MIFIDPRU Public disclosures

Version 1.5/July 2025

1. Introduction

The Investment Firms Prudential Regime (IFPR) is the FCA's prudential regime for MiFID investment firms which aims to streamline and simply the prudential requirements for UK investment firms. IFPR came into effect on 1st January 2022, and its provisions apply to Valutrades Limited (or "Valutrades" or "the Firm") as an FCA authorized and regulated firm.

The public disclosure requirements of IFPR are set out in MIFIDPRU 8, replacing the previous Pillar 3 requirements under the Capital Requirements Regulation.

Valutrades is classified as a non-SNI firm. As such, the Firm is required to disclosure the following information.

- Governance arrangements: the Firm is required to disclose certain information including:
  - An overview of the Firm 's governance arrangements
  - The number of directorships held by each member of the governing body
  - A summary of the Firm's policy on promoting diversity in the governing body.
  - Information in respect of the governance forum responsible for the oversight of risk management.
- Own funds: the Firm is required to provide details of its own funds resources (using the template provided in MIFIDPRU 8 Annex 1R), and a reconciliation of the same information to the Firm's report and accounts.
- Own funds requirements: Valutrades is required to disclose details of its own funds requirements and its approach to assessing their compliance with the overall financial adequacy rule.
- Risk Management: the Firm is required to disclose its risk management objectives and policies in respect of the following categories of risk addressed by:
  - MIFIDPRU 4: Own Funds Requirements
  - MIFIDPRU 5: Concentration Risk; and
  - MIFIDPRU 6: Liquidity
- Remuneration Policy and practices: Valutrades is required to make quantitative and qualitative disclosures in respect of the Firm's remuneration arrangements.

2. Governance

2.1. Overview of Governance Arrangements:

2.1.1. The Board

The Directors are responsible for the governance forums for risk management and overall governance of the Firm. This includes the governance of the process for identifying, evaluating, managing, and reporting the significant risks faced by the Firm.

The Directors are ultimately responsible for ensuring that the Firm maintains sufficient capital and liquidity resources to meet its regulatory capital and liquidity requirements and to support its growth and strategic objectives. Risk management is embedded throughout the business, with the overall risk appetite and risk management strategy approved by the Directors propagated down throughout the business as appropriate.

The board will consider:

- The significant risks facing the company
- The company's attitude to and appetite for risk and its future risk strategy
- The company's system of internal controls and risk management
- How risk is reported both internally and externally
- The process for compliance with laws, regulations and ethical codes of practice and prevention of fraud

The following directors have held office in executive and non-executive functions throughout the financial year ending December 2024.

NAME	POSITION
Graeme Watkins	CEO, SMF1 Compliance Officer, SMF16 Money Laundering Reporting Officer, SMF17 Three other directorships

Neil Whitehead	Executive Director, SMF3 IT Director One other directorship
Anil Bahirwani	Non-Executive Director One other directorship

2.1.2. Diversity

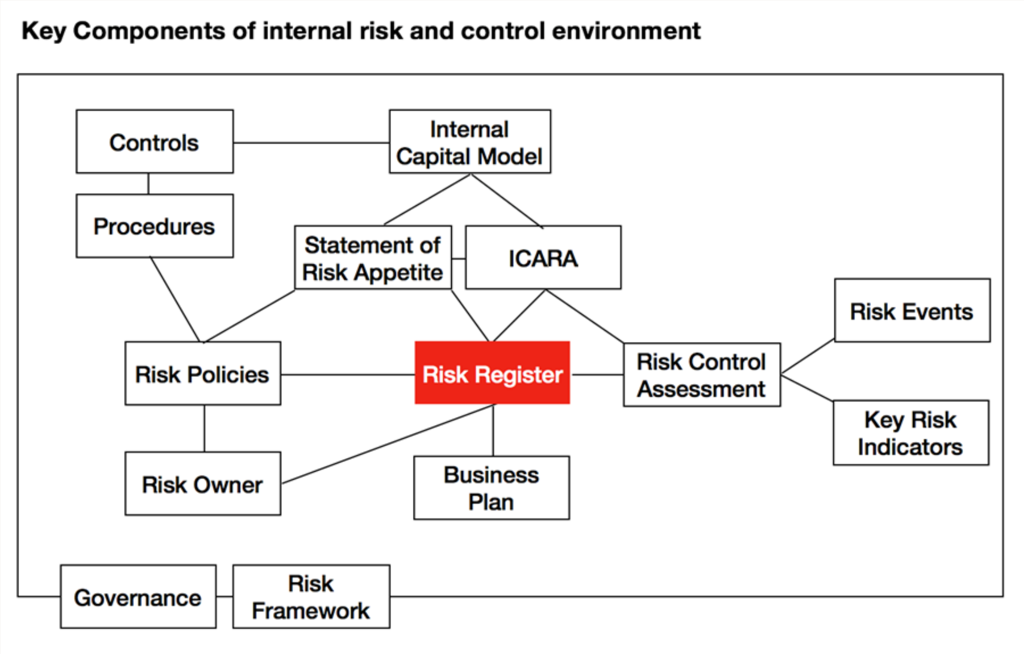
The Firm has not set target however is committed to promoting and developing equality opportunity in all areas. Valutrades is an equal opportunities employer and do not discriminate on the grounds of gender, sexual orientation, marital or civil or partner status, gender reassignment, race, colour, nationality, ethnic or national origin, religion, or belief, disability or age.

