

Purpose and Scope

This document presents the public disclosures, in accordance with the requirements of the UK Financial Conduct Authority ('FCA') as set out in chapter MIFIDPRU 8 of the FCA's Handbook of Rules and Guidance, for BrokerTec Europe Limited ('BEL' or the 'Firm'). All disclosures, unless otherwise stated, apply as at 31 December 2023 (the 'Reference Date') or for the 12-month period ending 31 December 2023 (the 'Disclosure Period'). BEL is incorporated in the United Kingdom and was authorised by the FCA as a non-SNI MIFIDPRU investment firm throughout the Disclosure Period.

These disclosures are prepared solely for the purpose of fulfilling BEL's obligations pursuant to MIFIDPRU 8. They are not externally audited and do not form any part of the Firm's financial statements. These disclosures are subject to internal verification and are reviewed and approved by the Firm's Board of Directors.

Disclosures

The following disclosures are made, referencing the MIFIDPRU requirements satisfied in each case.

MIFIDPRU 8.1 **Disclosure policy**

BEL's MIFIDPRU disclosures are published annually, on the same date as its annual financial statements. More frequent disclosures will be made if there is a material change in the Firm's circumstances that affects the content of the disclosures. These disclosures are published on the website www.cmegroup.com.

MIFIDPRU 8.2 **Risk management objectives and policies**

The risk management framework and policies of the Firm are determined by the board of its ultimate parent company, CME Group Inc. ('CME Group or the 'Group'). BEL is subject to the CME Group Enterprise Risk Management ('ERM') Framework that defines requirements and responsibilities for the assessment, monitoring, management, and reporting of enterprise risks across the Group. BEL's Board of Directors (the 'Board') has defined risk appetites for the Firm, aligned to the risk appetite parameters set by CME Group, which are reviewed and approved by the Board annually.

The overall risk profile associated with BEL's business model and strategy comprises predominantly operational, strategic, reputational and compliance risks, including regulatory risk relating to compliance with the requirements of the FCA and other regulators in jurisdictions into which BEL provides its services.

BEL's risk management arrangements relating to the categories of risk addressed by MIFIDPRU 4, 5 and 6 are described below.

MIFIDPRU 4 – Risks to Clients, the Market and the Firm

As the operator of regulated electronic trading venues, BEL provides investment services and activities related to the operation of multilateral trading facilities ('MTFs'), and the reception, transmission, and execution of orders in financial instruments, principally UK Gilt Repo and FX derivative products. BEL does not trade on its own account or take positions in the instruments traded via its services. As such it is generally not exposed to market risk or to credit risk on the settlement of trades. BEL does not hold client money or custody assets, or manage assets under either discretionary portfolio or non-discretionary advisory arrangements.

The following table provides an overview of the risk profile associated with BEL's business strategy and activities, together with the principal control strategies and processes adopted to manage those risks. Risks indicated as potentially impacting clients and/or the market relate to BEL's ability to provide its services to participants on its trading venues.

Risks		Potentially Impacted	Risk management arrangements
Operational	Sourcing and Third Party	Clients, Market, Firm	<ul style="list-style-type: none"> Contract management. Key vendor risk management (CME Group TPRM program and BEL's outsourcing governance framework).
	Information Security		<ul style="list-style-type: none"> Structured program designed to safeguard the confidentiality, integrity, and availability of the Group's information and services, and to mitigate security risks and threats. The program is based on accepted industry frameworks, such as the NIST Cybersecurity Framework and other technical standards / frameworks (e.g., COBIT, FFIEC and ISO). Clearly delineated policies, standards and procedures. Centralised, corporate function responsible for the independent oversight and coordination of the Group's cyber security program, security event monitoring and incident response. Penetration and application testing, multi-factor authentication, aggressive and timely patching, monitoring of incoming and outgoing data connections. Restrictions on physical access to the Group's facilities. Staff training, awareness, and accountability.
	Human Resources		<ul style="list-style-type: none"> Talent Management (recruitment, retention and development). Monitoring of Compensation and Benefits, including benchmarking. Professional Development and Global Mobility. Employee Relations and HR Operations.
	Resilience and Recoverability		<ul style="list-style-type: none"> Documented and tested incident response and business continuity programs. Timely escalation and mitigation of risk events.
	Information Technology		<ul style="list-style-type: none"> Monitoring of system availability and performance levels. Product release and change management processes. Timely escalation and mitigation of risk events.
	Planning and Execution		<ul style="list-style-type: none"> Key business initiative change management processes, including project portfolio governance and program/project management.
	Trading Operations		<ul style="list-style-type: none"> Dedicated Market Support team monitors the operation of the market. Restricted trading system access. Timely escalation and mitigation of risk events.
Financial	Liquidity	Firm	<ul style="list-style-type: none"> Monitoring by CME Group Finance and Treasury functions.
	Credit		
Legal and Compliance		Firm	<ul style="list-style-type: none"> Robust corporate and regulatory compliance program, documented Code of Conduct and related policies, including anti-financial crime policies. Documented policies and procedures communicated to all relevant staff. Regular and ongoing staff training. CME Group legal and compliance departments act as independent advisory and investigation functions to enable and defend the Group's strategic aims. Utilisation of standard contracts for baseline services. Regular guidance from appropriately qualified external advisors and professionals. Maintenance of CME Group and external regulatory affairs advisors to provide updates on regulatory developments and convey the Group's perspective on legislative and regulatory issues to policymakers. CME Group resources tasked with monitoring, analysing, and implementing change necessitated by regulatory developments.
Strategic and Commercial		Firm	<ul style="list-style-type: none"> Reporting and discussion of key risks, threats, and opportunities. Active and ongoing engagement with the customer base, trade volume monitoring, and monitoring of alternative venues. Monitoring of market data and industry media. Strategic plans approved by BEL's Board of Directors.
Reputational		Firm	<ul style="list-style-type: none"> CME Group corporate communications function oversight of the communication of significant business developments and monitoring of press and social media coverage.

