

Virtu Financial Ireland Limited

Pillar III 2023 Disclosure - VFIL



**VIRTU**  
FINANCIAL



## Table of Contents

<b>1</b>	<b>Introduction</b>	<b>3</b>
1.1	Introduction	3
1.2	Regulatory Background	3
1.3	Scope, Frequency and location of Disclosures	3
<b>2</b>	<b>Risk Management Framework</b>	<b>4</b>
2.1	Risk Appetite Statement	4
<b>3</b>	<b>Governance</b>	<b>8</b>
3.1	First Line of Defence (1LOD)	8
3.2	Second Line of Defence (2LOD)	8
3.3	Third Line of Defence (3LOD)	8
3.4	The Board of Directors	8
3.5	Board Sub-Committees	9
3.6	Diversity Policy	10
<b>4</b>	<b>Own Funds</b>	<b>11</b>
4.1	Reconciliation between regulatory capital and accounting capital	11
4.2	Main features of Own Funds	11
4.3	Description of Restrictions	11
<b>5</b>	<b>Own Funds Requirements</b>	<b>12</b>
5.1	Approach to Assessing the Adequacy of Capital	12
5.2	K-factor requirements	12
5.3	Fixed Overheads Requirements	12
<b>6</b>	<b>Remuneration Policies</b>	<b>14</b>
6.1	Introduction	14
6.2	Design characteristics of Firm's remuneration system	15
6.3	Information on the criteria on which the entitlement to shares, options or variable components is based	15
6.4	Aggregate quantitative information on remuneration for staff who have a material impact on the risk of the institution	16
<b>7</b>	<b>Investment Policy</b>	<b>17</b>
<b>8</b>	<b>ESG</b>	<b>18</b>
<b>9</b>	<b>Appendix 1</b>	<b>19</b>
<b>10</b>	<b>Appendix 2</b>	<b>21</b>



# 1 Introduction

## 1.1 Introduction

This document sets out the Pillar III Disclosures of Virtu Financial Ireland Limited ("VFIL" or the "Firm"). The entity is an Irish registered private limited liability company and is a subsidiary of Virtu Financial Inc. a NASDAQ listed company and hereafter referred to as "Virtu Inc.". The Pillar III disclosures (the "Disclosures") are compiled as at 31 December 2023.

The Disclosures are required by Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on prudential requirements for investment firms, otherwise known as the Investment Firm Regulations ("IFR/IFD").

VFIL is regulated by the Central Bank of Ireland ("CBI") and is authorised as an Investment Firm under Regulation 8(3) and deemed authorised under Regulation 5(2) of the Statutory Instrument No. 375/2017 European Union (Markets in Financial Instruments) Regulations 2017.

## 1.2 Regulatory Background

IFR is an capital adequacy framework for investment firms in the European Union. Its purpose is to provide for a comprehensive and risk-sensitive capital adequacy structure within investment firms and to promote enhanced risk management systems and controls amongst investment firms. IFR is made up of three prudential components called "Pillars":

- **Pillar I** sets out the methodology for the calculation of the Firm's minimum regulatory capital requirements to meet the Firm's credit, market and operational risks. IFR implements a new 'K-factor' regime to tie such risks closer to the business of investment firms.
- **Pillar II** requires the Firm to fully assess its risks and to ensure there is a credible link between its risk profile and the capital it maintains. The Pillar II assessment is also called the Internal Capital and Risk Assessment ("ICARA") which is made up of an assessment of both capital and liquidity.
- **Pillar III** requires the Firm to make public disclosures of certain specific information concerning capital adequacy, risk exposures and risk management arrangements in order to promote greater market discipline and transparency through the disclosure of key information.

The Disclosures meet VFIL's obligations with respect to Pillar III and the requirements outlined in Articles 46-53 of IFR.

## 1.3 Scope, Frequency and location of Disclosures

The Disclosures have been prepared as at 31 December 2023, which is the fiscal year end for VFIL. The Pillar III reports are disclosed on an annual basis.

The Firm publishes its Pillar III Disclosures on the Virtu Financial group's website at the following address <https://www.virtu.com/regulatory-disclosures/>.

These disclosures have been prepared solely for the purpose of fulfilling the Firm's Pillar III disclosure requirements under IFR and are not used by management for any other purpose. They have not been audited nor do they constitute any form of audited financial statement.



## 2 Risk Management Framework

The firm views risk management as a key consideration in delivering its strategic business aims and objectives, whilst ensuring its long-term sustainability and effective corporate governance. The firm's business strategy and risk appetite are linked and form the driver for decision making to ensure risk taking remains within the defined boundaries to support business strategy, effective management of capital and efficient use of liquidity.

To ensure effective risk management practices permeate throughout the business there is a comprehensive risk management governance structure in place, articulating the control mechanisms to identify, measure, assess, monitor, control and report on underlying risks. This governance structure is articulated within the Risk Management Framework (RMF) which is enabled by People, Processes, and Systems and sets the foundations and organizational structure for implementing and reviewing risk management practices and activities.