3. Risk Management

3.1. Approach to Risk Management

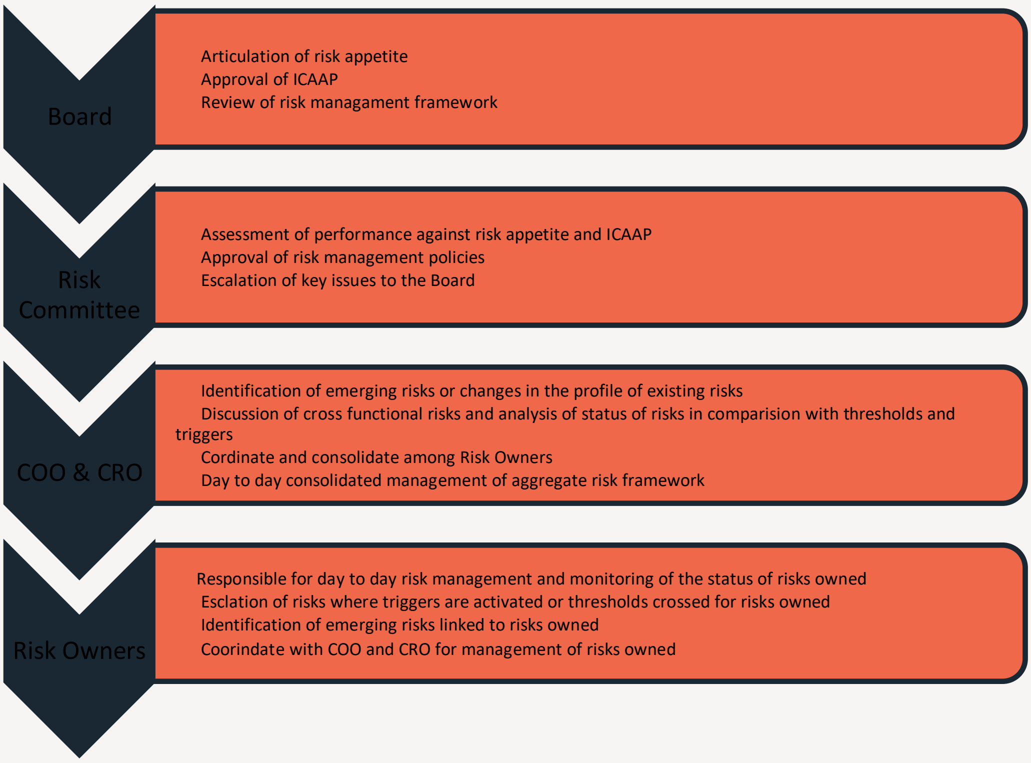
Valutrades has a Risk Management Framework "RMF" the purpose of which is to provide the Board with assurance that the Firm has assessed, evaluated, and managed its risks as far as possible and within the agreed predefined boundaries. Risk is an inherent component of any market interaction and, as a non-SNI MIFIDPRU £750k investment firm authorised and regulated by the Financial Conduct Authority, the effective management of risk is fundamental to Valutrades. The ability to identify, assess, measure, respond, monitor, and report on risk in order to facilitate the decision making process is critical to the achievement of Valutrades' strategic objectives.

