Creditex Brokerage LLP

Pillar 3 Disclosure and Policy

Introduction

Regulatory Context

Following implementation of the new Capital Requirements Directive ("CRD IV") with effect from January 2014, Creditex Brokerage LLP (the “Firm”) is classified as an IFPRU €730k Limited License firm.

CRD IV is comprised of the Capital Requirements Regulation (Regulation (EU) No 575/2013) ("CRR") and the Capital Requirements Directive (Directive 2013/36/EU) ("CRD").

The Pillar 3 disclosure of the Firm is set out below as required by Articles 431 - 455 of the CRR and IFPRU. The regulatory aim of the disclosures is to improve market discipline.

Frequency

The Firm will be making Pillar 3 disclosures annually. The disclosures will be as at the Accounting Reference Date.

Please note that from 2023, the Firm’s Pillar 3 disclosure will be superseded by the MiFIDPRU 8 disclosure requirements, including the Internal Capital Adequacy Risk Assessment (ICARA) process.

Media and Location

The disclosure will be published on the Firm’s website:

https://www.theice.com/service/creditex

Verification

The information contained in this document has not been audited by the Firm’s external auditors and does not constitute any form of financial statement and must not be relied upon in making any judgment on the Group (as defined in the ‘Background to the Firm’ section below).

Materiality

In accordance with Article 432(1) of the CRR, the Firm regards information as material in disclosures if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions. If the Firm deems a certain disclosure to be immaterial, it may be omitted from this disclosure.
Proprietary or Confidentiality

Article 432(2) of the CRR provides for the omission of one or more items of the required disclosures if the information is proprietary or confidential. In accordance with Article 432(2) of the CRR, the Firm regards information as proprietary if sharing that information with the public would undermine its competitive position. Proprietary information may include information on products or systems which, if shared with competitors, would render the Firm’s investments therein less valuable. Further, the Firm must regard information as confidential if there are obligations to customers or other counterparty relationships binding the Firm to confidentiality. In the event that any such information is omitted, we shall disclose such and explain the grounds as to why it has not been disclosed.

Summary

The CRR has three pillars. Pillar 1 deals with minimum capital requirements; Pillar 2 deals with Internal Capital Adequacy Assessment Process (“ICAAP”) undertaken by a firm and the Supervisory Review and Evaluation Process through which the Firm and Regulator satisfy themselves on the adequacy of capital held by the Firm in relation to the risks it faces and; Pillar 3 which deals with public disclosure of risk management policies, capital resources and capital requirements.

The regulatory aim of the disclosure is to improve market discipline.

The Firm conducts designated investment business and is authorised by the FCA as an IFPRU €730k Limited License firm. The Firm's greatest risk has been identified as operational risk based on the fixed overhead requirement. The Firm is required to disclose its risk management objectives and policies for each separate category of risk which include the strategies and processes to manage those risks; the structure and organisation of the relevant risk management function or other appropriate arrangement; the scope and nature of risk reporting and measurement systems; the policies for hedging and mitigating risk; and the strategies and processes for monitoring the continuing effectiveness of mitigants.

The Firm has assessed business and operational risks in its ICAAP and set out appropriate actions to manage them.

The Firm has an operational risk framework (described below) in place to mitigate operational risk. The Firm's main exposure to credit risk is the risk that management and performance fees cannot be collected and therefore credit risk is low. The Firm holds all cash and performance fee balances with banks assigned high credit ratings.

Market risk exposure has been assessed by the Firm and it is limited to the Firm's exposure to any cash amounts held by the Firm in a foreign currency. Cash balances in currencies other than GBP, the Firm's functional currency, are reviewed regularly and are converted into GBP when required.

Background to the Firm

The Firm is incorporated in the UK and is authorised and regulated by the FCA. The Firm's regulated activities place it in the category of an IFPRU €730k firm.
Creditex UK Limited (the “Parent Entity”), is a private limited company registered in England and Wales with company number 03823460. The Parent Entity holds 99% of the Firm, and is a Designated Member and Managing Member of the Firm.

