CMC Markets UK plc

Disclosure

31st March 2024

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1. Overview

1.1 Introduction

The Disclosure document is prepared in accordance with Chapter 8 of the Financial Conduct Authority's ('FCA') Prudential Source Book for MiFID Investment Firms ("MIFIDPRU"). 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 2024.

1.2 Frequency and scope of disclosures

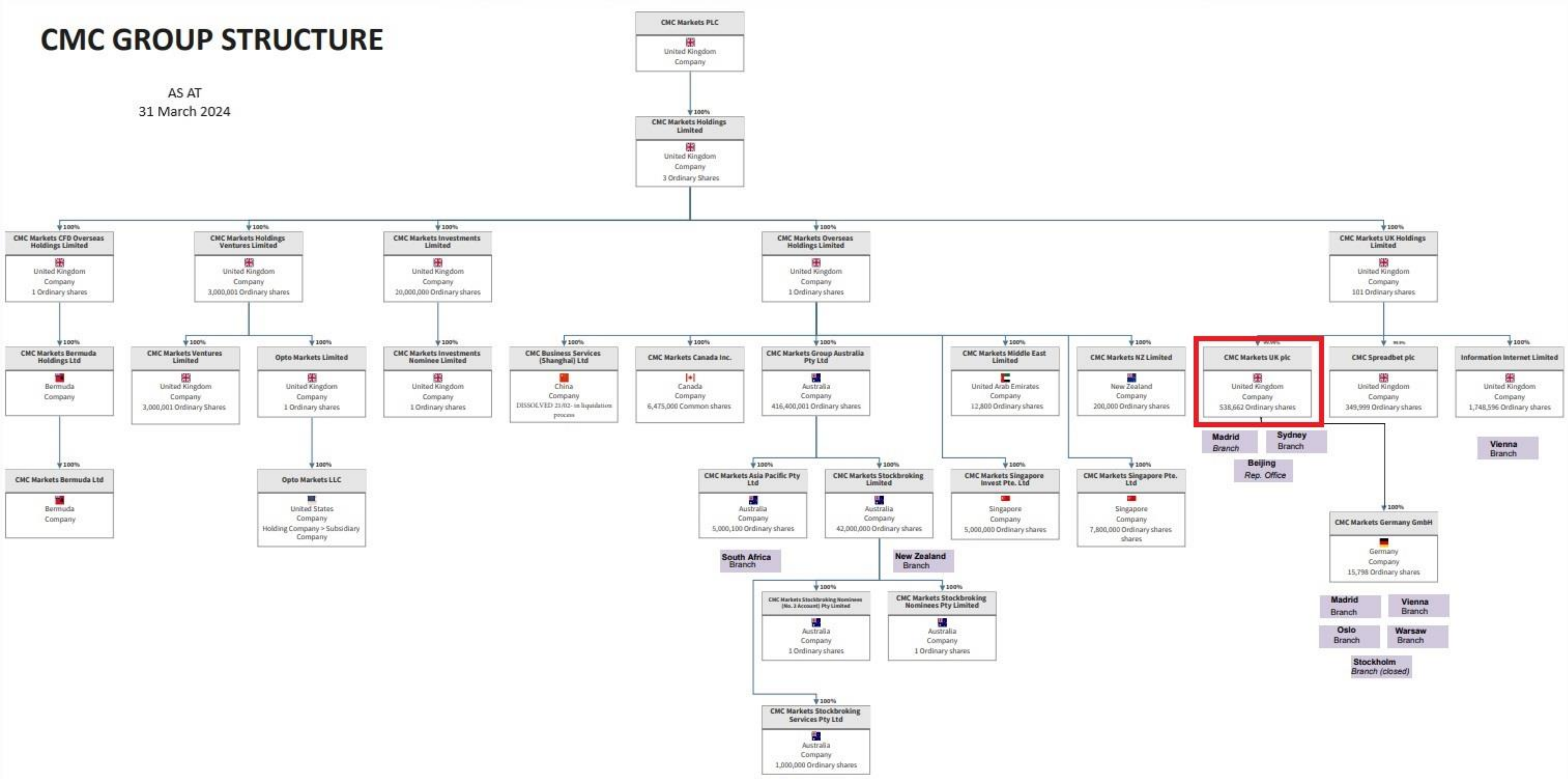
The disclosures in this document are made in respect of CMC Markets UK plc ('the Firm'). The Firm is part of the CMC Markets PLC Group ('the Group') which can be seen in Chart 1. In accordance with MIFIDPRU 8.1.7, disclosures must be made on an individual basis.