The objectives of the Risk Management Framework are -

- Ensure consistency in the strategies and approaches used to identify risks generated in its business activities that may be inherent in products, activities, processes or systems.
- Ensure identified risks are appropriately and consistently measured to enable evaluation, aggregation, comparison and control of risks.
- Assess risks at specific entity level and from a holistic approach to determine most appropriate approach for mitigation. Assessment should incorporate an evaluation of potential relationships or inter-dependencies across risk categories and businesses.
- Ensure appropriate governance and control structures are in place to effectively implement risk management strategies and ensure ongoing adherence to risk appetite.
- Provide appropriately targeted and regular reporting on risk exposures or concentrations to management to support the decision-making process
- Fostering a culture of senior management challenge through regular reviews of the risk profile and practices.

The Components of the Risk Management framework include -

- Risk Culture - the firm's risk culture describes the general awareness, attitudes and behaviors of employees to risk taking and the management of risk. The tone from the top in relation to the organizational culture and attitude to risk informs the attitude and behavior of employees to risk. Risk Management is the responsibility of all employees as reflected in the appraisal and remuneration process.
- Risk Governance - responsibility for ensuring an appropriate system of internal control ultimately lies with the Board of Directors (the Board). This is achieved by ensuring a robust governance structure is in place which facilitates the escalation and reporting of risk by the business to the Board, whilst also ensuring effective channels are in place to cascade risk approved policies from the Board to the business. The business is accountable for the identification, management and escalation of risk in their area, and are supported by Risk Management, Compliance and Audit through guidance and supervision.
- Risk Appetite - level of risk the firm is prepared to accept now and over the planning horizon to achieve its stated business strategy and objectives.
- Risk Management Tools - tools available to enable to business execute activities whilst ensuring they are within its risk appetite.
  - *Risk Identification & Analysis* - On an ongoing basis, yet formally at least annually, the firm reviews its risk profile and reassess the key risk types in the Risk Taxonomy, with risk controlling mitigants detailed in the associated policies and procedures.
  - *Risk Evaluation & Mitigation* - Risks identified in the Risk Taxonomy are assessed and measured in line with established policies and procedures. Controls and procedures are in place to mitigate risks highlighted through risk assessment.
  - *Risk Monitoring, Review & Reporting* - Regular and ad-hoc reporting to the Board, delegated Committees and European Management Team ensures risk exposures and changes to the firm's risk profile are communicated in a consistent and timely manner. This ensures that mitigating actions can be formulated to ensure it stays within its defined risk appetite.

### 2.1 Risk Appetite Statement

Virtu Financial Ireland Limited (VFIL) refers to its Risk Appetite Statement to determine the level of risk the Board is willing to take now and over the planning horizon, given the firm's financial resources, to pursue and deliver its business strategy.

Risk appetite is a key component of the firm's Risk Management Framework (RMF) and is defined as the aggregate level and type of risk an organization is willing to assume within its risk capacity to achieve its strategic objectives and business plan.

The firm's strategy is aligned with its risk appetite to guide the business activity and its associated risk taking. This ensures structures exist to identify and analyse emerging risks for issues that could become material risks in the future.



The firm's Risk Strategy is to ensure that it has a clearly defined risk appetite which is embedded in the Business Strategy, and that appropriate governance, processes and controls are in place to support achieving the Risk Strategy within set boundaries. Based on the defined Risk Appetite, the firm manages risk to enable growth which in a considered manner and in line with the Business Strategy allows the firm to protect its long-term franchise and financial stability.

The risk appetite for VFIL is encapsulated in the entity's budget and medium-term business plan and is approved by the Board on an annual basis.

Consequently the firm's risk appetite is reflective of its strategy, including organizational objectives, business plans and shareholders' expectations.

The Risk Appetite recognises a range of possible outcomes as business plans are implemented. It is set and implemented against the business and risk strategies from the "top-down", cascading from high level objectives set by the Board, through the firm into the formulation of detailed risk measures (a number at a point in time e.g.: EBITDA) or metrics (measures the relationship between numbers e.g.: EPS).

## 2.1.1 Overview of Risk Appetite Methodology

Qualitative Risk Appetite Statements for each risk category are approved and supplemented by various qualitative and quantitative measures and metrics.

Risk capacity is defined as the maximum level of risk the firm can assume given its current level of resources before breaching constraints determined by regulatory capital and liquidity needs, the operational environment and obligations, also from a conduct perspective to shareholders, clients and other stakeholders.

The firm acknowledges a willingness and capacity to take on risks and is inclusive of a tolerance for loss or negative events that can be reasonably quantified, such as operational risk losses. The level of risk the firm is willing to take on is determined across key strategic areas and strategic objectives in each of those areas. For each objective the firm will set a risk appetite ranging from Very Low to Very High with a corresponding score (to allow aggregation).

This methodology ensures that the risk appetite is aligned with the firm's overall objectives.

There are certain risks that the Board wishes to avoid completely in the pursuit of its strategic objectives such as

- activities outside the Firm's ethical framework; activities where significant conflicts of interest exist;
- activities which could adversely harm or impact shareholders; activities which are fraudulent, dishonest or contrary to legal requirement or regulatory;
- activities which constitute market abuse including market manipulation and conduct that creates a disorderly market.

Other risks outside the firm's risk appetite include

- recklessness or willfully facilitating the use of the firm's systems for the furtherance of crime, including money-laundering,
- terrorist financing or market abuse;
- undertaking activities which are contrary to the Firm's Strategic Objectives; and
- willfully circumventing risk management or governance frameworks.

It is accepted however that the firm cannot totally avoid these risks and ensures robust controls exist to capture any incidences which are escalated appropriately.