Together (and for prudential purposes) Creditex Brokerage LLP, Creditex UK Limited and Creditex Brokerage Holdco Limited (the 1% partner of Creditex Brokerage LLP) form the sub-consolidated group (the “Group”). The Group is covered by the ICAAP.

As such, the Firm reports both on a solo basis and as the Group. All entities are fully consolidated and there are no impediments to the transfer of either capital resources or repayment of liabilities from the parents to the subsidiary. There are no further subsidiaries not included within the consolidated Group.

**Article 435: Risk Management Objectives and Policies**

**Risk Management Objective**

Our general risk management objective is to develop systems and controls to mitigate risk to a level that does not require the allocation of Pillar 2 capital.

**Governance Framework**

The Firm is governed by its Designated Members, Creditex UK Limited (the “Managing Member”) and Creditex Brokerage Holdco Limited. Under the Partnership Deed, the Designated Members must ensure that the Firm operates within an established framework of effective systems of internal control, risk management and compliance. To that end, the Designated Members have delegated to the Managing Member, acting through its Directors (the “Governing Body”) and Senior Management (as defined below) (collectively, the “Management Body”), the management of the day to day operations of the Partnership. The responsibilities of the Designated Members are prescribed in the Firm’s Partnership Deed.

Senior Management typically consists of the Head of Compliance, Finance Director and General Counsel of the Firm.

**Risk Management Framework**

The Group’s risk management framework is made up of the following components:

*Management Body*

The Management Body of the Firm (which includes both the Governing Body and Senior Management of the Firm) is responsible for the process of risk management, as well as forming its own opinion on the effectiveness of the process. There is no separate risk committee.

The Management Body decides the Group’s appetite or tolerance for risk: those risks it will accept and those it will not accept in the pursuit of its goals and objectives. In addition, the Management Body ensures that the Group has implemented an effective, on-going process to identify risk, to measure its
potential impact against a broad set of assumptions and then to ensure that such risks are actively managed.

The Management Body, at least annually, conducts a review of the effectiveness of the Firm’s system of internal controls and reports to the Parent entity that they have done so. The review covers all material controls, including financial, operational and compliance controls and risk management systems.

Senior Management

Senior Management of the Firm is accountable to the Governing Body for designing, implementing and monitoring the process of risk management and incorporating it into the day-to-day business activities of the Firm. The Management Body is responsible for effectively communicating the Firm’s approach and commitment to establishing and maintaining an effective risk management framework and approach.

Senior Management is also responsible for ensuring that employees are adequately equipped with the right tools and knowledge to enable them to fulfill their obligations in relation to the risk management process.

Article 437: Own Funds

The Firm is an IFPRU Limited License Firm. Tier One capital comprises share capital, audited reserves and audited retained profit and loss. The total Tier One capital amounts to £3,840,000 from which there are no deductions. The below table outlines the composition of the Group’s own funds.

<table>
<thead>
<tr>
<th>As at 31.12.2021</th>
<th>GBP (000’s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share Capital</td>
<td>£7,600</td>
</tr>
<tr>
<td>Retained Earnings</td>
<td>(£3,697)</td>
</tr>
<tr>
<td>Other reserves</td>
<td>(£63)</td>
</tr>
<tr>
<td>Offset: Deductions</td>
<td>£0</td>
</tr>
<tr>
<td>Total Group Own Funds</td>
<td>£3,840</td>
</tr>
</tbody>
</table>

Article 438: Capital Requirements and Credit Risk

Credit Risk

The Group is primarily exposed to credit Risk from the risk that fees cannot be collected. The receivables are managed and reviewed regularly by the accounts team and the Finance Director. The Firm is also exposed to risk in relation to its cash held with banks. The Firm's credit risk appetite is low; the Firm holds all cash and performance fee balances with banks assigned high credit ratings.

The Group utilizes the standardized approach for determining the risk weighted exposure amounts in relation to its calculation of Pillar 1 capital requirements. The Group utilizes the ICAAP as a risk assessment tool and models the impact of stressed scenarios on the Group’s capital. The below tables reflect the
exposures of the Group as outlined within Article 112 of the CRR, with any nil values being excluded from the table below.

