IFPR Disclosure

For the Year Ended 31 March 2022

Daiwa Capital Markets Europe Limited

Contents

Glossary of terms and abbreviations

ALCO	Asset and Liability Committee
AT1	Additional Tier 1
BaFin	The Federal Financial Supervisory Authority
BIPRU	Prudential Sourcebook for Banks, Building Societies and Investment firms
BRC	Board Risk Committee
CBB	Central Bank of Bahrain
CET1	Common Equity Tier 1
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CPO	Chief People Officer
CRO	Chief Risk Officer
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
D&I	Diversity and Inclusion
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
EMEA	Europe Middle East and Africa
EWI	Early Warning Indicator
ExCo	Executive Committee
FCA	Financial Conduct Authority
FINMA	Financial Market Supervisory Authority
FOR	Fixed Overhead Requirements
ICAAP	Internal Capital Adequacy Assessment Process
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
PI	Principal Investments
SMCR	Senior Management Regime
SMF	Senior Management Function
SME	Subject Matter Expert
SYSC	Senior Management Arrangements, Systems and Controls
T1	Tier 1
T2	Tier 2
TP	Transitional Provision

1 Overview

1.1 Background

The Investment Firms Prudential Regime ("IFPR") is the FCA's new 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.

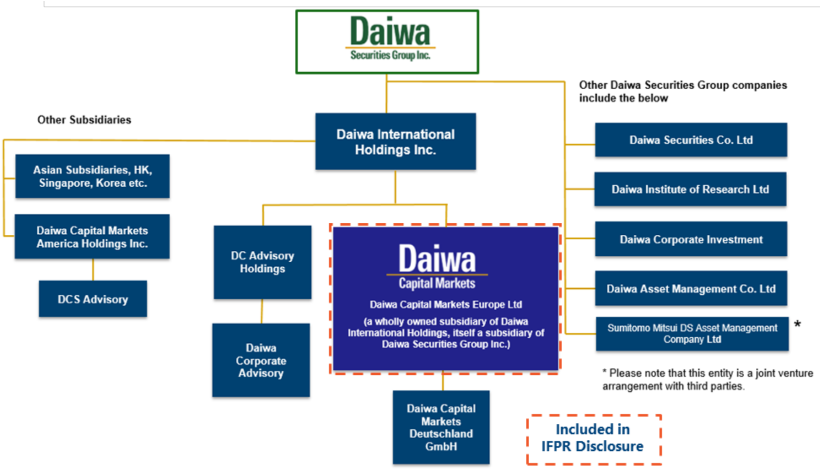
The IFPR has been implemented by way of a new chapter "MIFIDPRU" in the FCA Handbook (the "Handbook"), accompanied by amendments to other Handbook chapters.

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 2022, DCME has one subsidiary, Daiwa Capital Markets Deutschland GmbH ("DCMD"), which operates from Frankfurt and is regulated by the German regulator BaFin. The DCME Bahrain and Geneva branches are regulated locally by the Central Bank of Bahrain ("CBB") and the Swiss Financial Market Supervisory Authority ("FINMA") respectively. Collectively DCME, its subsidiary and branches are known as DCME Group. The diagram below sets out the high-level organisational structure:



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:

- **Fixed Income:** Core focus on the trading and distribution of investment grade Government, Sovereign, Supranational, agency and credit products, predominately denominated in US dollars and Japanese Yen.
- **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.
- **Principal Investments ("PI"):** Provides real estate development and bridging finance for residential and student accommodation projects in the UK (the PI business will be closed in the 2022/23 financial year).

As a result of an extensive strategic review, DCME has worked on a project to move to a new booking model for its Fixed Income Trading and Convertible Bonds businesses. For further information, please see the Statutory Accounts 2022.

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.

The Firm has adopted the FCA's transitional provisions for disclosure requirements contained in MIFIDPRU TP12, which require the Firm to only disclose information relating to governance, own funds and own funds requirements.

In addition, the disclosure of the Firm's remuneration arrangements found in the Remuneration section has been prepared according to previous rules applicable to DCME, which were set out in SYSC19A referred to as the IFPRU Remuneration Code.

- **Firm Categorisation:** DCME is a non-SNI MIFIDPRU investment firm.
- **Level of application:** 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 2022, 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 Controllership Department (Finance Division) with contributions from SMEs across the Firm. The document is reviewed, challenged and approved by the Asset and Liability Committee ("ALCO"), Executive Committee ("ExCo"), Audit Committee and the Board of Directors ("Board"). This document is not subject to audit by the Firm's external auditors.