### 2.1.1.1 Credit & Counterparty Risk Appetite:

#### Credit Risk

There is no appetite for Credit risk.

VFIL does not extend credit.

#### Counterparty Risk

There is medium appetite for Counterparty risk.

Counterparties can be broadly placed within two categories;

- Banks in which the VFIL has cash deposits and therefore there is a risk that those funds become unavailable in the event the bank (counterparty) is unable to provide access to those funds.
- Trading counterparties in which there is an obligation to deliver cash to pay for shares purchased or shares for shares sold; the risk here is initially a settlement delay followed by a settlement default.

The Firm has robust credit approval policies with the primary objective of preserving principal, maintaining liquidity obligations and credit risk exposure due to counterparty defaults.



### 2.1.1.2 Market Risk Appetite:

There is a medium/low appetite for Market Risk in VFIL.

Market Risk is an inherent part of VFIL's activities and the overall risk appetite of the company is determined with reference to the strategic goals, potential earnings power, the capital base and diversified business model.

The firm seeks to avoid unwanted directional and market risk and continually assesses its market risk exposures with a view to maintaining correlated or market neutral positions.

Position taking profit and loss within the firm's risk tolerances are expected so long as the trend in revenue generation is positive.

Risk limits are set to be consistent with the risk appetite.

### 2.1.1.3 Liquidity (Funding) Risk Appetite:

There is no appetite for VFIL being unable to meet all payment obligations as and when they become due.

The firm's finance department and Chief Financial Officer acting in the capacity of treasury management will ensure they are able to identify, measure and manage the liquidity requirements of the firm through the monitoring of operational liquidity as well as determining and securing the firm's longer term funding requirements.

### 2.1.1.4 Capital Adequacy Risk Appetite:

The firm has zero tolerance as relates to breaches of its regulatory capital requirements and has in place near real-time monitoring of said requirements and alerting mechanisms that provide early warning when requirements versus own funds are marginal or stressed.

### 2.1.1.5 Operational Risk Appetite:

Operational Risk is pervasive, managed across the organization and a consequence of operating the business, articulating a risk appetite is more challenging than doing so for other risk types.

To this end the business has, in addition to the impact on earnings approach, extended the operational risk appetite to include statements across i) information technology, ii) fraud and corruption & iii) information management.

At a high-level operational risk appetite is based on an impact on earnings approach.

This involves looking at how much the firm could potentially lose due to operational risk losses.

In setting operational risk appetite both the impact on solvency and reputation are considered.

In addition, the firm's appetite for specific operational risks is detailed below.

#### Information Technology

Covering both daily operations and on-going enhancements to IT systems, these include

- Core Systems Outages and Interruptions;

There is a very low appetite for risks to the availability of systems which support the critical business functions and recovery times of these functions have been identified.

- Cybersecurity

The firm has a very low appetite for threats arising from external malicious cyber-attacks. To address this the firm's global Chief Information Security Officer and department aims for a strong internal control process.

- Change Management

The firm has a low risk appetite for system related incidents which are generated by poor change management practices.

- Fraud & Corruption

The firm has no appetite for any fraud or corruption perpetrated by its staff.

- Information Management

The firm is committed to ensuring that its information is authentic, appropriately classified, properly secured (protected) and managed in accordance with legal, regulatory and business requirements.

The firm has a very low appetite for the compromise of processes governing the use of information, its management and disclosure (publication) and has no appetite for the deliberate and/or malicious misuse of its information.



### 2.1.1.6 Regulatory Risk Appetite:

There is a very low appetite for relevant legal and regulatory risk and the group seeks to operate to very high ethical standards.

There is no appetite for regulatory sanctions and other substantive regulatory recourse and interventions.

There is no appetite for non-compliance, including deliberate or purposeful violations with applicable laws and regulation.

There is no appetite for failure to adequately agree or, adherence to contractual agreements. There is an acceptance that the firm faces risks from contractual disputes, failure to enforce contractual agreements and, inadequate management of tortuous/non-contractual rights or failure to avoid tortuous/non-contractual obligations.

There is an acceptance that the firm faces risks resulting from an actual or future change in laws and regulations that may materially impact the business through increases in cost, reduction in the services we are able to offer and the competitive landscape.

The group encourages and maintains an appropriately balanced legal and regulatory compliance culture and promotes policies and procedures to ensure businesses and staff are encouraged at all times to operate in accordance with the laws, regulations and voluntary codes which impact on the applicable entities within the Group.

### 2.1.1.7 Reputational Risk Appetite:

There is no appetite for reputational risk and for adverse media coverage.

The Group will use every effort to ensure that events that could potentially lead to such coverage are avoided.

All material risks are subject to a Reputation Impact assessment using the following methodology.

Each material risk is mapped to the probability impact graph in which the vertical axis determines the probability/frequency of the risk occurring and the horizontal axis determines the reputational impact using an increasing scale of public domain exposure as relates to the event. Any risk that crosses the blue line will be considered to have a material reputational risk impact and will be highlighted as such when presented either internally to senior management and the board of directors or external authorities such as auditors and regulators.



## 3 Governance

VFIL has adopted the “Three Lines of Defence” model in conjunction with a strong risk culture, good communication and understanding and a strong sense of risk awareness. The approved risk governance model includes the Board and its delegated committees and teams that form the management of risk governance in the firm. Within this risk infrastructure, key risk governance personnel are aware of their roles with respect to managing risk.