At a minimum, the disclosures will be made public on an annual basis on the Group's website[1] on the date that the Firm publishes its annual financial statements, in accordance with MIFIDPRU 8.1.10.

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.

[1] https://www.cmcmarkets.com/group/about-us/governance/policies-and-documents
[2] "Investment firm group" as defined in MIFIDPRU 2.4.

Chart 1: Group structure as at 31st March 2024



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 an Enterprise Risk Management ('ERM') framework to support identification, mitigation and management of risk exposures in line with the Group's risk appetite. 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 ERM framework, risk tooling and resources to ensure they remain effective to support the achievement of the Group's strategic objectives and in line with market practices and regulatory expectations. There have been a number of improvements to the ERM framework during the year including enhancements to risk monitoring and reporting, and the consequent risk mitigation strategies. There have also been some organisational changes, to better align our people to the needs of the Group.

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 ERM Framework is designed to manage rather than eliminate risk and follows the "three lines" model to ensure clear risk ownership and accountability. Risk management and the implementation of controls is the responsibility of the business teams which constitute the first line. Oversight and guidance are 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.

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.

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.

Business and Strategic Risks

Strategic risk	
Key risk description Strategic risk is the potential threat the Group could face that could affect its ability to perform and execute its business strategy. It includes risks that can result from decisions made by the Board of Directors concerning the products or the services the Group provides. Risk exposure and appetite CMC is exposed to, and has appetite for, strategic risk through the definition or execution of our strategic initiatives where there is the risk of failing to successfully deliver what we set out to achieve. As part of our strategic risk, CMC is exposed to potential damage to our brand and reputation with the market, clients and regulators. Failure to manage reputational risks will have a significant impact on our ability to implement our strategic plan.	Key mitigations and controls We remain within appetite by taking the following actions: ✓ Robust governance, challenge and oversight from independent Non-Executive Directors ✓ Ensuring significant new initiatives align to the corporate strategy ✓ Assessing the risks associated with strategic initiatives ✓ Establishing accountable owners to ensure successful delivery of initiatives and appropriate risk mitigations are in place ✓ Ensuring all material products and strategic initiatives go through the product governance process with approval by the Board

During the year, enhanced focus on our key strategic priorities has strengthened how we deliver on our strategic goals. Owner: Board	

Financial Risks

Market Risk	
Key risk description 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. Risk exposure and appetite CMC is exposed to financial risks due to the nature of our business as an online trading provider for various products. We act as a principal to our clients, predominantly across CFD and Spread bet trades, exposing us to a substantial amount of market risk and liquidity risk. We have appetite to retain some market risk, balanced with low appetite for liquidity and capital risk. Owner: Deputy Chief Executive Officer	Key mitigations and controls We remain within our appetite by taking the following actions: ✓ Financial risk management monitors and manages the exposures it inherits from clients on a real-time basis and in accordance with Board-approved appetite ✓ The Group predominantly acts as a market maker in linear, highly liquid financial instruments in which it can easily reduce market risk exposure through its prime broker arrangements. This significantly reduces the Group's revenue sensitivity to individual asset classes and instruments ✓ Financial risk management runs stress scenarios on the residual portfolio, comprising a number of single and combined company-specific and market-wide events in order to assess potential financial and capital adequacy impacts to ensure the Group can withstand severe moves in the risk drivers to which it is exposed ✓ Implementation of aggregate stop loss level at global and asset class level to mitigate the impact of extreme market shocks ✓ Monitoring the cost of funding requirements from a liquidity perspective where we are actively managing market risk

Liquidity Risk	
Key risk description The risk that there is insufficient liquidity available to meet the liabilities of the Group as they fall due or can only secure required liquidity at excessive cost. Risk exposure and appetite CMC is exposed to Liquidity Risk through our principal business, in particular our payments (margin calls) to prime brokers to effect our hedging strategies, and when there are unfunded commitments in the matched principal business (e.g. failed settlements) or obligations to lodge margins with central counterparty clearing house to cover client cash and derivative trading obligations. We have low appetite for liquidity risk and during the year we have continued to develop our framework, which includes the implementation of a revised stress testing model. Owner: Chief Financial Officer	Key mitigations and controls We minimise our exposure to and impacts of liquidity risk by: Principle: ✓ Modelling our liquidity requirements on a forward-looking basis both under normal conditions as well as under stress conditions to ensure the Group can meet its obligations ✓ Maintaining adequate amounts of unencumbered, high quality liquid assets and diversified funding sources ✓ Establishing a liquidity facility to draw on if needed with appropriate analysis and modelling ✓ Arranging contingency funding levers in certain scenarios up to and including orderly wind down ✓ Monitoring market conditions to ensure the liquidity impact of significant market moves aligned to client positions is able to be met Matched Principle and Exchange traded: ✓ We only offer assets that are liquid as determined by our asset suitability assessment ✓ Producing daily cash position reports that show surplus liquidity, unencumbered liquidity and short-term forecasts ✓ Perform stress testing to ensure the Group has sufficient liquidity to meet its ongoing business requirements under normal conditions as well as periods of stress (forecast for 15 months)

