

GF Financial Markets (UK) Limited

MIFIFPRU 8 Disclosures

December 2022

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1. Introduction

GF Financial Markets (UK) Limited (“**GFFM**” or “**the Company**”) is authorised and regulated by the Financial Conduct Authority (“**FCA**”) and has been classified as a **non-SNI MIFIDPRU Investment firm** since the implementation of the IFPR on 1 January 2022.

GFFM is a wholly-owned subsidiary of **GF Futures (Hong Kong) Co., Limited** incorporated in Hong Kong which is regulated by the Securities and Futures Commission (SFC). The Company has no subsidiary undertakings and is not part of a UK regulatory MIFIDPRU Investment Firm Group.

The disclosures in this disclosure statement are presented on an individual basis.

The Company’s ultimate parent company, is **GF Securities Co., Limited**, based in Guangzhou, China, who is regulated by the CSRC (China Securities Regulatory Commission).

2. Scope and Application of the Requirements

The Company is required to publicly disclose quantitative and qualitative information in compliance with the requirement of MIFIDPRU 8. Unless otherwise stated, the disclosures herein are as at the 31 December 2022.

As a non-SNI MIFIDPRU Investment Firm, MIFIDPRU 8 requires the Company to disclose information on the following:

- Risk management objectives and policies;
- Governance arrangements;
- Own funds and own funds requirements; and
- Remuneration policies and practices.

The Company does not exceed the MIFIDPRU 7.1.4R thresholds and therefore the disclosure requirement in respect of the firm’s investment policy does not apply.

The Company’s main activities are acting as a broker, offering client execution and clearing services in on-exchange futures and options, both financial and commodity related and foreign exchange.

The Company’s client base are Professional Clients and Eligible Counterparties, and the Company has regulatory permission to hold and control client money in accordance with CASS (the Client Assets Sourcebook).

3. Disclosure Policy

The Company has adopted the policy of reviewing this public disclosure **annually**. This is done in conjunction with the publishing of its annual audited accounts. The Company's financial year end is 31 December.

The Company has taken a proportionate approach to the qualitative MIFIDPRU disclosure requirements, with a level of detail that is appropriate to its size and internal organisation, and to the nature, scope, and complexity of its activities.

This disclosure statement is reviewed and approved by the Board of Directors ("**the Board**") prior to publication.

4. Location of Disclosures

As referred to in the Company's audited accounts, the chosen location for the publication of this document is the Company's website (www.gffm.com).

5. Risk Management Objective & Policies (MIFIDPRU 8.2)

The Company's activities as a broker expose it to a variety of financial risks: price/market risk; credit risk; liquidity risk, including cash flow; and fair value interest rate risk. The Company's overall risk management program focuses on the unpredictability of relevant markets and seeks to minimise potential adverse effects on the Company's financial performance.

Under MIFIDPRU 8.2.1 R the Company must disclose its risk management objectives and policies for the categories of risk addressed by:

- (1) MIFIDPRU 4 (Own Funds Requirements);
- (2) MIFIDPRU 5 (Concentration risk); and
- (3) MIFIDPRU 6 (Liquidity).

The Board of Directors manage the acceptable level of risk by implementing sound systems and controls and corporate governance arrangements. This includes Board approved trading limits, internally approved credit limits for clients, key metric and stress monitoring, escalation procedures and strong management oversight.

The Company's definition of a material risk is one that, in the event that it was to materialise, would fall beyond the Firm's Risk Appetite and could not be easily absorbed by the Company without predefined management action and/or the addition of new capital.

The Company's most material risks are considered to be credit and liquidity risk. Key risk reports are distributed to senior management in order to monitor its daily activities and the underlying risks relating to the approved framework and risk appetite.

The Company monitors, on an ongoing basis, its position against the Significant SYSC (SYSC 1.5) thresholds and also against the parameters under SYSC 19G in relation to the extended remuneration code, and MIFIDPRU 7.1.4 R with regards to the extended committee requirements.

The senior management of the Company take a cautious view to the development of the business and will only broaden the scope of its activities having ensured there is adequate funding available.

The Company's general risk management objective is to develop governance structures and ensure there are systems and controls in place to mitigate risk to a level that does not require the allocation of extra regulatory capital. The Board will review and endorse the risk management objective each year, as part of the approval process of the Company's ICARA.

