



Trade Nation Financial UK Ltd

(trading as TD365.com)

MIFIDPRU disclosures

30 November 2022

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1. Overview

1.1. Introduction

This disclosures document is prepared in compliance with the Financial Conduct Authority's ('FCA') MIFIDPRU 8 standards.

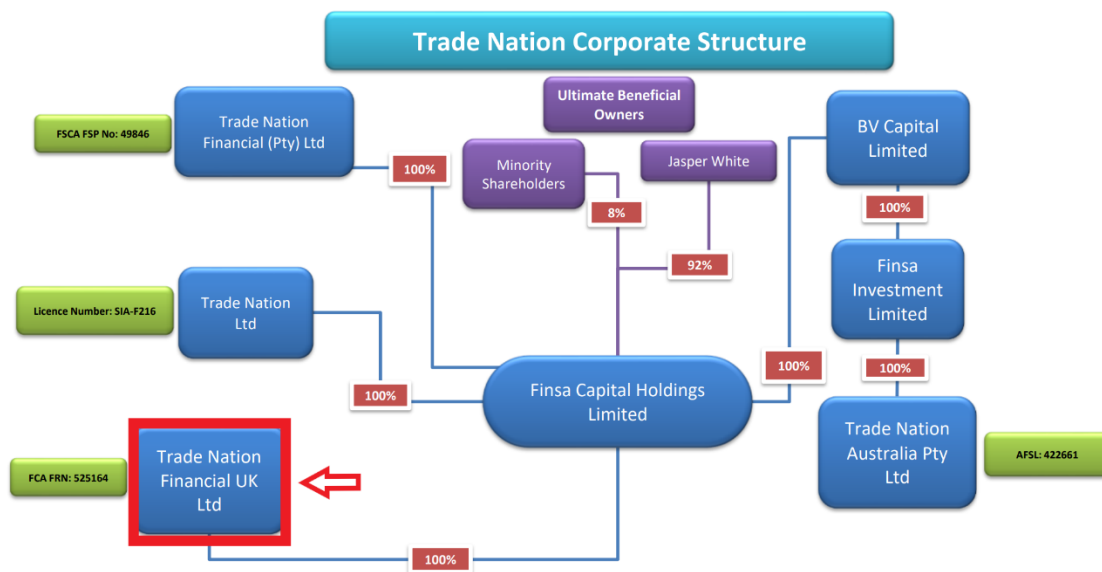
Effective public disclosure plays a vital role in promoting market discipline and ensuring the stability of financial markets by enabling market participants to evaluate critical information on firms' capital adequacy, risk, and control procedures.

1.2. Frequency and scope of disclosures

The information disclosed in this document pertains to Trade Nation Financial UK Ltd ("the Firm"), trading as TD365.com, which offers contract for difference (CFD) trading products and financial spread bets, which are a type of over-the-counter (OTC) leveraged derivatives. The Firm is wholly owned subsidiary of Finsa Capital Holdings Limited as shown in Chart 1.

As per MIFIDPRU 8.1.7 requirements, the disclosures are made on an individual basis and will be published on the Firm's website (www.tradenation.com) on an annual basis, on the date of its annual solvency statement to the FCA in accordance with SUP.16.12.

Chart 1: Ownership structure as of 30 November 2022



2. Risk management objectives and policies

2.1. Risk Management Framework

Effective risk management, which encompasses regulatory compliance, is integral to the success of the Firm. To ensure informed decision-making and to satisfy the requirements of the shareholders, customers, and markets, it is imperative to comprehend and manage risk. The company has established an Enterprise-wide Risk Management Framework (ERMF), which serves as a comprehensive guide for risk management throughout the Firm. The ERMF outlines various

components that constitute a holistic approach to risk management, while also delineating the roles and responsibilities of all personnel.