The RMF is at the heart of the Firm's business. It is dynamic in its application, and this reflects the changing risks facing the Firm's operations. As an organic and evolving tool, the RMF informs strategy and facilitates decision making across the Firm. The RMF is embedded at all levels of the business and is underpinned by a robust and proportionate governance structure. It reflects and influences the Firm's values; culture; and operations on a day-to-day basis. The diagram below sets out the key elements of Valutrades' RMF and their integration across the business.



Valutrades maintains a successful RMF via a clearly defined governance roles and responsibilities. The functions with responsibility for risk management are set out below along with the key elements of their respective responsibilities.

A summary of the risk identification and assessment process is set out below.



3.2. Risk Appetite setting

Valutrades creates all its internal rules and procedures with due reference to this Statement of Risk Appetite. Modifications to internal rules or procedures or changes in business strategy will be made only after an assessment of the risks including reference to the Firm's risk appetite.

- Risk Appetite Oversight: The Statement of Risk Appetite forms the cornerstone of the RMF and will be reviewed and approved by the Board at least annually or more frequently to reflect changes in strategy, regulatory obligations or the profile of the risk facing the business.
- The Risk Committee oversees the application of the Statement of Risk Appetite in respect of ongoing business operations and internal governance.
- Risk Appetite in Decision Making Process: The business has a defined decision-making process, which is based upon the identification, assessment and prioritisation of existing and emerging risks.
- Risk Appetite Disclosure: Where appropriate, Valutrades discloses its Statement of Risk Appetite with its clients and business partners.

Valutrades' RMF defines the degree of risk that the Board is prepared to accept, both on an individual risk and aggregate basis, in pursuit of its strategic goals and objectives. Through the Internal Capital Adequacy and Risk Assessment ("ICARA") process, The Board has agreed specific limits across the risk classifications and the Firm has put in place a risk register with a series of triggers and key risk indicators which are a balance of quantitative and qualitative measures that provide an indication of increasing or reducing risk levels over an appropriate time horizon. They are designed to alert the Risk Committee and Board, via the Firm's governance structure, that a risk is approaching, or has exceeded, an acceptable level.

3.3. Key Risk Categories

3.3.1. Own Funds (MIFIDPRU 4)

The business model and associated harms:

Valutrades is a proprietary trading Firm, which offers Contracts for Difference ("CFDs") on foreign exchange, commodities and indices to both retail and profession traders across the world. The Firm's business model is inherently exposed to the risk of default of trading counterparties (clients and liquidity providers), credit risk particularly in respect of holding client and Firm monies and market risk on the Firm's trading book and non-trading book positions.

Strategies and processes used to mitigate against this:

Valutrades banks are required to establish separate Client Money accounts (Segregated Trust accounts) in the name of 'Valutrades', ensuring that in the case of default Valutrades has direct access to its collateral.

To ensure sufficient liquidity and solvency, the banks that Valutrades use for deposits (exclusively) are very highly rated and are continually under review.

All Liquidity Providers are subject to due diligence prior to engaging in business with Valutrades. Creditworthiness is assessed using either credit rating agencies or a review of financial statements in cases where the liquidity provider does not have a rating. In the case of Liquidity Providers who are not market rated and for which Valutrades has credit concerns on the basis of either their size or their market tenure, Valutrades will seek to obtain Company Guarantees from the Holding Company.

In terms of market risk, the Firm's maximum net intra-day open positions will be determined by the firms available capital.

3.3.2. Concentration Risk (MIFIFPRU 5)

The business model and associated harms:

The firm trades with a number of clients and liquidity providers. Whilst there is the risk that exposures to individual counterparties could result in concentration risk this risk is actively managed by the Firm to ensure that exposures to large counterparties, in particular liquidity providers, do not exceed internally set limits.

Strategies and processes used to mitigate against this:

Valutrades has set limits to provide diversification and ensure that credit risk is within the agreed tolerance. These limits are:

- Exposure to any non bank counterparty will be capped at 100% of capital:
- Accounts for material currencies (i.e., GBP, USD and EUR) will be held with OECD banks that have a credit rating of at least A; and

Accounts for non-material currencies will be held, as far as practically possible, in highly rated banks in those specific currencies.

