Disclosures under Part 6 of the Investment Firms Regulation

Instinet international Limited Group
31 March 2023

Contents

1.0. OVERVIEW

1.1. Introduction

The disclosures set out herein have been provided in accordance with articles 46-53 of Part 6 of the Investment Firms Regulation (IFR - Regulation (EU) 2019/2033 of the European Parliament and Council). The purpose of these disclosures is to provide transparency to investors and the wider market.

In accordance with the requirements of the IFR, this document is intended to disclose information relating to Instinet International Limited (IIL) and its subsidiaries (together the “IIL Group”) risk management objectives and policies, governance arrangements, level of own funds, own funds requirements, remuneration policies and practices and, to the extent they are relevant its investment policy and its exposure to environmental, social and governance risk. Information is disclosed by IIL under these rules, unless it does not apply, or is considered by the Board as being proprietary or confidential information (note: no disclosures have been omitted on these grounds).

1.2. Scope and Frequency of Disclosure

Section 6 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 2022, unless otherwise stated.

In accordance with the requirements of the IFR 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;
- 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 and **Management Accountability**;
- **Attraction** of Talent from Diverse Backgrounds and Experiences;
- **Advancement** of our People through promotion and 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 ICARA 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 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 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.

3.3.3 Risk and Capital Committee

The Risk and Capital Committee ("R&C") facilitates the effective management of risk.

The R&C, as delegated by the Board, sets out the overall risk strategy and risk appetite methodology of Instinet. Further, the role of the R&C is to provide oversight and challenge of, and give 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

3.3.4 Agency Brokerage Regulatory Reporting Governance Committee ("ABRRGC")

The ABRRGC has been established to provide governance and oversight of the delivery of Instinet Europe's agency execution related regulatory reporting obligations. This includes, but is not limited to:

- Oversight and control of the firm's execution related regulatory submission programme, including but not limited to MiFID II obligations;
- Facilitating appropriate prioritisation;
- Management and monitoring of such delivery against the firm's obligations in Europe and the UK;
- Reviewing and enhancing the risk and controls across relevant business, technology and infrastructure/control functions.

The following regulatory reporting obligations are managed by the relevant Forums and thus are out of scope for this Committee:

- Reporting submissions related to the Multilateral Trading Facility ("MTF") operated by the firm are deferred to the BlockMatch Governance Committee;
- Reporting submissions related to the firm's obligations to satisfy MiFID Article 27, C(2016)3337 (RTS 28 Best Execution) are under the remit of the Best Execution Committee;
- Reporting submission related to Financial, Compliance, Risk, Operational and Human Resources are deferred to the respective governance and control Forum (s).

3.3.5 Algorithmic Trading Governance Committee ("ATGC")

The ATGC's primary responsibility is to review and oversee key risk and control issues relevant to IEL Europe's algorithmic and electronic trading activity through:

- developing and implementing a governance, risk management and control framework addressing the specific risks associated with algorithmic and electronic trading activity;

- ensuring algorithmic and electronic trading specific risks and issues are identified, assessed, reported and managed in a transparent and consistent manner; and
- enhancing the algorithmic and electronic trading risk and control culture across relevant business, technology and infrastructure/control functions

3.3.6 Best Execution Committee (“BEC”)

Instinet has a duty to provide Best Execution (“Best Ex”) defined as an obligation to take "all sufficient steps to obtain, when executing orders, the best possible result for their clients taking into account price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order.

Instinet is required to have policies and procedures in place which are designed to ensure that Instinet meets its Best Execution obligation. The objectives of this Committee are as follows:

- To monitor the effectiveness of Instinet’s Best Ex arrangements;
- To ensure the Order Execution Policy (“OEP”) explains clearly, in sufficient detail and in a way that can be easily understood by clients, how orders will be executed;
- Annually publish the top five execution venues for each class of instrument and information on the quality of execution obtained.

In particular, it is the duty of the Committee to:

- Identify and oversee implementation of measures to ensure Instinet is in compliance with applicable European and UK regulations relating to Best Ex;
- Review and challenge whether existing arrangements relating to Best Ex can be deemed sufficient;
- Review any new guidance or regulations relating to Best Ex and be responsible for developing Instinet’s Best Ex strategy;
- Review any incidents or outliers where Best Ex may not have been provided and any steps taken to mitigate future occurrences;
- Ensure that the OEP accurately describes how client orders are executed;
- Ensure that assessments of execution venues and brokers are aligned with the OEP and that the results of those assessments are reflected in Instinet’s routing practices;
- Ensure that significant changes to Instinet’s execution venues are adequately documented, including reasons for the change and how clients are to be notified;
- Oversee the production and publication of the reports required by RTS 28.