5.1 Risk Appetite

The Company has a medium appetite for risk and seeks to mitigate risk by implementing sound systems and controls and corporate governance arrangements. The Risk Appetite is set in relation to the approved limits for credit risk. Risks are categorised into Credit, Liquidity, Market, Operational and Business risks. The Board reviews and endorses the Risk Appetite of the Company at least annually during the ICARA process review.

5.2 Risk Register

The Company maintains a Risk Register containing all relevant details for each risk that has been identified, within which the most material risks to its business are highlighted. The material risks are subjected to scenario analyses and stress tests in order to assist in its risk management and capital planning.

5.3 Wind Down Plan

The Company maintains a Wind Down Plan which is evaluated and assessed through the ICARA process. The objective of the Wind Down Plan is to identify the steps and actions necessary and resources needed to wind-down the Company's regulated activities and to evaluate the potential risks and impact of a wind-down situation and consider how to mitigate them.

The Wind Down Plan is refreshed at least annually and after any material change in the Company's business or operating model to ensure that it remains current and relevant to the Company's operations. The Company's Wind Down Plan includes both quantitative and qualitative measures, including potential resolution and recovery options, impact assessment and operational analysis and resource assessments.

6. Governance Arrangements (MIFIDPRU 8.3)

The Company is required to disclose how it complies with the requirement in SYSC 4.3A.1R to ensure the management body defines, oversees and is accountable for the implementation of governance arrangements that ensure effective and prudent management of the firm.

6.1 The Board of Directors

The Board is the **Governing Body** of the Company and has overall responsibility for the firm with and to ensure that the Company adheres to its legal and regulatory responsibilities. The Board is responsible and accountable for implementing strong governance and oversight and to take responsibility for the strategic leadership of the firm.

Governance arrangements include the segregation of duties within the organisation, and the prevention of conflicts of interest, and in a manner that promotes the integrity of the market and the interests of clients.

The shareholders' role in governance is to appoint the directors and to satisfy themselves that an appropriate governance structure is in place.

The Board sets the Company's risk strategy policies and decides the Company's appetite or tolerance for risk, ensuring that the Company has implemented an effective, ongoing framework of prudent and effective controls and processes to identify, measure and manage risks. The Board is thus responsible for the total process of risk management, as well as forming its own opinion on the effectiveness of the process.

The Board will conduct a review, at least annually, of the effectiveness of the Company's system of internal controls, including financial, operational and compliance controls and risk management systems.

The Board has the additional responsibility to:

- oversee the risk management systems, practices and procedures to ensure effectiveness of risk identification and management;
- monitor, all elements of compliance with the rules of the FCA and other organisations as they apply to the Company;
- to consider the adequacy of the procedures that have been established to ensure compliance with the FCA Rules and/or other regulatory bodies and Clearing Houses, as appropriate;
- to review and assess the risk management strategy of the Company and, where appropriate, to ensure that risks are adequately mitigated;
- to ensure that the compliance and risk management functions are adequately resourced and has appropriate standing and independence within the Company;

The Board assesses the needs of the business in terms of the financial and human resource requirements that are required for the Company to fulfil its objectives, and reviews management performance. The performance management of the Board will be assessed through a competency evaluation framework, and the CEO will be in charge of Board members' performance.

The Board also sets and oversees the Company's values and standards and ensures that its obligations to its shareholder, clients and others relevant parties, including its regulator, are understood.

6.2 Committees

The Board of Directors has appointed and delegates specific authority to three committees as below, and all voting members of these committees are Board members:

- **Risk & Compliance Committee ("R&C")**
- **Audit & Finance Committee ("A&F")**
- **Remuneration Committee ("RemCom")**

The Company qualifies for the exclusion in MIFIDPRU 7.1.4R and therefore is not required to establish a risk, remuneration or nomination committee according to the MIFIDPRU 7.3 requirements.

6.2.1 Risk & Compliance Committee

The Board of GFFM delegates specific authority to the Risk & Compliance Committee (“**R&C**”) which is responsible for providing focused support and advice on risk governance and compliance and regulatory issues. These responsibilities include:

- advice on risk strategy, including the oversight of the current risk exposures of the Company, including prudential risks;
- review and approval of all new products and activities undertaken by the Company;
- making proposals to the Board in respect of overall risk appetite and tolerance, and metrics to monitor the Company’s risk management performance;
- oversight and challenge of the design and execution of stress and scenario testing;
- oversight and challenge of due diligence on risk issues relating to material transactions and strategic proposals that are subject to approval by the Board
- providing advice, oversight and challenge necessary to embed and maintain a supportive risk and compliance culture throughout the Company.