Information flows and reporting lines are clearly communicated to the relevant personnel and are represented on the on the risk governance model. Key roles and responsibilities are detailed and show the clear delineation of roles and responsibilities across risk classes and lines of defence.

### 3.1 First Line of Defence (1LOD)

The first line of defence for day-to-day risk management is with the business units and support functions. They are responsible for understanding and adhering to the risk and control environment. Front line employees must consider the risk / reward trade off in the short and long term and must ensure compliance with all risk policies, procedures and limits. The first line is responsible for the ongoing assessment, monitoring and reporting of risk exposures and events.

First line risk management is performed primarily by the Core Operations however Triage workflows provides an escalation procedure to deal with all incidents to ensure transparency and accountability.

### 3.2 Second Line of Defence (2LOD)

The second line of defence in the internal control function which include the Risk Management and Compliance functions. These teams provide independent risk oversight and challenge to the first line, and supervision of the operation and effectiveness of the risk control framework. Responsibilities also include the formulation, maintenance and embedding / communication of risk frameworks, policies and risk reporting.

### 3.3 Third Line of Defence (3LOD)

The third line of defence is the internal audit function who provide independent assurances of first and second line activities. Audit carries out an annual programme of risk-based audits covering first and second line activities. The results of each audit is shared with the EMT, Audit and Risk Committees, and the Board with resulting action plans tracked through JIRA by Compliance to ensure resolutions are reached within agreed timelines. The annual planning process takes accounts of risks generated from the risk identification, measurement and monitoring processes and risks that have a risk rating outside of approved risk appetite and limits.

### 3.4 The Board of Directors

The Board sets the tone at the top and the overarching risk culture of the firm. The Board is responsible for the effective, prudent and ethical oversight of the entity, setting the business strategy for the firm and ensuring that risk and compliance are properly managed in the Firm.

The objectives and responsibilities of the Board are –

- Challenge and review critically in a constructive manner propositions, explanations and information provided by Board and Senior Management in its management function.
- Monitor that the strategy, the risk tolerance/appetite and the policies of the Firm are implemented consistently, and performance standards are maintained in line with its long-term financial interests and solvency.
- Coordinate the Firm’s business and risk strategies with the Board and Senior Management in its supervisory function and regularly discuss the implementation of these strategies with the Board and Senior Management in its supervisory function.
- Monitor the performance of the Board and Senior Management in its management function against those standards.

The Board will be comprised of a mixture of executive management, representatives of the shareholders of the Firm and independent non-executives (INEDs).

Members will be required to have relevant financial services expertise or board-level experience, relevant qualifications and backgrounds or be required to undertake relevant, timely and comprehensive training.

Under the guidance of the Chairperson, the Board will periodically review the composition, skills, independence and succession plan of the Board. All Board members will be appointed in accordance with the obligations of the Fitness and Probity requirements of the Central Bank of Ireland.





During 2023, the Board of Directors met 8 times.

It is the Firm's policy that the Board comprise of at least;

- two Independent Non-Executive Directors;
- two Irish based full time Executive Directors;
- two Non-Executive Directors (who can be the same persons as constitute the Independent Directors); and
- two directors must be Irish resident.

Directorship Type	Director	Number*
Non-Executive Director	David Furlong	6
Executive Director	Desmond Carbery	1
Executive Director	Michael Nestor	1
Independent Non-Executive Director	Charles J McCreevy	6
Independent Non-Executive Director	Aogán Foley	9
Independent Non-Executive Director	David McGeough	28
Non-Executive Director	Joe Molluso	2

\*Directorships within the same corporate group are counted as one

## 3.5 Board Sub-Committees

The Directors have delegated responsibility for supervision of certain functions within the Firm to various sub-committees of the Board and to senior management who report to the Board at periodic meetings.

### 3.5.1 Risk Committee

The Risk Committee is a committee of the Board of Directors whose primary function is to oversee the integrity of the Firm's processes and procedures relating to risk management. It provides assurance to the Board through oversight and monitoring of the Firm's risk management infrastructure, as well as fostering a risk culture within the Firm.

Its primary objectives are;

- providing oversight and advice to Board on the current risk exposures of Virtu and future risk strategy including the risk appetite;
- to ensure the development and on-going maintenance of the Firm's systems of internal control and risk management including the processes used to identify, manage, monitor and report risks;
- to oversee the Firm's risk management function and monitoring their independence;
- to oversee material risk and non-material risk events and identifying or assessing controls put in place to address those risks;
- and
- to oversee the effectiveness of Virtu's internal control and IT systems;

During 2023, the Risk Committee met 5 times.

### 3.5.2 Audit Committee

The Audit Committee is a committee of the Board of Directors whose primary function is to assist the Board in fulfilling its oversight of **i)** the integrity of the financial statements of the Companies, **ii)** the independent auditors qualifications and independence, and **iii)** the performance of the Firm's internal audit function and independent auditors.

Its primary objectives are;

- ensuring the effectiveness of the Firm's systems of internal control, internal audit and IT systems;
- ensuring the independence of the Committee, statutory auditor or audit firm, and in particular the provision of additional services to the audited entity;
- ensuring the soundness of the financial reporting process and in particular ensuring the integrity of the financial information provided to the Board, the Firm's parent, the Central Bank of Ireland, the Companies Registration Office and others; and
- monitoring the statutory audit of the annual and consolidated accounts ensuring they give a "true and fair view" of the financial status of the Firm.