2 Governance Arrangements (MIFIDPRU 8.3)

2.1 Oversight of governance arrangements by the management body

2.1.1 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', and 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 Management Regime ("SMCR"), this includes inter alia (i) reasonable steps matrices, and (ii) delegation letters.

The CEO has established the ExCo of which its main objective is 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

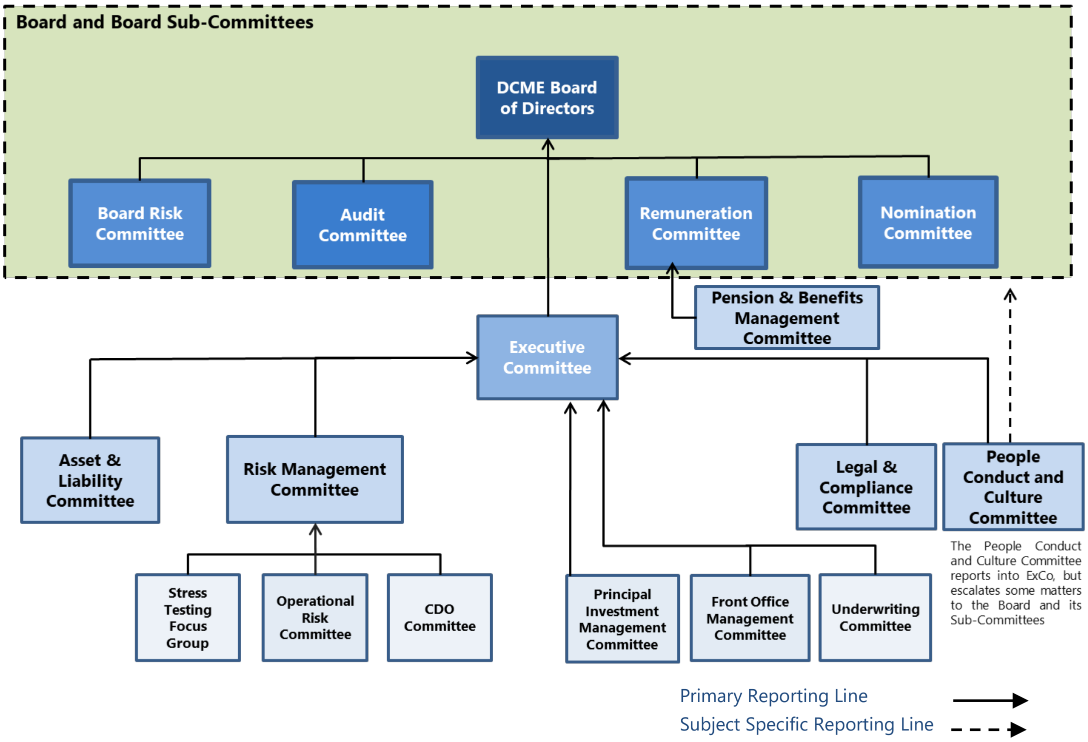
Information on dealing with conflicts of interest is set out in the Corporate Governance Policy which is approved by the Board on an annual basis. The policy sets out how the Firm seeks to prevent and deal with conflicts of interest if they arise. For example; no director will put themselves in a position 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.

2.1.2 Committee Structure

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



2.1.3 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 (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.

Daiwa Capital Markets

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 Nomination Committee ("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;
- a 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 the 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.

Board Risk Committee ("BRC")

At least 50% of the members of the BRC 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.

BRC 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 BRC was approved by the FCA to carry out the role of BRC Chair (SMF 10) and the remaining members have the requisite skill to carry out their duties as identified via the Board skills matrix.

The BRC is directly accountable to the Board and has non-executive responsibility for oversight and advice to the Board on significant high-level risk exposure and resource allocation related matters including, inter alia:

- reviewing the Firm's Risk Inventory and Risk Appetite Statement;
- reviewing current and future risk strategy, including capital and liquidity management;
- reviewing the Risk Management Statement and Framework;
- approving policy for credit, market and operational risk; capital, funding and liquidity risks; and other material risk types where applicable;
- reviewing the policy for the allocation of financial resources within DCME;
- monitoring and reviewing the adequacy of DCME's risk and resource allocation policy in relation to current and forward-looking risk exposures;
- embedding and maintaining a supportive culture in relation to the management of risk; and
- reviews DCME's remuneration system in terms of the alignment of incentives against risk, capital, liquidity and the likelihood and timings of earnings.

