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**Cantor Fitzgerald Europe (CFE)**



**MIFIDPRU 8 Disclosures 2023**

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## 1 Overview

### 1.1 Background

Cantor Fitzgerald Europe ('CFE' or 'the Firm') is regulated by the Financial Conduct Authority ('FCA') as a FCA investment firm and is subject to the Overall Financial Adequacy Rule ("OFAR") that is set out under the Investment Firm Prudential Regime ("IFPR") and the FCA Prudential Sourcebook for MiFID Investment Firms ('MIFIDPRU').

The Firm is part of the global Cantor Fitzgerald group ("CFLP" or Cantor Group"), which comprises Cantor Fitzgerald, L.P., and its subsidiaries.

CFS LLP is the immediate parent of the Firm and acts as Front Office service provider for the Firm.

IFPR came into force on 1st January 2022 and establishes the framework for regulatory financial resource management and includes components that require FCA investment firms to assess the adequacy of their financial resources. The Firm is a MIFIDPRU £750k Non-Small & Non-interconnected ('Non-SNI') Firm.

Under MIFIDPRU 8 (Disclosure), FCA investment firms are required to disclose specific information on the following areas:

- Risk management objectives and policies
- Governance arrangements
- Own funds

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- Own funds requirements
- Remuneration policy and practices (as required under MIFIDPRU and SYSC19G), and
- Investment policy, if relevant.

## 1.2 Disclosure policy

These disclosures have been prepared on an individual basis for CFE, cover the financial position for the year ended 31 December 2023 and were approved by the Risk, Audit and Compliance Committee.

This document has been prepared following the disclosure rules set out in MIFIDPRU 8.

## 1.3 Scope of application

CFE, as the individual MIFIDPRU Investment Firm, meets the level of application as defined in MIFIDPRU 8.1.7.

## 1.4 Nature of business

Cantor Fitzgerald Europe is an investment firm offering services in Investment Banking (Corporate Finance), Equities, Fixed Income and Prime Services. CFE is based in the UK with branches in Israel and Dubai. The firm provides clients with capital markets and financial advisory services, institutional sales, trading and research services. The firm provides research and trade execution in equities, fixed income and merger and acquisition advisory services.

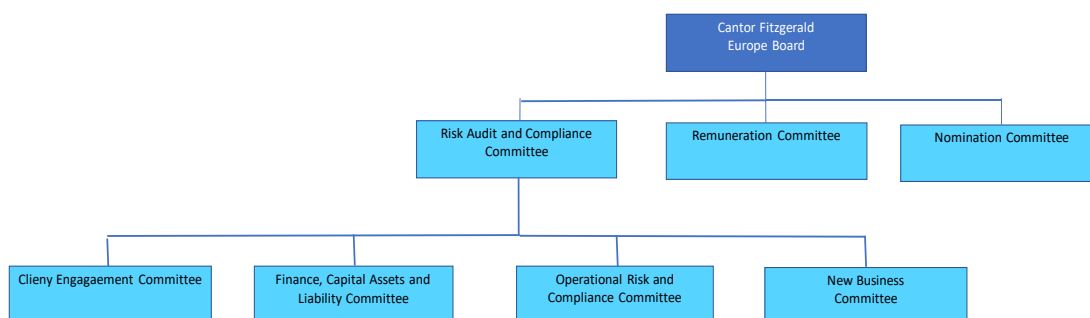
## 2 Governance Arrangement

### 2.1 Governance

The Firm has developed a clear governance structure to ensure that there is a transparent communication from top to bottom (and bottom to top) of all key business-related issues (i.e. economic, political, administrative, etc.). Governance of the Firm comprises of the board, board committees and management committees, which operate via systems and processes through which the Firm's departments and staff articulate their findings, exercise their opinions, meet their obligations and mediate their differences. This ensures that three key objectives are delivered:

1. Authority;
2. Decision making; and
3. Accountability.

Within the Firm's governance structure, there are clearly defined roles and responsibilities. A summary has been provided below:



## 2.2 Roles and Responsibilities

### 2.2.1 The Board

Overall responsibility for risk management lies with the Executive Management of Cantor Fitzgerald Europe, reporting to the Board of Cantor Fitzgerald Europe (“the Board”). The Board oversees the risk management framework and the application of methodologies, risk policies, roles and responsibilities. This is in line with the Firm’s strategic and operational goals of establishing a system of financial, operational and compliance controls and monitoring through risk management systems. The Board is also responsible for approving the business strategy, the business plan and the internal capital adequacy and risk assessment (“ICARA”), which sets out the framework by which the Firm manages its regulatory capital and liquidity.

### 2.2.2 Risk, Audit and Compliance Committee (RAC)

The RAC makes recommendations on risk appetite, tolerance and strategy to the Board. In recommending the risk appetite, the RAC is responsible for reviewing and challenging the risk framework including the methodology and model assumptions.

The RAC is responsible for ensuring the accurate and timely monitoring of capital and risk exposures and for reviewing reports on any material limit breaches and the adequacy of any proposed mitigation.

### 2.2.3 Finance, Capital Assets & Liabilities Committee (FCALCO)

The committee manages, oversees and/or reports on activities in relation to capital, liquidity, asset and liabilities, market risk and credit risk. The committee’s core responsibilities are to ensure individual business lines are proactively controlled with regard to prudential risk. The committee has responsibility for managing financial risk strategy whilst ensuring adherence to the risk appetite approved by the Board. The committee, in conjunction with the ORCC, is responsible for approving/recommending the ICARA to the RAC and Board.

