CMC Markets UK Plc

Disclosure

31 March 2023

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1. Overview

1.1 Introduction

The Disclosure document is prepared in accordance with the Financial Conduct Authority (‘FCA’) MIFIDPRU 8 standards. Public disclosure is an essential element of facilitating market discipline and encouraging the stability of financial markets by allowing market participants to assess key information on firms’ capital adequacy and risk and control processes. Quantitative disclosures are made as at 31 March 2023.

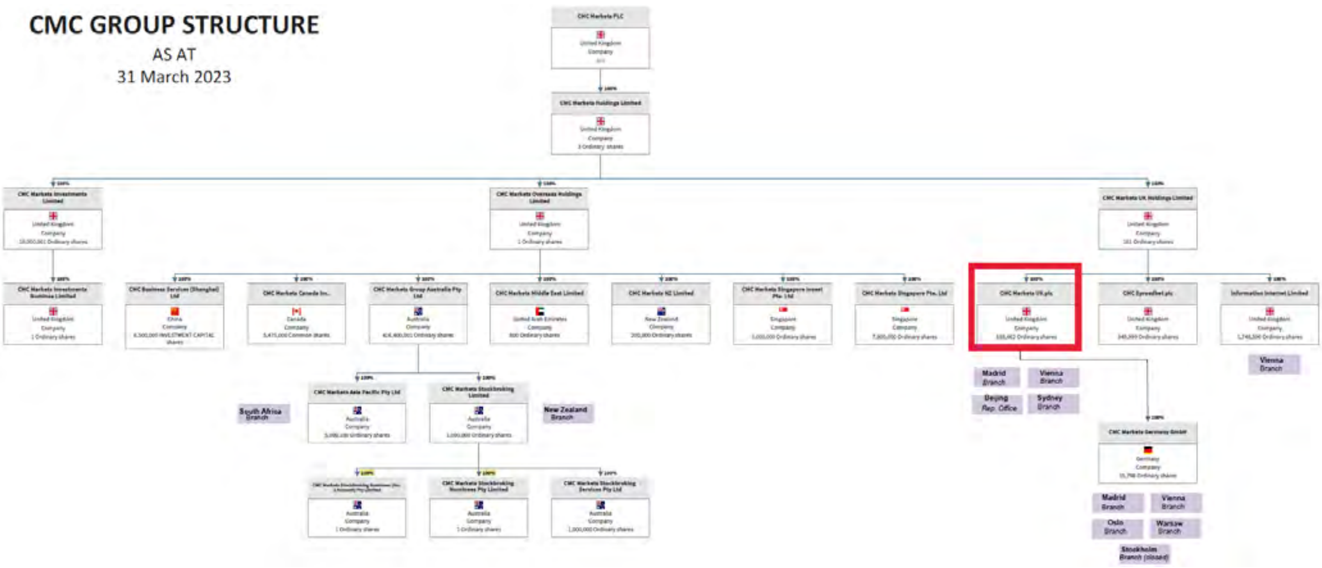
1.2 Frequency and scope of disclosures

The disclosures in this document are made in respect of CMC Markets UK Plc (‘the Firm’) which provides contract for difference (‘CFD’) trading products. The Firm is part of the CMC Markets Plc Group (‘the Group’) which can be seen in Chart 1. In accordance with MIFIDPRU 8.1.7, disclosures must be performed on an individual basis.

The disclosures will be published on at least an annual basis on the Group’s website[1] on the date that its annual solvency statement is submitted to the FCA in accordance with SUP.16.12.

CMC Markets plc became the ultimate holding company of the Group under a reorganisation in 2006. The Group is defined as an “investment firm group”[2], subject to consolidated supervision by the FCA. The Group structure is shown in Chart 1 below.

Chart 1: Group structure as at 31 March 2023



[1] https://www.cmcmarketsplc.com/investors/corporate-governance/
[2] “Investment firm group” as defined in MIFIDPRU 2.4.

2. Risk management objectives and policies

2.1 Enterprise Risk Management

To assist the Board of CMC Markets plc (the 'Group Board')in discharging its responsibilities, it has in place a Group Risk Management Framework (‘RMF’) to support identification, mitigation and management of risk exposures. This framework covers all entities within the Group as shown in the Group Structure (Chart 1).

The Board, through its Group Risk Committee, is ultimately responsible for the implementation of an appropriate risk strategy and the main areas which it encompasses are:

- Identifying, evaluating and monitoring the principal and emerging risks to which the Group is exposed;
- Implementing the risk appetite of the Board in order to achieve its strategic objectives; and
- Establishing and maintaining governance, policies, systems and controls to ensure the Group is operating within the stated risk appetite.

The Group regularly reviews the risk framework, risk capabilities and tools to maintain effective ongoing risk management to ensure it remains commensurate with current operations alongside its aspirations and diversification objectives. During the period, an external review was commissioned of the Group’s Enterprise risk Management (‘ERM’) Framework and several recommendations for improvement were made which are being taken forward by the business.