Audit Committee

At least 50% of the members of the Audit Committee are members of the Board who do not perform any executive function in the Firm. The Audit Committee is chaired by the Senior INED. The Audit Committee's aim is to monitor and review the adequacy of the Firm's financial, risk management and other internal control systems.

The Audit Committee has delegated authority from the Board to carry out and oversee the following:

- monitoring and reviewing the DCME Groups' accounting policies, the integrity of its Statutory Accounts, and external reporting responsibilities, and to oversee the DCME Groups' relationship with its external auditors;
- ensuring the integrity of the Firm's accounting and financial reporting systems, including financial and operational controls; and
- recommending the annual report, accounts and disclosure to the Board for its approval.

Remuneration Committee

At least 50% of the 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 INED who is a member of the Board.

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 and long-term values, and long-term interests, including those of its shareholder.

The Committee has responsibility for the remuneration policies and practices across the Firm in order to ensure:

- they are operated in line with the Firm's business strategy and objectives, corporate culture, values and long-term interests;
- they are consistent with and promote effective risk management and are aligned with legal and regulatory requirements;
- they encourage and reward high standards of personal and professional conduct; and
- regular reviews of staff conduct matters across DCME are undertaken and escalated to Board via CRO as appropriate.

At least 50% of the 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 INED who is a member of the Board.

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, as well as being aligned to DCME's strategy and objectives, corporate culture and long-term values, and long-term interests. Including the long-term interests of its shareholder and take into account liquidity and capital levels (including ensuring that the policies and practices support the maintenance of a sound capital base).

The Committee has responsibility for the remuneration policies and practices across the Firm in order to ensure these:

- are operated in line with the Firm's business strategy and objectives, corporate culture, values and long-term interests;
- are consistent with and promote effective risk management and are aligned with legal and regulatory requirements;
- encourage and reward high standards of personal and professional conduct;
- undertake quarterly reviews of staff conduct matters across DCME and escalate to Board via CRO as appropriate; and
- review and approval of remuneration proposals for local Executive Board members, other senior executives, and other employees and directors within DCME who are identified as MRTs under the relevant FCA Remuneration Code.

Nomination Committee ("NomCo")

At least 50% of the 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 Chairman of the Board and currently fulfils the role of interim CEO (the FCA granted the Firm its approval for this arrangement on an interim basis).

The role of the Nomination Committee 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 Committee's responsibility and authority covers the Firm and its subsidiary for:

- recommending appointments to the Boards of material subsidiaries in the DCME Group;
- reviewing the succession plans for the executive directors and the NEDs;
- 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 "Senior Manager Function" positions under SMCR 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 set out in the ToR, 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
- the prioritisation and allocation of resources.

2.1.4 Additional Governance Arrangements

All members of the Board are registered with the FCA and under SMCR. The Firm seeks regulatory approval prior to any appointment of a director who holds a senior management function.

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 comprises of:

- induction plans;
- skills gaps analysis; and
- training plans.

The Company Secretarial team schedules an annual training plan for the Board as a collective to address any skills gaps identified. It also liaises with the directors individually to ensure that it has captured any training requirements at an individual level. 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 a formal and rigorous annual effectiveness review of the responsibilities as well as the performance of the members of the Board and its Sub-Committees. The effectiveness review is also conducted by an external independent source every three years.

2.2 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 Chairman SMF13 Chair of Nominations Committee	Douglas van den Aardweg (Chair)	N/A	1
	SMF10 Chair of the Risk Committee	Melanie Czarra (INED)	N/A	1
	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	Shiko Yanagisawa (Group NED)	1	N/A
	N/A	Tsutomu Kobayashi (Group NED)	1	N/A
Management	SMF1 Chief Executive Function SMF3 Executive Director	Douglas van den Aardweg (Interim CEO)*	N/A	1
	SMF3 Executive Director	Yuzo Yonemoto (Deputy CEO)**	N/A	N/A
	SMF3 Executive Director SMF24 Chief Operations Function	Neil Mardon (COO)	N/A	N/A
Retired	SMF1 & SMF3	Keith Meekins (CEO) – April 2021	N/A	N/A
	N/A	Yoshifumi Otsuka (Group NED) – March 2022	N/A	N/A
	N/A	Junichi Arihara (Group NED) – March 2022	N/A	N/A

**As at 31st March 2022, Douglas van den Aardweg is the interim CEO (SFM1 & SMF3). The new CEO is awaiting regulatory approval to assume the role. (Douglas van den Aardweg's responsibility for the roles of SMF1 & SMF3 will be revoked once this regulatory approval is received).*

*** Yuzo Yonemoto (SMF3) is the Deputy CEO, he will be replaced by Shuntaro Nagashima (President: Strategic Business Development) who is awaiting regulatory approval to assume the role (Yuzo Yonemoto's responsibility for the roles of SMF3 will be revoked once this regulatory approval is received).*

As at 31st March 2022, 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.