3.3.7 BlockMatch Governance Committee (“BMGC”)

As an operator of two Multi-Lateral Trading Facilities, Instinet is required by the Financial Conduct Authority to have in place effective governance, systems and controls to ensure compliance with applicable obligations. Compliance with these rules is the responsibility of Instinet’s BlockMatch Governance Committee.

The Committee is a management governance committee. The nature of the Committee is collaborative.

The Committee:

- identifies and implements appropriate measures to ensure BlockMatch is in compliance with the applicable European and UK rules and regulations.
- reviews and challenges the overall control framework for the firm's regulatory obligations with respect to the BlockMatch Multilateral Trading Facility;
- reviews emerging risks and themes, and new regulations related to the management of Multilateral Trading Facilities;
- reviews and discusses material incidents and operational risk events related to the BlockMatch Multilateral Trading Facility;
- reviews Internal Audit issues and actions related to the BlockMatch Multilateral Trading Facility;
- reviews performance, development programme and delivery, including related metrics, as presented to the Governance Committee;
- Discuss business related changes to the management of the BlockMatch Multilateral Trading Facility.

3.3.8 Technology Governance Committee ("TGC")

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).

3.3.9 Conduct and Appropriateness of Renumeration Structures Committee ("CARSC")

As a firm operating in the financial services sector, Instinet is committed to ensuring that remuneration is structured so it promotes behaviours that support sound and effective risk management, that does not encourage risk taking that exceeds the group's risk appetite or provide an incentive to breach the Instinet group's policies and procedures. The CARSC has been established to provide oversight of the delivery of Instinet's controls relating to Conduct Risk across the United Kingdom and Europe.

As such, the Committee is responsible for:

- Endorsing and monitoring compliance with the Conduct Risk Policy Standard (the "Standard") and providing the necessary support and guidance to staff in order to mitigate the risk of breaching the Standard's requirements;
- Delegating Conduct Risk training to be developed and annually deployed by Risk and Compliance;
- Identifying and distributing appropriate Management Information to support the development of and compliance with the Standard; and
- Ensuring the appropriateness of Instinet's remuneration systems and practices considering regulatory requirements.

3.4. Directorships

The table below shows our directors and their number of both internal and external directorships as at 31st March 2022:

ILL Group Director	Internal Directors	External Directorships
Jeremy Soames	2	0
Takeo Aoki	9	2
Paul Spanswick	10	3

3.5. Risk Management Framework

The activity of risk management in Instinet is based on the following principles:

- Risks are identified and assessed to determine their underlying characteristics. Risks are appropriately categorized based on those characteristics and appropriate risk measures and controls are established to manage them.
- Frameworks for monitoring and reporting risks are established in order to restrain risks to the confines of the firm's Risk Appetite.
- An effective risk management framework is maintained through, amongst other matters, robust committee governance, the development of an appropriate organisational structure and three lines of defence model, and the maintenance of relevant policy and framework documentation.

The Risk Management Framework that Instinet uses to manage risk comprises different component parts which are required to promote risk management, described in Article 4. Each component part of risk management takes into account both external factors including clients, shareholders and regulators and internal factors such as Instinet's corporate strategy.

The Risk Appetite, which is determined based on the Instinet's strategic approach to risk management, is articulated within the Risk Appetite Statement as noted above. Instinet evaluates business opportunities and makes day-to-day risk management decisions in accordance with the Risk Appetite Statement.

3.5.1 Risk Governance

An organisational framework and committee structure are in place to facilitate effective business operations and management of the Firm's risks. Further details of this governance structure are provided in Chapter 6: Governance.

Instinet uses the Three Lines of Defence approach and all executives and employees are aware of their roles and actively engage in the firm's risk management. The role of each line of defence is as follows.

1. The First Line of Defence:

   The First Line is responsible for complying with the Risk Appetite Statement, the Firm's policies and procedures, and risk limits set forth therein. In addition to complying with these internal rules, the First Line is accountable for appropriately managing risks in accordance with the Code of Conduct. The First Line must establish its own risk management governance while making appropriate use of the infrastructure, information and analysis provided by the Second Line.

   The First Line is primarily responsible for risk management; it is the First Line's responsibility to assume the consequences associated with business execution and to provide evidence and justify that the risk arising from their business activities is in line with risk appetite.

