IFPR Disclosure

For the Year Ended 31st March 2024

Daiwa Capital Markets Europe Limited

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Glossary of terms and abbreviations

ARC	Audit and Risk Committee
AT1	Additional Tier 1
BaFin	The Federal Financial Supervisory Authority
Board	DCME Board of Directors
CBB	Central Bank of Bahrain
CET1	Common Equity Tier 1
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CPO	Chief People Officer
CRCO	Chief Risk and Compliance Officer
CRC	Compliance and Risk Committee
DCMD	Daiwa Capital Markets Deutschland GmbH
DCM	Debt Capital Markets
DCME	Daiwa Capital Markets Europe Limited
DIH	Daiwa International Holdings
DSCL	Daiwa Securities Co. Ltd.
DSGI	Daiwa Securities Group Inc.
ECM	Equity Capital Markets
ED&I	Equity, Diversity and Inclusion
EMEA	Europe Middle East and Africa
ExCo	Executive Committee
FCA	Financial Conduct Authority
FOR	Fixed Overhead Requirements
FY	Financial Year
GNED	Group Non-Executive Director
ICARA	Internal Capital Adequacy and Risk Assessment
ICB	International CB Market Making
IFPR	Investment Firms Prudential Regime
INED	Independent Non-Executive Director
KFR	K Factor Regime
K-ASA	K Factor required based on assets safeguarded and administered
K-AUM	K Factor required based on assets under management
K-CMG	K Factor required based on Clearing Margin Given
K-CMH	K Factor required based on Client Money Held
K-CON	K Factor required based on Concentration Risk
K-DTF	K Factor required based on Daily Trading Flow
K-NPR	K Factor required based on Net Position Risk
K-TCD	K Factor required based on Trading Counterparty Default
MiFID	Markets in Financial Instruments Directive
MRT	Material Risk Taker
NED	Non-Executive Director
NomCo	Nomination Committee
Non-SNI	Non Small and Non Interconnected
OF	Own Funds
OFAR	Overall Financial Adequacy Rule
ORM	Operational Risk Management
PI	Principal Investments
RAS	Risk Appetite Statement
RLF	Risk Limit Framework
RMF	Risk Management Framework
SM&CR	Senior Managers and Certification Regime
SMF	Senior Management Function
SME	Subject Matter Expert
SYSC	Senior Management Arrangements, Systems and Controls
T1	Tier 1
T2	Tier 2

1 Overview

1.1 Background

The Investment Firms Prudential Regime ("IFPR") is the FCA's prudential regime for MiFID investment firms which aims to streamline and simplify the prudential requirements for UK investment firms. The IFPR came into effect on 1st January 2022 and its provisions apply to Daiwa Capital Markets Europe Limited ("DCME" or "the firm") as an FCA authorised and regulated firm.

The public disclosure is an important part of the IFPR because it increases transparency and confidence in the market and gives stakeholders and market participants an insight into how the firm is run.

1.2 Structure

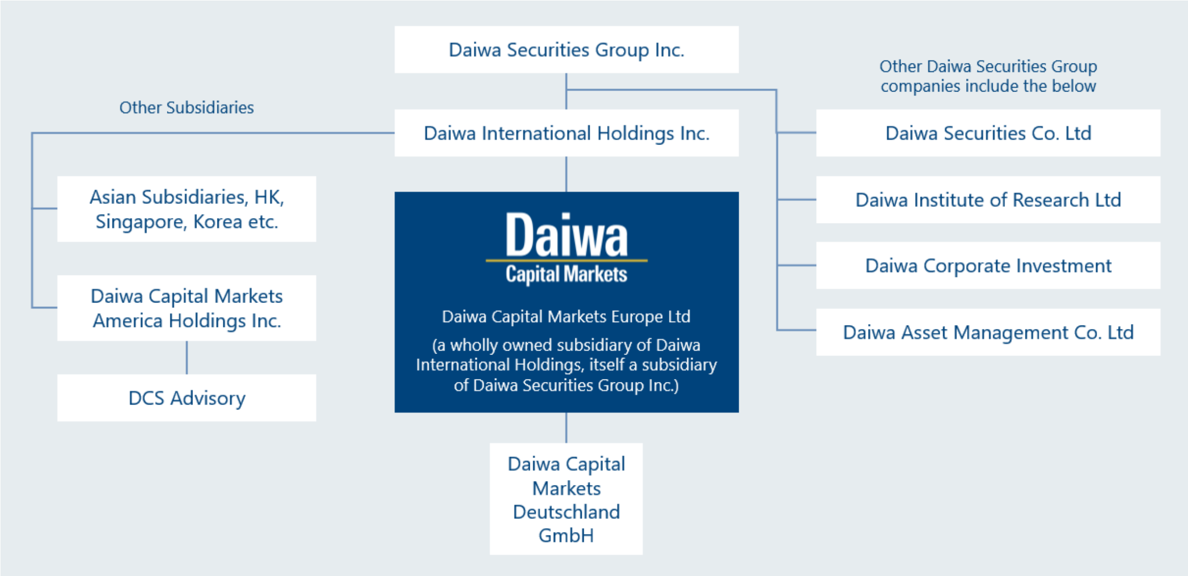
DCME is the wholly-owned UK subsidiary of Daiwa International Holdings ("DIH") which is a subsidiary of Daiwa Securities Group Inc. ("DSGI"), one of the largest brokerage and financial services groups in Japan. DCME's head office is based in London and operates a branch and representative office network across the EMEA region. It works closely with other subsidiaries throughout the Daiwa group network, providing global services to clients across 20 countries.

As at 31st March 2024, DCME has:

- One subsidiary, Daiwa Capital Markets Deutschland GmbH ("DCMD"), which operates from Frankfurt and is regulated by the German regulator BaFin;
- One branch[1], DCME Bahrain, which is regulated locally by the Central Bank of Bahrain ("CBB"); and
- One representative office in Paris.

Collectively DCME, its subsidiary, branch and representative office are known as DCME Group. The diagram below sets out the high-level organisational structure:

[1] *As part of DCME's strategic business review, the Geneva Branch was closed on 31st July 2023.*



1.3 Principal Activities

DCME offers Japanese and Asian products for European and Japanese investors, which reflects the links with, and synergies available across the Daiwa Group. DCME businesses are organised along global product lines and comprise of the following operating functions[2]:

- **Fixed Income:** Core focus on the trading and distribution of investment grade Government, Sovereign, Supranational, agency and credit products, predominately denominated in USD, JPY and AUD.
- **Equities:** Core focus is on the provision of brokerage services for Japanese and Asian equities using the Group's access to the Tokyo Stock Exchange and other Asian exchanges.
- **International CB Market Making ("ICB"):** Core focus of the Convertible Bonds team is to make markets in Japanese and Asian convertible bonds.
- **Debt Capital Markets ("DCM")/Syndication:** DCM is primarily a marketing and co-ordination function to develop business with international borrowers in the Primary/New Issue market.
- **Equity Capital Markets ("ECM"), including Convertible Primary:** ECM facilitates transactions originated by the Daiwa Group including equity and equity linked products issued by Japanese corporates.

[2] *In 2022/23, the strategic decision was taken to cease operating the Principal Investment business and to manage the remaining portfolio to completion.*

1.4 Basis of Disclosure - Application

This document has been prepared following the disclosure rules set out in MIFIDPRU 8, pertaining to the UK IFPR.