2.3 Approach to Diversity

Overview

Diversity and inclusion ("D&I") is one of the key elements for establishing strong governance and maintaining good culture driven from the top in order to deliver higher standards of conduct. A diverse and inclusive Board is an essential component in maintaining a competitive advantage. Consequently, part of our business strategy and one of the main objectives of the Board is a commitment to create, support and promote a diverse environment at the Firm, irrespective of ethnicity, race, sexual orientation or gender.

The Firm has been continually building on its D&I strategy to increase gender balance, including making female appointments to the Board.

Additionally, the Firm is a proud signatory to the Women in Finance Charter, an HM Treasury initiative, which aims to achieve gender balance at all levels across financial services. The Firm's gender pay gap reports, prepared in line with the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017, are published annually on the Firm's website. As part of a Japanese owned group, the Firm has joined the Japan D&I Group representing another step forward in promoting diversity at the Firm.

The Firm's emphasis on and commitment to promoting a diverse workplace are set out in the D&I Policy, which seeks to treat all our employees and agents working on behalf of the Firm fairly, inclusively and free from harassment or discrimination.

Board recruitment and diversity

The approach to Board recruitment, which is subject to Board approval, combines an assessment of a broad set of qualities including; skills, technical capabilities and knowledge, as well as soft competencies and a professional background. A great 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, race, gender, and educational and socio-economic background.

The Nomination Committee plays a vital part in the recruitment process and one of its roles is to identify and recommend diverse candidates to fill any Board vacancies, having evaluated the balance of knowledge, skills, diversity (i.e., gender) and experience represented at the Board.

The Firm's formalised approach and efforts to achieve diverse representation at the Board level are based on diversity principles of the wider Group and the Firm's own Board Diversity Policy. The objective of the policy is to ensure that the overall composition and structure of the Board represents a balance 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 with regard to any changes.

Targets and Status

The measurable diversity target for the Board has been set to achieve 30% of female representation by 31st October 2023. Over the past five years, the Firm has significantly increased diversity at Board level from 11% to 33.3%, having achieved the 30% target in 2022. The Board currently comprises six male and three female members. Specifically, since April 2021, two INED positions are held by women along with one female Senior INED.

The Firm is in the process of seeking regulatory approval for the newly appointed CEO (female), who, once approved, will increase the total number of Board members to 10 and the female representation at the Board to 40%.

These developments highlight the Firm's commitment to achieve its Women in Finance target of 40% representation of women within the Firm.

3 Own Funds (MIFIDPRU 8.4)

3.1 Composition of Regulatory Own Funds

The Firm's own funds are exclusively CET1 capital. At 31st March 2022 and during the year, the Firm complied with all externally imposed capital requirements and all gearing rules in accordance with the rules set out in CRR (up until 31st December 2021) and IFPR (from 1st January 2022). Tier 1 capital consisted of fully issued ordinary shares, satisfying all the criteria for a Tier 1 instrument as outlined in the CRR, 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**	**422,531**	Note 9.31.1.1
2	**TIER 1 CAPITAL**	**422,531**	Note 9.31.1.1
3	**COMMON EQUITY TIER 1 CAPITAL**	**422,531**	Note 9.31.1.1
4	Fully paid up capital instruments	732,121	Note 8
5	Share premium		
6	Retained earnings	-287,293	Note 8
7	Accumulated other comprehensive income		
8	Other reserves	13,908	Note 8
9	Adjustments to CET1 due to prudential filters	-1,887	Note 9.31.1.1
10	Other funds		
11	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	-34,318	Note 9.31.1.1
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		

