TP ICAP MIFIDPRU INVESTMENT FIRM DISCLOSURES 2022

Introduction

Prudential Supervision

The EMEA Sub-Consolidation Group (EMEA Sub-Group) is subject to consolidated supervision by the FCA. The EMEA Sub-Group's UK broking subsidiaries and Liquidnet Europe Limited are regulated by the FCA (the 'Regulated Firms') on an individual 'solo' basis. The broking subsidiaries are classified as either Small and Non-Interconnected (SNI) or non-SNI Investment Firms in accordance with the Prudential sourcebook for MiFID Investment Firms (MIFIDPRU).

Non-SNI MIFIDPRU Investment Firms which do not meet the conditions in MIFIDPRU 7.1.4R - Active

- TP ICAP Markets Limited (TPIM).

Non-SNI MIFIDPRU Investment Firms - Active

- TP ICAP Broking Limited (TPIB); and
- TP ICAP E&C Limited (TPIEC), formerly known as Tullett Prebon (Europe) Limited.

SNI MIFIDPRU Investment Firms - Active

- TP ICAP MTF Limited (TPIMTF), formerly known as ICAP WCLK Limited;
- ICAP Energy Limited (IEnL);
- ICAP Global Derivatives Limited (IGDL);
- iSwap Euro Limited (iSwap);
- Louis Capital Markets UK (LCMUK);
- PVM Oil Futures Limited (PVMOFL);
- PVM Oil Associates Limited (PVMOAL):
- Liquidnet Europe Limited (LNEL)

SNI MIFIDPRU Investment Firms - Dormant

- Tullett Prebon (Equities) Limited (TPEq);
- The Link Asset & Securities Company Limited (LINK); and
- ICAP Europe Limited (IEuL).

Disclosure Requirements

MIFIDPRU Investment Firms are required to make certain disclosures easily accessible and free to obtain.

The disclosures required in accordance with MIFIDPRU 8 and their applicability by reference to MIFIPRU Investment Firm Type are set out below:

Disclosure Requirement	Applicability
1. Risk management objectives and policies	Non-SNI Regulated Firms
2. Governance arrangements	
3. Own funds	
4. Own funds requirements	
5. Remuneration policy and practices	All Regulated Firms.[1]
6. Investment policy	Not applicable to the Regulated Firms[2]

Notes

1. Additional remuneration policy and practices disclosures are required for non-SNI MIFIDPRU Investment Firms and non-SNI MIFIDPRU Investment Firms which do not meet the conditions in MIFIDPRU 7.1.4R.
2. Investment policy disclosure requirements are only applicable to non-SNI MIFIDPRU Investment Firms which do not meet the conditions in MIFIDPRU 7.1.4R (i.e. TPIM). However, as TPIM's shareholdings are not in respect of companies whose shares are admitted to trading on a regulated market these investment policy disclosure requirements are not applicable.

The following entities have transferred their businesses to other EMEA Sub-Group companies and are in the process of cancelling their regulatory permissions: i) Tullett Prebon (Equities) Limited transferred its business to TP ICAP E&C Limited in 2010; ii) The Link Asset & Securities Company Limited transferred its business to TP ICAP Markets Limited in 2019; and ICAP Europe Limited transferred its business to TP ICAP Markets Limited in 2020. Therefore, no separate disclosures are provided for these entities.

The disclosures contained herein have been approved by the Boards of the entities listed above.

1. Risk management objectives and policies

Risk Management

Effective risk management is essential to the financial strength and resilience of the Regulated Firms and for the delivery of the business strategy. This section provides a summary of how risk is managed by the Regulated Firms through their Enterprise Risk Management Framework ('ERMF') and describes the Regulated Firms' principal risks.

Enterprise Risk Management Framework

The purpose of the ERMF is to enable the Regulated Firms to understand the risks to which they are exposed and to manage these risks in line with their stated risk appetite. The ERMF achieves this objective through a number of mutually reinforcing components, which include the operation of a robust risk management and governance structure based on the three lines-of-defence model, the fostering of an appropriate risk management culture and a range of risk management processes to enable the Regulated Firms to identify, assess and manage their risks effectively.

Organisational Structure

The ERMF is operated through a three lines of defence ('3LOD') model whereby risk management, risk oversight and risk assurance roles are undertaken by separate and independent functions, with all 3LOD overseen by the Regulated Firms' governance committee structure. The Regulated Firms' Boards have overall responsibility for the management of risk within the Regulated Firms which includes:

- Defining the nature and extent of the risks each entity is willing to take in achieving its business objectives through formal risk appetite statements;
- Ensuring that the Regulated Firms have an appropriate and effective risk management and internal control framework; and
- Monitoring the Regulated Firms' risk profile against the Regulated Firms' defined risk appetite.

The Regulated Firms' risk governance structure oversees the implementation and operation of the ERMF across the Regulated Firms and primarily comprises the following committees:

- Regulated Firms Board Risk Committee; and
- Regulated Firms Risk and Conduct Committee.

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 Compliance and Risk functions, which are separate from operational management. The Compliance function is responsible for overseeing the Regulated Firms' compliance with regulatory requirements in all of the jurisdictions in which the Regulated Firms operate. The Risk function is responsible for overseeing and challenging the business, support and control functions in their identification, assessment and management of the risks to which they are exposed and for assisting the Regulated Firms' Boards in discharging their overall risk oversight responsibilities.

Third line of defence - Independent assurance

Internal Audit provides independent assurance on the design and operational effectiveness of the Regulated Firms' risk management framework.