The ERMF includes:

- Risk appetite and tolerance levels
- Risk management policies and procedures
- Risk monitoring and reporting mechanisms
- Business continuity and disaster recovery plans
- Risk culture and awareness training programs
- Reporting of key risks and levels of exposures to governance committees

The ERMF assures the Board that the Firm’s risks, including those related to the realisation of strategic objectives, are comprehensively understood and managed in line with established appetite and tolerance levels. Additionally, it serves as a foundation for the ongoing evaluation, control, monitoring, and reporting of risk management within the Firm.

The Board bears ultimate responsibility for risk management across the Firm, which includes determining the Firm’s risk appetite. The risk appetite specifies the nature and scope of principal risks that the organisation is willing to undertake to achieve its objectives while establishing the guidelines and outlooks that drive the Firm’s risk culture.

2.2. Principal Risk

In order to thoroughly evaluate the potential negative impacts on the company, its clients, or the market, the Firm has implemented a standardised risk classification system that divides the main risks confronting the Firm into four overarching risk classifications: regulatory risk, commercial risk, business risk, and operational risk.

| Name | Risk | Mitigating Measures |
|-------------------------------|---|--|
| Regulatory Risk | | |
| Legal & Regulatory | The risk of loss resulting from exposure to: 1) to non-compliance with regulatory and / or statutory responsibilities and/or 2) adverse interpretation of and/or unenforceability of contractual provisions. This includes the exposure to new laws as well as changes in interpretations of existing law(s) by appropriate authorities and exceeding authority as contained in the contract. | The Firm is actively engaged in monitoring and managing the potential risks associated with the legal & regulatory environment across all countries and territories where it operates. |
| Reputational | Any risk that could damage firm’s reputation with relevant external parties, such as counterparties, clients, | The Firm maintains the highest regulatory standards and fosters constructive relationships with its key regulators. It also actively engages in conversations with its counterparties, regulators and clients to |

| | | |
|------------------------|---|--|
| | shareholders, governments, regulators etc. | stay informed about emerging trends or developments. |
| Commercial Risk | | |
| Strategic | Strategic risk is defined as negative effects on capital and earnings due to business policy decisions, changes in the economic environment, deficient or insufficient implementation of decisions, or a failure to adapt to changes in the economic environment. | The Firm works to mitigate its strategic delivery risk by conducting multiple regular and comprehensive reviews of the strategy and performance of its current strategic initiatives by the Board throughout the year, including providing |
| Market | The risk of loss due to market prices changes on outstanding positions, due to discretionary market judgements, specifically regarding: a) Equity Risk b) Interest Rate Risk c) Currency Risk | To mitigate the impacts of client sensitivity to adverse market conditions, the Firm conducts a detailed review of its daily revenue analysis, monthly financial information, Key Performance Indicators (KPIs), and regularly reforecasts its expected financial performance. |
| Competitor | Operating in a highly competitive environment, the Firm must differentiate itself from its competitors to effectively attract and retain clients. | The Firm actively monitors its conduct to ensure that it does not engage in questionable practices and maintains an attractive product offering, including technological capabilities, and service quality. |
| Business Risk | | |
| Client Credit | The risk of a client failing to meet their obligations to cover any trading losses incurred. | To mitigate the risk of clients failing to meet their obligations, the Firm has set client margin requirements that mandate clients to deposit additional collateral or reduce positions as necessary through its "Auto close-out" system. |
| Credit | The risk of loss due to counterparty (or client) default - failure to meet a contractually pre-determined obligation. | The Firm conducts an initial credit review on counterparties and updates it at least semi-annually or on an ad hoc basis in response to significant events. |
| Liquidity | The Firm faces the risk of being unable to meet its financial obligations as they become due. | As part of the "Internal Capital and Risk Assessment" (ICARA), the Firm conducts a liquidity assessment at least annually to ensure that it has sufficient liquidity. |

