	**2.2**

*In the table above, the gross exposure for derivatives is the gross positive fair value

2.2.3 Total CRCR

Applying the above rules, the CRCR for 31 December 2018 and 31 December 2017 was:

£m	31 Dec 2018	31 Dec 2017
CRCC	8.3	10.9
CPCC	2.2	1.1
Total CRCR	**10.5**	**12.0**
Risk Weighted Assets (RWA)	**131.6**	**150.3**

2.3 Settlement risk

The Firm's Matched Principal activity gives rise to pre-settlement risk. Capital to support this pre-settlement risk is calculated as a given percentage of any negative replacement cost on trades remaining unsettled for five or more days after the due settlement date, in accordance with Article 378 of the CRR. Consequently, for DvP transactions, with a normal settlement lag, no capital charge is imposed before the settlement date.

£m	31 Dec 2018	31 Dec 2017
Settlement risk	**1.3**	**0.5**
RWA	**16.4**	**6.5**

2.4 Market Risk Capital Requirement

The Firm's 'trading book' arises only where the Firm, when broking a trade on a Matched Principal basis, has failed to match clients' orders precisely. Such positions are marked-to-market on a daily basis and a Position Risk Requirement ("PRR") calculated in accordance with Part 3 Title IV of the CRR. The Firm also calculates a PRR on its 'non-trading book' exposures, as required under Part 3 Title V of the CRR.

The Firm's total Market Risk Capital Requirement ("MRCR"), consisting of both the 'trading book' and 'non-trading book' PRRs, for 31 December 2018 and 31 December 2017 was:

£m	31 Dec 2018	31 Dec 2017
Trading Book PRR	-	-
Non-Trading Book PRR	1.6	0.8
Total MRCR	**1.6**	**0.8**
RWA	**19.6**	**9.9**

2.5 Fixed Overhead Requirement

Given the Firm's classification as a Limited Activity Firm, it is exempted from the requirement to calculate an Operational Risk Capital Requirement under Title III of the CRR. Instead, it is required to calculate a Fixed Overhead Requirement ("FOH") in accordance with Article 97 of the CRR.

The Firm's Fixed Overhead Requirement as at 31 December 2018 and 31 December 2017 was:

£m	31 Dec 2018	31 Dec 2017
FOR	**8.3**	**8.3**
Notional RWA	**104.2**	**104.3**

2.6 Large Exposure Requirement

In accordance with Article 388, the Firm is not subject to the Large Exposure Regime, due to the fact that the Firm is a Limited Activity Firm (under Article 96(1) of the CRR).

2.7 Pillar 2

As an FCA regulated firm, the Firm is obliged to ensure that it maintains overall financial resources, including both capital resources and liquidity resources, which are adequate, both as to amount and quality, to ensure that there is no significant risk that its liabilities cannot be met as they fall due ("the Overall Financial Adequacy Rule").

It is also required to have in place sound, effective and complete processes, strategies and systems to assess and maintain, on an ongoing basis, the amounts, types and distribution of financial resources that it considers adequate to: (i) comply with the Overall Financial Adequacy Rule; (ii) provide sufficient cover for the risks to which it is or might be exposed; and (iii) meet its future Capital Resources Requirements.

The Firm's Board periodically assesses the adequacy of the Firm's financial resources, including through the Internal Capital Adequacy Assessment Process ("ICAAP").

3 Capital Adequacy

The table below demonstrates that the Firm meets the required capital ratio of 8% of Risk Weighted Assets, and held excess capital resources for 31 December 2018 and 31 December 2017 of £100.0m and £92.5m respectively:

£m	31 Dec 2018	31 Dec 2017
CRCR	10.5	12.0
Settlement risk	1.3	0.5
MRCR	1.6	0.8
FOR	8.3	8.3
Total Pillar 1 Requirement	**21.7**	**21.6**
Capital Resources	121.7	114.2
Excess Capital Resources	**100.0**	**92.6**
Total RWA	271.8	271.0
Capital Ratio	**44.8%**	**42.1%**

4. Capital Buffers

The table below provides the geographical distribution of the Firm's credit exposures relevant for the calculation of its Countercyclical Capital Buffer (CCyB) as at 31 December 2018. The total CCyB for 31 December 2018 and 31 December 2017 were £1.2m and £0.0m respectively.

£m	**CCyB rate**	**CCyB**
United Kingdom	1.0%	1.2
Sweden	2.0%	0.0
Czech Republic	1.3%	0.0
Other	-	-
Total		**1.2**

The Firm's Capital Conservation Buffer (CCB) for 31 December 2018 and 31 December 2017 was £5.1m and £3.4m respectively, calculated at the transitional rate.

1 Capital Resources

The Capital Resources of The Link Asset and Security Company Limited ("LINK" or the "Firm") are determined in accordance with Part II of the CRR.

The table below sets out the Capital Resources of the Firm as at 31 December 2018 and 31 December 2017, reflecting the regulatory capital return submitted for these dates:

£m	31 Dec 2018	31 Dec 2017
Share Capital and Reserves[1]	41.3	40.1
Common Equity Tier One Capital	41.3	40.1
Tier One Deductions:		
Intangibles	-	-
Tier One Capital After Deductions	41.3	40.1
Tier Two Capital	-	-
Total Capital	**41.3**	**40.1**
Deductions from Total Capital:	-	-
Capital Resources	**41.3**	**40.1**

1. Share Capital and Reserves does not include unaudited profits as at the balance sheet date.

Common Equity Tier One capital comprises the following elements:
- Fully paid up ordinary share capital;
- Retained earnings;
- Share premium; and
- Distributable capital contribution reserve.

2 Capital Resources Requirement

2.1 Introduction

Given the Firm's classification as an IFPRU Limited Activity Firm, its capital resources requirement is taken to be ***the aggregate*** of the applicable:

- Credit Risk Capital Requirement;
- Market Risk Capital Requirement;
- Settlement Risk; and
- Fixed Overhead Requirement ("FOR").

2.2 Credit Risk Capital Requirement

The Credit Risk Capital Requirement ("CRCR") consists of two elements and is calculated as follows:

2.2.1 Credit Risk Capital Component ("CRCC")

The Firm has adopted the standardised approach to calculating risk weights in accordance with Chapter 2 of Title II of the CRR.

In accordance with this rule, a capital charge is taken to support the Firm's exposure to outstanding Name Passing brokerage and cash deposits. In addition, the Firm also includes within its CRCC calculation, any 'other items' falling within Article 134 of the CRR. These include:

- Tangible and intangible assets;
- Other receivables, prepayments and accrued income.

