Instinet International Limited Group Pillar 3 Disclosures

22 March 2022

Version 1.3

CONTENTS

1.0 OVERVIEW

1.1 Introduction

The disclosures set out herein have been provided in accordance with chapter 11 of the Financial Conduct Authority (FCA) Prudential Sourcebook for Banks, Building Societies and Investment Firms (BIPRU) and the requirements established under the 4th Capital Requirements Directive (CRD IV) and the Capital Requirements Regulation (CRR), as implemented in the UK through the Capital Requirements (Amendment) (EU Exit) Regulations 2018 (the UK-CRR).

CRD IV introduced a regulatory framework comprising three ‘pillars’:

- Pillar 1 is the calculation of minimum capital requirements for credit, market and operational risk;
- Pillar 2 requires an Internal Capital Adequacy Assessment Process (ICAAP) to assess whether further regulatory capital should be held, in addition to Pillar I minimum requirements, based on the risks faced by the Group, the risk management processes and stress testing;
- Pillar 3 sets disclosure requirements which allow market participants to assess the Group’s capital, risk exposures and risk management processes.

In accordance with the requirements of Pillar 3, this document is intended to disclose information relating to Instinet International Limited (IIL) and its subsidiaries (together the “IIL Group”) risk, control framework and capital position. Information is disclosed by IIL under these rules, unless it does not apply, or is considered by the Risk and Capital Committee as being proprietary or confidential information (note: no disclosures have been omitted on these grounds).

1.2 Scope and Frequency of Disclosure

Pillar 3 disclosures are made in respect of all IIL Group entities subject to consolidated supervision by the FCA, as at the document’s reference date, 31 March 2021.

In accordance with the requirements of CRD IV Pillar 3 disclosures will be made at least on an annual basis and published on the Group’s corporate website (https://www.instinet.com/legal-regulatory).

2.0 CORPORATE STRUCTURE AND BUSINESS OVERVIEW

2.1 Corporate Structure

The IIL Group fully consolidates the following legal entities:

- Instinet International Limited (IIL) – the UK holding company;
- Instinet Europe Limited (IEL) – an FCA authorised and regulated trading entity;
- Instinet Germany GmbH (IGG) – a trading entity regulated by the Federal Financial Supervisory Authority for Germany – a trading entity regulated by the Federal Financial Supervisory Authority for Germany (Bundesanstalt für Finanzdienstleistungsaufsicht - BaFin), with a branch in Paris regulated by the Autorité des marchés financiers (AMF);
- Instinet Global Services Limited (IGSL) – a UK domiciled company providing services to IEL and IGG

It is part of the global Instinet group which itself is the independent equity trading arm of the Nomura Group.

2.2 Business Model

Instinet is a global agency broker offering institutional clients and market counterparties access to multiple global execution venues through its subsidiaries around the world, via high touch trader worked institutional client orders and low touch direct client access to electronic trading and algorithms.

The Group operates as an “agency brokerage” and from a regulatory and reporting standpoint its business is classified as “Riskless Principal”. The Group’s trading arrangements on European markets are structured such that, whilst it only ever undertakes client business, taking no proprietary positions, it is still required to deal as principal on the market in order to effect client order execution. As such, when executing trades on European markets, Group trading entities are required to buy/sell to the market in a principal capacity and then sell/buy to the client in a principal capacity. Consequently, it will take “positions arising from client servicing” (albeit on a riskless principal basis as the market side and client-side transactions are matched/back-to-backed).

2.3 Business Environment

The Group operates in a highly regulated business environment with significant requirements in respect of transaction, financial and regulatory reporting, conduct, risk management and customer service, from the multiple regulators in the countries it operates. It is subject to regulations that constantly evolve in response to periods of financial instability, new business practices and economic and political developments and which are becoming more stringent over time in order to promote good practice and stability in the global financial markets.

2.4 Diversity

Instinet, and more widely Nomura, continue to focus on all aspects of diversity and inclusion and are committed to creating an inclusive culture that values the difference in our colleagues and creates an environment where all employees are heard and valued. The Group upholds five pillars (the 5 As) of diversity and inclusion:

- Leadership Commitment & Management **Accountability;**
- **Attraction** of Talent from Diverse Backgrounds & Experiences;
- **Advancement** of our People through promotion & mobility opportunities;
- Raising **Awareness** about topics related to Diversity to increase honest and open dialogues;
- Leveraging **Awards and Recognition** opportunities to acknowledge the work our firm and people do daily to enhance our Culture.

To further our commitment to inclusion, diversity and belonging, we've developed the Inclusion Recognition Programme. Through this programme we aim to increase awareness, engagement and involvement across all aspects of our diversity and inclusion agenda, inclusive of our inclusion networks, Community Affairs opportunities, health and wellbeing resources and volunteering offerings.

