TRADEWEB EXECUTION SERVICES
PILLAR 3 DISCLOSURE
YEAR ENDED 31 DECEMBER 2021

Introduction 2
Internal Capital Adequacy Assessment Process ('ICAAP') 3
Governance arrangements 3
Risk Management Framework: Three lines of defence 4
Own funds 4
Capital Requirements 5
Credit risk 5
Market Risk 7
Operational Risk 7
Remuneration Policy and Disclosure 7

Introduction

Tradeweb Execution Services Limited ('the **Company**') is authorised and regulated by the Financial Conduct Authority ('**FCA**') and has firm reference number 921372. The Company has been authorised and regulated by the FCA since 2020.

The Company is classified as an 'BIPRU 50k firm' under the FCA's regulatory capital regime and is required to comply with the applicable disclosure requirements set out in the UK Capital Requirements Regulations 2013 (SI 2013/3115) ('**CRR**'), which is commonly referred to as the 'Pillar 3 disclosure obligations'; and the FCA Capital Requirements Directive IV Instrument 2013 ('**CRD IV**').

The Capital Requirements Directive of the establishes a regulatory capital framework governing the amount and nature of capital that must be maintained by credit institutions and investment companies. The framework consists of three "Pillars":

- Pillar 1 sets out the minimum own funds requirements;
- Pillar 2 requires the Company to assess whether its Pillar 1 capital is adequate to meet its risks; and
- Pillar 3 requires disclosure of specific information about the Company's risk exposure, capital, risk assessment and management procedures.

To encourage market discipline, the Company is required to disclose information about its capital position and material risks.

This Pillar 3 disclosure has been prepared based on the Company's audited accounts for the year ending 31 December 2021, has been verified by the Company directors, and unless otherwise stated has not been audited by the Company's external auditors.

The Company is permitted to omit information which is regarded as immaterial such that the omission would be unlikely to change or influence the decision of a reader relying on that information for the purpose of making an economic decision. In addition, the Company is permitted to omit information which is regarded as proprietary or confidential. Information is regarded as proprietary to the Company if disclosing it publicly would undermine its competitive position. Information is considered to be confidential where there are obligations binding the Company to confidentiality with any of its counterparties.

The Company is not part of a UK Consolidation Group under CRR and consequently, does not report on a consolidated basis under CRR. The Company is also not an institution of global systemic importance. The Company's immediate parent company is TWEL Holding LLC, which is a limited liability company formed in the USA.

Internal Capital Adequacy Assessment Process (‘ICAAP’)

The Company has assessed material risks to its business as part of its Internal Capital Adequacy Assessment Process (‘**ICAAP**’) and has set out appropriate actions to manage them. In particular, the Company has identified all material risks through scenario analysis and has assessed whether or not it would be appropriate to hold capital against those risks and / or whether or not to implement alternative risk mitigation.

The ICAAP is owned by the Company’s Board of Directors (‘**Board**’) and is updated annually or when there is a material change to the business, whichever is earlier. While the Board is ultimately responsible for the Company’s overall risk appetite and management, and for maintaining an appropriate internal control framework, responsibility for risk management is delegated to the Audit, Risk and Conduct Committee (‘**ARCC**’), which in turn is supported by the International Risk Committee (‘**RiskCo**’), chaired by the Head of International Compliance.

The heads of individual business units are responsible for identifying and analysing risks relevant to their business units, for discussing this in their respective operational committees, and for reporting to RiskCo. Risks are then escalated, as appropriate, through the governance structure up to the Board.

Governance arrangements

The principal role of the Board is to provide leadership of the Company within a framework of prudent and effective controls, and is responsible for overseeing the Company’s business and for promoting the long term success of the Company as a whole. Matters reserved for the Board include: (1) strategy; (2) directing the business; (3) financial reporting, controls and capital management; and (4) internal controls. The Board meets as and when required to discharge its functions.

The Board comprises three (3) executive directors and two (2) non-executive directors. Directors are appointed from within the Company or wider group, having regard to their individual and combined knowledge, skills and experience to effectively direct and oversee the Company.

The directors review risks, controls and other risk mitigation arrangements and consider the financial impact of the risks as part of business planning and capital management. The Company conducts stress tests to assess the impact of stress scenarios on its financial position / capital and the Company is confident that it holds sufficient capital levels and has appropriate risk management procedures in place. Management, notably the Head of Finance and Head of International Compliance (or their delegates), will continue to update and reassess the scenarios as market, business and product landscapes continue to change and evolve. Updates are reported to the ARCC and the Board.

Risk Management Framework: Three lines of defence

The Company has implemented a ‘three lines of defence’ model for the risk management:

1. The first line of defence comprises the senior management team, managing directors and business leaders, including product management. Each of these individuals is responsible for proactively identifying risks related to their business lines and implementing approved procedures to mitigate them.
2. The second line of defence includes the Company’s functional teams such as finance, HR, IT, legal and compliance, as well as the governance committees described above. The second line of defence ensures the efficiency of the Company’s risk management, works to keep the Company within the Board’s risk appetite, and monitors compliance with applicable regulatory requirements. RiskCo meets every other month to support the senior management team and the Board to achieve these objectives.
3. The third line of defence is the internal audit function. A third party firm provides the Company’s Internal Audit services, including reviews of the business operations and systems of internal control. Internal Audit review scopes and findings are agreed and tracked by the ARCC.

