# PILLAR 3 DISCLOSURE

## As at 30th June 2021

Our Internal Capital Adequacy Assessment Process policy has been approved by the Board of Directors of Cantor Fitzgerald Ireland Limited ("Cantor Ireland" or the "Company") and is subject to annual review by the Board.

## 1. BUSINESS STRUCTURE

The business of Cantor Fitzgerald Ireland Limited ("Cantor Ireland") is the business of institutional stockbroking, private client stockbroking, the provision of investment advice, management of third party funds, securities and dealing on a proprietary basis. The Company authorised under the European Communities (Markets in Financial Instruments) Regulations 2017 (S.I. No. 375 of 2017) ("MiFID").

Cantor Ireland is regulated by the Central Bank of Ireland ("CBoI") and is a member firm of Euronext Dublin and the London Stock Exchange.

## 2. BACKGROUND

The Capital Requirements Directive ("CRD") which was implemented by the European Union (Capital Requirements) Regulations 2014 (S.I. No. 158 of 2014) and the European Union (Capital Requirements) (No.2) Regulations 2014 (S.I. No. 159 of 2014) introduced a revised capital adequacy framework across Europe aiming to reduce the risk to consumers of financial loss and to minimise the effects of market disruption. The CRD focuses on ensuring that financial resources held by banks and certain financial firms are adequate in relation to their business model, risk profile and control framework. The CBoI is responsible for the implementation of the CRD in Ireland.

The CRD framework consists of three pillars:

- **Pillar** 1 sets out the minimum capital requirements firms are obliged to meet for credit, market and operational risk.
- **Pillar 2** requires the firm to assess, as part of its supervisory dialogue with the CBoI, whether any additional capital should be maintained against risks not covered under Pillar 1. The process by which this is achieved is the Internal Capital Adequacy Assessment Process ("ICAAP"), which includes an assessment of each of the risks faced by the firm and the internal controls in place to manage or mitigate those risks.
- **Pillar 3** requires firms to publish certain details of their risks, capital and risk management unless such details are considered immaterial, proprietary or confidential.

## 3. RISK MANAGEMENT

The Board of Cantor Ireland has established a comprehensive framework for the management of risk within the Group and has overall responsibility for risk management systems and related controls and for reviewing their ongoing effectiveness. This responsibility is delegated to management in the first instance. The Board monitors the Company's various risk exposures, including those which arise through trading and holding financial instruments. The Board also reviews financial performance, oversees regulatory compliance and monitors key performance indicators.

The Board has delegated certain of its responsibilities in relation to internal controls, internal audit, financial reporting and certain key areas of risk to the Audit and Risk Oversight Committee comprised of non-executive directors.

Ongoing reporting on performance of risk monitoring is generated by Department Heads, reported on for the most part on a daily basis, and channelled through the Head of Risk to the Board on a quarterly basis (or more frequently on an as needs basis). The Head of Compliance also reports to the Board on a quarterly basis.

Cantor Ireland's financial instruments comprise cash and cash equivalents, trading positions and net working capital arising from operations. Cantor Ireland has recognised the following risks arising from these financial instruments:

- Credit risk
- Market risk
- Liquidity risk
- Operational / Strategic risk

## Credit risk

Credit risk is the current or prospective risk of financial loss arising from the failure of a customer or counterparty to meet the terms of any contract as agreed or meet their financial obligations to Cantor Ireland as they fall due. Credit risk is managed as follows:

- robust client account opening and vetting procedures
- general policy on limiting exposure to concentration risk
- invoicing policy and strong debtor management
- control over timely settlement of market debtors
- Counterparty approval process
- review of daily settlement reports

## Market risk

Market risk is the risk arising from market volatility or adverse movement in bond and security prices, commodity prices and foreign exchange rates. This risk can arise from dealing and position-taking or from a failure of a client to take up their commitment. Market risk is also taken to include interest rate risk.

The Company manages market risk by establishing position limits within overall investment criteria and policy, and management reports are prepared daily in support of a review regime. Market risk for the company also arises from a downturn in the financial markets as this may lead to a decline in our fees based on the value of assets under management.

The risk of the failure of a client to fulfil an obligation is mitigated through a strict credit policy and strong debtor management. market risk for the company arises from a downturn in the financial markets as this leads to a decline in the element of our fees, which are based on the value of funds under management.

## Liquidity risk

Liquidity risk is the risk arising from the Company's inability to meet its obligations as and when they fall due. It is managed as follows:

- maintaining a strong capital base with significant surplus cash
- surplus cash is invested only in highly rated, marketable and liquid securities or deposited with counterparties with a strong credit rating
- forecasting future cash flow requirements
- monitoring of cash positions on a daily basis
- strict control over timely settlement of debtors and creditors

## Operational / Strategic risk

Operational risk is the risk resulting from inadequate or failed processes, people and systems and the impact on an entity's operations from external events. It includes, inter alia, more specific sub-categorisations such as business process, legal, tax, professional liability and negligence, fraud, cybersecurity, data protection, reputational, business continuity and outsourcing risks.

The Company also has developed contingency plans to cover loss of systems, property and other eventualities and has Professional Indemnity and Directors and Officers Liability insurance policies in place.

The Company has chosen to use the basic indicator approach for operational risk thus requiring capital equal to 15% of the three-year average of the firm's net income.

# 4. CAPITAL MANAGEMENT

The Company's policy in respect of capital adequacy is to maintain a strong capital base so as to ensure client, investor, creditor, employee and market confidence. During the period ended 30th April 2020 capital available has been maintained considerably in excess of minimum CBoI requirements. Capital is also measured by reference to Cantor Ireland's annual Internal Capital Adequacy Assessment Process ("ICAAP"). The Company's capital resources consist of Tier 1 equity capital and retained earnings as well as Tier 2 capital resources.

All cash and cash equivalents are short-term and are readily convertible into known amounts of cash.

# 5. CAPITAL RESOURCES AND CAPITAL REQUIREMENTS

The Company is adequately capitalised and maintains capital in excess of the capital requirement stipulated by pertaining regulations. The Company's capital requirement has been calculated by reference to the sum of the Company's credit risk, market risk and operational risk.

Our assessment considers the results of stress and scenario testing which has been performed.

Our conclusion is that the capital currently held will meet our needs during the next financial year and that procedures are in place to identify and manage the risks that we have.

As at 30 September 2020, after adjusting for any required adjustments, the Company's available capital resources exceeded the higher of Pillar 1 by 2.7 and Pillar 2 by 1.7 times.

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