3.0 GOVERNANCE AND RISK MANAGEMENT FRAMEWORK

3.1 Corporate Governance Overview and Objectives

The IIL Group's day to day business activities expose it to strategic, operational and financial risks. The Board accepts that it cannot place a cap or limit on all of the risks to which the Group is exposed, however effective risk management ensures that risks, including the risk of failure to achieve objectives and implement strategy and the risk of material financial misstatement or loss, are managed to an acceptable level. The Board, through the Risk and Capital Committee, is ultimately responsible for the implementation of an appropriate risk strategy, defining and communicating the Group's risk appetite, the establishment and maintenance of effective systems and controls and continued monitoring of adherence to Group policies.

The Board is supported by the Senior Management team and the Operating Committee who are responsible for the execution of the Board's risk strategy, including the management of risk appetite, and for supervising, monitoring and supporting the various Risk and Control functions.

It is the aim of the Risk and Control functions to co-ordinate management and reporting of the Group's risks ensuring that risk management is fully integrated into day-to-day activities. The Group's approach to risk management within the business is set out within the Board approved Risk Appetite Statement and Risk Management Framework.

The business provides periodic feedback to the Risk Function on the adequacy of the risk management processes and standards in relation to their specific business functions, including via the Risk and Control Self-Assessment (RCSA), Front Office Supervision, Incident Management and Stress Testing programmes, as well as through the production of key management information (MI).

As part of the Risk Management Framework, the business is subject to independent assurance by internal and external audit. The use of independent compliance monitoring reviews and risk reviews provide additional support to this integrated assurance and review programme and ensures that the Group is effectively identifying, managing and reporting its risks.

The IIL Group's Risk Management Framework is designed to ensure that risks are identified and managed within the IIL Group's risk appetite and financial resources. Regulatory capital is monitored closely and reported formally to senior management on a daily basis.

3.2 Governance and Oversight

Effective risk management requires a clearly defined risk governance structure, including definitive roles and responsibilities for all individuals involved in the risk management process across the Group. As well as ensuring clarity of responsibility and accountability, the value that such a framework adds to commercial activities is also acknowledged. The objectives of the clearly defined governance structure are to:

- Satisfy the needs of the business for proper consideration and decision making;
- To provide clear management support and a monitoring framework to add value to the business and identify and control risks;
- To ensure good governance principals are followed including:
  - Clear remits and definitions of responsibility, authority, accountability and lines of report;
  - Provision of appropriate delegated authority;
  - A framework to facilitate effective checks and balances in the management and oversight processes;
- To allow and encourage effective and constructive challenge of the executive;
- To apply best practice governance principals appropriate to the business.

3.3 Corporate Governance Structure

3.3.1 The Board

The Board's roles are:

1. Strategy and Management
   - Take responsibility for overall management of the IIL Group companies;
   - Define the Group's risk appetite and tolerances and ensuring that this is embedded throughout all operations;
   - Approve the Company's long-term objectives and commercial strategy;
   - Approve the annual operating and capital expenditure budgets and any material changes to them;
   - Oversight of all Group operations ensuring competent and prudent management, prudent planning, an adequate system of internal controls, adequate accounting and other records, compliance with statutory and regulatory obligations;
   - Review of the management's performance in the light of Group strategy, objectives, business plans and budgets and ensuring that any necessary corrective action is taken;
   - Approve any decision which materially impacts the Group from any perspective, including, but not limited to, financial, operational, strategic or reputational;
   - Approve any decision to establish any new business or extend the Group's activities into new business or geographic areas;
   - Approve any decision to cease to operate all or any material part of the business;

2. Structure and Capital
   - Approve major changes to Group structure, governance or management;
   - Approve any changes to the Group's regulatory or prudential status;
   - Monitor capital against defined risk appetite and tolerance;

3. Financial Reporting and Controls
   - Approve the ICAAP Report, annual report and the accounts, dividend policy, any significant changes in accounting policies or practices, approval of auditors' reports;

4. Internal Controls
   - Ensure maintenance of a sound system of internal controls and risk management including receiving reports on, and reviewing the effectiveness of, the Group's risk and control processes to support its strategy and objectives, and undertaking an annual assessment of these processes;

5. Material Commitments
   - Approve major capital projects; contracts which are material strategically or by reason of size, market impact etc.; and major investments; commencement of litigious proceedings, settlement of claims etc.;

