Pillar III Disclosures
For the Year Ended 31 March 2016

Daiwa Capital Markets Europe Limited

Daiwa
Capital Markets

Version Control

Version	Date	Author(s)	Description
1	March 2016	J Wainwright/ C Stockman	Draft

Contents

1 Glossary of terms and abbreviations used in this document

CRDIV	Collective term for CRR and CRD, repealing all previous versions.
CRR	REGULATION (EU) No 575/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.
CRD	DIRECTIVE 2013/36/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.
CRD (Repealed)	(a)+(b) From the definitions below
CRDII	(a)+(b)+(c)+(d)+(e)
CRDIII	(a)+(b)+(c)+(d)+(e)+(f)
BIRPU	Prudential Sourcebook for Banks, Building Societies and Investment firms.
BPV	Basis Point Value.
CCR	Counterparty Credit Risk.
CSA	Credit Support Annexes.
DCA	Daiwa Corporate Advisory Holdings Ltd.
DCME	Daiwa Capital Markets Europe.
DSGI	Daiwa Securities Group Inc.
EBA	European Banking Authority (formerly CEBS, Committee of European Banking Supervisors).
ECAI	External Credit Assessment Institution.
EU	European Union.
FCA	Financial Conduct Authority.
FX	Foreign Exchange.
G3	Refers to an informal *troika* consisting of the foreign ministers of France, Germany and the United Kingdom who collectively wield most influence within the European Union.
G7	The Group of 7 (G7) is a group consisting of the finance ministers and central bank governors of seven major advanced economies as reported by the International Monetary Fund: Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States meeting to discuss primarily economic issues.
GMRA	Global Master Repurchase Agreement.
GMSLA	Global Master Securities Lending Agreement.
ICAAP	Internal Capital Adequacy Assessment Process.
ICR	Internal Credit Ratings.
IFRU	Prudential Sourcebook for Investment Firms.
ILAAP	Internal Liquidity Adequacy Assessment Process.
ILG	Individual Liquidity Guidance.
ISDA	International Swaps & Derivatives Association Master Agreement.

KRI	Key Risk Indicators.
LAB	Liquid Asset Buffer.
NPA	Net Paying Addenda *(in this document).*
ORCC	Operational Risk & Compliance Committee.
ORM	Operational Risk Management.
OSLA	Overseas Securities Lending Agreement.
OTC	Over the Counter.
RALCO	Risk Asset Liability Committee.
SLRP	Supervisory Liquidity Review Process.
VaR	Value at Risk.

CRR / CRD definitions

(a) DIRECTIVE 2006/48/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions (recast).

And

(b) DIRECTIVE 2006/49/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 14 June 2006 on the capital adequacy of investment firms and credit institutions (recast).

As amended by:

(c) DIRECTIVE 2009/111/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 16 September 2009 amending Directives 2006/48/EC, 2006/49/EC and 2007/64/EC as regards banks affiliated to central institutions, certain own funds items, large exposures, supervisory arrangements, and crisis management.

(d) DIRECTIVE 2009/83/EC of 27 July 2009 amending certain Annexes to Directive 2006/48/EC of the European Parliament and of the Council as regards technical provisions concerning risk management.

(e) DIRECTIVE 2009/27/EC of 7 April 2009 amending certain Annexes to Directive 2006/49/EC of the European Parliament and of the Council as regards technical provisions concerning risk management.

And And

(f) DIRECTIVE 2010/76/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 24 November 2010 amending Directives 2006/48/EC and 2006/49/EC as regards capital requirements for the trading book and for re-securitisations, and the supervisory review of remuneration policies.

2 Overview

2.1 Background

The European Union (EU) Capital Requirement Regulation (CRR) and Capital Requirements Directive (CRD) (collectively known as CRD IV) implements the revised Basel capital adequacy framework (Basel III) and applies it to all investment firms, building societies and banks. The CRD IV package was formally adopted by the EU on 26 June 2013 and became effective in the UK on 1 January 2014.

CRD IV is a continuation of the now repealed CRD III which introduced the concepts of minimum capital requirements (Pillar 1) and supervisory review processes (Pillar 2) in the determination of those requirements. The disclosure requirements of Pillar 3 complement the capital requirements described in Pillar 1 and Pillar 2 and seek to promote greater market discipline and transparency through the disclosure of key information about risk exposures and risk management processes.

Daiwa Capital Markets Europe Limited ("the Firm") adopted the Pillar 1 standardised approach to credit, market and operational risk with effect from 1 January 2008 and were subject to the Pillar 2 and Pillar 3 requirements from that date. The number and granularity of disclosures have continuously expanded over the last 7 years, including this year where we have a number of additional disclosure requirements.

2.2 Structure

The Firm is the wholly owned European subsidiary of Daiwa International Holdings Inc. ("the Parent"), which is headquartered in Japan and is a wholly owned subsidiary of Daiwa Securities Group Inc. ("the Ultimate Parent").

The Firm has its head office in London and operates a small branch and representative office network in Europe and the Middle East. At 31 March 2016, the Firm has one active wholly owned subsidiary undertaking, Daiwa Corporate Advisory Holdings Limited.

Daiwa Corporate Advisory Holdings Limited (formerly Daiwa Corporate Advisory Partners Limited) provides Corporate Finance, M&A and Debt Advisory services through a network of operating companies across Europe. For statutory accounting purposes, it is not consolidated in the Firm's year-end financial statements on the basis that it is consolidated at group level by Daiwa Securities Group Inc. (DSGI). However, for regulatory purposes the Firm is required to file consolidated returns and has been filing on this basis since September 2009.

2.3 Principal Activities

The Firm's principal activities are to provide investment banking services in Equities, Fixed Income and Derivatives together with Corporate Finance Advisory services, through its subsidiary group DC Advisory.

2.4 Scope

Daiwa Capital Markets Europe Limited is regulated by The Financial Conduct Authority ("the FCA") in the UK. These Pillar 3 disclosures have been prepared as at 31 March 2016, which is the Firm's accounting reference date and financial year-end.

2.5 Basis of Disclosures

The Pillar 3 disclosures presented here are the consolidated view for the Firm and include both the quantitative and qualitative information in relation to credit risk and market risk, both of which have been prepared on a "standardised approach" basis, and are disclosed in accordance with Part Eight of the Capital Requirement Regulation (CRR) which replaced Chapter 11 of the Prudential Sourcebook for Banks, Building Societies and Investment Firms (BIPRU) section of the FCA handbook.

Daiwa Capital Markets Europe Limited is a "Significant IFPRU firm" (according to the definition in IFPRU1.2G of the FCA Prudential sourcebook for Investment Firms) this has a bearing on the following requirements of the CRR and Capital Requirement Directive (CRD).

(1) article 76 of CRD on the establishment of an independent risk committee;
(2) article 88 of CRD on the establishment of an independent nominations committee;
(3) article 91 of CRD on the limitations on the number of directorships an individual may hold;
(4) article 95 of CRD on the establishment of an independent remuneration committee;
(5) article 100 of CRD on supervisory stress testing to facilitate the SREP under article 97 of CRD;
(6) articles 129 and 130 of CRD on applicability of the capital conservation buffer and the countercyclical capital buffer;
(7) article 6(4) of the CRR on the scope of liquidity reporting on an individual basis;
(8) article 11(3) of the CRR on the scope of liquidity reporting on a consolidated basis; and
(9) article 450 of the CRR on disclosure on remuneration.

Furthermore, certain additional disclosures have been mandated by the EBA to be disclosed in standard templates from 2015. These include:-

- Own Funds
- Leverage
- Asset Encumbrance
- Liquidity Coverage (qualitative)
- Capital Buffers (from 2016)

These disclosures can be found separately on the Pillar 3 disclosures section of the Daiwa Capital Markets Europe Limited website

Not all the Pillar 3 disclosure requirements apply to Daiwa Capital Markets Europe Limited. This document has been produced solely for the purposes of providing information on the capital adequacy and risk management of the Firm, any disclosure requirements that do not apply have not been included.

For remuneration purposes DCME is considered a Level 3 firm as the average total assets over the past three financial years has not exceeded £15bn. DCME review this position at regular intervals. The classification as a Level 3 firm for remuneration purposes does not preclude DCME from being considered a "Significant IFPRU firm" in FCA terms as highlighted above.

2.6 Location and Verification

The Pillar 3 disclosures have been approved by the Firm's Risk Asset and Liability Committee, ("RALCO"), Audit Committee and the Board of Directors of the Firm and are published on the Firm's website (www.uk.daiwacm.com). Disclosures will be updated on an annual basis and made available on the Firm's website[1] as soon as practicable.

This document has not been subject to audit by the Firm's external auditors.