The First Line must monitor whether the nature of the risks has changed from the initial assumptions and manage them appropriately.

2. The Second Line of Defence:

   The Second Line establishes a framework to manage risk appropriately. The Second Line uses the framework to monitor whether the business activities by the First Line are in line with the risk appetite and reports to the Board and the senior management. In addition, the Second Line independently evaluates risk management governance established by the First Line.

   The Second Line challenges the First Line by seeking further explanations, asking for changes, or withholding approvals if there are any concerns regarding the appropriateness of the First Line's business plans or individual transactions.

3. The Third Line of Defence

   The Third Line examines and evaluates the risk management, control, and governance of the First and Second Lines and advises on improvement. The results of the examination and evaluation are reported to the Board and Instinet Audit Committee.

3.5.2 Risk Monitoring & Reporting

Risk data and management information is developed, aggregated and reported in accordance with the Instinet's Identity and Access Management Policy in order to monitor risk and provide a basis for sound decision-making.

All risks must be subject to detailed monitoring and reporting requirements. These must ensure that the status of risks is captured accurately and reported regularly and in a timely manner to senior management including the relevant Governance Committees (see Chapter 6) and the Risk and Capital Committee ("R&C") as well as the Board.

3.5.3 Risk Management Policies

Risk management policies are in place to cover all major risk categories. These policies outline the minimum requirements that must be followed to identify, assess, control and monitor risks. Compliance with risk management policies supports achievement of the business strategy and balances the needs of all stakeholders.

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.

3.7 Risk Categories

3.7.1 Financial Risks

Market Risk

For Instinet Market Risk is defined as the risk of incurring losses due to a change in the value of assets or liabilities resulting from moving price in interest rates, currency and stocks.

As an agency broker the Group does not take proprietary positions. Therefore, in general and under normal BAU conditions, appetite for market risk is low, and the Group is exposed to a limited range of market risks being:

- Position risk arising on any warehoused positions (Fixed capital limit, captured in Capital and Liquidity section above);
- FX position risk arising from holding non-Sterling denominated assets and liabilities;
- Incidental equity positions that arise due to incomplete orders and/or client fails.

Instinet has established a Market Risk Management Framework to identify, analyse, evaluate, monitor and report Market Risk in order to manage Market Risk effectively.

Credit Risk

Credit Risk is defined as the risk of incurring losses when an obligor, counterparty or issuer fails to meet its obligations. Default risk is managed by credit limits and counterparty risk assessments based on the credit rating framework.

Instinet has established a framework to identify, analyse, evaluate, monitor and report Credit Risk in order to manage Credit Risk effectively. In this framework, internal ratings are assigned based on credit analysis in accordance with the Internal Rating System. Credit Exposures from counterparty transactions are managed by means of setting Credit Limits, and Credit Exposures are monitored and managed within the Limit.

Liquidity Risk

Liquidity Risk is defined as the risk of loss arising from difficulty in securing the necessary funding or from a significantly higher cost of funding than normal levels due to deterioration of the Instinet’s creditworthiness or deterioration in market conditions.

Instinet has established a framework to measure, manage, monitor and report Liquidity Risk in order to manage Liquidity Risk effectively.

Model Risk

Model Risk is defined as the risk of financial loss, incorrect decision making, or damage to the firm’s credibility arising from Model errors or incorrect or inappropriate Model application.

Instinet has established a Global Model Risk Standard in order to manage Model Risk effectively. This standard includes requirements for the development, validation, approval, maintenance and monitoring of Models, and requirements for monitoring and reporting Model Risk.

3.7.2 Non-Financial Risks

Operational Risk

Operational Risk is defined as the risk of financial loss or non-financial impact arising from inadequate or failed internal processes, people, and systems or from external events. It includes in its definition Compliance, Legal, IT and Cyber Security, Fraud, Third Party and other non-financial risks. It does not include strategic risk and reputational risk; however, some operational risks can lead to reputational issues and as such operational and reputational risks may be closely linked.

Instinet has established a framework to identify, assess, monitor and report on Operational Risk in order to manage Operational Risk effectively. Operational Risk is managed mainly through Risk and Control Self-Assessment, Event Reporting, Key Risk Indicators (“KRIs”), and Scenario Analysis.

Reputational Risk

The possible damage to Instinet's reputation and associated risk to earnings, capital or liquidity arising from any association, action or inaction which could be perceived by stakeholders to be inappropriate, unethical or inconsistent with Instinet's values and corporate philosophy.