- **Firm Categorisation:** DCME is a non-SNI MIFIDPRU investment firm.
- **Level of application (scope):** The firm is required to disclose only on an individual entity basis (DCME solo).
- **Reference Date:** This document has been prepared as at 31st March 2024, which is the firm's accounting reference date and financial year-end.
- **Frequency:** Disclosure is published annually alongside the Statutory Accounts, or more frequently, if the business undergoes a significant change.
- **Location:** The document is published on the firm's website: https://www.uk.daiwacm.com/about-us/corporate-governance-regulatory
- **Governance:** This document is prepared by the Finance Governance Section within the Finance Division with contributions from SMEs across the firm. The document is reviewed, challenged and approved by the Compliance and Risk Committee ("CRC"), Executive Committee ("ExCo"), Audit and Risk Committee ("ARC") and the Board of Directors ("Board"). This document is not subject to audit by the firm's external auditors.

2 Risk Management Objectives and Policies (MIFIDPRU 8.2)

2.1 Risk Management Framework

DCME has an established Risk Management Framework ("RMF"), which is reviewed and updated annually and approved by the Audit & Risk Committee ("ARC") on behalf of the Board. The RMF sets out the firm's approach in relation to risk management and is based on a three lines of defence model (see section 2.3).

2.1.1 Key principles of the RMF

A fundamental requirement for the effective operation of the RMF is the alignment and consistency between the individual components of the RMF to ensure the consistent setting of risk parameters for the organisation, a coherent flow of risk information throughout the firm, and a common understanding of risk processes, which are embedded across DCME:

- Clear governance and accountabilities;
- Aligned business and risk planning;
- Risk aware corporate culture;
- Forward looking risk management methodologies and robust processes; and
- Effective risk reporting and escalation mechanisms.

2.2 Committee Oversight

The Board of Directors has ultimate responsibility for the effectiveness of the firm's risk management processes. In order to meet its responsibilities, the Board has delegated the day-to-day running of the firm to the Chief Executive Officer ("CEO"). The CEO has, in turn, delegated certain responsibilities to senior management within the organisation in accordance with the requirements under SM&CR.

The Board has established independent sub-committees to assist it with detailed review/analysis of key topics, including the oversight of audit, risk and regulatory matters (Audit & Risk Committee).

The Executive Committee ("ExCo") has the objective of assisting the CEO with the task of executing the Board's strategy and providing continuous oversight of the key business areas in the context of people, approved budgets, business plans and risk appetite.

Key committees in supporting effective risk management of the firm are outlined below. Additional information can be found in sections 3.1.2 and 3.1.3.

2.2.1 *Audit and Risk Committee ("ARC")*

The ARC is directly accountable to the Board and has delegated responsibility for oversight of high-level risk management. It is responsible for reviewing key aspects of DCME's RMF and recommending to the Board for approval, including inter alia the firm's Risk Appetite Statement, Risk Management Strategy, ICARA, key risk policies, principles and methodologies.

The ARC receives updates in relation to material risks and associated harms as well as developments. In addition, senior representatives of the Risk Management Division and the Finance Division regularly attend the ARC to ensure full coverage and "line of sight" of all material risk types.

2.2.2 *Compliance and Risk Committee ("CRC")*

The CRC meets on a quarterly basis and is chaired by the Chief Risk and Compliance Officer ("CRCO"). The CRC is directly accountable to the ExCo and has executive responsibility for oversight and advice to the ARC on risk and compliance matters.

2.3 Three Lines of Defence

DCME's RMF is based upon a three lines of defence model. The implementation of the three lines of defence is supported by the firm's overall corporate governance arrangements, which establish a clear organisational structure and allocation of responsibilities for risk management.

The three lines of defence model ensures clear delineation of responsibilities between day-to-day operations, independent monitoring and oversight, and assurance over the risk management framework and is designed in accordance with Committee of Sponsoring Organizations of the Treadway Commission ("COSO")/ The Institute of Internal Auditors ("IIA") guidelines.

- **First line of defence** – this refers to those roles in the firm whose activities generate risks, whether financial or non-financial. This describes the controls the organisation has in place to deal with day-to-day business; the controls are owned by the "front-line" business divisions and control functions. They own the processes and risks and are responsible for ensuring that appropriate controls are in place.
- **Second line of defence** – this refers to the risk type controller roles in the firm who facilitate the implementation of a sound risk management framework throughout the organisation. The 2LoD defines the risk appetite, risk management and control standards for their respective risk type, and independently oversees and challenges the risk taking and risk management activities of the 1LoD. These functions report independently of the first line of defence and review the management of risk in relation to the particular risk appetite of the business, as determined by the Board.

- **Third line of defence** – this refers to the Internal Audit function which is accountable for providing independent and objective assurance on the adequacy of the design and effectiveness of the systems of internal control and risk management. Internal Audit provide the independent assurance to the Audit and Risk Committee, in relation to the effectiveness of the first and second lines of defence.

2.4 Risk Inventory

DCME has a formally documented Risk Inventory, which is established based on the population of risks implied in pursuing the activities set out in the firm's business plan. All risks identified in the Risk Inventory are assigned an accountable Senior Management Function ("SMF") that is responsible for establishing appropriate processes and methodologies for identifying, assessing, monitoring and communicating risks. The Risk Inventory also captures, for each material risk type, cross-reference to the firm's Risk Appetite Statement and ICARA harms, and details the functions within DCME with responsibility for each risk type.

The Risk Inventory is reviewed and approved by ARC and the Board at least on an annual basis.

2.5 Risk Appetite Statement ("RAS")

As a core component of RMF, the firm has established a robust RAS, and related processes for monitoring/ensuring compliance with the RAS, aligned to the Risk Inventory. A clear statement of the firm's risk appetite sets boundaries to guide business activity and behaviours, and provides a basis for embedding a risk management culture throughout the organisation (i.e. integrating risk into day-to-day activities and decision-making).

The Board is responsible for setting and promoting the firm's risk appetite. It is reviewed and updated by the Board on a regular (at least annual) basis.

2.5.1 Management of Risk Appetite

Formal reporting of exposures against RAS measures is performed on a monthly basis via the RAS dashboard and CRCO Report. This includes a narrative explanation of any breaches of RAS measures and proposed or implemented corrective actions. Breaches are reviewed by the Compliance and Risk Committee and escalated to ExCo, ARC and the Board where required.

2.5.2 Financial Risks - Risk Limit Framework ("RLF")

As part of the firm's overall RMF, executive management has established a Financial Risk Framework and a framework of risk limits, which are designed to manage key risks within the parameters set out in the RAS.

The RLF is owned by the CRCO and is reviewed at least annually.

2.5.3 Non-Financial Risks

The RLF focusses on Financial Risks and numeric limits only and hence excludes the governance around breaches of policies and procedures, the approved product list or other operational risk related issues. These are covered by the Operational Risk Management Framework and Non-Financial Risk Limit Framework ("NFRL"). Non-Financial risks covered are specified in the DCME's Operational Risk Taxonomy, a subset of the firm's Risk Inventory and limits are designed to manage key risks within the parameters set out in the RAS.