### 2.2.4 Operational Risk and Compliance Committee (ORCC)

The ORCC’s responsibilities include but not limited to:

- Monitor and challenge operational risks within the Firm and ensure that internal controls and the risk management framework are properly established according to guidelines;
- Review and manage operating issues which arise in the ordinary course of business;
- Promote a culture and conduct designed to mitigate operational risks;
- Ensure that Senior Management have the appropriate understanding, skill, and authority to manage operational risk; and
- Review, challenge and recommend the ICARA for approval to the RAC and Board.

### 2.2.5 New Business Committee (NBC)

The NBC is responsible for ensuring that new business activity has been assessed in respect of any new risks, their impact on capital and liquidity, and their impact on any other risks.

### 2.2.6 Client Engagement Committee (CEC)

The CEC is responsible for the review and approval of new clients and transaction with respect to the investment banking advisory business. The committee shall ensure that all necessary due diligence has been conducted by the front office and relevant departments in particular Client Due Diligence, compliance, risk and legal and that applicable risks have been properly and adequately considered. In addition, the committee will consider the terms of any transactions and, if appropriate, approve fees for any such engagements ensuring the fees are not excessive and reflect, amongst other things, the reputational risk and financial exposure incurred.

### 2.2.7 Operational and Business Management

Operational and Business Management are responsible for the identification, self-assessment, mitigating controls, monitoring and reporting of risks that lie within their field of responsibility in line with all risk policies and procedures.

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## 2.2.8 Treasury Department

Treasury (in close co-operation with Operations) is responsible for performing intra-day management of liquidity risk. This is achieved by forecasting the accounts that are required to be funded and monitoring them intra-day using the Treasury Cash Management Tool (Kyriba) to see whether the forecasted activity and any unforeseen activity has occurred, and then funding accordingly.

## 2.2.9 Risk Management Department

The Risk Management Department designs and deploys the overall risk management framework across the organisation. The Risk Management Department maintains a register of the key risks and catalogues them by risk category. Day to day risk management and is the responsibility of the front-office business lines (first line of defence). The Risk Management Department (second line of defence) provides an independent assessment of the Firm's risks and is responsible for the challenge and review of risk assessments and for the aggregated reporting and escalation of risk issues to senior management and the Board.

Through monitoring and reporting, the Risk Management department is responsible for ensuring that operational, credit and market risks are in line with the risk appetite.

For operational risk, this is accomplished by a range of interconnecting risk and control methodologies that are embedded throughout the Firm. For credit and market risk, this is accomplished by establishing consistent standards, applying those standards in the assessment of counterparties and positions, adhering to delegated authority limits, and monitoring current and potential exposures after the execution of transactions.

The Risk Management department has an independent reporting line from the other business functions, and the Head of Enterprise Risk chairs the ORCC, whilst the Chief Risk Officer (CRO) is a member of:

- FCALCO;
- ORCC;
- NBC; and
- CEC

The Market and Credit Risk Management Policy and the Operational Risk Policy describe the roles and responsibilities in relation to the risk management, reporting and mitigation.

## 2.2.10 Compliance Department

The Compliance Department designs and deploys the overall compliance risk management framework across the organisation. The Compliance Department provides interpretation of regulations and disseminates this to the business lines. The Compliance Department monitors compliance with regulations and develops and monitors compliance policies and procedures. The Compliance Department performs reviews and tests on a risk-based approach to ensure that the business complies with internal policies and external rules, regulations and regulatory standards.

## 2.2.11 Internal Audit Department

The effectiveness of the internal control system is reviewed regularly by the independent internal audit function, reporting to the RAC. Internal Audit (IA) establishes an annual audit plan based on discussions with management and the assessment assurance of risks inherent in the Firm's activities. Based on the results from these audits, IA provides an opinion to Senior Management and the Board on whether the system of internal controls achieves its objectives, and highlights control gaps and areas for improvement.

## 2.3 Directorships

Name	Role at CFE	Number of UK External Directorships *
Mr S. Capstick	Chief Executive Officer	0
Ms J. Hill	Non-executive Director	0
Mr M. E. Kaplan	Chairman	0

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Ms L. Kaur	Executive Director	1
Mr E. Villiers	Non-executive Director	1

*\*Excluding those within the Cantor Group or in organisations not pursuing commercial objectives*

## 2.4 Diversity

The Board firmly believes in the benefits of greater diversity in senior leadership. The strategy in seeking to stimulate such diversity includes developing links with agency and search firms which focus on female hiring, our ongoing Women's Leadership Programme and supporting Professional Qualifications.

A number of further initiatives are in place to foster greater diversity and inclusion and promote our organisational Core Values (Integrity, Commitment and Opportunity), including an extensive programme of Early Careers, Work Experience and Internship initiatives focusing on diverse talent (including the 10,000 Black Interns, Young Women in Finance and School Leaver Programmes), our Mentorship Programme, firmwide Culture Champions and Network of Women affinity group. The Firm also delivers a wide range of classroom-based talent offerings including mandatory "Best of Behaviours" and "Preventing Harassment in the Workplace" in-person training, which interactively explores inclusive behaviours, challenges bias mindsets, and pioneers safe and inclusive workplace environments, as well as mandatory online diversity and inclusion training for all new joiners.