Instinet requires all personnel to consider the impact of their actions or inactions on Instinet's reputation and apply high standards to their behaviour as set out in the Group Code of Conduct and Instinet's Conduct Risk Policy Standard. All personnel must escalate matters that could result in material reputational risk to senior management and to appropriate Board or executive committees as required.

3.7.3 Other Risks

ESG: Environmental, Social and Governance

ESG is a collective term for Environmental (E), Social (S) and Governance (G) factors. "Environmental" includes issues related to impacts on the natural environment, including climate change. "Social" includes interactions with stakeholders and communities, for example the approach to human rights, workplace related issues and engagement on social issues. Governance includes issues related to corporate governance, corporate behaviour and the approach to transparent reporting.

Instinet recognises that various material issues relating to ESG (Environmental, Social, Governance) are key risk factors for the wider Group's strategy. Whilst Instinet's business model does not materially expose it to ESG risk, as part of the wider Group, where appropriate we implement tools and controls to identify and manage these risks within existing risk types.

Strategic Risk

Strategic Risk is defined as the risk to current or anticipated earning, capital, liquidity, enterprise value, or the Instinet's reputation arising from adverse business decisions, poor implementation of business decisions, or lack of responsiveness to change in the industry or external environment.

Strategic Risk for Instinet is managed by the CEO, supported by the Senior Management team, who is responsible for recommending strategy to the Board and providing oversight of business activities and the execution against that strategy.

3.8 Changes to Prudential Regulation

The UK Investment Firms Prudential Regime (IFPR) came into force on 1 January 2022. Its aim is 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 that the entity poses to clients and markets.

The Group has undertaken the implementation of IFPR based on the 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 2022 are summarised in table 4.1.1 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;

Table 4.1.1 Own Funds

Own funds	31 March 2022 £m	31 March 2021 £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	84.6	74.6
Other reserves	(3.6)	1.3
CET1 capital before regulatory adjustments	**193.1**	**188.0**
CET 1 capital regulatory adjustments		
Intangible assets	0.0	0.0
CET1 capital	**193.1**	**188.0**
Total own funds	**193.1**	**188.0**

The increase in own funds reflects the inclusion of audited profits for the period ended 31 March 2022.

Table 4.1.2 Reconciliation of total own funds to shareholders' equity

Category	31 March 2022 £'m	31 March 2021 £'m
Shareholders' equity per financial statements		
Called up share capital	112.1	112.1
Share premium	0.0	0
Retained earnings	84.6	74.6
Other reserves	(3.6)	1.3
Less regulatory adjustments for own funds	0.0	0.0
Total own funds	**193.1**	**188.0**

4.2. Own Funds Requirements

Article 11 of the IFR stipulates that investment firms shall at all times have minimum own funds equivalent to the higher of.

- Permanent Minimum Requirement (PMR) – a flat minimum requirement of €750k;

- Fixed Overheads Requirement (FOR) – one-quarter of the fixed overhead costs of the previous year. This is an amount used as a proxy for sufficient funds to begin wind-down in an orderly way;
- K-Factor Requirement (KFR) – the amount of own funds sufficient to cover the risk of harm from the ongoing operation of the Firm's business.

The k-factors are attributed to three risk categories:

- RtC: risk to client;
- RtM: risk to market;
- RtF: risk to firm;

The capital requirement from the K-factor formula is the sum of RtC, RtM & RtF. To capture each of these three components, firms are required to use their own metrics (below) multiplied by prescribed K-factors.

Risk type	K-factor	Co-efficient	Summary
Risk-to-Customers (RtC): quantification of the potential harm the firm may pose to its customers	K-AUM (assets under management)	0.02%	Value of assets that a firm manages for its customers. N/A
	K-CMH (client money held)	0.4% (on segregated accounts) 0.5% (on non-segregated accounts)	Amount of client money that a firm holds, taking into account the legal arrangements in relation to asset segregation and irrespective of the national accounting regime applicable to client money.
	K-ASA (safeguarded assets)	*0.04%*	Value of assets that a firm safeguard and administers for clients, irrespective of whether assets appear on the firm`s own balance sheet or third-party accounts.
	K-COH (client orders handled)	0.1% (cash trades) 0.01% (derivatives)	Value of orders that an investment firm handles for clients, through the reception and transmission of client orders and through the execution of orders on behalf of clients.
Risk-to-Market (RtM): K-factor requirement for trading book positions but this includes other positions where these give rise to FX risk	K-NPR (net position risk)	Standardised approach (set out in chapters 2,3 and 4 of Title IV of Part Three of Regulation (EU) No 575/2013)	Position risk charge calculated using standardised approach Intercompany positions are eliminated on consolidation. Positions may only be aggregated across Group companies with permission (i.e. NPR positions are additive)