2.6 Principal Risks

To ensure the effective day-to-day monitoring and controlling of risk within DCME, the firm has established processes for identifying, assessing, treating, monitoring and communicating risks which ensure that material risks and associated risk concentrations can be identified, assessed, treated, monitored and communicated.

Risks are assessed both individually and on a consolidated basis including assessment of material risk concentrations. The approaches to identifying, assessing, treating, monitoring and communicating individual risk types are set out in greater detail in risk-specific policy and procedural documentation.

The principal types of risks to which the firm is exposed are detailed below:

2.6.1 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.

An independent Operational Risk Management ("ORM") function within the Enterprise Risk Management department of the Risk and 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 KRIs 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 residual risks are identified, mitigation plans are defined where possible and implementation monitored by ORM;
- Capturing, assessing and reporting of operational risk incidents, including loss events;

- Focussed risk assessments of specific functions or processes in conjunction with the affected specialist units; and
- 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.

ORM presents a summary of the firm's key operational risks, monitoring activities and operational risk incidents to the Compliance and Risk Committee, which escalates as appropriate to ExCo, ARC, and the Board.

2.6.2 *Credit Risk*

Credit risk is defined as the potential financial loss arising from a trading counterparty or issuer of financial instruments failing to meet its financial obligations to DCME due to either a default or deterioration in credit quality. The key considerations of credit risk within DCME are:

- The default of trading counterparties before the settlement of transactions (settlement risk), which exposes the firm to potential losses arising from cost of liquidation and replacement costs risks;
- The default of an issuer of financial securities held on DCME's balance sheet;
- Nostro bank balances, which are deposited in treasury accounts at acceptable banking entities;
- Concentration risk, which calculates the additional risk arising from a concentration of counterparties within a particular group, sector or country; and
- Specific and general wrong-way risk. DCME seeks to minimise correlated exposures which can result in wrong-way risk.

Credit Risk Management is an independent second line of defence function that is responsible for the day-to-day oversight and implementation of the credit risk elements of the Financial Risk Framework specifically the identification, assessment, management, monitoring and reporting of credit risk across DCME and its subsidiaries.

As prescribed in the framework, Credit Risk Management performs credit reviews, which include initial and ongoing analysis of DCME's counterparties.

Credit Risk Management sets notional trading limits at individual counterparty (legal entity) level and for groups of connected counterparties consistent with the firm's risk appetite statement.

Adherence to the trading limit structure is the responsibility of the front office business areas as part of their 1LoD responsibilities. Credit risk limits are monitored by Credit Risk Management, which as a 2LoD function is responsible for identifying and escalating to senior management, on a timely basis, instances where limits have been exceeded. Breaches also form part of the firm's Conduct Risk control framework.

2.6.3 Liquidity Risk

Liquidity risk is the risk that the firm is unable to meet its financial obligations as they fall due or can only do so at excessive costs, leading to an inability to support normal business activity and meet liquidity regulatory requirements.

In considering DCME'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 has access to adequate and appropriate financial resources to support those plans.

The Board sets the risk appetite tolerance in relation to funding and liquidity risks and (via the CEO) delegates certain responsibility for operational oversight and management of risk and treasury matters to the firm's CRC. This senior executive-level committees is responsible for overseeing the framework for the management and control of liquidity risk, including providing feedback to the Board to allow it to discharge its obligations.

The Liquidity Risk department, within the Risk and Compliance Division, undertakes daily reporting of the firm's funding and liquidity position. The department is tasked with the overall responsibility for establishing and maintaining DCME's liquidity risk framework, which is integrated in the broader Financial Risk Framework, and the day-to-day responsibility for monitoring adherence to the firm's liquidity risk appetite.

A series of controls and limits are in place around the size and composition of the liquid assets, liquidity reserves and funding utilisation at division and firm level. Measurement is against both internal as well as external regulatory requirements.

2.6.4 Other Risks

In pursuing its business strategy, the firm is exposed to a variety of other risks. Of these other risks not considered elsewhere, business, group and reputational risk are assessed as material. As DCME trades on a matched principal brokerage model with its parent DSCL, there is no material inventory held on DCME's balance sheet and hence market risk is not deemed a material risk for the firm. Similarly, issuer risk is deemed immaterial because of this model.

The annual business planning process typically covers a three-year cycle and as part of it, arising risks are identified and integrated into the overall risk management framework.

Operating as part of the Daiwa Group brings its own risks. The relationships and financial stability of other entities in the same group or the group as a whole may impact the firm. Such scenarios are typically embedded within the operations of the firm and taken into consideration through alignment with Group strategy and limits frameworks. As such they are assessed and managed within the affected risk areas.

The firm considers that reputational damage is most likely to arise from matters of poor conduct and actively promotes a high standard of behaviour through training and a code of conduct.

The strengthening of the overall risk management process also involves the identification, understanding and monitoring of emerging risks, i.e. risks characterised by components that are partly unknown but considered significant, even though their effects are uncertain and cannot yet be fully integrated into the more consolidated risk management frameworks.

The identification of these types of risks derives primarily from the continuous analysis of the external environment and the main findings gathered by the risk management function during the identification and assessment processes, but also involves comparison with peers and with market best practices, as well as with the firm's other control/business functions.

3 Governance Arrangements (MIFIDPRU 8.3)

3.1 Oversight of governance arrangements by the management body

3.1.1 Governance Structure

The management body of DCME (i.e. the Board) has ultimate responsibility for the overall management of the firm. This includes management of the DCME Group.

The Board is also responsible for establishing and monitoring the effectiveness of the firm's corporate governance framework, and approving the firm's 'Corporate Governance Policy', the firm's strategic direction and risk appetite.

The Board has a duty to act in accordance with its powers and directors must:

- Act in accordance with the company's constitution, and
- Only exercise powers for the purposes for which they are conferred.

In order to meet its responsibilities, the Board has delegated the day-to-day running of the firm to the CEO. The CEO has, in turn, delegated certain responsibilities to senior management within the organisation. The segregation of duties allocated from the CEO to senior management role holders is documented and recorded in accordance with the provisions of the Senior Managers and Certification Regime ("SM&CR"), this includes *inter alia* (i) DCME's Responsibilities Map, (ii) Statements of Responsibilities, (iii) Senior Management Function ("SMF") reasonable steps documents, and (iv) delegation letters.

The CEO has established the ExCo, with a primary objective to 'assist the CEO in the performance of their duties within the bounds of their authority, particularly in relation to the strategy of the firm'.