1.1 Risk culture

The Regulated Firms recognises that in order for the ERMF to be operated effectively, it must be underpinned by an appropriate risk culture. The Regulated Firms seek to foster the desired risk management values and behaviours through a number of components including the setting of an appropriate 'tone-from-the-top', ensuring clear risk management accountabilities for all employees, the provision of risk training, performance management, and by ensuring that staff are able to raise risk management concerns through the Regulated Firms' Whistleblowing framework.

1.2 Organisational Structure

The ERMF is operated through a three lines of defence ('3LOD') model whereby risk management, risk oversight and risk assurance roles are undertaken by separate and independent functions, with all 3LOD overseen by the Regulated Firms' governance committee structure.

1.3 Risk Strategy

The Regulated Firms Boards adopt a Risk Strategy on an annual basis which identifies the core risk management objectives that must be met for each of the Regulated Firms to deliver their respective business strategy.

The Risk Strategy constitutes the guiding principles by which all of the Regulated Firms' risk management activity must be undertaken.

1.4 Risk Identification

Each Regulated Firm reviews its risk profile on an ongoing basis to ensure that it identifies all material risks arising from the day-to-day operation of its business and the implementation of its business strategy, as well as any emerging risks facing each Regulated Firm. These risks are recorded in the Regulated Firms' Risk Register, with each risk allocated to a designated senior manager Risk Lead who has overall responsibility for ensuring it is managed effectively.

A formal review of the risk profile of each Regulated Firm is undertaken on a quarterly basis as part of the Regulated Firms' Risk Committee review cycle. In addition, the Regulated Firms seek to identify changes to the risk profile on a dynamic basis through the various risk management processes and structures operated under the ERMF. This includes assessing the risk profile of new business initiatives and analysing risk events.

1.5 Risk Appetite

The Regulated Firms' Boards articulate the overall level of risk the Regulated Firms are willing to accept for the various risks they identify within their Risk Appetite Statements.

The Risk Appetite Statements set the parameters within which the Regulated Firms must manage their risk profile, and so provides the context for all of the Regulated Firms' risk management activity. This includes defining the Regulated Firms' overall loss tolerance and its targeted level of prudential adequacy.

The Risk Appetite Statements are cascaded and operationalised throughout the Regulated Firms through a framework of risk appetite implementation metrics which provide the operational parameters that each business must operate within on a day-to-day basis.

1.6 Systems and Controls

Definition of Requirements

The Regulated Firms maintain Risk Management Standards ('RMS') which articulate the key systems and controls which must be implemented to manage each of their material risks within risk appetite. This includes the minimum requirements in relation to policies, controls and training.

Implementation

The Regulated Firms assess adherence to these requirements through a formal annual control and policy attestation process that provides their management and governance forums with a comprehensive assessment of the status of the Regulated Firms' risk management environment.

1.7 Issue Management Process

The Regulated Firms operate a formal issue management process across the 3LOD to address any issues which could materially impact the Regulated Firms' risk profile. The issue management process includes a formal risk acceptance process where it is not practical or desirable to address an issue at the point identified.

All actions and deferrals are subject to a formal approval process which is calibrated to reflect the severity of the issue.

1.8 Risk Event Management Process

The Regulated Firms have a defined process for the escalation, notification and logging of all risk events to ensure that they can be addressed and analysed appropriately. This includes the conducting of detailed root-cause analysis for significant events.

1.9 Risk Assessment and Monitoring

The Regulated Firms assess and monitor their risk profiles on an ongoing basis to ensure that it is operating within risk appetite and to identify any remedial action required to maintain or return the Regulated Firms to within risk appetite.

This monitoring is undertaken through:

- An annual Risk Self-Assessment process;
- The quarterly Risk Committee review process; and
- Ongoing operational monitoring by the 1LOD and 2LOD.

Any breach of risk appetite parameters or other significant issue identified through the monitoring activity must be escalated to the appropriate level of management and governance.

1.10 Risk Assurance

Internal Audit, Risk and Compliance undertake independent and targeted reviews of selected areas of the Regulated Firms' business and operations to provide additional insights and assurance in relation to specific aspects of the Regulated Firms' risk profile and highlight areas requiring remediation.

1.11 Prudential Assessments

The Regulated Firms periodically assess their capital and liquidity adequacy by reference to the targeted confidence level adopted in the Risk Appetite Statements (and applicable regulatory requirements).

The Regulated Firms assess their stressed risk profile through a formal stress testing programme which covers all material risk types. This programme includes reverse stress testing which aims to assist the Regulated Firms to identify and mitigate potential causes of business failure.

1.12 Risk Strategy

The Regulated Firms Boards are responsible for setting the Regulated Firms' Risk Strategy which identifies the core risk management objectives that must be met for the Regulated Firms to deliver their business strategy and, as such, provide the overarching context for all of the Regulated Firms risk management activity. The Regulated Firms have defined the following risk objectives within their current Risk Strategy:

Financial position - To maintain a robust financial position in both normal and stressed conditions, to be achieved by maintaining profitability, ensuring capital resources and liquidity resources are sustained at levels that reflect the Regulated Firms' risk profile and maintaining access to capital markets.

Operational effectiveness and resilience - To ensure that operational processes and infrastructure operate effectively and with an appropriate degree of resilience.

Regulatory standing - To maintain good standing with all its regulators and to ensure reasonable and proportionate compliance with all applicable laws and regulations to which the Regulated Firms are subject.

Reputation - To maintain the Regulated Firms' reputation as unbiased intermediaries in the financial markets operating with market integrity.

Business strategy - To adopt and execute a well-defined business plan which ensures the continued viability and growth of the Regulated Firms' business, and to ensure that the Regulated Firms do not undertake any activity which could undermine their ability to meet their strategic goals.