The nominated External Credit Assessment Institution (ECAI) is Fitch, whose ratings are used in the determination of risk weights for the following exposure classes;

- Institutions
- Corporates
- Central governments and central banks

The majority of credit risk exposures are with external, highly rated institutions or with unrated corporate entities within the TP ICAP Group.

Credit risk exposure by exposure class as at 31 December 2018

£m	Exposure Value	Average Exposure Value	Risk Weighted Exposures	Capital Requirements
Institution	29.5	31.5	5.9	0.5
Corporate	9.5	9.6	9.4	0.8
Equity	-	-	-	-
Exposures in default	5.2	2.6	7.8	0.6
Other	-	0.0	-	-
Central government and central banks	0.0	0.0	0.1	0.0
Total	**44.2**	**43.7**	**23.2**	**1.9**

Credit risk exposure by geographic distribution as at 31 December 2018

£m	Exposure Value
United Kingdom	37.8
Rest of Europe	2.8
Other	3.6
Total	**44.2**

Credit risk exposure by residual maturity as at 31 December 2018

£m	Exposure Value
Less than one year	39.0
Undated	5.2
Total	**44.2**

Undated items include investment in subsidiaries.

2.2.2 Counterparty Risk Capital Component ("CPCC")

The Firm is exposed to short term counterparty credit risk on derivatives where the Firm acts as an executing broker on an exchange, during the period between the execution of the trade and the client claiming the trade. Counterparty credit risk on these derivatives is calculated using the mark to market method in accordance with Article 274 of CRR.

Counterparty credit risk exposure as at 31 December 2018

£m	Gross exposures	Collateral	Risk Weighted Exposures	Capital Requirements
Derivatives*	-	-	-	-

*In the table above, the gross exposure for derivatives is the gross positive fair value

2.2.3 Total CRCR

Applying the above rules, the CRCR for 31 December 2018 and 31 December 2017 was:

£m	31 Dec 2018	31 Dec 2017
CRCC	1.9	1.3
CPCC	-	-
Total CRCR	**1.9**	**1.3**
Risk Weighted Assets (RWA)	**23.2**	**16.5**

2.3 Market Risk Capital Requirement

The Firm's 'trading book' arises only where the Firm, when broking a trade on a Matched Principal basis, has failed to match clients' orders. Such positions are marked-to-market on a daily basis and a Position Risk Requirement ("PRR") calculated in accordance with Part 3 Title IV of the CRR. The Firm also calculates a PRR on its 'non-trading book' exposures, as required under Part 3 Title V of the CRR.

The Firm's total Market Risk Capital Requirement ("MRCR"), consisting of both the 'trading book' and 'non-trading book' PRRs, for 31 December 2018 and 31 December 2017 was:

£m	31 Dec 2018	31 Dec 2017
Trading Book PRR	-	-
Non-Trading Book PRR	0.4	0.6
Total MRCR	**0.4**	**0.6**
RWA	**4.8**	**7.7**

2.4 Fixed Overhead Requirement

Given the Firm's classification as a Limited Activity Firm, it is exempted from the requirement to calculate an Operational Risk Capital Requirement under Title III of the CRR. Instead, it is required to calculate a Fixed Overhead Requirement ("FOH") in accordance with Article 97 of the CRR.

The Firm's Fixed Overhead Requirement as at 31 December 2018 and 31 December 2017 was:

£m	31 Dec 2018	31 Dec 2017
FOR	2.3	2.2
Notional RWA	28.2	27.0

2.5 Large Exposure Requirement

In accordance with Article 388, the Firm is not subject to the Large Exposure Regime, due to the fact that the Firm is a Limited Activity Firm (under Article 96(1) of the CRR).

2.6 Pillar 2

As an FCA regulated firm, the Firm is obliged to ensure that it maintains overall financial resources, including both capital resources and liquidity resources, which are adequate, both as to amount and quality, to ensure that there is no significant risk that its liabilities cannot be met as they fall due ("the Overall Financial Adequacy Rule").

It is also required to have in place sound, effective and complete processes, strategies and systems to assess and maintain, on an ongoing basis, the amounts, types and distribution of financial resources that it considers adequate to: (i) comply with the Overall Financial Adequacy Rule; (ii) provide sufficient cover for the risks to which it is or might be exposed; and (iii) meet its future Capital Resources Requirements.

The Firm's Board periodically assesses the adequacy of the Firm's financial resources, including through the Internal Capital Adequacy Assessment Process ("ICAAP").

3 Capital Adequacy

The table below demonstrates that the Firm meets the required capital ratio of 8% of Risk Weighted Assets, and held excess capital resources for 31 December 2018 and 31 December 2017 of £36.7m and £36.0m respectively:

£m	31 Dec 2018	31 Dec 2017
CRCR	1.9	1.3
MRCR	0.4	0.6
FOR	2.3	2.2
Total Pillar 1 Requirement	**4.6**	**4.1**
Capital Resources	41.3	40.1
Excess Capital Resources	**36.7**	**36.0**
Total RWA	56.2	51.2
Capital Ratio	**73.5**	**78.3%**

4. Capital Buffers

The table below provides the geographical distribution of the Firm's credit exposures relevant for the calculation of its Countercyclical Capital Buffer (CCyB) as at 31 December 2018. The total CCyB for 31 December 2018 and 31 December 2017 were £0.4m and £0.0m respectively.

£m	CCyB rate	CCyB
UK	1.0%	0.4
Sweden	2.0%	0.0
Other	-	-
Total		**0.4**

The Firm's Capital Conservation Buffer (CCB) for 31 December 2018 and 31 December 2017 was £1.2m and £0.6m respectively, calculated at the transitional rate.

ICAP WCLK LIMITED

1 Capital Resources

The Capital Resources of ICAP WCLK LIMITED ("WCLK" or the "Firm") are determined in accordance with Part II of the CRR.

The table below sets out the Capital Resources of the Firm as at 31 December 2018 and 31 December 2017, reflecting the regulatory capital return submitted for these dates:

£m	31 Dec 2018	31 Dec 2017
Share Capital and Reserves[1]	12.8	8.4
Common Equity Tier One Capital	12.8	8.4
Tier One Deductions:		
Intangibles	-	-
Tier One Capital After Deductions	12.8	8.4
Tier Two Capital	-	-
Total Capital	**12.8**	**8.4**
Deductions from Total Capital:	-	-
Capital Resources	**12.8**	**8.4**

1. Share Capital and Reserves does not include unaudited profits as at the balance sheet date.

Common Equity Tier One capital comprises the following elements:
- Fully paid up ordinary share capital;
- Share premium;
- Retained earnings; and
- Distributable capital contribution reserve.