3.2 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				
1	Intangible assets	3,400		
2	Tangible assets	9,275		
3	Available for sale investments	33		
4	Investments in subsidiary undertakings	30,918		
5	Debtors	4,908,184		
6	Financial assets held for trading	1,807,848		
7	Financial assets designated at FVTPL	-		
8	Cash at bank and in hand	62,873		
9	**Total Assets**	**6,822,531**		
Liabilities				
1	Creditors: amounts falling due within one year	5,132,207		
2	Financial liabilities held for trading	1,224,986		
3	Provisions for liabilities	1,209		
4	Creditors: amounts falling due after more than one year	1,393		
5	Provision for end of building lease costs	4,000		
6	**Total Liabilities**	**6,363,795**		
Shareholders' Equity				
1	Called-up share capital	732,121		Item 4
2	Reserves	-273,385		Items 6, 8
3	**Total Shareholders' equity**	**458,736**	-36,205	Item 1, 9, 11

3.3 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 OF1 - 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

4 Own Funds Requirements (MIFIDPRU 8.5)

4.1 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	1
	∑ K-DTF and K-COH	4,321
	∑ K-NPR, K-CMG, K-TCD and K-CON	37,897
Fixed Overheads Requirement ("FOR")		32,842

4.2 Approach to assessing the adequacy of own funds

ICARA Process

Under IFPR, the Firm must assess own funds and liquidity requirements set out in the ICARA process and ensure sufficient own funds and liquidity resources are held at all times to meet the Overall Financial Adequacy Rule ("OFAR"). The process of embedding the ICARA process within DCME is underway and the first ICARA process review document will have 30th June 2022 as the assessment date. The adequacy of the ICARA process will be reviewed on an annual basis thereafter, or more frequently, should there be any material changes to the business risk profile or business model.

The ICARA process encompasses various aspects of internal governance with a particular focus on:

- identification, monitoring and mitigation of harms;
- business model planning and forecasting; recovery and wind-down planning; and
- assessing the adequacy of financial resources

As part of the ICARA process, DCME establishes its own funds threshold requirement and its liquid assets threshold requirement, which replace any reference to Pillar 2 under the previous ICAAP to ensure the Firm can remain viable, addressing any potential harm from ongoing activities, and can wind-down in an orderly way. For harms not adequately mitigated through systems and controls or driven by an activity not covered by the K-Factor Own Funds Requirement, DCME assesses whether additional own funds and/or liquid assets are required.

The recovery action planning contains appropriate recovery actions to restore own funds and/or liquid resources to avoid breaching threshold requirements and EWIs to assist the Firm when approaching trigger levels, and set out credible actions to help reverse or repair any adverse trends.

The wind-down planning includes triggers (own funds and liquid assets) and timelines. The Firm considers different scenarios that could cause a need to wind-down the business. These underlying drivers could result in the need for different resources (financial and non-financial) during the wind-down period. The Firm sets resources aside so that sufficient own funds and liquid assets are available at all times to enable an orderly wind-down.

Control Environment and Risk Management

DCME maintains a formally documented Risk Inventory that 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, 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.

Each material risk within the Firm's Risk Inventory is assigned to a control function that owns the Risk Management Framework for the allocated risk type and is responsible for ensuring the risks assigned are being assessed, challenged and reported at appropriate levels and frequency throughout the organisation.

The Board defines the Firm's risk appetite, which reflects DCME's appetite and/or tolerance in relation to all identified material risks and is therefore, aligned to the Risk Inventory. The Firm's overall risk appetite must be such that its own fund and liquidity requirements as captured in the ICARA process are maintained within its risk bearing capacity or capital resources. All material risks identified in the Risk Inventory are assessed to determine appropriate own funds and liquidity reserves. Regular stress testing and scenario analysis is undertaken to ensure these reserves are sufficient to meet current and future obligations under a variety of stressed conditions.

Own Funds Adequacy

DCME assesses the adequacy of its own funds on a regular basis against a variety of own funds requirement assessments. On a business as usual basis the regulatory reporting section assesses the own funds headroom against the K-Factor calculations, ICAAP (pending approval for implementation of the ICARA process internal assessment) and transitional FCA requirement. The regulatory reporting section also undertakes monthly stress testing of own funds available and own funds requirements to assess the headroom under stress.

In furtherance of maintaining owns funds usage well within the risk appetite, a set of divisional limits and associated early warning indicators ("EWIs") has also been established. These are agreed as part of the annual owns fund planning process and reviewed semi-annually.

Levels of own funds usage against limit are monitored daily within a framework of EWIs that flag up when a division is close to breaching its allotted Own Funds Requirement limit. The EWIs levels used here are consistent with DCME's overall Risk Limit Framework.