Principal Risks

The Regulated Firms' Boards have conducted a robust assessment of the principal risks facing the Regulated Firms, defined for the purposes of this report as those risks that could have a material impact on business models, future performance, solvency, liquidity or reputation.

The Regulated Firms' Boards have considered a wide range of information as part of this assessment, including reports provided by the Risk function and senior management and the key findings from the Regulated Firms' various risk identification and assessment processes described above.

The Regulated Firms record all of their identified risks within their Risk Register and periodically assesses the risk profile of each risk against the target residual risk profile defined in the Regulated Firms' risk appetite framework. The Regulated Firms formally review and assess respective risk profiles on a quarterly basis as part of the Regulated Firms' Risk Committee governance cycle. In addition to the formal reviews noted above, the Regulated Firms monitor their risk profile against risk appetite on an ongoing basis as part of their day-to-day business management and will update their risk framework outside of the formal review and assessment cycle where required to reflect any material changes to risk profile. This includes any changes to risk profile identified through the Regulated Firms' change management framework.

The Regulated Firms undertake stress testing and scenario analyses to model their potential risk exposure at the more extreme 'stressed loss' levels of severity. The Regulated Firms also conduct reverse stress tests to identify those risk scenarios that could threaten the viability of the Regulated Firms and evaluate their ability to withstand or recover from such scenarios.

Finally, the Regulated Firms also review their emerging risk profile as part of the risk identification and assessment process. An emerging risk, for these purposes, is defined as any new type of risk that may pose a material threat to the Regulated Firms in the future, and which the Regulated Firms should monitor so that they are in a position to actively manage the risk if, and when, it becomes a more immediate threat to the Regulated Firms. Each emerging risk is recorded in the Regulated Firms' Emerging Risk Register, along with an assessment of its potential impact and an estimate of the timeframe within which it is likely to materialise.

The Regulated Firms Boards have considered the findings of all of the above assessment types in identifying the principal risks which are set out below. It should be noted that the impact stated for each risk is the potential impact in stressed conditions, net of any risk mitigation adopted by the Regulated Firms, as opposed to the 'expected' impact at higher levels of probability.

STRATEGIC AND BUSINESS RISK

1. Adverse change to regulatory framework – The risk of a fundamental change to the regulatory framework which has a material adverse impact on the Regulated Firms' business models and/or undermines the Regulated Firms' ability to deliver their strategy.

Impact Description

- Reduction in broking activity
- Reduced earnings and profitability
- Increases in regulatory capital requirements

Change in risk exposure since 2021

- No change

Mitigation

- Horizon scanning of regulatory developments
- Involvement in consultation and rule setting processes

Key risk indicators

- Status of regulatory change initiatives

Link to our strategy

- Electronification
- Aggregation
- Diversification

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.

Impact Description

- Reduction in broking activity
- Pressure on brokerage rates
- Reduced earnings and profitability
- Goodwill write-off

Change in risk exposure since 2021

- No change

Mitigation

- Defined business strategy that seeks to maintain client, geographical and product diversification
- Stress test process (which includes reverse stress tests) to assess the Regulated Firms' ability to absorb significant reductions in business performance and any changes to business model or risk mitigations required.

Key risk indicators

- Trade volumes
- Revenues by region
- Operating profit
- Stress test results

Link to our strategy

- Electronification
- Aggregation
- Diversification

3. Failure to respond to client demand or competitor activity - The risk that the Regulated Firms fail to respond to evolving customer requirements, including the demand for enhanced electronic broking solutions for certain asset classes. This includes the failure to implement the Regulated Firms' strategy in relation to Fusion, Parameta Solutions and Liquidnet.

Impact Description

- Loss of market share
- Pressure on brokerage rates
- Reduced earnings and profitability
- Goodwill write-off

Change in risk exposure since 2021

- No change

Mitigation

- Defined business strategy that seeks to maintain client, geographical and product diversification, and that seeks to anticipate and respond to its clients' evolving requirements.
- Proactive engagement with clients through customer relationship management process.
- Periodic horizon-scanning and competitor analysis to identify any required change to strategic objectives or implementation plan.

Key risk indicators

- Performance against strategy implementation plans
- Market share percentage
- Results of client engagement surveys

Link to our strategy

- Electronification
- Aggregation
- Diversification

4. Failure to address impact of Brexit – The risk that the operating model implemented by the Regulated Firms to comply with the loss of EU passporting rights results in a fragmentation of liquidity between UK and EU liquidity pools.

Impact Description

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

Change in risk exposure since 2021

- No change

Mitigation

- EMEA Sub-Group's operation of EU trading subsidiary which acts as the trading hub for EU-based business.
- Changes to operating model to maintain UK-EU liquidity
- Proactive engagement with European regulators and clients.

Key risk indicators

- Brexit revenue-at-risk
- Performance against Brexit response plans

Link to our strategy

- Aggregation
- Diversification

5. Global health pandemic - The risk that the Regulated Firms experience a significant deterioration in business performance due to a global pandemic.

Impact Description

- Reduction in broking activity
- Reduced earnings and profitability

Change in risk exposure since 2021

- No Change

Mitigation

- Incident and Crisis Management Framework
- Enhanced remote working capability and protocols developed in response to COVID-19

Key risk indicators

- Trade volumes
- Revenues by region
- Operating profit
- Risk events due to remote working

Link to our strategy

- Diversification

6. Failure to address climate risk – The risk that the Regulated Firms:

- Fail to respond to structural changes to the market arising from physical or transition risk drivers;

- Fail to address any long-term impact on the Regulated Firms' infrastructure, third-party infrastructure or key vendors arising from physical or transition risk impacts; and
- Incur reputational damage due to a failure to meet stakeholder expectations in relation to climate risk management, leading to key stakeholders (such as investors, clients or suppliers) being unwilling to deal with the Regulated Firms.