Conflicts of Interest

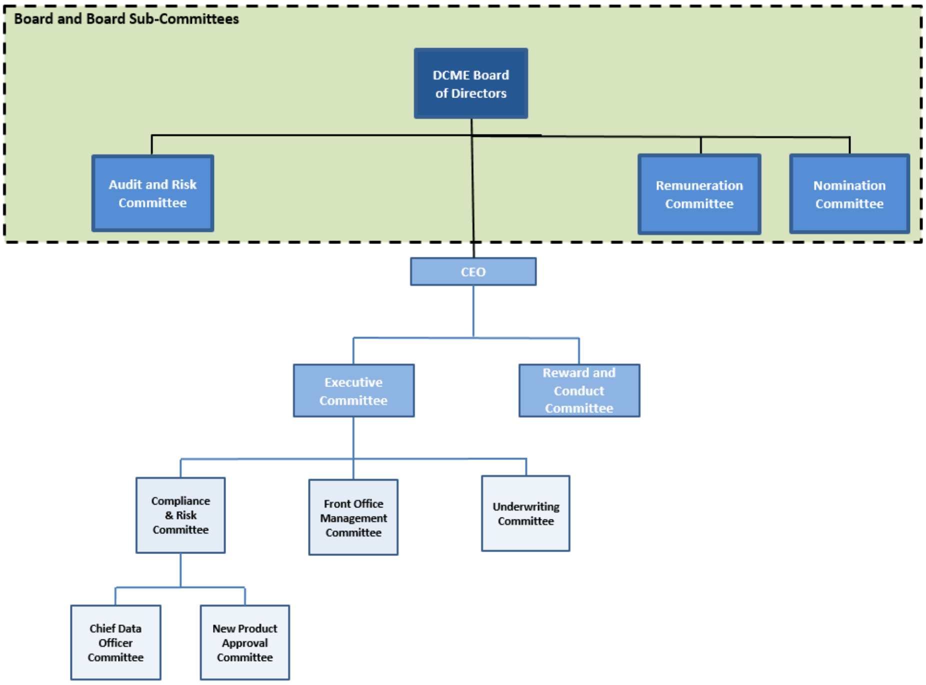
Information on dealing with conflicts of interest is set out in the Corporate Governance Policy (the "Policy") which is approved by the Board on a biennial basis. The Policy sets out how the firm seeks to prevent and deal with conflicts of interest if they arise. For example; no director will put themselves in a position where their interests conflict or may be perceived to conflict with those of DCME. Directors must not accept a benefit from a third party conferred by reason of:

- Being a director; or
- Doing (or not doing) anything as a director.

Directors are required to disclose any business interests that may result in any actual or potential conflicts of interest with those of DCME, while current directors must notify the Company Secretary in advance of any potential conflicts through other directorships or shareholdings. If a conflict or potential conflict situation arises, directors must seek authorisation from the Board, in accordance with DCME's Articles of Association.

3.1.2 Committee Structure

The diagram below shows the committee structure of the firm and there are a number of working groups which support these committees:



3.1.3 Overview of Board and Committees Roles and Responsibilities

The firm is a significant SYSC firm as defined by the FCA's Handbook SYSC1.5.1 and, therefore, complies with the following provisions:

- Limitations in the number of directorships (SYSC 4.3A.6R);
- Nomination Committee ("NomCo") (SYSC 4.3A.8R); and
- Risk Committee (SYSC 7.1.18R and SYSC 7.1.18AAR).

In addition, DCME has assessed the provisions contained within MIFIDPRU 7.1.4R, which relate to the requirements of establishing Risk, Remuneration and Nomination Committees, and concluded that these apply to the firm and these committees follow provisions contained within MIFIDPRU 7.3.

The Terms of Reference of the Board and Board Sub-Committees set out the specific membership requirements, responsibilities, powers and mandates.

Board of Directors

The Board is directly accountable to its shareholder and stakeholders. Powers, which are reserved to the Board, are set out in its Terms of Reference and include the approval of DCME's strategy, financial statements, significant changes in accounting policy and practice, the appointment or removal of directors or the Company Secretary, directors' conflicts of interest, changes to the capital structure and major acquisitions, mergers, disposals or capital expenditure, setting and approving the Risk Appetite Statement, Risk Management Framework and Conduct Risk Policy.

Under the Articles of Association, the Board may, where appropriate, delegate all or any of its powers to an individual director or to a Committee of directors and any other persons if it is deemed that they are most appropriate to carry out those tasks.

Board members will be appointed by the Board on the recommendation of the NomCo, which will review the composition of each Committee regularly and at least annually.

In relation to establishing a robust organisation, key responsibilities of the Board and its Sub-Committees (as appropriate) include:

- Overall business objectives and strategy of the firm, including establishing aligned objectives for senior management;
- Overall risk management strategy and policies, including risk tolerance/appetite and its risk management framework;
- A robust and transparent organisational structure with effective communication and reporting channels;
- A policy on the nomination and succession of individuals with key functions in the institution;
- remuneration framework that is in line with the risk strategies, risk culture and risk appetite of the firm;
- The governance principles and corporate values of the institution, including a Code of Conduct or comparable document;
- An adequate and effective internal control framework, that includes well-functioning Risk, Compliance and Internal Audit functions as well as an appropriate financial reporting and accounting framework;
- Monitoring the firm's adherence to its risk appetite, risk policies and risk limits;
- Approving the selection, and overseeing performance, of senior management;
- Approval of the firm's strategic aims and objectives;
- Oversight of the firm's operations ensuring competent and prudent management; sound planning; maintenance of sound management and internal control systems; adequate accounting and other records; and compliance with statutory and regulatory obligations;

- Reviewing performance in light of the firm's strategic aims, objectives, business plans and budgets and ensuring that any necessary corrective action is taken;
- Reviewing the firm's overall corporate governance arrangements;
- Authorising conflicts of interest where permitted under the firm's Articles of association; and
- Approving and overseeing the implementation of the firm's ICARA, capital and liquidity plans, compliance policies and obligations, and the internal control systems.

Audit and Risk Committee ("ARC")

In 2023, DCME's Audit Committee and Risk Committee were merged into a combined Audit and Risk Committee, as part of a wider initiative to ensure DCME's governance arrangements are proportionate to DCME's simplified operating model. All members of the ARC are members of the Board who do not perform any executive function in the firm. The Chair of the Committee is an Independent Non-Executive Director ("INED") who is a member of the Board of Directors.

ARC members are deemed to have the appropriate knowledge, skills and expertise to fully understand, manage and monitor the risk strategy and the risk appetite of the firm. The Chair of the ARC was approved by the FCA to carry out the role of ARC Chair (SMF 10 and SMF11) and the remaining members have the requisite skill to carry out their duties as identified via the Board skills matrix.

The ARC is directly accountable to the Board and has non-executive responsibility for monitoring and reviewing the adequacy of DCME's (including its branches, representative offices and subsidiary (the "DCME Group")) financial, risk management and other internal control systems). The ARC has delegated authority from the Board to carry out these responsibilities and to oversee executive management of the specific topics.

The ARC has oversight of the DCME Group's accounting policies, financial budget/plan numbers, the integrity of its financial statements, and external reporting responsibilities, and oversees the DCME Group's relationship with its external auditors. It advises the Board on significant high-level risk exposure and resource allocation through reviewing the current and future risk strategy, Risk Management Framework, Risk Inventory and Risk Appetite Statement.

Remuneration Committee

All members of the Remuneration Committee are members of the Board who do not perform any executive function in the firm. The Chair of the Committee is an independent member of the Board of Directors.

The Committee has oversight of the design and operation of remuneration policies, practices and processes across DCME to ensure that these are operated in a way that promotes effective risk management and does not encourage risk taking that exceeds the stated risk appetite and framework of DCME. These policies are also aligned to DCME's strategy and objectives, corporate culture, long-term values interests, including those of its shareholder.

More detail on the firm's remuneration policies and practices can be found later in Chapter 6 (Remuneration Policy and Practices)

Nomination Committee ("NomCo")

All members of the NomCo are members of the Board who do not perform any executive function in the firm. The Chair of the NomCo is also the Chair of the Board.

