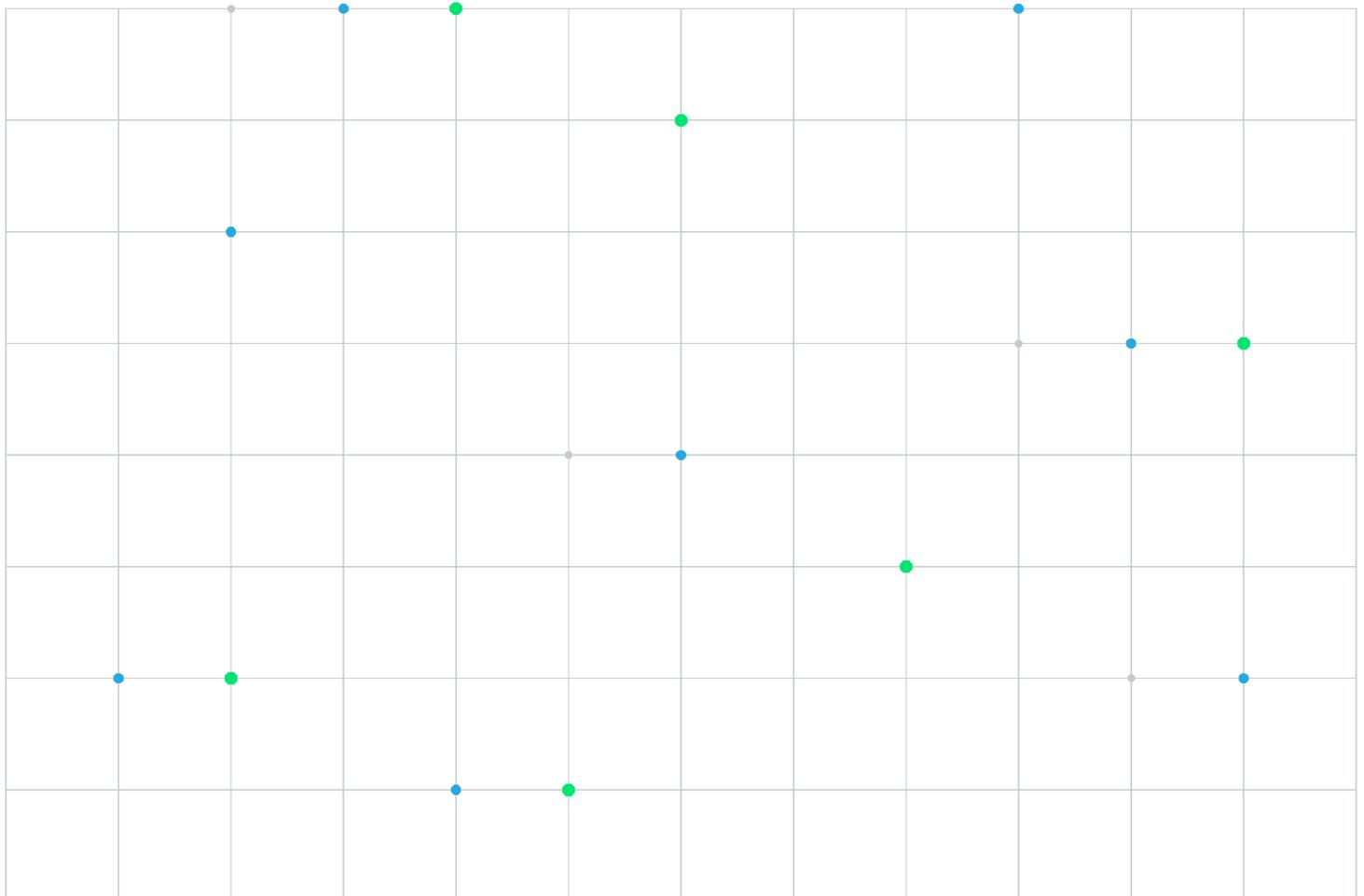


# CME Investment Firm B.V. Pillar 3 Disclosures

Reference Date: 31 December 2021



## Purpose and Scope

This document presents the Pillar 3 disclosures, as required by Part Six of the Investment Firms Regulation<sup>1</sup> ('IFR'), for CME Investment Firm B.V. (hereafter 'CIFBV' or the 'Firm'), which is incorporated in the Netherlands and is an authorised investment firm regulated by De Nederlandsche Bank ('DNB') and the Autoriteit Financiële Markten ('AFM')<sup>2</sup>. All disclosures, unless otherwise stated, apply as at 31 December 2021 (the 'Reference Date') or for the 12-month period ending 31 December 2021 (the 'Disclosure Period').

The Firm's Pillar 3 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 that affects the content of the disclosures. The Pillar 3 disclosures are published on the website [www.cmegroup.com](http://www.cmegroup.com).

The Pillar 3 disclosures are prepared solely for the purpose of fulfilling CIFBV's obligations pursuant to Part Six of the IFR. They are not externally audited and do not form any part of the Firm's financial statements.

## Disclosures

The following disclosures are made, referencing the IFR Articles satisfied in each case.

### *Article 47*      **Risk management objectives and policies**

The risk management framework, strategy and policies of the Firm are determined by the board of its ultimate parent company, CME Group Inc. ('CME Group or the 'Group'). CIFBV 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. CIFBV's Board of Directors (the "Board") has defined risk appetites for the Firm, aligned to the risk appetite parameters set by CME Group.

The overall risk profile associated with CIFBV's business model and strategy comprises predominantly operational, strategic, reputational and compliance risks, including regulatory risk relating to compliance with the requirements of the AFM and the DNB.

CIFBV's risk management arrangements relating to the categories of risk set out in Parts Three, Four and Five of the IFR are described below.

#### *Part Three – Risks to Clients, the Market and the Firm*

CIFBV provides investment services and activities related to the reception, transmission and execution of orders in financial instruments, principally Interest Rate and FX products, through its Reset Service, a bulk risk mitigation service designed to review a market participant's portfolios on a confidential basis and apply optimisation methodologies to market-wide portfolio information, and to identify opportunities for market participants to reduce basis risk that they would be unable to identify on their own.

CIFBV 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. CIFBV does not hold client money or 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 CIFBV's business strategy and activities, together with the principal control strategies adopted to manage those risks. Risks indicated as potentially impacting clients and/or the market relate to CIFBV's ability to provide its Reset Service.