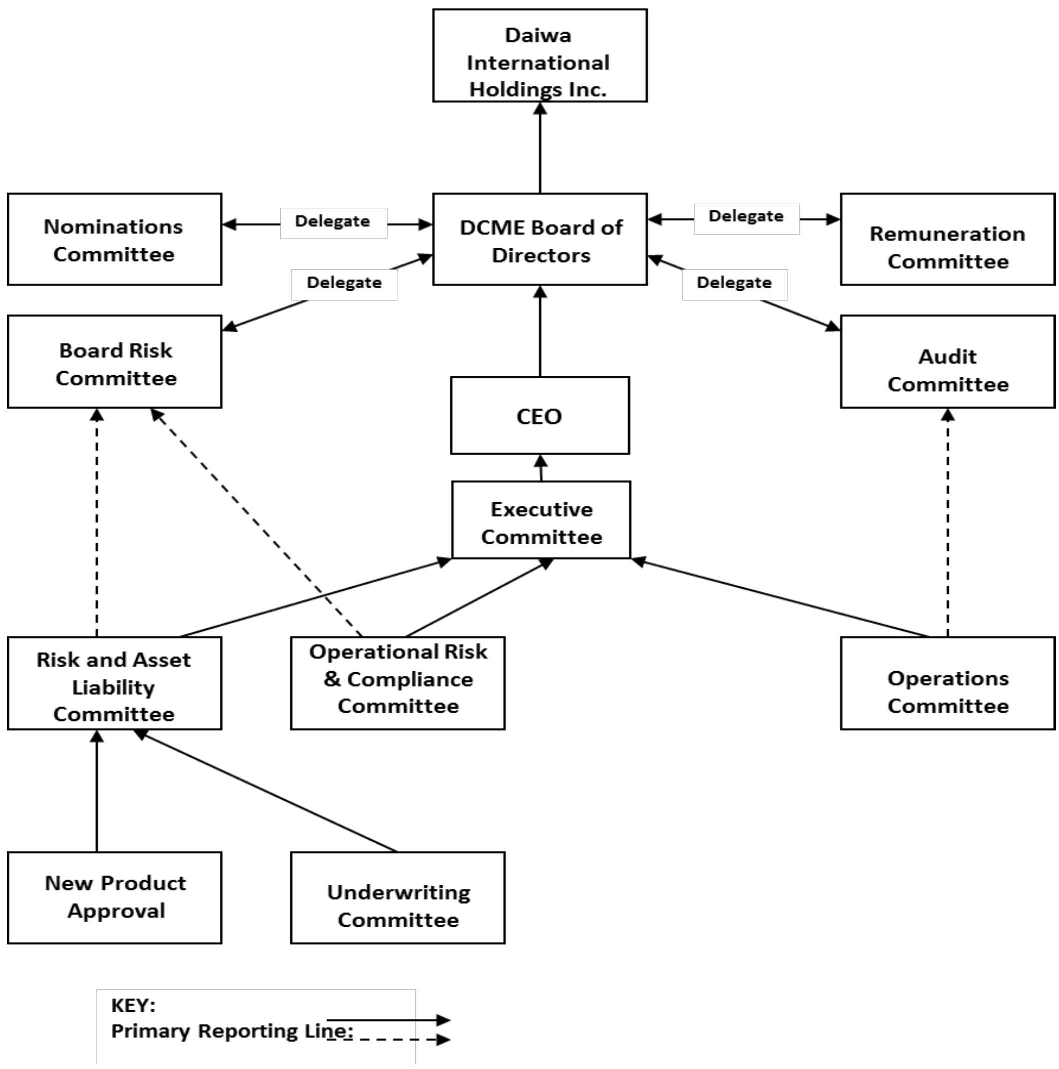
[1] http://www.uk.daiwacm.com/about-us/corporate-governance-and-regulatory

3 Risk Management Objectives and Policies

3.1 Governance and Structure

The Board of Directors of the Firm ("the Board") is ultimately responsible for the management of the Firm – including its branch and representative offices in Europe and the Middle East – and for establishing and monitoring the effectiveness of its corporate governance framework. The Board, the membership of which includes two Independent Non-Executive Directors, is also responsible for determining the Firm's strategic direction and risk appetite.

The Board meets on a monthly basis and more frequently should the need arise. Day to day management responsibilities are delegated to the Firm's Chief Executive Officer. To fulfil its responsibilities the Board is supported by a number of committees including a Board Risk Committee which has been established to focus specifically on risk management issues. The formal committee structure which is illustrated below is maintained centrally and any changes to these are approved by the Board.



The main roles and responsibilities of the committees shown in the above diagram are as follows:

Board Committees

Board Risk Committee

The Board Risk Committee, chaired by an independent non-executive director and composed of non-executives, is directly accountable to the Board and has delegated responsibility for oversight of high-level risk management, including:

- Reviewing in detail the risk appetite statement prepared by executive management;
- Recommending DCME's risk appetite and future risk strategy including capital and liquidity management strategy to the Board;
- Approving policy and key methodologies in relation to capital, funding, liquidity, credit, market, operational and other material risks;
- Monitoring the firm's exposure to material risks.

The committee convened on 7 occasions in the year to 31 March 2016.

Audit Committee

The Audit Committee, chaired by an Independent non-executive director, is responsible for monitoring and reviewing the adequacy of the Firm's financial controls, internal controls and accounting policies.

The Audit Committee monitors and reviews the adequacy of DCME's financial, risk management and other internal control systems; it monitors and reviews DCME's accounting policies, the integrity of its financial statements, its external reporting responsibilities, and oversees the relationship with external auditors.

Remuneration Committee

The Remuneration Committee is responsible for reviewing and approving the firm's remuneration principles and approach, ensuring such principles are consistent with the promotion of effective risk management and discourages excessive risk taking.

Nominations Committee

The Nominations Committee is responsible for reviewing the composition and effectiveness of the Board, and managing all Board appointments.

3.2 Executive Committees

Executive Committee

The Executive Committee provides on-going oversight of the Firm's key business and operational areas in the context of approved budgets and business plans. The Head of Risk Management & Compliance Division is a member of the Executive Committee and ensures that risk management perspectives and requirements are reflected in the firm's business activities. The Executive Committee also receives reports and information from the Risk and Asset Liability Committee and Operational Risk & Compliance Committee as appropriate.

Risk, Asset and Liability Committee (RALCO)

RALCO manages DCME's structural and business risk framework for the assessment and allocation of financial resources in a way that is consistent with the agreed strategy, business plans and risk appetite of the firm.

The responsibility of RALCO can be analysed into the following main components:

- Market Risk
- Credit Risk
- Capital
- Funding & Liquidity, and
- Balance Sheet Management.

The New Product Committee and Underwriting Committee report into RALCO.

Operational Risk & Compliance Committee (ORCC)

The ORCC, which meets on a bi-monthly basis, is responsible for:

- Overseeing the establishment of a sound operational risk management framework within DCME and monitoring the operational risk profile of the firm;
- Providing oversight of DCME’s regulatory obligations and the Compliance framework put in place to help ensure they are met.

The ORCC monitors the firm’s operational risk profile against the defined risk appetite, and compliance with regulatory requirements. Additionally, the ORCC reviews key operational risk and compliance policies and methodologies and recommends to the Board Risk Committee for approval. The ORCC reports on matters within its scope of responsibility to the Executive Committee and onwards to the Board Risk Committee.

Underwriting Committee

Responsible for assessing proposed transactions from a market, credit and reputational risk perspective.

New Product Committee

Responsible for ensuring there is a clearly defined approval process for the evaluation of new products and businesses from an operational perspective. The Committee ensures that new products are only approved after full consideration of the risks involved and the establishment of an adequate control environment.

Operations Committee

The Operations Committee incorporates the responsibilities of the former Programme Board, and oversees significant developments and implementations to ensure that they are carried out in accordance with business plans, IT strategy and policies and conducted to an appropriate standard.

3.3 Governance arrangements (Articles 88-96 of the Capital Requirements Directive IV)

1. The management body of DCME is the Board of Directors (the “Board”). The Board:

(a) has the overall responsibility for DCME and approves and oversees the implementation of DCME's strategic objectives, risk strategy and governance;

(b) ensures the integrity of the accounting and financial reporting systems, including financial and operational controls and compliance with the law and relevant standards;

(c) oversees the process of disclosure and communications; and

(d) is responsible for providing effective oversight of senior management;

2. The Board has established a Nominations Committee comprised of non-executive directors which has the responsibility to:

(a) identify potential candidates to fill Board vacancies, evaluate the balance of knowledge, skills, diversity and experience of the Board and prepare a description of the roles and capabilities for a particular appointment, and assess the time commitment expected;

(b) decide on a target for the representation of any underrepresented gender on the Board and prepare a policy on how to increase the number of any such underrepresented gender;

(c) assess the structure, size, composition and performance of the Board;

(d) assess the knowledge, skills and experience of individual members of the Board and of the management body collectively;

(e) review the policy of the Board for selection and appointment of senior management.

3.4 Management body

Members of the Board of Directors are all registered with the appropriate regulatory authorities. DCME has systems in place to monitor the good repute, knowledge, skills and experience of the directors. DCME monitors compliance with the requirements of Article 91 of the Capital Requirements Directive.

4 Significant Risks

The most significant types of risks to which the Firm is exposed are discussed below:

4.1 Market Risk

Market risk is defined as the potential adverse change in position values arising from movements in interest rates, credit spreads, stock prices, exchange rates or other market risk factors. Market risk exposures arise from trading book positions held in Fixed Income, Equity and Derivative instruments.

Risk is actively managed or hedged by the business within the policies and procedures set by the Risk Management & Compliance Division and within the trading book policy statement. Regular meetings are also held between risk management personnel and desk heads from the front office divisions as part of its active management of the Firm's exposure to risk.

The Market Risk department is responsible for presenting a fair picture of the risk in the Firm's trading book. Market risk exposures are monitored daily to ensure that both individual trader exposures and overall exposures are within the pre-agreed limits framework.

Market risk limits are set top down with overall Group level limits agreed between the firm and parent. DCME's market risk appetite is set by the Board in conjunction with the firm's Board Risk Committee and the Risk & Asset Liability Committee (RALCO) to define a set of DCME Regional Market Risk limits. These limits are then allocated among the individual divisions together with a set of locally managed business specific limits.

Internal reports that identify daily trader and business limit utilisation levels are reviewed and distributed to front office staff and senior management.

Breaches of the pre-agreed Group limits are reported immediately to the Parent and any extensions agreed upon are ratified where appropriate by RALCO. Breaches of DCME Regional level limits are reported to RALCO (and on the same day to the Parent) and require approval from the Head of Risk Management & Compliance and head of the relevant business unit. Breaches of business level specific limits are reported monthly to RALCO and require the same approval as per the DCME Regional limits.

Market risk is controlled and monitored using a range of risk management tools including Value at Risk (VaR), basis point value (BPV) limits, and various changes in credit spreads. A variety of limits are set locally within rules set by the Parent – by instrument rating, issuer, geographic location, and both cumulative and aged holdings. External ratings, where available, are applied to securities. Should the security not be rated, an external issuer rating is used and in the absence of any external rating an internal issuer rating would be applied.

Option positions are adjusted into their delta equivalent positions and gamma and vega limits are applied. Concentrated holdings and aged inventories are monitored to check balance sheet utilisation. Interest rate risk is measured and controlled within overall parameters and limits.

All material market risks are monitored on a daily basis.

The VaR methodology the Firm uses is calibrated to a 99% confidence level, one day holding period and a two year observation period. The calculations are made using an internal model and are checked regularly for reasonableness by the Market Risk department, using techniques such as back testing and profit and loss attribution. Additionally, stress testing and scenario analysis techniques are used to assess the impact of extreme but plausible events. The scenarios are discussed and agreed regularly by the Stress Testing Focus Group (a subcommittee of RALCO) and subject to approval by RALCO.