The role of the NomCo is to develop and maintain a formal, rigorous and transparent procedure for making recommendations on appointments and reappointments of members of the Board. The NomCo is authorised by the Board to obtain, at the company's expense, outside legal or other professional advice on any matters within its terms of reference. Furthermore, it is able to utilise internal resources including access to the Company Secretariat for assistance as required.

The NomCo's responsibility and authority includes:

- Reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes;
- Reviewing the succession plans for the Board and the firm's SMF holders;
- Reviewing the leadership needs of the organisation, both executive and non-executive with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace; and
- Assessing the suitability of candidates to fill SMF positions under SM&CR and meeting the firm's obligations under Fitness and Propriety in respect of its NEDs.

Executive Committee ("ExCo")

The purpose of the ExCo is to assist the CEO in the performance of their duties within the bounds of their authority as set out in the terms of reference, including:

- Overseeing people and culture;
- The development and implementation of strategy, operational plans, policies, procedures and budgets;
- The monitoring of operational and financial performance;
- The assessment and control of risk and compliance; and
- The prioritisation and allocation of resources.

3.1.4 Additional Governance Arrangements

All members of the Board are registered with the FCA. The firm seeks regulatory approval prior to any appointment of a director who holds a SMF designation under SM&CR.

The firm has systems in place to monitor the reputation, knowledge, skills and experience of its management body. The firm utilises the expertise of external recruitment agencies when carrying out any recruitment activities in relation to the composition of the management body.

A robust recruitment process is in place which requires the NomCo to undertake a diligent, in depth review of the pool of candidates and recommends its choice of candidate(s) (considering the firm's diversity requirements) who meet the respective criteria to the Board and the firm's shareholder for consideration, and approval.

The initial on-boarding process for incoming directors is comprised of:

- A robust induction plan;
- A skills gaps analysis; and
- A tailored training and development plan for the incoming director

The Company Secretary schedules an annual training plan for the Board as a collective to address any knowledge gaps identified. It also liaises with the directors individually to ensure any training requirements at an individual level are captured. Furthermore, the Board receives a regular update on regulatory matters, which ensures that it remains abreast of any regulatory or legal developments within the industry that may impact its remit.

The Company Secretarial team, in conjunction with the Chair, also undertakes an annual effectiveness review of the Board and its Committees, and facilitates a review of the performance of the directors on an individual basis. A Board Performance Review is also conducted by an external independent source at regular intervals, generally every three years.

3.2 Directorships

The following directors have held office in executive and non-executive functions throughout the financial year and to the date of publication of the said disclosure:

Function	Senior Management Function ("SMF")	Allocation (Name)	Group Directorships	Other Directorships in scope of MIFIDPRU 8.3.1R(2)
Supervisory	SMF9 Chair of the Board SMF13 Chair of Nomination Committee	Douglas van den Aardweg (Chair)	N/A	1
	SMF10 Chair of the Risk Committee SMF11 Chair of the Audit Committee SMF14 Senior Independent Director	Ewa Kerin (Senior INED)	N/A	N/A
	SMF12 Chair of the Remuneration Committee	Maria Bentley (INED)	N/A	3
	N/A	Hidenobu Shirota (Group NED)	1	N/A
	N/A	Tsutomu Kobayashi (Group NED)	1	N/A
Management	SMF1 Chief Executive Function SMF3 Executive Director	Megan McDonald (CEO)	N/A	N/A
	SMF3 Executive Director	Shuntaro Nagashima (President, Strategic Business Development)	N/A	N/A
Retired	SMF10 Chair of the Risk Committee	Melanie Czarra (INED)	N/A	1
	N/A	Shiko Yanagisawa (Group NED)	1	N/A

As at 31st March 2024, the FCA has not granted a modification or waiver of SYSC 4.3A.6R (1) (a) or (b) in order to allow a member of the management body to hold additional directorships.

DCME's Chair of the Board, Douglas van den Aardweg, and Tsutomu Kobayashi (Group NED) stepped down from the Board on 31st March 2024 and Maria Bentley was appointed as Chair of the Board and Chair of the Nomination Committee on 1st April 2024.

3.3 Approach to Diversity

3.3.1 *Overview*

Equity, Diversity and Inclusion ("ED&I") is an essential element of a healthy culture. It drives high standards of conduct and underpins strong governance. Ultimately, having an inclusive and diverse Board, and employee population provides competitive advantage.

The Board is committed to attracting and retaining the best talent, harnessing the discretionary effort of our people and building an equitable and inclusive culture, thus ensuring we have a truly diverse workforce.

A key element of the firm's ED&I strategy is increasing the number of women in senior positions, especially on the Board. As at 31st March 2024 we are proud that 50% of our Executive Committee and 43% of our Board (60% as at 1st April 2024 following Board membership changes noted in section 3.2) are women and that we are a signatory to the Women in Finance Charter ("WIFC"). This is an HM Treasury initiative which aims to encourage the financial services sector to improve gender balance at senior levels. The firm's gender pay gap reports, prepared in line with the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017, are also published annually on the firm's website.

Improving diversity is a key objective of the Board. DCME has a number of policies and practices in place to support ED&I, including flexible working and enhanced carers, adoption, maternity and paternity leave. The People & Culture resourcing strategy also supports the firm's commitment to ED&I. Our frameworks combine to ensure our people are treated equitably and are free from harassment or discrimination.

3.3.2 *Board recruitment and diversity*

The approach to Board recruitment, which is subject to Board approval, combines an assessment of a wide range of qualities including; technical capabilities and knowledge, as well as behavioural competencies and professional background. Emphasis is placed on ensuring that the composition of the Board reflects diversity in its broadest sense. As such, during the recruitment process, consideration is given to a combination of characteristics, including age, ethnicity, gender, and socio-economic diversity.

The Nomination Committee plays a vital part in the recruitment process. One of its roles is to identify and recommend diverse candidates to fill any Board vacancies. This includes evaluating the current composition of the Board, and any potential gaps in experience, knowledge, skills and characteristics. The ED&I Policy will support the Board's approach to ensuring that the overall composition and structure of the Board is balanced in terms of knowledge, experience, ability and diversity.

The Nomination Committee is responsible for making recommendations for appointments of new Directors and for evaluating Board directors which, in turn, informs the Board succession planning. As part of its duties, the Nomination Committee will periodically assess the structure, size and composition of the Board, including diversity, and make recommendations to the Board regarding any changes.

3.3.3 *Targets and Status*

The Board diversity target of 30% women by 31st October 2023, which was set six years ago, will be supported by the ED&I Policy. The number of women on the Board has increased from 11% to 43%, meeting the target in 2022. As at 31st March 2024, two out of the three most senior roles in the company (CEO, Board Chair and Senior Independent Non-executive Director) are held by women. Further to the changes mentioned in section 3.2, as at 1st April 2024, the three most senior roles in the company (CEO, Board Chair and Senior Independent Non-executive Director) are held by women.

We have been a proud signatory of the WIFC since 2018 and have committed to the aspirational targets of 40% representation of women across the whole firm and 30% representation of women in senior roles by 31st August 2026. When we signed the charter in 2018, 19% of our senior roles were held by women. As at our 2023 annual submission, we had progressed to 27% senior women and 37% of our total population were women.