Valutrades applies its internal systems to monitor the total exposure to each counterparty and client in real-time. Exposures are based upon limits set within the Firm's Credit Policy. The trading platforms operated by Valutrades allows for pre-defined limits to be set-up to monitor any exposure and provides for Early Warning Indicators and Triggers should any defined exposure limit be at risk of being breached.

The board sets credit limits for any individual (or connected) counterparty and oversees the application and modification of the Firm's Credit Risk Policy. Limits are set according to detailed criteria including credit ratings and other quantitative and qualitative data. Risks are managed and overseen by pre-and post-settlement checks and due diligence.

3.3.3. Liquidity (MIFIDPRU 6)

The business model and associated harms:

Potential harm of liquidity is defined by the is a risk of mismanagement of liquidity positions or inability to ensure that cash outflows are matched by inflows.

Strategies and processes used to mitigate against this:

This risk arises if the group fails to meet payments to brokers, clients, or suppliers as they fall due. It should be noted that money belonging to retail clients is segregated in designated client money accounts in accordance with the FCA's Client Money rules.

Valutrades ensures that it maintains on its balance sheet, and/or arranges with reputable third parties, adequate liquidity resource to meet its maturing obligations. It should be noted that the main drivers for profitability are not dependent upon taking significant liquidity risk.

The Firm's policy is to avoid liquidity risk from client trading activity through the pre-funding of client accounts. Clients may not trade unless their accounts are funded to meet the specified margin requirement. All margin calls must be met in full, or funded by pre-agreed margin lending, or client positions will be closed.

Valutrades is a comparatively small Firm with simple and predictable outgoing cash requirements. The management of liquidity risk is, therefore, expected to be a straightforward activity.

Liquidity risk is managed in line with the Firm's risk appetite by applying the following triggers and indicators.

- **Intra-day collateral gap:** The Trading department will systematically evaluate possible gaps in collateral requirements based on market position (Net Open Positions) on an ongoing basis to calculate any potential refinancing requirements and/or potential liquidity risks.
- **Contingency funding:** In case of a severe and unexpected stress scenarios, the Firm's ultimate beneficial owner has significant financial resources which may be called upon.
- **Liquidity monitoring:** Liquidity monitoring is performed by the Finance function to ensure that sufficient liquidity is in place for liabilities due on a short-term basis. This is done by tracking ratios including the current ratio and free cash flow ratio.

3.3.4. Approach to assessing the effectiveness of the Risk Management Function

The Board assesses the adequacy of its risk management framework as part of the ICARA review process, and considers whether the outcomes of the Risk management process reflect a framework that is fix for purpose.

4. Own funds

4.1. Composition of own funds

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**	**1,689**	

2	**Tier 1 Capital**	**1,689**	
3	**Common Equity Tier 1 Capital**	**1,689**	
4	Fully paid-up capital instruments	10,820	
5	Share premium		
6	Retained earnings	(9,131)	
7	Accumulated other comprehensive income		
8	Other reserves		
9	Adjustments to CET1 due to prudential filters		
10	Other funds		
11	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 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		

4.2. Reconciliation to audited financial information

RECONCILIATION OF REGULATORY OWN FUNDS TO BALANCE SHEET IN THE AUDITED FINANCIAL STATEMENTS (December 2024 - £000's)				
		A	**B**	**C**
		Balance sheet as in published/audited financial statements. **(Thousands GBP)**	**Under regulatory scope of consolidation**	**Cross-reference to template OF1**
		As at period end	As at period end	
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements				
1	Tangible Assets	5	N/A	
2	Investments	0	N/A	
4	Debtors: amounts falling die within one year	3,605	N/A	
5	Cash at bank in hand	831	N/A	
6	**Total Assets**	**4,441**	**N/A**	

Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements				
1	Creditors: amounts falling due within one year	2,753	N/A	
2	**Total Liabilities**	**2,753**	**N/A**	
Shareholders' Equity				
1	Called Up Share Capital	10,820	N/A	4
2	Profit and Loss amount carried forward	(9,131)	N/A	6
3	**Total Share Holders Equity**	**1,689**	**N/A**	

4.3. Main features of the Firm's own funds instruments

MAIN FEATURES OF OWN INSTRUMENTS ISSUED BY THE FIRM
• Ordinary Share Capital • Allotted, called up and fully paid. • Ordinary A shares of £1.00 each • Total Value – 8,615,998 • Ordinary B shares of £1.00 each • Total Value - 1,785,443 • Ordinary C shares of £1.00 each

- Total Value - 418,559

5. Own funds requirement

Given the nature of the Firm's business, the K-Factor requirement is the driver.