The VaR analysis for the year was as follows:

	Year to Mar 2016 **£'000**	**Year to Mar 2015** **£'000**
Year-end	1,406	1,547
Average	2,141	2,163
Maximum	3,300	3,161
Minimum	1,289	1,432

Figure 1

The VaR numbers shown incorporate full diversification offsets between businesses.

The VaR figures increased during the first half of the year for both the Fixed Income and Convertible Bonds businesses, but sharply declined during the second half, whilst the VaR for the Equities Division remains negligible.

The VaR for Fixed Income continues to be dominated by the Secondary Credit Trading business, which mainly holds positions in high rated corporate, supranational and agency paper. With risk taking increased during the first half of the year (from near all-time low levels at the end of the previous financial year) as positions were built up in FRN's, AUD denominated paper and SSA's (both fixed and floating), there was a strong decrease in VaR during the second half of the year as exposures were actively reduced.

The increases at the start of the year in Convertible Bonds VaR were due to low implied volatility levels especially across Japan which the desk used as an opportunity to increase inventory in anticipation of client activity later in the year. With conversions and puts in the second half of the year, demand from clients seeking cheap volatility increased and inventory was reduced, which brought VaR down to all-time lows.

DCME adopts standardised approaches for calculating its regulatory capital requirements in relation to market risk accordance with CRR, Part Three, Title IV (Own funds requirements for Market Risk).

4.2 Credit Risk

Credit risk is defined as the potential financial loss arising from a customer or counterparty failing to meet (or being prevented from meeting) its financial obligations to the Firm as they become due. Credit Risk is defined within the Firm as a combination of Counterparty Risk and Issuer Risk.

Counterparty Risk primarily arises on over the counter (OTC) transactions, including derivatives and securities financing transactions. It is the risk that a counterparty may default before completing the satisfactory settlement of transactions, exposing the firm to potential losses arising from cost of replacement and liquidation risks. Counterparty Risk is also present in the form of nostro balances and as cost of replacement in cash securities transactions where the firm has intermediated as simultaneous principal.

Credit Risk is also present as Issuer Risk, representing the Firm's net long-holdings in Bonds, Convertible Bonds or Equities, where an event of default (or similar) creates a loss in the Firm's inventory through the issuer's inability to repay its obligation. The exposure treatment assumes a 'jump to default' of the potential loss exposure with zero recovery.

DCME's Risk & Asset Liability Committee (RALCO) sets credit policy and oversees the control of credit risk. It is supported by the Credit Risk Department which sits within the Firm's Risk Management & Compliance Division. Counterparty exposure is managed by counterparty rating, limit setting (notional, credit, settlement and issuer, each applied where necessary), exposure monitoring and exception reporting.

Formal Credit approval is required for all potential counterparties as part of the Firm's account opening process. Using an internally developed rating system, internal ratings ['ICR'] are then key to formalising the appropriate limit structure for each prospective counterparty, and the limits maintained thereafter as part of on-going review processes. ICRs are determined through a combination of quantitative and qualitative factors, trend analysis, global peer comparisons, scorecard-based factors and publicly available information and accounts, to ensure overall consistency with external ratings provided by External Credit Assessment Institutions (ECAI's).

Credit Limits are set at individual counterparty (legal entity) level and for groups of connected counterparties; Per Issuer Limits are set similarly. The overall limit profile approved for counterparties and groups of connected counterparties considers appropriate constraints executed to ensure the Firm's adherence to the FCA's Large Exposure Rule and the Firm's own Risk Appetite Statement. Credit requirements beyond the Risk Management & Compliance Division's approval authority must be approved by senior management and/or the Risk Management Department of Daiwa Securities Group Inc in Tokyo.

The counterparty base is predominantly investment grade banks, financial institutions, fund managers, funds and large corporates. At 31 March 2016 credit limits extended to investment grade counterparties represented 88% (2015: 91%) of total credit limits granted, and credit exposure to all sub-investment grade counterparties stood at 3.2% (2015: 0.7%) of total counterparty risk (calculated as Mark-to-Market + Potential Future Exposure, for all counterparties including affiliates beyond DCME's own control).

The credit limit framework is calculated recognising principal risk, settlement risk and pre-settlement risk factors. Exposures are monitored and reported upon daily. Trade capture and exposure calculation (including potential future exposure) is automated via overnight batch processing. Credit risk is captured at trade level and reported at legal entity level with netting methodology applied only when legally enforceable within controlling documentation. Exposure to groups of connected entities is managed similarly.

The use of market standard trading and collateralisation documentation is employed whenever practicable. The collateral management and margining of counterparty exposure is actively managed on a daily basis, and exposures revalued using independent price sources. Quality, concentration risk, correlated ('wrong way') risk, illiquidity, pricing risk and haircuts are all considered when determining acceptable collateral. The vast majority of collateral accepted by the Firm is in the form of bonds issued by governments and supranationals, and cash. Lower quality collateral is accepted when warranted by the counterparty quality and appropriate haircuts applied.

All counterparty ratings and limits are reviewed periodically and ad hoc upon financial or business developments. Credit limits will be reduced when determined by deterioration in counterparty credit quality and/or historical limit usage, or cancelled, particularly in the case of dormant accounts. Reinstatement of a previously cancelled credit facility requires formal re-approval of the counterparty, and any desire to increase a credit, settlement or issuer limit to any counterparty must be accompanied, and justified, by a review of the ICR.

The basis upon which credit is granted is set out in the Firm's policy manual and any breach of limits, policy or procedure is recorded and reported immediately to senior management and Tokyo Risk Division, and highlighted again at the monthly RALCO when appropriate.

RALCO and management are further apprised of the Firm's Credit Risk profile/composition according to risk rating, geographic location and industry type, covering both aspects of exposure and limits granted. Stressed exposure reporting methodology was enhanced during 2016 and all exposures are now stressed under various scenarios and reported to local management and Tokyo Risk on a monthly basis.

During the last year the firm suffered a small counterparty loss (€379,478), its first in 18 years: the loss was incurred against a failed German bank that defaulted following tax irregularities. The loss exposure arose upon liquidation of a modest repo portfolio, and the loss claim exposure fully reserved on the basis of no recovery being expected

DCME adopts standardised approaches for calculating its regulatory capital requirements in relation to counterparty and credit risk.

4.3 Liquidity Risk

Liquidity risk is the risk that the Firm, despite remaining solvent, either does not have sufficient financial resources to meet payment obligations as they fall due or that it can only secure such resources at excessive cost.

The Board approves the Firm's liquidity framework which is reviewed at least annually to ensure its continued relevance.

In considering the Firm's business plans, the Board will review the Firm's projected funding and liquidity plan over a three year horizon to ensure that the Firm can continue to have both adequate and appropriate financial resources to meet its requirements.

The Board delegates certain responsibility for operational oversight and management of Risk and Treasury matters to the Firm's Risk and Asset Liability Committee (RALCO). This committee is responsible for on-going development of all components of the liquidity risk framework including providing feedback to the Board to allow it to discharge its obligations.

RALCO allocates funding limits by business area, always ensuring that such limits can be accommodated within the overall funding capacity of the Firm. The Firm's funding sources comprise capital and reserves, parental support and secured funding from a range of professional counterparts. In addition, the Firm has access to a range of wholesale uncommitted lines. These uncommitted lines are accessed periodically as part of the Firm's operational liquidity management process. However, such facilities are not regarded as a core funding source for the business and are not assumed to be available under liquidity stress.

The Regulatory and Treasury Department within the Finance Division undertake daily monitoring of the Firm's funding and liquidity position. Liquidity Risk Management, one of the sections within this department, is tasked with overall responsibility for establishing and maintaining DCME's funding and liquidity framework, developing Treasury's funds transfer pricing policy and assuming day-to-day responsibilities for both internal and external reporting. The Treasury section provides direct market interface in funding DCME's operations as well as managing the firm's ring fenced Liquid Asset Buffer (LAB) portfolio. This portfolio consists of high quality unencumbered bonds (typically brought in through reverse repo) issued by core European sovereigns, select multilateral development banks and by the central governments of USA, UK and Japan. Treasury operates as a cost centre, with all funding and liquidity costs charged to business units in proportion to their funding usage and the liquidity characteristics of their balance sheets.

The cornerstone of the Firm's quantitative liquidity control is a balance sheet cash flow model, appropriately segmented, firstly on a contractual basis and then with behavioural overlays applied to assess the Firm's position in both normal conditions and under various stress scenarios. Due to their subjective nature, the control processes supporting the behavioural assumptions used are subject to a sequence of executive challenges, including agreement by RALCO and the Board.

Stress test analysis forms the basis by which the Firm defines its liquidity risk appetite. This is currently defined in terms of ensuring the firm remains cash positive for all periods up to one year under a severe market wide liquidity stress and for all periods out to one month (without parental support) under a severe combination liquidity stress (market wide and name specific scenario). Key aspects of the Firm's stress testing include, but are not limited to, the impact of additional margin calls and collateral requirements, the ability to access secured and unsecured funding, the impact of multiple downgrades to the parent's credit rating and the impact on access to payment or settlement systems. Supporting controls address other potential stress vulnerabilities including foreign exchange market access and the failure of funding or credit counterparts.

Were the Firm to conclude from either quantitative or qualitative liquidity/funding controls that there was a potential liquidity issue developing, it would invoke its Board approved Contingency Funding Plan.

From a regulatory viewpoint, Daiwa Europe is governed by the Financial Conduct Authority's (FCA's) prudential liquidity regime in the UK. The FCA requires the company to undertake an annual assessment into the adequacy of its liquidity resources and liquidity risk management framework. This self - assessment process is termed an Individual Liquidity Adequacy Assessment (ILAA) and it is subject to a Supervisory Liquidity Review Process (SLRP) that is conducted by the FCA. The SLRP leads to Individual Liquidity Guidance (ILG) being conferred on the company that requires the company to adhere to minimum quantitative standards on liquidity. The company holds a significant liquid asset buffer which ensures that it adheres to this minimum standard at all times.

4.4 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The definition includes legal risk, but excludes reputational and strategic risk.

Operational risks within DCME are minimised by means of a network of controls, procedures, reports and responsibilities. Within the Firm, each division and department has responsibility for its own operational risks and establishes appropriate resources, processes and controls for minimising such risks. The focus is primarily on the early recognition, reduction and management of risks as well as the measurement and monitoring of risks.

An independent Operational Risk Management (ORM) function within the Risk & Compliance division is responsible for establishing, and ensuring effective maintenance of, the framework within which operational risk is managed and for its consistent application across the Firm.