<sup>1</sup> Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms.

<sup>2</sup> DNB for prudential supervision and AFM for financial conduct supervision.

Risks	Potentially Impacted	Risk management arrangements
Operational Resilience and Recoverability	Clients, Market, Firm	<ul style="list-style-type: none"> <li>• Documented and tested incident response and business continuity programs.</li> <li>• Timely escalation and mitigation of risk events.</li> </ul>
Information Security	Clients, Market, Firm	<ul style="list-style-type: none"> <li>• 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).</li> <li>• Clearly delineated policies, standards and procedures.</li> <li>• Centralised, corporate function responsible for the independent oversight and coordination of the Group's cyber security program, security event monitoring and incident response.</li> <li>• Penetration and application testing, multi-factor authentication, aggressive and timely patching, monitoring of incoming and outgoing data connections.</li> <li>• Restrictions on physical access to the Group's facilities.</li> <li>• Staff training, awareness, and accountability.</li> </ul>
Information Technology	Clients, Market, Firm	<ul style="list-style-type: none"> <li>• Monitoring of system availability and performance levels.</li> <li>• Product release and change management processes.</li> <li>• Timely escalation and mitigation of risk events.</li> </ul>
Sourcing and Third Party	Clients, Market, Firm	<ul style="list-style-type: none"> <li>• Contract management.</li> <li>• Key vendor risk management program.</li> </ul>
Legal and Compliance	Firm	<ul style="list-style-type: none"> <li>• Robust corporate and regulatory compliance program, documented Code of Conduct and related policies, including anti-financial crime policies.</li> <li>• Documented policies and procedures communicated to all relevant staff. Regular and ongoing staff training.</li> <li>• CME Group legal and compliance departments act as independent advisory and investigation functions to enable and defend the Group's strategic aims.</li> <li>• Utilisation of standard contracts for baseline services.</li> <li>• Regular guidance from appropriately qualified external advisors and professionals.</li> <li>• 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.</li> <li>• CME Group resources tasked with monitoring, analysing, and implementing change necessitated by regulatory developments.</li> </ul>
Strategic and Commercial	Firm	<ul style="list-style-type: none"> <li>• Reporting and discussion of key risks, threats, and opportunities.</li> <li>• Active and ongoing engagement with the customer base, trade volume monitoring, and monitoring of alternative venues.</li> <li>• Monitoring of market data and industry media.</li> <li>• Strategic plans approved by CIFBV's Board of Directors.</li> </ul>
Reputational	Firm	<ul style="list-style-type: none"> <li>• CME Group corporate communications function oversight of the communication of significant business developments and monitoring of press and social media coverage.</li> </ul>