6. Approve shareholder communication, if any;

7. Board Membership and Other Appointments
   - Approve changes to the structure, size and composition of the board;
   - Ensure board considers diversity on the board when making additional appointments;
   - Selection of the Chairman and the Chief Executive Officer;
   - Approve membership of any board committees;
   - Approve continuation in office of any director at any time, including the suspension or termination of service of the executive director as a Group employee, subject to law and their service agreement;
   - Appoint and remove the Company Secretary, Chief Risk Officer (if any), external Auditors;
   - Approve appointments to the boards of any subsidiaries;
   - Approve the appointment of any individual as a Significant Influence control function (as defined by the FCA);

8. Delegation of Authority
   - Set out divisions of responsibility between the Chairman and the Chief Executive Officer (as set out in the roles of responsibility, from time to time amended by the board);
   - Approve the terms of reference for the board committees;
   - Ensure the board has appropriate management information to oversee Group performance against financial targets, key risk indicators and key performance indicators;
   - Approve the individuals authorised to bind the Group and set out any conditions to that authorisation;
   - Approve any changes to the above;

9. Policies
   - Approval of corporate policies and procedures which it would be appropriate for the Board to approve;

The board also has overall responsibility for the IIL Group's Risk Management Framework, regulatory compliance and internal control framework and for ensuring that they work effectively.

The Board meets on a quarterly basis with additional meetings as required.

The board delegates the day to day responsibilities to the executive management team. In addition, there are a number of committees to whom the board have delegated the responsibility to perform certain functions.

3.3.2 Risk and Capital Committee

The Risk and Capital Committee sets the overall risk strategy and risk appetite methodology for the Group. A further, the role of the Committee is to provide oversight and challenge of and advice to the Board on:

- The Group's current risk appetite, tolerance and strategy, material risk exposures and future risk strategy and their impact on capital.
- The structure of the Group's Risk Management framework and its suitability to react to forward-looking issues and changing nature of risks.

3.3.3 Remuneration and Nominations Committees

The Remuneration and Nominations Committees are committees of the Board that are responsible for setting and developing remuneration and nomination policies and meet at least once a year, with the Remuneration Committee organised by the Global Head of Human Resources.

3.3.4 Instinet Europe Operating Committee

The Operating Committee generally meets formally every week. It is made up of twelve members, being the function heads of department plus the Regional Office Heads, and is chaired by the CEO. The aim of the committee is to review business progress and is a forum for discussing any material issues affecting the firm.

3.3.5 Material Business Change (MBC) Committee

The committee meets as and when required and is made up of representatives from all business units including legal, compliance and audit. Its role is to advise and assist the Risk and Capital Committee and the Board in:

- Determining whether an MBC can be supported by the current infrastructure and available resources;
- Determining whether the commensurate risk of the business change is acceptable;
- Assisting with the implementation of business decisions made by the Board or Senior Management.

3.3.6 Counterparty Risk Committee (CPRC)

The objective of the CPRC is to consider and comment on all aspects of the Group's counterparty risks, its risk appetite, tolerance and strategy, taking account of the current and prospective internal, macroeconomic and financial environments. Core activities of the CPRC include:

- Review and approve Counterparty Credit and Trading limit policies and parameters and any changes to these documents;
- Review and approve Client Suitability Assessment policies and documentation;
- Review, challenge, recommendation and where necessary instruction on all 'Exceptional' Trading Limit changes;
- Review of key MI including exposure, fails and default analysis, making recommendations for action where required;
- Review and recommendation of action on high risk clients, including PEP's;
- Drive interaction with other Instinet regions globally to deliver a consistent and robust global approach to Counterparty Credit Risk;

The CPRC is supported by the Client Suitability Committee where questions on Client Suitability are raised.

3.3.7 ICAAP Steering Committee

The ICAAP Steering Committee provides overall oversight, challenge and review of the ICAAP process and submissions:

- Review and approve the overall ICAAP roadmap and timetable;
- Review and approve the scenario timetable;
- Review and approve the scenario selection process;
- Review and approve all scenario details and quantification;
- Review and approve all ICAAP submissions and documentation in advance of submission to the Board for final approval.

3.3.8 Business Risk Working Group (BRWG)

The BRWG facilitates the discussion and communication of risk management matters. Further, the BRWG provides a forum for Risk Management to interact with the business, promoting oversight, feedback, awareness, culture and conduct across the business.

3.3.9 Liquidity Risk Governance and Working Group (LRWG)

The LRWG undertakes ongoing reviews of the Group’s liquidity risk management and seeks to ensure that the Group meets all regulatory obligations. The working group consists of senior member of staff from Finance, Risk, Treasury and Compliance.

The LRWG provides the Board with regular updates on the Group’s compliance with applicable liquidity rules in order to manage its regulatory exposure. Any change to the defined liquidity policies are presented to the Board when necessary. This includes changes in benchmarks, tolerances and changes in related credit facilities.