2 Capital Resources Requirement

2.1 Introduction

Given the Firm's classification as an IFPRU Limited Activity Firm, its capital resources requirement is taken to be ***the aggregate*** of the applicable:

- Credit Risk Capital Requirement;
- Market Risk Capital Requirement;
- Settlement Risk; and
- Fixed Overhead Requirement ("FOR").

2.2 Credit Risk Capital Requirement

The Credit Risk Capital Requirement ("CRCR") consists of two elements and is calculated as follows:

2.2.1 Credit Risk Capital Component ("CRCC")

The Firm has adopted the standardised approach to calculating risk weights in accordance with Chapter 2 of Title II of the CRR.

In accordance with this rule, a capital charge is taken to support the Firm's exposure to outstanding Name Passing brokerage and cash deposits. In addition, the Firm also includes within its CRCC calculation, any 'other items' falling within Article 134 of the CRR. These include:

- Tangible and intangible assets;
- Other receivables, prepayments and accrued income.

The nominated External Credit Assessment Institution (ECAI) is Fitch, whose ratings are used in the determination of risk weights for the following exposure classes;

- Institutions
- Corporates
- Central governments and central banks

The majority of credit risk exposures are with external, highly rated institutions or with unrated corporate entities within the TP ICAP Group. No exposures are deemed to be impaired.

Credit risk exposure by exposure class as at 31 December 2018

£m	Exposure Value	Average Exposure Value	Risk Weighted Exposures	Capital Requirements
Institution	11.1	7.4	2.2	0.2
Corporate	6.5	6.5	6.5	0.5
Equity	-	-	-	-
Other	0.0	0.1	0.0	0.0
Central government and central banks	0.0	0.0	0.0	0.0
Total	**17.6**	**14.0**	**8.7**	**0.7**

Credit risk exposure by geographic distribution as at 31 December 2018

£m	Exposure Value
United Kingdom	17.6
Rest of Europe	-
Other	-
Total	**17.6**

Credit risk exposure by residual maturity as at 31 December 2018

£m	Exposure Value
Less than one year	12.6
Undated	5.0
Total	**17.6**

Undated items include investment in subsidiaries.

2.2.2 Counterparty Risk Capital Component ("CPCC")

The Firm is exposed to counterparty credit risk

2.2.3 Total CRCR

Applying the above rules, the CRCR for 31 December 2018 and 31 December 2017 was:

£m	31 Dec 2018	31 Dec 2017
CRCC	0.7	0.6
CPCC	-	-
Total CRCR	**0.7**	**0.6**
Risk Weighted Assets (RWA)	**8.8**	**7.5**

2.5 Market Risk Capital Requirement

The Firm's 'trading book' arises only where the Firm, when broking a trade on a Matched Principal basis, has failed to match clients' orders. Such positions are marked-to-market on a daily basis and a Position Risk Requirement ("PRR") calculated in accordance with Part 3 Title IV of the CRR. The Firm also calculates a PRR on its 'non-trading book' exposures, as required under Part 3 Title V of the CRR.

The Firm's total Market Risk Capital Requirement ("MRCR"), consisting of both the 'trading book' and 'non-trading book' PRRs, for 31 December 2018 and 31 December 2017 was:

£m	31 Dec 2018	31 Dec 2017
Trading Book PRR	-	-
Non-Trading Book PRR	-	-
Total MRCR	**-**	**-**
RWA	**0.1**	**-**

2.6 Fixed Overhead Requirement

Given the Firm's classification as a Limited Activity Firm, it is exempted from the requirement to calculate an Operational Risk Capital Requirement under Title III of the CRR. Instead, it is required to calculate a Fixed Overhead Requirement ("FOH") in accordance with Article 97 of the CRR.

The Firm’s Fixed Overhead Requirement as at 31 December 2018 and 31 December 2017 was:

£m	31 Dec 2018	31 Dec 2017
FOR	**1.0**	**0.9**
Notional RWA	**13.0**	**11.2**

2.7 Large Exposure Requirement

In accordance with Article 388, the Firm is not subject to the Large Exposure Regime, due to the fact that the Firm is a Limited Activity Firm (under Article 96(1) of the CRR).

2.8 Pillar 2

As an FCA regulated firm, the Firm is obliged to ensure that it maintains overall financial resources, including both capital resources and liquidity resources, which are adequate, both as to amount and quality, to ensure that there is no significant risk that its liabilities cannot be met as they fall due (“the Overall Financial Adequacy Rule”).

It is also required to have in place sound, effective and complete processes, strategies and systems to assess and maintain, on an ongoing basis, the amounts, types and distribution of financial resources that it considers adequate to: (i) comply with the Overall Financial Adequacy Rule; (ii) provide sufficient cover for the risks to which it is or might be exposed; and (iii) meet its future Capital Resources Requirements.

The Firm’s Board periodically assesses the adequacy of the Firm’s financial resources, including through the Internal Capital Adequacy Assessment Process (“ICAAP”).

3 Capital Adequacy

The table below demonstrates that the Firm meets the required capital ratio of 8% of Risk Weighted Assets, and held excess capital resources for 31 December 2018 and 31 December 2017 of £11.1m and £6.9m respectively:

£m	31 Dec 2018	31 Dec 2017
CRCR	0.7	0.6
MRCR	-	-
FOR	1.0	0.9
Total Pillar 1 Requirement	**1.7**	**1.5**
Capital Resources	12.8	8.4
Excess Capital Resources	**11.1**	**6.9**
Total RWA	21.9	18.7
Capital Ratio	**58.6%**	**44.7%**

4. Capital Buffers

The table below provides the geographical distribution of the Firm's credit exposures relevant for the calculation of its Countercyclical Capital Buffer (CCyB) as at 31 December 2018. The total CCyB for 31 December 2018 and 31 December 2017 were £0.2m and £0.0m respectively.

£m	CCyB rate	CCyB
Country 1	1.0%	**0.2**
Other	-	**-**
Total		**0.2**

The Firm's Capital Conservation Buffer (CCB) for 31 December 2018 and 31 December 2017 was £0.4m and £0.3m respectively, calculated at the transitional rate.