Credit and Counterparty Risk	
Key risk description The risk of losses arising from a counterparty failing to meet its obligations as they fall due. Risk exposure and appetite CMC is exposed to credit and counterparty risk from its clients as well as from the financial institutions with which it operates. We have limited appetite for credit and counterparty risk, which we manage through our mitigants and controls.	Key mitigations and controls We manage our exposure to credit and counterparty risk by: ✓ Applying sufficient margins, including a tiered margin structure, to manage positions that are deemed riskier ✓ Utilising our liquidation feature to reduce exposure when the client total equity falls below a pre-defined percentage of the required margin for the portfolio held ✓ Guaranteed stop loss orders allow clients to remove their chance of debt from their position(s)

2023 saw a banking crisis in the US with the collapse of several regional banks. Although CMC was not impacted by these events, credit risk exposure management continues to be a focus, and over the year we have made significant improvements to our stress testing modelling. Owners: Deputy Chief Executive Officer, Chief Financial Officer	✓ Setting limits and utilising our potential credit risk exposure models to stress and quantify counterparty client credit risk exposure across CFDs and Spreadbet. ✓ Reviewing credit worthiness of the counterparties at least annually ✓ Managing our exposure to concentration risk with external hedge counterparties such as PBs, where we have at least two per asset class ✓ Seeking to work with counterparties that hold investment grade credit rating, setting limits and monitoring exposures daily. ✓ Establishing intermediary limits and monitoring them daily to report and escalate large exposures

Insurance Risk	
Key risk description Risk of failure in insurance for risks and perils that the insurance company has agreed to provide indemnity for. Risk exposure and appetite CMC is exposed to insurance risk where we have an insurable risk event that is either not included in Group insurance or where the insurance provider has justifiable reason to not pay out on the event. We have limited appetite for insurance risk. Due to uncertainties associated with Crypto insurance that affects the cost of insurance, the Group does not include crypto within our insurance Owner: Chief Financial Officer	Key mitigations and controls We mitigate exposure by: ✓ Use of a reputable insurance broker which ensures cover is placed with financially secure insurers ✓ Adhering to rigorous claim management procedures with our brokers ✓ Operating a risk-based approach to identify insurable risks across relevant departments ✓ Full engagement with relevant business areas regarding risk and coverage requirements and related disclosure to brokers and insurers

Operational Risks

Operational Risk is an expected consequence of normal business operations. It is not possible, or effective, to eliminate all risks that are inherent in our activities, so we minimise our exposure to these risks through implementation of robust controls. We strive to always comply with applicable regulations and legislation.

Business Disruption and Resilience	
Key risk description Risk of inability to maintain and restore essential functions of the business. Risk exposure and appetite Our extensive use of a wide range of technology, people and third-party providers, as well as our physical presence across the globe, exposes us to a variety of internal and external events that can cause business disruption. This ranges from cyberattacks and technology failures to human errors and physical damage to our facilities that can impact on our ability to deliver important business services to clients. We have low appetite for business disruption and resilience and implement strong monitoring and controls to ensure we continue to deliver services to our clients. During the year we have faced both voluntary and involuntary staff turnover which is now stable following management action. This has been noted as a key risk in the Risk Management Report; ongoing process developments will further reduce the potential impact of underlying drivers. Senior Manager: Head of IT Production	Key mitigations and controls We limit our exposure to business disruption by: ✓ Multiple data centres and systems to ensure core business activities and processes are resilient to individual failures ✓ Periodic testing of business continuity processes and disaster recovery ✓ Clear identification of our critical business services with defined impact tolerances for each critical business service ✓ Ensuring an effective contingency plan is in place, including where we have key person dependencies for critical business activities and functions ✓ Implementing a consistent and Group-wide approach to the reporting and management of incidents, in line with our Incident Management Policy and Group Crisis Communication Manual ✓ Developing overarching strategies to recover from incidents and ensuring senior management is sufficiently knowledgeable and prepared in case of an incident