4 Own Funds (MIFIDPRU 8.4)

4.1 Composition of Regulatory Own Funds

The firm's own funds resources are exclusively CET1 capital. At 31st March 2024 and during the year, the firm complied with all externally imposed own funds requirements in accordance with the IFPR. Tier 1 capital consisted of fully issued ordinary shares, satisfying all the criteria for a Tier 1 instrument as outlined in IFPR, and audited reserves.

Table OF1 - Composition of regulatory own funds

	Item	Amount (GBP thousands)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1	**OWN FUNDS**	**422,541**	**Note 9.27.1.1**
2	**TIER 1 CAPITAL**	**422,541**	**Note 9.27.1.1**
3	**COMMON EQUITY TIER 1 CAPITAL**	**422,541**	**Note 9.27.1.1**
4	Fully paid up capital instruments	732,121	Note 8
5	Share premium		
6	Retained earnings	(290,260)	Note 8
7	Accumulated other comprehensive income	12	Note 8
8	Other reserves	13,908	Note 8
9	Adjustments to CET1 due to prudential filters		
10	Other funds		
11	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(33,240)	Note 9.27.1.1
19	CET1: Other capital elements, deductions and adjustments		
20	**ADDITIONAL TIER 1 CAPITAL**	**0**	
21	Fully paid up, directly issued capital instruments		
22	Share premium		
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1		
24	Additional Tier 1: Other capital elements, deductions and adjustments		
25	**TIER 2 CAPITAL**	**0**	
26	Fully paid up, directly issued capital instruments		
27	Share premium		
28	(-) TOTAL DEDUCTIONS FROM TIER 2		
29	Tier 2: Other capital elements, deductions and adjustments		

Daiwa Capital Markets

4.2 Reconciliation of Regulatory Own Funds to Balance Sheet in the Audited Financial Statements

The table below shows a reconciliation with own funds in the balance sheet where assets and liabilities have been broken down by asset and liabilities classes respectively. The information in the table below reflects the balance sheet in the audited financial statements.

Table OF2 - Reconciliation of regulatory own funds to balance sheet in the audited financial statements

Amount (GBP thousands)		a	b	c
		Balance sheet as in published/audited financial statements	Under regulatory scope of consolidation	Cross-reference to template OF1
		As at period end	As at period end	
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements				
1	Intangible assets	2,322		
2	Tangible assets	6,665		
3	Available for sale investments	370,586		
4	Investments in subsidiary undertakings	30,918		
5	Debtors	71,395		
6	Financial assets held for trading	181,993		
7	Financial assets designated at FVTPL	0		
8	Cash at bank and in hand	64,774		
9	**Total Assets**	**728,653**		
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements				
1	Creditors: amounts falling due within one year	(86,542)		
2	Financial liabilities held for trading	(179,985)		
3	Provisions for liabilities	(529)		
4	Creditors: amounts falling due after more than one year	(1,816)		
5	Provision for end of building lease costs	(4,000)		
6	**Total Liabilities**	**(272,872)**		
Shareholders' Equity				
1	Called-up share capital	732,121		Item 4
2	Reserves	(276,340)		Item 6 & 8
3	**Total Shareholders' equity**	**455,781**		

4.3 Main features of own instruments issued by the firm

The table below provides information on the CET 1, AT1 and Tier 2 instruments issued by the firm. There were no changes since last financial year.

Table OF3 - Main features of own instruments issued by the firm

Issuer	Daiwa Capital Markets Europe Limited
Governing law(s) of the instrument	UK
Regulatory treatment	
Regulatory Classification	Common Equity Tier 1
Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo
Instrument type (types to be specified by each jurisdiction)	Ordinary shares
Amount recognised in Annual Financial Statements	GBP 732m
Nominal amount of instrument	GBP 732m
Issue price	GBP 1
Redemption price	GBP 1
Accounting classification	Shareholders' equity
Original date of issuance	Mar 2008: GBP109m Jun 2009: GBP98m Nov 2010: GBP125m Feb 2011:GBP50m Mar 2011: GBP500m Sep 2012: GBP(150m) (reduction)
Perpetual or dated	Perpetual
Original maturity date	No maturity
Issuer call subject to prior supervisory approval	No
Coupons / dividends	
Fixed or floating dividend/coupon	Floating
Existence of a dividend stopper	No
Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
Existence of step up or other incentive to redeem	No
Non-cumulative or cumulative	Non-cumulative
Convertible or non-convertible	Non-convertible
Non-compliant transitioned features	No

5 Own Funds Requirements (MIFIDPRU 8.5)

5.1 K-Factor Requirement and Fixed Overheads Requirement

The table below shows the K-factor requirement ("KFR"), broken down into three groupings and the amount of fixed overheads requirement ("FOR").

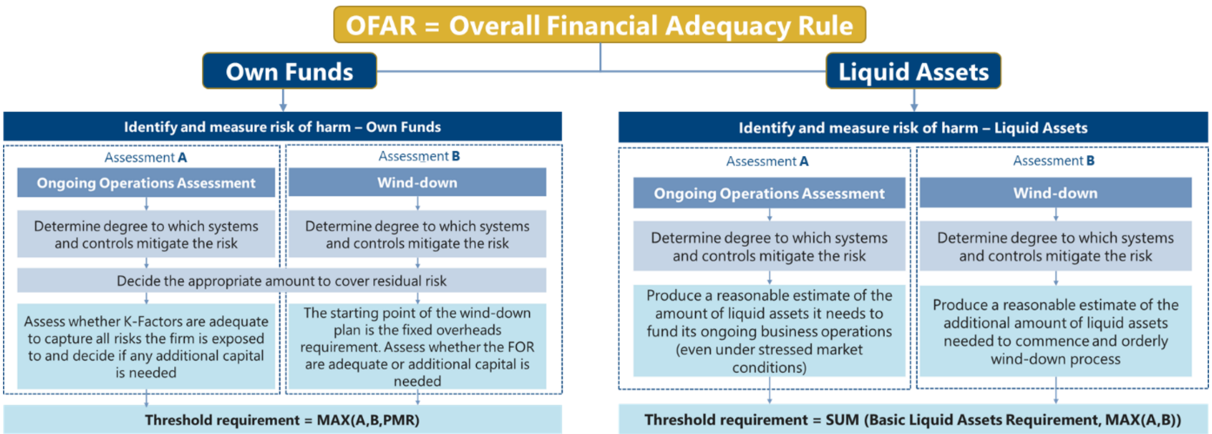
Item - Amount (GBP thousands)		
K-Factor	∑ K-AUM, K-CMH and K-ASA	0
	∑ K-DTF and K-COH	2,454
	∑ K-NPR, K-CMG, K-TCD and K-CON	987
	TOTAL KFR	**3,441**
Fixed Overheads Requirement ("FOR")		**26,072**

5.2 Approach to assessing the adequacy of own funds

In accordance to the Overall Financial Adequacy Rule ("OFAR") set out in MIFIDPRU 7.4.7R, the firm must at all times, hold financial resources (i.e. own funds and liquid assets) which are adequate, both as to their amount and their quality, to ensure that:

- the firm is able to remain financially viable throughout the economic cycle, with the ability to address any material potential harm that may result from its ongoing activities; and
- the firm's business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

The firm undertakes its own funds and liquid asset assessments under the ICARA process in line with MIFIDPRU 7.5 to 7.7. The diagram below shows the process that the firm has undertaken to determine its Own Funds Threshold Requirement ("OFTR") and Liquid Assets Threshold Requirement ("LATR").