The Firm is committed to equal opportunity, diversity, inclusion and other policies and practices that seek to further our development of a diverse and inclusive workplace. We consider all qualified applicants for job openings and promotions without regard to any characteristic that has no bearing on the ability of employees to do their jobs well. Our recruitment, promotion and compensation processes are designed to enable us to treat employees fairly and our compensation decisions are differentiated based on performance. We continue to develop initiatives to support this ethos, with our organisational Core Values underpinning all our activities.

Talent remains at the core of who we are as a Firm, and we remain committed to having a culture built around inclusion and developing a diverse workforce. We continue to work to enhance our ability to attract, develop and retain top talent with an emphasis on increasing representation of traditionally underrepresented groups at all levels of the organisation, encompassing early careers to experienced hiring, retention and development initiatives. Our goal is to build an even more successful organisation that more closely reflects the broader population.

## 3 Risk Management

### 3.1 Risk Identification

Early and comprehensive identification of risk is an essential element of the Firms' Enterprise Risk Management ("ERM") and effective management of the Firm. The Risk Management Department's framework provide management with the tools to assist in the identification of potential risks or risk concentrations as early as possible and sets out reasonable and appropriate measures to be taken to manage these risks.

Before commencing business in new products and/or new markets, the risks inherent in them and the resultant effects must be identified. It is the responsibility of the first line of defence (i.e. the business) to identify the most material risks faced by the Firm. The methods to identify risks can vary across business units and functions, but typically they would include:

- **Risks that have occurred externally** – Areas where there have been documented risk events in similar organisations; Risks identified through the Risk and Control Self-Assessment (RCSA) process;



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- **Previous Assessments** – Consideration of risks identified in previous assessments of new business;
- **Previous Operational Risk Events**– Areas where there have been previous internal incidents in the Firm or where analysis of external loss data has identified risk that could occur in the Firm;
- **New business and acquisitions** – Review of assessments and due diligence with regards to new business products and business acquisitions; and
- **Internal and External Audit** – Consideration of risks that stem from internal and external audit findings.

A top-down review is performed and risk that have been identified are documented in the Overarching Risk Policy. This policy sets the basis for the risk framework for the Firm.

The Risk Management department review the risks identified and provide challenge as to additional risks that should be considered.

All identified risks are mapped to the Firm’s risk taxonomy to ensure that all risks to which the Firm is exposed are categorised and reported in a consistent manner.

The Firm’s strategy, risks and capital structure are reviewed and challenged by the Board of CFE on a regular basis as part of the Firm’s governance process, or whenever there is a material change to the Firm’s business or operating model.

## 3.2 Existence of independent risk oversight and assurance functions

The significant risks of the Firm are continually monitored, assessed and managed by operating the three lines of defence model for the risk management and control of the business. The model distinguishes between functions that own and manage risks, functions overseeing risks and functions providing independent assurance.

**First** The first line of defence comprises senior business and operational management for Operational, Market and Credit risk and Front Office and Treasury for Liquidity risk, who own the risks and controls and have responsibility and accountability for identifying, assessing, controlling and mitigating risks.

**Second** The second line of defence comprises the Risk Management, Legal and Compliance Departments for Operational, Market and Credit risk and Senior and Business Management, Treasury and FCALCO for Liquidity risk, who challenge, review and monitor the implementation of effective risk management practices by business and operational management. It also independently provides reporting and escalation of risk issues up and down the organisation.

**Third** The third line of defence, Internal Audit, through a risk-based approach, provides assurance to the Board and senior management, on how effectively the Firm assesses and manages its risks, including the manner in which the first and second lines of defence operate. This assurance covers all elements of the risk management framework, i.e., risk identification, risk assessment and response to escalation of risk related information.



In certain instances, departments may perform both first- and second- line activities (e.g. Treasury). Any such instance, and the associated controls, is detailed in departmental procedures ensuring appropriate segregation of duties.

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A key tenet of the three lines of defence model is that senior management of the company, in particular those senior managers with responsibility for overseeing the front and back-office functions, are responsible for all control related business issues and have full accountability for the management of the risks in their business function, within the limits and control environment established by the Board. All members of staff are required to take a prudent approach to risk taking and to regularly review the effectiveness of their control environment. Adherence to this is achieved in part through the Risk & Control Self-Assessment process coordinated by the Risk Champions with support from the Enterprise Risk team. The company's independent control functions (Risk Management, Compliance and Internal Audit) are responsible for providing assurance that the control environment is fit for purpose and to enable the identification and escalation to the Board the company's key risks and actions to mitigate these risks where appropriate. The three key control functions, where appropriate, combine resources, skills and technical expertise in conducting monitoring, oversight and review work.

## 3.3 Trading Limits

Trading limits are set by the Risk function which does not report to the Firm's senior management. Limits are actively monitored by both Risk and the Firm's senior management (e.g. Business Heads). Breaches of stock specific, aggregate or counterparty limits are reported and followed up by the above Risk / CEO / COO / Business Heads and individuals asked to account for any breaches and explanations recorded. A breach log is maintained by Risk and repeat offenders are given appropriate warnings and are informed that financial penalties may be applied. Individuals that carry out repeated breaches may be subject to a formal HR process where appropriate and poor behaviour in relation to not respecting limits is considered when deciding on discretionary awards.

## 4 Own Funds

### 4.1 Composition of Regulatory Own Funds and Reconciliation to the Balance Sheet in the Audited Financial Statements

The Firm only holds Common Equity Tier 1 Capital ("CET1"), which consist of Ordinary Share Capital and Retained Earnings. The Firm does not have any Additional Tier 1 or Tier 2 Capital. Deductions that are made from CET1 are in respect of prudential valuation and deferred tax assets.