The R&C members are also Board directors which includes the SMF3 who has designated responsibility for Risk and who is also a member of the GFFM Credit Committee. The GFFM Credit Committee approve/support the granting of credit facilities to clients under the GFS Risk approved risk delegation. The structure and voting members of the Credit Committee is determined by the GFFM Board.

The R&C Committee will also propose changes to the risk procedures, as well as oversee the Company’s Risk Register and make proposals to the Board to address and mitigate these risks. The Board approved Risk Register is reviewed and updated annually during the ICARA process, and more regularly if required.

6.2.2 Audit & Finance Committee

The Audit and Finance Committee will meet as required to assess technical accounting matters or to discuss relevant audit recommendations. Information for the review and approval of the annual audited statutory accounts including accounting policies and compliance with accounting standards is presented directly to the Board.

6.2.3 Remuneration Committee

The Remuneration Committee is responsible for putting in place policy in line with the MIFIDPRU Remuneration Code and other applicable rules, and making recommendations to the Board.

6.3 The Management Body

The Board is the Management Body of the Company and is empowered to determine strategy, objectives and oversee management decision-making within the Company.

The Board of Directors of the Company has the daily management and oversight responsibility for the business supported by other key members of the senior management team within the Company.

6.4 Board Selection and Appointment

Selection for Board appointment will take place by ensuring that the skills and competencies of each Board member are appropriate to their individual roles, and the diversity of the Board will duly be considered when appointing new members. New Board members shall hold the required Approved Person / Senior Management Function status required by the UK Financial Services Regulator, the Financial Conduct Authority.

When appointing members of the Board, the Company ensures that they are of sufficiently good repute and have the necessary collective skills, knowledge, expertise and have a broad range of experiences to understand the Company's activities and the main risks that the Company faces.

6.5 Directorships

Under SYSC 4.3A5 R, the Company must ensure that the members of the management body of the firm do not hold more directorships than is appropriate, taking into account individual circumstances and the nature, scale and complexity of the firm's activities. Executive or non-executive directorships held within the same group count as a single directorship.

The composition of the Board (being the Management Body) as at 31 December 2022, including number of directorships (executive and non-executive) is summarised below:

Name	Role	Executive/ Non Executive	Number of Directorships
M Luo	Chief Executive Officer (CEO)	Executive	1
S Shi	Managing Director	Executive	1
J Huang	GFFM Director	Executive	1
B Liu	GFFM Director	Executive	1
M Forgham	Independent Director	Non-Executive	4
A Penney *	GFFM Director (CFO)	Executive	1

(*) = resigned from the Board effective 30 April 2023

The Company, within its equal opportunity policy, is committed to providing equal opportunities in employment and will not unlawfully discriminate against job applicants or employees of the Company, workers or contract workers. Promotion within the Company is made without regard to the protected characteristics and is based on merit. This policy underpins and supports diversity within the management body.

7. Overall Financial Adequacy Rule

The overall financial adequacy rule (MIFIDPRU 7.4.7 R) states that a firm must, at all times, hold **own funds** and **liquid assets** which are adequate, both as to their amount and their quality, to ensure that:

- (a) 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
- (b) the firm's business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

8. Capital Adequacy

As disclosed above, the Company's general risk management objective is to develop governance structures and ensure there are systems and controls in place to mitigate risk to a level that does not require the allocation of extra regulatory capital.

The Company is required to assess through the ICARA process a reasonable estimate of the own funds it needs to hold to address potential harms that could result from the ongoing operations and the winding down of the business.

The introduction of new products requires a full assessment and impact analyses, incorporating the impact on overall risk against the Company's risk appetite and the management and oversight capital planning and stresses, including own funds and liquidity.

The Company holds more capital than its capital resource requirement, maintaining a significant regulatory buffer.

The detail of the Company's own funds and own funds requirement is further described below.

