Virtu ITG UK Limited

2024 MiFIDPRU 8 Public Disclosure

Contents

1 Introduction

As a MiFIDPRU investment firm, Virtu ITG UK Limited (the “Company” or the “Firm”) is required to publicly disclose certain qualitative and quantitative information that is appropriate to its size and internal organisation, and to the nature, scope and complexity of its activities.

The provisions for public disclosure are set out in **MIFIDPRU 8** of the UK’s Financial Conduct Authority (‘FCA’) Handbook and this document has been produced in order to meet the disclosure obligations of the Company.

This disclosure is not required to be reviewed by the firm’s auditor and does not form part of the annual audited financial statements of the firm. This disclosure should not be relied upon in making any judgement about the financial position of the firm.

This disclosure has been reviewed and approved by the firm’s Board of Directors.

The disclosures are available on the Company’s website (www.virtu.com).

2 Business Overview

Virtu ITG UK Limited was incorporated on 17th June 1999 in the United Kingdom as a private limited company, its UK Companies House registered number is 3791083.

The company is regulated by the UK's Financial Conduct Authority ('FCA') and is authorized as an Investment Firm in accordance with the Market in Financial Instruments Directive (“MiFID”) 2014/65/EC as implemented into national legislation.

The Company’s head office is located at Ropemaker Place, 25 Ropemaker Street, London, EC2Y 9LY.

The Company’s FCA firm reference number is 572389 and it holds the following permissions:

- **Limitation**

  Limited to carry on regulated activities.

- **Activities**

  Arranging (bringing about) deals in investments
  Arranging safeguarding and administration of assets
  Dealing in investments as agent
  Dealing in investments as principal
  Making arrangements with a view to transactions in investments
  Operating a Multilateral Trading Facility (MTF)

- **Investment Instruments**

  Certificates representing certain security
  Debenture
  Future
  Rights to or interests in investments
  Rolling spot forex contract
  Share
  Unit

- **Customer Type**

  Eligible Counterparty
  Professional

The company **does not** provide services to retail clients.

The company’s primary activity is the operating of a Multilateral Trading Facility ('MTF') with the brand/trade name of POSIT.

As an operator of an MTF the firm facilitates the arranging and execution of transactions in financial instruments on a 'multilateral system', which **(a)** brings together multiple third-party buying and selling interests in financial instruments in the system and in accordance with non-discretionary rules in a way which results in a contract, and **(b)** complies, as applicable, with (i) paragraph 9A of the Schedule to the Recognition requirements Regulations (ii) the EU Regulations specified in Schedule 2 to UK MiFIR (iii) rules made by the competent authority governing the operating conditions of investment firms so far as they apply to MTFs, and, for the purposes of this definition, an investment firm or market operator is a UK investment firm or market operator if it has its head office in the UK.

2.1 Regulatory Framework

This document has been prepared in accordance with the Investment Firms Prudential Regime ("IFPR") which is the regulatory regime for investment firms that the FCA has adopted.

The IFPR establishes the prudential requirements for the Company in terms of own funds, the level of minimum capital, concentration risk, liquidity requirements and level of activity with respect to UK investment firms.

The disclosure requirements are described in MIFIDPRU 8.

The Company's policy is to publish the disclosures required on an annual basis.

The Company will consider whether disclosure is required on a more frequent or ad hoc basis in the event that there is a material change in approach used for the calculation of capital, business structure or regulatory requirements.

2.2 Declaration of the Governing Body (the Board)

The Board is required to proceed with an annual declaration on the adequacy of the Company's risk management framework and ensure that the risk management arrangements and systems of financial and internal control in place are in line with the Company's risk profile.

The Company's risk management framework is designed to identify, assess, mitigate and monitor all sources of risk that could have a material impact on the Company's operations.

The Board considers that the Company has in place adequate systems and controls with regards to its size, risk profile and strategy and an appropriate array of properly resourced assurance mechanisms, to avoid or minimize loss.

3 Risk Management Objectives and Policies (MiFIDPRU 8.2)

In order to ensure that all critical activities are being appropriately addressed and that company is effectively managing uncertainty and preventing risks it has adopted the "three lines of defense" model.

This model distinguishes among the three groups (or lines) involved in effective risk management with a function that own and manage risks, a second function that oversees risk and a third function that provide independent assurance and challenges the other two functions.

3.1 1st Line – Operational Management

As the first line of defense, operational managers own and manage risks.

They are also responsible for implementing corrective actions to address process and control deficiencies identified during the normal course of business.

Operational management is responsible for maintaining effective internal controls and for executing risk and control procedures on a day-to-day basis. Through a cascading responsibility structure operational manager design and implement detailed procedures that serve as controls and supervise execution of those by their operational teams.