The below table (OF1) shows the composition of the Firms' regulatory Own Funds

Table OF1

Composition of regulatory own funds			
	Item	Amount (USD thousands)	Source based on reference numbers/letters of the balance sheet in the audited financial statements for the year ended 31 December 2023
1	OWN FUNDS	100,730	

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2	TIER 1 CAPITAL	100,730	
3	COMMON EQUITY TIER 1 CAPITAL	100,730	
4	Fully paid-up capital instruments	101,237	Note 19
5	Share premium	N/A	
6	Retained earnings	470	
7	Accumulated other comprehensive income	-	
8	Other reserves	-	
9	Adjustments to CET1 due to prudential filters	(153)	
10	Other funds	-	
11	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(824)	Note 12

Table OF2 below shows a reconciliation of CFE's regulatory Own Funds with its balance sheet from the 2023 audited financial statements:

**Table OF2**

Own funds: reconciliation of regulatory own funds to balance sheet in the 2023 audited financial statements			
		a	c
		Balance sheet as in published/audited financial statements	Cross reference to table OF1
		As at 31 December 2023 (USD 000's)	
<i>Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements</i>			
1	Tangible assets	-	
2	Fixed assets Investments	-	
3	Debtors	455,294	Item 11
4	Current investments	390,048	
5	Cash at bank and in hand	99,149	
	<b>Total Assets</b>	<b>944,491</b>	

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## Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements

1	Creditors: amounts falling due within one year	(842,095)	
2	Provisions for liabilities	(689)	
	<b>Total Liabilities</b>	<b>(842,784)</b>	

## Capital and Reserves

1	Called up share capital	101,237	Item 4
2	Profit and loss account	470	Item 6
	<b>Total Capital and Reserves</b>	<b>101,707</b>	

## Main Features of Own Instruments issued by Firm

Public or private placement	Private placement
Instrument type	Ordinary share capital
Amount recognised in regulatory capital (USD) (\$000s)	101,237
Nominal amount of instrument	Ordinary shares of £1 each
Total allotted, called up and fully paid	65,423,162
Accounting classification	Called up share capital
First date of issuance	29/06/1990
Perpetual or dated	Perpetual
Dividends	Fully discretionary floating dividend

## 5 Capital Adequacy

### 5.1 Approach to assessing capital adequacy.

The main objective of IFPR is to establish the OFAR, in accordance with MIFIDPRU 7.4.7R, which sets out that:

A firm must, at all times, hold own funds and liquid assets which are adequate, both as to their amount and their quality, to ensure that:

- (a) that firm is able to remain financially viable throughout the economic cycle under stress, with the ability to address any material potential harm that may result from its ongoing activities; and
- (b) that firm's business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

The MIFIDPRU handbook introduces thresholds on Capital (Own Funds threshold requirement "OFTR") and Liquidity (Liquid assets threshold requirement "LATR") that the Firm must assess. The components of these include Permanent Minimum Capital (PMC), K-Factor Requirement (KFR), Fixed Overhead Requirement (FOR) and any additional own funds or liquidity that is required.

CFE performs an Internal Capital and Risk Assessment (ICARA), which is used to describe the systems, controls and procedures that the Firm deploys, to ensure compliance with the OFAR.

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The ICARA process is done at least annually or when a material change to the business takes place. It combines the ICARA, Recovery and Wind-down Plan (WDP)<sup>1</sup> into a single document, whereas previously these were prepared as separate documents as required by the pre-2022 regulatory regime.

The Firm uses the ICARA process to determine its Threshold Requirements (OFTR & LATR) and the trigger points for its Recovery Actions and its Orderly Wind-Down.

The ICARA assesses the internal risks of harms faced by the Firm as well as the risk of harms posed by the Firm to clients and the market as a going concern and in a wind-down scenario.

## 5.1.1 Own Funds Requirements (MIFIDPRU 8.5)

Under IFPR, a firm must calculate its Own Funds Requirement in accordance with MIFIDPRU 4.3. The Firm is required to hold own funds in excess of the higher of the following:

- the Firm's Permanent Minimum Capital Requirement (PMC);
- its Fixed Overheads Requirement (FOR) under MIFIDPRU 4.5; or
- its Sum of K-factor Requirement under MIFIDPRU 4.6 (KFR)

The Permanent Minimum Requirement for the Firm is £750,000 and does not scale with harm.

In accordance with MIFIDPRU 8.5.1, the table below shows the KFR for the Firm broken down into three groupings – Risk to Clients, Risk to Firm and Risk to Market respectively as calculated on 31 December 2023. The FOR is based on the audited financial statements for the year ended 31 December 2023.

### K-Factor Requirement and Fixed Overheads Requirement

		USD'000
K-Factors	$\Sigma$ K-AUM, K-CMH & K-ASA	2
	$\Sigma$ K-DTF & K-COH	1,039
	$\Sigma$ K-NPR, K-CMG, K-TCD & K-CON	7,715
Fixed Overheads Requirement		111,898

The Firm is currently only subject to the following K-Factor requirements:

- Client Money Held ('K-CMH')
- Daily Trading Flow ('K-DTF')
- Client orders handled ('K-COH')
- Net Position Risk ('K-NPR')
- Trading Counterparty Default ('K-TCD')
- Concentration Risk ('K-CON')

The Firms' current business activities render the following K-Factors inapplicable:

- Assets Under Management ('K-AUM')
- Assets Safeguarded and Administered ('K-ASA')
- Clearing Member Guarantee ('K-CMG')

<sup>1</sup> Whilst Key figures and summaries from the WDP have been incorporated in this document, detailed wind-down plans are maintained as a separate document. However, the WDP forms part of this ICARA document.

