

# MIFIDPRU 8 Disclosures 2022

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GFI SECURITIES LIMITED



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## 1. Overview

### 1.1. Background

GFI Securities Limited, ('GFIS' or 'the Firm') is regulated by the Financial Conduct Authority ('FCA') as a FCA investment firm and is subject to the Overall Financial Adequacy Rule ("OFAR") that is set out under the Investment Firm Prudential Regime ("IFPR") and the FCA Prudential Sourcebook for MiFID Investment Firms ('MIFIDPRU').

The Firm is part of the global BGC Group, Inc group ("BGC Group"), which comprises BGC Group, Inc., and its subsidiaries.

IFPR came into force on 1st January 2022 and establishes the framework for regulatory financial resource management and includes components that require FCA investment firms to assess the adequacy of their financial resources. The Firm is a MIFIDPRU £750k Non-Small & Non-interconnected ('Non-SNI') Firm.

Under MIFIDPRU 8 (Disclosure), FCA investment firms are required to disclose specific information on the following areas:

- Risk management objectives and policies;
- Governance arrangements;
- Own funds;
- Own funds requirements;
- Remuneration policy and practices (as required under MIFIDPRU and SYSC19G); and
- Investment policy, if relevant.

### 1.2. Disclosure Policy

These disclosures have been prepared on a solo basis for GFIS, cover the financial position for the year ended 31 December 2022 and were approved by the Board. This document has been prepared following the disclosure rules set out in MIFIDPRU 8.

### 1.3. Scope of application

GFIS, as the individual MIFIDPRU Investment Firm, meets the level of application as defined in MIFIDPRU 8.1.7.

### 1.4. Nature of business

The principal activity of the Firm is as an inter-dealer broker providing integrated voice and electronic services to wholesale market participants, including the operation of an Organised Trading Facility (OTF) and Multilateral Trading Facility (MTF).

The Firm is active in many products and markets including, but not limited to, equities, fixed income, rates, foreign exchange, equity derivatives, commodities listed futures & options and offering a full range of brokerage services including price discovery, trade execution and access to electronic trading services. The Firm provides integrated voice and electronic services to wholesale market participants across the globe from its offices in the UK, Switzerland, and the Middle East.

Brokerage services are delivered either on: -

- a matched principal basis, whereby the Firm will transact between the client and the counterparty, then will settle the transactions on its own account; or
- a name give-up basis, whereby the Firm will arrange the transaction between the client and the counterparty and then provide the details to those parties, who will settle the transaction between themselves.

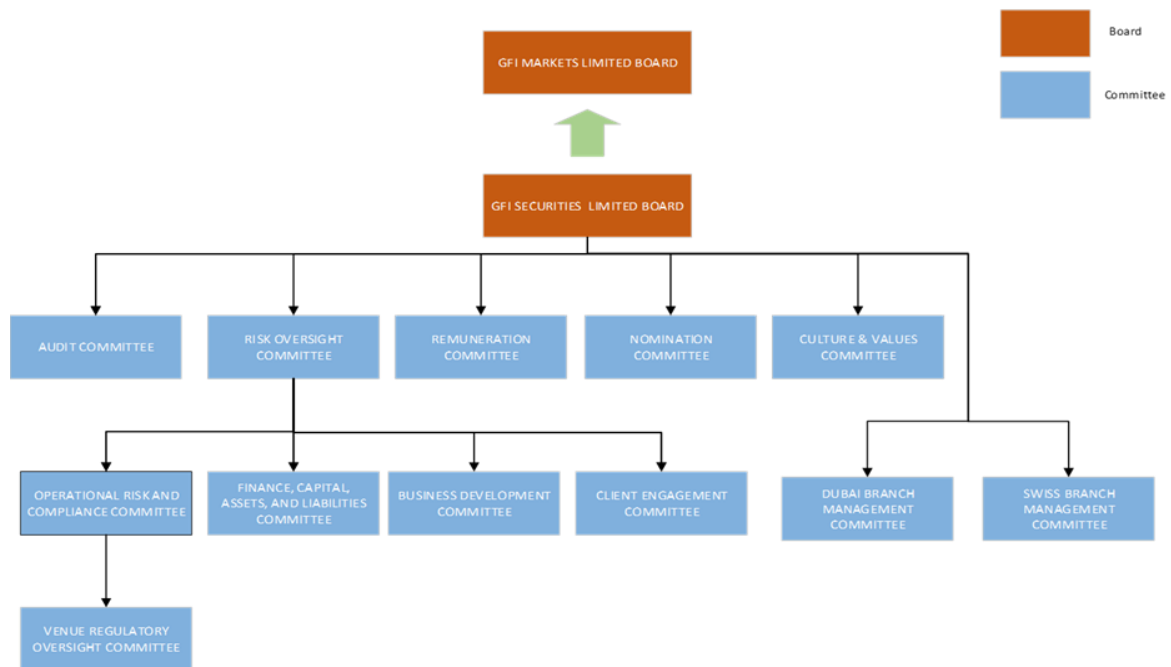
## 2. Risk Management

### 2.1. Governance

The Firm has developed a clear governance structure to ensure that there is transparent communication from top to bottom (and bottom to top) of all key business-related issues (i.e. economic, political, administrative, etc.). Governance of the Firm comprises of the board, board committees and management committees, which operate via systems and processes through which the Firm’s departments and staff articulate their findings, exercise their opinions, meet their obligations and mediate their differences. This ensures that three key objectives are delivered:

1. Authority,
2. Decision making; and
3. Accountability.

Within the Firm’s governance structure, there are clearly defined roles and responsibilities. A summary has been provided below:



### 2.2. Roles and Responsibilities

#### 2.2.1. The Board

Overall responsibility for risk management lies with the Board of GFI Securities Limited (“the Board”). The Board sets the “tone from the top”. The Board establishes the risk appetite for each risk category. The Board approves the risk management framework and oversees the application of methodologies, risk policies, roles and responsibilities. This is in line with the Firm’s strategic and operational goals of establishing a system of financial, operational and compliance controls and monitoring through risk management systems. The Board is also responsible for approving the business strategy, the business plan and the internal capital adequacy and risk assessment (“ICARA”), which sets out the framework by which by the Firm manages its regulatory capital and liquidity.

## ***2.2.2. Risk Oversight Committee and Audit Committee***

The Board relies on the Risk Oversight Committee (“ROC”) and Audit Committee (“AC”) to provide recommendations on risk appetite, tolerance and strategy. In recommending the risk appetite, the ROC is responsible for reviewing and challenging the risk framework including the methodology and model assumptions.

The ROC and AC are also responsible for ensuring the accurate and timely monitoring of capital and risk exposures and for reviewing reports on any material limit breaches and the adequacy of any proposed mitigation.

## ***2.2.3. Finance, Capital Assets & Liabilities Committee (FCALCO)***

This committee manages, oversees and/or reports on activities in relation to capital, liquidity, asset and liabilities, market risk, credit risk and to the extent applicable, conduct risk. The committee’s core responsibilities are to ensure individual business lines are aligned with the Firm’s overall objectives and are proactively controlled, as regards to prudential risk. The committee has responsibility for managing financial risk strategy whilst ensuring that it adheres to the risk appetite set by the Board. The committee, in conjunction with the ORCC, is responsible for approving/recommending the ICARA to the Board.

## ***2.2.4. Operational Risk and Compliance Committee (ORCC)***

The ORCC’s responsibilities include but are not limited to:

- Monitor and challenge operational risks within the Firm and ensure that its internal controls and the risk management framework are properly established according to guidelines;
- Review and manage operating issues which arise in the ordinary course of business;
- Promote a culture designed to mitigate operational risks;
- Ensure that Senior Management have the appropriate understanding, skill, and authority to manage operational risk; and
- Review, challenge and recommend the ICARA for approval at the Board.

## ***2.2.5. Business Development Committee (BDC)***

The Business Development Committee (BDC) is responsible for ensuring that any business developments have been assessed in respect of any new risks, their impact on both capital and liquidity, and their impact on other risks.

## ***2.2.6. Risk Management Department***

Through monitoring and reporting, the Risk Management department is responsible for ensuring that operational, credit and market risks are kept in line with risk appetite. For operational risk, this is accomplished by a range of interconnecting risk and control methodologies that are embedded throughout the Firm. As for credit and market risk, this is accomplished by establishing consistent standards, applying those standards in the assessment of counterparties and positions, adhering to delegated authority limits, and monitoring current and potential exposures after the execution of transactions.

A Risk Appetite Statement is prepared by the Risk Management Department and articulates the Board’s view on the amount of operational, credit and market risk that the Firm is prepared to accept, tolerate or be exposed to at any point in time. This cascades through the Firm and is used as a basis for decision-making.

The Risk Management department has an independent reporting line from the other business functions, and The Chief Risk Officer chairs the ORCC and is a member of:

- FCALCO;
- BDC; and
- ROC.

## 2.2.7. Internal Audit Department

The effectiveness of the internal control system is reviewed regularly by the independent internal audit function, reporting to the Audit Committee of the Board. Internal Audit establishes an annual audit plan based on discussions with management and the assessment assurance of risks inherent in the Firm's activities. Based on the results from these audits it provides assurance to Senior Management and the Board that the system of internal control achieves its objectives and highlights gaps and areas for improvement.

