

# Pillar III – 2021

## Annual disclosure



## **Introduction**

The purpose of this document is to assemble all information that MFEX FRANCE is required to disclose annually under Article 46 of Regulation (EU) No. 2019/2033 ("IFR"). The new regulation, IFR, entered into force on June 26, 2021, with the purpose of strengthening the link between risk-taking and capital requirements, which includes requirements on risk management and disclosure of information.

## **Board members**

MFEX France board of directors is composed of five members. The members have substantial knowledge and experience of the financial market. In the composition of the board and management, different cultures and gender, as well as experience from other financial operations are promoted. List as of May 19<sup>th</sup> 2022 below:

*Olivier Huby (Chairman)*  
*Seven other assignments*

*Brigitte Daurelle*  
*Four other assignments*

*Anne Courier*  
*Two Other assignments*

*Carl Palmér*  
*Two Other assignments*

*Oliver Lagerström*  
*Ten Other assignments*

## **Risk Committee**

MFEX FRANCE's Board of Directors has established an internal Risk and Compliance Committee. This Committee, established on a voluntary basis by MFEX France, is comprised of a subset of board members. The committee reviews reports on Risk and Compliance that must be approved or reported to the Board. The group meets at least four times per year.

## **Remuneration policy**

The Board of MFEX France has established remuneration guidelines that include all personnel and management in the company. The remuneration guidelines describe how remuneration is determined, paid out, verified and methods used to identify personnel who may have a significant impact on the companies' risk profile. The guidelines ensure a neutral approach with regard to all protected characteristics such as gender, religion and ethnicity. The full remuneration policy is disclosed on MFEX website [www.mfex.com/legal/publication-of-information](http://www.mfex.com/legal/publication-of-information).

## Remuneration

The table below shows aggregated quantitative information on remuneration, broken down by senior management and members of staff whose actions have a material impact on the risk profile of MFEX France (MRTs).

*Aggregate information on remuneration during the financial year 2021*

Category	Senior management		MRT	
	Amount (kEUR)	No. of recipients	Amount (kEUR)	No. of recipients
Fixed Remuneration	659	5	1 453	10
Variable Remuneration	220	5	245	8
Deferred remuneration awarded for previous performance periods, split into:				
i) the amount due to vest in the financial year	n/a	n/a	n/a	n/a
ii) the amount due to vest in subsequent years	n/a	n/a	n/a	n/a
Deferred remuneration due to vest in the financial year that is paid out during the financial year	76	2	76	2
Guaranteed variable remuneration awards during the financial year	168	4	178	5
Severance payments awarded in previous periods, that have been paid out during the financial year	n/a	n/a	n/a	n/a
Severance payments awarded during the financial year, split into:				
i) the amount paid upfront	n/a	n/a	n/a	n/a
ii) the amount deferred	n/a	n/a	n/a	2
iii) the highest payment that has been awarded to a single person	n/a	n/a	n/a	n/a

Information on the distribution of variable remuneration is given in the table below.

*Distribution of variable remuneration during the financial year 2021*

Remuneration form	Paid out amount (kEUR)	Deferred amount (kEUR)
Cash	220	n/a
Shares	n/a	n/a
Share-linked instruments	n/a	n/a
Other	n/a	n/a

## Investment policy

MFEX France does not directly or indirectly own any shares that are admitted to trading on a regulated market and in which MFEX France holds more than 5% of the voting rights.

## Risk management objectives and policies

Risk is inherent in the business operations of MFEX France. The risk management framework for MFEX FRANCE allows the organization to continuously evaluate and assess the risk

exposure. The risk management framework is an integrated part of the decision-making process of the company and thus contribute to the fulfilment of the objectives of the organization. Furthermore, the risk management framework incorporates strategies, processes and reporting lines that are necessary to continuously identify, assess, manage, control and report the risks associated with the business. As such the risk management framework is key for a true and fair internal capital and liquidity adequacy assessment.

Risk shall be kept at the lowest level possible while considering business strategy, market sentiment, regulatory requirements and capacity to absorb losses through earnings and capital. Risks that are not supported by established business plans shall not be taken. Risk management shall be conducted according to sound practice so that the relationship between risk and expected return is optimized.

Overview of MFEX France risks and risk exposures

According to IFR, risks are to be categorized into Risk-to-Firm (“RtF”), Risk-to-Client (“RtC”), Risk-to-Market (“RtM”) and Liquidity risk. MFEX France has categorized their risks according to the table below.