## 6 Concentration Risk

The Firm accepts that its matched principal business can result in credit risk concentrated in the financial sector, which could arise because of pre-settlement risk from potential market volatility combined with a counterparty default within the pre-settlement window. This risk could result in harm to the Firm, but it is not expected to result in harm to markets or clients once current controls in place have been considered.

The credit and concentration risk which could arise from the Firm's exposure to high quality counterparties on its cash deposits is regarded as non-trading activity and as such is not captured through the K-factor calculations. Whilst controls are in place in respect of the review of the credit worthiness of the cash counterparties and the regular monitoring by the Treasury function of the counterparties, this risk is assessed as part of the ICARA process and is included as part of the additional own funds' requirement.

## 7 Liquidity Risk

The Firm defines liquidity risk as the risk to the Firm arising from its inability to meet its funding and payment obligations as and when they fall due in both normal and stressed conditions.

The Firm recognises that to conduct its current business, it must take liquidity risk. The Firm's approach to managing and mitigating its liquidity risk is included as part of the ICARA process under the Liquidity Risk Assessment.

The Liquidity Risk Assessment process quantifies the value and time horizon of the risk, and the governance process ensures the risk is accepted and the necessary financial resources of both size and quality required to are committed.

The overall objective of the Firm's Liquidity Risk Management strategy is to ensure that it always maintains adequate liquidity resources, both in amount and quality, to meet its obligations as they fall due. These liquidity resources ensure that liquidity risk remains within appetite.

To achieve this, the Firm prepares forecasts of its liquidity needs in both normal and stressed conditions to establish the basis for assessing the Firm's appetite and tolerance. The Firm has then sought to ensure that it has sufficient liquid assets to generate funds in a timely manner and for the appropriate time horizon to meet its liabilities.

The Firm's Liquidity Risk Appetite can be defined as the total sum of resources committed in a period of normal conditions, being the sum of already committed resources for Collateral, Minimum Balances and Default Funds held with Clearing and Settlement Agents, and additional liquidity approved for use by the business. The portion of the appetite that is unutilised is carried into the liquidity tolerance as part of the LATR add-on.

A daily CFE liquidity metrics report is produced and sent to Senior Managers and other key stakeholders detailing the Firm's liquidity position versus the Firm's Basic liquidity asset requirement ("BLAR") and LATR.

The Firm has established processes and controls for day-to-day liquidity and cash flow management, which are proportionate to the nature of the Firm's activity. The Firm monitors its liquidity risk daily producing various reports, including the Liquidity Metrics report, which analyse daily movements, the Firm's overall liquidity position, the individual use of its limits and a Recovery Risk Dashboard.

The Recovery Risk Dashboard is a series of recovery risk indicators (RRI) that are a combination of market wide and idiosyncratic measures that show whether the potential for liquidity risk is increasing; as well showing actual risk developing using a Red, Amber, and Green, RAG methodology. These are split into three categories of severity: -

- Low - Management Information Indicators – typically showing broader risks to the market or the Firm through volatility or one-off events.
- Medium – Early Warning Indicators - potential risks across the Firm's peer Group, through regulatory change or the beginning of idiosyncratic risk the Firm should be mindful of.

- High – Recovery Risk Indicators – these are risks that have or are close to creating risk that will require management action. A Red status would stimulate a response from the relevant Committees/Board and would be notifiable to the FCA. This may give cause to implement the Recovery or Wind-Down Plan.

## 8 Remuneration

### 8.1 Purpose of the Remuneration Policy

The purpose of the Remuneration Policy (“the Policy”) is to ensure that Cantor Fitzgerald Europe (the “Firm”)’s remuneration procedures:

- Supports robust governance in line with the Firm’s risk appetite;
- Promotes sound and effective risk management;
- Ensures the business is sustainable and that the Firm’s financial resources are aligned to principles of safety and soundness; and Financial Conduct Authority’s (“FCA’s”) FCA
- Encourages responsible business conduct, fair treatment of clients as well as avoiding conflicts of interest in the relationships with clients; and
- Promotes a culture of inclusion, the confidence to speak up, raise issues and concerns, advocates leadership and management based on respect, trust, support and encouragement.

This Policy defines the Firm’s remuneration policies, procedures and practice in accordance with the Financial Conduct Authority’s (“FCA’s”) Remuneration Code and MiFID II remuneration requirements.

This Policy also covers the remuneration of Cantor Fitzgerald Services LLP, which acts as the Front Office service provider for the Firm.

Through effective remuneration governance and risk management the Firm will:

- Attract, develop and retain high-performing staff members drawn from a diverse talent pool as possible to deliver its business strategy;
- Encourage appropriate conduct and behaviour from staff;
- Ensure that compensation arrangements are equitable and neutral in design and application and do not favour or discriminate, directly or indirectly, on the basis of any protected characteristic of an individual in accordance with the Equality Act 2010;
- Ensure that compensation arrangements are designed to appropriately balance risk and financial results in a manner that does not encourage staff to expose the Firm to excessive or imprudent risk;
- Avoid remuneration practices which could provide inappropriate incentives to staff or otherwise have the potential to damage the Firm’s business, reputation, its relationship with customers or regulators;
- Avoid remuneration practices that conflict with our duty to act in the best interests of our clients, including the manner in which we assess the performance of all relevant persons within the firm; and
- Avoid remuneration practices that could provide an incentive to recommend a particular financial instrument to a client when a different financial instrument would better meet that client’s needs.