MIFIDPRU 5 – Concentration risk

BEL does not deal on own account or operate a trading book and therefore does not have concentration risk exposures pursuant to MIFIDPRU 5.3 to 5.10. BEL is exposed to non-trading book concentration risk relating to the Firm's own cash held with banks and to fee revenues receivable from customers, which are monitored by CME Group Treasury and Finance teams.

MIFIDPRU 6 – Liquidity risk

Liquidity risk may arise as a result of timing mis-matches between operational revenue inflows and cost outflows. Receivables and cash balances are monitored by CME Group Finance and Treasury functions. BEL is not subject to margin, collateral or similar demands on its liquid resources.

MIFIDPRU 8.3 Governance arrangements

MIFIDPRU 8.3.1R(1)

BEL's Board of Directors meets on a quarterly basis and provides commercial direction, within the constraints of CME Group policies, delegated authorities, and overall Group strategy. The Board oversees the performance of BEL's business and is responsible for oversight of the Firm's strategy, ensuring that the necessary resources are in place to achieve its strategic and tactical objectives.

The Board is responsible for overseeing and directing the Firm's business and the management of the risks arising from that business, which includes ensuring there are adequate and effective internal systems of control with clear responsibilities for identifying, assessing, managing, monitoring and reporting its risks. The Board is expected to be aware of the major aspects of the Firm's risk profile, especially those risks for which it may need to set aside financial resources. The Board receives information on risk via reporting from the Firm's management and CME Group control functions.

During the Disclosure Period, the recruitment of BEL Board members involved relevant members of CME Group senior management or CME Group Board members, with candidates being identified and assessed on the basis of their skills, knowledge and experience relevant to the role. The selection process may include a number of assessment methods and all appointments are subject to internal approvals in accordance with CME Group's delegated authorities.

MIFIDPRU 8.3.1R(2)&(3)

The table below shows the number of directorships, subject to the scope provisions described by MIFIDPRU 8.3.2R, held by members of the Board as at the Reference Date.

Name	Directorships held
J. Edwards	1
M. Everaert	1
S. Marston	1
A. Seaman	1
P. Houston ¹	1

MIFIDPRU 8.3.1R(4)

CME Group is focused on advancing a culture of inclusion and innovation in addition to providing valuable benefits to support its employees. CME Group is committed to providing a workplace free from discrimination or harassment. CME Group discloses diversity metrics of its global workforce in its annual ESG (Environmental, Social and Governance) Reports. It does not publicly disclose diversity targets.

MIFIDPRU 8.3.1R(5)&(6)

BEL does not maintain a separate risk committee. The Firm qualifies for the exclusion as described by MIFIDPRU 7.1.4R from the requirement to maintain a risk committee.

¹ Appointed to the Board of Directors, subject to FCA approval as SMF3.

MIFIDPRU 8.4
Own funds

The following table provides a summary of the composition of the Firm's Own Funds as at the Reference Date.

	Amount (GBP thousands)
OWN FUNDS	37,676
TIER 1 CAPITAL	37,676
COMMON EQUITY TIER 1 CAPITAL	37,676
Fully paid up capital instruments	17,700
Share premium	-
Retained earnings	18,797
Accumulated other comprehensive income	-
Other reserves	2,125
Adjustments to CET1 due to prudential filters	-
Other funds	-
(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(946)
(-) Other intangible assets	(780)
(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	(166)
CET1: Other capital elements, deductions and adjustments	-
ADDITIONAL TIER 1 CAPITAL	-
TIER 2 CAPITAL	-

The Firm's Tier 1 capital comprises issued share capital, accumulated accounting profits and employee share option reserve. Deductions from Common Equity Tier 1 capital are made in respect to intangible assets and deferred tax assets. BEL did not have any Additional Tier 1 capital or Tier 2 capital resources as at the Reference Date.

