Financial & Risk Transaction Services Ireland Limited

PILLAR 3 DISCLOSURES 2021

1. OVERVIEW

BACKGROUND

From 26 June 2021, a harmonised prudential framework Investment Firms Regulation ("IFR")/Investment Firm Directive ("IFD") was transposed into law for investment firms authorised in the EU. The framework imposed new requirements relating to Capital and Own Funds, Liquidity, Internal Governance, Remuneration, and Disclosure and reporting on in-scope investment firms. All regulated entities within the prudential consolidation of FRTSIL are currently classified as Class 2 firm.

In Ireland, the implementation of the IFR/IFD required regulated firms to make significant changes to the way they calculate their capital requirements including the application of the existing concepts of minimum capital requirements (Pillar 1) and the internal capital adequacy assessment process (Pillar 2) in the determination of those requirements. This process is known as the Internal Capital Adequacy Assessment Process (ICAAP) and provides a link between the risk profile of a firm and the capital it holds against these risks.

Pillar 3 complements the capital requirements described in Pillar 1 and Pillar 2 and seeks to promote greater market discipline and transparency through the disclosure of key information about risk exposures and risk management processes.

Financial & Risk Transaction Services Ireland Limited ("FRTSIL" or the "Company") is authorised and regulated in the Republic of Ireland ("Ireland") by the Central Bank of Ireland ("CBI"); and is categorised as a Class 2 firm. FRTSIL is a wholly owned subsidiary of Refinitiv Limited (RL), itself, with effect from 29 January 2021, a wholly owned indirect subsidiary of London Stock Exchange Group plc, the parent entity of the London Stock Exchange Group of companies.

This document is designed to meet FRTSIL's Pillar 3 disclosure obligations (the Pillar 3 disclosures).

STRUCTURE & SCOPE

The disclosures made in this document are in respect of Financial & Risk Transaction Services Ireland Limited ("FRTSIL" or the "Company"). FRTSIL does not form a part of a Regulatory Consolidation Group and has prepared the Pillar 3 disclosures on a standalone basis. FRTSIL is subject to supervision by the Central Bank of Ireland (CBI).

The following Pillar 3 disclosures have been prepared as at 31 December 2021, which is the accounting period-end date for FRTSIL.

FRTSIL is subject to the provisions of IFR/IFD.

PROPRIETARY & CONFIDENTIAL INFORMATION

As at 31 December 2021, FRTSIL is a wholly owned subsidiary of Refinitiv Limited. As of 29 January 2021, Refinitiv is a wholly owned indirect subsidiary of London Stock Exchange Group plc, the parent entity of the London Stock Exchange Group of companies.

FREQUENCY, LOCATION, & VERIFICATION OF DISCLOSURES

FRTSIL Board of Directors ('the Board') believes that the Pillar 3 disclosures should be made at least annually. However, it will be published more frequently in the event of a material change to the business (for example, in respect of the scale of its operations or the range of its activities) or if failure to disclose on a more frequent basis would result in a misrepresentation of the risk profile of FRTSIL.

The Board believes that the publication of these disclosures on the Refinitiv external website (www.refinitiv.com) is the most appropriate medium. These disclosures have been reviewed and approved by the FRTSIL board of directors.

There are no current or foreseen material practical or legal impediments to the prompt transfer of own funds or repayment of liabilities among the parent undertaking and its subsidiaries.

2. GOVERNANCE

RISK AND COMPLIANCE GOVERNANCE

The Board of Directors is ultimately responsible for the management of FRTSIL including the setting of risk management policies within the Board approved Risk Management Framework.

The Directors are appointed based on their skills, qualifications and experience whilst ensuring that they have appropriate time to devote to their responsibilities as a Board member in consideration of the commitments of other professional roles they may have.

FRTSIL has a number of governance arrangements in place, ensuring that appropriate information is provided to the Board in respect of risk from both the Risk Committee and from the business, as required. Specifically, FRTSIL considers that it complies with the requirements set out within CBI's "Fitness and Probity for Regulated Financial Service Providers ".

All members of the Board and other CBI approved persons are required to attest to their ongoing compliance with the fitness and probity obligations that apply to CBI approved persons. On an ongoing basis, all staff including the Board under-go training on a variety of regulatory topics.

DIRECTORSHIPS

As of 31 December 2021, the number of Directorship held by Financial & Risk Transaction Services Ireland Limited Board members are set out below:

Directorships held by Management body (Board of Directors):

Internal Directorships	7
External Directorships	5

The Board meets, at least, on a quarterly basis and more frequently should the need arise.

