

PILLAR 3 DISCLOSURE

Overview

Mirae Asset Securities (UK) Ltd. (herein after referred to as “MASUK”, “the Firm”, or “the Company”) is a limited liability company incorporated in the United Kingdom. MASUK is a solo-regulated, small-medium sized investment firm, authorised and regulated by the Financial Conduct Authority (“FCA”). MASUK commenced trading in 1991 under the name Daewoo Securities (Europe) Limited. The Firm's name was subsequently changed in November 2016 to Mirae Asset Securities (UK) Ltd.

MASUK is a wholly-owned subsidiary of Mirae Asset Daewoo Co., Ltd. (“MAD”) and forms part of the Mirae Asset Financial Group (“Mirae Asset”). MASUK’s principal activity is trading global debt and equity securities in the international securities market and acting as broker for Korean equities and global bonds. All of MASUK’s clients are either “Professional Investors” or “Eligible Counterparties”.

Since 2008 MASUK has applied the capital adequacy framework set out in the Capital Requirements Directive IV (CRD) as part of its capital management strategy. The CRD is based on three pillars:

Pillar 1 covers the calculation of risk weighted capital requirements for credit risk, market risk and operational risk

Pillar 2 allows firms and supervisors to take a view on whether the firm should hold additional capital to cover the three Pillar 1 risk types, or to cover other risks faced by the firm

Pillar 3 covers external communication of the risk and capital information by firms

For the purposes of prudential requirements, MASUK is categorised as a IFPRU €730k firm. Pillar 3 requirements applying to IFPRU firms are set out in the FCA Handbook within the “Prudential Sourcebook for Banks, Building Societies and Investment Firms” (IFPRU), at IFPRU 11.

MASUK makes its Pillar 3 disclosures on an annual basis. However, the Board of Directors continually monitors this frequency to ensure that it remains appropriate and will consider more frequent publication if necessary.

Capital Management Process

Capital adequacy is the degree to which capital resources on MASUK’s balance sheet are sufficient to cover the capital requirements for the business both now and for the foreseeable future. MASUK’s authority to operate as an investment firm is dependent upon the maintenance of adequate capital resources. MASUK’s capital management process ensures that capital resources and requirements are continually reviewed against financial projections and risk assessments to enable the company to meet minimum regulatory requirements in the UK, support its credit rating and maintain cost of funds and support its growth plans and strategic objectives.

Capital Adequacy

	<u>Year ended</u> <u>31.12.2019</u> \$'000	<u>Year ended</u> <u>31.12.2018</u> \$'000
Tier 1 Capital (Shareholder's Funds)	139,828	578,491
Total Capital Requirement (see below)	(40,964)	(78,327)
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Excess	98,864	500,164
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Total Capital Requirement

	<u>Year ended</u> <u>31.12.2019</u> \$'000	<u>Year ended</u> <u>31.12.2018</u> \$'000
Pillar 1 risks:		
Market Risk (based on inventory level)	36,820	74,909
Operational Risk (based on 3 year's average gross income)	1,544	818
Pillar 2 risks:		
Fraud	80	80
Employee error	40	40
Disaster recovery	160	160
Information Technology and Telecommunications	40	40
Information services	40	40
Employee cover	80	40
Trade settlement	80	80
Money laundering	80	80
Concentration risk	0	0
Cost of Wind-down of the Firm's Business (90 days)	2,000	2,000
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Total	40,964	78,327
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Risk measurement and management

We have calculated our risk weightings based on an internal assessment of the likelihood of an event occurring and its projected financial impact on MASUK using the standardised approach. We have also included the cost of Wind-down of the Firm's Business to survive for 90 days. The management of MASUK adopts policies to reduce or eliminate the possibility of the other risks occurring to the maximum extent that these are considered avoidable.

Remuneration Disclosures

The remuneration committee comprises the Board of Directors of MASUK and remuneration is reviewed on an annual basis. The remuneration policy takes into account the long-term interests of MASUK's parent company who is its principal stakeholder. Employees who are entitled to performance-related bonuses will be only rewarded after a predetermined calculation has been made based on audited results. Other employees who receive discretionary rewards are assessed against quantitative and qualitative criteria including revenue generation per employee; perceived improvements in client and counterparty relationships; compliance with regulatory requirements and achievements in improvements in cost, credit and systems control. As at 31st December 2019, all variable remuneration was paid in the form of cash, none of which has been deferred.

Aggregate quantitative remuneration information broken down by business division is as follows:

	<u>Year ended</u> <u>31.12.2018</u> \$'000	<u>Year ended</u> <u>31.12.2018</u> \$'000
Sales	579	823
Trading	17	637
Administration	284	674
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Total	880	2,134
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