<b>Assessed risks</b>	<b>Risk type</b>	<b>Risk area</b>
Credit risk	RtF, RtC	Bank deposits and claims against fund companies
Market risk	RtF	FX positions held in trading process and FX positions held in rebates collection. Not applicable to MFEX FRANCE
Operational risk	RtC, RtF	Identified largest operational risks
Business risk	RtF	Loss of key clients due to changing market demand
Strategic risk	RtF	Expansion to new markets and integration of new subsidiaries
Reputational risk	RtF	Damage to the MFEX brand
Concentration risk	RtF	Exposures limited to few counterparties, countries, business segments
Interest rate risk	RtF	Sensitivity to changes in interest rates due to mismatch between long/short term lending/borrowing
Liquidity risk	Liquidity	Risk that MFEX does not have liquid assets available to meet its short-term obligations.

Credit risk

Credit risk is the risk of financial loss due to a counterparty’s failure to meet its obligations. MFEX France is exposed to credit risk in the form of deposits at banks and in relation to the rebates collection activity. The credit risk that arises from bank deposits is a risk that targets the firm directly and is thus recognized as a risk to firm and shall be assigned to RtF. On the other hand rebates collections is considered a risk to client since disturbances in this process could cause delays in payments and ultimately costs for the clients. These risks will therefore be assigned to RtC.

To limit the credit risk that arises from bank deposits, MFEX France deposits funds only with institutions/banks with a minimum rating requirement equivalent to a long-term S&P rating of A or short-term minimum rating of A-1. MFEX France further continuously monitors the development of the deposit bank rating, and the risk control function provides quarterly reports to the board. To limit credit risk that arises from the rebates collection operations MFEX has a distributor agreement which allows for MFEX France not to pay rebates to distributors, if they have not been paid by the Fund Companies beforehand. Further, MFEX is

also restrictive and will not enter into fund company agreements with a current or expected distressed financial situation.

#### Market risk

MFEX France is not exposed to market risk, as it does not perform any trading activity

#### Operational risk

Operational risk is the risk of losses resulting from inadequate or failed internal processes, people, and systems or from external events. It is inherent in every business organisation and covers a wide spectrum of issues.

The operational risks are classified into the following categories:

- Legal Risk
- Compliance Risk
- HR Risk
- Personnel Risk
- Process and Product Risk
- IT Risk
- Third party Risk

The operational risks affect both the firm directly and the clients, depending on the individual risk. The operational risks that affect the firm are those that affect the support functions such as Finance or Human Resources and the control functions and are assigned to RtF. The operational risks that affect the clients are mainly linked to the Operations and IT functions and are assigned to RtC.

To identify and assess operational risk for MFEX France self-assessments are performed. Relevant operational risks are identified, and their materiality is assessed by determining inherent and residual risk in terms of impact and probability and taking into account the control environment in the analysis. Risks assessment is a continuous process, and it is reviewed at least annually.

#### Business risk

Business risk is the risk of decreasing revenues due to business climate changes, political decisions, economic recession, and similar macro-factors inherent to an organization's operations and the environment it operate in that may impair its ability to provide returns on investment. The primary business risk for MFEX France is the loss of key clients (distributors) through changes in market demand. Business risk have an effect on the firm directly and are therefore assigned to RtF.

The client base has steadily been increasing during the last years and MFEX France focuses on nurturing a close relationship with its largest clients and is continuously working to expand the client base.

#### Reputational risk

Reputational Risk is the risk that revenues and own equity is affected negatively due to a decline of the value of the brand name. MFEX France is engaging in an industry where client expectations on transparency, control and stability are very high. The probability of a reputational risk materializing is considered to be low (MFEX France's clients being mainly composed of regulated financial institutions) but the consequences of such occurrence would be high. Reputational risks affect the firm directly and is therefore amended to RtF.

MFEX France maintains a sound internal controls environment to minimize operational incidents and mitigate reputational impacts. The risk assessment methodology and the operational incidents methodology both takes into account the impact on clients and on MFEX France reputation in the determination of the severity of a risk or incident.

#### Strategic risk

Strategic risk is the risk of decreased earnings and capital resulting from either a strategic decision that turns out to be defective or inappropriate, or lack of a strategic decision. This includes the Board's and the management's ability to plan, organize, govern the business and/or fail to adapt the business model to trends in new technology, increased competition and/or generally react to changes in the business conditions and environment. In its current phase MFEX Group, and therefore MFEX France, is exposed to key strategic risks in the expansion of the business to new markets, merger integrations, changed or new products and systems. Strategic risks affect the firm directly and is therefore assigned to RtF.

To mitigate strategic risks MFEX has defined a target operating model for future operations as well as a clear integration plan with a project management organisation supporting the integration within Euroclear group.

#### Concentration risk

Concentration Risk refers to the vulnerability inherent in the concentration of credit risk exposure to a limited number of customers, a particular sector or geographic area. MFEX France has a well-diversified customer base and its concentration in terms of contribution to total revenues is monitored on a periodical basis.