Liquid Assets Adequacy

The Firm regularly reviews key elements of the liquidity adequacy assessment, determining the Firm's requirements for liquid assets, ensuring that these remain appropriate to cover the liquidity and funding risks in normal and stressed conditions as well as to support the wind-down of the Firm in an orderly manner. The calibration of liquid assets is based on a set of key liquidity indicators, which measure wholesale funding requirements, cashflow mismatches as well as the potential cash exposure in a liquidity stress. The basic liquid asset requirements are assessed with dedicated controls in place to ensure that the size of core liquid assets remain compliant with the associated limits. A framework of metrics, controls and limits is designed to manage the funding and liquidity risks within the Board's risk appetite, including the daily monitoring and management information reporting of these metrics.

5 Remuneration (SYSC19A)

As set out in section 1.4, DCME follows the requirements for publishing the information relating to the Firm's remuneration for 2021/2022 in accordance with the IFPRU Remuneration Code (SYSC19A).

5.1 Basis of Disclosure

The disclosure explains how the Firm has complied with reward regulatory requirements under the UK implementation of CRD IV, in particular Articles 92 to 96, both in respect of the SYSC 19A Remuneration Code and the European Banking Authority Guidelines on sound remuneration policies, during the year to 31st March 2022.

The remuneration disclosure is prepared on the basis that DCME is a Level 3 firm. A Level 3 firm is defined under guidance published by the FCA as one whose average relevant total assets on the past three relevant financial dates has not exceeded £15bn. As a result, in light of the UK regulatory guidance, the Firm's remuneration disclosure is not required to be as detailed as if it were classified as Level 1 or 2 firm.

5.2 The Reward Strategy's Purpose

The objectives of the Firm's Reward Strategy are as follows:

- The Firm undertakes to reward all employees fairly, regardless of job function, race, religion, colour, national origin, sex, sexual orientation, marital status, pregnancy, disability or age.
- It is the policy of the Firm to operate competitive remuneration policies to attract, retain and motivate an appropriate workforce for the Firm.
- The Firm is also committed to ensuring 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 the Firm's regulatory requirements.
- Rewards for all senior staff will be aligned to financial and non-financial performance criteria and risk profile, and in all cases will be in line with the business strategy, objectives, values, culture and long-term interests of the Firm.
- The Firm will not allow any unfair or unjust practices that impact on pay.
- The Firm undertakes that it will not award remuneration using vehicles or methods the aim of which is to attempt to avoid application of the relevant FCA's Remuneration Code.

5.3 Governance

As described above, the Firm has a Remuneration Committee ("the Committee"). Authority is delegated by the Board to the Committee to review and approve remuneration, and to ensure remuneration policies across the Firm are consistent with the promotion of effective risk management. The Committee engages with other Board Sub-Committees, such as the Risk Committee, as appropriate.

The Committee is responsible for reviewing and approving salary amendments and the Firm's bonus pool arising from the annual compensation review, with reports made to the Board as required. This includes individual remuneration proposals for all Material Risk Takers ("MRTs") of the Firm, whether they are employed by DCME or another entity within the Daiwa Group. No DCME Director or employee is involved in the determination of their own pay.

The Committee is also responsible for reviewing and approving the policy and process for identifying MRTs to ensure compliance with the relevant remuneration regulations, as well as the approval of the final list of MRTs on at least an annual basis, and any exclusions proposed to be notified to the FCA.

On 31st March 2022, the Committee membership was comprised of five NEDs, and met on eight occasions during the year to 31st March 2022. The Committee is prescribed to meet a minimum of four times a year (or more frequently if necessary), as per its Terms of Reference. Other senior staff may be asked to attend from time to time to report on specific topics or areas of concern.

DCME has engaged with an external consultant to provide a third-party review for the purposes of assisting in the determination of the remuneration policy. The external consultant has also provided independent review of any changes to remuneration policies and procedures put in place to meet the requirements of IFPR relating to remuneration arrangements contained in SYSC 19G Remuneration Code.

5.4 Control Functions

Senior individuals in control functions, including risk and compliance, must provide inputs for remuneration decisions, specifically in relation to individuals involved in any reportable incident or notable events. The Firm considers its control functions to be Risk Management, Compliance, and Internal Audit.

DCME is required by the relevant Remuneration Code to ensure that employees engaged in control functions are independent from the business units they oversee, have appropriate authority and are remunerated in such a way to attract qualified and experienced staff and to reward the performance against the objectives linked to their functions, independent of the performance of the business areas they control. Thus, the calculation of bonus for employees in this category is totally disconnected from any specific areas of business, and whilst the overall performance of the Company will be a contributing factor, the primary factors will be the degree to which specific functional objectives have been achieved and the achievement of personal objectives. Remuneration arrangements for senior employees within control functions are reviewed and ultimately approved by the Committee.