The ICARA is an ongoing process that continuously ensures the adequacy of the firm's financial resources. This process is supported by an effective and continuous assessment of the firm's strategy, business model planning and all associated regulated and unregulated activities, covering expected and stressed scenarios, from both an ongoing and wind-down perspective. Furthermore, DCME conducts reverse stress testing for identifying a range of scenarios that could result in the business model becoming unviable.

The process has been embedded within the firm's RMF. DCME maintains a formally documented Risk Inventory, as part of the RMF, which is established based upon the firm's business plan and approved by the Board. Each risk within the Risk Inventory is cross-referenced to possible ICARA harms (client, market and firm) and assessed to determine its materiality to DCME. It also details the functions within DCME with responsibility for each risk type at the first, second and third lines of defence.

The firm's wind-down plan, which is part of the ICARA process, aims to enable DCME to cease its regulated activities and achieve cancellation of its permission with minimal adverse impact on its clients, counterparties or the wider markets under a range of potential scenarios. Wind-down planning requires the setting of triggers for when the firm must begin the process of leaving the market whilst minimising the harm caused on exit. The wind-down plan also sets out a detailed analysis of the costs, communications plan, time horizon identification and estimated financial and non-financial resources to ensure an orderly wind down.

The firm reviews the adequacy of its ICARA process at least once a year or in case of any material change in the firm's business or operating model.

For the year ended 31st March 2024, the firm has been in compliance with the OFAR at all times:

- Own Funds: The firm did not have to notify the FCA under MIFIDPRU 7.6.11 during the period.
- Liquid Assets: The firm did not have to notify the FCA under MIFIDPRU 7.7.14 during the period.

6 Remuneration Policy and Practices (MIFIDPRU 8.6)

6.1 DCME's Approach to Remuneration

The disclosure explains how the Firm has complied with the regulatory requirements under the UK implementation of the Investment Firms Prudential Regime ("IFPR"), in particular the MIFIDPRU Remuneration Code (SYSC 19G, "The Code"). Per SYSC 19G.1.1R, DCME is identified as a non-SNI (small, non-interconnected) firm. All staff are eligible for incentive awards which promote and reward good financial and non-financial performance, as well as high standards of personal and professional conduct. Any awards are determined at the discretion of Senior Management and approved by the Committee.

6.2 Governance

DCME has a Remuneration Committee ("the Committee"), the authority of which is delegated by the Board, to oversee the design and implementation of remuneration policies and practices within DCME in accordance with regulatory requirements, and to ensure that they are subject to periodic review. The development and review of remuneration policies and practices are supported by the business, primarily from the People & Culture Division, but also from its Control Functions, which the Firm considers to be Risk Management, Compliance, and Internal Audit. The Committee is chaired by an Independent, Non-Executive Director ("INED"), and the rest of the Committee is comprised of independent non-executive directors, and group non-executive directors ("GNED"), who represent DCME's shareholder, Daiwa Securities Group Incorporated ("DSGI", "the Parent"). Senior executives, such as the Chief People Officer ("CPO") and Chief Risk & Compliance Officer ("CRCO") will also be asked to attend committee meetings from time to time. The Committee is prescribed to meet a minimum of four times a year, as per its Terms of Reference. The Committee holds ultimate authority over matters related to remuneration and is also empowered to seek external counsel to support the development and review of the Firm's remuneration policies and practices.

6.3 Reward Principles and Philosophy

DCME has established a Reward Policy, the core principles of which state that DCME commits itself to:

- Reward all employees fairly, regardless of job function, race, religion, colour, national origin, sex, sexual orientation, marital status, pregnancy, disability or age.
- Operate competitive remuneration policies so as to attract, retain and motivate an appropriate workforce for the Firm.
- Ensure that its reward practices encourage high standards of personal and professional conduct, support sound risk management and do not encourage risk taking that exceeds the level of tolerated risk of the Firm, and are aligned with regulatory requirements.
- Align remuneration to financial and non-financial performance, the business strategy, objectives, values, corporate culture and long-term interests of the Firm.

- Not allow any unfair or unjust practices that impact on pay.
- Not award remuneration using vehicles or methods which attempt to avoid application of the MIFIDPRU Remuneration Code.

All permanent and fixed-term employees are eligible to participate in the annual incentive scheme. When determining appropriate levels of variable compensation, the Committee considers the Firm's performance in line with the financial and non-financial performance of each individual business unit. Expatriate staff employed by the Parent on secondment to DCME are subject to the Parent's Bonus Plan, however the Code is applied to their remuneration as appropriate. Expatriate variable remuneration is formulaically linked to bi-annual appraisals, and derived from a Group-wide fund which is linked to financial performance.

6.4 Material Risk Takers (MRTs)

The Firm undertakes regular analysis to identify staff whose professional activities may have a material impact on the Firm's risk profile, known as MRTs, as required by SYSC 19G.5 of the Code. Members of the Board and Executive Committee, as well as other members of senior leadership within revenue-generating functions and control functions have been identified using the criteria set out in SYSC 19G.5. The Firm also considers other criteria which may identify additional staff as MRTs. Overall there were 40 MRTs identified in DCME for the 2023/24 financial year. Separately, the Company (through its wholly-owned German subsidiary, Daiwa Capital Markets Deutschland GmbH) identifies relevant MRTs in Germany, as required by German financial regulations. Overall there were 9 MRTs identified in DCMD for the 2023/24 financial year.

The identification of MRTs is conducted by the CRCO with support from the Performance & Reward Department. The assessment process and register of MRTs is approved by the Committee as required. MRTs are made aware of their status upon their identification and are asked to acknowledge their status annually. MRTs are also requested to confirm that they will not undertake personal hedging strategies in respect of unvested bonus awards. Employees identified as MRTs under the Code are subject to specific requirements on the structure of their variable remuneration. Where applicable, the Firm applies exemptions to MRTs in accordance with local relevant regulation (e.g., "de minimis").

6.5 Key Characteristics of the Reward Policies and Practices

DCME operates both fixed and variable remuneration structures. Fixed remuneration is any remuneration that represents an employee's professional experience and organisational responsibility, and is pre-determined, not revocable, not discretionary and not dependent on performance. "Fixed pay" would therefore include salary, allowances, pension and benefits. Variable remuneration is any remuneration that is dependent on performance. Examples of variable remuneration include but are not limited to annual bonuses, guaranteed bonuses, buy-outs and severance payments (see 3.7). Variable remuneration will only be delivered to staff if it does not limit the Firm's ability to strengthen its capital base, and it is sustainable according to the financial situation of the Firm.