## 2.2.8. Directorships

Name	Role at GFIS	Number of UK External Directorships*
John Skitt	Head of Human Resources	0
James Martin	Chief Executive Officer	0
Darryl Denyssen	Chief Financial Officer	0
Nicholas Stewart	Chief Information Officer	0
John Kersse	Head of Operations	0
Eric Dale	Non-executive Director	0
Bhagwant Singh	Non-executive Director	4

\*Excluding those within the BGC Group or in organisations not pursuing commercial objectives

## 2.2.9. Diversity

The Board firmly believes in the benefits of greater diversity in senior leadership. The Firm has signed up to HM Treasury's Women in Finance Charter, which commits signatory firms to set percentage targets to increase the proportion of women in senior management roles and publicly report on their progress in seeking to meet these targets. In this regard, we have publicly committed to women making up 25% of our senior management roles by 2027. The strategy in seeking to achieve such diversity includes developing links with agency and search firms which focus on female hiring, our ongoing Women's Leadership Programme and spin-off Front Office Women's Leadership Programme and supporting Professional Qualifications.

A number of further initiatives are in place to foster greater diversity and inclusion and promote our organisational Core Values (Integrity, Commitment and Opportunity), including an extensive programme of Early Careers, Work Experience and Internship initiatives focusing on diverse talent (including the 10,000 Black Interns and School Leaver Programmes), our Mentorship Programme, firmwide Culture Champions and Network of Women affinity group. The Firm also delivers a wide range of classroom-based talent offerings including mandatory Best of Behaviours in-person training, which interactively explores inclusive behaviours and challenges bias mindsets, as well as mandatory online diversity and inclusion training for all new joiners.

The Firm is committed to equal opportunity, diversity, inclusion and other policies and practices that seek to further our development of a diverse and inclusive workplace. We consider all qualified applicants for job openings and promotions without regard to any characteristic that has no bearing on the ability of staff to do their jobs well. Our recruitment, promotion and compensation processes are designed to enable us to treat staff fairly and our compensation decisions are differentiated based on performance. We continue to develop initiatives to support this ethos, with our organisational Core Values underpinning all our activities.

Talent remains at the core of who we are as a Firm and we remain committed to having a culture built around inclusion and developing a diverse workforce. We continue to work to enhance our ability to attract, develop and retain top talent with an emphasis on increasing representation of traditionally underrepresented groups at all levels of the organisation, encompassing early careers to experienced hiring, retention and development initiatives. Our goal is to build an even more successful organisation that more closely reflects the broader population.

## 2.3. Risk identification

Early and comprehensive identification of risk is an essential element of the Firms' Enterprise Risk Management ("ERM") and effective management of the Firm. The Risk Management Department's framework provides management with the tools to assist in the identification of potential risks or risk concentrations as early as possible and sets out reasonable and appropriate measures to be taken to manage these risks.

There are additional risks with regards to new products being developed and brought onto the market. Before commencing business with new products, types of business and/or new markets, the risks inherent in them and the resultant effects must be identified. It is the responsibility of the first line of defence (i.e., the business) to identify the most material risks faced by the Firm. The methods to identify risks can vary across business units and functions, but typically they would include:

- **Risks that have occurred externally** – Areas where there have been documented risk events in similar organisations;
- **Previous Assessments** – Consideration of risks identified in previous iterations;
- **Previous Operational Risk Events**– Areas where there have been previous internal incidents in the Firm or where analysis of external loss data has identified risk that could occur in the Firm;
- **New business and acquisitions** – Review of assessments and due diligence with regards to new business products and business acquisitions; and
- **Internal and External Audit** – Consideration of risks that stem from internal and external audit findings.

Top-down review of risks that have been identified are documented in the Overarching Risk Policy. This policy sets the basis for the risk framework for the Firm.

The business is responsible for the identification and day-to-day management of risks. Senior Management, with the responsibility for overseeing the Front and Back Office functions, are responsible for all control related business issues and management of the issues in their business function, within the limits and control environment established by the Board.

The Risk Management department reviews the risks identified and provides a challenge as to additional risks that should be considered.

All identified risks are mapped to the Firm's risk categorisation model to ensure that all risks to which the Firm is exposed are categorised and reported in a consistent manner.

The Firm's strategy, risks and capital structure are reviewed and challenged by the Board of GFIS on a regular basis as part of the Firm's governance process, or whenever there is a material change to the Firm's business or operating model. The Board ensures that the Firm holds sufficient own funds and liquid assets to meet the risk of harm to clients, the market and itself.

## 3. Own Funds

### 3.1. Composition of Regulatory Own Funds and Reconciliation to Balance Sheet in the Audited Financial Statements

The Firm only holds Common Equity Tier 1 Capital ("CET1"), which consist of ordinary share capital, revaluation reserves, foreign exchange reserves and retained earnings. The Firm does not have any Additional Tier 1 or Tier 2 Capital.

Deductions that are made from CET1 are in respect of prudential valuation, deferred tax assets and the investment it holds in BGC France Holdings SAS and a South African subsidiary GFI Securities SA (Proprietary) Limited.