The Board approves and adopts the Policy at the recommendation of the Remuneration Committee. The Policy is subject to at least one annual review by the Remuneration Committee and approval by the Board.

## 8.2 Key Remuneration Principles

The Firm is committed to ensuring it attracts the best talent regardless of gender, race, or sexuality and to ensure that talent flourishes within the organisation and is rewarded accordingly.

The Firm is also committed to promoting a culture of high performance and ethical standards, where talented staff can achieve excellent business results, develop their careers and be appropriately rewarded.

The approach to remuneration is to ensure that staff are compensated appropriately for their skills, experience and the sustainable value they bring to the business.

The Firm's approach to remunerating its staff is designed to achieve the following:

- Attract, recognise, develop and retain key talent;
- Provide a total reward package that is competitive and attractive within the market place;
- Motivate and reward people who demonstrate behaviours in line with the Firm's core values that are being adopted namely:
  - Integrity
  - Commitment
  - Opportunity
- Ensure remuneration practices are designed to embed effective risk disciplines and to be fully compliant with all appropriate governance; and
- Comply with relevant regulatory and legal requirements.

## 8.3 Staff Compensation

The Firm operates a total compensation philosophy whereby the level of compensation awarded to an individual is assessed by taking into account the combined value of fixed and variable remuneration. Remuneration consists broadly of fixed remuneration (i.e. base salary) and variable remuneration in the form of a performance-related payment, a portion of which may be deferred (in the form of equity or deferred cash) with contingent vesting.

### 8.3.1 Base Salary (fixed remuneration)

Salaries are intended to compensate staff for their skills and experience, taking into account local market practice.

### 8.3.2 Performance-based Remuneration (variable remuneration)

Variable remuneration (or bonuses) is split into two categories: (i) contractual arrangements and (ii) discretionary bonus arrangements.

### 8.3.3 Contractual Arrangements

These arrangements are designed to incentivise the generation of revenue through the activities of the sales and trading teams. Payments are subject to compliance with the applicable regulations, the fair treatment of clients and the quality of service provided to clients, as well as all applicable internal policies and procedures.

These arrangements are structured as individual payments made quarterly, semi-annually or annually and based on individual revenue generated less directly attributable costs.

Payments are made in arrears which ensures that they are based on received revenues and after any possible irregularities in a transaction on which commission is payable have been detected by finance or business management.



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A proportion of total compensation for these staff consists of a contingent non-cash grant in units of CFLP or an award of deferred cash, both of which are subject to the terms of the grant/awards documents including vesting, cancellation and restrictive covenant provisions.

The percentage rates used to calculate payments reflects the fact that these arrangements cover sales activities which generally do not create direct market risk / trading positions for the Firm (except for the ADR trading business). The rates can be varied by the Firm.

Notwithstanding that a numeric formula is used to calculate the commission payment, there are express contractual provisions that state that payment is subject to continued compliance with the Compliance Manual and other Compliance related rules and procedures of the Firm from time to time in force, other rules or policies of any regulatory authority of competent jurisdiction (such as the FCA), and the policies and procedures contained in the Employee and the Members Handbooks.

### 8.3.4 Discretionary bonus

Staff who are not part of the commission arrangements are paid a fixed salary and are also eligible to be considered for discretionary bonus payments. In respect to traders and bankers, this discretionary bonus is typically paid annually, but persons may get paid semi-annually in non-risk-taking activities (e.g., Junior Banking staff as part of McLagan review). The amount and form of the discretionary bonus is proposed by the Product Head and discussed with the CFE CEO following consultation and subject to a final review / sign off by the Global COO of the Firm and the Global CEO. RemCo will review some approved bonuses, particularly those of higher earners, to ensure that bonus decisions are consistent with the remuneration framework set out in the RPS.

The Firm retains an overriding discretion over whether and how much to pay by way of discretionary bonus. CFE Senior Management exercises its discretion as an assessment of a staff member's conduct and compliance with applicable regulations, the fair treatment of clients and the quality of service provided to clients as well as all applicable internal policies and procedures.

Discretionary bonuses may be paid in the form of:

- Cash;
- Non-cash grants of Partnership in CFLP;
- Deferred cash; and
- Forgivable loans.

Partnership units in CFLP are subject to compliance with applicable regulations, the fair treatment of clients and the quality of services provided to clients as well as all applicable internal policies and procedures. Forgivable loans, which are forgiven after a number of years, are immediately repayable in specific circumstances including in the event of a breach of FCA rules and regulations or exit from the Firm before a certain date.

### 8.3.5 Determination of bonus pools

Determination of the overall final approved bonus pool amount is based on annual performance of the regulated business and attributed to teams / staff members by CFE Senior Management of the Firm.

The Firm also takes into consideration the following non-financial performance measures, such as:

- Adherence to applicable regulations;
- The fair treatment of clients;
- The quality of service provided to clients;
- Adherence to all applicable internal policies and procedures;
- Adherence to Risk and Liquidity limits, and
- Participation in Firmwide initiatives e.g. 10,000 Black Interns, Mentoring program, Intern/Work experience programmes.