| | | |
|--|--|--|
| Capital Adequacy | The risk of the Firm holding insufficient capital to cover its risk exposures, which could result in having to reduce or cease operations. | As part of the ICARA process, the Firm applies a series of stress-testing scenarios to its base financial projections to ensure that it has sufficient capital. These scenarios are approved by the Board. Also, on a daily basis the Firm performs a Capital Adequacy Live Monitoring ("CALM") process to ensure the Firm is operating within its limits. |
| Operational Risk | | |
| Platform and System Performance | The risk of loss or reduced performance resulting from inadequate or failed internal processes, people and systems or from external events. This definition excludes legal, strategic and reputational risk. | To ensure effective standby services and minimise operational impact, the Firm conducts routine testing of its disaster recovery capabilities and maintain a 24/7 incident management function. Additionally, the Firm has also implemented redundancy measures such as backup systems and alternative communication channels to ensure business continuity in the event of an operational outage. |
| Information Security | The risk of an attempted hacking, fraud, bribery and corruption and data security breach that could lead to non-compliance with regulations and potentially result in financial penalties. | The Firm operates a 24/7 Security Operations Centre that reviews and triages information security incidents, and leverages mitigation services to address internal and external threats. |
| Personnel | The risk of employment practices that are insufficient and detrimental to employees. | The Firm regularly reviews its employment policies and procedures and updates them when necessary to align itself with the latest industry standards and best practices. |
| Trading Issues | The risk of possible lack of funds and inappropriate or ineffective hedging activity related to internal hedging and trading with clients. | The Firm adheres strictly to its Best Execution & Order Handling Policy, which is monitored by the Risk Committee, applying the highest standards across all the jurisdictions in which it operates. Additionally, the Firm employs highly sophisticated business intelligence tools to monitor exposure. |
| Financial Crime | The risk of potential failure to detect and report financial crime, which could lead to a violation of regulatory or other AML obligations. | The Firm has a robust Risk Management framework to detect suspicious transactions related to market abuse or other financial crimes, ensuring sufficient oversight. |

| | | |
|-----------|--|---|
| Insurance | The potential for harm to employees and physical or non-physical property resulting from either natural or non-natural causes. | The Firm possesses commercial insurance for assets. |
|-----------|--|---|

3. Governance

3.1. Management Accountability

The Firm has a Board of Directors, with a Non-Executive Director offering enhanced supervision and assistance. The Board and senior management of the Firm are of the opinion that the present departmental structure supervised by the Firm's Board guarantees efficient and cautious management of the Firm. This includes separating duties within the Firm, avoiding conflicts of interest, and promoting market integrity and the best 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; and
 - 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 Board members are subject to the Senior Managers Regime ("SMR") and all members of the management body hold Senior Management Function ("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.

3.2. Number of Directorships

The number of Executive and non-Executive directorships held by the Directors at the year 30 November, 2022 were as follows:

| Director | Number of Executive Directorships | Number of Non-Executive Directorships |
|-----------------|-----------------------------------|---------------------------------------|
| Stuart Lane | 1 | 0 |
| Robin Davidson | 1 | 0 |
| Emem Akintujoye | 1 | 0 |
| Kevin Taylor | 0 | 1 |

It should be noted that the following are out of scope of MIFIDPRU 8.1 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 nonfinancial sector entity) in which the firm holds a qualifying holding.

3.3. Diversity

The Firm is committed to the principle of diversity, inclusion and equal opportunity in employment and believes that a more diverse team is a better one. Accordingly, the Board ensures that recruitment, selection, training, development and promotion procedures result in no job applicant or employee receiving less favourable treatment on the grounds of race, colour, nationality, ethnic or national origin, religion or belief, disability, trade union membership or non-membership, sex, sexual orientation, marital status, age, or being a part-time or fixed term worker or any other protected characteristic. The Firm's objective is to ensure that individuals are selected, promoted and otherwise treated solely on the basis of their relevant aptitudes, skills and abilities. Trade Nation Financial UK Limited is a meritocracy based on hard work, potential and demonstrable achievement.