The below table (OF1) shows the composition of the Firms' regulatory Own Funds

Table OF1

Composition of Regulatory Own Funds			
	Item	Amount (USD thousands)	Source based on reference numbers/letters of the balance sheet in the audited financial statements for the year ended 31 December 2022
1	OWN FUNDS	147,404	
2	TIER 1 CAPITAL	147,404	
3	COMMON EQUITY TIER 1 CAPITAL	147,404	
4	Fully paid-up capital instruments	62,548	Note 18
5	Share premium	N/A	
6	Retained earnings	85,159	Statement of changes in Equity
7	Accumulated other comprehensive income	-	
8	Other reserves	5,045	Statement of changes in Equity
9	Adjustments to CET1 due to prudential filters	(1)	
10	Other funds	-	
11	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(5,347)	Note 11 and Note 17



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Table OF2 below shows a reconciliation of GFIS's regulatory Own Funds with its balance sheet from the 2022 audited financial statements:

**Table OF2**

Own funds: reconciliation of regulatory own funds to balance sheet in the 2022 audited financial statements			
		a	c
		Balance sheet as in published/audited financial statements	Cross-reference to table OF1
		As at 31 December 2022 (USD 000's)	
<b>Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements</b>			
1	Tangible assets	-	
2	Fixed asset investments	4,854	Item 11
3	Debtors	131,082	
4	Cash at bank and in hand	38,819	
	<b>Total Assets</b>	<b>174,755</b>	
<b>Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements</b>			
1	Creditors: amounts falling due within one year	(20,307)	
2	Provisions for liabilities	(1,696)	
	<b>Total Liabilities</b>	<b>(22,003)</b>	
<b>Capital and Reserves</b>			
1	Called-up share capital	62,548	Item 4
2	Retained earnings	85,159	Item 6
3	Revaluation reserve	4,633	Item 8
4	Foreign exchange reserve	412	Item 8
	<b>Total Capital and Reserves</b>	<b>152,752</b>	

Main Features of Own Instruments issued by the Firm	
Public or private placement	Private placement
Instrument type	Ordinary shares
Amount recognised in regulatory capital (USD) (\$000s)	62,548
Nominal amount of instrument	Ordinary shares of £1 each
Total allotted, called up and fully paid	39,369,462
Accounting classification	Called up share capital
First date of issuance	14/07/1997
Perpetual or dated	Perpetual
Dividends	Fully discretionary floating dividend

## 4. Capital Adequacy

### 4.1. Approach to assessing capital adequacy

The main object of the IFPR is to establish the OFAR, in accordance with MIFIDPRU 7.4.7R, which sets out that:

A firm must, at all times, hold own funds and liquid assets which are adequate, both as to their amount and their quality, to ensure that:

- (a) that firm is able to remain financially viable throughout the economic cycle under stress, with the ability to address any material potential harm that may result from its ongoing activities; and
- (b) that firm's business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

The MIFIDPRU handbook introduces thresholds on Capital (Own Funds threshold requirement "OFTR") and Liquidity (Liquid assets threshold requirement "LATR") that the Firm must assess. The components of these include Permanent Minimum Capital (PMC), K-Factor Requirement (KFR), Fixed Overhead Requirement (FOR) and any additional own funds or liquidity that is required.

GFIS performs an Internal Capital and Risk Assessment (ICARA), as a collective term, which is used to describe the systems, controls & procedures that the Firm deploys, to ensure compliance with the OFAR.

The ICARA process is undertaken at least annually or when a material change to the business takes place. It combines the ICARA and the Recovery & Wind-down Plan (WDP)<sup>1</sup> into a single document, whereas previously these were prepared as separate documents as required by the pre-2022 regulatory regime.

The Firm uses the ICARA process to determine its Threshold Requirements (OFTR & LATR) and the trigger points for its Recovery Actions and its Orderly Wind-Down.

The ICARA not only assesses the internal risks of harms faced by the Firm, but also assesses the risk of harms posed by the Firm, to both its clients and the markets, as both a going concern and in a wind-down scenario.

### 4.2. Own Funds Requirements (MIFIDPRU 8.5)

Under IFPR, a firm must calculate its Own Funds Requirement in accordance with MIFIDPRU 4.3. The Firm is required to hold own funds in excess of the higher of the following:

- the Firm's Permanent Minimum Capital Requirement (PMC);
- its Fixed Overheads Requirement (FOR) under MIFIDPRU 4.5; or
- its Sum of K-factor Requirements under MIFIDPRU 4.6 (KFR)

The Permanent Minimum Requirement for the Firm is £750,000 and does not scale with harm.

In accordance with MIFIDPRU 8.5.1, the table below shows the KFR for the Firm broken down into three groupings - Risk to Clients, Risk to Firm and Risk to Market respectively as calculated on 31 December 2022. The FOR is based on the audited financial statements for the year ended 31 December 2021.

<sup>1</sup> Whilst Key figures and summaries from the WDP have been incorporated in this document, detailed wind-down plans are maintained as a separate document. However, the WDP forms part of this ICARA document.