Impact Description

- Loss of market share
- Damage to reputation
- Increased volatility in share price

Change in risk exposure since 2021

- Transfer from Emerging Risks

Mitigation

- Consideration of climate risk drivers in financial planning and risk assessments.

Key risk indicators

- Trade volumes
- Revenues
- Operating profit
- Performance against financial targets

Link to our strategy

- Electronification
- Aggregation
- Diversification

OPERATIONAL RISK

7. Cyber-security and data protection - The risk that the Regulated Firms fail to adequately protect against cyber-attack or to adequately secure the data held, resulting in potential financial loss (including through cyber-enabled fraud), a loss of operability, or the potential loss of critical business or client data.

Impact Description

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

Change in risk exposure since 2021

- No Change

Mitigation

- Ongoing monitoring and assessment of the cyber-threat landscape
- Appropriate framework of systems and controls to prevent, identify and contain cyber threats
- Regular testing of the Regulated Firms' cyber security utilising specialist third parties.

Key risk indicators

- Cyber-security events/losses
- Results of Vulnerability testing
- Actual or attempted security breaches
- Data loss events

Link to our strategy

- Electronification

8. Legal, Compliance and Conduct Risk - The Regulated Firms operate in a highly regulated environment and are subject to the legal and regulatory frameworks of numerous jurisdictions. Failure to comply with applicable legal and regulatory requirements could result in enforcement action being taken against the Regulated Firms including the incurring of significant fines.

Impact Description

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

Change in risk exposure since 2021

- No change

Mitigation

- Independent Compliance function to oversee compliance with regulatory obligations
- Compliance monitoring and surveillance activity
- Compliance training programme to ensure that staff are aware of the regulatory requirements
- Adoption of compliance culture to engender high standards of employee conduct
- Conduct Management and Governance Framework to address employee misconduct

Key risk indicators

- Internal Compliance policy breaches
- Employee conduct metrics
- Regulatory breaches

Link to our strategy

- People, conduct and compliance

9. Broking process - The Regulated Firms are exposed to operational risk at every stage of the broking process, from the execution and arrangement of transactions (with the associated risk of loss arising through closing out error positions or compensating clients) through to the clearing, settlement and invoicing of transactions.

Impact Description

- Financial loss
- Damage to the Regulated Firms' reputation as a reliable market intermediary

Change in risk exposure since 2021

> No change

Mitigation

- On-desk supervision of broking activity
- Issuing of trade recaps and confirmations

- Order and position limits on electronic order books
- Ongoing monitoring to identify potential error trades and any clearing or settlement issues

Key risk indicators

- Risk events
- Settlement issues
- Margin calls

Link to our strategy

- Electronification
- People, conduct and compliance

10. Infrastructure - The Regulated Firms are heavily reliant on the effective and resilient operation of a range of infrastructure components, including:

- A complex IT architecture;
- A range of office locations; and
- Key third-party suppliers and market infrastructure providers.

A failure of the Regulated Firms' infrastructure could result in a material loss of business. This includes the potential impact of physical and transition climate risk drivers on the Regulated Firms' key infrastructure.

Impact Description

- Financial loss
- Damage to the Regulated Firms' reputation as a reliable market intermediary

Change in risk exposure since 2021

- Increase

Mitigation

- Framework of systems and controls to minimise the risk of operational failure
- Incident and Crisis Management Framework
- Business continuity plans and capability

Key risk indicators

- System outages
- Stress test results

Link to our strategy

- Electronification

11. Human capital - The Regulated Firms operate in a highly competitive recruitment market and are exposed to the risk of losing key front office, support or control staff who are essential to the effective operation of the business.

Impact Description

- Increased staff turnover impacting the Regulated Firms' ability to operate a profitable and resilient business

Change in risk exposure since 2021

- No change

Mitigation

- Fixed term front office contracts with staggered renewal dates
- Performance management process linked to remuneration
- Introduction of new flexible working arrangement

Key risk indicators

- Staff turnover rates
- Loss of key personnel

Link to our strategy

- People, conduct and compliance

FINANCIAL RISK

12. FX Exposure – The risk that the Regulated Firms suffer loss as a result of a movement in FX rates, whether through transaction risk or translation risk.

Impact Description

- Financial loss which could, in extreme cases, impact the Regulated Firms' solvency and liquidity

Change in risk exposure since 2021

- No change

Mitigation

- Ongoing monitoring of the Regulated Firms' FX positions

Key risk indicators

- FX translation exposure
- FX transaction exposure

Link to our strategic priorities and legal obligations

- Diversification

13. Liquidity - The Regulated Firms are exposed to potential margin calls from clearing houses and correspondent clearers. The Regulated Firms also face liquidity risk through their requirement to fund matched principal trades which fail to settle on settlement date.

Impact Description

- Reduction in the Regulated Firms' liquidity resources which could, in extreme cases, impact the Regulated Firms' cash-flow

Change in risk exposure since 2021

- No change

Mitigation

- Margin call and trade funding profile monitored against defined limits
- The Regulated Firms maintain liquidity resources in each operating centre to provide immediate access to funds
- £350m committed TP ICAP Group revolving credit facility ('RCF'), £25m ring-fenced for Regulated Firms.
- Diversification of funding sources
- Overdraft facilities provided by primary settlement institutions

Key risk indicators

- Margin call profile
- Settlement fail – funding requirements
- RCF draw-down

Link to our strategic priorities and legal obligations

- Diversification

14. Counterparty credit risk – *T*he risk that the Regulated Firms incur loss as a result of a counterparty default, whether due to insolvency, sanctions or for any other reason. Counterparty exposure principally arises in relation to outstanding brokerage receivables, receivables from other TP ICAP Group companies, cash balances or any unsettled matched principal trades (with the associated replacement cost exposure) held against a counterparty.