#### *Part Four – Concentration risk*

CIFBV does not operate a trading book and therefore does not have concentration risk exposures pursuant to Part Four of the IFR. CIFBV is exposed to non-trading book concentration risk relating to cash held with banks and to fee revenues receivable from customers, which are monitored by CME Group Treasury and Finance teams.

#### *Part Five – 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. CIFBV is not subject to margin, collateral or similar demands on its liquid resources.

**Article 48 Governance**

CIFBV'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 the CIFBV 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 Group control functions.

*Article 48(a)* The table below shows the number of directorships held by members of the Board as at 31 December 2021.

Name	Directorships held
J. Day	1
W. Knottenbelt	3
M. Portlock	1

All directorships within the CME Group are counted as one. Directorships held outside CME Group are counted individually.

*Article 48(b)* During the Disclosure Period, the recruitment of CIFBV 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.

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.

*Article 48(c)* CIFBV does not maintain a separate risk committee.

**Article 49 Own funds**

The following table provides a summary of the composition of the Firm's Own Funds as at 31 December 2021.

	€'000
<b>OWN FUNDS</b>	<b>1,596</b>
TIER 1 CAPITAL	1,596
COMMON EQUITY TIER 1 CAPITAL	1,596
Fully paid up capital instruments	1,750
Share premium	-
Retained earnings	38
Previous years retained earnings	38
Profit or loss eligible	-
Other reserves	-
Deferred tax assets	(1)
Other intangible assets	(191)
ADDITIONAL TIER 1 CAPITAL	-
TIER 2 CAPITAL	-

The following table shows a reconciliation of Own Funds to the Total Shareholders' Funds reported in the audited financial statements of the Firm as at 31 December 2021.

	€'000
Total shareholders' funds	1,788
Deductions and adjustments	(192)
<b>OWN FUNDS</b>	<b>1,596</b>

*Article 50*      **Own funds requirements**

The following table provides a summary of the Firm's Pillar 1 Own Funds Requirement as at 31 December 2021. CIFBV held sufficient Own Funds to comply with applicable regulatory requirements throughout the Disclosure Period.

	€'000
<b>OWN FUNDS REQUIREMENT</b>	<b>232</b>
PERMANENT MINIMUM CAPITAL REQUIREMENT	75
FIXED OVERHEADS REQUIREMENT	92
TRANSITIONAL REQUIREMENT	232

In accordance with the requirements of Article 24 of the Investment Firms Directive<sup>3</sup> ('IFD'), CIFBV undertakes an assessment of the adequacy of its internal capital and liquid assets to support current and future activities. CIFBV formally undertakes a review of its internal capital and liquidity adequacy assessment process ('ICLAAP')<sup>4</sup> on at least an annual basis. However, the processes and assessments that form the basis of the ICLAAP are part of the Firm's ongoing risk management framework.