Incentive funding for Client Functions is based on their respective financial performances, whereas the Corporate Function incentive pools are determined by the overall financial performance of the Firm, and the degree to which strategic objectives have been achieved. Individual staff performance is measured against financial and non-financial factors, and supported by the Annual Performance Assessment Process. This assessment is based on a Balanced Scorecard. Sustainable organisational performance is based on a number of factors, not simply delivery against annual financial targets. The Balanced Scorecard considers financial performance, performance against objectives, and general conduct and competence throughout the year. Any funding for variable remuneration is reviewed to assess whether the proposals are commensurate with the performance of the Firm (both financially and non-financially) as well as any identified current and/or future risks

6.6 Ex-Ante/Ex-Post Risk Adjustment Framework

The Firm operates risk adjustment policies in order to affect bonus pools or individual awards in light of these considerations and other financial and non-financial performance criteria. The Committee considers, to the extent possible, whether any of the current risks in DCME may crystallise in the near future or the next remuneration period, resulting in a need to adjust current remuneration year incentive pools and individual compensation outcomes for either local employees or expatriate staff. The Reward and Conduct Committee ("RACC"), which is a sub-committee of the Executive Committee, provide a bi-annual report to the Committee, which considers ex-ante risks specific to the DCME's evolving organisation and its business activities. This includes relevant financial and non-financial risks that DCME faces and any other risks that might be specific to the Firm as part of DCME's risk management framework. Any assessment of materiality is based on judgment and management discretion applied on a case by case basis in line with the approach adopted by the Firm under the ICARA process. The report considers the relevant quantitative and qualitative measures in the assessment of the impact and probability of current, uncrystallised risks impacting the Firm in the next remuneration period. The report also explains and justifies the materiality of those risks, and gives recommendations for any adjustments to the relevant incentive pool(s), should they crystallise. For context, these current and future risks include but are not limited to credit risk, model risk, liquidity risk and capital risk, as well as legal/regulatory compliance risk, operational/conduct risk (including financial crime risk), strategic risk, and reputational risk.

Where applicable, the Firm will ensure that individuals do not profit from a relevant risk event, including taking into consideration the extent to which past incentives were earned as a result of identified failings. In all cases, DCME will ensure that the size of ex-post risk adjustments reflect the severity of the relevant event, are sufficiently material in size and are sufficient to drive positive individual behaviours and culture within the firm. Ex-post risk adjustment can be applied to individuals or to groups of employees on a collective basis. Where the misconduct, failings or poor performance, which led to a relevant risk event, occurred primarily in particular business units or divisions, adjustments to remuneration should be weighted towards those areas.

The Firm also operates a Malus & Clawback Policy, which seeks to reduce unvested or vested awards. The application of malus provisions against unvested variable compensation will be considered where, in the context of an issue, there is reasonable evidence of employee misconduct or material error, the Firm or relevant business line suffers a material downturn in financial performance, or the Firm or relevant business line suffers a material failure of risk management. Clawback of vested variable compensation may be applied where there is reasonable evidence of employee misconduct or material error, or the firm or relevant business line suffers a material failure of risk management, in particular cases of fraud or other conduct with intent or severe negligence which led to significant losses.

6.7 Other Forms of Variable Remuneration

Guaranteed incentives may be exceptionally used to attract candidates as an incentive to join, and will not be provided to current staff. Guarantee periods will be for no longer than 12 months from the commencement of employment. In the event that it is necessary to buy out forfeited deferred compensation as part of the recruitment process ("Buy-Out Award"), the Firm would ensure that recipients would not be subject to more favourable terms than that of their previous employer. These types of awards are offered rarely, and only in the context of recruitment.

In exceptional circumstances, the Firm may provide Retention Awards to selected staff after a defined event or at a specified point in time, such as following major restructuring. Any Retention Award will be subject to specific performance conditions set on a case-by-case basis and paid only once these conditions are met.

The provision of any variable remuneration will be made in accordance with the Code, including the application of deferrals and payments in instruments, as well as implementing malus and clawback provisions against any MRT variable remuneration.

Where termination payments are awarded to an employee who ceases employment, the Firm undertakes to ensure that any such termination payments shall reflect performance achieved over time and not reward failure. Any such awards shall be properly documented, both in terms of the reasons for the payment and the appropriateness of its amount. The Firm may also apply clawback to discretionary severance payments awarded to MRTs.

6.8 Deferrals and Payment in Instruments

Where applicable, MRT variable compensation is subject to deferral of at least 40%. The portion of the variable compensation subject to deferral will increase to 60% if the employee's total variable remuneration for the financial year is equal to or more than £500,000, in line with SYSC 19G.6.24R. All deferrals vest over a period of three years on an annual pro-rata basis. This deferral model suits the Firm's short-term business cycle and nature of its business activities; however, the Committee considers the appropriateness of the deferral period and vesting schedule annually alongside other remuneration policies.

Where the provisions of the Code are applied, the award is delivered in equal portions of cash and non-cash instruments, with a majority of the deferred portion being made up of non-cash instruments. The Firm operates a cash-settled Phantom Share Plan ("PSP"), which is linked to the share price of the parent entity, Daiwa Securities Group (TYO: 8601). Phantom Share awards are subject to a retention period of six months, given the cyclical and short-term nature of the Firm's primary business activities, however staff do not have the option to retain phantom shares beyond six months.

The Firm also operates a Deferred Cash Compensation Plan in order to manage any deferred cash awarded to high-earning non-MRTS to whom DCME have applied some of the MRT provisions in order to promote sound risk management and a healthy culture.

6.9 Quantitative Disclosures

All remuneration data is presented in Pounds Sterling (GBP), and in thousands of pounds (£'000s).

In order to not disclose the remuneration of an individual MRT, we have relied upon the exemption detailed in MIFIDPRU 8.6.8R(7)(b)[3] to not report the severance pay or guarantees for MRTs or Senior Managers required by MIFIDPRU 8.6.8R(5).

	Total	Senior Managers	Other MRTs	All Other Staff
Number of Staff	454	17	20	417
Total Remuneration	62,842	6,298	5,617	50,927
Of which Fixed	46,832	3,892	3,947	38,993
Of which Variable	16,010	2,406	1,670	11,934

[3] *Where aggregation in accordance with (a) would still lead to the disclosure of information about one or two people, a non-SNI MIFIDPRU investment firm is not required to comply with the obligation in (4), (5)(a), (5)(b) or (6).*

	Senior Managers	Other MRTs
23/24 Variable Remuneration	2,406	1,670
Of which Cash	1,379	1,473
Non-Deferred	1,231	1,473
Deferred	148	0
Of which Instruments	1,028	198
Non-Deferred	58	40
Deferred	970	158
Prior Year Variable Rem. Due to Vest	1,300	141
Of which vested in this year	692	63
Of which is outstanding	607	77
Of which was reduced/recovered	0	0

	Material Risk Takers
Total Number of MRTs	37
Of which De Minimis	31
Provisions Exempted [4]	Shares, Instruments and Alternative Arrangements
	Retention Policy
	Deferral
Total Rem. for De Minimis MRTs	7,527
Of which Fixed	5,901
Of which Variable	1,626

[4] *DCME does not operate any discretionary pension benefits, so the provisions of SYSC 19G.6.35R do not apply.*

7 Investment Policy (MIFIDPRU 8.7)

In accordance with MIFIDPRU 8.7.6, a firm is only required to disclose information in relation to its investment policy if the following circumstances are applied:

- only in respect of a company whose shares are admitted to trading on a regulated market;
- only where the proportion of voting rights that the MIFIDPRU investment firm directly or indirectly holds in that company is greater than 5% of all voting rights attached to the shares issued by the company; and
- only in respect of shares in that company to which voting rights are attached.

As the firm does not have any company holdings that meet the above criteria, it is not required to disclose any information relating to its investment policy.