ICAP EUROPE LIMITED

1 Capital Resources

The Capital Resources of ICAP Europe Limited ("IEuL" or the "Firm") are determined in accordance with Part II of the CRR.

The table below sets out the Capital Resources of the Firm as at 31 December 2018 and 31 December 2017, reflecting the regulatory capital return submitted for these dates:

£m	31 Dec 2018	31 Dec 2017
Share Capital and Reserves[1]	72.4	61.5
Common Equity Tier One Capital	72.4	61.5
Tier One Deductions:		
Intangibles	-	-
Tier One Capital After Deductions	72.4	61.5
Tier Two Capital	-	-
Total Capital	**72.4**	**61.5**
Deductions from Total Capital:	-	-
Capital Resources	**72.4**	**61.5**

1. Share Capital and Reserves does not include unaudited profits as at the balance sheet date.

Common Equity Tier One capital comprises the following elements:
- Fully paid up ordinary share capital;
- Share premium; and
- Retained earnings.

2 Capital Resources Requirement

2.1 Introduction

Given the Firm's classification as an IFPRU Limited Licence Firm, its capital resources requirement is taken to be ***the higher*** of:

1. The aggregate of the Credit Risk Capital Requirement ("CRCR") and Market Risk Capital Requirement ("MRCR"); and
2. Fixed Overhead Requirement ("FOR").

2.2 Credit Risk Capital Requirement

The Credit Risk Capital Requirement ("CRCR") consists of two elements and is calculated as follows:

2.2.1 Credit Risk Capital Component ("CRCC")

The Firm has adopted the standardised approach to calculating risk weights in accordance with Chapter 2 of Title II of the CRR.

In accordance with this rule, a capital charge is taken to support the Firm's exposure to outstanding Name Passing brokerage and cash deposits. In addition, the Firm also includes within its CRCC calculation, any 'other items' falling within Article 134 of the CRR. These include:

- Tangible and intangible assets;
- Other receivables, prepayments and accrued income.

The nominated External Credit Assessment Institution (ECAI) is Fitch, whose ratings are used in the determination of risk weights for the following exposure classes;

- Institutions
- Corporates
- Regional governments
- Central governments and central banks

The majority of credit risk exposures are with external, highly rated institutions or with unrated corporate entities within the TP ICAP Group. No exposures are deemed to be impaired.

Credit risk exposure by exposure class as at 31 December 2018

£m	Exposure Value	Average Exposure Value	Risk Weighted Exposures	Capital Requirements
Institution	77.7	65.2	15.5	1.2
Corporate	38.7	38.4	38.7	3.1
Exposures in default	3.7	1.9	5.6	0.5
Other	0.1	0.1	0.1	0.0
Regional government	0.0	0.0	0.0	0.0
Central government and central banks	0.1	0.0	-	-
Total	**120.3**	**105.6**	**59.9**	**4.8**

Credit risk exposure by geographic distribution as at 31 December 2018

£m	Exposure Value
United Kingdom	104.4
Rest of Europe	9.7
Other	6.2
Total	**120.3**

Credit risk exposure by residual maturity as at 31 December 2018

£m	Exposure Value
Less than one year	116.4
Undated	3.9
Total	**120.3**

Undated items include investment in subsidiaries.

Applying the above rules, the CRCR for 31 December 2018 and 31 December 2017 was:

£m	31 Dec 2018	31 Dec 2017
Total CRCR	**4.8**	**3.9**
Risk Weighted Assets (RWA)	**59.9**	**48.6**

2.4 Market Risk Capital Requirement

The Firm calculates a PRR on its ‘non-trading book’ exposures, as required under Part 3 Title V of the CRR.

The Firm’s total Market Risk Capital Requirement (“MRCR”), consisting of the ‘non-trading book’ PRRs, for 31 December 2018 and 31 December 2017 was:

£m	31 Dec 2018	31 Dec 2017
Total MRCR	**0.7**	**1.2**
RWA	**9.0**	**14.8**

2.5 Fixed Overhead Requirement

Given the Firm’s classification as a Limited Licence Firm, it is exempted from the requirement to calculate an Operational Risk Capital Requirement under Title III of the CRR. Instead, it is required to calculate a Fixed Overhead Requirement (“FOH”) in accordance with Article 97 of the CRR.

The Firm’s Fixed Overhead Requirement as at 31 December 2018 and 31 December 2017 was:

£m	31 Dec 2018	31 Dec 2017
FOR	**19.8**	**17.0**
Notional RWA	**247.4**	**211.9**

2.6 Large Exposure Requirement

In accordance with Article 388, the Firm is not subject to the Large Exposure Regime, due to the fact that the Firm is a Limited Licence Firm (under Article 95(1) of the CRR).

2.7 Pillar 2

As an FCA regulated firm, the Firm is obliged to ensure that it maintains overall financial resources, including both capital resources and liquidity resources, which are adequate, both as to amount and quality, to ensure that there is no significant risk that its liabilities cannot be met as they fall due (“the Overall Financial Adequacy Rule”).

It is also required to have in place sound, effective and complete processes, strategies and systems to assess and maintain, on an ongoing basis, the amounts, types and distribution of financial resources that it considers adequate to: (i) comply with the Overall Financial Adequacy Rule; (ii) provide sufficient cover for the risks to which it is or might be exposed; and (iii) meet its future Capital Resources Requirements.

The Firm's Board periodically assesses the adequacy of the Firm's financial resources, including through the Internal Capital Adequacy Assessment Process ("ICAAP").

3 Capital Adequacy

The table below demonstrates that the Firm meets the required capital ratio of 8% of Risk Weighted Assets, and held excess capital resources for 31 December 2018 and 31 December 2017 of £52.6m and £44.5m respectively:

£m	**31 Dec 2018**	**31 Dec 2017**
FOR	19.8	17.0
Total Pillar 1 Requirement	**19.8**	**17.0**
Capital Resources	72.4	61.5
Excess Capital Resources	**52.6**	**44.5**
Total RWA	247.4	211.9
Capital Ratio	**29.3%**	**29.0%**

ICAP ENERGY LIMITED

1 Capital Resources

The Capital Resources of ICAP Energy Limited ("IEnL" or the "Firm") are determined in accordance with Part II of the CRR.