## K-Factor Requirement and Fixed Overheads Requirement

		USD'000
KFR	$\Sigma$ K-AUM, K-CMH & K-ASA	9
	$\Sigma$ K-DTF & K-COH	11,965
	$\Sigma$ K-NPR, K-CMG, K-TCD & K-CON	763
Fixed Overhead Requirement		38,608

The Firm is currently only subject to the following K-Factor requirements:

- Client Money Held ('K-CMH')
- Daily Trading Flow ('K-DTF')
- Client Orders Handled ('K-COH')
- Net Position Risk ('K-NPR')
- Trading Counterparty Default ('K-TCD')

## 5. Concentration Risk

The Firm accepts that its matched principal business can result in credit risk concentrated in the financial sector, which could arise because of pre-settlement risk from potential market volatility combined with a counterparty default within the pre-settlement window. This risk could result in harm to the Firm, but it is not expected to result in harm to markets or clients once current controls in place have been considered.

The credit and concentration risk which could arise from the Firm's exposure to high quality counterparties on its cash deposits is regarded as non-trading activity and as such is not captured through the K-factor calculations. Whilst controls are in place in respect of the review of the credit worthiness of cash counterparties and regular monitoring by the Treasury function of these counterparties, this risk is assessed as part of the ICARA process and is included in the additional own funds' requirement.

## 6. Liquidity Risk

The Firm defines liquidity risk as the risk to the Firm arising from its inability to meet its funding and payment obligations as and when they fall due in both normal and stressed conditions.

The Firm recognises that to conduct its current business, it must take liquidity risk. The Firm's approach to managing and mitigating its liquidity risk is included as part of the ICARA process under the Liquidity Risk Assessment.

The Liquidity Risk Assessment process quantifies the value and time horizon of the risk and the governance process ensures that the risk is accepted and the necessary financial resources of both size and quality required are committed.

The overall objective of the Firm's Liquidity Risk Management strategy is to ensure that it always maintains adequate liquid resources, both in amount and quality. These liquid resources ensure that there is no significant risk, within its liquidity risk appetite, that cannot be met.

To achieve this, the Firm prepares forecasts of its liquidity needs in both normal conditions and those under stressed conditions to establish the basis for assessing the Firm's appetite and tolerance. The Firm has then sought to ensure that it has sufficient assets, which are highly liquid or otherwise realisable, to generate funds in a timely manner and for the appropriate time horizon to meet its liabilities.

The Firm's Liquidity Risk Appetite can be defined as the total sum of resources committed in a period of normal conditions, being the sum of already committed resources for Collateral, Minimum Balances and Default Funds held with Clearing and Settlement Agents, and additional liquidity approved for use by the business.

A daily GFIS liquidity metrics report is produced and sent to Senior Managers and other key stakeholders detailing the Firm's liquidity position versus the Firm's Basic liquidity asset requirement ("BLAR") and LATR.

The Firm has established processes and controls for day-to-day liquidity and cash flow management, which are proportionate to the nature of the Firm's activity. The Firm monitors its liquidity risk daily producing various reports, including the Liquidity Metrics report, which analyse daily movements, the Firm's overall liquidity position, the individual use of its limits and a Recovery Risk Dashboard.

The Recovery Risk Dashboard is a series of recovery risk indicators (RRI) that are a combination of market wide and idiosyncratic measures that show whether the potential for liquidity risk is increasing; as well showing actual risks developing using a Red, Amber, and Green, RAG methodology. These are split into three categories of severity: -

- Low - Management Information Indicators – typically showing broader risks to the market or the Firm through volatility or one-off events.
- Medium – Early Warning Indicators - potential risks across the Firm's peer Group, through regulatory change or the beginning of idiosyncratic risk the Firm should be mindful of.
- High – Recovery Risk Indicators – these are risks that have or are close to creating risk that will require management action. A Red status would stimulate a response from the relevant Committees/Board and would be notifiable to the FCA. This may give cause to implement the Recovery or Wind-Down Plan.

## 7. Remuneration

### 7.1. Purpose of Remuneration Policy

The purpose of this Policy and the various Firm Policies is to ensure that Firm Remuneration:

- Supports robust governance in line with the Firm's risk appetite;
- Promotes sound and effective risk management;
- Ensures the business is sustainable and that the Firm's financial resources are aligned to principles of safety and soundness; and
- Encourages responsible business conduct, fair treatment of clients as well as avoiding conflicts of interest in the relationships with clients.

This Policy defines the Group's remuneration policies, procedures and practices in accordance with the Financial Conduct Authority's ("FCA's") Remuneration Code and MiFID II remuneration requirements.

Through effective remuneration governance and risk management the Firm will:

- Attract, develop and retain high-performing candidates and staff drawn from as diverse talent pool as possible to deliver its business strategy;
- Encourage appropriate conduct and behaviours from staff;
- Ensure that compensation arrangements are equitable and neutral in design and application and do not favour or discriminate, directly or indirectly, on the basis of any protected characteristic of an individual in accordance with the Equality Act 2010.