Impact Description

- Financial loss which could, in extreme cases, impact the Regulated Firms' solvency and liquidity

Change in risk exposure since 2021

- Increase

Mitigation

- Counterparty exposures managed against credit thresholds that are calibrated to reflect counterparty creditworthiness
- Exposure monitoring and reporting by independent credit risk function

Key risk indicators

- Portfolio exposure
- Client exposure
- Aged debt

Link to our strategic priorities and legal obligations

- Diversification

EMERGING RISKS

15. Technology expertise - The financial markets in which the Regulated Firms operate will become increasingly based on complex technology and the use of sophisticated data and analytics. The Regulated Firms' ability to retain their positions as leading market infrastructure providers will be dependent on their ability to develop and implement a technology strategy which keeps pace with technological enhancements and to attract the required data scientists and technology specialists in an increasingly competitive recruitment market.

Impact Description

> Reduction in broking activity

> Reduced earnings and profitability

Change in risk exposure since 2021

- No change

Mitigation

- Ongoing review of the Regulated Firms' strategy in the context of broader market developments and assessment of the IT expertise and resourcing required to deliver it.

Time to materialisation

- 5 to 10 years

Link to our strategic priorities and legal obligations

- Electronification
- Aggregation
- Diversification

16. Deglobalisation - The risk that the global economy becomes increasingly fragmented (as per the UK's recent departure from the EU) resulting in increasing divergence in regulatory regimes, fragmentation of liquidity in the financial markets and potential supply chain disruption.

Impact Description

- Reduction in broking activity
- Reduced earnings and profitability

Change in risk exposure since 2021

- No change

Mitigation

- Ongoing horizon scanning to identify potential changes to the geopolitical landscape and associated changes to the regulatory frameworks governing financial markets

Time to materialisation

- 5 years

Link to our strategic priorities and legal obligations

- Aggregation

2 Governance Arrangements

Compliance with SYSC 4.3A.1R

The Regulated Firms' Boards oversee and are accountable for the implementation of governance arrangements that ensure effective and prudent management of the Regulated Firms, including the segregation of duties in the organisation and the prevention of conflicts of interest, and in a manner that promotes the integrity of the market and the interests of clients. This is achieved through the Regulated Firms' adoption and implementation of the Regulated Firms Boards terms of reference, the Governance Framework, Enterprise Risk Management Framework and Policy Framework (including the EMEA Compliance Manual).

Policy promoting diversity on the Regulated Firms Boards

The Regulated Firms adhere to the TP ICAP Group Inclusion Policy committing to being an employer of choice. The Regulated Firms' aim is to, through an inclusive culture, attract and retain the best talent and enable all employees to flourish. This underpins the Regulated Firms' strategy execution, ability to innovate and relevance to its clients. The Regulated Firms recognise that their long-term success is dependent on providing a positive and safe environment for all. The Regulated Firms recognise that inclusion is an ongoing journey. In this respect, the Regulated Firms provide ongoing training, development opportunity and guidance through line management. The Regulated Firms are committed to promoting an inclusive culture where all staff can fully participate. This commitment is underpinned by the TP ICAP Group's supporting policies on Equal Opportunities and Employee Relations to which all employees are required to adhere. In all cases, where conduct falling short of expected standards is identified, it will be addressed appropriately. The TP ICAP Group's diversity metrics, relevant to the Regulated Firms, and performance against them are set out below.

Metric	2022
ESG: Increase gender representation of our non-broking employee base from 34% to 38% by 2025	34%
Women in Finance: Overall representation of women	24%
Women in Finance: Senior Leader (GMC-1) representation of women to be 25% by 2025	25%
UK Gender Pay Gap	59%

Directorships held

The number of directorships (executive and non-executive) held by each member of the management bodies[1] of the non-SNI Regulated Firms (i.e. TPIM, TPIB and TPIEC) are set out below:

Directors	Number of Directorships held outside of TP ICAP Group
C Rozes	Nil
D Fields	Nil
M Forsyth	Nil
P Randell	Nil
P Redman	Nil
S Sparke	3

Additional Directorship Waivers Granted by FCA

The FCA has not granted any a modification or waivers of SYSC 4.3A.6R(1)(a) or (b) in order to allow members of the management body to hold additional directorships.

Risk Committee

The following Regulated Firms have Risk Committees in place: TPIM, TPIB, TPIEC and TPIMTF.

[1] This excludes (1) executive and non-executive directorships held in organisations which do not pursue predominantly commercial objectives; and (2) executive and non-executive directorships held within the same group or within an undertaking (including a non-financial sector entity) in which the firm holds a qualifying holding.

3 Own Funds

The composition of regulatory own funds for the Non-SNI Regulated Firms are set out in the table below.