During 2023, the Audit Committee met 4 times.



### 3.5.3 Remuneration Committee

The Board has delegated specific responsibility for the remuneration policies to the Remuneration Committee. The Remuneration Committee will operate in accordance with its Terms of Reference and will provide verbal updates to the Board on the material items which were considered at each meeting of the Committee. All minutes, packs and outputs of the Committee are available to the Board of Directors for review. Its primary objectives are;

- to support the Board in determining the firm-wide policy with respect to remuneration, bonus and incentive arrangements and compensation payments, in a fair, equitable and transparent manner;
- to consider the appropriateness of the performance assessment process and remuneration payments considering the risk profile, long term objectives and goals of the Firm;
- to ensure the Remuneration Policy is in compliance with applicable laws and codes in particular for ensuring that the Firm operates remuneration policies and practices which are in line with the principles of the Directive (EU) 2019/2034 of the European Parliament and of the Council of 27 November 2019 on the prudential supervision of investment firms ("IFD"), and any associated guidance from the European Banking Authority ("EBA"), European Securities and Markets Authority ("ESMA") or the Central Bank of Ireland ("CBI") as to its application ; and
- to monitor and review any activity falling within its roles and responsibilities as set out below, and to investigate any matters as may otherwise be requested by the Board from time to time.

During 2023, the Remuneration Committee met once.

### 3.6 Diversity Policy

Virtu Financial is an equal opportunity employer, committed to a diverse and inclusive workplace, welcoming you for who you are and does not discriminate on the basis of race, national origin, gender, gender identity, sexual orientation, protected veteran status, disability, age, or other legally protected status.

We seek to create an inclusive, equitable, culturally competent and supportive environment where our management and employees (seek/expect) model behavior that enriches our workplace. All our initiatives are employee - led and we aim to promote and create opportunities for employees on organizational culture, engagement with leadership to discuss equity in the workplace and to provide feedback and insight to executive staff on culture, climate, equity, inclusion and diversity in the workplace. Virtu Inc. has established a Diversity and Inclusion Charter setting out the roles and responsibilities of the Diversity and Inclusion Committee - [https://s21.q4cdn.com/422114427/files/doc\\_downloads/committee/v2/FINAL-Diversity-Committee-Charter-\(TMM-06172020\).pdf](https://s21.q4cdn.com/422114427/files/doc_downloads/committee/v2/FINAL-Diversity-Committee-Charter-(TMM-06172020).pdf)

Virtu publishes commitments in relation to diversity and inclusion on its website - <https://www.virtu.com/about/virtutogether/>.



## 4 Own Funds

### 4.1 Reconciliation between regulatory capital and accounting capital

See Appendix 1 for a full reconciliation of regulatory own funds to balance sheet in the audited financial statements, in the format outlined by the EBA.

### 4.2 Main features of Own Funds

The following summary table sets out the make up of the Firm's Tier 1 Capital as per the 31 December 2023 IFREP.

Capital Resources	€'000
<i>Tier 1 Capital</i>	
Ordinary Share Capital	1
Share Premium	-
Capital Contributions	-
Other Reserves	24,852
Retained Earnings	58,329
<i>Adjustments</i>	
Intangible assets	(2,237)
Value adjustments due to prudential filters	(375)
<b>Total Tier 1 Capital</b>	<b>80,567</b>

See Appendix 2 for a full composition of regulatory own funds table, in the format outlined by the EBA.

### 4.3 Description of Restrictions

The Firm currently has two sources of restrictions on own funds.

The Firm's own funds are restricted by regulatory capital requirements which are required to be held under IFR. Additionally, the Firm's own funds are restricted by the margin requirements of brokers or GCMs required to support the trading and operation of the Firm.



## 5 Own Funds Requirements

### 5.1 Approach to Assessing the Adequacy of Capital

In accordance with the IFR and VFILs Internal Capital and Risk Assessment ("ICARA") process, the Firm's capital requirement is monitored on a daily basis by senior management and following the preparation of quarterly accounts, capital adequacy calculations are prepared and filed with the Central Bank of Ireland. The Firm employs sophisticated and automated tools to monitor and report on its capital requirements.

VFIL is classified as a Class 2 Firm under IFR and utilises K-factors and/or Fixed Overhead Requirements to calculate its Pillar I capital requirements. Additionally, the Firm fully assesses its risk profile to ensure there is a credible link between its risk profile and the capital it maintains through the ICARA process. This process identifies specific areas of risk outside of the Pillar 1 'K-factors' and assigns extra capital to ensure the Firm is fully capitalised to compensate for these risks.

As at 31 December 2023 and at all times throughout the year, the Firm complied with its prudential minimum capital requirements of IFR in that the capital resources were in excess of the capital required by the Firm.

### 5.2 K-factor requirements

The following table sets out the Firm's K-factor requirements as per the 31 December 2023 IFREP.