#### Liquidity risk

MFEX France is not exposed to liquidity risk. However liquidity is continuously monitored, including specific liquidity reviews before payment of non-custody rebates to distributors. The Board has decided that the liquidity risk shall be limited and no speculative elements shall occur in the day-to-day operations. The liquidity reserve shall consist of holdings in a bank that meet the requirements of Article 43 of the IFR, which corresponds to at least one third of the requirement based on fixed expenses in accordance with Article 13 (1) of the IFR.

### **Capital adequacy analysis**

As part of its annual report on internal control submitted to the ACPR, MFEX France performs an assessment of its capacity to bear all risks the company is exposed to. This assessment is forward-looking and is based on the company's strategic plans.

### **Capital requirement – Pillar I**

According to IFR, the new Pillar I requirement is based on the highest of the Permanent minimum capital requirement, the K-factor requirement and Fixed overheads requirement. MFEX has chosen to apply the transitional provisions according to Article 57 of IFR, which limits the capital requirement to a maximum of twice the capital requirement according to CRR.

#### Permanent minimum capital requirement

In accordance with Article 14 of IFR, MFEX France has a minimum capital requirement corresponding to 75 k€.

#### K-factor requirement

The K-factor requirement is calculated for RtC, RtF and RtM in accordance with Article 15 of IFR. A summary of the company's risks related to the above categories is shown in the table below.

<b>Risk-to-Client (RtC)</b>	The company calculates a capital requirement based on the K-factor K-AUM in the category RtC.
<b>Risk-to-Market (RtM)</b>	The company has no exposures in the category RtM.
<b>Risk-to-Firm (RtF)</b>	The company has no exposures in the category RtF.

An evaluation of MFEX France K-factor requirements is given in the table below.

#### *K-factor requirement, in €*

Rows	Item	Factor amount		K-factor requirement	
		0010	0020		
<b>0010</b>	<b>TOTAL K-FACTOR REQUIREMENT</b>		<b>28 403,53</b>	<b>Total K-Factor = RtC + RtM + RtF</b>	
<b>0020</b>	<b>Risk to client</b>		<b>28 403,53</b>	<b>RtC</b>	
<b>0030</b>	Assets under management	<b>142 017 665,15</b>	28 403,53	K-AUM	0,02%
<b>0040</b>	Client money held - Segregated	0	0	K-CMH	0,40%
<b>0050</b>	Client money held - Non - segregated	0	0	K-CMH	0,50%
<b>0060</b>	Assets safeguarded and administered	0	0	K-ASA	0,04%
<b>0070</b>	Client orders handled - Cash trades	0	0	K-COH	0,10%
<b>0080</b>	Client orders handled - Derivatives Trades	0	0	K-COH	0,01%
<b>0090</b>	<b>Risk to market</b>		<b>0</b>	<b>RtM</b>	
<b>0100</b>	K-Net positions risk requirement		0	K-NPR	n/a
<b>0110</b>	Clearing margin given	0		K-CMG	n/a
<b>0120</b>	<b>Risk to firm</b>		<b>0</b>	<b>RtF</b>	
<b>0130</b>	Trading counterparty default			K-TCD	1,6% pour EC/EI sinon 8%
<b>0140</b>	Daily trading flow - Cash trades	0	0	K-DTF	0,10%
<b>0150</b>	Daily trading flow - Derivative trades	0	0	K-DTF	0,01%
<b>0160</b>	K-Concentration risk requirement			K-CON	Cf. art 38

#### Fixed overheads requirement

The capital requirement based on fixed overheads is calculated as 25% of the previous year's fixed overheads in accordance with Article 13 of IFR. A summary is given in the table below.

#### *Fixed overheads requirement, in €*

Rows	Item	Amount
		0010
<b>0010</b>	<b>Fixed Overhead Requirement</b>	<b>4 346 255,50</b>
<b>0020</b>	<b>Annual Fixed Overheads of the previous year after distribution of profits</b>	<b>17 385 022,00</b>
0030	Total expenses of the previous year after distribution of profits	18 421 558,00
0050	(-)Total deductions	-1 036 536,00

Total Pillar I requirement

The total capital requirement (Pillar I) is shown in the table below.