The following table shows a reconciliation of the Firm's Own Funds to the Total Shareholders' Funds reported in the audited financial statements of the Firm as at the Reference Date.

	Amount (GBP thousands)
Total shareholders' funds	38,622
Deductions and adjustments	(946)
OWN FUNDS	37,676

MIFIDPRU 8.5
Own funds requirements
**MIFIDPRU
8.5.1R**

The following table provides a summary of the Firm's Own Funds Requirement as at the Reference Date. BEL held sufficient Own Funds to comply with the requirements set out in MIFIDPRU 4.3 throughout the Disclosure Period.

	Amount (GBP thousands)
OWN FUNDS REQUIREMENT	6,295
PERMANENT MINIMUM CAPITAL REQUIREMENT	150
FIXED OVERHEADS REQUIREMENT	6,295
K-FACTOR REQUIREMENT	74
Sum of K-AUM, K-CMH and K-ASA requirements	-
Sum of K-COH and K-DTF requirements	74
Sum of K-NPR, K-CMG, K-TCD and K-CON requirements	-

MIFIDPRU
8.5.2R

BEL undertakes an assessment, its Internal Capital and Risk Assessment ('ICARA'), of the adequacy of its own funds and liquid assets to support current and future activities. BEL's ICARA document is formally updated on at least an annual basis. However, the risk assessment and monitoring processes that form the basis of BEL's ICARA are part of the Firm's ongoing risk management framework.

BEL's ICARA includes an assessment of the nature and level of harms that may arise from the Firm's ongoing activities, and from an orderly wind-down of those activities, either to the Firm's clients and counterparties, the markets in which the Firm operates, as well as to the Firm itself. It also sets out how the Firm mitigates the risk of harms arising, and where considered necessary, how much additional capital or liquid assets may be necessary to address any potential residual impacts. BEL's approach to assessing potential harms includes consideration of the impacts arising from severe yet plausible risk event scenarios, together with stress testing and reverse-stress testing of its business plan and financial forecasts.

MIFIDPRU 8.6

Remuneration policy and practices

BEL's Remuneration Policy defines the general compensation framework applicable to all staff, including those considered material risk takers. The principles of the Remuneration Policy are applied in view of:

- rewarding the achievement of long-term sustainable performance;
- attracting, developing and retaining people with the ability, skills and experience to deliver on the Firm's strategy, regardless of any protected characteristics they may hold or any factor unrelated to performance or experience;
- counteracting excessive risk taking and incentivising employees to deliver sustainable performance that is consistent with healthy and effective risk management;
- creating an alignment between the rewards and risk exposure for employees; and
- delivering remuneration that is affordable and appropriate in terms of value allocated to shareholders and employees.

There is never an obligation to pay out variable remuneration to BEL employees in any year. Therefore, it shall be possible to set the variable remuneration to zero. Any variable remuneration will be awarded on the basis of various criteria including long-term objectives, individual achievements, team achievements and Firm achievements, which will be of a financial and non-financial nature. Consistent with Group-wide practices, annual performance reviews are conducted for each employee of the organisation. These performance reviews form the basis of awarding variable remuneration and serve as a key link between pay and performance. Variable remuneration may be awarded in cash, Group shares or a combination of both.

BEL has identified certain of its staff as material risk takers, by reference to the criteria set out in SYSC 19G.5.3R. No additional criteria have been applied. A material risk taker is a staff member whose professional activities have a material impact on the risk profile of the firm or on the assets that the firm manages. All BEL employees identified as material risk takers are required to sign clawback agreements associated with their variable remuneration awards, whether on shares or cash. During the Disclosure Period, no risk adjustments were made to material risk taker variable remuneration for malus or clawback.

MIFIDPRU
8.6.8R

The total number of staff who were considered to be material risk takers during the Disclosure Period is eleven (11). The following table presents the aggregate remuneration awarded to material risk takers and other staff in the Disclosure Period.

(GBP thousands)	Senior management	Other material risk takers	Other staff
Fixed	1,361	543	12,901
Variable	1,563	527	7,566
TOTAL	2,924	1,070	20,467

No guaranteed variable remuneration was awarded to material risk takers in the Disclosure Period. Additionally, no severance payments were made to material risk takers in the Disclosure Period.

