

Cantor Fitzgerald Ireland Limited
(“CFIL”)

IFR/IFD Pillar 3 Disclosures

31st December 2021

1. EXECUTIVE SUMMARY

The purpose of Pillar 3 disclosures is to provide information on the risks, capital, and risk management arrangements of Cantor Fitzgerald Ireland Limited (“CFIL” or the “the company”).

Our disclosure is prepared as at 31 December 2021, the company’s financial year end and has been approved by the Board of Directors of CFIL (the Board).

Key Capital Metrics:

- Total regulatory capital resources or Own Funds (€31.2m) exceeded the internal capital requirement (€5.3m)
- Own Funds ratio (591%) sufficiently exceeded the own funds requirement (100%)

Refer to Section 11.

2. BUSINESS STRUCTURE

CFIL provides institutional stockbroking, private client stockbroking, the provision of investment advice and investment management and securities trading and dealing, on a proprietary basis, as a primary dealer in Irish sovereign debt.

The Company is authorised under the European Communities (Markets in Financial Instruments) Regulations 2017 (S.I. No. 375 of 2017) (“MiFID”). The Company is also authorised as a moneybroker under Section 110 of the Central Bank Act, 1989 (as amended) and is registered as an insurance, reinsurance or ancillary insurance intermediary under the European Union (Insurance Distribution) Regulations, 2018. The Company is also a product producer which produces financial products and issues appointments to intermediaries.

CFIL is regulated by the Central Bank of Ireland (“CBI”) and is a member company of Euronext Dublin and the London Stock Exchange.

3. BUSINESS STRATEGY

CFILs’ business mission is to create a best-in-class Company for employees, our parent (as sole shareholder), and clients where customer protection risks are effectively managed. It is a member of the wider Cantor Fitzgerald Group and is a leading Irish Financial Services Company focused on the following areas of business:

- o Regulated Financial Services for Retail and Professional clients and
- o Debt Capital Markets

CFIL also seeks to provide an excellent investment management service to the retail client base in Ireland. This includes the distribution of relevant Irish assets and investment opportunities to Irish individuals, institutions and to international institutions via the enlarged global Cantor network and expertise.

4. REGULATORY FRAMEWORK

The Investment Company’s Directive and Regulation (IFR and IFR), which came into effect in June 2021, applies to investment firms, authorised under the European Union MIFID Regulations 2017.

The aim was to establish a tailored prudential framework for investment firms. Depending on size, scale and activities, investment firms fall into one of three categories under the IFD (Directive (EU) 2019/2034)/IFR (Regulation 2019/2033/EU) regime: Class 1; Class 2 and Class 3.

Class 1 Firms are large, systematically important investment firms and remain subject to the Capital Requirements Directive ("CRD") and the Capital Requirements Regulation ("CRR") capital and remuneration requirements that applied prior to 26 June 2021. Class 2 firms are investment firms that are not systemically important, and which exceed certain size and risk thresholds and are subject to full IFD/IFR requirements. Class 3 Firms are small and non-interconnected firms which do not meet certain thresholds and are subject to reduced and modified IFD / IFR requirements. CFIL is designated as "Class 2" firm under IFR/IFD.

The objectives of IFR/IFD frameworks are to ensure investment companies consider capital, liquidity and other prudential requirements related to their business model and risks.

The framework consists of three pillars:

- **Pillar 1** sets out the minimum regulatory capital requirement companies are obliged to meet which is the higher of:
 - Permanent minimum capital requirement
 - Fixed Overhead Requirement
 - Its K-factor Requirement
- **Pillar 2** requires the company to assess its own capital adequacy assessment to its own risk exposures faced by the company. The process by which this is achieved is the Internal Capital Adequacy Assessment Process ("ICAAP").
- **Pillar 3** requires companies to publish certain details of their:
 - Risk profile and management objectives and policies
 - Governance framework
 - Own Funds and requirements
 - Remuneration policy and practices

There are certain other disclosures under the IFR/IFD for which CFIL is exempt as it does not meet the on and off-balance sheet assets >EUR 100m threshold.

5. FREQUENCY OF DISCLOSURE

The Company publishes Pillar 3 disclosures on an annual basis. The timing of the publication of this Pillar 3 report coincides as closely as possible with filing of its annual audited financial statements with the Companies Registration Office (CRO). Given the small scale and range of operations and the lack of complexity, the Company currently assesses that there is no need to publish some or all its disclosures more frequently than annually.

6. MEANS OF DISCLOSURE

These disclosures have been compiled to satisfy the Pillar 3 reporting requirements and have not been audited. The company publishes its Pillar 3 disclosures on its website.