Table 1: Composition of regulatory own funds as at 31 December 2022 £'000

	Item	31 Dec 22			Audited Financial Statement Reference[2]
		TPIM	TPIB	TPIEC	
1	**Own Funds**	160,153	102,813	140,166	Balance Sheet
2	**Tier 1 Capital**	160,153	102,813	140,166	
3	**Common Equity Tier 1 Capital**	160,153	102,813	140,166	
4	Fully paid up capital instruments	351,331	11,606	23,000	
5	Share premium	58,804	63,715	29,486	
6	Retained earnings	677	27,584	88,387	
7	Accumulated other comprehensive income	-	-	-	
8	Other reserves	-	-	5,059	
9	Adjusted to CET1 due to prudential filters	-	-	-	
10	Own funds	410,812	102,906	145,932	
11	(-) Total Deductions From Common Equity Tier 1	(250,659)	(93)	(5,766)	
19	CET1: Other capital elements, deductions and adjustments	-	-	-	
20	**Additional Tier 1 Capital**				
21	Fully paid up, directly issued capital instruments	-	-	-	
22	Share premium	-	-	-	
23	(-) Total Deductions From Additional Tier 1	-	-	-	
24	Additional Tier : Other capital elements, deductions and adjustments	-	-	-	
25	**Tier 2 Capital**				
26	Fully paid up, directly issued capital instruments	-	-	-	
27	Share premium	-	-	-	
28	(-) Total Deductions From Tier 2	-	-	-	
29	Tier 2: Other capital elements, deductions and adjustments	-	-	-	

[2] Source based on reference numbers/letters of the balance sheet in the audited financial statements

Table 2 Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements as at 31 December 2022 £'000[3]

		Balance sheet as in published/audited financial statements 31 Dec 22			Cross-reference to Table 1
		TPIM	TPIB	TPIEC	
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements					
	Non-current assets				
1	Investment in subsidiaries	243,794	-	-	
2	Other investments	-	-	5,470	
3	Investment in associate	-	-	3,766	
4	Intangible / tangible assets	6,102	38	2,000	
5	Deferred tax asset	715	287	-	
	Current Assets				
6	Debtors	67,925	70,353	67,470	
7	Financial assets at fair value through profit or loss	29,615	94	3,383	
8	Other financial investments	54,413	19,660	-	
9	Cash and cash equivalents	66,853	18,105	78,529	
10	**Total Assets**	469,417	108,537	160,618	
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements					
	Non-current liabilities				
1	Creditors	67	-	-	
2	Deferred tax	-	-	641	
	Current liabilities				
3	Creditors	34,571	3,134	7,942	
4	Financial liabilities at fair value through profit or loss	23,521	93	3,362	
5	Bank overdraft	27	95	-	
6	Tax payable	419	2,233	2,741	
7	Provisions	-	76	-	
8	**Total Liabilities**	58,605	5,631	14,686	

[3] Columns should be kept fixed, unless the investment firm has the same accounting and regulatory scope of consolidation, in which case the volumes should be entered in column (a) only

Shareholders' Equity					
1	Issued capital	351,331	11,606	23,000	Table 1: Item 4
2	Share premium	58,804	63,716	29,486	Table 1: Item 5
3	Other reserves	-	-	5,059	Table 1: Item 8
4	Retained profits	677	27,584	88,387	Table 1: Item 6
5	**Total Shareholders' Equity**	410,812	102,906	145,932	Table 1: Item 10

Own funds: main features of own instruments issued by the firm

For the main features of the fully paid up capital instruments refer to the details in the financial statements for each entity.

4 Own Funds Requirements

The non-SNI Regulated Firms Own funds requirements are set out in Table 3 below.

Table 3: Own Funds Requirement £'000		**31 Dec 2022**	
	TPIM	**TPIB**	**TPIEC**
(1) the K-factor requirement[4]	33,947	18,966	48,639
(a) the sum of the K-CMH requirement and the K-ASA requirement.	10	5	1
(b) the sum of the K-COH requirement and the K-DTF requirement.	30,954	16,376	44,352
(c) the sum of the K-NPR requirement, the K-CMG requirement, the K-TCD requirement and the K-CON requirement.	2,983	2,585	4,286
(2) the Fixed Overheads requirement	21,867	21,752	31,528

Overall Financial Adequacy Rule (OFAR) Approach

The OFAR capital requirement is calculated as the higher of:

1. The Permanent Minimum Capital Requirement (PMCR) specified under MIFIDPRU;
2. The aggregate of the various K-Factors prescribed in MIFIDPRU which are applicable to the Regulated Firms – as augmented by the Regulated Firms' internal capital assessment for ongoing operations, where applicable; and
3. The Fixed Overhead Requirement (FOR) – again, as augmented by the Regulated Firms' assessment of their orderly wind-down resources, if applicable.

In accordance with MIFIDPRU 7.6 requirements, the Regulated Firms have undertaken an economic capital assessment which is derived from the Regulated Firms' own internal assessment process and is informed by the internal risk assessment conducted as part of the ICARA process. The Regulated Firms' economic capital assessment covered the following risk types:

- Operational Risk;
- Credit Risk (including concentration risk);
- Market Risk – FX Exposure;
- Market Risk – Interest Rate Risk; and
- Strategic and Business Risk.

[4] K-AUM and K-CMG have been excluded as these K-factor requirements are not applicable to the Regulated Firms.

The internal assessment requirements are calculated using a combination of modelling techniques and management judgement (i.e. scenario analysis), with the stress test results benchmarked against the Regulated Firms' historic loss experience to assess their reasonableness. A combination of internal and external models were relied upon for this analysis. All internal and external models are subject to external validation on a regular basis.

5 Remuneration Policy and Practices

Qualitative Disclosures

The Regulated Firms adhere to remuneration policies which are designed to support the delivery of the Regulated Firms business objectives and to promote the long-term success of the Regulated Firms.