<table>
<thead>
<tr>
<th>Category</th>
<th>Risk Weighted Average Exposure GBP (000's)</th>
<th>8% of Risk Weighted Average Exposure GBP (000's)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutions</td>
<td>£909</td>
<td>£73</td>
</tr>
<tr>
<td>Corporates</td>
<td>£123</td>
<td>£10</td>
</tr>
<tr>
<td>Other Items</td>
<td>£14</td>
<td>£1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>£1,046</strong></td>
<td><strong>£84</strong></td>
</tr>
</tbody>
</table>

The Group does not adopt the internal ratings based approach.

**Market Risk**

The market risk of the Group is limited to foreign exchange risk due to assets and liabilities being denominated in currencies other than GBP. The table below is reflective of the Group's market risk exposure.

<table>
<thead>
<tr>
<th>Category</th>
<th>Exposure GBP (000’s)</th>
<th>8% of Exposure GBP (000’s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign Exchange</td>
<td>£304</td>
<td>£24</td>
</tr>
</tbody>
</table>

No other risks are applicable to the application of own funds for the Group.

**Pillar 2**

Pillar 2 capital represents the sum of the capital as required under Pillar 1 plus any additional capital requirements to be maintained against risks not adequately covered by Pillar 1 capital. The ICAAP assessment is reviewed by the Management Body of the Firm and amended where necessary, on a periodic basis or when a material change to the business occurs. The ICAAP document is presented to the Management Body of the Firm which reviews and endorses the risk management objective at least annually, or when a material change to the business occurs, at the same time as reviewing and signing off the ICAAP document. The conclusion from the ICAAP is that no additional Pillar 2 Capital is to be held in addition to that determined in the Pillar 1 approach.

**Leverage Ratio calculation**

The leverage ratio is utilized to measure the relationship between the capital of the Group and its total assets. A minimum leverage ratio of 3% should be maintained and from the below it is evident that the Group far exceeds this minimum requirement.
As at 31.12.2021

<table>
<thead>
<tr>
<th></th>
<th>GBP (000's)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 1 Capital</td>
<td>£3,840</td>
</tr>
<tr>
<td>Total Exposure</td>
<td>£2,014</td>
</tr>
<tr>
<td><strong>191%</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Article 450: Remuneration Policy**

The IFPRU Remuneration Code (SYSC 19A) (the “Code”) sets out the standards and policies that solo-regulated IFPRU investment firms within the scope of CRD IV must meet when setting pay and bonuses for their staff. The FCA have adopted a proportionate approach to implementing the IFPRU Remuneration Code and Remuneration Disclosure, which implemented the CRD and CRR, which allows firm’s to comply with the Code in a way and to the extent that is appropriate to their size, internal organization and the nature, the scope and the complexity of its activities. As an IFPRU Limited License firm, the Firm falls within proportionality level three and is required to provide the following disclosures regarding its remuneration policy and practices for those categories of staff whose professional activities have a material impact on its risk profile (“Code Staff”).

The Firm uses a combination of fixed and variable compensation where the fixed component is considered to be a sufficient proportion of the overall remuneration package. Variable remuneration awarded to employees is based on both the financial performance of the Firm’s ultimate parent company, Intercontinental Exchange, Inc., and individual employee performance.

The Firm’s policy has been agreed by the Management Body of the Firm in line with the Remuneration Code principles laid down by the FCA.

Due to the size, nature and complexity of the Firm, it is not required to appoint an independent remuneration committee. The Firm’s policy will be reviewed annually, or more frequently in the event of a significant change to the business.

The Firm is not significant for the purposes of the CRR therefore it applies the remuneration disclosure requirements in a manner that is appropriate to its size, internal organization and the nature, scope and complexity of its activities

**Total Remuneration of Code Staff**

<table>
<thead>
<tr>
<th></th>
<th>GBP (000’s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Compensation</td>
<td>£876</td>
</tr>
<tr>
<td>Variable Compensation</td>
<td>£974</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>£1,850</strong></td>
</tr>
</tbody>
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1 Article 450(2) of EU Regulation 648/2012
Non-Applicable Disclosures
The following disclosures specified in the CRR are not applicable to the Firm:

- Articles 439 - 442
- Articles 444 - 449
- Articles 452 - 455