DCME's operational risk framework incorporates the following group-wide processes for the identification, measurement, monitoring, mitigation and reporting of operational risks:

- Monthly monitoring and reporting of key risk indicators (KRI) which are established to monitor the firm's key operational risks and identify potential issues at an early stage;
- Performance of risk and control self-assessments for assessing possible effects of potential risk sources and the effectiveness of existing controls for reducing risks. Where significant risks are identified, mitigation plans are defined and implementation monitored by ORM;
- Capturing, assessing and reporting of operational risk incidents, including loss events. This procedure helps to identify where process improvements may be required to reduce the likelihood of a recurrence;
- Focussed risk assessments of specific functions or processes in conjunction with the affected specialist units;
- Co-ordination of the new product approval process, to ensure identification of risks which may be associated with new products or business activities and the establishment of appropriate mitigating controls.

In addition to the above, specialist support functions also provide expertise in areas such as compliance (regulatory / reputational / conduct risk), health & safety (people risk), business continuity and office security (external event risk), information security (technology risk), and legal and transaction management (legal risk).

ORM presents a summary of the firm's key operational risks, monitoring activities and operational risk incidents to the Operational Risk & Compliance Committee. ORM also provides regular reports to the Board Risk Committee and Audit Committee.

DCME adopts the standardised approach for calculating its regulatory capital requirements in relation to operational risk in accordance with CRR.

4.5 Other Risks

It is the Firm's policy to have low open foreign exchange (FX) risk. FX risk in the profit and loss account is managed by the Product Control department which sits within the Finance Division. Limits are in place against which this is reviewed on a weekly basis. A process is in place to ensure that there is no material FX risk at each month-end. This is achieved through an interim FX sell-off at month-end, followed by a final sell-off after the month-end close process.

In addition, any material P&L items arising intra-month are considered on a case-by-case basis by front office with a view of entering into an interim FX transaction if appropriate.

5 Capital Resources

The table below details the composition of the Firm's consolidated regulatory capital as at 31 March..

		Notes	31-Mar-16	31-Mar-15
			£'000	**£'000**
Common Equity Tier 1 capital				
	Called up share capital		732,121	732,121
	Profit and loss account and other reserves		-141,323	-116,863
	Revaluation reserve		1,057	876
			591,855	616,134
	Less total deductions from tier 1 capital	1	-16,575	-21,392
Total Common Equity Tier 1 capital		**2**	**575,280**	**594,742**
Total capital resources			**575,280**	**594,742**

Figure 2

Notes

1. Deductions comprise: Goodwill on acquisition of Close Brothers Corporate Finance Holdings Limited, and of the convertibles business of KBC Financial Products £15,633k and prudential valuation adjustments £942k
2. Common Equity Tier 1 capital consists of share capital and reserves, including revaluation reserves. The Firm has no innovative Tier 1 instruments.

The Firm's capital resources are exclusively Common Equity Tier 1 capital. At 31 March 2016 and during the year, the Firm complied with all externally imposed capital requirements and all gearing rules in accordance with the rules set out in CRR.

5.1 Capital Adequacy

The Firm defines capital as the resources necessary to cover unexpected losses arising from discretionary risks, being those which it accepts as credit risk and market risk, or non-discretionary risks, being those which arise by virtue of its operations, such as operational risk.

The Firm's Risk Asset and Liability Committee and Board Risk Committee (RALCO) use capital management principles and related policies define the Internal Capital Adequacy Assessment Process (ICAAP) by which the Firm's risk profile is examined to ensure the level of capital:

- Remains sufficient to support the Firm's risk profile and outstanding commitments;
- Exceeds the Firm's supervisory capital requirement by an agreed margin;
- Is capable of withstanding a severe economic downturn or stress scenario;
- Remains consistent with the Firm's strategic and operational goals.

The following table shows the Firm's Pillar 1 consolidated capital requirement:

	31-Mar-16 £'000	31-Mar-15 £'000
Minimum capital requirements		
Trading book -		
Interest rate PRR	45,434	58,231
Equity PRR	2,347	3,741
CIU PRR	0	0
Foreign currency PRR	1,999	2,384
Market risk requirement	49,780	64,356
Trading book		
Counterparty risk capital component	8,712	17,576
Credit Risk Capital Component	7,529	6,976
Concentration risk capital component	0	-
Credit Valuation Adjustment	1,020	11,095
Default Fund Contribution capital charge	92	87
Credit risk requirement	17,353	35,734
Operational Risk Capital Requirement – Standardised Approach	21,519	22,207
Total Pillar 1 capital requirement	**88,652**	**122,297**
Total Tier 1 Capital	**575,280**	**594,742**
Total risk weighted assets	**1,108,150**	**1,528,713**
Tier 1 capital ratio	**51.9%**	**38.9%**

Figure 3

5.2 Counterparty Credit Risk

The following table shows the counterparty risk capital component and credit risk capital component by exposure class (8% of the risk weighted exposure amounts):

As at 31 March 2016	Counterparty Risk Capital Component £'000	Credit Risk Capital Component £'000
Standardised Approach		
Central Governments and Central Banks	104	10
Institutions	4,826	2,105
Corporates	2,248	5,496
Other Items	1,533	-
Total	**8,712**	**7,611**

As at 31 March 2015:	Counterparty Risk Capital Component £'000	Credit Risk Capital Component £'000
Standardised Approach		
Central Governments and Central Banks	309	22
Institutions	16,817	3281
Corporates	450	3,673
Other Items	0	0
Total	**17,576**	**6,976**

Figure 4

DCME adopts standardised approaches for calculating its regulatory capital requirements in relation to counterparty and credit risk.

The following table details the OTC derivative contracts

As at 31 March 2016	Gross Positive Fair Value of contracts	Total Netting Benefits	Netted Current Credit Exposure (A)	Collateral Held * (B)	Net Derivatives Credit Exposure (C) = (A)- (B)
	£'000	£'000	£'000	£'000	£'000
Trading Book	616,202	1,015,346	389,349	219,336	170,014
Total	**616,202**	**1,015,346**	**389,349**	**219,336**	**170,014**

As at 31 March 2015	Gross Positive Fair Value of contracts	Total Netting Benefits	Netted Current Credit Exposure (A)	Collateral Held * (B)	Net Derivatives Credit Exposure (C) = (A)-(B)
	£'000	£'000	£'000	£'000	£'000
Trading Book	341,223	461,631	231,859	106,422	125,437
Total	**341,223**	**461,631**	**231,859**	**106,422**	**125,437**

Figure 5

All exposure values were calculated using the CCR mark to market method.

5.3 Credit derivative transactions

As at 31 March 2016, the Firm's portfolio of credit derivatives did not reference an asset held by the firm. All credit derivatives are held in the Firm's trading book.

The counterparty base for credit derivatives is predominantly investment grade banks.

The following table shows the notional value of the credit derivative transactions as at 31 March:

As at 31 March 2016	Protection Sold	Protection Purchased	Total
	£'000	£'000	£'000
Trading Book - Credit default swaps			
Specifically hedging	0	0	0
Other	0	168,357	168,357
Total	**0**	**168,357**	**162,047**

As at 31 March 2015	Protection Sold	Protection Purchased	Total
	£'000	£'000	£'000
Trading Book - Credit default swaps			
Specifically hedging	0	0	0
Other	0	162,047	162,047
Total	**0**	**162,047**	**162,047**

Figure 6

5.4 Credit Risk and Dilution Risk

Definition of past due and impaired

A financial asset (loan and receivable) is defined as past due when a counterparty has failed to make a payment when contractually due.

A financial asset (loan and receivable or available for sale investment) is impaired if its recoverable amount is less than its carrying amount on the balance sheet.

At each balance sheet date the Firm assesses whether, as a result of one or more events that occurred after initial recognition, there is objective evidence that a financial asset is impaired. Evidence of impairment may include indications that the counterparty is experiencing significant financial difficulty. If there is objective evidence that an impairment loss on a financial asset has been incurred, the amount of loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The impairment loss is immediately recognised in the profit and loss account.

As at 31 March 2016 as the result of a 2014 impairment review, the intercompany loan with the Firm's subsidiary was impaired by £27.72m (31 March 2015 also £27.72m).

Analysis of credit risk exposures

The gross credit risk exposure (before credit risk mitigation) and the average for the year ended 31 March 2016 are summarised as follows

	Year Ended 31-March 2016	As at 31 March 2016	Year Ended 31-Mar-15	As at 31 March 2015
	Average Gross Credit Exposures	Total Gross Credit Exposures	Average Gross Credit Exposures	Total Gross Credit Exposures
	£'000	£'000	£'000	£'000
Sovereigns	105,045	44,946	166,238	355,297
Institutions	22,155,580	15,984,738	18,565,162	22,176,668
Corporates	156,283	233,372	416,437	327,202
Other	14,577	14,888	1960	1,122
Total	**22,431,485**	**16,277,944**	**19,149,797**	**22,860,289**

Figure 7

The geographical distribution of these exposures is as follows

As at 31 March 2016	UK	Japan	Europe	North America	Rest of the World	Grand Total
	£'000	£'000	£'000	£'000	£'000	£'000
Sovereigns	738	75	42,231	1,410	492	44,946
Institutions	5,281,452	6,567,138	1,258,439	1,658,890	1,218,819	15,984,738
Corporates	197,816	705	5,666	7,753	21,431	233,372
Other	14,640	0	11	102	135	14,888
Total	**5,494,647**	**6,567,918**	**1,306,347**	**1,668,155**	**1,240,878**	**16,277,944**

As at 31 March 2015	UK	Japan	Europe	North America	Rest of the World	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Sovereigns	3,189	617	348,949	1,710	832	355,297
Institutions	6,343,724	9,119,913	1,620,462	4,468,596	623,973	22,176,668
Corporates	33,742	542	7582	281,821	3,515	327,202
Other	1,122	-	-	-	-	1,122
Total	**6,381,777**	**9,121,072**	**1,976,993**	**4,752,127**	**628,320**	**22,860,289**

Figure 8

The distribution of exposures by industry and exposure class is as follows

As at 31 March 2016	Sovereigns	Institutions	Corporates	Other	Total
	£'000	£'000	£'000	£'000	£'000
Central Governments/Central Banks	44,946	-	-	1,873	46,819
Banks	-	7,522,550	-	-	7,522,550
Financials	-	8,462,188	-	-	8,462,188
Corporates	-	-	233,372	151	233,523
Other	-	-	-	12,865	12,865
Total	**44,946**	**15,984,738**	**233,372**	**14,888**	**16,277,944**