The remuneration policies applicable to the Regulated Firms provide a framework in which employees are rewarded taking into account both financial and non-financial performance. The remuneration strategy applicable to the Regulated Firms reflects the global marketplace in which the Regulated Firms operate, helping to attract, motivate, reward and retain the talented individuals needed to maintain the success of the Regulated Firms. The remuneration policies aim to foster a sustainable business culture that encourages employees to perform their roles and to serve clients in the best possible way, while behaving in a manner that puts integrity at the heart of the business. It has been developed in line with the following principles:

- To align with TP ICAP's overall financial performance: The annual bonus pool for non-broking staff is calculated each year based on TP ICAP's overall financial performance, primarily based on profitability and revenues, ensuring that the total spend on remuneration does not undermine the Regulated Firms' capital base.
- To deliver a compelling remuneration package: the Regulated Firms seek to attract and retain high-performing and motivated employees and to reward them with competitive reward packages, which are reviewed annually by reference to internal peers and external benchmarks.
- Rewarding positive behaviours in line with values: employees of the Regulated Firms are rewarded for behaviours that create sustainable results in line with TP ICAP's core Triple A Values of Authenticity, Accountability and Adaptability. The remuneration approach of the Regulated Firms towards employees does not encourage excessive risk taking and is aligned to the applicable risk and conduct management framework.
- To improve the alignment between employees and shareholders: A proportion of variable remuneration over certain thresholds is delivered in the form of deferred share awards or share-linked awards to employees who support the activities of the Regulated Firms.

Fixed Remuneration

All employees who support the Regulated Firms receive a salary that reflects a market competitive rate of pay, taking account of the employee's role and responsibilities, skills and experience and ongoing contribution. Fixed pay also includes allowances, appropriate company funded benefits and pensions to help recruit and retain talent, whilst reflecting local market practice and to support employee health and wellbeing. Role based allowances are awarded to a select number of MRTs and reflect the responsibility, skills and experience required for the role an individual performs.

Variable Remuneration

Variable pay is principally comprised of the annual discretionary bonus award for support staff and other discretionary bonus schemes for brokers which aim to motivate employees to achieve the financial objectives and strategy of the Regulated Firms. Non-financial criteria, primarily based on individual conduct and behaviours, including adherence to applicable risk management policies and practices and TP ICAP's core values, are also assessed as part of the performance management process.

All variable remuneration awards, including non-standard forms of variable remuneration such as guaranteed variable remuneration, are subject to a discrete Malus and Clawback Policy, which the Regulated Firms' adhere to, subject to compliance with applicable local laws. This allows for the reduction or forfeiture of remuneration, prior to or after payment, subject to certain trigger events. In accordance with the Malus and Clawback Policy all variable pay awards may be reduced (including down to nil) in certain circumstances.

Guaranteed Variable Pay

Guaranteed bonuses for new employees supporting the Regulated Firms n respect of their first year of service will only be offered in exceptional circumstances. Such arrangements will require approval from the TP ICAP Group CFO and the EMEA and UK Regulated Entity Remuneration Committee. before any such awards are made to Material Risk Takers ('MRT').

Guaranteed variable remuneration can take several forms such as a 'guaranteed bonus', 'welcome bonus', 'sign-on bonus', 'minimum bonus', etc. and can be awarded either in cash or in instruments. Such guaranteed variable remuneration will not be awarded to MRTs unless:

- It occurs in the context of hiring a new MRT;
- There are exceptional circumstances for awarding such remuneration;
- Such awards are limited to the first year of service;
- The elevant Regulated Firm has a strong capital base; and
- Such arrangements are subject to malus and clawback.

Severance payments

Severance payments to employees supporting the Regulated Firms are payable in accordance with relevant local legislation and any applicable collective agreements. Any such severance payments relating to early termination of employment must reflect the individual's performance achieved over time and should not reward for failure or misconduct. Severance pay will not be awarded where an individual resigns voluntarily in order to take up a position in a different company or legal entity, unless a severance payment is required by national labour law.

Link Between Variable Remuneration and Performance

The Regulated Firms apply a number of different incentive schemes for brokers, non-brokers and Senior Management.

- *Annual Discretionary Bonus*: The annual discretionary bonus scheme rewards non-broking employees for increasing the TP ICAP Group's profits, managing the cost base, and employing sound risk and business management. Non-Broking staff participate in this discretionary bonus scheme. All employees who are employed as at the date of bonus payment are eligible to participate. A proportion of any bonus award may be subject to deferral under the TP ICAP Group plc Deferred Share Bonus Plan for a period of three years, with pro-rata vesting on the anniversary of each grant.
- *Broker Compensation*: Arrangements for brokers are based on the principle that remuneration is directly linked to financial performance, generally at a desk/team level, and is calculated in accordance with formulae set out in contracts of employment/service agreements. These calculations are overlaid with an assessment of individual performance and conduct against the Triple A values observed by the Regulated Entities. A proportion of broker bonuses may also be subject to deferral..

Decision-making Processes and Remuneration Governance

The Regulated Firms operate a Remuneration Committee ('UK RE/EMEA RemCo') which is responsible for supporting the Group Remuneration Committee in discharging its responsibilities on remuneration in respect of the Regulated Firms and maintaining formal and transparent policies on remuneration that are aligned to the long-term strategic goals, culture and risk appetite of the Regulated Firms.

The UK RE/EMEA RemCo is responsible for reviewing the application of the remuneration policies for the EMEA Senior Management Team, brokers, employees engaged in Control Functions, and all MRTs in compliance with the FCA's Remuneration Code and any other regulation under which the Regulated Firms or any legal entities within EMEA operate.

Risk Adjusted Reward

As noted a key feature of the remuneration philosophy of the Regulated Firms is the alignment of remuneration with risk appetite and with the conduct expectations of relevant stakeholders. The annual bonus pool for support staff of the Regulated Firms is calculated each year based on TP ICAP's overall financial performance.