Internal Fraud	
Key risk description The risk of fraud attempted or perpetrated by an internal party (or parties) against our organisation, our customers or our suppliers, including instances where an employee is acting in collusion with external parties. Risk exposure and appetite CMC is exposed to internal fraud risks where employees have access to systems and physical/electronic assets belonging to CMC or access to client data and assets. We have no appetite for fraud and will take prompt action if it does occur. Owners: Deputy Chief Executive Officer, Chief Financial Officer	Key mitigations and controls We minimise our exposure to internal fraud risk by: ✓ Establishing a stringent screening processes and background checks when on boarding new employees as well as adhering to local screening requirements within the geographies we operate in ✓ Detecting unauthorised trading through trade surveillance reports to prevent internal trade manipulation ✓ Segregating payment system administration, payment creation and payment authorisation to prevent internal payment fraud ✓ Prompt identification and investigation of fraud cases such that any harm done to clients can be effectively remediated

External Fraud	
Key risk description The risk of fraud attempted or perpetrated against our organisation or our customers, by an external party (i.e. a party without a direct relationship to the Group) without the involvement of an employee or affiliate of the organisation. Risk exposure and appetite CMC is exposed to fraudsters due to our large online presence as a financial organisation. Our engagement with multiple third parties also exposes us to external fraud risk where third parties could potentially engage in fraudulent activity. We have no appetite for fraud and will take prompt action if it does occur. Owners: Deputy Chief Executive Officer, Chief Financial Officer	Key mitigations and controls We minimise our exposure to external fraud risk by: ✓ Timely reporting and escalation of fraud cases to internal and external stakeholders to support the recovery of losses ✓ Ensuring we only do business with suitable third parties that can operate appropriate controls against the risk of fraud ✓ Prompt identification and investigation of fraud cases such that any harm done to clients can be effectively remediated

Physical Security and Safety	
Key risk description The risk of damage or theft to the Group's physical assets, client assets, or public assets, for which the Group is liable, and injury to the Group's employees or affiliates. Risk exposure and appetite CMC is exposed to physical security and safety risk in all locations where we have a physical presence, where either our employees, physical assets, or data assets reside. We have low appetite for material loss or damage to any firm or client assets, including employees or affiliates. Owner: Deputy Chief Executive Officer	Key mitigations and controls We minimise our exposure to physical security and safety risks by: ✓ Implementing layers of security including physical access controls across our office locations to prohibit unauthorised access ✓ Implementing additional authorisation controls for buildings with more sensitive assets, such as a two-factor security measure for access to our data centres ✓ Implementing health and safety assessments, including regulatory risk assessments, occupational health assessments and fire drills ✓ Regular mandatory employee health and safety online training

Financial Crime	
Key risk description The risk of money laundering, terrorist financing, sanctions violations, bribery and corruption, and KYC failure. Risk exposure and appetite CMC is exposed to financial crime risk as we are a financial institution holding and processing a significant volume of client confidential information including client money and client assets. We are exposed to the risk of money laundering as we deal with a broad range of clients and some of our relationships with clients are short term. We have low appetite for instances of Financial Crime and implement preventative and detective controls to mitigate any	Key mitigations and controls We mitigate our exposure to financial crime risk by: ✓ Establishing and maintaining risk- based Know Your Customer ("KYC") procedures, including Enhanced Due Diligence ("EDD") for those customers presenting higher risk, such as Politically Exposed Persons ("PEPs") ✓ Establishing and maintaining risk-based systems for surveillance and procedures to monitor ongoing customer activity ✓ Improving procedures for reporting suspicious activity internally and to the relevant law enforcement authorities or regulators as appropriate ✓ Improving procedures relating to mitigation of risk derived from clients that are repeat offenders of market abuse

potential exposure. To ensure we stay within our risk appetite, we are improving some monitoring processes and investing in system enhancements. Owners: Deputy Chief Executive Officer, Chief Financial Officer	✓ Maintaining a restricted list of individuals and legal entities for which an account should not be opened ✓ Risk classifying customers or entities during onboarding, allowing us to evaluate the risks associated with each new account ✓ Implementing appropriate systems and controls for transaction monitoring to identify and block transactions that breach regulatory guidelines and violate applicable sanctions laws ✓ Training and awareness for all employees

Information Security and Data Privacy	
Key risk description The risk of information security incidents, including the loss, theft, misuse of or unauthorised access to data/ information; this covers all types of data, e.g., client data, employee data, and the organisation's proprietary data, and can include the failure to comply with rules concerning information security. Risk exposure and appetite CMC is exposed to information security and data privacy risk where we hold large amounts of data electronically and in paper form that is confidential, highly confidential or sensitive, including personally identifiable information ("PII"). We have low appetite for loss or misuse of client, employee or firm confidential information and minimise exposure through robust preventative controls. Senior Manager: Head of IT Production	Key mitigations and controls We minimise our exposure to information security and data privacy risks by: ✓ Only storing data that is necessary and only for the purpose that is needed ✓ Access controls based around least privileged access to ensure everyone can only access information that they require ✓ Information classification to ensure data is accurately classified and appropriately controlled ✓ Physical security controls to prevent unauthorised access to buildings and sensitive area ✓ Implementing regular system access reviews across the business