As at 31 March 2015	Sovereigns	Institutions	Corporates	Other	Total
	£'000	£'000	£'000	£'000	£'000
Central Government/Central Banks	355,297	-	-	-	355,297
Banks		9,533,862		1,122	9,387,319
Financials		12,642,986		-	12,790,471
Corporates	-		327,202	-	327,202
Other	-	-	-	-	-
Total	**355,297**	**22,176,848**	**327,202**	**1,122**	**22,860,289**

Figure 9

The distribution of exposures by residual maturity is as follows:

As at 31 March 2016	One year or less £'000	Over 1 year not exceeding 5 years £'000	Over five years £'000	Total £'000
Sovereigns	44,946	0	0	44,946
Institutions	14,605,996	217,562	1,161,180	15,984,738
Corporates	231,041	2	2,329	233,372
Other	13,013	3	0	13,015
Multilateral Development Banks	1,873	0	0	1,873
Total	**14,896,868**	**217,567**	**1,163,510**	**16,277,944**

As at 31 March 2015	One year or less £'000	Over one year not Exceeding five years £'000	Over five years £'000	Total £'000
Sovereigns	350,378	-	4,919	355,297
Institutions	21,641,112	86,093	449,463	22,176,668
Corporates	327,202	-	-	327,202
Other	-	-	-	-
Multilateral Development Banks	1,122	-	-	1,122
Total	**22,319,814**	**86,093**	**454,382**	**22,860,289**

Figure 10

5.5 Credit Risk - Standardised Approach

The Firm uses Moody's as its external credit assessment institution (ECAI) for the purpose of calculating risk weighted exposure amounts in accordance with the standardised approach to credit risk.

The following details the standardised credit risk exposure classes for which the ECAI was used.

- Sovereigns (Central Governments/Central Banks)
- Regional Governments/Local Authorities
- Institutions
- Corporates
- Other Items

The following table shows the exposure values (before the application of supervisory hair-cuts) associated with each credit quality step as at 31 March. The credit quality steps are those used by the FCA and reflect the credit quality of exposures. The steps are determined by factors such as the type of exposure, credit rating and maturity. The highest credit quality is 1 and the poorest is 6.

As at 31 March 2016	Sovereigns	Institutions	Corporates	Other	Total Exposures
Credit Quality Step	£'000	£'000	£'000	£'000	£'000
1	3,088	6,449,696	1,128	1,177	6,455,089
2	75	8,600,047	18,593	0	8,618,715
3	0	257,273	412	0	257,685
4	0	52,356	0	0	52,356
5	0	0	0	0	0
6	0	0	0	0	0
Unrated	41,784	625,366	213,239	13,711	894,099
Total	**44,946**	**15,984,738**	**233,372**	**14,888**	**16,277,944**

As at 31 March 2015	Sovereigns	Institutions	Corporates	Other	Total Exposures
Credit Quality Step	£'000	£'000	£'000	£'000	£'000
1	5,827	5,063,690	585	1,103	5,071,205
2	617	10,857,869	1026	-	10,859,512
3	348,760	1,281,904	124	-	1,630,787
4	-	5,843	45	-	5,887
5	-	-	-	-	-
6	-	-	-	-	-
Unrated	93	4,967,361	325,423	19	5,292,897
Total	**355,297**	**22,176,667**	**327,202**	**1,122**	**22,860,289**

Figure 11

The following table shows the exposure values after credit risk mitigation (including the application of supervisory haircuts) associated with each credit quality step as at 31 March:

As at 31 March 2016	Sovereigns	Institutions	Corporates	Other	Total Exposures after Credit Risk Mitigation
Credit Quality Step	£'000	£'000	£'000	£'000	£'000
1	3,088	384,756	1,128	1,177	390,149
2	75	103,767	1,056	-	104,898
3	-	4,893	412	-	5,305
4	-	-	-	-	-
5					-
6					-
Unrated	1,382	22,488	94,898	13,711	132,480
Total	**4,545**	**515,905**	**97,494**	**14,888**	**632,832**

As at 31 March 2015	Sovereigns	Institutions	Corporates	Other	Total Exposures after Credit Risk Mitigation
Credit Quality Step	£'000	£'000	£'000	£'000	£'000
1	27,698	180,940	430	1,485	210,553
2	-	160,069	117	-	160,186
3	27,848	84,081	-	-	111,929
4	103	-	-	-	103
5	-	-	125	-	125
6	-	-	-	-	-
Unrated	258	90,255	132,544	-	223,056
Total	**55,907**	**515,346**	**133,216**	**1,485**	**705,953**

5.6 Market Risk

Please refer to Section 2 Risk Management Objectives and Policies for a summary of the Firm's approach to the management of market risk.

The following table shows the Firm's Pillar 1 capital requirement on market risk as at 31 March.

	As at 31 March 2016 £'000	As at 31 March 2015 £'000
Trading Book		
Interest rate PRR	45,434	58,216
Equity PRR	2,347	3,741
Option PRR	-	-
Collective Investment Undertakings PRR	0	0
Foreign currency PRR	1,999	2,384
Total Pillar 1 capital requirement for market risk	**49,780**	**64,341**

Figure 12

DCME adopts standardised approaches for calculating its regulatory capital requirements in relation to market risk in accordance with CRR, Part Three, Title IV (Own funds requirements for Market Risk).

5.7 Operational Risk

Please refer to Section 2 - Risk Management Objectives and Policies for a summary of the Firm's approach to the management of operational risk.

The Firm has followed the criteria for the approach and assessment set out in CRR Part Three, Title II (Own funds requirements for operational risk). The Firm has adopted the standardised approach for calculating the Pillar 1 capital requirement for operational risk. The figures below are based on audited results for the 3 year period ended March 2016 and 2015 respectively.

	As at 31 March 2016 £'000	As at 31 March 2015 £'000
Operational risk	21,519	22,207
Total Pillar 1 capital requirement for operational risk	**21,519**	**22,207**

Figure 13

5.8 Non-Trading Book Exposures in Equities

The Firm does not have any significant equity exposures in its non-trading book. As at 31 March 2016, the Firm held a number of equity shareholdings in clearing houses for historical reasons and not for investment purposes. Management intends to hold those investments for the foreseeable future.

Those assets are classified as available for sale investments on the balance sheet as at 31 March 2016 and are held at fair value. Fair value is determined by reference to the quoted price in an active market wherever possible. Where no such active market exists, the Firm uses a valuation technique to arrive at the fair value, including the use of prices obtained in recent arms-length transactions and other valuation techniques commonly used by market participants.

Gains and losses arising from changes in fair value are included in a fair value reserve until sale when the cumulative gain or loss is transferred to the profit and loss account. The available for sale assets are reviewed for impairment if necessary.

The following table shows the Firm's total available for sale investments.

	As at 31 March 2016 £'000	As at 31 March 2015 £'000
Available for sale investments	1,139	916
Total available for sale investments	**1,139**	**916**

Figure 14

The carrying amount of available for sale investments approximates to their fair value.

5.9 Exposures to Interest Rate Risk in the Non-Trading Book

The firm is exposed to interest rate risk on the non-trading book by virtue of fixed rate loans from the group and to a limited extent from external sources. The adverse impact of a 200 basis point downward shock to interest rates would be in the region of £3m gross, though the scope for this size of movement, given current market interest rate levels is limited. This is not currently a Pillar I charge but is considered under Pillar II as part of the firm's internal capital adequacy assessment (ICAAP).

5.10 Credit Risk Mitigation

Please refer to Section 2 (Risk Management Objectives and Policies) for a summary of the Firm's approach to the management of credit risk mitigation.

The following table shows the total exposure value that is covered by collateral (after the application of supervisory hair-cuts):

	Exposure covered by Eligible Financial Collateral	
	As at 31 March 2016 £'000	As at 31 March 2015 £'000
Standardised Approach		
Sovereigns	41,765	340,756
Institutions	14,595,392	21,438,654
Corporates	156,701	284,602
	-	-
Total	**14,793,859**	**22,064,012**

Figure 15

Credit risk mitigation is defined, in general terms, by processes through which the Firm seeks to mitigate counterparty credit risk and minimise potential losses incurred in the event of any counterparty default (positive mark-to-market risk) or debt repayment moratorium.

The first level of mitigation is from the process of trading with only credit worthy entities, control being exercised via the Firm's credit management account approval processes and policy for Acceptable Counterparties.

For many years, the Firm has controlled risks arising from all cash securities business via a limit control framework. The firm's limit structure supporting such activity is extended 70% (67%) to investment grade counterparties (internal rating methodology).

The Firm's principal trading counterparties for other business activities are predominantly investment grade (Internal Credit Ratings, which largely mirror those of External Credit Assessment Institutions) and represent 92% (97% in 2015) of total credit limits extended: the largest individual credit limits are extended to Central Counterparties and the most renowned and largest global financial institutions.

As a second level of mitigation, in the event that a counterparty is determined to be a weak member of a larger credit-worthy group, a parental guarantee will be sought to support any necessary limit framework. The Firm's Legal Department will negotiate the implementation of such documentation.

The third level of mitigation is via the implementation of market standard trading agreements with counterparties before a trading relationship occurs.

The negotiations and implementation of market standard trading documentation facilitates legal netting of counterparty exposure. Financing and OTC Derivative trading outside of documentation is not permitted without express approval by Credit Risk.

The standard trading agreements most commonly in use between the Firm and its counterparties are the:

- GMRA – Global Master Repurchase Agreement
- GMSLA – Global Master Securities Lending Agreement
- ISDA – International Swaps & Derivatives Association Master Agreement.

For ISDAs, Credit Support Annexes "CSAs " and Multiple Transaction Payment Netting language are normally implemented, facilitating both credit and settlement netting; older versions of ISDAs in use generally include Net Paying Addenda "NPAs" to address settlement risk netting. The Firm's Legal Department negotiate agreements using terms set by Credit Risk, who seek to minimise potential future exposure against the Firm, by imposing small bilateral thresholds and minimum transfer amounts.

Cross - Product Netting Agreements are rarely used within the Firm, although such capacity is recognised within the firm's limit and exposure framework when the counterparty is also a UK legal entity whereupon the 'right of set off' is enshrined within UK Law.