Operational management naturally serves as the first line because controls are designed into systems and processes under their guidance of operational management.

All staff operating in this line must be adequately skilled and qualified to understand the risks inherent in their specific areas of responsibility.

Further they are required to be fully aware of all relevant policies and procedures and ensure that they comply with such.

3.2 2nd Line – Risk Management, Compliance & Financial Control

The second line of defense is primarily responsible for ensuring the first line of defense is properly designed, in place, and operating as intended.

The risk function facilitates and monitors the implementation of the firm's Risk Management Framework by operational management and providing adequate risk related information and guidance throughout the organization.

The compliance function monitors specific risks such as non-compliance with applicable laws and regulations and internal policies and procedures.

The financial control function monitors financial risks and financial reporting issues.

Each of the above three functions have a level of independence from the first line of defense but are by their very nature management functions and as such may intervene directly in modifying and developing the internal control and risk systems.

3.3 3rd Line - Governing Body

With a high level of independence not available in the second line, the third line provides assurances on the effectiveness of governance, risk management and internal controls including the manner in which the first and second lines achieve risk management and control objectives.

This is delivered through both internal and external audit engagements, regulatory engagements such as thematic inspections & supervisory review and evaluation process. Whilst external auditors and regulators reside outside of the organization, they have an important role in the overall governance and control structure.

They provide independent and objective assessments of the whole or parts of the first and second line of defense providing assurances to shareholders, the governing body and senior management.

Challenging the second line by the non-executive directors of the board is also considered an element of the third line.

3.4 Risk Management Framework

The company 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, efficient management of capital and 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.

A framework is a conceptual structure defined by the governance of an organization to set out policies within the company.

3.5 Risk Appetite

The firm defines risk appetite as the aggregate level and types of risk the firm is willing to assume within its risk capacity to achieve its strategic objectives and business plan.

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 risk appetite of the firm is encapsulated in the entities budget and medium-term business plan, which is aligned with the Groups overall business risk appetite as set out in the Risk Policy and is sanctioned 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.

Risk appetite is articulated using the following scale.

Appetite Level 1	Description
Very High - Ambitious	**Very High (ambitious) appetite to take on risk** The firm is eager to innovate and exploit opportunities and due to the potential for very high reward the firm is willing to tolerate uncertainty and accept the possibility of some financial loss or other risk impacts.
High - Open	**High (open) appetite to take on risk** Activities in which the firm seeks to achieve a balance between high likelihood of successful delivery, and a high degree of realizing the opportunity. There is a positive attitude to taking risk and seeking opportunity.
Medium - Cautious	**Medium (cautious) appetite to take on risk** The firm is willing to consider all potential options and choose the one most likely to achieve the intended outcome. The option must provide an acceptable level of reward and value.
Low - Minimalist	**Low (minimalist) appetite to take on risk** Where safe activities are undertaken to help the firm achieve its key objectives, priorities or initiatives. The risk owner(s) should have robust controls in place to mitigate the risk to acceptable levels.
Very Low- Averse	**There is little or no (averse) appetite to take on risk.** The firm has little or no appetite for this activity, and therefore expects minimal exposure to the risk. If the risk does prevail then the risk owner(s) should have robust controls in place to mitigate the risk to acceptable levels. Where such controls cannot be put in place the activity should not be undertaken.

There are certain risks that the Board wishes to **avoid completely**, this means that the Board has no risk appetite towards these risks in the pursuit of any business plan or strategic objectives.

These prescribed risks include:

- activities outside the Firm's ethical framework;
- any activities which are fraudulent, dishonest or contrary to legal requirement or regulatory;
- being reckless as to unwittingly or willfully facilitating the use of the Firm's systems for the furtherance of crime, including money-laundering, terrorist financing or market abuse;
- any activities which constitute market abuse including market manipulation and conduct that creates a disorderly market;
- any activities where significant and uncontrolled conflicts of interest exist;
- any activities which could adversely harm or impact shareholder value;
- undertaking activities which are contrary to the Firm's Strategic Objectives & Risk Appetite; and
- willfully circumventing risk management or governance frameworks.

3.5.1 Credit & Counterparty Risk Appetite

<u>Credit Risk:</u>

There is a **very low (averse) appetite** for Credit risk.

The firm does not extend credit (loans) nor does it have any credit agreements with providers of credit. It does however have balance sheet risks including aged accounts that are captured by this risk category.

<u>Counterparty Risk:</u>

There is a **very low (averse)** appetite for Counterparty risk.

3.5.2 Market Risk Appetite

There is a **no risk appetite** stance in the business.

VIUK has no "intent to trade" and is never on the other side of a trade, and it does not run a trading book for proprietary trading purposes.