7. RISK MANAGEMENT

The Board of CFIL has established a comprehensive Risk Management Framework for the identification, assessment, mitigation, monitoring and reporting of risk within the Company. The Board has overall responsibility for the risk management framework and for reviewing its 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 review financial performance, oversee regulatory compliance, and monitor 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 Compliance Committee (ACC) and the Risk Oversight Committees (ROC) respectively both of which are Chaired by independent Non-Executive Directors.

Ongoing assessment of risk monitoring is undertaken by Department Heads and channelled through the Head of Risk to the Board on a quarterly basis (or more frequently on an 'as needs' basis).

CFIL operates with the standard three lines of defence model.

First Line – CFIL management are responsible for identification, assessment, mitigation, and reporting risks. First line own and are responsible for day-to-day risk management.

Second Line - refers to the Risk function and the Compliance function. The Risk function is responsible for ensuring the effective implementation of the company's risk management framework and its processes. Providing oversight, guidance, review and challenge of the First Line's management of risk. They are responsible for independent reporting and escalation to the ROC and Board. Compliance is responsible for ensuring that the activities of the Firm are in compliance with prevailing financial services regulation, codes of conduct and best industry practice. Overseeing the Firms compliance via education, guidance, monitoring and testing.

Third Line - Internal audit function, provides independent assurance to the Board that the respective First and Second Line of Defence have effectively discharged their risk management responsibilities.

CFIL has recognised the following risks arising:

- Credit risk
- Market risk
- Liquidity risk
- Operational risk
- Strategic risk
- Reputational Risk

CFIL's financial instruments comprise cash and cash equivalents, trading positions and net working capital arising from operations.

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 CFIL 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 position risk by establishing position limits within overall investment criteria and policy, risk hedging programs 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 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. The definition includes Conduct, Governance, External and Regulatory risks. 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.

Strategic risk

Strategic risk is the risk resulting from adverse business decisions, the risk that the company's business strategy plans will not be successful, failure to adequately translate the strategy to specific actions the company must take, deliver on to make that ambition a reality.

Reputational risk

Reputational Risk is the risk of loss to the Company resulting from damages to the Company's reputation, in lost revenue; increased operating, capital or regulatory costs; or destruction of shareholder value. Poor performance of the investments recommended by CFIL may impact future sales growth.

CFIL has a programme where performance of underlying recommended investments is continuously monitored by Investment Sales and Risk Management divisions.

8. RISK APPETITE

Risk appetite is an assessment of a Company's willingness to take risk to achieve its strategic objectives. The Company has set Risk Appetite Statements against each of its Key Risks with Key Risk Indicators in place to monitor exposure against appetite. This is a fundamental element of the Risk Management Framework. The Risk Appetite Statements are owned, updated, reviewed, and re-approved at least annually by the Board. The Board has delegated oversight of the Risk Appetite Statements to the Board Risk Committee.

9. GOVERNANCE

10.1. BOARD

The Board has primary responsibility for the overall effectiveness of risk management within the Company. The Board of the Company is made up of six directors as at the financial year end 31st December 2021 of which two are Independent Non-Executive Directors, three are Group Non-Executive Directors and one Executive Director.

In total, the Board has 41 no of Directorships between them.

The Board has two committees, namely:

- Risk Oversight Committee
- Audit & Compliance Committee

10.2. RISK OVERSIGHT COMMITTEE

The Board have delegated oversight of the management of risks to the Risk Oversight Committee, which comprises of the Company's Non-Executive Directors. The Risk Oversight Committee met 4 times in the financial year.

10.3. AUDIT AND COMPLIANCE COMMITTEE

The Board has delegated oversight over the effectiveness of the internal and external audit functions and processes, the integrity of the firm's accounting policies and the contents of its financial statements to the Audit and Compliance Committee. This Committee comprises of the Company's Non-Executive Directors and met 4 times in the financial year.

10.3. DIVERSITY POLICY FOR MANAGEMENT BODY

The Company believes that prioritising diversity and inclusion is essential for its employees, its clients and for the future of its business. The Company stands to benefit when the Company values the diversity of ideas and ways of working that people from different backgrounds, experiences and identities bring to the Company. It fosters a culture of growth and learning, enables people to reach their full potential, improves decision-making, boosts engagement and innovation, and puts the Company in a better position to meet the needs of a diverse client base.

The following considerations, among others, are considered when nominating members of the Board: gender diversity, age diversity, educational background diversity and professional background diversity.

CFIL strives to create a diverse and inclusive working environment and have Diversity & Inclusion (“D&I”) objective which are as follows.