REQUIREMENT	Amount (Thousands GBP)
Fixed Overhead Requirement	620
Total K-Factor Requirement	853
Sum of K-AUM, K-CMH and K-ASA	10
Sum of K-COH and K-DTF	157
Sum K-NPR, K-CMG, KTCD and K-CON	688

5.1. Overall Financial Adequacy

The overall financial adequacy rule determines that a firm must do both of the following:

- Have appropriate systems and controls in place to identify, monitor and, where proportionate, reduce all potential material harms that may result from the ongoing operation of its business or winding down its business.
- Hold financial resources that are adequate for the business it undertakes.

In order to ensure the above, Valutrades have carried out the ICARA process to determine the above risks of carrying out business, and then quantifying this to determine additional capital and liquidity required to mitigate against any potential sources of harm.

Valutrades' framework for maintain financial adequacy through internal governance process and the operation of the capital management and risk arrangements that help identify, monitor and, where proportionate, reduce all potential material harms. This includes:

- Identifying material harms
- Assessing the appropriateness of mitigants,
- Identifying where additional financial resources are required to mitigate against the material harms.
- Assessing viability over a three-year planning horizon through stress testing
- Conducting wind-down planning

To determine the amount of own funds resources that will be sufficient based on the business of Valutrades, the Firm analysed the relevant K-Factors applicable to the Firm and projected this across the three-year forecasts. This resulting number was significantly higher than the net cost of a wind-down.

With regards to liquidity, the Firm reviewed many harm scenarios, assessing their likelihood and the necessary liquid assets to mitigate against the potential sources of harm.

Based on the assessment contained within the ICARA document the Firm's board is satisfied that Valutrades will maintain sufficient financial resources to meet its financial resource requirements over the forecast period – including under a stress scenario.

The ICARA is formally reviewed and approved by the Firm's Board who will also review it for its on-going appropriateness both on an annual basis and additionally when considered necessary in light of changes to the Firm's activities or in response to market developments.

6. Remuneration

6.1. Qualitative Disclosures

6.1.1. Overview

Summary of Approach

The Firm's approach to remuneration aims to:

- Ensure that the Firm's remuneration is in line with its business strategy, objectives, values, and long-term interests.

- Ensure that a consistent approach is taken to attract, develop, retain, and reward employees for contributing to Valutrades' success, whilst maintaining financial stability and robust and effective risk management

6.1.2. Governance

The Remuneration Policy is reviewed annually and amended as considered necessary by the Firm's Management Body in the event of changing circumstances or regulations.

The board are responsible for decisions regarding remuneration, taking into account the long-term interests of the Firm and public interest. The CEO is responsible for determining all remuneration packages across the company with approval for their own remuneration sought from the board of directors.

6.1.3. Assessing performance

The Firm bases the total amount of remuneration on an assessment of the performance of the individual, the business unit and the Firm's overall results. When assessing individual performance, financial as well as non-financial criteria will be taken into account, including effective risk management, compliance with regulations, appropriate conduct in line with the Firm's values, TCF objectives and client feedback. Poor performance in non-financial criteria overrides financial performance.

6.1.4. Current and future risks identified by the firm

The Firm will consider its current and future risks, including the cost of capital and the Firm's liquidity when determining the pool of variable remuneration and make appropriate adjustments as needed. This may include adjustments at business unit level or individual level. We will not only consider financial risks, but non-financial risks such as the risk to our values, strategy, reputation, the risk of poor conduct or poor customer outcomes.

If we do perform poorly on a financial level, we will significantly reduce our total variable remuneration available, including considering claw-back arrangements on bonuses awarded.

In order to promote effective risk management and discourage risk taking that exceeds tolerated levels, the Firm considers the following when awarding variable compensation:

- Key Risk Indicators, assigned to teams and individuals
- Performance against risk objectives set
- Compliance by employees to regulations and best practice

The Firm's risk management strategy and tolerance is stated in its Risk Framework. Operating within the scope of the Firm's risk framework is a pre-requisite to the award of any variable compensation.