Group	K-factor	€'000
Risk to Client	Assets under management	-
	Client money held - Segregated	-
	Client money held - Non-segregated	-
	Assets safeguarded and administered	-
	Client orders handled - Cash trades	-
	Client orders handled - Derivatives trades	-
Risk to Market	K-Net positions risk requirement	14,864
	Clearing margin given	-
Risk to Firm	Trading counterparty default	49
	Daily trading flow - Cash trades	1,000
	Daily trading flow - Derivative trades	375
	K-Concentration risk requirement	-
<b>Total K-factor requirement</b>		<b>16,289</b>

### 5.3 Fixed Overheads Requirements

The following table lists the annual fixed overheads of the previous year after distribution of profits.

Requirement	€'000
<u>Total expenses</u>	59,215
- Of which were incurred by third parties	-
<u>Total deductions</u>	(42,380)



<b>Requirement</b>	<b>€'000</b>
Staff bonuses and other remuneration	(6,873)
Employees', directors' and partners' shares in net profits	-
Other discretionary payments of profits and variable remuneration	-
Shared commission and fees payable	-
Fees, brokerage and other charges paid to CCPs that are charged to customers	(35,507)
Fees to tied agents	-
Interest paid to customers on client money where this is at the firm's discretion	-
Non-recurring expenses from non-ordinary activities	-
Expenditures from taxes	-
Losses from trading on own account in financial instruments	-
Contract based profit and loss transfer agreements	-
Expenditure on raw materials	-
Payments into a fund for general banking risk	-
Expenses related to items that have already been deducted from own funds	-
<b>Total Expenses less deductions</b>	<b>16,835</b>
<b>Fixed Overhead Requirement</b>	<b>4,208</b>



## 6 Remuneration Policies

### 6.1 Introduction

The Firm is subject to Article 51 of IFR and is required to disclose certain metrics and features relating to the Firm's remuneration policies, decision making processes, linkages between pay and performance and disclosure of remuneration of staff who have a material risk impact on the Firm's activities.

The Firm's Remuneration Policy defines the categories of staff identified as senior management, staff engaged in control functions and any employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers, whose professional activities have a material impact on the Firm's risk profile.

#### 6.1.1 Governance

As part of the Firm's governance framework, the Board has established a Remuneration Committee, a sub-committee of the Board of Directors with specific responsibility for remuneration policies and principles and for overseeing their implementation in the Firm.

The Remuneration Committee is primarily responsible for Firm-wide remuneration policy with respect to remuneration, bonus and incentive arrangements and compensation payments; to consider the appropriateness of remuneration payments considering the risk profile, long term objectives and goals of the Firm; and to ensure the Remuneration Policy is in compliance with applicable laws and codes.

The members of the Committee are the Non-Executive Directors of the Firm.

In taking any decisions in relation to employee remuneration, the Firm's policy defines the process for assessing staff, awarding remuneration and how it ensures the remuneration award is consistent with the principles of effective risk management.

#### 6.1.2 Remuneration pool criteria

Performance-based remuneration pools must be based on an assessment of the Firm's budgeted performance and a number of key performance indicators ("KPIs") reflecting the trend in the Firm's focus areas. The KPIs assessed by the Firm include, but are not limited to profit before tax compared with budget, relative contribution of local performance towards the performance the overall group, assessment of risk-adjusted return, effective risk management; and compliance with internal business procedures and regulatory obligations.

Sustainability of financial position for the Firm is also an input variable into the performance-based remuneration pool, particularly resource availability to meet regulatory capital requirements, strategic growth objectives, distribution policy and other liquidity planning requirements.

The Board of Directors decides on the funds to be allocated to the performance-based remuneration pools in accordance with the Remuneration Policy on the recommendation of the Remuneration Committee.

#### 6.1.3 Criteria for setting of individual remuneration

The Firm recognizes that the individual performance of senior management and material risk takers is key to delivering sustained and long-term value creation for its shareholders and in attracting, developing and retaining these staff. The intention of the policies on remuneration is to ensure employees feel encouraged to create sustainable results and that the interests of the employees are linked to the interests of the Firm's shareholder.

In consideration of the setting of individual remuneration the following is considered:

- Fixed remuneration is determined on the basis of the role of the individual employee, including their relevant professional experience, seniority, professional qualifications or specific skills, responsibilities (which may include services on the Firm's Board or the Board's of its affiliates, or any sub-committees of such Boards) and job complexity, performance and local market conditions.
- The performance-based remuneration component is designed to motivate and reward high performers, generate shareholder value and have regard for the importance of effective risk management. Performance-based remuneration reflects sustainable and risk adjusted performance as well as performance in excess of that required to fulfil their particular duties.

The nature and parameters of an employee's performance-based remuneration is dependent as to whether their professional activities have a material impact on the Firm's risk profile.

Performance-based pay is always granted at the sole discretion of the Board and no employee shall have any contractual right to such payments, unless and until such pay is awarded on such conditions as the Board of Directors or Remuneration Committee see fit.



Guaranteed variable remuneration is not generally a component of performance-based remuneration though in exceptional cases in the first year of employment it may be rewarded and only where the Firm has a sound and strong capital base.

## 6.2 Design characteristics of Firm's remuneration system

### 6.2.1 Remuneration system

The remuneration framework have been designed to provide a firm-wide remuneration policy with respect to remuneration, bonus and incentive arrangements and compensation payments; to ensure that such remuneration payments are appropriate considering the risk profile, long term objectives and goals of the Firm; and to ensure the Remuneration Policy is in compliance with applicable laws and codes.