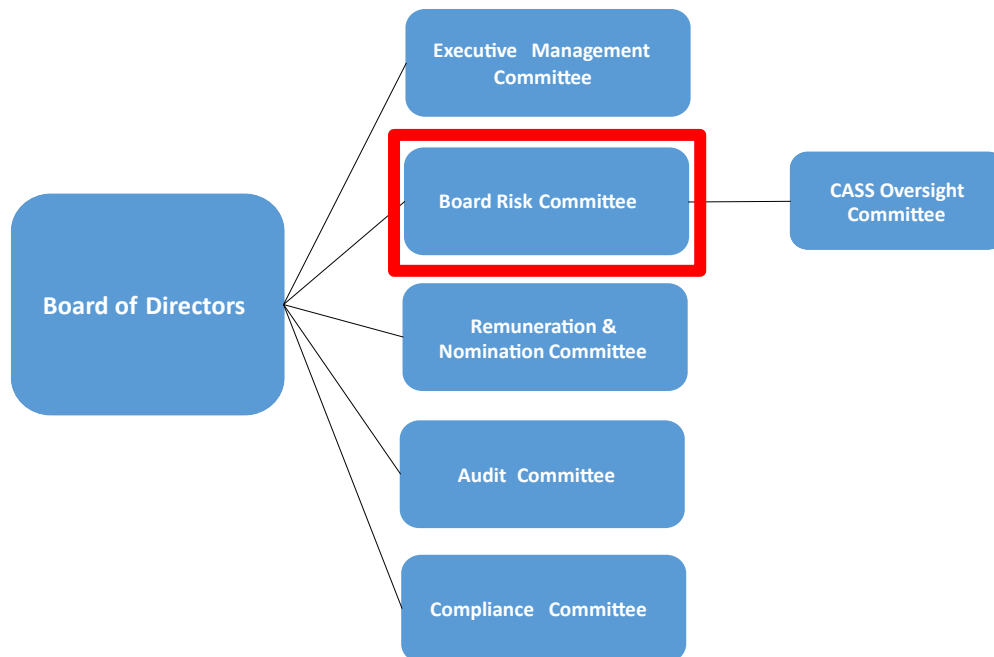
The Firm recognises this as an area of ongoing development for the Firm and financial services industry generally and will report annually on progress.

3.4. Risk Committee

The Firm has chosen to have a variety of committees and sub-committees to help support the Board of Directors in carrying out its duties and to help maintain compliance with regulatory requirements. The sub-committees report to the Board through their 'parent' committee.

The Board of Directors adopts the following committee structure:

Chart 2: Committee Structure



To assist the Board in fulfilling its responsibilities in respect of overseeing all aspects of the Firm's risk management processes, in particular:

- Advising the Board on the Firm's overall risk appetite;
- Monitoring compliance with the risk appetite tolerances set by the Board, and
- Reviewing the reporting of risks impacting the Firm and making recommendations regarding the adequacy of management actions and controls.

The Board Risk Committee should promote a strong risk awareness culture. Approval of the Board Risk Committee Terms of Reference is reserved for the Board.

4. Own Funds

4.1. Own Funds

The Firm only hold Common Equity Tier 1 Capital, encompassing share capital, share premium, retained earnings, and other equity reserves. The Firm does not possess any additional Tier 1 or Tier 2 Capital.

Table 1:
Composition of regulatory own funds

| Item | | Amount (GBP thousands) | Source based on reference numbers of the Balance Sheet in the audited Financial Statements |
|------------------------|---|------------------------|--|
| As at 30 November 2022 | | | |
| 1 | Own Funds | 12,502 | Page 11 |
| 2 | Tier 1 Capital | 12,502 | |
| 3 | Common Equity Tier 1 Capital | 12,502 | |
| 4 | Fully Paid Up Capital | 3,088 | Page 11 |
| 5 | Share Premium | 448 | Page 11 |
| 6 | Retained Earnings | 8,966 | Page 11 |
| 7 | Accumulated Other Comprehensive Income | 0 | |
| 8 | Other Reserves | 0 | |
| 9 | Adjustments to CET1 Due to Prudential Filters | 0 | |
| 10 | Other Funds | 0 | |
| 11 | (-) Total Deduction from CET1 | 0 | |