Technology Risk	
Key risk description The risk associated with the failure or outage of systems, including hardware, software and networks. Risk exposure and appetite CMC is exposed to extensive technology risk as a result of being a fintech company. We have low appetite for failure or outage in our systems and minimise exposure through robust preventative and detective controls. Senior Managers: Head of IT Production and Head of IT Development	Key mitigations and controls We minimise exposure to technology risk by: ✓ Investing in our technology stack to ensure we provide resilient platforms that our customers can rely on ✓ Utilising systemic monitoring tools for identification of system downtime or performance issues ✓ Ensuring adequate resources are available across IT production, with coverage across regions to monitor functionality of our systems and provide support to prevent and remediate any system downtime ✓ Planning and provision of sufficient system and infrastructure capacity to allow for growth or spikes in client and market activity ✓ The provision of contingent capacity by the IT production team 24 hours a day, 5 days a week to support and remediate issues

Legal Risk	
Key risk description The risk of errors in legal procedures and processes and breaches of CMC's legal obligations. Risk exposure and appetite CMC is exposed to legal risk through contracting with clients, third parties, and employees, where we may be exposed to legal liabilities, including litigation, resulting from non-performance of obligations or breaches of applicable law. We have low appetite for failures in our legal processes or obligations. Owner: Chief Financial Officer	Key mitigations and controls We minimise our exposure to legal risk by: ✓ Timely involvement of the legal and compliance departments in all strategic initiatives, new products, and on boarding of suppliers and partners (i.e. third-party intermediaries such as introducing brokers) ✓ Avoiding and appropriately handling disputes that could potentially escalate to legal disputes or litigation cases, including the timely involvement of the legal department ✓ Ensuring all amendments to legal terms (including terms with clients, partners and suppliers) are reviewed and approved by the legal department and relevant stakeholders

Third-Party Risk	
Key risk description Risk of failure to implement effective oversight over outsourced arrangements and other third-party relationships. Risk exposure and appetite CMC is exposed to third-party risk as we contract with external third parties for the provision of goods and services. CMC is also exposed to third-party outsourced providers and to internal outsourcing arrangements where our UK entity provides operational services to different legal entities. We have low appetite for failure by our third parties. The Group makes extensive use of intra-group outsourcing, which is an area in which we are investing in processes to drive consistency and clarity. Senior Manager: Head of IT Production	Key mitigations and controls We maintain inventories of all third-party relationships with vendor classification that informs the level of control and oversight required, and for our critical third parties, we will: ✓ Implement robust onboarding and due diligence processes for third parties with SLAs in place for all critical outsourcing and vendor provisions ✓ Perform quarterly service review meetings and MI to monitor the critical relationships with relevant external vendors ✓ Perform annual due diligence on critical vendors Where we outsource processes, we will do this in line with the outsourcing policy, We ensure that internal outsourcing arrangements deliver on the needs of the affected legal entities through ✓ Documented intra- group agreements with appropriate service level agreements ✓ Adequate oversight arrangements, including monitoring and reporting against service levels

People	
Key risk description The risk of breaching employment legislation, mismanaging employee relations, and failing to ensure a safe work environment. Risk exposure and appetite At CMC, we align our people plan to our business strategy which results in expansion and contraction in line with delivery of strategic initiatives. Senior Manager: Group Head of HR	Key mitigations and controls We are proactive in limiting our exposure to people risk by: ✓ Recruiting and retaining the best skilled staff for the job regardless of gender, ethnicity, religion, etc. ✓ Aligning our recruitment process globally where possible, whilst abiding by local market practices, regulatory requirements and legislation ✓ Establishing diversity and inclusion targets within our people plan to strive towards

Transaction processing and execution	
Key risk description Failure to process, manage and execute transactions and/or processes (such as change programme) correctly and/ or appropriately. Risk exposure and appetite CMC is exposed to transaction processing and execution risk throughout the lifecycle of our client service provision and our hedging transactions. Operational errors occur in the normal course of business and it is not possible or desirable to eliminate them all. However, we have low appetite to incur material loss as a result of failures in our processes and manage our exposure through robust processes and controls. Senior Manager: Head of Operations	Key mitigations and controls We limit our exposure to transaction processing and execution risk by: ✓ A high degree of straight through processing ✓ Implementing operational process controls (manual processes and manual intervention) such as four-eyed checks ✓ Training our people on our processes and providing procedural documentation ✓ Immediately rectifying any transaction processing issues as and when they do occur ✓ Implementing a range of reconciliation controls to ensure timely detection of errors ✓ Balancing the requirements of BAU activities and strategic initiatives to maintain the timely delivery of projects ✓ Performing root cause analysis on any incidents for continuous improvement