The firm has de-minimis Foreign Exchange and Interest Rate exposure.

3.5.3 Operational Risk Appetite

There is a **medium (cautious) appetite** for Operational Risk.

Operational Risk is pervasive, managed across the organization and a consequence of operating the business.

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.

3.6 Material Risks

The firm is exposed to the following material risks.

3.6.1 Virtu Group Risk (3rd Party Risk)

The firm is one of three Virtu Group entities operating in the EMEA region and has a high level of dependency on services provided by Irish domiciled affiliate Virtu Europe Trading Limited.

There is a Master Services Agreement governing this relationship.

Virtu Europe Limited is a Central Bank of Ireland regulated entity that operates a MTF in the EU and provides MTF operating and related services to the firm.

Consequently, the firm is exposed to a number of risks, primarily operational risk in the delivery of those services.

3.6.2 Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk. It is inherent in every business organization and covers a wide range of issues.

The Company manages operational risk through a control-based environment in which processes are documented and transactions are reconciled and monitored. This is supported by continuous monitoring of operational risk incidents to ensure that past failures are not repeated.

3.6.3 Regulatory Risk

Regulatory risk is covered within the firm's operational risk category. Given its regulated activities, the firm is at risk of non-compliance with the applicable regulations of its regulator, the Financial Conduct Authority, other regulatory bodies, and related codes of best practice that oversee regulated financial services businesses.

The firm and its employees must conduct their business in accordance with FCA principles and exhibit appropriate conduct so that clients receive positive outcomes, and that the integrity of financial markets is preserved. Regulatory investigations are expensive and incur significant professional services and legal costs. Regulatory fines or settlements can be highly punitive.

The Virtu Compliance function has the day-to-day responsibility for ensuring that an appropriate approach to regulatory risk management is in place and that regulatory risk is identified, assessed, and managed across the firm.

3.6.4 Cyber and BCP/DR Risk

The risk of a cyber-attack that compromises the firm's network, systems and data could bring its operations to a halt and trigger disaster recovery planning. The firm continues to monitor and enhance its operational resilience and business continuity planning.

The firm coordinates closely with the wider Virtu Group to ensure that the relevant controls to address any weaknesses identified in order to reduce the likelihood of an extended continuity failure from occurring.

4 Governance Arrangements (MiFIDPRU 8.3)

The following Governance arrangements are in place.

4.1 Board of Directors

The Board of Directors (the "Board") is primarily accountable to shareholders for the overall direction and control of the Firm.

It is committed to ensuring high standards of governance are in place to protect the interests of shareholders and all other stakeholders of the Firm, and in doing so promotes the high standards of integrity, transparency and accountability appropriate to the business.

The Board provides leadership for the Firm within a framework of prudent and effective controls and risk frameworks, which enable risks to be assessed and managed. The Board ensures appropriate risk, internal controls and compliance frameworks are in place and is responsible for oversight of these frameworks.

The Board sets the Firm's overall strategy, ensuring that the necessary financial and human resources are in place to enable it to meet its objectives.

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

The current membership of the Board is as follows:

Board Member	FCA SMF	Current Role	Number of ex Virtu Group Non-Executive Directorships
Mr. R Boardman	SMF1 & SMF3	Executive Director & Chief Executive	1
Mr. D Carbery	SMF3	Executive Director	none
Mr. F Furlong	-	Non-Executive Director	1
Mr. J Molluso	-	Non-Executive Director	none
Mr. M Roberts	SMF3 & SMF17	Executive Director & Money Laundering Reporting Officer (MLRO)	none

Mr. J Holland	SMF9	Chair of the Governing Body	3
Mr. C Ham	-	Independent Non-Executive Director	none

4.1.2 Delegation

The Board has delegated the responsibilities for day-to-day management of the business to the Management Team.

The Management Team is comprised of the following Heads of Function:

- Chief Executive Officer;
- Chief Operations Officer;
- Head of Risk;
- Head of Finance;
- Head of Compliance; and
- Legal Counsel

The Chief Executive Officer leads the Management Team for the Firm and will report periodically to the Board on the activity of the Management Team.

The Board periodically reviews the operation and policies of the Management Team and the Management Team is ultimately responsible for appropriate implementation of Board policy within the Firm.

The Management Team also form part of the Virtu European Management Team ("EMT").

The EMT was established as Virtu operates multiple regulated entities in Europe. Each regulated entity has obligations to their respective Board of Directors to establish a governance and management framework for the day-to-day management of the entity.

Each entity also operates within a global group and needs to align, where possible, with global structures. The European entities share objectives, technology and other resources requiring them to collaborate more closely than they would with non-European entities. Given the potential for a conflict of interest to arise, and in order to effectively manage this, Virtu Europe created a multi-entity European management team.