MANAGEMENT BODY DIVERSITY

FRTSIL is an Equal Employment Opportunity / Affirmative Action Employer, which seeks talented and qualified individuals in all operations around the world. This principle applies to directors as well as employees of FRTSIL.

FRTSIL recognises that diversity is vital and embraces it benefits among its own members, including diversity of skills, experience, background and gender. The Board is committed to achieving an appropriate balance of diversity over time.

BOARD AND MANAGEMENT COMMITTEES

RISK COMMITTEE

FRTSIL has established a Risk Committee ('Risk Committee') that has the delegated responsibility of risk management for FRTSIL as a committee of the Board. The Committee has adequate access to information on the risk profile of the Firm as it is authorised to identify potential risks and assess the impact and likelihood of crystallisation and decide the actions required to mitigate the risks identified.

Membership is structured to ensure that there is sufficient expertise that covers key areas of the business, as defined by the Board. Members of the Committee are selected by the Board; the current list can be obtained from FRTSIL's Company Secretary. The Committee meet every two months and report to the Board at quarterly Board meetings via a standing agenda item.

The Risk Committee has a documented Terms of Reference which details its roles and responsibilities as delegated to it by the Board.

The primary purpose of the Risk Committee is to ensure that there are effective policies and procedures for risk assessment which identify the risks relating to its activities, processes and systems, and where appropriate, set the level of risk tolerated by the FRTSIL Board of Directors (the "Board").

AUDIT COMMITTEE

The Board is ultimately responsible for all matters relating to the presentation of Financial Accounts and Statutory Returns and the audit thereof.

FRTSIL does not have its own Audit committee and places reliance on the LSEG Group Audit Committee in fulfilling its mandate. The primary responsibility of the Audit Committee is to assist the Board in fulfilling its responsibilities for ensuring independent oversight of the quality and integrity of the FRTSIL's accounting policies, financial reports and disclosure practices.

REMUNERATION COMMITTEE

In light of the size, internal organisation and the nature, scope and profile of FRTSIL's activities, FRTSIL does not have a Remuneration Committee and allocated responsibility for decisions regarding remuneration to the Board of Directors.

3. CONTROL FUNCTIONS

RISK FUNCTION

The FRTSIL Risk function ensures that the Company does not suffer outcomes outside of Risk Appetite.

RISK

The Risk team is responsible for the day-to-day running of the risk function relating to:

- Compliance Risk
- Operational Risk
- Strategic Risk
- Reputational Risk

- Business Risk
- Financial Crime Risk
- Credit Risk
- Liquidity Risk
- Market Risk
- Group Risk
- Conduct Risk
- Technology Risk
- Information Security Risk

The Risk team works closely with risk and control resources in the Business Units to ensure the Risk Management Framework is adequately embedded in FRTSIL.

COMPLIANCE

The Compliance team is responsible for securing FRSTIL's compliance with its relevant obligations.

The Team is responsible in ensuring that an adequate structure is in place and is designed to secure material compliance with these obligations and that an annual review procedure has been put in place to review the same.

The Compliance Director provides interested parties with insights and practical solutions to compliance issues thus creating a compliance culture that provides appropriate challenge and support to the business. The Compliance Director informs senior management of matters requiring attention, builds and maintains strong relationship with relevant regulators and ensures sufficient subject matter expertise within the function.

LEGAL

The Legal team is responsible for providing direction on legal matters and the procurement of legal advice. Legal is also responsible for managing client complaints and the management of litigation issued against the Company.

INTERNAL AUDIT

FRTSIL does not have its own Internal Audit function and places reliance on Group Internal Audit. Risk Assurance is conducted by the Group Internal Audit function, whose role includes undertaking thematic audits for FRTSIL where key risks are identified and on occasions where the Board highlights that an audit is required.

BOARD REPORTING

The Risk Committee, through its respective Chairperson, reports to the Board of Directors. Reports will cover any matters that in the opinion of each Committee should be brought to the attention of the Board and any recommendations requiring Board approval and/or action. Minutes are kept of all Board Committee meetings and are available to the Board on request.

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

COMPANY OVERVIEW

FRTSIL is a London Stock Exchange Group company responsible for the sales, installation and maintenance of regulated electronic trading services which provide, amongst other things, electronic broker services and transaction products to clients globally.