The table below sets out the Capital Resources of the Firm as at 31 December 2018 and 31 December 2017, reflecting the regulatory capital return submitted for these dates:

£m	31 Dec 2018	31 Dec 2017
Share Capital and Reserves[1]	35.2	32.4
Common Equity Tier One Capital	35.2	32.4
Tier One Deductions:		
Intangibles	-	-
Tier One Capital After Deductions	35.2	32.4
Tier Two Capital	0.5	0.8
Total Capital	**35.7**	**33.2**
Deductions from Total Capital:	-	-
Capital Resources	**35.7**	**33.2**

1. Share Capital and Reserves does not include unaudited profits as at the balance sheet date.

Common Equity Tier One capital comprises the following elements:

- Fully paid up ordinary share capital;
- Share premium;
- Retained earnings;
- Distributable capital contribution reserve; and
- Accumulated other comprehensive income.

2 Capital Resources Requirement

2.1 Introduction

Given the Firm's classification as an IFPRU Limited Licence Firm, its capital resources requirement is taken to be ***the higher*** of:

3. The aggregate of the Credit Risk Capital Requirement ("CRCR") and Market Risk Capital Requirement ("MRCR"); and
4. Fixed Overhead Requirement ("FOR").

2.2 Credit Risk Capital Requirement

The Credit Risk Capital Requirement ("CRCR") consists of two elements and is calculated as follows:

2.2.1 Credit Risk Capital Component ("CRCC")

The Firm has adopted the standardised approach to calculating risk weights in accordance with Chapter 2 of Title II of the CRR.

In accordance with this rule, a capital charge is taken to support the Firm's exposure to outstanding Name Passing brokerage and cash deposits. In addition, the Firm also includes within its CRCC calculation, any 'other items' falling within Article 134 of the CRR. These include:

- Tangible and intangible assets;
- Other receivables, prepayments and accrued income.

The nominated External Credit Assessment Institution (ECAI) is Fitch, whose ratings are used in the determination of risk weights for the following exposure classes;

- Institutions
- Corporates
- Central governments and central banks

The majority of credit risk exposures are with external, highly rated institutions or with unrated corporate entities within the TP ICAP Group. No exposures are deemed to be impaired.

Credit risk exposure by exposure class as at 31 December 2018

£m	Exposure Value	Average Exposure Value	Risk Weighted Exposures	Capital Requirements
Institution	24.1	23.1	4.8	0.4
Corporate	18.0	17.6	18.0	1.4
Exposures in default	1.4	0.7	2.2	0.2
Other	0.0	0.4	0.0	0.0
Central government and central banks	0.0	0.1	0.0	0.0
Exposures to public sector entities	0.2	-	0.0	0.0
Total	**43.7**	**41.9**	**25.0**	**2.0**

Credit risk exposure by geographic distribution as at 31 December 2018

£m	Exposure Value
United Kingdom	39.7
Rest of Europe	1.9
Other	2.1
Total	**43.7**

Credit risk exposure by residual maturity as at 31 December 2018

£m	Exposure Value
Less than one year	42.6
Undated	1.1
Total	**43.7**

Undated items include investment in subsidiaries.

Applying the above rules, the CRCR for 31 December 2018 and 31 December 2017 was:

£m	31 Dec 2018	31 Dec 2017
Total CRCR	**2.0**	**1.8**
Risk Weighted Assets (RWA)	**25.0**	**22.6**

2.4 Market Risk Capital Requirement

The Firm calculates a PRR on its 'non-trading book' exposures, as required under Part 3 Title V of the CRR.

The Firm's total Market Risk Capital Requirement ("MRCR"), consisting of the 'non-trading book' PRRs, for 31 December 2018 and 31 December 2017 was:

£m	31 Dec 2018	31 Dec 2017
Total MRCR	**0.4**	**0.4**
RWA	**4.8**	**4.6**

2.5 Fixed Overhead Requirement

Given the Firm's classification as a Limited Licence Firm, it is exempted from the requirement to calculate an Operational Risk Capital Requirement under Title III of the CRR. Instead, it is required to calculate a Fixed Overhead Requirement ("FOH") in accordance with Article 97 of the CRR.

The Firm's Fixed Overhead Requirement as at 31 December 2018 and 31 December 2017 was:

£m	31 Dec 2018	31 Dec 2017
FOR	**5.2**	**5.5**
Notional RWA	**64.7**	**69.1**

2.6 Large Exposure Requirement

In accordance with Article 388, the Firm is not subject to the Large Exposure Regime, due to the fact that the Firm is a Limited Licence Firm (under Article 95(1) of the CRR).

2.7 Pillar 2

As an FCA regulated firm, the Firm is obliged to ensure that it maintains overall financial resources, including both capital resources and liquidity resources, which are adequate, both as to amount and quality, to ensure that there is no significant risk that its liabilities cannot be met as they fall due ("the Overall Financial Adequacy Rule").

It is also required to have in place sound, effective and complete processes, strategies and systems to assess and maintain, on an ongoing basis, the amounts, types and distribution of financial resources that it considers adequate to: (i) comply with the Overall Financial Adequacy Rule; (ii) provide sufficient cover for the risks to which it is or might be exposed; and (iii) meet its future Capital Resources Requirements.

The Firm's Board periodically assesses the adequacy of the Firm's financial resources, including through the Internal Capital Adequacy Assessment Process ("ICAAP").

3 Capital Adequacy

The table below demonstrates that the Firm meets the required capital ratio of 8% of Risk Weighted Assets, and held excess capital resources for 31 December 2018 and 31 December 2017 of £30.5m and £27.2m respectively:

£m	31 Dec 2018	31 Dec 2017
FOR	5.2	5.5
Total Pillar 1 Requirement	**5.2**	**5.5**
Capital Resources	35.7	33.2
Excess Capital Resources	**30.5**	**27.7**
Total RWA	64.7	69.1
Capital Ratio	**55.2%**	**48.1%**

ICAP GLOBAL DERIVATIVES LIMITED

1 Capital Resources

The Capital Resources of ICAP Global Derivatives Limited ("IGDL" or the "Firm") are determined in accordance with Part II of the CRR.

The table below sets out the Capital Resources of the Firm as at 31 December 2018 and 31 December 2017, reflecting the regulatory capital return submitted for these dates:

£m	31 Dec 2018	31 Dec 2017
Share Capital and Reserves[1]	19.5	22.1
Common Equity Tier One Capital	19.5	22.1
Tier One Deductions:		
Intangibles	-	-
Tier One Capital After Deductions	19.5	22.1
Tier Two Capital	-	-
Total Capital	**19.5**	**22.1**
Deductions from Total Capital:	-	-
Capital Resources	**19.5**	**22.1**

1. Share Capital and Reserves does not include unaudited profits as at the balance sheet date.

Common Equity Tier One capital comprises the following elements:
- Fully paid up ordinary share capital;
- Share premium;
- Retained earnings; and
- Distributable capital contribution reserve.