Risk management is acknowledged to be a core responsibility of all colleagues at CMC and the oversight of risk and controls management is provided by Management and Board Committees as well as the Group Risk and Compliance functions. The Group’s Risk Management Framework is designed to manage rather than eliminate risk and follows the “three lines of defence” model. Risk management and the implementation of controls is the responsibility of the business teams which constitute the first line. Oversight and guidance is provided primarily by the Group’s Risk and Compliance functions which constitute the second line, and third line independent assurance is provided by the Group’s internal audit function. This construct ensures that the Group is effectively identifying, managing and reporting its risks.

2.2 Principal Risks

The Group’s business activities naturally expose it to strategic, financial and operational risks due to the inherent nature of the business it undertakes and the financial, market and regulatory environments in which it operates. The Group recognises the importance of understanding and managing such risks and that a cap or limit cannot be placed on all of the risks to which the Group is exposed. However, effective risk management ensures that risks are managed to an acceptable level in accordance with the agreed Risk Appetite and assigned limits.

Heightened monitoring was in place during periods of market volatility and, although the Group was not materially impacted, lessons learnt were identified and will be actioned accordingly.

The Principal Risks for the Firm, aligned with the Group’s taxonomy, and the actions taken to mitigate them are shown in the table below. All risks are overseen by the Executive Risk Committee, and the Group Risk Committee, which is a sub-committee of the Group Board.

Taxonomy	Risk	Description	Key Mitigating Actions	Appetite
Business and Strategic Risk	Acquisitions and disposals risk	The risk that mergers, acquisitions, disposals or other partnership arrangements made by the Group do not achieve the stated strategic objectives or that they give rise to ongoing or previously unidentified liabilities. *Owner*: Board	Robust corporate governance and independent challenge; due diligence; post acquisition alignment	LOW
	Strategic/ business model risk	The risk of an adverse impact resulting from the Group's strategic decision making as well as failure to exploit strengths or take opportunities. It is a risk which may cause damage or loss, financial or otherwise, to the Group as a whole. *Owner*: Executive Board	Robust corporate governance and independent challenge; management against strategy, appetite and policies	LOW
	Preparedness for regulatory change	The risk that changes to the regulatory framework the Group operates in impact the Group's performance *Owner:* Chief Financial Officer	Active dialogue with Regulators, auditors and industry bodies; horizon scanning with advice and monitoring by Compliance function; responsive business model and proprietary technology	VERY LOW
	Reputational Risk	The risk of damage to the Group's brand or standing with shareholders, regulators, existing and potential clients, the industry and the public at large. *Owner*: Executive Board	Conservative approach with controlled media contact, supported by systems and controls (include brand tracking) to ensure delivery of good service to clients; effective incident management	LOW
Financial Risks	Credit and Counterparty Risk	The risk of losses arising from a counterparty failing to meet its obligations as they fall due. *Owners:* Deputy Chief Executive Officer, Chief Financial Officer	Quantitative and qualitative monitoring of the creditworthiness of counterparties; Monitoring of exposures against pre-defined limits; systemic controls that respond to exposures, including automatic stop loss; tiered margins	MEDIUM

	Insurance Risk	The risk that an insurance claim by the Group is declined (in full or in part) or there is insufficient insurance coverage. *Owner:* Chief Financial Officer	Robust procedures to set coverage requirements along with use of reputable brokers with rigorous claims management procedures	VERY LOW
	Tax and Financial Reporting Risk	The risk that financial, statutory or regulatory reports including VAT and similar taxes are submitted late, are incomplete or are inaccurate. *Owner:* Chief Financial Officer	Robust review and oversight controls operated by knowledgeable, experienced staff	LOW
	Liquidity Risk	The risk that there is insufficient available liquidity to meet the liabilities of the Group as they fall due. *Owner:* Chief Financial Officer	Board approved policy with limits and key risk indicators; liquidity forecasting and stress-testing; regular monitoring and reporting and use of liquidity buffers; committed credit facility of up to £55m and formal contingency Funding Plan in place.	VERY LOW
	Market Risk	The risk that the value of our residual portfolio will decrease due to changes in market risk factors. The three standard market risk factors are price moves, interest rates and foreign exchange rates *Owner:* Deputy Chief Executive Officer	Board approved appetite limits that monitor exposures real time; use of prime broker arrangements to hedge exposures to reduce revenue sensitivity; series of stress & scenario tests to set appropriate capital requirements	HIGH
Operational Risk	Business Change Risk	The risk that business change projects are ineffective, fail to deliver stated objectives, or result in resources being stretched to the detriment of business as-usual activities. *Owner:* Deputy Chief Executive Officer	Board & Executive led governance and oversight of business change programs; testing and post implementation support	MEDIUM
	Business Continuity & Disaster Recovery Risk	The risk that a business continuity event or system failure results in a reduced ability or inability to perform core business activities or processes *Senior Manager:* Head of IT Production	Robust Incident Management policies and processes; multiple data centers for system resilience; Periodic testing of business continuity processes and disaster recovery; remote access to facilitate recovery to home working	VERY LOW