3.3.10 Technology Oversight Committee

This committee considers Technology Risks (across Technology, Information Security and Change Management). The Group defines its key Technology Risk exposures to include:

- Cyber-crime (Technology and Information Security);
- Technology change management (Change Management);
- System capacity (Technology);
- Data access (Information Security);
- Data feeds (Technology);
- System Business Continuity Management (Business Continuity).

3.4 Directorships

The table below shows our directors and their number of both internal and external directorships:

IIL Group director	Internal directorships	External directorships
Jeremy Soames	2	0
Takeo Aoki	9	2
Paul Spanswick	12	4

No directors resigned during the year.

Internal directorships are defined as those within the global Instinet and Nomura groups.

3.5 Three Lines of Defence

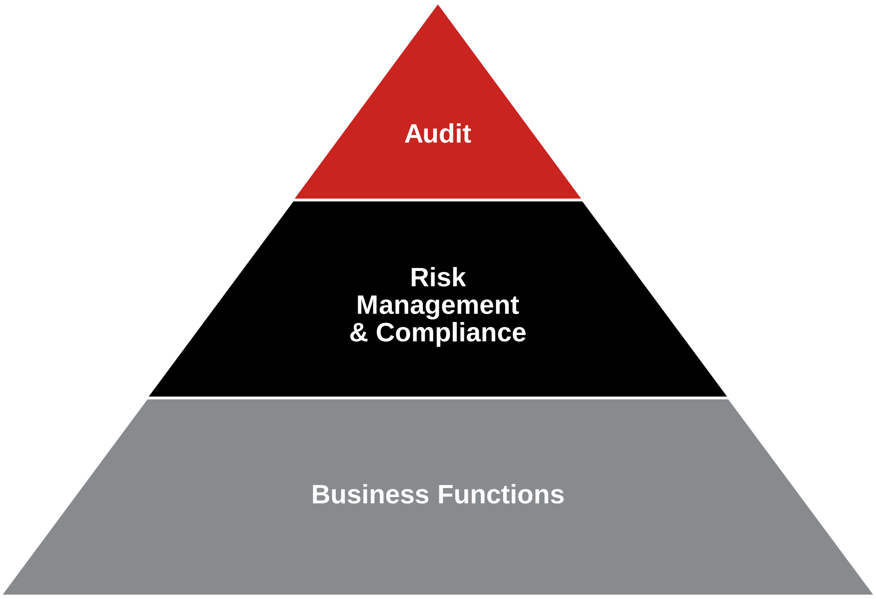
Operationally, the Group monitors and manages risk using a three-lines-of-defence model.

The first line is at individual business function level where functions are responsible for identifying, monitoring and escalating risks.

The second line of defence is its Compliance and Risk function. Risks identified by the individual business functions are reported to the Risk Officer and CRO through various MIS reports. The Risk function is responsible for monitoring and updating the Risk Register and escalating key risks to management and where appropriate to the Risk and Capital Committee.

The third line of defence is Audit (internal and external). The role of Internal Audit is independent of the business with a reporting line to the Audit Committee. Internal Audit is responsible for examining, evaluating and making recommendations on the effectiveness and appropriateness of risk management and internal controls across all areas of operations.

Internal Audit will take assurance from the work the second line functions have undertaken and reduce or tailor its review of the first line where appropriate. Internal Audit coordinates its work with Compliance and Risk Management in order to gain this assurance.



3.6 Risk Appetite

The Group's Risk Appetite Statement is the expression of the extent and nature of risk that the Board is willing to accept in pursuit of its objectives. It provides guidance on the acceptable level of risk, within which the Group will operate, in order to safeguard its financial stability, client assets, its impact on the integrity of underlying markets and the jobs of its employees.

The Board has articulated its appetite on the Key Risks that have been identified through the risk assessment process. This is in order to set the tone and direction for monitoring of those key risks, and to assist the Risk and Capital Committee in setting the Key Risk Indicators and other metrics which should be tracked against such risks.