The fourth level of mitigation is undertaken by the Firm's Collateral Management function whereby margining activity is conducted on a daily basis in accordance with the legal terms contained within respective trading agreements. Over 99% of the Firm's trading agreements include capacity for daily margining to be conducted; extended margining terms are rare and in recent years, in common with the market trend, as documentation is renegotiated and brought up to the latest standard, so minimum transfer amounts and thresholds have been driven towards zero values so the maximum margin protection can be sought.

The main types of *incremental* collateral taken by the firm are predominantly cash (USD, EUR), a smaller element by way of G7 Government Bonds, and a minor element in the form of highly rated Corporate Bonds. Sub-investment grade or unrated bonds are generally avoided, and bonds with correlated risk (wrong way risk) are not acceptable forms of incremental collateral/credit mitigation.

The Firm does have limited exposure to hedge funds that are determined as sub-investment grade (according to the Firm's Internal Credit Rating), wherein the risk is predominantly mitigated by limiting business to short-dated cash securities transactions, as part of the firm's brokerage services, or premium receipt risk arising from selling options without ISDA-CSAs: some hedge funds will only transact option activity with CSA protection, and as such the firm does have additional, but limited, risk in the form of collateral-recall risk.

Liquidity and concentration risks within incremental collateral, are judged not to be of material concern given they are predominantly represented by G3 cash and G3 Government bonds.

By following these parameters, the Firm seeks to ensure that when trading with any counterparty it should enjoy risk mitigation and at least two methods of repayment.

6 Remuneration

6.1 Basis of Disclosure

The remuneration disclosures are prepared on the basis that DCME is a level 3 firm. A level 3 firm is defined as one whose average total assets over the past three financial years have not exceeded £15bn. As a result, the Firm's remuneration disclosures are not required to be as detailed as if it were level 1 or 2. The firm monitors its position with regards to this definition closely due to the proximity to the threshold.

6.2 Committee

The Firm has a Remuneration Committee. Authority is delegated by the Board to the Committee to review and approve remuneration, and to ensure remuneration policies across the Firm are consistent with the promotion of effective risk management and do not encourage risk taking which exceeds the Firm's risk appetite. It ensures that the risks associated with the operation of remuneration policies are considered. The Committee is responsible for reviewing and approving any salary amendments and cash bonuses proposed to the Committee arising from the annual compensation review, subject to formal review by Head Office (Tokyo), with reports made to the Board as required. Within this process, individual review and approval is undertaken for employees considered to be Material Risk Takers (MRTs), including the consideration of any performance adjustments and review of deferred awards. The Committee also considers any "sign on" bonuses and severance payments made to MRTs during the year.

The Committee receives remuneration proposals from Heads of Regional Business and Support areas, after the proposals have been reviewed by respective Global Heads and London Senior Management.

The Committee is comprised of five Non-Executive Directors and receives contributions from other senior staff members including the Regional Head of HR and Regional Head of Risk and Compliance, as required. The Committee have the power and resources necessary to request such information and advice as it needs, both internally and from professional advisers, and that it deems appropriate to enable it to perform its functions.

During the period in question, remuneration consisted of fixed pay (base salary and benefits) and variable pay (e.g. annual discretionary cash bonus) designed to reward performance and to retain key staff members. The annual discretionary bonus is used to reflect financial performance, as well as to reward and encourage good non-financial performance.

Bonuses may be reduced or withheld completely if the employee has failed to comply with the Firm's risk management policies, or where there has been any breach of regulatory requirements. The bonus may also be reduced to zero where there is poor performance, or where the employee is subject to a disciplinary warning, for example. The range of criteria chosen to determine discretionary bonuses may vary from year to year and from one business area to another. The actual levels of pay will be influenced by a number of factors including the Firm's profitability and strategic objectives, which may change from time to time and also take into account competitive market practice.

The Firm has a deferral scheme in operation for any bonus payments above a bonus level as determined by the Remuneration Committee. This policy is applicable to all staff members. However, MRTs have additional performance adjustment measures in place under this scheme which may be applied at the discretion of the Remuneration Committee.

As a level 3 Firm, the Firm has chosen not to use financial instruments and to disapply the bonus cap for this period in question.

6.3 Remuneration disclosure

The number of MRTs for the period has decreased slightly year on year, mainly as a result of the Company considering some of the staff previously identified under the quantitative criteria, not to have a material impact on the firm's risk. The disclosures for the MRT staff identified are shown below:

Aggregate remuneration expenditure

Business Area	£'000
Fixed Income	2,924
Equity & ICB	1,392
Investment Banking	1,386
DCA[2]	0
Derivatives	2,464

Figure 16

Remuneration for Financial Year

Analysis between fixed and variable amounts

	Senior Management	Non Senior Management
Number of code staff	*14*	*40*
Fixed pay:-	£'000	£'000
Cash based Fixed Remuneration	2,763	6,622
Variable Pay:-		
Cash	643	3,344
Deferred cash	136	739
Total variable pay	779	4,083
Overall Total	**3,542**	**10,705**

Figure 17

6.4 Sign on, Severance and Performance Adjustments

Category	£'000
Performance Adjustments	0
Sign On Payments	0
Severance Payments	502

Figure 18

6.5 Code Staff Remuneration

Total Compensation EUR	Number of code staff within bracket	
	2015/16	**2014/15**
<1,000,000	52	56
1,000,000-1,500,000	2	4

Figure 20

[2] No code staff were employed by DCA in the period

7 Board Risk Management Declaration

The Board is responsible for reviewing the effectiveness of the Company's risk management arrangements and systems of financial and internal control. These are designed to manage rather than eliminate the risks of not achieving business objectives, and – as such- offer reasonable but not absolute assurance against fraud, material misstatement and loss.

The Board considers that it has in place adequate systems and controls with regard to the Company's profile and strategy and an appropriate array of assurance mechanisms, properly resourced and skilled, to avoid or minimise loss.

8 Board Approved Risk Statement

The Board maintains a Risk Appetite which is regularly monitored with formal reviews of the risk measures in conjunction with the long term planning process. During the year the risk profile of the Company has been maintained within the key risk limits.

The Board express the Risk Appetite through a number of key Risk Appetite measures which define the level of risk acceptable across a number of categories.

The risk appetite measures are integrated into decision making, monitoring and reporting processes, with early warning trigger levels set to drive any required corrective action before overall tolerance levels are reached. The table below sets out a number of the key measures used to monitor the Firm's risk profile.

Risk Category	Risk Measure	Criteria	Tolerance Level	Value as at 31 Mar 2015	Value as at 31 Mar 2016
Capital Risk	Tier 1 Capital Ratio	Minimum tier 1 capital ratio >20%	>20% Tier 1 capital ratio[3]	41.40%	53.6%
Liquidity Risk	Internal Coverage Ratio	Buffer above regulatory minimum	Minimum 10% buffer above regulatory minimum ILG	93%	205%
Market Risk	Value at Risk	1-day 99% diversified VaR (maximum $10m at entity level)	Maximum $10m for all businesses	$2.51m	$2.4m
Credit Risk	Net Credit Exposure	Total net credit exposure (maximum 10x total capital resources)	Maximum10x total capital resources	3.93x	3.19x
Operational Risk	Operational Risk Losses: Max from single event	$1m - single event impact	$1m – single event impact	$28k	$292k
	Operational Risk Losses: Max aggregate annual loss	$2m aggregate over prior 12 months (rolling basis)	$2m aggregate per annum	$61k	$334k

Note: The market risk VaR number contained in the above table refers to the high point in the prevailing month rather than the month end value.

[3] The Firm targets a minimum buffer above the regulatory individual capital guidance threshold and has operated at a significant surplus to this throughout the year. Our long term capital plan and internal capital adequacy assessment show the continuation of a surplus above the internally set capital buffer.

Appendices: EBA Pillar III Disclosure Templates

1 Own Funds

1.1 Capital instruments' main features as at March 31st 2016

Capital instruments main features template (1)		
1	Issuer	Daiwa Capital Markets Europe Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	UK
	Regulatory treatment	
4	Transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	GBP 732m
9	Nominal amount of instrument	GBP 732m
9a	Issue price	GBP 1
9b	Redemption price	GBP 1
10	Accounting classification	Shareholders' equity
11	Original date of issuance	Mar 2008: GBP109m Jun 2009: GBP98m Nov 2010: GBP125m Feb 2011:GBP50m Mar 2011: GBP500m Sep 2012: GBP(150m) (reduction)
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20 a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20 b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

1.2 Transitional own funds disclosure – Consolidated as at March 31st 2016

Common Equity Tier 1 (CET1) capital: instruments and reserves		(A) AMOUNT AT DISCLOSURE DATE	(C) AMOUNTS SUBJECT TO PRE- REGULATION (EU) NO 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) NO 575/2013
1	Capital instruments and the related share premium accounts	732,121	
	of which: Instrument type 1	732,121	
	of which: Instrument type 2	0	
	of which: Instrument type 3	0	
2	Retained earnings	-141,323	
3	Accumulated other comprehensive income (and other reserves)	1,057	
3a	Funds for general banking risk	0	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	0	
	Public sector capital injections grandfathered until 1 January 2018	0	
5	Independently reviewed interim profits net of any foreseeable charge or dividend	0	
5a	Minority interests (amount allowed in consolidated CET1)	0	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	591,855	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	-942	-942
8	Intangible assets (net of related tax liability) (negative amount)	-15,633	-15,633
9	Empty set in the EU		
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	0	0
11	Fair value reserves related to gains or losses on cash flow hedges	0	0
12	Negative amounts resulting from the calculation of expected loss amounts	0	0
13	Any increase in equity that results from securitised assets (negative amount)	0	0
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	0	0
15	Defined-benefit pension fund assets (negative amount)	0	0
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	0	0
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	0
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	0
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	0
20	Empty set in the EU		
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	0	0
20b	of which: qualifying holdings outside the financial sector (negative amount)	0	0
20c	of which: securitisation positions (negative amount)	0	0
20d	of which: free deliveries (negative amount)	0	0