	Financial Crime Risk	The risk that the Group is not committed to combatting financial crime and ensuring that our platform and products are not used for the purpose of money laundering, terrorism financing, anti bribery and corruption, market abuse, fraud or sanctions evasion. *Owner:* Deputy Chief Executive Officer Chief Financial Officer	Risk based systemic and process controls; surveillance systems; staff training on identification and response; oversight and monitoring	LOW
	Information & Data Security Risk	The risk of unauthorised access to or external disclosure of client or Company information, including those caused by cyber attacks. *Senior Manager:* Head of IT Production	Application of technical and procedural controls with access granted on a ‘need to know’ and ‘least privilege’ basis; regular system access reviews; dedicated information and data protection expertise within the Group	VERY LOW
	Information Technology & Infrastructure Risk	The risk of loss of technology services due to loss of data, system or data centre or failure of a third party to restore services in a timely manner *Senior Manager:* Head of IT Production and Head of IT Development	Continuous investment into increased functionality, capacity & responsiveness; constant monitoring and remediation of system performance; resilience by design along with dedicated support and infrastructure resources	VERY LOW
	Legal (Commercial/ Litigation Risk)	The risk that disputes lead to litigation proceedings. *Owner:* Chief Financial Officer	Early engagement with internal and external legal counsel and other risk managers; appropriate identification of issues that may lead to legal disputes; early assessment of impact of changes in law	LOW
	Operations (Processing Risk)	The risk that the design or execution of business processes is inadequate or fails to deliver an expected level of service and protection to client or Company assets *Senior Manager: Head of Operations*	Investment in process automation; implementation of robust preventative and detective controls; effective incident (issue) management; staff training	LOW

	Procurement Risk & Outsourcing risk	The risk of third-party organisations inadequately performing, or failing to provide or perform the outsourced activities or contractual obligations to the standards required by the Group *Owner:* Chief Financial Officer *Senior Manager: Head of IT Production*	Clear accountability and ownership for procurement, vendor management and outsourcing; strategic assessment for all new outsourcing; Initial and on-going due diligence; service level agreement monitoring	LOW
	People Risk	The risk of loss of key staff having insufficient skilled and motivated resources available or failing to operate people related processes to an appropriate standard. *Senior Manager: Group Head of HR*	Corporate policies in place to manage people; succession and resource plans for key roles	LOW
	Regulatory & Compliance Risk	The risk of regulatory sanction or legal proceedings as a result of failure to comply with regulatory, statutory or fiduciary requirements or as a result of a defective transaction *Owner:* Chief Financial Officer	Dedicated and skilled Compliance functions in place to advice business, Compliance monitoring in place; horizon scanning for identification and implementation of new regulations; governance controls, process controls and oversight for Money Laundering and Sanctions; Reporting to Boards and Board sub-committees	VERY LOW
	Conduct Risk	The risk that through our culture, behaviours or practices we fail to meet the reasonable expectations of our customers, shareholders or regulators *Owner: Deputy Chief Executive Officer*	Conduct policy in place, supported by other policies such as Whistleblowing Policy; monitoring and reporting on client outcome metrics, oversight by 'Treating Customers Fairly' and 'Conduct' committees	VERY LOW
	Client Money and Assets Segregations Risk	The risk that the Group fails to implement adequate controls and processes to ensure that client money and assets are segregated in accordance with applicable regulations. *Senior Manager:* Global Head of Capital Markets	Client Money and Asset Protection framework, supported by set of policies, procedures and controls; Resolution Pack	VERY LOW

2.3 Risk Statement of the Firm's Governing Body

The Group's business activities naturally expose it to strategic, financial and operational risks, or harms, due to the inherent nature of the business it undertakes and the financial, market and regulatory environments in which it operates. The RMF is designed to identify, assess, mitigate, and monitor all sources of risk that could have a material impact on the Firm's operations. The Firm's Board considers that it has in place adequate systems and controls regarding the Firm's size, risk profile and strategy and an appropriate array of assurance mechanisms, properly resourced and skilled, to avoid or minimise loss.

The Group's RMF and RAS is reviewed at least annually and approved by the Group Board.

3. Governance

3.1 Management Accountability

The Group is organised into different departments designed to address the business, legal, regulatory and compliance requirements of the business. The Firm is the principal UK business within the Group and leverages relevant Group departments and Committees (Audit, Nomination, Risk and Remuneration).

The Firm's Board and senior management believe that this existing departmental structure overseen by the Group's and Firm's Boards ensures effective and prudent management of the Firm, including the segregation of duties in the Firm and the prevention of conflicts of interest, and in a manner that promotes the integrity of the market and the interests of clients.

The Firm's Board takes overall responsibility for the Firm and:

- Approves and oversees implementation of the Firm's strategic objectives, risk strategy and internal governance;
- Ensures the integrity of the Firm's accounting and financial reporting systems, including financial and operational controls and compliance with the regulatory system;
- Oversees the process of disclosure and communications;
- Has responsibility for providing effective oversight of senior management;
- Monitors and periodically assesses:
    - The adequacy and the implementation of the Firm's strategic objectives in the provision of investment services and / or activities and ancillary services;
    - The effectiveness of the Firm's governance arrangements;
    - The adequacy of the policies relating to the provision of services to clients, and takes appropriate steps to address any deficiencies; and
- Has adequate access to information and documents which are needed to oversee and monitor management decision-making.