2 Capital Resources Requirement

2.1 Introduction

Given the Firm's classification as an IFPRU Limited Licence Firm, its capital resources requirement is taken to be ***the higher*** of:

5. The aggregate of the Credit Risk Capital Requirement ("CRCR") and Market Risk Capital Requirement ("MRCR"); and
6. Fixed Overhead Requirement ("FOR").

2.2 Credit Risk Capital Requirement

The Credit Risk Capital Requirement ("CRCR") consists of two elements and is calculated as follows:

2.2.1 Credit Risk Capital Component ("CRCC")

The Firm has adopted the standardised approach to calculating risk weights in accordance with Chapter 2 of Title II of the CRR.

In accordance with this rule, a capital charge is taken to support the Firm's exposure to outstanding Name Passing brokerage and cash deposits. In addition, the Firm also includes within its CRCC calculation, any 'other items' falling within Article 134 of the CRR. These include:

- Tangible and intangible assets;
- Other receivables, prepayments and accrued income.

The nominated External Credit Assessment Institution (ECAI) is Fitch, whose ratings are used in the determination of risk weights for the following exposure classes;

- Institutions
- Corporates
- Central governments and central banks

The majority of credit risk exposures are with external, highly rated institutions or with unrated corporate entities within the TP ICAP Group. No exposures are deemed to be impaired.

Credit risk exposure by exposure class as at 31 December 2018

£m	Exposure Value	Average Exposure Value	Risk Weighted Exposures	Capital Requirements
Institution	22.9	21.2	4.6	0.4
Corporate	4.6	7.3	4.6	0.4
Exposures in default	1.0	0.5	1.5	0.1
Other	0.0	0.1	0.0	0.0
Central government and central banks	0.1	0.1	0.3	0.0
Total	**28.6**	**29.2**	**11.0**	**0.9**

Credit risk exposure by geographic distribution as at 31 December 2018

£m	Exposure Value
United Kingdom	24.2
Rest of Europe	0.9
Other	3.5
Total	**28.6**

Credit risk exposure by residual maturity as at 31 December 2018

£m	Exposure Value
Less than one year	27.5
Undated	1.1
Total	**28.6**

Undated items include investment in subsidiaries.

Applying the above rules, the CRCR for 31 December 2018 and 31 December 2017 was:

£m	31 Dec 2018	31 Dec 2017
Total CRCR	**0.9**	**1.1**
Risk Weighted Assets (RWA)	**11.0**	**14.1**

2.4 Market Risk Capital Requirement

The Firm calculates a PRR on its 'non-trading book' exposures, as required under Part 3 Title V of the CRR.

The Firm's total Market Risk Capital Requirement ("MRCR"), consisting of the 'non-trading book' PRRs, for 31 December 2018 and 31 December 2017 was:

£m	31 Dec 2018	31 Dec 2017
Total MRCR	**1.1**	**0.9**
RWA	**13.6**	**11.2**

2.5 Fixed Overhead Requirement

Given the Firm's classification as a Limited Licence Firm, it is exempted from the requirement to calculate an Operational Risk Capital Requirement under Title III of the CRR. Instead, it is required to calculate a Fixed Overhead Requirement ("FOH") in accordance with Article 97 of the CRR.

The Firm's Fixed Overhead Requirement as at 31 December 2018 and 31 December 2017 was:

£m	31 Dec 2018	31 Dec 2017
FOR	**4.4**	**5.4**
Notional RWA	**55.4**	**66.9**

2.6 Large Exposure Requirement

In accordance with Article 388, the Firm is not subject to the Large Exposure Regime, due to the fact that the Firm is a Limited Licence Firm (under Article 95(1) of the CRR).

2.7 Pillar 2

As an FCA regulated firm, the Firm is obliged to ensure that it maintains overall financial resources, including both capital resources and liquidity resources, which are adequate, both as to amount and quality, to ensure that there is no significant risk that its liabilities cannot be met as they fall due ("the Overall Financial Adequacy Rule").

It is also required to have in place sound, effective and complete processes, strategies and systems to assess and maintain, on an ongoing basis, the amounts, types and distribution of financial resources that it considers adequate to: (i) comply with the Overall Financial Adequacy Rule; (ii) provide sufficient cover for the risks to which it is or might be exposed; and (iii) meet its future Capital Resources Requirements.

The Firm's Board periodically assesses the adequacy of the Firm's financial resources, including through the Internal Capital Adequacy Assessment Process ("ICAAP").

3 Capital Adequacy

The table below demonstrates that the Firm meets the required capital ratio of 8% of Risk Weighted Assets, and held excess capital resources for 31 December 2018 and 31 December 2017 of £15.1m and £16.7m respectively:

£m	**31 Dec 2018**	**31 Dec 2017**
FOR	4.4	5.4
Total Pillar 1 Requirement	**4.4**	**5.4**
Capital Resources	19.5	22.1
Excess Capital Resources	**15.1**	**16.7**
Total RWA	55.4	66.9
Capital Ratio	**35.2%**	**33.0%**

ISWAP EURO LIMITED

1 Capital Resources

The Capital Resources of iSwap Euro Limited ("iSwap" or the "Firm") are determined in accordance with Part II of the CRR.

The table below sets out the Capital Resources of the Firm as at 31 December 2018 and 31 December 2017, reflecting the regulatory capital return submitted for these dates:

€m	31 Dec 2018	31 Dec 2017
Share Capital and Reserves[1]	13.0	12.0
Common Equity Tier One Capital	13.0	12.0
Tier One Deductions:		
Intangible assets	(2.3)	(2.7)
DTA on losses	(1.2)	(0.7)
Tier One Capital After Deductions	9.5	8.6
Tier Two Capital	-	-
Total Capital	**9.5**	**8.6**
Deductions from Total Capital:	-	-
Capital Resources	**9.5**	**8.6**

1. Share Capital and Reserves does not include unaudited profits as at the balance sheet date.

Common Equity Tier One capital comprises the following elements:
- Fully paid up ordinary share capital;
- Share premium;
- Retained earnings; and
- Distributable capital contribution reserve.