- Ensure that compensation arrangements are designed to appropriately balance risk and financial results in a manner that does not encourage staff to expose the Firm to excessive or imprudent risk;
- Avoid remuneration practices which could provide inappropriate incentives to staff or otherwise have the potential to damage the Firm's business, reputation, its relationship with customers or regulators;
- Avoid remuneration practices that conflict with our duty to act in the best interests of our clients, including the manner in which we assess the performance of all relevant persons within the firm; and
- Avoid remuneration practices that could provide an incentive to recommend a particular financial instrument to a client when a different financial instrument would better meet that client's needs.

The Board approves and adopts the Policy at the recommendation of the Remuneration Committee. The Policy is subject to at least one annual review by the Remuneration Committee and approval by the Board.

## 7.2. Key Remuneration Principles

The Firm is committed to ensuring it attracts the best talent regardless of gender, race, or sexuality and to ensure that talent flourishes within the organisation and is rewarded accordingly.

The Firm is also committed to promoting a culture of high performance and ethical standards, where talented staff can achieve excellent business results, develop their careers and be appropriately rewarded.

The approach to remuneration is to ensure that staff are compensated appropriately for their skills, experience and the sustainable value they bring to the business.

The Firm's approach to remunerating its staff is designed to achieve the following:

- Attract, recognise, develop and retain key talent;
- Provide a total reward package that is competitive and attractive within the market place;
- Motivate and reward people who demonstrate behaviours in line with the Firm's core values that are being adopted namely:
  - Integrity
  - Commitment
  - Opportunity
- Ensure remuneration practices are designed to embed effective risk disciplines and to be fully compliant with all appropriate governance; and
- Comply with relevant regulatory and legal requirements.

## 7.3. Remuneration

The Firm operates a total compensation philosophy whereby the level of overall compensation awarded to a staff member is assessed considering the combined value of fixed and variable remuneration. Remuneration consists broadly of fixed remuneration (i.e. base salary) and variable remuneration in the form of a performance-related bonus, a portion of which will be deferred in the form of equity with contingent vesting.

## **7.3.1. Base Salary (fixed remuneration)**

Salaries (fixed remuneration) are intended to compensate staff for their skills and experience taking into account local market practice.

## **7.3.2. Performance-based Remuneration (variable remuneration)**

### **7.3.2.1. Front Office bonus arrangements**

Any bonus or commission or advance on profit allocation payable to the Firm's brokers is generally based on six monthly periods, paid three months in arrears and subject to the approval of the CEO of the Firm. Payment in arrears ensures that any irregularities in a transaction on which bonus/commission/advance on profit allocation is payable will be detected before the payment is due.

The Firm retains an overriding discretion over whether and how much to pay by way of bonus or commission or profit allocation, notwithstanding that a high-level numeric formula also commonly applies to determine the desk pools from which bonuses are paid.

Compliance with applicable regulations, the fair treatment of clients and the quality of services provided to clients is expressly relevant to the exercise of that discretion as provided for in the Firm employment contracts or deeds of adherence. Additionally, consideration is given by the relevant manager of the individual's overall conduct, over a multi-year period and both financial/market conduct as mentioned above and non-financial behavioural conduct in line the Firm's Core Values as well as the bonus impact guidelines referred to below in cases of misconduct.

A proportion of brokers' remuneration may consist of cash and/or a non-cash grant of units in BGC Group Inc, subject to the terms of the grant documents under which such non-cash compensation is awarded, including any vesting and cancellation provisions and restrictive covenants.

### **7.3.2.2. Corporate and Shared Services bonus arrangements**

The Firm has always placed emphasis on its people receiving non-cash compensation (i.e., partnership units or Restricted Stock Units (RSUs)) as a substantial part of their variable compensation. In recent years, stock and other equity option/ownership programmes have been rolled out to the wider workforce at most levels of seniority. The compensation arrangements of Higher Earners are designed to integrate compensation with achieving short term and long-term business objectives and to assist with attracting, motivating, retaining high quality people and rewarding them for superior performance by making them stakeholders in the business.

All Shared Services staff earning over £100,000 in total compensation receive a proportion of their compensation in RSUs.

The variable component of the compensation arrangements is discretionary and subject to various criteria including the financial performance of the regulated entities as well as the individual's overall conduct over a multi-year period in line with bonus impact guidelines referred to below.

In determining whether there should be an overall percentage increase or decrease in total annual compensation (and more specifically, the discretionary variable component), consideration is given to the overall performance and net profit of all of the regulated entities in the relevant performance period and wider and future economic conditions.

- For all staff fixed compensation is considered sufficiently high to allow full flexibility with regard to the discretionary variable component, including the possibility of paying no such component at all.

### **7.3.2.3. Non-Executive Directors ("NEDs")**

NEDs are remunerated based on an annual fixed fee as well as additional fees reflecting the number of board and other committee meetings they attend on an annual basis. They are not eligible for any bonus.