8.1 Own Funds (MIFIDPRU 8.4)

In line with the requirements of MIFIDPRU 8.4, own funds disclosures below are made using the format as required by the regulation and template in MIFIDPRU8_Annex1R:

Composition of regulatory Own Funds			
	Item	Amount As at 31 Dec 2022 (USD 000's)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1	Own Funds	92,480	
2	Tier 1 Capital	92,775	
3	COMMON EQUITY TIER 1 CAPITAL	92,775	
4	Fully paid up capital instruments	85,457	<u>Shareholders Equity</u> Share Capital
5	Share premium	119	<u>Shareholders Equity</u> Share Premium
6	Retained earnings	8,763	<u>Shareholders Equity</u> Retained profit
7	Accumulated other comprehensive income	(1,522)	<u>Shareholders Equity</u> Investment revaluation reserve
8	Other reserves	-	
9	Adjustments to CET1 due to prudential filters	(43)	<u>0.1% Assets & Liabilities</u> Investments Financial assets at FVTPL Financial liabilities at FVPTL
10	Other funds	-	
11	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(295)	
19	CET1: Other capital elements, deductions and adjustments	(295)	<u>Balance sheet</u> Intangible assets Deferred taxation
20	ADDITIONAL TIER 1 CAPITAL	-	
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	-	
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	-	

The MIFIDPRU 8 disclosures require the analysis of the capital resources of the Company (as above) and a reconciliation to the with the capital in the balance sheet in the Company's audited financial statements:

Own Funds: Reconciliation of regulatory Own Funds to balance sheet in the audited financial statements			
		Balance sheet as in published/audited financial statements	Cross-reference to template OF1
		As at 31 Dec 2022 (USD 000's)	
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements			
Non-current assets			
1	Intangible assets	22	Own Funds Items 19 (CET deduction)
2	Property, plant and equipment	175	
3	Right-of-use asset	834	
4	Investments	2,515	Own Funds item 9 (used in AVA calculation)
5	Deferred taxation	273	Own Funds Items 19 (CET deduction)
6	Trade and other receivables: amounts falling due after more than one year	340	
Current assets			
7	Financial assets at fair value through profit or loss	16,684	Own Funds item 9 (used in AVA calculation)
8	Trade and other receivables: amounts falling due within one year	206,866	
9	Cash at bank and in hand	98,630	
10	Total assets	326,339	
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements			
Non-current liabilities			
1	Trade and other payables: amounts falling due over one year	348	
Current liabilities			
2	Financial liabilities at fair value through profit or loss	23,472	Own Funds item 9 (used in AVA calculation)
3	Trade and other payables: amounts falling due within one year	209,702	
4	Total Liabilities	233,522	

Shareholders Equity			
1	Share capital	85,457	Own Funds item 4 (Fully paid up capital instruments)
2	Share premium	119	Own Funds item 5 (Share premium)
3	Investment revaluation reserve	(1,522)	Own Funds item 6 (Accumulated other comprehensive income)
4	Retained profit	8,763	Own Funds item 6 (Retained earnings)
5	Total Equity	92,817	

Own Funds: main features of own instruments issued by the Company
<p>Tier 1 capital (and CET1) includes 55,969,014 ordinary shares of £1 each, of which 55,524,570 were issued at par for GBP 55.524m and the remaining shares were issued for a consideration of GBP 0.511m. This amounts to share capital of USD 85.457m and a share premium of USD 0.119m which has been recognised as Tier 1 regulatory capital.</p> <p>The Company does not have any additional Tier 1 or Tier 2 regulatory capital.</p>

8.2 Own Funds Requirement (MIFIDPRU 8.5)

A MIFIDPRU investment firm must at all times maintain Own Funds that are at least equal to its Own Funds Requirement.

The Own Funds Requirement (MIFIDPRU 4) of a non-SNI MIFIDPRU investment firm is the higher of:

- (1) its Permanent Minimum Capital Requirement;
- (2) its Fixed Overheads Requirement; or
- (3) its K-Factor Requirement.

For GFFM, the higher of these three requirements is the Fixed Overheads Requirement as at 31 December 2022.

8.2.1 Permanent Minimum Capital Requirement

The Company is a non-SNI MIFIDPRU investment firm with a Permanent Minimum Capital Requirement (“PMCR”) under MIFIDPRU 4.4 of GBP 750,000 (**USD 905k**).