RISK PROFILE

FRTSIL's activities in 2021 were the provision of a multilateral trading facility ("MTF" or "Platform") for Foreign Exchange ("FX") Financial Instruments and the permission for Receiving and Transmitting Orders ("RTO") that has also been granted by the CBI and applicable in respect of Dealing and Callouts. It should be noted that during the operation of such MTF and RTO, FRTSIL does not trade on a proprietary basis and does not participate in any of the trades which are conducted on both MTF and RTO. Therefore, the market risk and credit risk profile of FRTSIL is considered to be more limited than other Class 2 firms who are dealing on their own account or dealing as agent. The material risks identified by FRTSL are set out below.

FRTSIL seeks to optimise its performance subject to remaining within Risk Appetite and meeting the expectations of stakeholders.

MATERIAL RISKS

Any identified significant risks are recorded on the FRTSIL Risk Register and reflected in the ICAAP, as described below. Having analysed FRTSIL risk register, and in line with the approach described above, the table below summarises the composition of FRTSIL identified material risks. FRSTIL allocates sub-risks to an overarching risk category (e.g., Strategic, Compliance, Operational and Credit), therefore resulting in four material risks.

Risk Category	Allocated sub-risks
Strategic	Market slowdown Risk, Transfer of business, Revenue Targets, Support Model, Competition, Client Retention
Operational	Outsourcing, Key Person dependency, Disaster Recovery and Business Continuity, Resourcing and Change Management Technology, Cyber Security, and Information Security
Compliance	Sanction, Regulatory Compliance, Regulatory Reporting, AML, Litigation, Market Abuse – Regulatory change
Credit	Loss occurring due to a client failing to meet contractual debt obligations

Strategic Risk

Strategic Risk is the risk of the long-term strategic decisions and plans being inadequate resulting in a deterioration in the Company's performance, lost opportunities and possibly adverse financial results. FRTSL captures this on its Pillar 2 charge and is based on specifically designed stress scenario that captures the effect of a decline in revenues on FRTSIL's net profit. This methodology is forward-looking in nature and captures any change in the external environment that could affect FRTSIL ability to execute its business and financial plan.

Operational Risk

Operational Risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, from people and systems. The Board has determined any risks identified as arising from an outsourcing relationship to be considered an operational risk. The Pillar II capital charge for operational risk is informed by a scenario assessing the financial impacts of a potential significant prolonged outage of the MTF materialising for FRTSIL.

Compliance Risk

Compliance Risk is the risk of FRTSIL facing legal or regulatory sanctions, litigation, financial loss, or loss of reputation as a result of failure to comply with all applicable laws, regulations, codes of conduct and standards of good practice.

The Pillar II capital charge for compliance risk is based on the estimate of:

- A potential regulatory fine; and
- Estimation of a potential legal costs for FRTSIL. This methodology captures the financial impact of such elements for FRTSIL.

The starting point of this methodology is the historical recent fines imposed by the Central Bank of Ireland on Irish financial institutions.

Credit Risk

Credit Risk is the possibility of a loss occurring due to the financial failure to meet contractual debt obligations. Whilst the above material risks are calculated based on scenario assumptions, the Credit Risk (that was previously considered in Pillar I, under IFR is part of Pillar II calculation) comprises the latest balance sheet amount submitted in the COREP report as of 31 December 2021 to the CBI, reflecting the potential loss occurring due to the financial failure to meet contractual debt obligations.

The calculation of credit risk incorporates four balance sheet lines for FRTSIL: Amounts owed by Group companies, debtors, cash and accrued revenue.

CONCENTRATION RISKS

Concentration risk is not a material risk for FRTSIL, however, Article 47 of the IFR requires for disclosure on such risk.

As FRTSIL does not have a trading book, it is not calculating a K-CON. FRTSIL considers that its cash deposit exposures to credit institutions currently represents its concentration risk, although the likelihood is low. The capital requirement with respect to these balances has been considered by FRTSIL as sufficiently captured by the credit risk capital assessment.

K-FACTOR REQUIREMENT

The IFR uses quantitative indicators (K-factors) that reflect the risk that the new regime intends to address. K-factors are divided in the IFR into three groups, and they aim to capture the risk the investment firm can pose to customers, to market access or the firm itself. The Firm has assessed the applicability of the K-factors prescribed under Article 15(1) of the IFR and it is deemed that only K-COH is applicable to FRTSIL.

RISK MANAGEMENT

The Risk Management Framework (RMF) forms an integral part of the Firm's overall risk management and governance structure, business philosophy and practices. The risk management policy of the firm is to adopt best practices in the identification, evaluation and management of its risks to ensure that they are eliminated or reduced to an acceptable level. All members of the Board should understand the nature of risk and accept responsibility for risks associated with their area of authority.