*Total capital requirement, in €*

Rows	Item	Amount
		0010
0010	<b>Own Funds requirement</b>	<b>4 346 255,50</b>
0020	Permanent minimum capital requirement	75 000,00
0030	Fixed overhead requirement	4 346 255,50
0040	Total K-Factor Requirement	28 403,53



## Information on own funds

### Composition of regulatory own funds (Investment firms other than small and non interconnected) and reconciliation to balance sheet in the audited financial statements

Rows	Item		Amount
			0010
<b>0010</b>	<b>OWN FUNDS</b>		<b>6 811 455,56</b>
<b>0020</b>	<b>TIER 1 CAPITAL</b>		<b>6 811 455,56</b>
<b>0030</b>	<b>COMMON EQUITY TIER 1 CAPITAL</b>		<b>6 811 455,56</b>
0040	Fully paid up capital instruments	Capital	14 463 464,00
0050	Share premium	Primes	5 607,00
0060	Retained earnings		
0070	Previous years retained earnings	RAN	-863 860,49
0080	Profit eligible	Résultat	0,00
0090	Accumulated other comprehensive income		
0100	Other reserves	Autres réserves	635 707,78
0110	Minority interest given recognition in CET1 capital		
0120	Adjustments to CET1 due to prudential filters		
0130	Other funds		
<b>0140</b>	<b>(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1</b>		<b>-7 429 462,73</b>
0150	(-) Own CET1 instruments		
0160	(-) Direct holdings of CET1 instruments		
0170	(-) Indirect holdings of CET1 instruments		
0180	(-) Synthetic holdings of CET1 instruments		
0190	(-) Losses for the current financial year	Résultat	-5 947 061,23
0200	(-) Goodwill		
0210	(-) Other intangible assets	Immo	-1 482 401,50
0220	(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities		
0230	(-) Qualifying holding outside the financial sector which exceeds 15% of own funds		
0240	(-) Total qualifying holdings in undertaking other than financial sector entities which exceeds 60% of its own funds		
0250	(-) CET1 instruments of financial sector entites where the investment firm does not have a significant investment		
0260	(-) CET1 instruments of financial sector entities where the investment firm has a significant investment		
0270	(-) Defined benefit pension fund assets		
0280	(-) Other deductions		
0290	CET1: Other capital elements, deductions and adjustments		

<b>0300</b>	<b>ADDITIONAL TIER 1 CAPITAL</b>		<b>0</b>
0310	Fully paid up, directly issued capital instruments		
0320	Share premium		
0330	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1		
0340	(-) Own AT1 instruments		
0350	(-) Direct holdings of AT1 instruments		
0360	(-) Indirect holdings of AT1 instruments		
0370	(-) Synthetic holdings of AT1 instruments		
0380	(-) AT1 instruments of financial sector entities where the investment firm does not have a significant investment		
0390	(-) AT1 instruments of financial sector entities where the investment firm has a significant investment		
0400	(-) Other deductions		
0410	Additional Tier 1: Other capital elements, deductions and adjustments		
<b>0420</b>	<b>TIER 2 CAPITAL</b>		<b>0</b>
0430	Fully paid up, directly issued capital instruments		
0440	Share premium		
0450	(-) TOTAL DEDUCTIONS FROM TIER 2		
0460	(-) Own T2 instruments		
0470	(-) Direct holdings of T2 instruments		
0480	(-) Indirect holdings of T2 instruments		
0490	(-) Synthetic holdings of T2 instruments		
0500	(-) T2 instruments of financial sector entities where the investment firm does not have a significant investment		
0510	(-) T2 instruments of financial sector entities where the investment firm has a significant investment		
0520	Tier 2: Other capital elements, deductions and adjustments		

### Own funds: main features of own instruments issued by the firm

		a
1	Issuer	MFEX France SA
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Public or private placement	Private
4	Governing law(s) of the instrument	French law
5	Instrument type (types to be specified by each jurisdiction)	Share capital
6	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	14 463 464 EUR
7	Nominal amount of instrument	14 463 464 EUR
8	Issue price	14 463 464 EUR
9	Redemption price	N/A
10	Accounting classification	Equity
11	Original date of issuance	2005-10-01
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity date
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	N/A
20	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
21	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
22	Existence of step up or other incentive to redeem	N/A
23	Noncumulative or cumulative	N/A
24	Convertible or non-convertible	N/A
25	If convertible, conversion trigger(s)	N/A
26	If convertible, fully or partially	N/A
27	If convertible, conversion rate	N/A

28	If convertible, mandatory or optional conversion	N/A
29	If convertible, specify instrument type convertible into	N/A
30	If convertible, specify issuer of instrument it converts into	N/A
31	Write-down features	N/A
32	If write-down, write-down trigger(s)	N/A
33	If write-down, full or partial	N/A
34	If write-down, permanent or temporary	N/A
35	If temporary write-down, description of write-up mechanism	N/A
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
38	Link to the full term and conditions of the instrument (signposting)	upon request
(1) Insert 'N/A' if the question is not applicable		

Paris, May 24<sup>th</sup> 2022