Compliance with Regulation and Legislation	
Key risk description Failure to manage and comply with any legal or regulatory obligations. Risk exposure and appetite The complex regulatory landscape that CMC operates across exposes CMC to regulatory and compliance risk. We have no appetite for failure to meet our regulatory and legislative obligations and always strive to comply with applicable laws and regulation. To reflect our growing diversified business, we are investing in our European compliance and governance structures. In some instances, remediation has been identified and	Key mitigations and controls We minimise our exposure to compliance risk by: ✓ Taking a proportionate risk-based approach interpreting regulatory requirements by considering the financial and legal impact of our decisions ✓ Ensuring adequate resources that are appropriately trained and supervised ✓ Improving regular horizon scanning on new regulations/ legislations, including the assessment of the impact to our business ✓ Performing clear analysis of regulation and legislation across regions, particularly in evaluation of new initiatives

we are making the appropriate investment to ensure we maintain effective relationships and deliver on regulatory expectations. Owner: Chief Financial Officer	✓ Developing effective compliance oversight and advisory/technical guidance provided to the business ✓ Comprehensive monitoring and surveillance programmes, policies and procedures designed by compliance. ✓ Improve regulatory relations and regulatory horizon scanning, planning and implementation

Conduct and Improper business practices	
Key risk description Failure to act in accordance with customers' best interests, fair market practices, and codes of conduct to deliver good outcomes. Risk exposure and appetite We are exposed to conduct risk where staff do not adhere to our Group code of conduct policy. CMC seek to conduct our business to deliver suitable, fair and clear outcomes for our customers and support the integrity of the markets in which we operate. Senior Manager: Head of Operations	Key mitigations and controls We minimise our exposure to conduct risk and improper business practices by: ✓ Setting standards of appropriate behaviour and business practice in our Group code of conduct that staff must adhere to ✓ Monitoring the use of business systems, where permissible by law, for the detection and prevention of crime or breaches of our code of conduct ✓ Implementing stringent monitoring over the outcomes of Consumer Duty, including Products and Services, Consumer Support, Price and Value and Consumer Understanding, the standards for which are documented in our Consumer Duty Policy and Best Execution Policy ✓ Establishing policies such as Whistleblowing, Anti-Harassment and Grievance Policies to ensure all employees are treated with dignity and respect and are encouraged to raise concerns wherever they witness unethical behaviours

Statutory Reporting and Tax	
Key risk description Risk of failing to meet statutory and regulatory reporting and tax payments/ filing requirements. Risk exposure and appetite CMC is exposed to the statutory reporting and tax laws requirements of the geographies we operate within. We have low appetite for failures to meet our statutory and tax reporting requirements. We ensure that where we have financial exposures they are fully accounted for and disclosed in our annual report and accounts. Owner: Chief Financial Officer	Key mitigations and controls We minimise our exposure to statutory reporting and tax risks by: ✓ Performing horizon scanning to establish applicable local taxation laws and accounting rules for all the jurisdictions we operate ✓ Maintaining constructive relationships with regulators and tax authorities ✓ Establishing robust processes for accurate and transparent statutory reporting

Data Management	
Key risk description The risk of failing to appropriately manage and maintain accurate data, as well as retaining and disposing of data in line with our internal policy and regulatory requirement (data includes client data, employee data and the Group's proprietary data). Risk exposure and appetite CMC is exposed to data management risk across the data lifecycle through the creation, consumption and recording of extensive data within our platforms, systems and accounting ledgers. We have low appetite of losses resulting from poor data management Senior Managers: Head of IT Production and Head of IT Development	Key mitigations and controls We minimise our exposure to data management risks by: ✓ Implementing controls on market data, including pricing checks ✓ Ensuring that data is of sufficient quality to meet business, legal and regulatory requirements by deploying data validation techniques, such as accuracy, formatting and consistency checks, e.g. defining what our key data is, the source and data quality characteristics ✓ Establishing documented procedures for the appropriate storing, management and disposing of data

Model Risk	
Key risk description The risk of incorrect model design, improper implementation of a correct model, or inappropriate application of a correct model. Risk exposure and appetite	Key mitigations and controls We minimise our exposure to model risk by: ✓ Maintaining a model inventory for all models that captures model limitations, model lifecycle, key stakeholders, model classification (tiering based on complexity), and validation mark