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

| Balance sheet as in published/audited financial statements | | Amount (GBP thousands) | Cross-reference to Table 2 |
|---|---------------------------------------|------------------------|----------------------------|
| As at 30 November 2022 | | | |
| Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements | | | |
| Non-Current Assets | | | |
| 1 | Property Plant & Equipment | 73 | |
| 2 | Intangible assets | 0 | |
| 3 | Deferred Tax Assets | 0 | |
| 4 | Financial Investments | 0 | |
| 5 | Deferred Tax Assets | 0 | |
| 6 | Investment in Subsidiary Undertakings | 0 | |
| 7 | Trade & Other Receivables | 0 | |
| Current Assets | | | |
| 8 | Trade & Other Receivables | 0 | |
| 9 | Derivative Financial Instruments | 14,426 | |
| 10 | Tax Recoverable | 590 | |
| 11 | Other Assets | 285 | |

| | | |
|--------------|--------------------------|---------------|
| 12 | Financial Investments | 0 |
| 13 | Amounts Due From Brokers | 0 |
| 14 | Cash & Cash Equivalents | 6,563 |
| Total Assets | | 21,937 |

| Liabilities | | |
|-------------------------|-------------------------------|--------------|
| Non-Current Liabilities | | |
| 1 | Lease Liabilities | 0 |
| 2 | Deferred Tax Liabilities | 0 |
| 3 | Provisions | 0 |
| Current Liabilities | | |
| 4 | Trade & Other Payables | 429 |
| 5 | Financial Instruments | 5,083 |
| 6 | Tax Payable | 233 |
| 7 | Other Payables | 43 |
| 8 | Borrowings | 0 |
| 9 | Lease Liabilities | 0 |
| 10 | Other Tax and Social Security | 174 |
| 11 | Client funds owing | 3,473 |
| 12 | Provisions | 0 |
| Total Liabilities | | 9,435 |

| Shareholders' Equity | | |
|----------------------------|------------------------|---------------|
| 1 | Ordinary Share Capital | 3,088 |
| 2 | Share Premium | 448 |
| 3 | Other Reserves | 0 |
| 4 | Retained Earnings | 8,966 |
| Total Shareholders' Equity | | 12,502 |

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

| Item Reference from the Audited Financial Statements | Features of Own Fund Instrument | Cross-reference to Table 2 & Table 3 |
|--|--|--------------------------------------|
| Share Capital | Instrument Type: Ordinary Share Capital Amount Recognised in Regulatory Capital: GBP 3,088K 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

| Requirements as at 30 November 2022 | Total (GBP thousands) |
|---------------------------------------|-----------------------|
| Permanent Minimum Capital Requirement | 750 |
| Fixed Overhead Requirement (FOR) | 2,593 |
| K-Factor Requirement | 1,199 |
| Own Funds Requirement | 2,593 |

| Requirements as at 30 November 2022 | Total (GBP thousands) |
|-------------------------------------|-----------------------|
| Sum of K-CMH requirement | 13 |
| Sum of K-NPR requirement | 1,120 |
| Sum of K-DTF requirement | 13 |
| Sum of K-TCD and K-CON requirements | 53 |
| Total | 1,199 |

5.2. Adequacy of Own Funds

In accordance to the Overall Financial Adequacy Rule (OFAR), the 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 Firm executes an assessment as part of the Internal Capital Adequacy and Risk Assessment (ICARA) to identify and evaluate all risks, including those not captured by the K-Factor requirements, and to calculate its own internal risk assessment. The Executive Risk Committee then reviews any risks that could alter the Firm's risk profile. The higher of the internal risk assessment and the funds needed for a smooth wind-down sets the Own Funds Threshold Requirement (OFTR) and Liquid Assets Threshold Requirement (LATR), which the Firm must hold to comply with the OFAR.