Conduct and behaviour is managed across the Regulated Firms and a robust process for considering risk and conduct as part of the individual performance management process, with outcomes reflected in individual remuneration decisions is adhered to.

Types of staff identified as MRTs

MRTs are identified in respect of the Regulated Firms in accordance with the criteria provided under SYSC 19G.5 of the MIFIDPRU Remuneration Code. MRTs include the following types of staff:

- Executive and Non-Executive Directors of the Regulated Firms;
- Members of senior management across the TP ICAP Group;
- Heads of regulated business units of the TP ICAP Group;
- Heads of control and support functions of the TP ICAP Group (including Internal Audit, Risk, Compliance, Legal and Human Resources), as well as those responsible for managing IT and operations;
- Staff who are responsible for managing a material risk within the regulated businesses of the Regulated Firms; and
- Other employees who the TP ICAP Group deems may have a material impact on the Regulated Firms' risk profile through their professional activities, including individuals responsible for a high proportion of revenue and/or select heads of broking desks.

The MRT identification framework applicable to the Regulated Firms has been reviewed by the TP ICAP Group Chief Risk Officer with input from the other Control Functions. The framework and the MRT list is reviewed and approved by the UK RE/EMEA RemCo periodically.

Remuneration arrangements for 'Extended' MRTs

MRTs who are subject to the MIFIDPRU extended remuneration rules are required to defer between 40% and 60% of variable remuneration for a period of three years. Deferred bonus awards vest pro-rata on the first, second and third anniversaries of the date of grant and are then subject to a further six month retention period. Awards are deferred into TP ICAP Group plc shares or share-linked instruments, as appropriate. For individual MRTs whose variable remuneration is £500,000 or more, and who are subject to a deferral rate of 60%, a portion of the award may be deferred in cash.

Quantitative Disclosures

Figures presented are as at 31 December 2022.

SNI Regulated Firms

The MIFIDPRU quantitative remuneration disclosures in respect of staff employed by the SNI Regulated Firms are set out in the table below.

Table 4: SNI Regulated Firms Remuneration £'000

Entity	Remuneration £'000		
	Fixed	Variable	Total
IEnL	5,164	7,647	12,812
IGDL	1,178	1,815	2,992
LCMUK	1,348	1,321	2,669
PVMOFL	1,745	1,510	3,255
PVMOAL	6,568	29,333	35,901

LNEL	61,569	2,924	64,493

There was only one employee employed by ICAP WCLK Limited, to prevent the identification of individual remuneration outcomes, we have not reported their compensation data.

There were no employees employed by iSwap Euro Limited (iSwap) for 2022.

Non-SNI Regulated Firms

The MIFIDPRU quantitative remuneration disclosures in respect of staff employed by the non-SNI Regulated Firms are set out below.

TP ICAP Group Services Limited (‘TPIGS) is the EMEA Sub-Group Holding Company, the holding company of the EMEA consolidation group. ICAP Management Services Limited is also the employing entity under ICAP, both of these entities are the employing entities for a large proportion of UK staff. An individual of the TP ICAP Group may be identified as an MRT for multiple Regulated Firms, including but not limited to TPIM, TPIB and TPIEC. To avoid presenting duplicate compensation data, remuneration disclosure for TP ICAP Group Services Limited and ICAP Management Services Limited have been provided below:

Table 5: non-SNI Regulated Firms Remuneration £’000

Remuneration Type	**£’000**
Fixed remuneration awarded to:	
Senior management	8,424
Other MRTs	2,220
Other Staff	127,241
Variable remuneration awarded to:	
Senior management	14,578
Other MRTs	4,918
Other Staff	26,324
Total remuneration awarded to:	
Senior management	23,002
Other MRTs	7,137
Other Staff	153,565

There were no severance payments awarded to MRTs in 2022.

There were no guaranteed variable remuneration awards made to MRTs in 2022.

The total number of MRTs identified for the Regulated Firms in scope of the MIFIDPRU Remuneration Code in 2022 was 110 as at 31 December 2022.

Disclosures required for non-SNI Regulated Firms not meeting the conditions in SYSC 19G.1.1R(2) (TPIM only)

The following table sets out the quantitative remuneration disclosure for TPIM as a firm not meeting the conditions in SYSC 19G.1.1R(2).

Table 6. non-SNI Regulated Firms not meeting the conditions in SYSC 19G.1.1R(2), specifically TPIM

£'000	Senior Management	Other MRTs
Fixed remuneration	8,077	6,824
Variable remuneration	13,865	11,276
Amount of variable remuneration paid in cash	6,442	7,753
Amount and form of deferred variable remuneration	7,422	3,523
Of which shares	7,198	1,740
Of which share-linked instruments	224	1,783
Total remuneration	21,942	18,100
Deferred remuneration awarded for previous performance periods		
Amount due to vest in 2023	1,235	1,656
Amount due to vest in subsequent years	19,343	8,749
Amount of deferred remuneration vested in 2022		
Amount paid or due to be paid	1,628	794

In the year to 31 December 2022, no deferred awards which were due to vest were withheld as a result of performance adjustment.

All equity data above is calculated based on value at grant.

During the year, there were nine MRTs subject to the extended remuneration rules for whom the exemption in SYSC 19G.5.9R was applied. This was in respect of the following SYSC 19G Code requirements: shares, instruments and alternative arrangements; retention policy; and deferral. Discretionary pension benefits are not paid.

Table 7. Total amount remuneration paid to all MRTs who benefited from the exemption in SYSC 19G.5.9R

	£'000
Total amount remuneration paid to all MRTs who benefited from the exemption in SYSC 19G.5.9R	£2,510
Of which total fixed remuneration	£1,631
Of which total variable remuneration	£878