CMC is exposed to model risks through the use of models to facilitate our financial risk processes, including liquidity projections, stress testing and capital calculations. Models are also used in our platforms to calculate prices and spreads. We seek to minimise errors resulting from models by implementing strong governance over model design and change. Owner: Deputy Chief Executive Officer	✓ Validating tier 1 risk models at least annually to evaluate their conceptual soundness and quality of outputs. The validation report is then reviewed by either the Executive Risk Committee or the entity board of directors ✓ Assessing our model risk as part of the yearly risk identification and assessment ("RIA:') as required by the model risk policy

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 ERM framework 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 ERM framework 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 and Certification Regime ('SMCR') 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 SMCR (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.

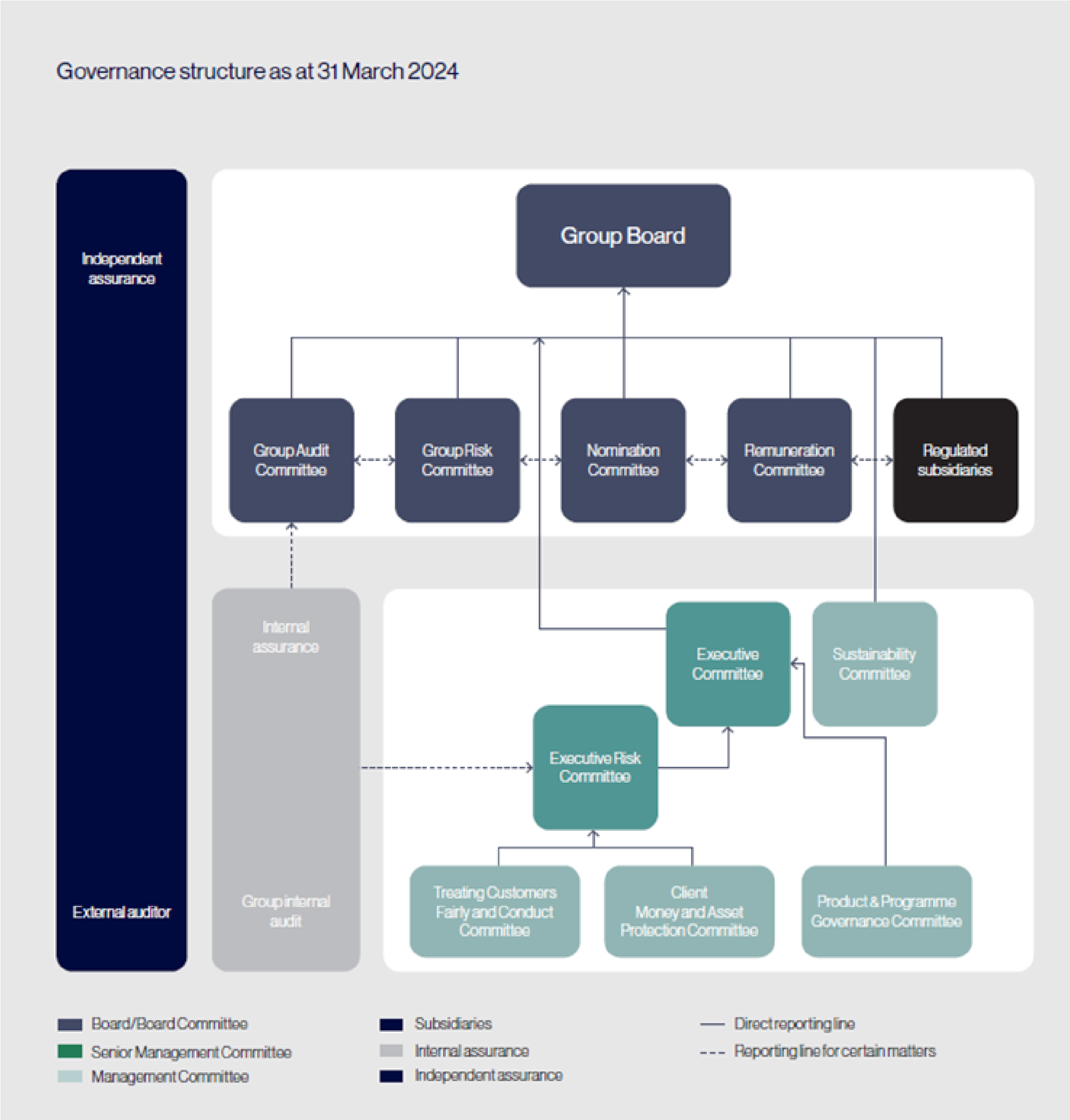
Board of Directors

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 2024 were:

Lord Peter Cruddas	Chief Executive Officer
David Fineberg	Deputy Chief Executive Officer
Albert Soleiman	Chief Financial Officer (appointed 1 September 2023)

3.2 Governance Structure



3.3 Number of Directorships

The number of Executive and non-Executive directorships held by the Directors at the year ended 31 March 2024 were as follows:

Director	Number of Executive Directorships	Number of Non-Executive Directorships
Lord Peter Cruddas	2	0
David Fineberg	0	0
Albert Soleiman	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.