In respect of each control function's input into remuneration decisions, the Firm's Chief Risk Officer ("CRO") will advise the Committee on the risk-related factors relevant to the determination of variable remuneration (as summarised further below). The Committee will request a report from the CRO twice a year that will include input from the Chief People Officer ("CPO"), Chief Financial Officer ("CFO"), and Heads of Compliance and Internal Audit, considering a range of risk-related factors such as DCME's performance against its predetermined risk appetite and highlighting any significant risk events occurring during the performance year to highlight any issues pertinent to decisions concerning remuneration. The CRO will also identify employees who have demonstrated particularly high standards of conduct and performance that the Committee should take into consideration.

The CRO is involved in the determination of the DCME bonus pool, as well as in relation to the allocation of individual bonus awards, through recommending for the Committee's determination the level of adjustment to be applied to the bonus pool within the DCME Group and in relation to individual staff members to ensure that appropriate risk adjustment is applied.

In addition to the CRO, the Head of Compliance may attend the committee meetings from time to time to present reports or where particular concerns exist. The reports include any topics that are relevant to the functioning of the Committee and the treatment of bonuses in particular. For example, any regulatory breaches, poor conduct issues, excessive risk taking, changes to the Company's overall risk profile, attitudes towards compliance, and any forthcoming events or legislation, of which the Committee should be made aware.

Internal Audit will be responsible for ensuring that the implementation of the Remuneration Policy is, at least annually, subject to central and independent internal review for compliance with policies and procedures.

5.5 Material Risk Takers

The Firm undertakes analysis to identify staff whose professional activities may have a material impact on the Company and/or DCME Group's risk profile, as required under the relevant Remuneration Code. The Committee will review and approve the policy and process for identifying MRTs under the relevant remuneration regulations on at least an annual basis as part of the remuneration policy, ensuring any material exemptions or changes to the policy are carefully considered and monitored. The identification analysis is conducted by the CRO in collaboration with People & Culture and other key functions. This is overseen by both the Board Risk and Remuneration Committees. All impacted individuals will be notified regarding their identification as MRTs and the implications on their remuneration of their status as MRTs. The Committee will also approve the exclusion of any staff from the relevant regulations, where this is deemed appropriate.

Where secondees from other Daiwa entities have been identified as MRTs, the Committee works with Global HR and the Overseas Compensation Committee to ensure that variable remuneration awarded to these individuals is compliant with the SYSC 19A Remuneration Code, and also review and approve the provision of these individuals' variable compensation. MRTs are also requested to confirm that they will not undertake personal hedging strategies in respect of unvested bonus awards.

The DCME Remuneration Policy is applied consistently to MRTs across DCME, DCMD, and any staff employed by other Daiwa entities otherwise identified as MRTs by DCME. The Committee has appropriate oversight to ensure that any entity-level remuneration policies are consistent with DCME's Remuneration Policy. Minor differences may exist between entity-level remuneration policies as a result of local regulatory requirements and/or local market practice (e.g., application of a bonus cap in Germany).

5.6 Reward Strategy in Practice

DCME rewards staff with fixed and variable remuneration in the form of salaries and bonuses respectively. All remuneration is currently offered in cash; no other instruments are offered as remuneration (this will change under IFPR).

The factors that determine remuneration include an employee's responsibilities, seniority, and experience. Remuneration is typically reviewed annually against general market levels, with any increase being solely at the DCME's discretion.

A Discretionary Bonus Scheme is operated annually to reward and encourage good financial and non-financial performance, as well as high standards of personal and professional conduct. All employees are eligible for the Discretionary Bonus Scheme. There is no separate scheme for the Firm's MRTs.

As a Level 3 firm, the Committee has determined that it is appropriate to disapply the pay-out process requirements and the maximum limit on the level of fixed to variable remuneration; however, DCME voluntarily operates deferral and performance adjustment policies. The Firm's deferral scheme requires the deferral of 40% of any awarded bonus over £100,000, with a minimum total deferral being determined by the Committee. The deferred compensation then vests equally over a period of up to three years, dependent on the amount deferred and the individual's MRT status. This deferral scheme emphasises the importance of encouraging longer-term thinking and discouragement of excessive risk taking for the highest paid staff. All deferred compensation is subject to malus and clawback provisions under the Firm's Deferred Compensation Plan Rules.