The Firm ensures that the members of the management body of the Firm meet the requirements of SYSC 4.3A.3R. The Firm is subject to the Senior Managers Regime ('SMR') and all members of the management body hold SMF status. The Firm has undertaken the necessary fitness and propriety test associated with the SMR (alongside additional referencing processes) to ensure each member:

- Is of sufficiently good repute;
- Possesses sufficient knowledge, skills and experience to perform their duties;
- Possesses adequate collective knowledge, skills and experience to understand the firm's activities, including the main risks;
- Reflects an adequately broad range of experiences;
- Commits sufficient time to perform their functions in the Firm; and
- Acts with honesty, integrity and independence of mind to effectively assess and challenge the decisions of senior management where necessary and to effectively oversee and monitor management decision-making.

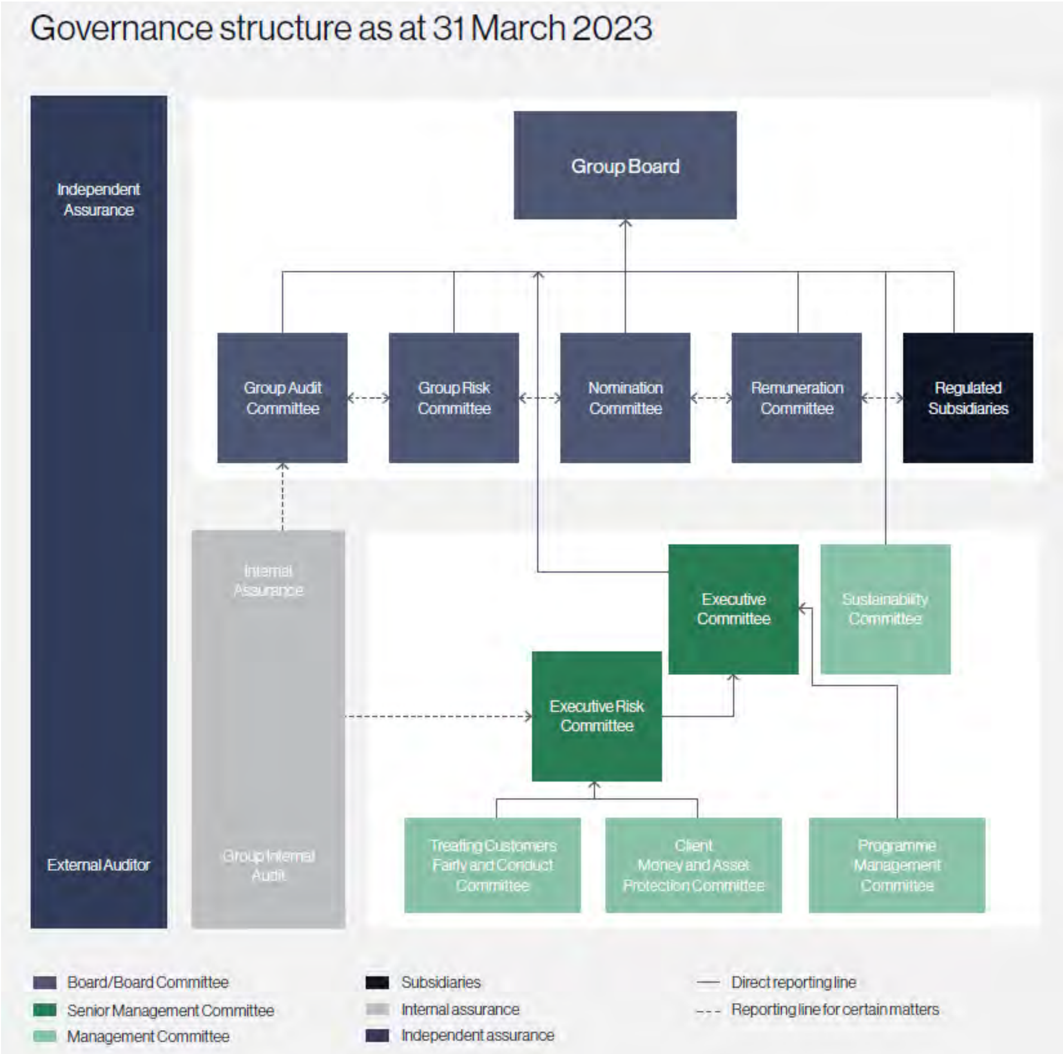
Board of Directors

The Board has overall responsibility for the Firm's affairs.

The Directors of CMC Markets UK plc who were in office during the financial year and up to 31 March 2023 were:

Lord Peter Cruddas	Chief Executive Officer
David Fineberg	Deputy Chief Executive Officer
Euan Marshall	Chief Financial Officer

Governance Structure



3.2 Number of Directorships

The number of Executive and non-Executive directorships held by the Directors at the year ended 31 March 2023 were as follows:

Director	Number of Executive Directorships	Number of Non-Executive Directorships
Lord Peter Cruddas	2	0
David Fineberg	0	0
Euan Marshall	0	0

It should be noted that the following are out of scope for this analysis:

- Executive and non-executive directorships held in organisations which do not pursue predominantly commercial objectives; and
- Executive and non-executive directorships held within the same group or within an undertaking (including a non-financial sector entity) in which the firm holds a qualifying holding.