Common Equity Tier 1 (CET1) capital: instruments and reserves		(A) AMOUNT AT DISCLOSURE DATE	(C) AMOUNTS SUBJECT TO PRE- REGULATION (EU) NO 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) NO 575/2013
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	0	0
22	Amount exceeding the 15% threshold (negative amount)	0	0
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	0	0
24	Empty set in the EU		
25	of which: deferred tax assets arising from temporary differences		
25a	Losses for the current financial year (negative amount)	0	0
25b	Foreseeable tax charges relating to CET1 items (negative amount)	0	0
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	0	
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	0	
	Of which: …filter for unrealised loss 1	0	
	Of which: …filter for unrealised loss 2	0	
	Of which: …filter for unrealised gain 1	0	
	Of which: …filter for unrealised gain 2	0	
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR	0	
	Of which:	0	
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	0	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	-16,575	
29	**Common Equity Tier 1 (CET1) capital**	575,280	
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	0	
31	of which: classified as equity under applicable accounting standards	0	
32	of which: classified as liabilities under applicable accounting standards	0	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	0	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	0	0
35	of which: instruments issued by subsidiaries subject to phase out	0	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	0	
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	0	0
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	0
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	0
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	0	0
41	Regulatory adjustments applied to additional tier 1 in respect of	0	

Common Equity Tier 1 (CET1) capital: instruments and reserves		(A) AMOUNT AT DISCLOSURE DATE	(C) AMOUNTS SUBJECT TO PRE- REGULATION (EU) NO 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) NO 575/2013
	amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)		
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	0	
	Of which items to be detailed line by line, e.g. Material net interim losses, intangibles, shortfall of provisions to expected losses etc	0	
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	0	
	Of which items to be detailed line by line, e.g. Reciprocal cross holdings in Tier 2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc	0	
41c	Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions required pre- CRR	0	
	Of which: …possible filter for unrealised gains	0	
	Of which: …possible filter for unrealised losses	0	
	Of which: …	0	
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	0	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	0	
44	**Additional Tier 1 (AT1) capital**	0	
45	**Tier 1 capital (T1 = CET1 + AT1)**	575,280	
Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	0	
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	0	
	Public sector capital injections grandfathered until 1 January 2018	0	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	0	0
49	of which: instruments issued by subsidiaries subject to phase out	0	
50	Credit risk adjustments	0	
51	**Tier 2 (T2) capital before regulatory adjustments**	0	
Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	0	
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	
54a	Of which new holdings not subject to transitional arrangement	0	
54b	Of which holdings existing before 1 January 2013 and subject to transitional arrangements	0	
55	Direct and indirect holdings by the institution of the T2	0	

	Common Equity Tier 1 (CET1) capital: instruments and reserves	(A) AMOUNT AT DISCLOSURE DATE	(C) AMOUNTS SUBJECT TO PRE- REGULATION (EU) NO 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) NO 575/2013
	instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		
56	Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	0	
56a	Residual amounts deducted from Tier 2capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	0	
	Of which items to be detailed line by line, e.g. Material net interim losses, intangibles, shortfall of provisions to expected losses etc	0	
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	0	
	Of which items to be detailed line by line, e.g. reciprocal cross holdings in at1 instruments, direct holdings of non significant investments in the capital of other financial sector entities, etc	0	
56c	Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre CRR	0	
	Of which: …possible filter for unrealised gains	0	
	Of which: …possible filter for unrealised losses	0	
	Of which: …	0	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	0	
58	**Tier 2 (T2) capital**	0	
59	**Total capital (TC = T1 + T2)**	575,280	
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013(i.e. CRR residual amounts)	1,108,150	
	Of which: …items not deducted from CET1 (Regulation (EU) No 575/2013residual amounts) (items to be detailed line by line, e.g. Deferred tax assets that rely on future profitability net of related tax liablity, indirect holdings of own CET1, etc)		
	Of which: …items not deducted from AT1 items (Regulation (EU) No 575/2013residual amounts) (items to be detailed line by line, e.g. Reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc)	0	
	Items not deducted from T2 items (Regulation (EU) No 575/2013residual amounts) (items to be detailed line by line, e.g. Indirect holdings of own t2 instruments, indirect holdings of non significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities etc)	0	
60	**Total risk weighted assets**	1,108,150	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	51.91%	
62	Tier 1 (as a percentage of total risk exposure amount)	51.91%	
63	Total capital (as a percentage of total risk exposure amount)	51.91%	
64	Institution specific buffer requirement (CET1 requirement in	6,929	

Common Equity Tier 1 (CET1) capital: instruments and reserves		(A) AMOUNT AT DISCLOSURE DATE	(C) AMOUNTS SUBJECT TO PRE- REGULATION (EU) NO 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) NO 575/2013
	accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount)		
65	of which: capital conservation buffer requirement	6,926	
66	of which: countercyclical buffer requirement	3	
67	of which: systemic risk buffer requirement	0	
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	0.63%	
69	[non relevant in EU regulation]		
70	[non relevant in EU regulation]		
71	[non relevant in EU regulation]		
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	0	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	0	
74	Empty set in the EU		
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	0	
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	0	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	0	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	0	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	0	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	0	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0	
82	Current cap on AT1 instruments subject to phase out arrangements	0	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	0	
84	Current cap on T2 instruments subject to phase out arrangements	0	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0	

1.3 Transitional own funds disclosure – Solo as at March 31st 2016

	Common Equity Tier 1 (CET1) capital: instruments and reserves	(A) AMOUNT AT DISCLOSURE DATE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) NO 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) NO 575/2013
1	Capital instruments and the related share premium accounts	732,121	
	of which: Instrument type 1	732,121	
	of which: Instrument type 2	0	
	of which: Instrument type 3	0	
2	Retained earnings	-137,906	
3	Accumulated other comprehensive income (and other reserves)	877	
3a	Funds for general banking risk	0	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	0	
	Public sector capital injections grandfathered until 1 January 2018	0	
5	Independently reviewed interim profits net of any foreseeable charge or dividend	0	
5a	Minority interests (amount allowed in consolidated CET1)	0	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	595,092	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	-942	-942
8	Intangible assets (net of related tax liability) (negative amount)	-7,961	-7,961
9	Empty set in the EU		
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	0	0
11	Fair value reserves related to gains or losses on cash flow hedges	0	0
12	Negative amounts resulting from the calculation of expected loss amounts	0	0
13	Any increase in equity that results from securitised assets (negative amount)	0	0
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	0	0
15	Defined-benefit pension fund assets (negative amount)	0	0
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	0	0
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	0
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	0
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	0
20	Empty set in the EU		
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	0	0
20b	of which: qualifying holdings outside the financial sector (negative amount)	0	0
20c	of which: securitisation positions (negative amount)	0	0
20d	of which: free deliveries (negative amount)	0	0
21	Deferred tax assets arising from temporary differences (amount	0	0

Common Equity Tier 1 (CET1) capital: instruments and reserves		(A) AMOUNT AT DISCLOSURE DATE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) NO 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) NO 575/2013
	above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		
22	Amount exceeding the 15% threshold (negative amount)	0	0
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	0	0
24	Empty set in the EU		
25	of which: deferred tax assets arising from temporary differences		
25a	Losses for the current financial year (negative amount)	0	0
25b	Foreseeable tax charges relating to CET1 items (negative amount)	0	0
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	0	
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	0	
	Of which: …filter for unrealised loss 1	0	
	Of which: …filter for unrealised loss 2	0	
	Of which: …filter for unrealised gain 1	0	
	Of which: …filter for unrealised gain 2	0	
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR	0	
	Of which:	0	
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	0	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	-8,903	
29	**Common Equity Tier 1 (CET1) capital**	586,189	
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	0	
31	of which: classified as equity under applicable accounting standards	0	
32	of which: classified as liabilities under applicable accounting standards	0	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	0	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	0	0
35	of which: instruments issued by subsidiaries subject to phase out	0	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	0	
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	0	0
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	0
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	0
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	0	0
41	Regulatory adjustments applied to additional tier 1 in respect of	0	

	Common Equity Tier 1 (CET1) capital: instruments and reserves	(A) AMOUNT AT DISCLOSURE DATE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) NO 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) NO 575/2013
	amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)		
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	0	
	Of which items to be detailed line by line, e.g. Material net interim losses, intangibles, shortfall of provisions to expected losses etc	0	
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	0	
	Of which items to be detailed line by line, e.g. Reciprocal cross holdings in Tier 2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc	0	
41c	Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions required pre- CRR	0	
	Of which: …possible filter for unrealised gains	0	
	Of which: …possible filter for unrealised losses	0	
	Of which: …	0	
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	0	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	0	
44	**Additional Tier 1 (AT1) capital**	0	
45	**Tier 1 capital (T1 = CET1 + AT1)**	586,189	
Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	0	
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	0	
	Public sector capital injections grandfathered until 1 January 2018	0	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	0	0
49	of which: instruments issued by subsidiaries subject to phase out	0	
50	Credit risk adjustments	0	
51	**Tier 2 (T2) capital before regulatory adjustments**	0	
Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	0	
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	
54a	Of which new holdings not subject to transitional arrangement	0	
54b	Of which holdings existing before 1 January 2013 and subject to transitional arrangements	0	
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of	0	

	Common Equity Tier 1 (CET1) capital: instruments and reserves	(A) AMOUNT AT DISCLOSURE DATE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) NO 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) NO 575/2013
	eligible short positions) (negative amount)		
56	Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	0	
56a	Residual amounts deducted from Tier 2capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	0	
	Of which items to be detailed line by line, e.g. Material net interim losses, intangibles, shortfall of provisions to expected losses etc	0	
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	0	
	Of which items to be detailed line by line, e.g. reciprocal cross holdings in at1 instruments, direct holdings of non significant investments in the capital of other financial sector entities, etc	0	
56c	Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre CRR	0	
	Of which: …possible filter for unrealised gains	0	
	Of which: …possible filter for unrealised losses	0	
	Of which: …	0	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	0	
58	**Tier 2 (T2) capital**	0	
59	**Total capital (TC = T1 + T2)**	586,189	
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013(i.e. CRR residual amounts)	995,195	
	Of which: …items not deducted from CET1 (Regulation (EU) No 575/2013residual amounts) (items to be detailed line by line, e.g. Deferred tax assets that rely on future profitability net of related tax liablity, indirect holdings of own CET1, etc)		
	Of which: …items not deducted from AT1 items (Regulation (EU) No 575/2013residual amounts) (items to be detailed line by line, e.g. Reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc)	0	
	Items not deducted from T2 items (Regulation (EU) No 575/2013residual amounts) (items to be detailed line by line, e.g. Indirect holdings of own t2 instruments, indirect holdings of non significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities etc)	0	
60	**Total risk weighted assets**	995,195	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	58.90%	
62	Tier 1 (as a percentage of total risk exposure amount)	58.90%	
63	Total capital (as a percentage of total risk exposure amount)	58.90%	
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus	6,223	