This has been achieved by having policies and systems in place which:

- provide a stringent governance structure for setting goals and communicating these goals to employees;
- include both financial and non-financial goals in performance and result assessments;
- include compliance with regulatory requirements and internal procedures in performance and result assessments;
- identify such staff who can have a material impact on the risk profile of the Firm and designing and rewarding staff members with appropriate incentives in a manner that is compatible with long-term oriented and prudent risk taking approach; and
- provide rules as to the nature, composition and execution of staff members total remuneration assessments and distributions.

### 6.2.2 Performance measurement criteria

The Firm's success depends in part on the availability of skilled management and the continued services of key members of its Senior Management team. If the Firm fails to attract and appropriately train, motivate and retain skilled and qualified people, its businesses may be negatively impacted.

All employees enjoy an annual performance appraisal interview where Senior Management evaluates the staff member's performance:

- performance against previously set and agreed functional and personal goals for the previous year;
- their contribution to their business area and the overall performance of that business area; and
- agree and set new goals for the following year.

Following the assessment, the recommendation on an employee's variable remuneration level is aggregated into the variable performance pool and presented to the Remuneration Committee for consideration. The total amount of remuneration is based on a combination of the assessment of the performance of the individual and of the business unit concerned and of the overall results of the institution.

### 6.2.3 Risk adjustment

The Firm can make a risk adjustment to variable remuneration to take account of a specific crystallized risk or adverse performance outcome including those relating to misconduct. Risk adjustments include reducing current year variable remuneration, the application of malus (reducing or cancelling deferred incentive awards that have not yet vested), and clawback (recouping already vested awards). Staff members may be subject to malus or clawback of up to 100% of variable remuneration where the staff member:

- participated in or were responsible for conduct which resulted in significant losses to the Firm; or
- failed to meet appropriate standards of fitness and propriety expected of the employee in accordance with internal policy, regulation or law.

### 6.2.4 Deferral and vesting policy

Variable remuneration including deferred portions (if any) is paid or vests only if it is sustainable according to the financial situation of the Firm as a whole and justified on the basis of the performance of the Firm.

The length of the deferral period (if any) shall be considered by the Remuneration Committee and Board established in accordance with its business cycle, the nature of the business, its risks and the activities of the member of staff in question by the Board.

## 6.3 Information on the criteria on which the entitlement to shares, options or variable components is based

As part of the variable remuneration, and where specified Group performance and local benchmarks are attained, the firm may award shares or share linked instruments (i.e. share options) linked to certain units or like instruments in Virtu Financial, Inc.



## 6.4 Aggregate quantitative information on remuneration for staff who have a material impact on the risk of the institution

For the year ended 31 December 2023, nine staff were identified as having a material impact on the risk profile of the Firm.

Aggregated remuneration metrics for key staff:

Item	€'000
<u>Fixed Remuneration:</u>	2,949
<u>Variable Remuneration:</u>	1,559
Of which:	
- Cash	808
- Shares	751
- Share linked instruments	-
<b>Total Remuneration:</b>	<b>4,508</b>
<i>Outstanding Deferred Remuneration</i>	
Vested in 2023:	788
Unvested:	3,103
<i>Deferred Remuneration</i>	
Awarded during 2023:	601
Paid during 2023:	788
Reduced through performance adjustments:	-
Guaranteed variable remuneration:	-
<i>Severance Payments</i>	
Upfront:	-
Deferred:	-





## 7 Investment Policy

While the Firm does hold shares for own account, it does so in the capacity of a liquidity provider and does not hold long term views on the value of the shares held. It does not exercise the associated voting rights attached to those shares.

Accordingly, it does not have an Investment Policy in place on how the Firm would exercise its voting powers.



## 8 ESG

Environmental risks and those associated with climate change are a financial risk to the overall global financial system and capital markets.

These risks may affect Virtu either directly on its own operations, or indirectly via risks from the market or clients.

There are two main types of risks related to climate change:

(i) transition risks, which result from changes in the behaviour in financial markets in response to the implementation of energy policies or technological changes and may present opportunities in emerging products in sustainable and transition finance. We foresee potential opportunities in mitigating climate change, emphasizing energy efficiency and waste reduction to lower fixed operational expenses although we are unable to quantify such opportunities or our success in implementing. Our use of certified renewable energy powered data centers in certain instances aligns with sustainable practices and risk management.

ii) physical risks, which result from the direct impact of climate change on people and property through extreme weather events, such as forest fires or long-term risks such as rising water levels or increasing temperatures. We look to actively mitigate the physical risks from climate change to our Firm through a widely distributed server infrastructure and employee base and a high degree of system redundancy.

Virtu has formed an ESG committee consisting of employees across various disciplines and locations to help manage our response to the risks associated with environmental risks.