	K-CMG (clearing member guarantee)	N/A	This is the amount of the total margin required by a clearing member or qualifying central counterparty. Requires permission from the FCA: MIFIDPRU 4 Annex 7
Risk-to-Firm (RtF): quantification of a firm's exposure to the default of its trading partners	K-TCD (trading counter-party default)	α * (exposure value-collateral) * CVA α = 1.2 Exposure value = Max(0,(RC+PFCE-C))	Exposure in the trading book of a firm in instruments and transactions giving rise to risk of trading counterparty default.
	K-DTF (daily trading flow)	0.1% (cash trades) 0.01% (derivatives)	Daily value of transactions that a firm enters through dealing on own account or the execution of orders on behalf of clients in its own name, excluding the value of orders that a firm handles for clients through the reception and transmission of client orders and through the execution of orders on behalf of clients which are already taken into account in the scope of K-COH.
	K-CON	N/A	Exposure in the trading book of a firm to a client or group of connected clients which exceeds the limits in the IFR.

The following Risk Types and K-Factors are not applicable to the Firm's business model:

- K-AUM; The Firm manages no assets;
- K-COH: Client orders are calculated under the K-DTF factor;
- K-CMG: No application made to FCA as, exposure to CCP default funds aside, the Group is not exposed to bi-lateral risk on the products it trades;
- K-CON: The Group has no trading book positions.

The Group determines its minimum own funds requirements on a daily basis in accordance with the requirements set out in Parts Three and Four of the IFR [Investment Firms Regulation (EU) 2019/2033]. A summary report, which includes variance analysis and points of note, is distributed widely to key management.

As at 31 March 2022, the Group's risk exposures were as follows:

Table 4.2.1 Own funds capital requirements

	31 March 2022 Capital requirement £'000	31 March 2021 Capital requirement £'m
Permanent minimum requirement (PMR)	**0.8**	**0.8**
Total K-factor requirement (KFR)	**5.9**	**4.9**
Risk-to-Client (RtC)	*0.03*	*0.05*
Risk-to-Market (RtM)	*0.76*	*1.30*
Risk-to Firm (RtF)	*5.08*	*3.54*
Fixed overheads requirement (FOR)	**13.6**	**12.9**
Own funds requirement	**13.6**	**12.9**

The Group is required, at all times, to satisfy the following minimum own funds requirements:

- Common Equity Tier 1 capital ratio ≥ 56%;
- Tier 1 capital ratio ≥ 75%; and
- Total capital ratio ≥ 100%.

The Firm's capital ratios as at 31 March 2022 and 31 March 2021 are summarised below:

	31 March 2022 %	31 March 2021 %
Risk-based capital ratios as a percentage of risk-weighted assets		
Common equity tier 1 capital ratio	1419.9%	1457.7%
Tier 1 capital ratio	1419.9%	1457.7%
Total capital ratio	1419.9%	1457.7%

Additionally, the Firm undertakes an assessment of the financial impact of any harm that is not covered by its PMR, FOR or KFR in determining its Total Own Funds Requirement in its annual Internal Capital and Risk Assessment Process.

5.0. THE INTERNAL CAPITAL ADEQUACY AND RISK ASSESSMENT PROCESS (ICARA)

The Board undertakes an annual ICARA, prepared under the requirements of the Financial Conduct Authority (FCA) and the Investment Firm's Prudential Regime (IFPR), which describes the risk processes and controls in place to assess the risk exposures on an on-going basis.

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

Additional own funds requirements are outside of the scope of the disclosures considered herein.

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

6.0. REMUNERATION DISCLOSURE

During the Financial Period to 31 March 2022, 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 2022, 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:
    - review and note annually the remuneration trends across the company; and
    - 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 2022, the aggregate total compensation paid to Instinet Europe's 13 Code Staff was £5,855,900. This was split between fixed and variable compensation as follows: £2,874,000 (fixed) and £2,981,900 (variable).

CONTACT INFORMATION

Should you require any further information, please contact:

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London EC4R 3AB

Instinet
A Nomura Company

APPENDIX 1: OWN FUNDS DISCLOSURES

	Table 1: 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
9a	Issue price	£1.0
9b	Redemption price	N/A
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
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b	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