- CFIL will have a diverse workforce reflecting society in Ireland.
- CFIL makes conscious decisions about how to harness difference to its benefit.
- CFIL’s focus on diversity has a positive influence on the behaviour of others in the financial services industry.

10. CAPITAL ADEQUACY

The Company’s objectives in respect of capital adequacy and resourcing is to maintain a strong capital base ensuring client, investor, creditor, employee and market confidence.

The Company’s overall capital requirements are determined after performing its Pillar 1 capital calculations and assessing its Pillar 2 capital requirements. The calculation of Pillar 1 and Pillar 2 capital requirements allows the Company to determine, and subsequently monitor, the appropriate amount of capital to be held based on its risk profile.

The Company’s capital requirement is determined by taking the sum of:

- the higher of its Pillar 1 and Pillar 2 capital requirements; plus
- if applicable, any requirement to hold additional capital imposed by the CBI.

Pillar 2 requires companies to assess the amount of internal capital they consider adequate to cover all of the risks to which they are, or are likely to be, exposed to. It also requires firms to consider the costs associated with winding down the firm (Orderly Wind Down) and various stressed scenarios (market-wide, idiosyncratic and combined stress tests).

Our Capital is also measured under Pillar2 by reference to CFIL’s annual Internal Capital Adequacy Assessment Process (“ICAAP”). The ICAAP requires the company to assess the amount of capital to cover our company risks to which we are likely to be exposed to. While also considering costs associated with an Orderly Wind Down and various stressed scenarios.

- The Company’s capital available has been maintained considerably in excess of minimum Pillar 1 CBI regulatory capital requirements.
- The Company’s Pillar 2 assessment of capital requirements is outside the scope of this disclosure document.

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.

11. REGULATORY CAPITAL RESOURCES (OWN FUNDS)

As at 31st December 2021 and at all times throughout the period, the Company complied with the regulatory capital requirements of the CBI. The Firm’s regulatory capital base comprised of Tier 1 Capital and Tier 2 Capital being €30.7m and €0.6m respectively.

The table below details the composition of the regulatory capital resources available to meet these requirements.

Own Funds ratio (591%) sufficiently exceeded the own funds requirement (100%)

Capital Resources (Own Funds)	as at 31st December
Called up share capital	3,000
Share premium	-
Retained Earnings	30,578
Less: Reserves	(624)
Total Shareholders Funds	32,954
Less: Deductions from Capital Resources	(2,298)
Total: Tier 1 Capital	30,655
Add: Tier 2 Capital	566
Total Own Funds as at 31st December 2021 (per Audited Financials)	31,221
Own fund requirement	5,283
Own Funds Ratio	591%

Excludes Pillar 2 Requirements

Composition of Regulatory Own Funds: Refer to **Appendix 1.1** which sets out a more detailed composition of regulatory own funds.

Own Funds Reconciliation: Refer to **Appendix 1.2** for the reconciliation of Own Funds, Restrictions, and deductions to the audited financial statement balance sheet of the Company. The main features of Own Funds are in **Appendix 1.3**.

Fixed Overhead Requirement: Refer to **Appendix 2**. The fixed overhead requirement determined in accordance with Article 13 of this Regulation is €5.28m.

K-Factor Requirement: Refer to **Appendix 2** for the K-factor details which are calculated, in accordance with Article 15 of the Regulations, in aggregate form for Risk to Market, Risk to Firm and Risk to Client, based on the sum of the applicable K-factors.

12. REMUNERATION

12.1. Regulatory Requirements

As a MIFID firm, the Company must comply with the remuneration related principles set down in the IFR/IFD and establish remuneration policies in accordance with these regulations that are proportionate to the size, internal organisation, and the nature, as well as to the scope and complexity of the investment firm.

The Company must also comply with the principles set down the European Banking Authority's Guidelines on Sound Remuneration Policies under Articles 34(3) of the IFD, disclosures under Article 34(4) of the IFD, and Article 51 of the IFR, and the Central Bank Guidelines on Variable Remuneration Arrangements for Sales Staff (CBI Guidelines) for other categories of staff, primarily those in client facing roles.

12.2. Remuneration Policy

As a Cantor Group company, the CFIL Remuneration Policy (“the policy”) adopts group remuneration policies, procedures, and overall remuneration plans “programmes”. The policy sets out the basis under which the Board satisfied that such Group remuneration programmes and procedures are appropriate for CFIL.