## **7.3.2.4. Guaranteed Bonus Payments**

Guaranteed variable remuneration is only paid on an exceptional basis and the focus of such payments is for new hires' sign-on bonuses, usually as a mitigant for bonus they have foregone from their previous employer. Any proposal to pay a guaranteed bonus to any Front Office/Shared Services employee is reviewed for Remuneration Code compliance by the HR and the Legal department before being agreed with candidates and before being paid.

The number and nature of guaranteed bonuses are monitored monthly by HR.

All reasonable steps are taken to ensure that any sign-on bonus is proportionate to the new hire's previous remuneration terms (e.g., deferral and/or retention periods). The new hire may be required to provide written confirmation that any guarantee offered is not more generous than their previous remuneration package. A provision to this effect is included in the employment contract and provides for (i) specific consent to allow the relevant trading entity to contact a previous employer for verification, and (ii) a requirement to repay and/or voiding provision if such representation is subsequently found to be incorrect or untrue.

Guaranteed bonuses may only be offered in exceptional circumstances as a one-year guarantee to a new hire in the first year of joining.

## **7.3.2.5. Bonus Eligibility – Support staff**

All support staff, including those on probation, are eligible to participate in the bonus programme for the prior performance year. Staff who have given or received notice of termination before the bonus payment date are not eligible for a bonus. Eligibility may also be affected by disciplinary proceedings whether ongoing or concluded.

- *New Hires and Staff on Probation:* Provided a new hire joins prior to 1 October they may be eligible to be considered for a discretionary bonus. Any bonus award may be pro-rated for the period during which the new hire has been employed during the performance period.
- *Transfers between Business Units:* If a staff member transfers internally or is a shared resource across two or more businesses, the individual's bonus will be determined by reference to proportionate input from the respective business units.
- *Leavers:* Staff are not eligible to receive any bonus if they have given or received notice of termination before the payment date.
- *Absence:* Staff who are absent for a significant period throughout the year may have any bonus award pro-rated or based on the extent of contribution made during the year.

## **7.3.3. Malus and clawback - misconduct and bonus adjustments**

All financial and non-financial misconduct that results in disciplinary action will be recorded on the Firm's Conduct Register (the "Conduct Register") and an assessment undertaken by the relevant manager as to whether there should be an impact upon bonus. This assessment is undertaken with HR support and with reference to the additional guidance, which is approved by the RemCo and may be updated from time to time.

In addition to a process for adjusting bonuses to be paid, the non-cash unit component of remuneration allows the Firm the ability to clawback parts of variable remuneration already awarded. These partnership units only monetise in the future into saleable stock at the discretion of the Firm. Therefore, if misconduct is discovered, as well as the ability to adjust future bonuses paid as described above, the Firm has the ability to cancel units already granted as part of previous bonus cycles. Restricted stock units are a feature of remuneration for most Front Office members and staff.

## 7.3.4. Termination Payments

There is no common practice of making termination payments other than those required by law (for example statutory redundancy payments). No termination payments are made to reward failure.

## 7.3.5. Remuneration and Capital

Variable remuneration will only be paid provided there is sufficient capital. Front Office variable remuneration (commission or bonus or profit allocation) is only payable where revenue exceeds costs. For Corporate and Shared Services staff, the senior management of the relevant employing entity approve variable remuneration with regard to the financial performance of the Firm over the performance period. While those staff are entitled to be considered for a discretionary bonus or profit allocation, the use of such discretion could result in zero awards being made.

The Firm is committed to maintaining a sufficient surplus of regulatory capital and in the event that the Firm needed to regain capital to strengthen its capital base (against requirements) its board has the discretion to, and would, reduce the overall amount of any variable remuneration to be paid to Corporate and Shared Services staff.

## 7.3.6. Material risk takers aggregate remuneration information

Material risk takers ("MRT") are defined as staff whose professional activities have a material impact on the firm's risk profile. The table below provides aggregate quantitative information on MRT remuneration.

MATERIAL RISK TAKERS REMUNERATION FOR 2022		
	Senior management <sup>(1)</sup>	
	No. of recipients	\$'000
Fixed remuneration during 2022	14	3,470
Variable remuneration awarded for 2022 performance:		
Cash	6	412
Equity	12	10,603
Total		11,015
Outstanding deferred remuneration change during the year:		
Awarded	12	10,603
Lapsed due to performance outcomes or adjustments	-	-
Lapsed due to leaving service	-	-
Paid Out (Vested) *	12	3,666
Outstanding unvested as at 31 December 2022*	12	13,689
Sign-on payments or awards	-	-
Severance payments	-	-
Highest individual severance payment	-	-

\*For purposes of this chart, "vesting" refers to those holdings that are in monetizable form or have been monetized. "Unvested" refers to those holdings for which there is no legal right to monetization as of the aforementioned date. (1) All senior management are Material Risk Takers (MRT)



## 7.4. Governance and Responsibilities

### 7.4.1.1. The Firm's Board of Directors

The Boards of Directors are ultimately responsible for the overall remuneration philosophy and policy for the Firm.