3.3 Summary of Diversity Policy

The Group's Diversity and Inclusion Statement and Policy sets out the Group's commitment to creating an environment that ensures that everyone is treated with fairness, dignity, and respect. The invaluable contribution of our people has been at the heart of CMC Markets' success. We recognise that our future accomplishments hinge on cultivating and enriching an environment where our employees can fully realise their potential. This involves prioritising areas such as workforce diversity, talent development, gender and equal pay of our workforce, and taking decisive steps to create a workplace where everyone can flourish, irrespective of their beliefs and identities.

In support of the Group's commitment to Diversity, Equity & Inclusion ('DE&I'), this year we made great strides when we became signatories of the Women in Finance Charter ('WiFC') and launched a comprehensive programme to engage our workforce in developments in DE&I, these initiatives included the launch of a new intranet portal, education and learning through guest speakers and panel discussions and providing DE&I focused learning tools for National Inclusion Week and International Women's Day. We implemented a structured calendar to recognise and celebrate key moments throughout the year and evolved our Employee Resource Group programme. This included our Women@CMC network, which this year launched a mentoring programme for women in the UK and provided networking and professional development tools on topics such as: managing limiting self-beliefs, financial wellbeing, and career planning. To improve the depth of our DE&I data we launched our "Count me in" campaign and improved onboarding processes to maximise data capture upon joining our business.

Key points relating to Diversity from the past year include:

- Overall global gender balance at CMC has remained stable at 29% female and 71% male. We saw a 3% increase of female representation in the UK which was offset by a decrease in APAC & Canada.
- Females in senior management roles improved from 11% (October 2022) to 20% (March 2023) using the FTSE Women Leaders Framework.
- Direct reports to Executive Directors: 6% self-identified as being from a diverse ethnic background.

We have now appointed experienced DE&I professionals in London and Sydney, who work closely with the business at all levels to ensure we achieve our diversity goals both regionally and globally.

3.4 Risk Committee

In accordance with MIFIDPRU 7.3R a non-SNI MIFIDPRU firm is required to establish a risk committee. However, as a result of a waiver granted by the FCA the obligations to establish nomination, risk and remuneration committees at the individual firm level no longer applies. In accordance with the terms of the waiver the Firm can leverage the existing CMC Group remuneration, risk and nomination committees.

4. Own Funds

4.1 Own Funds

The Firm only holds Common Equity Tier 1 Capital which is comprised of share capital, other audited reserves and retained earnings. Deductions are made from Common Equity Tier 1 capital in respect to intangible assets, deferred tax assets and the investment it holds in its German subsidiary undertaking, CMC Markets Germany GmbH. Intangible assets relate to software, trademarks and assets under development.

In accordance with MIFIDPRU 8.4 the Firm is required to provide information regarding its Own Funds instruments in addition to how these reconcile to the balance sheet.

The composition of own funds is illustrated in more detail in Table 1 below, with Table 2 demonstrating how this aligns to the Balance Sheet in the Financial Statements. Table 3 discloses the main features of the Own Fund Instruments issued by the Firm.

The Firm does not have Additional Tier 1 or Tier 2 Capital.

Table 1: Composition of Regulatory Own Funds

31 March 2023	Item	Amount (£ '000)	Source based on reference numbers of the Balance Sheet in the audited Financial Statements
1	Own Funds	524,154	
2	Tier 1 Capital	524,154	
3	Common Equity Tier 1 Capital	524,154	
4	Fully Paid Up Capital Instruments	539	iii
5	Share Premium	-	
6	Retained Earnings	564,467	iv
7	Accumulated Other Comprehensive Income	(576)	v
8	Other Reserves	-	
9	Adjustments to CET1 Due to Prudential Filters	(32)	
10	Other Funds	-	
11	(-) Total Deduction from CET1	(40,244)	i+ii

Table 2: Reconciliation of Regulatory Own Funds to the Balance Sheet in the Audited Financial Statements