## 9 Appendix 1

		Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
		As at period end	As at period end	
<b>Assets - Breakdown by asset classes according to the balance sheet in the published financial statements</b>				
1	Cash at bank	37,537,128	-	
2	Due from brokers	10,969,337	-	
3	Financial assets, classified as held for trading	210,464,436	(375,892)	Prudent val adjustment on trading book positions
4	Due from Parent and affiliates	45,305,084	-	
5	Other assets	751,406	-	
6	Current taxes receivable	201,508	-	
7	Deferred tax asset	520,865	-	
8	Property and equipment	4,302,229	(2,237,359)	Intangible assets deducted from Own Funds
9	Right of use asset	21,299,247	-	
xxx	Total assets	331,351,240	(2,613,251)	
<b>Liabilities - Breakdown by liability classes according to the balance sheet in the published financial statements</b>				
1	Trade payables and accrued liabilities	11,409,838	-	
2	Current taxes payable	0	-	
3	Due to brokers	34,664,923	-	
4	Financial liabilities, classified as held for trading	165,944,295	-	



5	Lease liability		21,913,116	-	
xxx	Total liabilities		233,932,172	-	
<b>Shareholders' Equity</b>					
1	Share Capital	1		1	Share cap incl in Own Funds
2	Capital Contributions		14,851,884	14,851,884	
3	Other Reserves		10,000,000	10,000,000	
4	Retained earnings		72,567,183	58,329,025	PY retained earnings included in Own Funds
xxx	Total shareholders' equity		97,419,068	83,180,910	Sum of Total Assets and Shareholder's Equity = Own Funds



## 10 Appendix 2

		Amounts '000
<b>Common Equity Tier 1 (CET1) capital: instruments and reserves</b>		
1	Capital instruments and the related share premium accounts	0.001
	of which: Instrument type 1	0.001
	of which: Instrument type 2	-
	of which: Instrument type 3	-
2	Retained earnings	58,329
3	Accumulated other comprehensive income (and other reserves)	24,852
EU-3a	Funds for general banking risk	-
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1	-
5	Minority interests (amount allowed in consolidated CET1)	-
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	-
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	83,181
<b>Common Equity Tier 1 (CET1) capital: regulatory adjustments</b>		
7	Additional value adjustments (negative amount)	-
8	Intangible assets (net of related tax liability) (negative amount)	(2,237)
9	Empty set in the EU	-
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	-
12	Negative amounts resulting from the calculation of expected loss amounts	-
13	Any increase in equity that results from securitised assets (negative amount)	-
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-
15	Defined-benefit pension fund assets (negative amount)	-
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	-
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-



20	Empty set in the EU	-
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	-
EU-20c	of which: securitisation positions (negative amount)	-
EU-20d	of which: free deliveries (negative amount)	-
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-
22	Amount exceeding the 17,65% threshold (negative amount)	-
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-
24	Empty set in the EU	-
25	of which: deferred tax assets arising from temporary differences	-
EU-25a	Losses for the current financial year (negative amount)	-
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	-
26	Empty set in the EU	-
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	-
27a	Other regulatory adjustments to CET1 capital (including IFRS 9 transitional adjustments when relevant)	(375)
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	(2,612)
29	Common Equity Tier 1 (CET1) capital	80,567
<b>Additional Tier 1 (AT1) capital: instruments</b>		
30	Capital instruments and the related share premium accounts	-
31	of which: classified as equity under applicable accounting standards	-
32	of which: classified as liabilities under applicable accounting standards	-
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1 as described in Article 486(3) CRR	-
EU-33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1	-
EU-33b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1	-
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-
35	of which: instruments issued by subsidiaries subject to phase out	-
36	Additional Tier 1 (AT1) capital before regulatory adjustments	-
<b>Additional Tier 1 (AT1) capital: regulatory adjustments</b>		
37	Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)	-



38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-
41	Empty set in the EU	-
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	-
42a	Other regulatory adjustments to AT1 capital	-
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	-
44	Additional Tier 1 (AT1) capital	-
45	Tier 1 capital (T1 = CET1 + AT1)	-
<b>Tier 2 (T2) capital: instruments</b>		
46	Capital instruments and the related share premium accounts	-
47	Amount of qualifying items referred to in Article 484 (5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR	-
EU-47a	Amount of qualifying items referred to in Article 494a (2) CRR subject to phase out from T2	-
EU-47b	Amount of qualifying items referred to in Article 494b (2) CRR subject to phase out from T2	-
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-
49	of which: instruments issued by subsidiaries subject to phase out	-
50	Credit risk adjustments	-
51	Tier 2 (T2) capital before regulatory adjustments	-
<b>Tier 2 (T2) capital: regulatory adjustments</b>		
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-
54a	Empty set in the EU	-
55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-
56	Empty set in the EU	-



EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	-
EU-56b	Other regulatory adjustments to T2 capital	-
57	Total regulatory adjustments to Tier 2 (T2) capital	-
58	Tier 2 (T2) capital	-
59	Total capital (TC = T1 + T2)	-
60	Total Risk exposure amount	-
	Capital ratios and buffers	-
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	-
62	Tier 1 (as a percentage of total risk exposure amount)	-
63	Total capital (as a percentage of total risk exposure amount)	-
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)	-
65	of which: capital conservation buffer requirement	-
66	of which: countercyclical buffer requirement	-
67	of which: systemic risk buffer requirement	-
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	-
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	-
69	[non relevant in EU regulation]	-
70	[non relevant in EU regulation]	-
71	[non relevant in EU regulation]	-
Amounts below the thresholds for deduction (before risk weighting)		
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	-
74	Empty set in the EU	
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	-
Applicable caps on the inclusion of provisions in Tier 2		
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-





79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements	-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-
82	Current cap on AT1 instruments subject to phase out arrangements	-
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-
84	Current cap on T2 instruments subject to phase out arrangements	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-