The ICARA assessment is completed annually or more often if there is a significant change to the business model, and the internal risk assessment is monitored daily as part of the Risk Management Framework.

6. Remuneration Policy

The FCA's General Guidance on Proportionality relating to the Remuneration Code of SYSC19A includes a three-tier proportionality framework, with the Firm meeting the definition of Tier 3. Firms falling under the highest category are required to comply with all provisions of the Remuneration Code, with more flexibility being given to firms in lower categories

This disclosure reflects the requirements of Tier 3 firms (lowest category).

6.1. Decision making process for determining remuneration policy

Responsibility for determining remuneration rests with the Remuneration & Nomination Committee which seeks to obtain feedback on the performance and contribution of each individual employee. The Committee's main purpose is to consider and agree an appropriate Remuneration Policy for all employees. Furthermore, the Committee has specific responsibility for matters, including Code Staff remuneration and identification, workforce remuneration policies, approval and oversight of risk adjustment and ensuring the alignment of variable remuneration outcomes with the Firm's culture and values.

Code Staff Criteria

Some of the features of the Remuneration Codes apply to the Firm as a whole, while other requirements, such as those on the structure of awards, apply mainly to material risk takers ("MRT") of the Firm, also referred to as 'Code staff', being:

- senior management
- risk takers and staff in certified functions, i.e. those individuals who can commit the Firm to risk, and
- those earning in the same remuneration bracket

In addition to the FCA's guidance on Proportionality, the European Parliament and Council has issued regulatory technical standards (Commission Delegated Regulation (EU) No 604/2014) with respect to qualitative and quantitative criteria to identify categories of staff whose professional activities have a material impact on a firm's risk profile. This is based on both the individual's authority and responsibilities and a firm's risk and performance indicators, taking into account the internal organisation and the nature, scope and complexity of its business.

6.2. Link between pay and performance

In accordance with Principle 2 of the Remuneration Code, the aim of the Firm's Remuneration Policy is to support the Firm's business strategy, objective, values and long-term interests by attracting and retaining the best possible employees to enable the Firm to deliver its principle goal of expanding the client base and also to look to expand into similar areas of business as and when opportunities arise. The Firm's remuneration policy is to reward every employee's performance and contribution, both as individuals and as team members. Employees are assessed against criteria that are relevant to their role and in all cases non-financial measures are a significant part of the assessment. Market comparisons, third party advice and other such relevant information as necessary is used as a 'sense-check' for base salaries and total compensation throughout the Firm including the remuneration of control functions.

6.3. Remuneration cost for Code Staff

Certain quantitative information regarding remuneration paid to the Firm's employees in respect of the performance year from 1 December 2021 to 30 November 2022 is set out below.

As at 30 November 2022, the Firm had 3 Executive Directors and 28 Material Risk Takers ("Code Staff"), assessed on an individual firm basis, as identified pursuant to SYSC 19G.5 for the purposes of applicable remuneration rules:

Table 5:
Code Staff aggregate remuneration for the year ended 30 November 2022 (£m)

| As at 30 November 2022 | Executive Directors | Code Staff |
|------------------------|------------------------|------------------------|
| | Amount (GBP thousands) | Amount (GBP thousands) |
| Fixed remuneration | 538 | 1,704 |
| Variable remuneration | 0 | 0 |
| Cash | 0 | 0 |
| Non cash | 0 | 0 |
| | | |

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

This disclosure document contains certain forward looking statements. While the Firm believes these statements to be reasonable, there is no guarantee that they will prove to be an accurate reflection of actual results.

These statements involve risks and uncertainties, which means actual results may differ from those expressed or implied by the statements. The Firm does not undertake any obligation to update any disclosures whether due to new information, future events, or otherwise.

Should you have any queries, please contact us by emailing us at compliance@tradenation.com.