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Staff may be rewarded for both prior year revenue performance and their efforts to build the Cantor brand / franchise, win and retain clients, develop the future talent pipeline and assist management in building a sustainable and successful business.

Bonus is provided for on a top-down basis at product / sector level throughout the year and then a bottom-up approach taken for the final proposed bonus by team / individual.

The accrual is based on a methodology laid out by the Firm's CEO, Global COO and Global Business Heads taking into account the capital deployed to support the respective business and other underlying costs the business creates. If a business places the capital at risk, the firm will retain more of the revenue generated than one that does not. This will be reviewed from time to time for appropriateness. The Firm's CEO reserves the right, taking into account the above, to reduce the bonus pool to zero, if appropriate. In some circumstances, limited bonus payments will need to be paid in order to protect the business and ensure that key staff on whom the future success of the Firm depends on are retained.

## 8.3.6 Junior members of Investment Banking

Junior members of the Investment Bank namely Analysts and Associates, will have their remuneration reviewed semi-annually. Salary adjustments and discretionary bonus payments can be made to these individuals to ensure they are in line with their industry peers at other financial institutions. This is verified by using McLagan data, which is the industry standard and tracks entry level pay scales.

## 8.3.7 Corporate bonus arrangements

The Firm has always placed emphasis on its people receiving non-cash compensation (i.e. partnership units or Restricted Stock Units (RSUs)) as a substantial part of their variable compensation. In recent years, stock and other equity option/ownership programmes have been rolled out to the wider workforce at most levels of seniority. The compensation arrangements of Higher Earners are designed to integrate compensation with achieving short-term and long-term business objectives and to assist with attracting, motivating and retaining high quality people and rewarding them for superior performance by making them stakeholders in the business.

## 8.3.8 Independent Non-Executive directors ("NEDs")

NEDs are remunerated based on an annual fixed fee as well as additional fees reflecting the number of board and other committee meetings they attend on an annual basis. They are not eligible for any bonus.

## 8.3.9 Guaranteed Bonus Payments

Guaranteed variable remuneration is only paid on an exceptional basis and the focus of such payments is on sign-ons that are usually as a mitigant for bonus they have foregone from their previous employers. Any proposal to pay a guaranteed bonus to any Front Office staff member is reviewed for Remuneration Code compliance by the HR and the Legal department before being agreed with candidates and before being paid.

All reasonable steps are taken to ensure that any sign-on bonus is proportionate to the new hire's previous remuneration terms (e.g. deferral and/or retention periods). The new hire may be required to provide written confirmation that any guarantee offered is not more generous than their previous remuneration package. A provision to this effect is included in the employment contract and provides for (i) specific consent to allow the relevant trading entity to contact a previous employer for verification, and (ii) a requirement to repay and/or voiding provision if such representation is subsequently found to be incorrect or untrue.

Guaranteed bonuses may only be offered in exceptional circumstances as a one-year guarantee to a new hire in the first year of joining.

## 8.3.10 Bonus Eligibility

All staff, including those on probation, are eligible to participate in the bonus programme for the prior performance year. Staff who have given or received notice of termination before the bonus payment date are not eligible for a bonus.

- New Hires and Staff on Probation. Provided a new hire joins prior to 1 October they may be eligible to be considered for a discretionary bonus. Any bonus award may be pro-rated for the period during which the new hire been employed during the performance period.

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- Transfers between Business Units. If a staff member transfers internally or is a shared resource across two or more businesses, the individual's bonus will be determined by reference to proportionate input from the respective business units.
- Leavers. Staff are not eligible to receive any bonus if they have given or received notice of termination before the payment date.
- Absence. Staff who are absent for a significant period throughout the year may have any bonus award pro-rated or based on the extent of contribution made during the year.

## 8.3.11 Malus and claw back - misconduct and bonus adjustments

All financial and non-financial misconduct that results in disciplinary action will be recorded on the Firm's Conduct Register (the "Conduct Register") and an assessment undertaken by the relevant manager as to whether there should be an impact upon bonus. This assessment is undertaken with HR support and with reference to additional guidance, which is approved by the Remuneration Committee (RemCo) and may be updated from time to time.

In addition to a process for adjusting bonuses to be paid, the non-cash unit component of remuneration allows the Firm the ability to clawback parts of variable remuneration already awarded. These partnership units only monetise in the future into saleable stock at the discretion of the partnership. Therefore, if misconduct is discovered, as well as the ability to adjust future bonuses to be paid as described above, the Firm has the ability through its partnership to cancel units already granted as part of previous bonus cycles. Partnership units are a feature of remuneration for most Front Office members and staff.

## 8.3.12 Termination Payments

There is no common practice of paying termination payments other than those required by law (for example statutory redundancy payments). No termination payments are made to reward failure.

## 8.3.13 Remuneration and Capital

Variable remuneration will only be paid provided there is sufficient capital.

## 8.4 LLP Members' Remuneration

LLP members will receive a monthly fixed draw and at the discretion of the CFS LLP Board additional draw from time to time.

Once the performance of the LLP is known, at the discretion of the Board, a profit allocation will be made to the members based on the LLP and their performance.

The members remuneration is aligned to the relevant sections and principals of the firm's Remuneration policy framework.

## 8.5 Material Risk Taker (MRT) Identification

MRT are defined as staff whose professional activities have a material impact on the Firm's risk profile.