The ICLAAP includes an assessment of the nature and level of harms that may arise from the Firm's ongoing activities, and from a 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 cover any potential residual impacts. CIFBV's approach to assessing potential harms includes consideration of severe yet plausible risk event scenarios, together with stress testing of its business plan and financial forecasts.

*Article 51*      **Remuneration policy and practices**

*Article 51(a)*      The CIFBV Remuneration Policy defines the general compensation framework applicable to all staff considered material risk takers. The principles of the Remuneration Policy are applied in view of ensuring the long-term interests of the Firm are considered in the structure and award of remuneration. Further, the remuneration framework is designed to attract and retain talented human capital, and consider the risk profile of the business.

CIFBV does not maintain its own Remuneration Committee. The CME Group Compensation Committee oversees remuneration programs for the overall organisation. CME Group's remuneration programs are designed to provide appropriate incentives for creating long-term shareholder value and delivering on financial and strategic goals while discouraging excessive risk taking. 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.

There is never an obligation to pay out variable remuneration to CIFBV employees in any year. Therefore, it shall be possible to set the variable remuneration to zero. Any variable remuneration will be awarded on the

<sup>3</sup> Directive (EU) 2019/2034 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms.

<sup>4</sup> Pursuant to section 3.17(1) of the Dutch Act of Financial Supervision (Wet op het financieel toezicht, or 'Wft').

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.

Employees or other individuals who perform services for CIFBV are not eligible for any form of non-cash shares or instruments as compensation for the services they perform for CIFBV, as the Firm does not have any such instruments to utilize.

*Article 51(b)* The Remuneration Policy outlines a maximum variable compensation award of 20% of fixed remuneration. For employees working more than 50% of their working hours outside the Netherlands, a higher ratio of variable remuneration is possible, in alignment with relevant regulations and will not exceed 200% of fixed remuneration.

*Article 51(c)* The following disclosures relate to senior management and other staff whose professional activities have a material impact on the Firm's risk profile (referred to as 'material risk takers').

*Number of staff in senior management or other positions who were considered to be material risk takers during the Disclosure Period:*

Senior management	7
Other material risk takers	0
<b>TOTAL</b>	<b>7</b>

*Aggregate remuneration awarded in the Disclosure Period:*

€'000	Senior management	Other material risk takers	Total
<b>FIXED</b>	134	0	134
<b>VARIABLE – Paid</b>	89	0	89
Cash	89	0	89
Shares	0	0	0
Share-linked instruments	0	0	0
Other	0	0	0
<b>VARIABLE – Deferred</b>	0	0	0
<b>TOTAL</b>	<b>223</b>	<b>0</b>	<b>223</b>

No guaranteed variable remuneration was awarded in 2021 to material risk takers.

*Deferred remuneration awarded for previous performance periods:*

€'000	Senior management	Other material risk takers	Total
Vested in the Disclosure Period	0	0	0
Due to vest in subsequent years	0	0	0

One severance payment was agreed to and paid during the course of 2021 to a material risk taker. The amount of the severance payment applicable to CIFBV duties was 36,450 EUR. No other severance payments were made or committed to in 2021.

*Article 51(d)* As an Investment Firm that meets the criteria of Article 32(4)(a) of the IFD, and in consideration of the aggregate remuneration expense of CIFBV, the Firm has chosen not to apply select remuneration principles. Specifically, CIFBV does not require a deferral of variable remuneration paid and does not award variable remuneration in share or share-linked instruments.

*Article 52*    **Investment policy**

CIFBV meets the criteria in Article 32(4)(a) of the IFD. It is therefore not required to disclose information pursuant to this requirement.

*Article 53*    **Environmental, social and governance risks**

Information pursuant to this requirement is required from 26 December 2022 and has therefore not been included in the current disclosure.