2 Capital Resources Requirement

2.1 Introduction

Given the Firm's classification as an IFPRU Limited Licence Firm, its capital resources requirement is taken to be ***the higher*** of:

1. The aggregate of the Credit Risk Capital Requirement ("CRCR") and Market Risk Capital Requirement ("MRCR"); and
2. Fixed Overhead Requirement ("FOR").

2.2 Credit Risk Capital Requirement

The Credit Risk Capital Requirement ("CRCR") consists of two elements and is calculated as follows:

2.2.1 Credit Risk Capital Component ("CRCC")

The Firm has adopted the standardised approach to calculating risk weights in accordance with Chapter 2 of Title II of the CRR.

In accordance with this rule, a capital charge is taken to support the Firm's exposure to outstanding Name Passing brokerage and cash deposits. In addition, the Firm also includes within its CRCC calculation, any 'other items' falling within Article 134 of the CRR. These include:

- Tangible and intangible assets;
- Other receivables, prepayments and accrued income.

The nominated External Credit Assessment Institution (ECAI) is Fitch, whose ratings are used in the determination of risk weights for the following exposure classes;

- Institutions
- Corporates
- Central governments and central banks

The majority of credit risk exposures are with external, highly rated institutions or with unrated corporate entities within the TP ICAP Group. No exposures are deemed to be impaired.

Credit risk exposure by exposure class as at 31 December 2018

€m	Exposure Value	Average Exposure Value	Risk Weighted Exposures	Capital Requirements
Institution	7.7	7.3	1.5	0.1
Corporate	1.8	1.8	1.8	0.2
Equity	-	-	-	-
Other	0.0	0.0	0.0	0.0
Exposures in default	0.7	0.3	1.0	0.1
CIU	-	-	-	-
Central government and central banks	1.1	1.3	2.7	0.2
Total	**11.3**	**10.7**	**7.0**	**0.6**

Credit risk exposure by geographic distribution as at 31 December 2018

€m	Exposure Value
United Kingdom	10.7
Rest of Europe	0.5
Other	0.1
Total	**11.3**

Credit risk exposure by residual maturity as at 31 December 2018

€m	Exposure Value
Less than one year	10.2
Undated	1.1
Total	**11.3**

Undated items include investment in subsidiaries.

Applying the above rules, the CRCR for 31 December 2018 and 31 December 2017 was:

€m	31 Dec 2018	31 Dec 2017
Total CRCR	**0.6**	**0.4**
Risk Weighted Assets (RWA)	**7.0**	**5.5**

2.4 Market Risk Capital Requirement

The Firm calculates a PRR on its 'non-trading book' exposures, as required under Part 3 Title V of the CRR.

The Firm's total Market Risk Capital Requirement ("MRCR"), consisting of the 'non-trading book' PRRs, for 31 December 2018 and 31 December 2017 was:

€m	31 Dec 2018	31 Dec 2017
Total MRCR	**0.5**	**0.2**
RWA	**5.8**	**2.7**

2.5 Fixed Overhead Requirement

Given the Firm's classification as a Limited Licence Firm, it is exempted from the requirement to calculate an Operational Risk Capital Requirement under Title III of the CRR. Instead, it is required to calculate a Fixed Overhead Requirement ("FOH") in accordance with Article 97 of the CRR.

The Firm's Fixed Overhead Requirement as at 31 December 2018 and 31 December 2017 was:

€m	31 Dec 2018	31 Dec 2017
FOR	**1.2**	**1.1**
Notional RWA	**15.3**	**13.3**

2.6 Large Exposure Requirement

In accordance with Article 388, the Firm is not subject to the Large Exposure Regime, due to the fact that the Firm is a Limited Licence Firm (under Article 95(1) of the CRR).

2.7 Pillar 2

As an FCA regulated firm, the Firm is obliged to ensure that it maintains overall financial resources, including both capital resources and liquidity resources, which are adequate, both as to amount and quality, to ensure that there is no significant risk that its liabilities cannot be met as they fall due ("the

Overall Financial Adequacy Rule").

It is also required to have in place sound, effective and complete processes, strategies and systems to assess and maintain, on an ongoing basis, the amounts, types and distribution of financial resources that it considers adequate to: (i) comply with the Overall Financial Adequacy Rule; (ii) provide sufficient cover for the risks to which it is or might be exposed; and (iii) meet its future Capital Resources Requirements.

The Firm's Board periodically assesses the adequacy of the Firm's financial resources, including through the Internal Capital Adequacy Assessment Process ("ICAAP").

3 Capital Adequacy

The table below demonstrates that the Firm meets the required capital ratio of 8% of Risk Weighted Assets, and held excess capital resources for 31 December 2018 and 31 December 2017 of €8.3m and €7.5m respectively:

€m	**31 Dec 2018**	**31 Dec 2017**
FOR	1.2	1.1
Total Pillar 1 Requirement	**1.2**	**1.1**
Capital Resources	9.5	8.6
Excess Capital Resources	**8.3**	**7.5**
Total RWA	15.3	13.3
Capital Ratio	**62.0%**	**64.8%**

PVM OIL FUTURES LIMITED

1 Capital Resources

The Capital Resources of PVM Oil Futures Limited ("PVMOFL" or the "Firm") are determined in accordance with Part II of the CRR.

The table below sets out the Capital Resources of the Firm as at 31 December 2018 and 31 December 2017, reflecting the regulatory capital return submitted for these dates:

$m	**31 Dec 2018**	**31 Dec 2017**
Share Capital and Reserves[1]	**16.4**	**4.8**
Common Equity Tier One Capital	16.4	4.8
Tier One Deductions:		
Intangible Assets	-	-
Tier One Capital After Deductions	**16.4**	**4.8**
Tier Two Capital	-	-
Total Capital	**16.4**	**4.8**
Deductions from Total Capital:	-	-
Capital Resources	**16.4**	**4.8**

1. Share Capital and Reserves does not include unaudited profits as at the balance sheet date.

Common Equity Tier One capital comprises the following elements:

- Fully paid up ordinary share capital;
- Share premium;
- Retained earnings; and
- Other reserves.

2 Capital Resources Requirement

2.1 Introduction

Given the Firm's classification as an IFPRU Limited Activity Firm, its capital resources requirement is taken to be ***the aggregate*** of the applicable:

- Credit Risk Capital Requirement;
- Market Risk Capital Requirement;
- Settlement Risk; and
- Fixed Overhead Requirement ("FOR").