They fall primarily into one or more of the following categories:

- senior executives of the firm including board directors and independent non-executive directors;
- heads of departments who operate in a control function; and
- heads of significant areas of material business units.

Each MRT is notified in writing of their status and the implications of this status specifically with regards the ratio of cash to equity, the amount of that equity that is deferred and malus and claw back provisions in accordance with the Remuneration Code.

The table below provides aggregate quantitative information on MRT remuneration.

### MATERIAL RISK TAKERS REMUNERATION FOR 2023

# CFE MIFIDPRU 8 Disclosures 2023

	Senior management <sup>(1)</sup>	
	No. of recipients	\$'000
Fixed remuneration during 2023	11	3,368
Variable remuneration awarded for 2023 performance:		
Cash	8	1,588
Equity	11	10,283
Total		11,872
Outstanding deferred remuneration change during the year:		
Awarded	11	10,283
Lapsed due to performance outcomes or adjustments		
Lapsed due to leaving service		
Vested	4	0
Outstanding unvested as at 31 December 2023*	11	19,031
Sign-on payments or awards	-	-
Severance payments	-	-
Highest individual severance payment	-	-

(1) All senior management are Material Risk Takers (MRT) The Firm did not use the exemption for individual material risk takers set out in n SYSC 19G.5.9R

## 8.6 Governance and Responsibilities

### 8.6.1 The Firm's Board of Directors

The Boards of Directors are responsible for the overall remuneration framework and policy for the Firm.

### 8.6.2 The Firm's Remuneration Committee ("RemCo")

A RemCo has been established comprising the NEDs as members and the CFE CEO, CFE COO and the Group Head of HR-EMEA & APAC and the CFE Head of Compliance as representatives. The RemCo's terms of reference state that the Committee shall ensure that it:

- (a) advises the Board generally on the extent to which the entities (such as London, Dubai & Israel) are compliant with the remuneration requirements of the FCA handbook and any other regulatory body impacted), including whether CFE's:
  - (i) remuneration policies are consistent with and promote sound and effective risk management, and do not encourage risk-taking that exceeds the level of tolerated risk within the Group; and
  - (ii) remuneration policies are in line with the business strategy, objectives, values and long-term interests of the Group;
- (b) advises the Board generally on the extent to which it and the Group adheres to applicable remuneration policies using a sample of awards made;
- (c) ensures that any compensation awards are in line with the financial performance of CFE and in accordance with its business plan and objectives;
- (d) consults with the senior representatives of the risk management and compliance functions when remuneration proposals are to be made regarding individuals about whom the compliance and risk functions have concerns;

- (e) exercises competent and independent judgment on the Group's remuneration practices and the incentives created for managing risk, capital and liquidity;
- (f) prepares for decisions regarding remuneration, including those which have implications for the risk and risk management of the Group and which are to be taken by management and when preparing such decisions, it takes into account the long-term interests of all stakeholders in the Group, the entities and the public interest; and
- (g) reviews the Group's remuneration policy statement and makes proposals and recommendations regarding changes and enhancements.

## 8.7 Control Functions

### 8.7.1 Independence of Control functions

The Firm ensures that all individuals engaged in control functions are independent from the business they oversee. They are employed by a service entity and not through the business unit. They have appropriate authority and are remunerated:

- Adequately to attract qualified and experienced staff;
- With an appropriate ratio of fixed to variable remuneration in which the fixed element will usually be significantly higher;
- With their variable remuneration set by Shared Services senior line managers; and
- In accordance with the achievement of the objectives linked to the function, independently of the performance of the business they oversee.

All control functions and business units are required to maintain appropriate systems and controls to implement this policy effectively. These systems and controls may vary according to business requirements, but should include at a minimum:

- Appropriate resources to implement and oversee the requirements of this policy effectively;
- Adequate monitoring and oversight of controls to enable assurance as to the effective operation of the policy to be provided to the RemCo; and
- Appropriate management information to support the annual remuneration cycle.

In the implementation of this policy, conflicts of interest must be avoided between the members of the control functions and the business they oversee, such that control functions' objectives are independent of the performance of the business and their personal objectives are based solely on the objectives of their own control function.

### 8.7.2 Risk Function

Risk Management is responsible for the development, implementation, maintenance and operational effectiveness of a comprehensive enterprise risk management ("ERM") framework for identifying, assessing, monitoring, controlling and reporting risks across the firms.

Provide an effective and efficient department that improves the visibility and understanding of credit, market and operational risk exposures across the Firms and effectively manages them in line with the risk appetite statements.

### 8.7.3 Compliance

#### 8.7.4 General

The firm aims to be compliant with the FCA's Remuneration Code at all times. It is the responsibility of the HR and Compliance Departments, overseen by RemCo, to monitor the firm's compliance with the Remuneration Code and also with this policy.

## 9 Investment Policy

In accordance with MIFIDPRU 8.7.6, a firm is only required to make disclosures regarding its investment policy in the following circumstances:

- Where its holdings relate to a company whose shares have been admitted to trading on a regulated market;
- Where the proportion of voting rights that the Firm directly or indirectly holds in that company is greater than 5% of all voting rights attached to the shares issued by the company; and
- Only in respect of shares in that company to which voting rights are attached.

As the Firm does not have any company holdings that meet these criteria, the Firm is not required to make the disclosures required under MIFIDPRU 8.7.

## 10 Conclusion

The information contained in this disclosure is proportionate to CFE's size, nature, and complexity of CFE's activities in accordance with the MIFIDPRU 8 disclosure rules.