8.2.2 Fixed Overheads Requirement

The Fixed Overheads Requirement (“FOR”) of a MIFIDPRU investment firm is an amount equal to one quarter of the firm’s relevant expenditure during the preceding year, based on its most recent **audited** annual financial statements (MIFIDPRU 4.5).

As at 31 December 2022, the relevant annual expenditure was USD 12.33m, based on the audited financial statement for the preceding financial year (2021). The FOR was therefore **USD 3.083m**.

Note: the updated FOR, based on the audited 2022 financial statements is USD 3.132m.

8.2.2 K-Factor Requirement

The K-Factor Requirement (“KFR”) (MIFIDPRU 4.6) as at 31 December 2022 of **USD 1.804m** is broken down as follows:

K-Factor Requirement	Description	USD 000’s
K-AUM	Assets under Management	-
K-CMH	Client Money Held	60
K-ASA	Assets Safeguarded and Sdministered	-
SubTotal		60
K-COH	Client Orders Handled	-
K-DTF	Daily Trading Flow	153
SubTotal		153
K-NPR	Net Position Risk	1,334
K-CMG	Clearing Margin Given	-
K-TCD	Trading Counterparty Default	257
K-CON	Concentration Risk	-
SubTotal		1,591
Grand Total		1,804

8.3 Own Funds Threshold Requirement

The Company is required to assess through the ICARA process a reasonable estimate of the own funds it needs to hold to address potential harms that could result from the ongoing operations and the winding down of the business. On the basis of this analysis, the Company must further assess whether it should hold additional own funds in excess of its Own Funds Requirement to comply with the overall financial adequacy rule. This is after the Company has determined the degree to which the firm's systems and control mitigate the risk of harm.

The **Own Funds Threshold Requirement** ("OFTR") is the level of own funds that the Company needs at any point in time to comply with the overall financial adequacy rule.

Through the ICARA process, the Company's OFTR is assessed as the higher of:

- (1) the sum of the KFR and additional own funds required for ongoing operations;
- (2) the sum of the FOR and additional own funds required for wind down; and
- (3) the firm's PMR

As at 31 December 2022 the **OFTR** was **USD 23.96m**, where the assessment for ongoing operations was the highest of the above three measures.

The Company has determined its minimum requirements for own funds from its Business Model Assessment.

8.3.1 ICARA Assessment for ongoing operations

The Company has assessed **business risks** by modelling the effect of these risks on its capital planning forecasts. Operational risk is assessed by considering whether further capital is required taking into account its mitigation and proposed management actions in respect of each business risk. Additional capital requirements have been identified and quantified by the Company through the ICARA process to address risks from ongoing activities, that are in addition to the K-Factor charges. These are mainly in relation to trading counterparty risk. The firm's assessment also includes additional own funds in relation to the valuation of the Company's non-equity investments, which are held as a condition of exchange membership or future access to other markets.

The Company's exposure to **credit risk** is the risk that the Company will suffer a financial loss should any of the Company's clients or counterparties fail to fulfil their contractual obligations as they fall due.

The Company implements credit risk management techniques designed to minimise the level of credit risk, which includes daily monitoring of the level of actual and potential credit risk by client (and by group of connected clients) on a daily basis, making daily and intra-day margin calls as appropriate where exposures exceed agreed limits and maintaining procedures and approval levels for the granting, and on-going monitoring, of credit limits and settlement lines in accordance with the Company's Credit Risk Management Policy. GFFM re-values counterparties' contracts at least once a day.

Credit limits are determined by the GFFM Credit Committee, in accordance with the authority delegated from the GF Group, or as approved by the GF Group following the recommendation of the Credit Committee.

Credit risk is managed on a company-wide basis. The Company also has credit exposures to banks with which it deposits funds, as well as to clearing houses and clearing broker firms.

The Company has assessed the Own Funds Requirement for market risk, operational risk, and CASS risk and have determined that the K-Factors are sufficient and additional own funds are not required.

Market risk is the risk arising from an adverse movement in prices, interest rates and foreign exchange rates in respect of losses in on-and off-balance sheet positions. The Board annually approves a trading limit mandate under which the Front Office operate. Positions are monitored against these limits on a daily basis and results are circulated to management. Most of the client business undertaken by the Company is limited to exchange traded derivatives.