2.2 Credit Risk Capital Requirement

The Credit Risk Capital Requirement ("CRCR") consists of two elements and is calculated as follows:

2.2.1 Credit Risk Capital Component ("CRCC")

The Firm has adopted the standardised approach to calculating risk weights in accordance with Chapter 2 of Title II of the CRR.

In accordance with this rule, a capital charge is taken to support the Firm's exposure to outstanding Name Passing brokerage and cash deposits. In addition, the Firm also includes within its CRCC calculation, any 'other items' falling within Article 134 of the CRR. These include:

- Tangible and intangible assets;
- Other receivables, prepayments and accrued income.

The nominated External Credit Assessment Institution (ECAI) is Fitch, whose ratings are used in the determination of risk weights for the following exposure classes;

- Institutions
- Corporates
- Central governments and central banks

The majority of credit risk exposures are with external, highly rated institutions or with unrated corporate entities within the TP ICAP Group. No exposures are deemed to be impaired

Credit risk exposure by exposure class as at 31 December 2018

£m	Exposure Value	Average Exposure Value	Risk Weighted Exposures	Capital Requirements
Institution	18.5	18.5	3.9	0.3
Corporate	0.4	0.4	0.4	0.1
Equity	0.0	0.0	0.0	0.0
Exposure in default	1.1	1.1	1.6	0.1
Other	0.2	0.2	0.2	0.0
Central government and central banks	0.0	0.0	0.0	0.0
Total	**20.2**	**20.2**	**6.1**	**0.5**

Credit risk exposure by geographic distribution as at 31 December 2018

£m	Exposure Value
United Kingdom	0.1
Rest of Europe	2.1
Other	18.1
Total	**20.2**

Credit risk exposure by residual maturity as at 31 December 2018

£m	Exposure Value
Less than one year	18.9
Undated	1.3
Total	**20.2**

Undated items include investment in subsidiaries.

2.2.2 Counterparty Risk Capital Component ("CPCC")

The Firm is exposed to short term counterparty credit risk on derivatives where the Firm acts as an executing broker on an exchange, during the period between the execution of the trade and the client claiming the trade. Counterparty credit risk on these derivatives is calculated using the mark to market method in accordance with Article 274 of CRR.

Counterparty credit risk exposure as at 31 December 2018

£m	Gross exposures	Collateral	Risk Weighted Exposures	Capital Requirements
Derivatives*	-	-	-	-

*In the table above, the gross exposure for derivatives is the gross positive fair value

2.2.3 Total CRCR

Applying the above rules, the CRCR for 31 December 2018 and 31 December 2017 was:

£m	31 Dec 2018	31 Dec 2017
CRCC	0.5	0.4
CPCC	-	-
Total CRCR	**0.5**	**0.4**
Risk Weighted Assets (RWA)	**6.2**	**4.8**

2.3 Market Risk Capital Requirement

The Firm's 'trading book' arises only where the Firm, when broking a trade on a Matched Principal basis, has failed to match clients' orders. Such positions are marked-to-market on a daily basis and a Position Risk Requirement ("PRR") calculated in accordance with Part 3 Title IV of the CRR. The Firm also calculates a PRR on its 'non-trading book' exposures, as required under Part 3 Title V of the CRR.

The Firm's total Market Risk Capital Requirement ("MRCR"), consisting of both the 'trading book' and 'non-trading book' PRRs, for 31 December 2018 and 31 December 2017 was:

£m	31 Dec 2018	31 Dec 2017
Trading Book PRR	-	-
Non-Trading Book PRR	0.2	0.1
Total MRCR	**0.2**	**0.1**
RWA	**3.0**	**1.8**

2.4 Fixed Overhead Requirement

Given the Firm's classification as a Limited Activity Firm, it is exempted from the requirement to calculate an Operational Risk Capital Requirement under Title III of the CRR. Instead, it is required to calculate a Fixed Overhead Requirement ("FOH") in accordance with Article 97 of the CRR.

The Firm's Fixed Overhead Requirement as at 31 December 2018 and 31 December 2017 was:

£m	31 Dec 2018	31 Dec 2017
FOR	**2.2**	**2.0**
Notional RWA	**27.0**	**25.3**

2.5 Large Exposure Requirement

In accordance with Article 388, the Firm is not subject to the Large Exposure Regime, due to the fact that the Firm is a Limited Activity Firm (under Article 96(1) of the CRR).

2.6 Pillar 2

As an FCA regulated firm, the Firm is obliged to ensure that it maintains overall financial resources, including both capital resources and liquidity resources, which are adequate, both as to amount and quality, to ensure that there is no significant risk that its liabilities cannot be met as they fall due ("the Overall Financial Adequacy Rule").

It is also required to have in place sound, effective and complete processes, strategies and systems to assess and maintain, on an ongoing basis, the amounts, types and distribution of financial resources that it considers adequate to: (i) comply with the Overall Financial Adequacy Rule; (ii) provide sufficient cover for the risks to which it is or might be exposed; and (iii) meet its future Capital Resources Requirements.

The Firm's Board periodically assesses the adequacy of the Firm's financial resources, including through the Internal Capital Adequacy Assessment Process ("ICAAP").

3 Capital Adequacy

The table below demonstrates that the Firm meets the required capital ratio of 8% of Risk Weighted Assets, and held excess capital resources for 31 December 2018 and 31 December 2017 of £13.5m and £2.3m respectively:

£m	31 Dec 2018	31 Dec 2017
CRCR	0.5	0.4
MRCR	0.2	0.1
FOR	2.2	2.0
Total Pillar 1 Requirement	**2.9**	**2.5**
Capital Resources	16.4	4.8
Excess Capital Resources	**13.5**	**2.3**
Total RWA	36.2	31.9
Capital Ratio	**45.3%**	**15.0%**

4. Capital Buffers

The table below provides the geographical distribution of the Firm's credit exposures relevant for the calculation of its Countercyclical Capital Buffer (CCyB) as at 31 December 2018. The total CCyB for 31 December 2018 and 31 December 2017 were £0.2m and £0.0m respectively.

£m	CCyB rate	CCyB
UK	1.0%	0.2
Czech Republic	1.3%	0.0
Norway	2.0%	0.0
Other	-	-
Total		**0.2**

The Firm's Capital Conservation Buffer (CCB) for 31 December 2018 and 31 December 2017 was £0.7m and £0.0m respectively, calculated at the transitional rate.