To that end the Board's risk appetite is driven by its focus on delivery of the Group's Strategic Objective:

- **Conduct** – The Group recognises that it has duties to deliver fair outcomes for its clients and maintain the integrity of the markets it operates within and expects staff to act with honesty, integrity and appropriate due diligence at all times in order to protect the Group, its assets, its clients and to support the operational objectives that have been set out by regulators;

- **Capital Adequacy** – The Board seeks to maintain sufficient levels of capital and liquidity, in excess of minimum regulatory requirements, in an extreme but plausible scenario;
- **Earnings** – The Board expects the Group to deliver stable earnings and to be able to manage its costs under a severe stress;
- **Brand and Reputation** – The Board expects the Group to be managed in a way that ensures its reputation as a trusted provider and the quality of its customer experience is maintained;
- **Legal and Regulatory Compliance** – The Board expects the executive management team to maintain robust processes to ensure that all legal and regulatory expectations are met as both a broker and a venue operator. The Board further expects the development and maintenance of a robust culture of strong conduct and regulatory awareness, led by the executive management team and deployed and followed by all staff, with training and linkages to compensation;
- **Operational Effectiveness** – The Board expects the executive management team to maintain efficient operations and robust controls that ensure that the Group reduces the probability and impact of operational risks on the organisation's performance. The Board further expects the development and maintenance of a robust culture of risk awareness, led by the executive management team and deployed and followed by all staff, with training and linkages to compensation.

3.7 Principal Risks

3.7.1 Credit Risk

Credit risk is the risk of loss should an institutional counterparty fail to meet its financial obligations to the Group. This risk may, for example, crystallise as a result of cash at bank or on margin not being returned due to bank or institutional counterparty default. The Group uses the standardised method to calculating its Credit Risk Own Funds Requirement, which includes all its on-balance sheet assets, except for trading assets.

The Group holds cash at banks and short-term investments with a number of top tier institutional counterparties which are approved by the Board based on an ongoing assessment of their (external) credit rating.

3.7.2 Counterparty Risk

Counterparty Credit risk is the risk of loss when an obligor does not meet its financial obligations to the Group. This risk may arise as a result of clients defaulting on a Group or affiliate executed trade, resulting in the Group having to liquidate the resulting position and the market moving against it.

In assessing its minimum and additional own funds requirements for counterparty risk, the Group considers both:

- Counterparty risk arising from margin collateral and stock borrowing collateral; and
- Client counterparty risk assessed on failed settlements. As an agency broking business Client Counterparty Risk is generally limited to any MTM movement on the failed transaction.

Counterparty risk is monitored and measured on a daily basis by the Treasury and Risk Departments.

3.7.3 Market Risk

An agency broker does not generally run proprietary market exposures. Therefore, in general and under normal BAU conditions, the Group will be exposed to a fairly limited range of material market risks being:

- FX Position Risk Requirement (PRR) arising from holding non-Sterling denominated assets and liabilities;
- Position Risk exposure on any warehoused positions;
- Incidental equity positions that have arisen due to incomplete orders and/or client fails;

Prospective positions for warehousing require prior approval as set out in the Group's internal Policy and are monitored to ensure the gross amount of such positions are within Board approved appetite levels.

3.7.4 Liquidity Risk including Interest Rate Risk

Liquidity risk is the risk that the firm will not be able to meet its current and future cash flow and collateral requirements, both expected, and unexpected, as they fall due without materially affecting its daily operations or overall financial condition or its regulatory capital adequacy.

The Group's liquidity risk is limited to margin, collateral requirements and failed trades driven by our primary business. The Treasury department monitors the defined Liquidity Risk Tolerance measurements to ensure that triggers, reporting and contingency funding actions are in place should any liquidity issues arise.

3.7.5 Operational Risk

Operational risk is defined as the risk of loss arising from inadequate or failed internal processes, people and systems or from external events. Operational risk can never be completely eliminated however the Group seeks to minimise the probability and impact of operational risk events.

Key operational risk categories are:

- Brand and Reputation;
- Legal and Regulatory Risk;
- Information Security Risk;
- Technology Risk;
- People Risk;
- Business Continuity Risk;
- Financial Crime;
- Change Management;

The Group has implemented a Risk Management Framework designed to ensure that operational risks are assessed, mitigated and reported in a consistent manner.

3.7.6 Conduct Risk

Conduct Risk is defined as the risk of, damaging, undermining, compromising or threatening compliance with Instinet's Conduct Expectations through any direct/indirect contact/action, or omission. Conduct risk includes the risk of failing to manage conflicts of interest.

The Group expects its staff to act with honesty, integrity and appropriate due diligence at all times in order to protect the Group, its assets, its clients and to support the operational objectives that have been set out by the FCA.

All employees have a responsibility to uphold the standards set out in the Group's Code of Conduct policy. Compliance with the policy is monitored and is a term and condition of employment.

3.7.7 Other Risks

The Group continues to monitor and manage its other risks as defined in its Risk Management Framework, ensuring consistency of assessment, monitoring and reporting.

These risks include:

- Concentration Risk;
- Strategic Business Risk;
- Group Risk.