3.4 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'), the Firm has made further progress through our 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. 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. This has resulted in 30% more employees now providing their ethnicity data than in previous years.

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 at 19% (March 2024) using the FTSE Women Leaders Framework.
- Direct reports to Executive Directors: 6% self-identified as being from a diverse ethnic background.

3.5 Risk Committee

In accordance with MIFIDPRU 7.3.1R, 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 apply. 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 includes 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 2024	Item	Amount (£ '000)	Source based on reference numbers of the Balance Sheet in the audited Financial Statements
1	Own Funds	446,638	
2	Tier 1 Capital	446,638	
3	Common Equity Tier 1 Capital	446,638	
4	Fully Paid Up Capital Instruments	539	iii
5	Share Premium	-	
6	Retained Earnings	480,875	iv
7	Accumulated Other Comprehensive Income	(498)	v
8	Other Reserves	-	
9	Adjustments to CET1 Due to Prudential Filters	(64)	
10	Other Funds	-	
11	(-) Total Deduction from CET1	(34,214)	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 1
		As at 31 March 2024 (£'000)	As at 31 March 2024 (£'000)	
Assets – Breakdown by Asset Classes According to the Balance Sheet in the Audited Financial Statements				
Non-Current Assets				
1	Intangible Assets	10,200		i
2	Property Plant & Equipment	19,487		
3	Deferred Tax Assets	1,231		
4	Investment in Subsidiary Undertakings	24,014		ii
5	Trade & Other Receivables	211,437		
Current Assets				
6	Trade & Other Receivables	38,915		
7	Other Assets	12,258		
8	Financial Investments	50,889		
9	Amounts Due From Brokers	222,581		
10	Cash & Cash Equivalents	44,834		
	Total Assets	**635,846**		
Liability – Breakdown by Liability Classes According to the Balance Sheet in the Audited Financial Statements				
Current Liabilities				
1	Trade & Other Payables	132,516		
2	Amount Due to Brokers	6,982		
3	Lease Liabilities	1,784		
4	Provisions	2,189		
5	Current Tax Payable	1,858		
Non-Current Liabilities				
6	Lease Liabilities	8,777		
7	Deferred Tax Liabilities	824		
	Total Liabilities	**154,930**		
Shareholders' Equity				
1	Ordinary Share Capital	539		iii
2	Other Reserves	(498)		v
3	Retained Earnings	480,875		iv
	Total Shareholders' Equity	**480,916**		

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

Cross Reference to Table 1 & Table 2	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-Factor requirement, 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 2024	Total (£ '000)
Sum of K-AUM + K-CMH + K-ASA	336
Sum of K-COH + K-DTF	1,188
Sum of K-NPR + K-CMG + K-TCD + K-CON	92,349
FOR	52,096

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 evaluated at a Group level), the Firm may determine that additional own funds are required to cover those risks of harm that are insufficiently covered by the K-factor requirement or the 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 the own funds requirement and the ICARA own funds assessment and represents the amount of own funds that the 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 ERM Framework;
- Reporting lines including, but not limited to, direct reporting lines to the CEO and Executive Directors;
- Senior Management Functions: staff performing either an SMF role or a Certification Function ('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 55%.

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 FY24	Senior Management		Other MRT		All Other Staff	Total
	Number of recipients	Amount (£m)	Number of recipients	Amount (£m)	Amount (£m)	Amount (£m)
Fixed Remuneration FY24	3	1.37	25	4.13	42.93	48.43
Guaranteed Variable Remuneration FY24	-	-	-	-	-	-
Severance Payments FY24	-	-	-	-	-	-
Highest Severance Awarded to an individual MRT	-	-	-		-	
Total Remuneration FY24	3	1.37	25	4.13	42.93	48.43

Variable Remuneration Awarded FY24	Senior Management		Other MRT	
	Non-Deferred (£m)	Deferred (£m)	Non-Deferred (£m)	Deferred (£m)
Cash	0.77	-	1.6	-
Shares	-	1.16	-	1.74
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	0.231	1.311	-	1.49
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:

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