The risk management objectives of the firm are to:

- Integrate risk management into the culture of the firm;
- Manage risk in accordance with best practice;
- Fully document major threats and opportunities;

- Clearly identify risk exposure;
- Ensure a framework of monitoring and recording trades exists;
- Ensure conscious and properly evaluated risk decisions.

These objectives are achieved by:

- Establishing a risk management organisational structure to act in an advisory and guiding capacity, which is accessible to all staff members.
- Include risk management as an agenda item at all Board meetings.
- Embedding risk management principles into the various decision-making processes.
- Maintaining appropriate reporting and recording systems with investigation procedures to establish cause and prevent occurrence.
- Monitoring arrangements for the management of risk on an ongoing basis. The Risk Strategy is achieved by the FRTSIL through:
    - promotion of a strong risk culture within the FRTSIL
    - robust processes in place to manage the FRTSIL material risks via the Risk Management Framework and related governance documents
    - risk management being embedded throughout the business, based on setting a clear Risk Appetite and staying within this appetite
    - capital allocation based on highest returns within the perimeter of Risk Appetite

5. REGULATORY CAPITAL RESOURCES

As at 31 December 2021 and at all times throughout the period, FRTSIL complied with the regulatory capital requirements of the Central Bank of Ireland.

The table below details the composition of the regulatory capital resources of FRTSIL available to meet these requirements as at 31 December 2021:

Capital resources	As at 30 December 2021
Tier 1 Capital	in €m
Called up share capital presented as equity*	0
Share premium*	19,549
Retained earnings and other reserves*	372
Deductions from Capital Resources**	(2,974)
Total Capital Resources	**16,947**

*Total capital resources comprise share capital, share premium and audited retained earnings as per the 2021 audited financial statements of FRSTIL.
**A deduction is made in respect of intangible assets, which do not qualify for regulatory capital purposes.

6. CAPITAL ADEQUACY

OWN FUNDS REQUIREMENT – Pillar 1

The implementation of the prudential regime for investment Firms in 2021 (IFR) has changed the approach to calculating the own funds requirements for Investment Firms; this section outlines the new approach to calculating Pillar 1 requirements.

FRTSIL will retain own as required as the highest of the following:

- Fixed Overhead Requirement (FOR);
- Permanent minimum capital requirement;
- K-factors. After review of the K-Factors criteria only one K-Factor is being considered and applicable to FRTSIL, which is the Client Order Handled (K-COH). Further details in respective section below.

Fixed Overhead Requirement

The FOR is calculated as one quarter of the fixed overheads of the preceding year. The fixed overheads for the previous year include staff costs and general expenses less staff bonuses, shared commission and fees payable, and tax expenditure in line with the applicable deductions under Article 13(4) of the IFR and Article 1(6) of the FOR RTS. Only shared commission and fees payable which are directly related to commission and fees receivable, are applicable to FRTSL and its deduction used in FOR calculation.

Permanent Minimum Capital Requirement

The Firm will hold permanent minimum capital requirement in accordance with Article 9(3) of Directive 2019/2034/EU (“IFD”) in the measure of €150,000 being:

- Authorised to provide only the investment activities listed in Section A excluding activities in points (3) and (6) of Annex I to MiFID II
- The firm is not permitted to hold client money or securities belonging to its clients

K-FACTOR REQUIREMENT

As mentioned in Section 4 above, FRTSIL has assessed the applicability of the K-factors prescribed under Article 15(1) of the IFR and it is deemed that only K-COH is applicable to FRTSIL.

7. CAPITAL ADEQUACY AND ICAAP

The ICAAP is the process through which the Board is informed of the ongoing assessment of the risks to which the Company is exposed, how those risks are mitigated, and how much capital is necessary to cover for these risks. Such assessment is done to ensure that the Firm can meet its business objectives in the normal course of business as well as through times of economic and financial downturns and other stresses. The ICAAP is a key component of the Company’s implementation of the IFD.

FRTSIL uses the ICAAP exercise to enhance the identification, assessment, management and monitoring of risk to support the business planning process. It also uses it to help the business to establish and determine whether the amount of capital it holds is appropriate. Any substantial changes in the business model will result in an immediate review of the Firm’s ICAAP to ensure that the correct amount of capital is being held by the Firm.

The ICAAP is integrated into FRTSIL's business strategy. The ICAAP informs the business strategy via the stress testing undertaken and allows FRTSIL (if needed) to adjust their approach to risk mitigation or change business strategy. In this way the business strategy of the Firm is informed by its analysis on the risks faced by the Firm and amended according to any change in risk profile.