6.1.5. Components of Remuneration

Remuneration Structure

Employees' remuneration usually consists of a base salary (or fixed compensation) and performance related variable compensation.

The Firm aims to ensure that the fixed and variable components of the total remuneration are appropriately balanced, including ensuring that the fixed component represents a sufficiently high proportion of the total remuneration. This allows full flexibility in relation to variable remuneration, including the ability to pay no variable remuneration.

Although remuneration is paid to all staff, there is a difference between what is paid to the staff and the material risk takers ("MRTs"). The MRTs are the directors of the Firm.

Fixed Compensation:

Fixed remuneration primarily reflects a staff member's professional experience and organisational responsibility as set out in the staff member's job description and terms of employment. It should be pre-determined, non-discretionary and not dependent on performance.

Types of fixed compensation

- Fixed salary
- Pension
- Other employment benefits

Other measures include:

- Formal qualifications
- Training and professional qualifications received during employment and length of service.

All base salaries are recommended by heads of departments and final approval for salary levels for all roles is the responsibility of the CEO.

Variable Compensation:

Employees may be eligible to receive variable compensation that reflects performance in excess of that required to fulfil their job description and terms of employment. Variable remuneration should be based on performance and should reflect long-term performance, as well as performance above and beyond their job description. It includes discretionary pension benefits and carried interest.

The Firm awards variable remuneration in the form of bonuses for both:

- Sales Commission
- Discretionary bonuses

In order to encourage behaviours in line the business strategy, objectives, values and long-term interests of the Firm, the Firm considers the following when awarding variable compensation:

- Firm's financial performance
- Business unit's financial performance
- Individual performance including:
    - Employee performance against objectives
    - Effective risk management
    - Compliance with regulations
    - Adherence to the Firm's values
    - Treating customers fairly
    - Quality of service provided to clients
    - Behaviours displaying the core values of the Firm
    - Client feedback

Guaranteed Variable Remuneration:

The Firm can only pay guaranteed variable remuneration to MRTs the year they join the Firm, as a sign on bonus. Valutrades must have a strong capital base to pay the sign on bonuses. The Firm must only make these payments on rare occasions, such as when a new joiner has lost their bonus by leaving their previous employment.

Severance Pay:

The Firm ensures that payments to MRTs relating to the early termination of an employment contract reflect their performance over time and don't reward failure or misconduct. Our policy for making severance payments is Severance = Monthly Salary (MTC) X indicator representing number of years service (Y) + correction factor (CF) and the maximum amount we will pay is 24 months or max of £250,000.

Claw back:

All variable remuneration is subject to in-year adjustments or clawback arrangements. These will specifically apply where an MRT was involved in or was responsible for conduct that meant the Firm suffered financially or where the individual failed to meet the standards of fitness and propriety expected of them. This would include cases of fraud or negligence against the Firm, its clients, or services. Our minimum clawback period is 3 years.

We will set different clawback periods and criteria for different MRTs based on the nature of their role at the Firm, the risks impacted by that role and the time frame over which the risks could materialise.

Non-financial metrics

When the Firm is assessing individual performance to determine the amount of variable remuneration it will consider both financial and non-financial criteria. As conduct is crucial to the compliance culture of the Firm, if an employee shows poor conduct, this may override their performance in financial areas. Conduct is therefore the biggest metric within non-financial considerations. Other non-financial metrics we may consider include:

- the building and maintenance of positive customer relationships and outcomes;
- alignment with our strategy or values, for example by displaying leadership, teamwork or creativity;
- adhering to our Compliance Policies & Procedures; and
- meeting other non-financial targets relating to environmental, social and governance factors and diversity and inclusion.

6.2. Quantitative Disclosures

The Firm awards both fixed and variable remuneration, this is divided as follows:

	FIXED REMUNERATION	VARIABLE REMUNERATION	TOTAL REMUNERATION
Senior Management	£256,909	-	£256,909
Other Material Risk Takers	-	-	-
Other Staff	£311,505	£4,001	£315,506

Total	£568,414	£4,001	£572,415

The Firm awarded no guaranteed variable remuneration or severance pay in the period of 01 January 2024 to 31 December 2024.