8.3.1 ICARA Assessment for wind down

The Company uses its wind down analysis and plan to assess the appropriate level of own funds and liquid assets for wind down. The Company's wind-down assessment for own funds must not be lower than the FOR.

8.4 Prudential Reporting

Regulatory capital adequacy calculations and threshold monitoring, including early warning indicators, are updated and distributed to senior management on a daily basis, supplemented with weekly monitoring against internal Recovery thresholds. The FCA monitors the Company's adequacy of financial resources through the quarterly MIF reporting.

9. Concentration Risk

The Company's risk management objective and policy in relation to concentration risk is to ensure that there are governance structures, systems and controls in place to mitigate risk to a level that does not require the allocation of extra regulatory capital.

The FCA requires a firm to monitor and control its concentration risk using sound administrative and accounting procedures and robust internal control mechanisms (MIFIDPRU 5). Concentration risk includes exposures to groups of connected counterparties and treats them as a single exposure reflecting a single risk because of their interconnectedness.

Within the Company's internal risk framework, client limits are monitored in relation to total credit lines in issue and there is reporting of exposures to groups of connected counterparties. When approving credit lines, careful consideration is given to the issue of concentration risk.

Within the prudential framework, own funds capital adequacy is monitored on a daily basis and this includes concentration risk in relation to K-CON and ICARA-CON. There are reporting and notification procedures and requirements to the FCA immediately upon the breach of certain soft or hard concentration limits as defined in MIFIDPRU 5.

GFFM mainly deals with exchange traded derivatives, and thus counterparty trading concentrations are assessed for Own Funds Requirements under internal ICARA concentration risk measures, which is based on the K-CON methodology.

Concentration risk is also assessed and monitored on the value of the Company's own cash deposits.

The FCA monitors the Firm's concentration risk through the quarterly MIF004 Non-K-CON Concentration Risk reporting and the MIF005 K-CON Concentration Risk reporting.

10. Liquidity Risk

The Board is responsible for the total process of liquidity risk management, as well as forming its own opinion on the effectiveness of the process. It is responsible for ensuring that a robust liquidity policy is developed to maintain sufficient liquidity to ensure there is no significant risk that its liabilities cannot be met as they fall due, including in periods of stress. The Board sets the liquidity risk strategy and its related policies and procedures and determines the Firm's tolerance to liquidity risk. In addition, the Board ensures that the Company has implemented an effective, ongoing process to identify liquidity risk, to measure its potential impact and then to ensure that such risks are actively managed.

10.1 Liquidity Risk Assessment Policy

The Company's Liquidity Risk Assessment Policy ("LRAP") includes a detailed review of the liquidity risks facing the firm, including intraday risk, and presents and analyses the Company's liquidity risk management framework, systems and controls. This LRAP is reviewed and approved by the Board through the ICARA process, ensuring its ongoing effectiveness.

The Company has determined its minimum regulatory requirements for liquid assets from its LRAP.

10.2 Contingency Funding Plan

The Board sets and operates a Contingency Funding Plan and Recovery Plan triggers as part of its waterfall liquidity escalation. This takes effect at far higher levels of liquid assets than the regulatory base requirements of the IFPR in the Liquid Asset Threshold Requirement. Liquidity risk monitoring is produced daily by the Company's Risk department which includes the internal liquidity risk metrics that cement the framework for liquidity risk monitoring, control and escalation.

Available liquidity resources are reduced within the Company's internal model liquidity stress calculations as facilities near expiry, ensuring controlled management of exposures versus resources.

10.3 Liquid Asset Threshold Requirement

Under the IFPR, to comply with the overall financial adequacy rule, the Company must hold liquid assets to the **sum** of the Basic Liquid Assets Requirement and the higher of:

- (a) the amount of liquid assets that the firm requires to fund its **ongoing business** operations, taking into account potential periods of financial stress during the economic cycle; or
- (b) the additional amount of liquid assets that a firm would need to hold when commencing its **wind-down** process to ensure that the firm could be wound down in an orderly manner.

The liquid assets that the Company requires under the IFPR is assessed over a 12-month time horizon, including ordinary requirements and needs during periods of stress.

The Company identifies and measures risk of harm through liquidity stress tests and Wind-Down Plan results which are both assessed through the ICARA process. The Company's internal liquidity stress is measured on a daily basis.