The Board determines and approves a suitable minimum buffer to be maintained for capital adequacy purposes. This buffer is monitored by the Finance function. It is also tracked via a KRI dashboard. Should the amount-maintained fall beneath the required buffer Finance will alert immediately the Risk

Committee. The Board is notified before taking the appropriate actions, and the necessary steps will be taken in accordance with the escalation procedure to readdress the same.

8. REMUNERATION

FRTSIL also published its latest Remuneration Disclosure on the external website.

9. LIQUIDITY RISK

Liquidity risk is the risk of the Company not being able to maintain at all times 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.

As part of its capital planning, FRTSIL also assess its liquidity position in two forms:

1. Availability of liquid assets to meet its obligations when they come due. This is necessary to ensure the Firm meets the overall liquidity adequacy requirement. This is an internal monitoring metric.

2. Assessment of liquidity against the IFR requirement to hold one third of the Fixed Overhead Requirement as cash or cash equivalent

FRTSIL is not reliant on borrowings to fund its operations. The business generates strong cash flows and the balance sheet is highly liquid. The liquidity position of FRTSIL is monitored monthly and management information on liquidity is provided on a regular basis to Senior Management.

10. ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG)

As long-term investors, FRTSIL believes that Environmental, Social and Governance (ESG) risks and opportunities can have a material impact on the value of investments. In addition, the Company believes it can make an impact on society and the environment through its investment decision making.

From 26 December 2022, The Company, as a Class 2 firm, must disclose information on environmental, social and governance risks, including physical risks and transition risks, as defined in the report referred to in Article 35 of IFR.

Appendix 1 Disclosure on own funds templates

INVESTMENT FIRMS DISCLOSURE			
Template number	**Template code**	**Name**	**Legislative reference**
		OWN FUNDS	
1	IF CC1	COMPOSITION OF REGULATORY OWN FUNDS	Art 49(1)(c)
2	IF CC2	OWN FUNDS RECONCILIATION WITH AUDITED FINANCIAL STATEMENTS	Art 49(1)(a)
3	IF CCA	OWN FUNDS MAIN FEATURES	Art 49(1)(b)

Appendix 1.1 Template EU IF CC1.01 – Composition of regulatory own funds (investment firms other than small and non-interconnected)

The foregoing information is based on the data submitted to CBI dated 31 December 2021.

		Amounts (in €'000)
Common Equity Tier 1 (CET1) capital: instruments and reserves		
1	**OWN FUNDS**	16,947
2	**TIER 1 CAPITAL**	16,947
3	**COMMON EQUITY TIER 1 CAPITAL**	16,947
4	Fully paid up capital instruments	0
5	Share premium	19,549
6	Retained earnings	368
7	Accumulated other comprehensive income	5
12	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(2,974)
19	(-) Other intangible assets	(2,974)

Appendix 1.2 Template EU IFCC2: Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements

		Balance sheet as in published/audited financial statements*
		As at period end 2021 (in $'000)
1	Intangible Assets	3,368
2	Debtors	50,413
3	Cash at bank and in hand	4,001
xxx	**Total Assets**	57,782
1	Creditors	34,950
2	Provisions for liabilities	137
xxx	**Total Liabilities**	35,087
1	Called up share capital	0
2	Share Premium Account	22,141
3	Profit and Loss account	554
xxx	**Total Shareholders' equity**	22,695

Appendix 1.3 Template EU IF CCA: Own funds: Main features of own Instruments issued by the firm

Main features of own Instruments issued by the firm		
1	Issuer	Financial & Risk Transaction Services Ireland Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Public or private placement	Private
4	Governing law(s) of the instrument	Ireland
5	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
6	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	0
7	Nominal amount of instrument	0
8	Issue price	€1 per share
9	Redemption price	€1 per share
10	Accounting classification	Shareholder's Equity

Appendix 2 K-Factor Requirement Calculation

		(in €'000)	(in €'000)
		Factor amount	**K-factor requirement**
Rows	**Item**	**0010**	**0020**
0010	Total K-Factor requirement		1,173
0020	Risk to client		1,173
0030	Assets under management		
0040	Client money held - Segregated		
0050	Client money held - Non-segregated		
0060	Assets safeguarded and administered		
0070	Client orders handled - Cash trades		
0080	Client orders handled - Derivatives trades	11,729,253	1,173
0090	Risk to market		-
0100	K-Net positions risk requirement		
0110	Clearing margin given		
0120	Risk to firm		-
0130	Trading counterparty default		
0140	Daily trading flow - Cash trades		
0150	Daily trading flow - Derivative trades		
0160	K-Concentration risk requirement		