	Common Equity Tier 1 (CET1) capital: instruments and reserves	(A) AMOUNT AT DISCLOSURE DATE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) NO 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) NO 575/2013
	systemically important institution buffer expressed as a percentage of risk exposure amount)		
65	of which: capital conservation buffer requirement	6,220	
66	of which: countercyclical buffer requirement	3	
67	of which: systemic risk buffer requirement	0	
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	0.63%	
69	[non relevant in EU regulation]		
70	[non relevant in EU regulation]		
71	[non relevant in EU regulation]		
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	0	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	0	
74	Empty set in the EU		
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	0	
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	0	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	0	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	0	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	0	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	0	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0	
82	Current cap on AT1 instruments subject to phase out arrangements	0	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	0	
84	Current cap on T2 instruments subject to phase out arrangements	0	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0	

1.4 Balance Sheet Reconciliation of Own Funds as at March 31st 2016

Balance Sheet Heading	Financial Statements Note (DCME Solo only)	Transitional own funds disclosure template item	DCME as a solo entity	* Amounts not included in the scope of accounting consolidation	Consolidated for prudential purposes
Share Capital	22	1	732,121		732,121
Profit and Loss Reserves	23	2	(151,813)	(3,418)	(155,231)
Capital Reserve	23	2	13,908		13,908
Other Reserves	23	3	876	181	1,057
Shareholders' funds (all equity interests)	24	6	595,092	(3,237)	591,855
Deductions					
Goodwill	10	8	(7,961)	(7,672)	(15,633)
Prudent Valuation Adjustment **	N/A	7	(942)		(942)
Common Equity Tier 1 capital		**29,45,59**	**586,189**		**575,280**

** Amounts not included in the scope of consolidation include reserves in subsidiary companies and additional goodwill arising on full consolidation of DC Advisory Limited*

*** the prudent valuation adjustment is made in accordance with Article 105 of the Capital Requirements Regulation EU/575/2013. This adjustment is not made in the financial statements.*

There are no current or foreseen material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities among the parent undertaking and its subsidiaries

2 Disclosure on Asset Encumbrance as at 31st March 2016

2.1 Template A-Assets

		All amounts in £million			
		Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
		010	040	060	090
010	**Assets of the reporting institution**	1,585		10,200	
020	Loans on demand	0		7,178	
030	Equity instruments	0	0	3	3
040	Debt securities	1,560	1,560	396	396
100	Loans and advances other than loans on demand	0			
120	Other assets	25		2,623	
	Not to be filled in				

2.2 Template B-Collateral received

		All amounts in £million		
			Unencumbered	
DCME is exempt from the requirement to disclose Template B as the fair value of collateral received in the form of debt securities is less than £100bn, in accordance with PRA supervisory statement SS11/14		Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance	Nominal amount of collateral received or own debt securities issued not available for encumbrance
		010	040	070
130	**Collateral received by the reporting institution**	N/A	N/A	N/A
140	Loans on demand	N/A	N/A	N/A
150	Equity instruments	N/A	N/A	N/A
160	Debt securities	N/A	N/A	N/A
220	Loans and advances other than loans on demand	N/A	N/A	N/A
230	Other collateral received	N/A	N/A	N/A
240	Own debt securities issued other than own covered bonds or ABSs	N/A	N/A	N/A

2.3 Template C-Sources of encumbrance

		All amounts in £million	
		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
		010	030
010	**Carrying amount of selected financial liabilities**	**7,861**	**7,250**
020	Derivatives	608	25
040	Deposits	7,253	7,225
090	Debt securities issued	0	0
120	**Other sources of encumbrance**		

2.4 Template D - Information on importance of encumbrance

The firm's main source of encumbrance is in relation to collateral pledged against secured funding (approximately 99%) and other collateralised obligations (less than 1%). The firm does not issue covered bonds and is not involved in securitisations. The consolidated figures include results for Daiwa Capital Markets Europe Limited and its wholly-owned subsidiary DC Advisory Limited, however there are no activities within DC Advisory Limited which give rise to encumbrance.

DCME funds a portion of its trading book portfolio assets and other securities through repurchase agreements and other secured borrowing. Collateral is also pledged to counterparties to mitigate there credit exposures to DCME and to clearing brokers/houses to meet derivative initial margin requirements

DCME is able to monitor the mix of secured and unsecured funding sources and seeks to utilise available collateral to raise funding to meet its needs. Similarly a potion on unencumbered assets may me monetised in a stress situation under the contingency funding plan to generate liquidity through the use as collateral for secured funding or through outright sale.

Collateralisation is carried out under market standard agreements – ISDA for derivatives, GMRA for repo and reverse repo and GMSLA for stock borrowing and lending activity.
Non-encumbered asset items in the "Other assets category" relate primarily to unsettled trade receivables and are not regarded as available for encumbrance, nor is the firm's ring-fenced stock of liquid asset buffer securities.

3 Leverage

3.1 CRR Leverage Ratio - Disclosure Template

Reference date	**31 March 2016**
Entity name	**Daiwa Capital Markets Europe Ltd.**
Level of application	**Prudential Consolidation**

3.2 Table LRSum: Summary Reconciliation of Accounting Assets and Leverage Ratio Exposures

		Applicable Amounts
1	statements	The firm does not publish financial statements at the level of consolidation presented in Pillar 3 disclosures. Accordingly, under Article 4 of the Implementing Technical Standards on disclosure of the leverage ratio, this template is not completed
2	solidated for accounting purposes but are outside the scope of regulatory	
3	nised on the balance sheet pursuant to the applicable accounting erage ratio exposure measure according to Article 429(11) of Regulation	
4	struments	
5	ransactions	
6	ns (ie conversion to credit equivalent amounts of off-balance sheet	
7	Other adjustments	
8	**Leverage ratio exposure**	

3.3 Table LRCom: Leverage Ratio Common Disclosure

		CRR leverage ratio exposures All Figures in £000s
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	2,345,353
2	Asset amounts deducted in determining Tier 1 capital	-16,575
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**2,328,778**
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	179,521
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	214,950
EU-5a	Exposure determined under Original Exposure Method	
6	*Security trading positions*	
7	*On balance sheet exposures subject to credit risk*	
8	*Settlement Risk:*	
9	*empty set in the EU*	
10	*empty set in the EU*	
11	**Total derivative exposures (sum of lines 4 to 10)**	**394,471**
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	7,212,332
EU-12a	SFT exposure according to Article 220 of Regulation (EU) NO. 575/2013	

		CRR leverage ratio exposures All Figures in £000s
EU-12b	SFT exposure according to Article 222 of Regulation (EU) NO. 575/2013	
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-30,868
14	Counterparty credit risk exposure for SFT assets	84,871
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	
15	Agent transaction exposures	
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**7,266,335**
Off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	
18	Adjustments for conversion to credit equivalent amounts	
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	**0**
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)		
EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	
Capital and Total Exposures		
20	**Tier 1 capital**	**575,280**
EU-21a	Exposures of financial sector entities according to Article 429(4) 2nd subparagraph of Regulation (EU) NO. 575/2013	
21	**Total Exposures (sum of lines 3, 11, 16, 19 and 21a)**	**9,989,584**
Leverage Ratios		
22	**End of quarter leverage ratio**	**5.76%**
EU-22a	**Leverage ratio (avg of the monthly leverage ratios over the quarter)**	
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO. 575/2013	

3.4 Table LRSpl: Split-up of on balance sheet exposures (excluding derivatives and SFTs)

		CRR leverage ratio exposures All Figures in £000s
EU-1	Total on-balance sheet exposures (excluding derivatives and SFTs), of which:	2,345,353
EU-2	trading book exposures	2,075,506
EU-3	Banking book exposures, of which:	269,846
EU-4	Covered bonds	0
EU-5	Exposures treated as sovereigns	55,361
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	2,115
EU-7	Institutions	131,388
EU-8	Secured by mortgages of immovable properties	0
EU-9	Retail exposures	0
EU-10	Corporate	79,516
EU-11	Exposures in default	1,466
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	0

3.5 Table LRQua: Free format text boxes for disclosure on qualitative items

Row		
1	Description of the processes used to manage the risk of excessive leverage	The risk of excessive leverage in Daiwa Capital Markets Europe Limited, as an investment firm, is largely managed through control and monitoring of balance sheet exposures, since the amount of Tier 1 capital is relatively inflexible on a short term basis. The primary contribution to balance sheets assets comes from reverse repurchase agreements, particularly matched book repurchase trading, where securities are borrowed from one counterparty and lent to another. Daily monitoring and control processes have been established to ensure reverse repurchase assets remain within prescribed levels. Additional monitoring is carried out on the overall balance sheet size.
2	Description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers	N/A as this is the first disclosure period

4 Countercyclical Buffer

Disclosure of information relevant for the calculation of the countercyclical buffer

Level of application	**Consolidated**

4.1 Table 1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer***

Row		General credit exposures	Trading book exposures	Own funds requirements			Own funds requirements weights	Counter-cyclical capital buffer rate
		Exposure value for SA	Sum of long and short positions of trading book exposures for SA	of which: General credit exposures	of which: Trading book exposures	Total		
		10	30	70	80	100	110	120
10	Breakdown by country:							
	Norway	-	17,815	276	0	276	0.55%	1.000%
	Sweden	-	36	0	-	0	0.00%	1.000%
	Hong Kong	2,140	367	6	1	7	0.01%	0.625%
	Other (countries with 0% buffer rate)	135,718	454,017	15,999	33,936	49,936		
20	Total	137,857	472,235	16,281	33,938	50,219	**0.56%**	

4.2 Table 2 - Amount of institution-specific countercyclical capital buffer

Row		Column (£000's)
		10
10	Total risk exposure amount	610,092
20	Institution specific countercyclical capital buffer rate	0.006%
30	Institution specific countercyclical capital buffer requirement	34

*** **Daiwa Capital Markets Limited does not use internal models nor engage in securitisations; hence columns 020, 040, 050, 060 and 090 are not applicable and have been omitted from the disclosure template**