		A	B	C
		Balance Sheet as in Published / Audited Financial Statements	Under Regulatory Scope of Consolidation	Cross Reference to Table 2
		As at 31 March 2023 (£'000)	As at 31 March 2023 (£'000)	
Assets – Breakdown by Asset Classes According to the Balance Sheet in the Audited Financial Statements				
Non-Current Assets				
1	Intangible Assets	16,230		i
2	Property Plant & Equipment	14,264		
3	Financial Investments	-		
4	Deferred Tax Assets	378		
5	Investment in Subsidiary Undertakings	24,014		ii
6	Trade & Other Receivables	288,769		
Current Assets				
7	Trade & Other Receivables	36,102		
8	Derivative Financial Instruments	1,106		
9	Tax Recoverable	4,047		
10	Other Assets	1,984		
11	Financial Investments	30,572		
12	Amounts Due From Brokers	188,151		
13	Cash & Cash Equivalents	53,437		
	Total Assets	**659,054**		
Liability – Breakdown by Liability Classes According to the Balance Sheet in the Audited Financial Statements				
Current Liabilities				
1	Trade & Other Payables	77,673		
2	Amount Due to Brokers	8,927		
3	Derivative Financial Instruments	-		
4	Lease Liabilities	2,581		
5	Provisions	-		
Non-Current Liabilities				
6	Lease Liabilities	1,696		
7	Deferred Tax Liabilities	1,792		
8	Provisions	1,955		
	Total Liabilities	**94,624**		
Shareholders' Equity				
1	Ordinary Share Capital	539		iii
2	Other Reserves	(576)		v
3	Retained Earnings	564,467		iv
	Total Shareholders' Equity	**564,430**		

Table 3: Main Features of Own Instruments Issued by the Firm

Cross Reference to Table 2 & Table 3	Item Reference from the Audited Financial Statements	Features of Own Fund Instrument
iii	Share Capital	Instrument Type: Ordinary Share Capital Amount Recognised in Regulatory Capital: GBP 539k Nominal amount of instrument: GBP 1 Accounting Classification: Ordinary Share Capital

5. Own Funds Requirements

5.1 Own Funds Requirements

In accordance with MIFIDPRU 4.3.2 the Firm is required to hold own funds in excess of the greater of the K-Factors, Fixed Overhead Requirement ('FOR') or its Permanent Minimum Capital Requirement ('PMR'). In accordance with MIFIDPRU 8.5 a firm must disclose its K-factor requirements and FOR as detailed in Table 4 below:

Table 4: Own Funds Requirements

Requirement as at 31 March 2023	Total (£ '000)
Sum of K-AUM + K-CMH + K-ASA	315
Sum of K-COH + K-DTF	1,348
Sum of K-NPR + K-CMG + K-TCD + K-CON	78,424
FOR	53,590

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

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

5.2 Adequacy of Own Funds

In accordance with the Overall Financial Adequacy Rule ('OFAR')[3] 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:

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

The K-factors and the FOR are the starting point to assess the amount of own funds required to sustain ongoing operations and support an orderly wind down respectively.

As part of the Internal Capital Adequacy and Risk Assessment ('ICARA') process (which is performed as a Group ICARA), the Firm may determine that additional own funds may be required to cover those risks / harms that are insufficiently covered by the K-factors / FOR. The Group employs quantitative tools such as stress testing and scenario analysis for this purpose.

The own funds threshold requirement ('OFTR') is calculated as the higher of these two assessments and represents the amount of own funds that a firm needs to hold at any given time to comply with the OFAR.

[3] As set out in MIFIDPRU 7.4.7

6. Remuneration

The disclosure requirements regarding remuneration are set out in MIFIDPRU 8.6.

The FCA has defined a high level three tier proportionality framework as set out in the FCA's General Guidance on Proportionality relating to the Remuneration Code of SYSC 19A. This sets out their expectations on the level of application of the Code requirements to different types of firms. Within these tiers, the Group meets the definition of the proportionality tier 3, and these disclosures reflect the requirements for such tier 3 firms.

6.1 Remuneration Approach

The Firm's approach to remuneration is supported by a framework and policy which are required to comply with the remuneration part of the FCA Handbook (the 'Remuneration Part') - SYSC 19G for MIFIDPRU firms, and SYSC 19F Remuneration and Performance Management of Sales Staff. There is also a regard to the European Securities and Markets Authority ('ESMA') Guidelines on Remuneration policies and practices (MiFID) and the European Banking Authority ('EBA') Guidelines on sound remuneration policies under Directive (EU) 2019/2034. The Firm is also required to comply with similar equivalent laws and regulations in other jurisdictions in which the Group operates.

The Firms' remuneration approach supports business strategy, objectives, values and long-term interests including the attraction and retention of talent. In addition helping in i) ensuring a balanced approach to financial and non-financial considerations ii) ensuring a balanced approach between fixed to variable compensation appropriate to an individual's role iii) creating a strong link between performance and remuneration outcomes rewarding strong performance and promoting meritocracy by recognising individual performance, with a particular emphasis on contribution, risk management and control, CMC's values and iv) delivering shareholder value.

The approach aims to ensure greater alignment between risk and individual reward, discourage excessive risk taking, encourage effective risk management and promote a strong and appropriate conduct culture within the Firm, and has regard to diversity, ethics, fairness and inclusion best practices within the CMC Group. In addition, it is gender-neutral in its application and is designed to create equal remuneration opportunities, whereby remuneration processes and decision making are based on objective considerations an employee's qualifications, performance and behaviour.

The remuneration approach is linked to the Firm's annual review process, which takes place from February to March each year and involves all employees employed before 1st January that year. Within the annual review, individuals are assessed against individual, team and/or department objectives along with a mandatory conduct and risk objective. Employees who have received any disciplinary proceedings during the performance year will have their renumeration impacted as outlined in the Firm's policy.