3.8 Upcoming Changes to Prudential Regulation

The UK Investment Firm Prudential Regime (IFPR) will come into force on 1 January 2022. It is intended to streamline and simplify the prudential requirements for FCA solo-regulated investment firms authorised under the Markets in Financial Instruments Directive (MiFID) and refocuses prudential requirements away from solely the risks faced by each regulated entity to also consider potential risks of harm to the entity poses to clients and markets.

The Group has commenced implementation of IFPR based on the draft rules set-out in FCA consultation papers and policy statements.

4.0 OWN FUNDS AND MINIMUM OWN FUNDS REQUIREMENTS

4.1 Own Funds

Group own funds at 31 March 2021 are summarised in table 4.1 below.

Common equity tier 1 capital
The Group's regulatory capital consists entirely of CET1 capital, made up of £112.1m of fully paid-up ordinary shares, audited retained earnings and other reserves.

Ordinary shares carry voting rights and are 100% owned by Instinet International Corporation, incorporated in the United States of America. The ultimate parent company is Nomura Holdings, Inc, of Japan.

Capital deductions

Own funds are subject to the following deductions from CET1:

- Deduction of intangible assets;
- Application of the additional value adjustment;
- Deduction of free-of-payment deliveries in accordance with article 379(3) of the UK-CRR.

Table 4.1.1 – Own Funds

Own funds	31 March 2021 £m	31 March 2020 £m
Common Equity Tier 1 (CET1) Capital Instruments and Reserves		
Capital Instruments and Related Share Premium Accounts	112.1	112.1
Ordinary Shares	112.1	112.1
Share Premium	0.0	0.0
Retained Earnings	74.6	60.8
Other Reserves	1.3	1.7
CET1 Capital before Regulatory Adjustments	**188.1**	**174.6**
CET1 Capital Regulatory Adjustments		
Value Adjustments Due to the Requirements for Prudent Valuation	(0.0)	(0.0)
Intangible Assets	(0.0)	(0.0)
Free of Payment Deliveries Deducted from CET1	(0.1)	(0.2)
CET1 capital	**188.0**	**174.4**
Total own funds	**188.0**	**174.4**

The increase in own funds reflects the inclusion of audited profits for the period ended 31 March 2021.

Instinet A Nomura Company

Table 4.1.2 Reconciliation of Total Own Funds to Shareholders' Equity

Category	31 March 2021 £m	31 March 2020 £m
Shareholders' Equity per Financial Statements		
Called Up Share Capital	112.1	112.1
Share Premium	0.0	0.0
Retained Earnings	74.6	60.8
Other Reserves	1.3	1.7
Less Regulatory Adjustments for Own Funds		
Capital Deductions	(0.1)	(0.2)
Total Own Funds	***188.0***	***174.4***

4.2 Own Funds Requirements

The Group determines its minimum own funds requirements (Pillar 1) on a daily basis in accordance with CRR rules. A summary report, which includes variance analysis and points of note, is distributed widely to key management. As at 31 March 2021 the Group's risk exposures were as follows.

Table 4.2.1 Risk Weighted Assets and Pilar 1 Capital Requirements

	31 March 2021		31 March 2020	
	RWA £m	Capital Requirement £m	RWA £m	Capital Requirement £m
Credit and Counterparty Risk	**133.7**	**10.7**	**146.6**	**12.3**
Standardised Approach	133.7	10.7	146.6	12.3
Institutions	109.9	8.8	126.8	10.7
Corporates	11.5	0.9	7.2	0.6
Others	12.3	1.0	12.6	1.0
Credit Valuation Adjustment	**0.0**	**0.0**	**0.0**	**0.0**
Market Risk	**15.8**	**1.3**	**20.6**	**1.7**
Foreign Exchange Risk	15.8	1.3	20.6	1.7
Equity	0.0	0.0	0.0	0.0
Settlement and Delivery Risk	**0.5**	**0.0**	**7.1**	**0.6**
Fixed Overheads Requirement	**161.3**	**12.9**	**145.9**	**11.7**
Total	**311.3**	**24.9**	**320.3**	**26.2**

Under the requirements of CRD IV, the IIL Group is required, at all times, to satisfy the following own funds requirements:

- Common Equity Tier 1 capital ratio of 4.5%
- Tier 1 capital ratio of 6%
- Total capital ratio of 8%

The Group's capital ratios as at 31 March 2021 and 31 March 2020 are summarised below:

Table 4.2.2 Capital Ratios

	31 March 2021 %	31 March 2020 %
Risk-Based Capital Ratios as a Percentage of Risk-Weighted Assets		
Common Equity Tier 1 Capital Ratio	60.4%	54.5%
Tier 1 Capital Ratio	60.4%	54.5%
Total Capital Ratio	60.4%	54.5%
Additional CET1 buffer requirements as a percentage of risk-weighted assets		
Capital Conservation Buffer Requirement	2.5%	2.5%
Counter-Cyclical Buffer Requirement	0.0%	0.0%
G-SIB or D-SIB Buffer Requirement	0.0%	0.0%
Total CET1 Buffer Requirements	2.5%	2.5%
CET1 Available after Meeting the Minimum Capital Requirement	57.9%	52.0%

4.3 Pillar 1 Approach

The Group calculates its own funds requirements using the following approaches:

Table 4.3 Pillar 1 Approach

Risk Category	Pillar 1 Approach
Credit and Counterparty Risk	Standardised approach under Chapter 2, Title II, Part Three of CRR.
Credit Valuation Adjustment Risk	Standardised method under CRR article 384.
Market Risk	
Foreign Exchange Risk	Standardised approach under CRR article 352.
Equity Risk	Approach under Section 3, Chapter 2, Title IV Part Three of CRR.
Settlement Risk	Approach under Title V, Part Three of CRR.
Fixed Overheads Requirement	Approach under Article 97, Section 2, Chapter 1, Title I, Part Three of CRR.

4.4 Capital Buffers

The Group is required to hold the following capital buffers under CRD IV:

4.4.1 Capital Conservation Buffer (CCB)

The CCB is designed to ensure that institutions build-up capital buffers outside times of stress that can be drawn upon if required. The requirement is 2.5% of risk weighted assets.

4.4.2 Counter-Cyclical Buffer (CCyB)

The CCyB is designed to reduce the build-up of systemic risk by providing additional loss-absorbing capacity and limit credit growth. It is set by local monetary authorities and adjusted in times of stress. In response to the Coronavirus crisis most EEA countries reduced the CCyB to 0% in March 2020. The exceptions were:

Table 4.4.2 Relevant CCyB rates

Country	Current CCyB rate
Bulgaria	0.50%
Czech Republic	0.50%
Luxembourg	0.50%
Norway	0.50%
Slovakia	0.50%

The Group has no material credit or counterparty credit risk exposures in these jurisdictions.

4.5 Credit and Counterparty Credit Risk

Credit and counterparty credit risk is the risk of loss from a client or counterparty failing to meet their financial obligations as they fall due.

Credit risk arises primarily from deposits with banks. Other sources of credit risk include fixed assets, pre-payments, accrued income and inter-company balances.

Counterparty risk arises on margin collateral and stock borrowing collateral, settlement risk and on risk capital held in pre-funded, Central Counterparty (CCP) default funds.

Further breakdowns of Group credit and counterparty risk exposures are provided in the tables below:

Table 4.5.1 Exposure Class

Exposure type	Exposure £m	Blended risk weight %	Risk weighted assets	Own funds requirement £m	Prior year own funds requirement £m
Cash at bank	101.2	20.0%	20.2	1.6	0.8
Prepayments and accrued income	31.7	50.8%	16.1	1.3	0.4
Other assets	11.2	101.6%	11.3	0.9	1.3
Margin collateral	398.2	20.0%	79.6	6.4	9.0

Stock borrowing collateral	11.4	20.0%	2.3	0.2	0.3
CCP default risk component	66.4	6.2%	4.1	0.3	0.4
	620.2		133.7	10.7	12.3

The Group's business is that of agency brokerage. It does not undertake lending activities and credit and counterparty risk exposures arise as incidental to its primary functions. The Board do not consider further breakdowns of the geographical or credit quality distributions of its credit and counterparty exposures to be material to an assessment of its underlying business.

4.6 Market Risk

Market risk is the risk that the Group suffers losses as a result of factors that affect the overall performance of the financial markets. The primary types of market risk are categorised as equity risk, interest rate risk, currency risk and commodity risk.

As an agency broker the Group does not take proprietary positions. Therefore, in general, and under normal business-as-usual conditions, it is exposed to a limited range of market risks being: FX position risk (PRR) arising from holding non-Sterling denominated assets and liabilities;

- Position risk arising on any warehoused positions;
- Incidental equity positions that arise due to incomplete orders and/or client fails.

Table 4.6 Breakdown of Market Risk

	31 March 2021		31 March 2020	
	RWA £m	Capital requirement £m	RWA £m	Capital requirement £m
Equity	**0.0**	**0.0**	**0.0**	**0.0**
Foreign Exchange Risk	15.8	1.3	20.6	1.7
	15.8	1.3	20.6	1.7

4.7 Fixed Overheads Requirement (FOR)

The Group is subject to an own funds' requirement based on fixed overheads, as set-out in article 97 of the UK-CRR. The FOR is calculated as 25% of prior year fixed overheads which, for 2021 is calculated as £12.9m (2020: £11.7m).