10.4 Basic Liquid Assets Requirement

The basic liquid assets requirement (“BLAR”) provides the minimum levels of core liquid assets that the firm must maintain at all times. The purpose of the BLAR is to ensure that the firm always has a minimum stock of liquid assets to fund the initial stages of its wind-down process if wind-down becomes necessary.

The Company’s wind-down assessment for liquid assets must not be lower than the BLAR.

The Company must hold **core liquid assets** at least equal to the BLAR, which is a third of the Company’s MIFIDPRU 4.5 FOR. Core liquid assets comprise short-term deposits at UK-authorized credit institutions and non-core liquid assets include non-sterling short term deposits in the UK and overseas.

10.5 Prudential Reporting

The Company’s LATR calculation and threshold monitoring, including internal early warning indicator, is updated and distributed to senior management on a daily basis, supplemented with weekly monitoring against internal recovery thresholds.

Liquidity information is reported to the FCA on a quarterly basis via the MIF002 RegData return. The FCA uses this information to monitor both the liquid assets that the Company is holding and the Company’s assessment of its LATR.

As at 31 December 2022, the MIF002 data submission included the following data items:

Data Item	USD 000’s	GBP 000’s
Basic Liquid Asset Requirement	1,028	852
Core Liquid Assets	4,223	3,502
Liquid Assets Threshold Requirement	26,194	21,716
Non-Core liquid assets	89,148	73,909

Both core and non-core liquid assets do not include assets that are encumbered, or are money held under the FCA client asset rules.

11. Remuneration policies and practices (MIFIDPRU 8.6)

Remuneration Policy and Practices Disclosure is required under MIFIDPRU 8.6 for all MIFIDPRU investment firms, with both qualitative and quantitative disclosures.

GFFM has adopted a Remuneration Policy and Practice that complies with the requirements of SYSC 19G, which is a gender-neutral remuneration policy and practice, and is appropriate and proportionate to the nature, scale and complexity of the risk inherent in the company.

The Company's Remuneration Policy and practices are designed to promote sound and effective risk management and ensure that risk taking is not encouraged other than within the parameters approved by the Board and together with the company's internal risk control procedures to ensure effective management of risk. The Remuneration Policy and practice supports the company to achieve its objectives and strategy, whilst keeping our competitive advantage in the market.

11.1 Approach to Remuneration for all staff

The Company's Remuneration Policy and practices apply to all staff. Staff's remuneration is composed of fixed and variable remuneration.

Fixed remuneration primarily reflects a staff member's professional experience and organisational responsibilities as set out in the staff's job description. It is permanent, pre-determined, non-discretionary, non-revocable and not dependent on performance.

Variable remuneration, in the form of annual discretionary bonus, is based on performance, and reflects the long-term performance of the staff member as well as performance in excess of the staff member's job description and terms of employment. It is dependent on various factors, including the Company's long-term growth, business development and other non-monetary targets set by senior management of the Company and its parent Group.

11.2 The Objective of its Financial Incentives

The objective of the Company's remuneration is to promote sound and effective risk management, to reward all employees fairly, to attract, retain and motivate an appropriate workforce for the Company, and to support Company's long-term growth and business development.

11.3 Decision-making Procedure and Governance

The Company's Remuneration Policy and practices are established and reviewed by the Remuneration Committee periodically, at least annually.

The main role and responsibility of the Committee is to put in place a policy in line with the MIFIDPRU Remuneration Code and other applicable rules. The Committee is also responsible for making recommendations to the Board for the approval of the terms of remuneration for GFFM on a department level. The Remuneration Committee meets regularly.

GFFM has a performance appraisal process for staff, which is conducted annually after the Company's financial year. Each individual employee's performance for the previous year is appraised by their line manager, including the factors of monetary and non-monetary targets achievement, including performance, competency, conduct, facilitating the Company's development and growth, risk management, compliance assessment, collaboration, training, and adherence to policies and regulations.

The performance appraisal, together with further consultation with line managers and salary benchmark information, inform the decisions for both fixed and variable remuneration.

11.4 Material Risk Takers

Under the MIFIDPRU Remuneration Code, GFFM has set up Material Risk Taker Identification procedures in accordance with the requirements of SYSC 19G.5.3 to SYSC 19G.5.5, based on when a staff member's professional activities are deemed to have a material impact on a firm's risk profile or the assets the firm manages.