The Firm applies a variable remuneration approach across all Group employees, Executive Directors and Non-Executive Directors, which include groups such as Material Risk Takers ('MRTs') and Sales based roles.

6.2 Financial Incentives

In making compensation related decisions, the Firm focuses on long-term, risk adjusted performance (including assessment of performance by the Firms' risk and control functions) and rewards behaviours that generate sustained value for the Firm.

The Firm espouses a total compensation approach, which offers a compensation structure with a mix of compensation components. Some components are mandatory as part of the total compensation package while some flexibility is offered on other components. The compensation mix is regularly assessed to ensure alignment to the geographical and functional markets in which the Firm operates. The remuneration framework seeks to ensure fixed and variable components of the total remuneration are appropriately balanced. For MRTs this includes considerations in relation to the fixed to variable ratio, its rationale and how it is calculated / checked. The review for MRTs aims to ensure that the structure does not promote or encourage taking undue risk.

6.3 Decision Making Process

Remuneration is the ultimate responsibility of the Board of Directors who delegate to the Group Remuneration Committee. Implementation of remuneration policy for Group staff is the responsibility of Human Resources, with input from the Risk and Compliance functions, the Company Secretariat, Deputy Chief Executive Officer ('Deputy CEO'), Chief Financial Officer ('CFO') and Head of Distribution with oversight by the Group's Remuneration Committee. The Head of APAC & Canada also has a key role in this process for relevant jurisdictions and Group roles. The Deputy CEO and CFO are closely involved in the remuneration process to ensure that both remuneration policy and outcomes reinforce compliance with the Group risk appetite.

The Firm at times utilises the resources of external consultants, such as Willis Towers Watson, McLagan. This may be in order to review and update the remuneration framework and policy, to understand market trends in compensation or receive market compensation data for comparison.

6.4 Material Risk Takers

The Firm identifies individuals whose professional activities have a material impact on its risk profile (known as 'MRTs'). The identification is required under SYSC 19G.5, and the criteria set out in SYSC 19G.3R forms the base review.

The following criteria is used to identify MRTs:

- Extent to which each individual has the ability and authority to make decisions that may impact on material areas of risk set out in CMC's internal risk documentation including: the ICARA review Document, Risk Appetite Statement and Risk Management Framework;
- Reporting lines including, but not limited to, direct reporting lines to the CEO and Executive Directors;
- Primary responsibilities: staff performing an FCA Senior Manager Function ('SMF') and certain Certification Functions ('CF') within CMC Markets, i.e. individuals whose professional activities have a material impact on the Firm's risk profile including, but not limited to, those that meet the qualitative definition outlined in the Remuneration Part (staff who identify as MRTs); and
- Level of autonomy in role.

6.5 Characteristics of Remuneration Policies and Procedures

As outlined, the Firm espouses a total compensation approach, which offers a compensation structure with a mix of compensation components. Some components are mandatory as part of the total compensation package while some flexibility is offered on other components. The compensation mix is regularly assessed to ensure alignment to the geographical and functional markets in which CMC Markets operates.

6.6 Key Components of Remuneration

Fixed remuneration

All employees of the Firm receive a fixed salary, consisting of a base salary according to position and function. Many factors can influence an employee's base salary, such as the role, experience level, market pay levels for comparable jobs, location of the job and available talent. Base salary can be all, or a meaningful part, of an employee's total compensation, depending on the job function and the level of role.

The base salary level is evaluated on an annual basis with no guaranteed increase for employees on individual contracts, unless contractual and or mandatory on a country specific basis e.g. indexation of minimum wage in UK. Fixed pay also includes benefits and pension contributions.

Benefits

All employees receive routine employment benefits on market aligned terms. Benefits are consistent for all employees and do not vary according to seniority. In some locations annual leave varies by length of service in line with the market. In addition, all employees are able to participate in a Share Incentive Plan ('SIP') based on either physical or phantom shares depending on the jurisdiction.

Pension

Employees receive a pension in their country based on local jurisdictional requirements and market drivers.

Variable compensation

The Firm uses performance-based variable compensation for incentivising and rewarding performance. This includes short-term and long-term incentive programmes. The Firm believes that its variable compensation programs serve a fundamental role in motivating its employees to deliver sustained shareholder value. Variable compensation can be composed of cash, deferred cash, ordinary shares and deferred ordinary share awards. The share awards to MRTs may be subject to retention periods, set deferral percentages and periods in line with regulatory requirements.

Variable awards are discretionary. They are determined on an individual basis including the performance of:

(a) the individual;

(b) the relevant business unit; and

(c) the overall results of CMC Markets.

Non-financial criteria are taken into account as well as financial criteria in determining the quantum of variable compensation.

CMC Markets operates various incentive schemes subject to local regulatory requirements which includes, but is not limited to:

- Annual discretionary bonus;
- Long term incentive plan structured with either performance provisions or as a retention mechanism with continued employment provisions;
- Client referral schemes; and
- Quarterly incentive plans based on specified business volumes.