#### 7.4.1.1.1. The Firm's Remuneration Committee ("RemCo")

RemCo is responsible for assisting the board to exercise independent judgement in considering, agreeing and overseeing the overall remuneration philosophy and policy for the Firm. It comprises of NEDs as members, and the Heads of HR and Compliance as representatives. The RemCo's terms of reference ensures that it:

(a) Is satisfied that the Firm is compliant with the remuneration requirements of the FCA handbook, including whether the:

(i) remuneration policies are consistent with and promote sound and effective risk management, and do not encourage risk-taking that exceeds the level of tolerated risk within the Firm;

(ii) remuneration policies are in line with the Firm's business strategy, objectives, values and long-term interests of the Firm; and

(iii) remuneration policies, together with the manner in which their performance is assessed are not being structured in a manner that encourages behaviour that is detrimental to the best interests of our clients. More specifically, remuneration must aim to encourage responsible business conduct, fair treatment of clients as well as avoid conflicts of interest in the relationship with our clients.

(b) Is consulted with senior management and senior representatives of the Risk and Compliance functions regarding remuneration proposals for individuals about whom the compliance and risk functions have concerns;

(c) Considers conduct, both financial and non-financial, of staff recorded in the Conduct register, including whether their remuneration has been impacted as a result of their conduct;

(d) Exercises competent and independent judgement on the Firm's remuneration practices and the incentives created for managing risk, capital and liquidity;

(e) Reviews the Firm's remuneration policies, remuneration policy statement and makes proposals and recommendations regarding changes and enhancements;

(f) Is aware of the remuneration of the Firm's senior officers in the Risk and Compliance functions; and

(g) Is aware of the remuneration of the top earners in the Front Office and/or the reasons for significant changes to those earnings. The RemCo shall determine the scope of the Front Office information they wish to receive.

## 7.5. Control Functions

### 7.5.1. Independence of Control functions

The Firm ensures that all staff engaged in control functions are independent from the business they oversee. They are managed by a Shared services department and not by a business unit. They have appropriate authority and are remunerated:

- Adequately to attract qualified and experienced staff;
- With an appropriate ratio of fixed to variable remuneration in which the fixed element will usually be significantly higher;
- With their variable remuneration set by Shared Services senior line managers; and
- In accordance with the achievement of the objectives linked to the function, independently of the performance of the business they oversee.

All control functions and business units are required to maintain appropriate systems and controls to implement this policy effectively. These systems and controls may vary according to business requirements, but should include at a minimum:

- Appropriate resources to implement and oversee the requirements of this policy effectively;
- Adequate monitoring and oversight of controls to enable assurance as to the effective operation of the policy to be provided to the RemCo; and
- Appropriate management information to support the annual remuneration cycle. In the implementation of this policy, conflicts of interest must be avoided between the members of the control functions and the business they oversee, such that control functions' objectives are independent of the performance of the business and their personal objectives are based solely on the objectives of their own control function.

In the implementation of this policy, conflicts of interest must be avoided between the members of the control functions and the business they oversee, such that control functions' objectives are independent of the performance of the business and their personal objectives are based solely on the objectives of their own control function.

## **7.5.2. Risk Function**

The Head of Risk, supported by the Risk function, is required to:

- Attend at least one Rem Co meeting and ensure that performance-related remuneration and the Firm's Remuneration Policy remain appropriate taking account of the Firm's risk appetite;
- Maintain a comprehensive record of breaches and risk incidents (actual and near misses);
- Provide information to Rem Co on the performance of the business divisions against risk appetite in order to allow those governing bodies to take current and potential future risk fully into account in the assessment of performance for the purpose of determining bonus outcomes; and
- Review the achievement of individual and business objectives for the Risk function at year-end and feed into the bonus process.

## **7.5.3. Compliance Function**

The Head of Compliance attends the RemCo, as a representative and supported by the Compliance function, is required to:

- Report to the Remuneration Committee at year end on conduct and compliance considerations relevant to the determination of remuneration outcomes;
- Maintain a comprehensive record of compliance breaches.

## **8. Investment Policy**

In accordance with MIFIDPRU 8.7.6, a firm is only required to make disclosures regarding its investment policy in the following circumstances:

- Where its holdings relate to a company whose shares have been admitted to trading on a regulated market;
- Where the proportion of voting rights that the Firm directly or indirectly holds in that company is greater than 5% of all voting rights attached to the shares issued by the company ; and
- Only in respect of shares in that company to which voting rights are attached.

As the Firm does not have any company holdings that meet these criteria, the Firm is not required to make the disclosures required under MIFIDPRU 8.7

## **9. Conclusion**

The information contained in this disclosure is proportionate to GFIS's size, nature, and complexity of GFIS's activities in accordance with the MIFIDPRU 8 disclosure rules.