Own funds

These disclosures that follow are based on audited financials.

A reconciliation of the Company's Financial Statements for the year ended 31 December 2021 to regulatory capital is shown below:

Own Funds Disclosure at 31 December 2021	£’000
Share Capital	1,400
Profit and Loss account and other Reserves	(67)
Total Equity	**1,333**
Deferred Tax Asset	15
Total Reglatory Capital	**1,318**

The table below demonstrates that the Company meets the required capital ratio of 8% of Risk Weighted Asse ts, and held a capital surplus of £981k as at 31 December 2021

Own Funds Disclosure at 31 December 2021	**£'000**
Share Capital	1,400
Profit and Loss account and other Reserves	(67)
Common Equity Tier 1 capital	1,333
Total Tier 1 capital	1,333
Tier 2 capital	-
Deferred Tax Asset	**15**
Total Own Funds (Tier 1 plus Tier 2)	1,318
Capital Requirement	**337**
Capital Resources as a % Capital Requirement	**391%**
Excess Capital Resources	981

Capital Requirements

The Company assesses whether or not it is appropriate to hold capital against risks either on the base case or stressed scenarios. The Company separately calculates the wind-down cost for the business under stressed scenarios. For an BIPRU limited license company the minimum capital requirement is set by the higher of: (1) Base capital of €50k; (2) the sum of credit risk and market risk; and (3) the fixed overhead requirement, which is calculated as 25% of relevant annual expenditure and essentially sets the Company's minimum level of capital requirement.

Credit risk

Credit risk is the risk that a party will default on a financial obligation. The Company manages the risk as follows:

- Default of banks in relation to the Company's cash deposits held with them - Periodic monitoring of the financial strength of the credit institution with whom the firm deposits cash.
- Failure to collect payments due from customers and group companies - Tight credit control: performing credit checks, checking credit worthiness of the clients; monitoring payments against agreed arrangements.
- Counterparty credit risk – Assignment of notional trading limits to each counterparty having regard to micro parameters such as a company rating, financial reports, assets under management, trading

history. The Company also has regard to macro driven risks such as country risk and legal framework. These are actively monitored and managed.

The Company offers trading via its Organised Trading Facility, whereby the Company performs assisted intermediated all-to-all trading with the Company acting as counterparty to the trade on a matched principal basis. Trades are in bonds and are settled with counterparties DVP with involvement of a settlement agent within several days, typically T+2.

With respect to such trades, and depending on the product, trades will either be affected on a bi-lateral basis between the dealers with the Company acting as a broker, or the Company will act as the counterparty on a matched principal basis between the dealers. In this scenario, trades are immediately novated to the Company's affiliated entity, who is the relevant clearing member.

The Company's exposures relate to bank deposits and trade debtors within institutions, other exposures include fixed assets, prepayments and receivable balances from other debtors including related parties. The trade debtors' and bank deposits exposures are risk-weighted using external credit agencies ratings and mapped to credit quality steps as prescribed in the CRR. Exposures, for which a credit rating is not available, are assigned a risk weight in accordance with the credit quality steps as per CRR.

All trade debtors' exposures are due within thirty days, bank deposits are repayable on demand and the other exposures have no maturity period.

The company has adopted the standardised approach to credit risk, and the Company's credit risk capital requirement at 31 December 2021 is £4.8m. The Company had no impaired exposures as at 31 December 2021 and no provision was made.

As set out in the Company's ICAAP:

Total capital requirement and distribution by exposure classes at 31 December 2021

Exposure Class	Balance (in £'000s)	Distribution by exposure class (%)
Government & Central Bank	15	5%
Institution	268	95%
Total	**283**	**100%**

Geographic distribution of exposures at 31 December 2021

Region	Distribution
United Kingdom	100%

Market Risk

The Firm has no trading book positions, and market risk arises due to conducting business in foreign currency. On 31st December 2021 the firm held no assets or liabilities denominated in foreign currency.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events, including legal risk. The main business and operational risks to which the Company is exposed, and the associated risk mitigation techniques include:

- Market downturn - The Company monitors revenues and market volumes; has a variety of asset classes and charging structures;
- Business interruption e.g. terrorism, system failure – The Company has a Business Continuity facility; Disaster recovery plan includes: backup connectivity, duplicate systems, real-time data replication to alternate facilities; business interruption insurance in place;
- Trade errors - Constant liaison with dealers and customers; the Company has highly trained support staff and procedures in place to mitigate errors;
- Loss of major customers – The Company continues to work to strengthen its customer base and product lines;
- System issues - Policies and procedures are in place; ongoing operational and related compliance monitoring; monitoring of large and unusual trades; check price information;
- Regulatory risk – The Company has robust compliance controls in place and ensures up-to-date knowledge and training for key staff;
- Reputation risk – The Firm limits staff access to client data; staff are obliged to maintain confidentiality.

The Company's primary risk is general business risk associated with operating an electronic trading environment. As such, the Company has operational risk arising from maintaining and monitoring those systems. Over the course of the Company's many years of operation it has continually updated and monitored its system to mitigate associated risks. The management team of each business line and functional area is responsible for identifying risks in the respective department's operations, and for implementing procedures to mitigate risks. The foundation of these risk assessment processes is management's knowledge of the market, operations, technology, and products.

Remuneration Policy and Disclosure

The company had no employees during 2021.