The Cantor Group operates a total compensation philosophy whereby the level of overall compensation awarded to any Employee is assessed, considering, the combined value of fixed and variable remuneration. Remuneration consists broadly of Fixed remuneration (Inclusive of benefits and allowances) and Variable remuneration in the form of a performance-related bonus, a portion of which may be deferred in the form of equity and Partnership Units with contingent vesting.

The Board recognises the importance and consequences of these programmes, to support positive client outcomes, encourage good staff conduct, positive staff engagement, to management and various stakeholders.

Cantor Fitzgerald Ireland is subject to the Central Bank of Ireland’s remuneration requirements set out in the IFD/IFR and respective Guidelines on sound remuneration policies under Directive (EU) 2019/2034 (EBA Guidelines).

Given that the above remuneration policy and arrangements were revised after the 31st of December 2021 reporting period to reflect both the IFR and EBA requirements, the updated procedures in relation to EBA Guidelines therefore become applicable from the commencement of the Firm’s financial year 1st January to 31st December 2022. Consequently, the quantitative disclosures, as outlined in the IFR/IFD guidance, be applied initially in respect of that year.

Appendix 1 Disclosure on own funds template

INVESTMENT FIRMS DISCLOSURE			
Template number	Template code	Name	Legislative reference
OWN FUNDS			
1	IF CC1	COMPOSITION OF REGULATORY OWN FUNDS	Art 49(1)(c)
2	IF CC2	OWN FUNDS RECONCILIATION WITH AUDITED FINANCIAL STATEMENTS	Art 49(1)(a)
3	IF CCA	OWN FUNDS MAIN FEATURES	Art 49(1)(b)

Appendix 1.1 Template EU IF CC1.01 - Composition of regulatory own funds (Investment firms other than small and non-interconnected)

		(a)	(b)
		Amounts	Source based on reference numbers/letters of the balance sheet in the audited financial statements
Common Equity Tier 1 (CET1) capital: instruments and reserves			
€'000's			
1	OWN FUNDS	31,221	Sum formula
2	TIER 1 CAPITAL	30,655	Sum formula
3	COMMON EQUITY TIER 1 CAPITAL	30,655	Sum formula
4	Fully paid up capital instruments	3,000	Template EU IF CC2 Equity Row 1 Column a
5	Retained earnings	30,578	Template EU IF CC2 Equity Row 3 Column a
6	Other funds	(624)	Template EU IF CC2 Equity Row 2 Column a
7	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(2,298)	Sum formula
8	(-) Goodwill	(2,279)	Template EU IF CC2 Assets Row 4 Column a
9	(-) Other intangible assets	(20)	Template EU IF CC2 Assets Row 5 Column a
10	TIER 2 CAPITAL	566	Sum formula
11	Fully paid up, directly issued capital instruments	566	

Appendix 1.2 Template EU IFCC2: Own funds: reconciliation of regulatory own funds to 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 EU IF CC1
	As at period end	As at period end	
Assets - Breakdown by asset classes according to the balance sheet in the published/audited financial statements			
€'000's			
1	Cash, cash balances at central banks and other demand deposits	19,107	No difference in accounting and regulatory treatment
2	Investments in subsidiaries, joint ventures and associates	8,390	as above
3	Property, plant and equipment	1,072	as above
4	Goodwill	2,279	as above
5	Intangible assets	20	as above
6	Current tax	138	as above
7	Trade and other receivables	8,606	as above
8	Amounts from Connected Companies	5,279	as above
31/12/2021	Total Assets	44,891	
Liabilities - Breakdown by liability classes according to the balance sheet in the published/audited financial statements			
1	Financial liabilities measured at amortised cost	1,405	as above
2	Provisions	593	as above
3	Other liabilities	8,244	as above
4	Tax liabilities	1,696	as above
31/12/2021	Total Liabilities	11,938	
Shareholders' Equity			
1	Called up share capital	3,000	as above
2	Other reserves	(624)	as above
3	Retained Earnings	30,578	as above
31/12/2021	Total Shareholders' equity	32,954	

Appendix 1.3 Template EU IF CCA: Own funds: main features of own instruments issued by the firm

		a
		Free text
1	Issuer	Cantor Fitzgerald Ireland Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Public or private placement	Private
4	Governing law(s) of the instrument	Ireland
5	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares
6	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	3,000
7	Nominal amount of instrument	3,000
8	Issue price	€1.2697381 per share
9	Redemption price	
10	Accounting classification	

Appendix 2 K factor requirement calculations

All Figures €000s	31-Dec-2021
Permanent minimum capital requirement	750,000
Fixed overhead requirement	5,283,278
Total K-Factor Requirement	646,044
Own fund requirement	5,283,278