Guaranteed bonuses and/or buying out deferred variable remuneration may be used in exceptional circumstances to attract individuals through buying out variable remuneration accrued but unpaid whilst at their previous employer. Guarantee periods are set out for no longer than 12 months from the commencement of employment. The guaranteed bonuses/buying out deferred variable remuneration will be conditional upon the Firm having a sound and strong capital base and will be subject to malus and clawback provisions. Where the Firm offers a buy-out to a new joiner, DCME will seek to ensure that the terms applied by us are no more favourable than the terms applied by the previous employer.

Where termination payments are awarded to MRTs, these will be subject to the approval of the Committee.

The People and Culture Division is responsible for reviewing remuneration proposals (fixed and variable) prior to submission to the Committee to ensure consistency with internal and external guidelines. The CFO will also report to the Committee, in order to ensure them that the payment of variable remuneration does not limit the Company's ability to strengthen its capital base. Variable remuneration will be paid only if it is sustainable according to the financial situation of the Group and its relevant regulated entities.

The Company only operates a Defined Contribution pension plan, currently into a Group Self Invested Pension Plan. The value of pension benefits available to employees is based on contributions paid during the period of employment with the Company. The Company does not provide additional discretionary early retirement benefits to employees. If the employee wishes to sacrifice pay either via a bonus arrangement or under a settlement arrangement then the Firm will help facilitate this. Due to the defined nature of the pension scheme, it is fully aligned with business strategy, objectives, values and the long-term interests of the Firm. There is no on-going liability other than the contractual defined monthly contributions for employees.

5.7 Link between Pay and Performance

In calculating the bonus pools, the Committee considers the Firm's performance in line with the Overall Business Strategy as well as the performance of each individual business unit. Adjustments are made to these pools in accordance with the Firm's Bonus Pool Risk Adjustment Policy, to ensure that the Compensation Review is commensurate with market conditions and the performance of the Firm (including where performance is subdued or negative) and considers all current and future risks.

The bonus pools for Front Office business units are calculated primarily based on their financial performances, and the Control Function pools are calculated separately, to ensure that their compensation is independent of the business units they control. Individual staff performance is measured against financial and non-financial factors, and supported by the Annual Performance Assessment Process. The range of criteria with which bonuses are determined varies between individual business units.

The Committee can use its discretion to reduce current year awards, either partially or wholly, based on the information provided by the CRO and other members of Senior Management. These reductions can be in light of risk events which crystallise during the year, such as:

- Failure to comply with the Firm's Risk Management policies, such as trading limits.
- Breach of Regulatory Requirements.
- Any disciplinary action taken against the individual during the financial year.

This process is governed by the Firm's Individual Risk Adjustment Policy which supports the evidencing that due process has been followed with all appropriate factors considered.

5.8 Vesting

The portion of the bonus that is not subject to deferral is paid to employees after the financial year end, typically in April, subject to the employee being employed on the date of payment, and not serving a notice period (either given by the employee or the Firm), or suspended, or under investigation for a conduct issue.

Deferred variable remuneration vests annually at the same time as cash bonuses. All deferred compensation for MRTs is automatically deferred over three years, vesting in equal tranches over the relevant period. Deferrals for non-MRTs vest in equal proportions over a period between one and three years, dependent on the amount deferred, as per the year's Compensation Plan Rules.

5.9 Remuneration Tables

All remuneration for overseas MRTs is converted using the European Commission's Monthly Accounting Rates for December 2021 (in line with other regulatory reporting).

Table – REM1: Aggregate remuneration expenditure for MRTs

Business Area	£'000
Equity	2,093
Fixed Income	3,719
ICBs	1,090
Investment Banking	2,494
Other Business	518
Principal Investments	213
DCMD	596
Support[1]	9,599

Table – REM2: Remuneration awarded to MRTs during the financial year

	Senior Management	Other MRTs
Number of MRTs	15	71
Fixed pay:	**£'000**	**£'000**
Total Fixed Remuneration	3,171	11,226
Cash-based Fixed Remuneration	*3,171*	*11,226*
Variable Pay:		
Total Variable Remuneration	1,646	4,279
Cash-based Variable Remuneration	*1,646*	*4,279*
Of Which Deferred	*287*	*336*
Total Remuneration	**4,817**	**15,505**

[1] Includes Staff in Control Functions (Risk, Compliance, Internal Audit, Front Office Control), as well as Research and other Support Functions (People and Culture, Technology, Legal & Transaction Management, Finance, and Operations)