This is in recognition of the reality that the best way to operate a multi-entity business is with close collaboration between those entities.

The management team members of the Firm represent the Firm at EMT meetings.

5 Own Funds (MiFIDPRU 8.4)

Own Funds (also referred to as capital resources) are the type and level of regulatory capital that must be held to enable the Company to absorb losses.

During the financial year, the primary objective of the Company with respect to capital management is to ensure that it complies with the imposed capital requirements with respect to its own funds and that the Company maintained healthy capital ratios in order to support its business.

Further to the above, the Company, as a non-SNI Investment Firm, shall at all times have own funds at least the highest of Permanent Minimum Capital Requirement, Fixed Overheads Requirements, and K-Factors Requirement.

Eligible Capital (GBP)	Actual Jun 2024	Forecast Dec 20204
Paid up Capital Instruments	1,000,000	1,000,000
Audited Retained Earnings	1,432,000	1,432,000
Interim Losses	0	0
Capital Contribution/Distributions	0	(800,000)
Own Funds	**2,432,000**	**1,632,000**

6 Own Funds Requirements (MiFIDPRU 8.5)

The Company as a non-SNI Investment Firm shall at all times have own funds at least the highest of the following:

- Permanent Minimum Capital Requirement,
- Fixed Overhead Requirements, and
- K-Factors Requirement.

IFPR Capital Requirements (GBP)	Actual Jun 2024	Forecast Dec 2024
Minimum Permanents Capital Requirement	750,000	750,000
Fixed Overhead Requirement	147,000	147,000
K-Factor Requirement	5,000	5,000
of which Risk-to-Customer	0	0
of which Risk-to-Market	5,000	5,000
of which Risk-to-Firm	0	0
Total Capital Requirement	**750,000**	**750,000**
Capital Excess/(Deficit) over minimum requirement	**1,682,000**	**882,000**
Own Funds Threshold Requirement ('OFTR'): **Note 1**	750,000	750,000
Capital Excess/(Deficit) over OFTR	**1,682,000**	882,000
Early Warning Trigger (higher of Total Capital Requirement or OFTR) at 110%	**825,000**	**825,000**
Capital Excess/(Deficit) over Early Warning Trigger	**1,582,000**	**807,000**

- **Note 1:** MiFIDPRU 7.6.4 (5) states that the firm's Own Funds Threshold Requirement ('OFTR') is the higher of:
    - **Assessment A** - self assessed risk of harm from ongoing operations in which for non-SNI firms the starting point are the K-Factor requirement. The firm may determine the K-Factors are insufficient and that additional own funds are necessary. For VIUK that self-assessment determines the K-Factors are sufficient.
    - **Assessment B** - self assessed risk of harm from a winding-down in which for non-SNI firms the starting point is the Fixed Overhead Requirement. The firm may determine that the FOR is insufficient and additional own funds are necessary, For VIUK that self-assessment determines the FOR to be sufficient
    - **PMR** - the firms Permanent Minimum Requirement.

7 Remuneration Committee & Policy (MiFIDPRU 8.6)

The Firm is subject to a limited number of provisions related to remuneration requirements under the following:

- **MIFIDPRU 7:** Governance and Risk Management
- **MIFIDPRU 8.6:** Remuneration Policy and Practices
- **SYSC 19G MIFIDPRU:** Remuneration Code

As a non-SNI MIFIDPRU investment firm meeting the criteria in MIFIDPRU 7.1.4R and SYSC 19G.1.1R, the Firm is not required to apply certain provisions of MIFIDPRU 7 and SYSC 19G, in particular in relation to the establishment of a remuneration committee and the remuneration requirements on shares, instruments and alternative arrangements, retention policy, deferral and discretionary pension benefits.

Furthermore, due to the nature, scale and complexity of the Firm, the majority of variable remuneration requirements for material risk takers are also not applicable to the Firm as the only material risk takers in the Firm are Independent Non-Executive Directors who are not subject to any variable remunerations.

Moreover, as the Firm does not have any staff involved in the provisions of investment services to the clients, the requirements on remuneration in Article 9(3)(c) and Article 27 of MiFID II Delegated Regulation (SYSC 4.3A.1AR) are not applicable as there is no risk of irresponsible business conduct, unfair treatment of clients or conflicts of interest in the relationships with clients.

The Firm monitors whether it continues meeting the above criteria on an ongoing basis. If there are any changes in meeting the conditions (e.g. the Firm ceases to meet them), the Firm must notify the FCA and comply with the requirements within the timeframe set out in MIFIDPRU 7.1 and SYSC 19G.1.

DISCLOSURE ENDS