Non- standard variable compensation approaches for all employees including MRTs include:

- Buy outs of variable remuneration – Are only awarded where evidence is provided that any award from the previous employer is to be forfeited on resignation. The timing of any buy-out award would be aligned to the timetable evidenced from the previous employer. Remuneration Committee approval is required for any buy-out award for MRTs or those in other senior positions.
- Guaranteed variable remuneration – CMC does not support the provision of guaranteed variable awards.
- Retention awards – Retention awards are made when required to retain employees key to specific projects. Remuneration Committee approval is required for all such arrangements relating to MRTs and other senior managers.
- Severance pay – When necessary, CMC pays severance pay reflecting statutory requirements and any collective agreements in each jurisdiction along with market practice where appropriate. The Remuneration Committee has oversight of the arrangements for MRTs.

6.7 Financial and Non-Financial Performance Criteria

A range of financial criteria are considered when assessing performance across the Group including revenue, profit before tax, earning per share and business costs. Consideration is also given to factors such as compensation paid as a result of client complaints. These are considered at a firm, business unit and, where appropriate, individual level.

Non-financial criteria at a firm wide and business unit level includes performance against our strategic objectives and delivery against our sustainability KPI's. At an individual level all employees are assessed against group wide risk and conduct objectives where such items as individual complaints, commitment to mandatory training and general conduct are considered.

The Firm maintain malus and clawback provisions on both cash incentives and equity awards, which enable the reduction or cancellation of unvested awards and recovery of previously paid compensation in certain situations including, but not limited to:

- Clawback. Where a person participated in, or was responsible for, conduct which resulted in significant losses to the Firm and/or failed to meet appropriate standards of fitness and propriety; and
- Malus. Where:

  (a) there is reasonable evidence of staff member misbehaviour or material error;

  (b) the Firm or the relevant business unit suffers a material downturn in its financial performance; or

  (c) the Firm or the relevant business unit suffers a material failure of risk management.

Incentive awards are intended and expected to vest according to their terms, but strong recovery provisions permit recovery of incentive compensation awards in appropriate circumstances.

6.8 Key Characteristics of the Deferral and Vesting Policy

CMC uses a stock-based award scheme to defer the appropriate amount of reward for MRTs, Senior Managers and key talent. The deferral of variable remuneration for some incentive schemes encourages sustainable and long-term value creation.

By deferring through stock-based schemes at a firm wide level, this gives exposure to the Firm's share price. At an individual level the terms of the scheme are such as to allow for the application of risk adjustment if required.

Variable rewards for MRTs and Senior Managers are deferred for an average of three years. For Executive Directors, 60% of their variable reward is deferred into stock and vests in three tranches in 3, 4 and 5 years after the grant date. For MRTs and Senior Managers the average is 45%. The awards also vest in three tranches.

All vests are subject to Remuneration Committee approval where consideration is given to a range of factors including the sustained performance of the business and conduct of the individual before permitting the vest to proceed. Other factors such as relevant client outcomes, client feedback and on-going litigation is also considered.

We believe this approach provides a good balance between incentivising the employee to deliver the best outcomes for all stakeholders whilst retaining a significant proportion of variable remuneration.

6.9 Quantitative Disclosures

Total Remuneration FY23	Senior Management		Other MRT		All Other Staff	Total
	Number of recipients	Amount (£m)	Number of recipients	Amount (£m)	Amount (£m)	Amount (£m)
Fixed Remuneration FY23	3	1.34	22	3.07	39.31	43.72
Guaranteed Variable Remuneration FY23*	-	-	-	-	-	-
Severance Payments FY23	-	-	-	-	-	-
Highest Severance Awarded to an individual MRT	-	-	-	0.09	-	0.09
Total Remuneration FY23	3	1.34	22	3.07	39.31	43.72

* Variable Remuneration relates to amounts awarded for FY23 and paid in FY24.

Variable Remuneration Awarded FY23	Senior Management		Other MRT	
	Non-Deferred (£m)	Deferred (£m)	Non-Deferred (£m)	Deferred (£m)
Cash	0.36	-	0.95	-
Shares	-	0.54	-	0.76
Share Linked Instruments	-	-	-	-
Other	-	-	-	-

Deferred Remuneration Awarded in previous performance periods	Senior Management		Other MRT	
	Non-Deferred (£m)	Deferred (£m)	Non-Deferred (£m)	Deferred (£m)
Cash	-	-	-	-
Shares	-	1.85	0.42	1.46
Share Linked Instruments	-	-	-	-
Other	-	-	-	-

Deferred Remuneration Awarded in previous performance periods due to vest but have been withheld	Senior Management		Other MRT	
	Non-Deferred (£m)	Deferred (£m)	Non-Deferred (£m)	Deferred (£m)
Cash	-	-	-	-
Shares	-	-	-	-
Share Linked Instruments	-	-	-	-
Other	-	-	-	-

7. 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 in MIFIDPRU 8.7.

8. Further Information

Should you have any queries, please contact:

Euan Marshall
CFO
E.Marshall@cmcmarkets.com

CMC Markets plc 133 Houndsditch London EC3A 7BX

Company number: 5145017

As disclosures in this document involve risks and uncertainties, and actual results may differ from those expressed or implied by these statements.