5.0 THE INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)

The Board undertakes an annual ICAAP, prepared under the requirements of the Financial Conduct Authority (FCA) and the Capital Requirements Directive (CRD), describes the risk processes and controls in place to assess the risk exposures on an on-going basis.

In addition, the ICAAP describes how the Group mitigates these risks and analyses how much current and future regulatory capital is required, having considered all risk mitigating factors.

In the ICAAP the Group considers whether its calculation of minimum own funds underestimates the risks to which it is exposed and, consequently, whether additional own funds (Pillar 2 requirements) should be allocated. There is also an estimate of the costs associated with a solvent wind-down of the Group.

Pillar 2 requirements are outside of the scope of the disclosures considered herein.

The ICAAP is reviewed and approved by the Board at least annually. If significant business changes occur between these review dates, then the ICAAP is amended and resubmitted for review and approval.

6.0 REMUNERATION DISCLOSURE

During the Financial Period to 31 March 2021, Instinet Europe Limited, the Group's regulated entity in the UK, has been classified by the FCA as a Level 3 firm for the purposes of the remuneration proportionality framework and as such is not subject to the full scope of the FCA's rules on remuneration.

6.1 Remuneration Policy and Process

For the period 31 March 2021, the Board of Instinet Europe Limited had a Remuneration Committee. The committee comprises of the Global Head of Human Resources, the Non-Executive Chairman and two Non-Executive Directors. The duties, as documented in the Terms of Reference of the Remuneration Committee (the "Committee"), are set out below:

- The Committee shall determine and agree with the Board the framework or broad policy for the remuneration of the company's employees (the "Remuneration Policy"). No director or manager shall be involved in any decisions as regards to their own remuneration;
- In determining the Remuneration Policy, the Committee shall take into account all factors which it deems necessary, including, but without limitation, its regulatory obligations as an entity regulated by the Financial Conduct Authority ("FCA") and appropriate incentives to encourage enhanced performance;
- The Committee shall review the ongoing appropriateness and relevance of the Remuneration Policy;
- The Committee shall:
  - **a.** review and note annually the remuneration trends across the company; and
  - **b.** oversee any major changes in employee benefit structures throughout the company.
- The Committee shall obtain reliable, up to date market information about remuneration. The Committee shall have full authority to commission any reports or surveys which it deems necessary to help it fulfil its obligations;
- The Committee shall consider such other matters as may be requested by the Board.

6.2 Code Staff

The definition of remuneration code staff is set out in SYSC 19A. 3.4 of the FCA's handbook defines "remuneration code staff" as:

> *"an employee of an IFPRU investment firm whose professional activities have a material impact on the firm's risk profile, including any employee who is deemed to have a material impact on the firm's risk profile in accordance with Regulation (EU) 604/2014 of 4 March 2014 (Regulatory Technical Standards to identify staff who are Material Risk Takers)" (the "RTS")."*

The RTS identifies material risk takers on a qualitative and quantitative basis.

6.3 Link Between Pay and Performance for Code Staff

Remuneration for employees is made up of fixed pay (i.e. salary and benefits) and performance-related pay based on individual and Group performance. The variable bonus pool is set by the Firm's immediate parent company in consultation with its ultimate parent company. Instinet Europe's senior management team proposes individual allocation based on, inter alia, appraisals. The appraisal takes into account consideration of regulatory compliance and risk behaviour. Proposals are then submitted to the Committee for approval. Bonuses are completely discretionary, so the structure of the remuneration package is such that the Firm can operate a truly flexible bonus policy.

6.4 Remuneration Disclosure

For the Performance Period to 31 March 2021, the aggregate total compensation paid to Instinet Europe's 17 Code Staff (including one who left in the period) was £5,323,300. This was split between fixed and variable compensation as follows: £2,695,000 (fixed) and £2,628,300 (variable).

CONTACT INFORMATION

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APPENDIX 1: OWN FUNDS DISCLOSURE

	Capital instruments main features	Common Equity
1	Issuer	Instinet International Ltd
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	English
	Regulatory treatment	
4	Transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/ solo and (sub-)consolidated	Solo and consolidated
7	Instrument type (types to be specified by each jurisdiction)	Common shares
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	£112.1 million
9	Nominal amount of instrument	£1.0
	a. Issue price	Issue price
	b. Redemption price	Redemption price
10	Accounting classification	Shareholders' equity
11	Original date of issuance	12 June 1979
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior regulatory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend / coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20	a. Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
	b. Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step-up or other incentive to redeem	No
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A

25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinate to senior creditors
36	Non-compliant transitional features	No
37	If yes, specify non-compliant features	N/A