The Company maintains a list of Material Risk Takers and it is reviewed and updated by the Remuneration Committee at least annually, and when the circumstances require review, such as new joiners, and team structure changes etc. Employees that appear on this list are notified by the Remuneration Committee of their status and reason for being identified.

11.5 Remuneration Structures

As mentioned above, staff's remuneration is composed of fixed and variable remuneration.

Fixed remuneration is benchmarked to market rates, and determined considering an individual's level of responsibility, seniority, knowledge, skill, competencies, and experience. It is reviewed annually, taking into account conduct, teamwork, fair treatment of clients, quality of work, market trends and contribution made by the employee to the overall long-term success of the Company, as well as the talent retention.

Variable remuneration, in the form of an annual discretionary bonus, is allocated to all employees of the Company accordingly to individual's annual performance appraisal, which includes the factors of monetary and non-monetary targets achievement, performance, competency, conduct, facilitating the Company's development and growth, teamwork, and adherence to policies and regulations, including internal policies and procedures, risk management policy etc.

The Company ensures the fixed and variable components of total remuneration are appropriately balanced. It has set appropriate ratios between the variable remuneration and the fixed remuneration based on the role's responsibilities and risk-taking level.

The Remuneration Committee will review the ratios annually and ensure they do not encourage unnecessary risk taking.

11.6 Performance Adjustment

Performance adjustment, in the form of in-year adjustment and clawback, is applied to variable remuneration awarded to MRTs as per the FCA MIFIDPRU Remuneration Code requirements. It refers to the adjustment of variable remuneration to take account of a specific crystallised risk or adverse performance outcome including those relating to misconduct. The Company is not required by SYSC 19G.6.24R to apply deferral therefore no malus will be applied.

Clawback may be applied to any amount of variable remuneration, determined by the Remuneration Committee, in the following circumstances where:

- an individual participated in or was responsible for conduct which resulted in significant losses to the Company;
- an individual failed to meet appropriate standards of fitness and propriety;
- fraud or other conduct with intent or severe negligence which led to significant losses; and/or
- any regulatory sanctions are applied to the Company where the conduct of the individual directly contributed to the sanction.

The Company may exercise its right of clawback not only in respect of MRTs who are directly culpable, but also in respect of MRTs who:

- could have been reasonably expected to be aware of the failure, misconduct or weakness in approach that contributed to, or failed to prevent, the crystallisation of risk at the time but failed to take adequate steps to promptly identify, assess, report, escalate or address it; or
- by virtue of their role or seniority are indirectly responsible or accountable for the relevant event or risk occurring or arising.

Adjustments or application of a performance adjustment will be subjected to the Remuneration Committee's approval, with consideration of the severity of the event, risk or matter and the role and proximity of any staff member in scope. Any affected staff will be informed and be given an opportunity to make representations before any final decision is made.

All types of risks that the Company might have, should be crystallised within a reasonable time period shorter than three years. Therefore, following the FCA's expectation, the minimum clawback period is set as three years from the date of payment.

When deciding the amounts to be adjusted, the Company will take into account all relevant criteria, including:

- the impact on the Company's customers, counterparties and the wider market;
- the impact of the failure on the Company's relationships with its other stakeholders;
- the cost of fines and other regulatory actions;
- direct and indirect financial losses attributable to the relevant failure; and
- reputational risk for the Company.

11.7 Quantitative Remuneration Disclosure

GFFM has only one business area. The Company's aggregate remuneration (including pension) for the year ended 31 December 2022 was \$4,987,000, excluding social security costs.

The following table sets out the total value of remuneration (in sterling) awarded to staff (including MRTs) for the year ended 31 December 2022:

Staff Categorisation	Number of MRTs	Fixed Remuneration £'000's	Variable Remuneration £'000's	Total Remuneration £'000's
All staff		3,407	547	3,954
Of which:				
Senior Management MRTs	6	528	27	555
Other MRTs	5	564	164	728
Other Staff (non-MRTs)		2,315	356	2,671

For the year ended 31 December 2022, the Company did not provide any guaranteed variable remuneration nor severance payment to any Material Risk Takers.

12. Board Approval of MIFIDPRU 8 Disclosure Statement

Signed for and on behalf of the Board of GF Financial Markets (UK) Limited

E Shi – Director

M Luo – Director

29th September 2023