



OANDA Europe Limited

PILLAR 3 DISCLOSURES

31 December 2020

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1. Overview

1.1 Introduction

This Pillar 3 disclosure is prepared in accordance with the EU's Capital Requirements Directive ("CRD") as implemented by the FCA in the UK.

The purpose of the Pillar 3 disclosure is to encourage the stability of the financial markets by allowing market participants to assess key information on a firm's capital adequacy, risk management and control processes.

The FCA framework consists of three Pillars:

- Pillar 1: Sets out a firm's eligible capital and the minimum capital requirements for the Own fund's requirement ("OFR").
- Pillar 2: Ensures a firm has adequate capital to cover risks not captured by the OFR. The FCA has implemented this by way of the Individual Capital Adequacy Assessment Process (ICAAP), augmented by the FCA's Supervisory Review and Evaluation Process ("SREP") which is a review of the Company's ICAAP.
- Pillar 3: Requires public disclosure of a firm's regulatory capital and company's risk management policies and procedures for managing risk, its capital position and remuneration.

The Pillar 3 disclosure rules are set out in Articles 431 – 455 of the Capital Requirements Regulation ("CRR").

Disclosures are made where the regulations apply to OANDA Europe Limited ("OEL" or the "Company"), and the information is not deemed immaterial, proprietary or confidential. In the instances where information is not being disclosed then reference is made to this fact.

Quantitative disclosures under CRR are made as at 31 December 2020.

1.2 Corporate Structure

The Company is a private limited liability company incorporated in England and Wales. OEL is authorised and regulated by the Financial Conduct Authority ("FCA") with permissions under Part IV of the Financial Services and Markets Act 2000. The Company's FCA Register number is 542574.

OEL's core business is online margin trading and provides leveraged trading for contracts for difference ("CFDs") and Spreadbets on foreign currencies, metals, bonds, commodities and indices.

The immediate controlling party is OANDA Global Corporation ("OGC"), a company incorporated in Delaware, United States of America. The ultimate controlling entity is CVC Capital Partners ("CVC") Asia Pacific IV L.P ("Fund IV"), a company incorporated in Jersey. OEL is a wholly owned subsidiary of OGC and part of the OANDA international group of companies ("OANDA").

1.3 Frequency and Scope of Disclosures

OEL is an IPFRU €730k limited-activity firm and subject to prudential oversight by the FCA. The Pillar 3 disclosures are published at least annually in accordance with Article 433 of the CRR on the firm's website, <https://www.oanda.com/resources/legal/europe/>.

The disclosures will be published more frequent than annually when a need to do so arises taking into consideration FCA's BIPRU 11.4.4R.

2. Risk Management Framework

2.1 Corporate Governance and Risk Appetite

The governing body is the Board of Directors (“Board”) and as at 31st December 2020 comprised of 6 members, 5 Executive Directors and 1 Non-Executive Director.

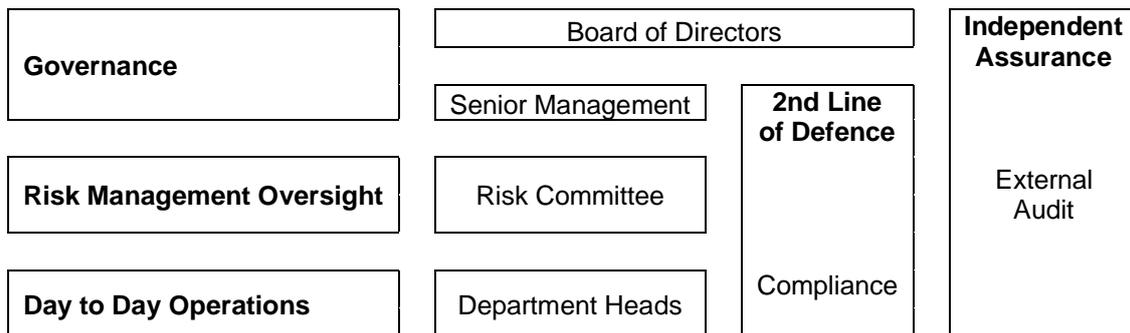
The members of OEL’s Board are:

- David Hodge, Chief Executive Officer EMEA and Global Chief Marketing Officer (UK) - Executive Director
- Chantelle Johnson, Chief Marketing Officer – Americas and EMEA (UK) - Executive Director
- Hazelle Anderson, Compliance Director (UK) - Executive Director
- Kevin Ryan, VP Finance (CANADA) – Executive Director
- Javier Martell, General Counsel (CANADA) – Executive Director
- Gavin Bambury, Group CEO (UK) – Non-Executive Director

Board meetings occur quarterly with additional meetings as deemed necessary.

The Board is supported by the Risk committee. This committee, is responsible for OEL’s Risk management framework, meets monthly and, reports to the OEL Board quarterly. The day to day running of the business is directed by the senior management team based in London and 3 UK based executive directors are members of this team.

OEL’s Governance Structure



2.1.1 Adequacy of Risk Management Arrangements and Risk Appetite

The Board is responsible for the risk management framework of the Company and ensuring that appropriate governance and internal control system is in place to manage principal risks. The Board sets the overall level of risk that the Company will accept, and they take responsibility for the assessment of the risks faced by the firm and how they are managed (systems and controls). The OEL board recognises that risk management is fundamental to OEL’s business and planning process and, seeks to embed a culture of risk management across its business. The Board believes that it has put in place systems and controls which are adequate with regards to the Company’s risk profile and strategy (Article 435 1 (e)).

The Company maintains a low risk culture. This culture is established and maintained by the Board which demonstrates an organisational ‘tone at the top’ through establishing relevant policies, effective governance and reward structures that encourage a robust and proportionate control environment. The Board is also responsible for ensuring that the ‘tone at the top’ is cascaded to the Company’s day-to-day operations by articulating its desired risk management culture and behaviours through the recruitment of competent officers. In addition, the Board ensures that all staff are aware of the importance of adhering to risk policies and procedures, with any non-compliance being subject to sanction.

3. Capital Resources and Requirements

3.1 Pillar 1 minimum requirements

Under CRD IV, institutions are required to meet the following own funds requirements: a common equity Tier 1 capital ratio of 4.5%, a Tier 1 capital ratio of 6% and a total capital ratio of 8%. These form the institution's Pillar 1 requirements. Pillar 2 covers risks that are not fully addressed by Pillar 1.

3.2 Total Capital Resources

The table below shows the capital resources as at 31st December 2020 available to achieve its Pillar 1 capital requirements, based on OEL's audited Financial Statements as at 31st December 2020.

| OANDA Europe Limited – Capital requirement as at 31st December 2020 | |
|---|--------------|
| | £'000 |
| Ordinary Share Capital | 7,540 |
| Audited Retained Reserves | (74) |
| Audited Other Reserves | 1,612 |
| Shareholder's equity as per audited financial statements | 9,078 |
| Common Equity Tier 1 Capital / Total Capital Resources | 9,078 |
| Market Risk Capital Requirement (MRCR) | 229 |
| Credit and Counterparty Risk Capital Requirement (Including CVA) (CRCR) | 1,767 |
| Fixed Overhead Requirement (FoR) | 3,853 |
| Total Pillar 1 Capital Requirement | 5,849 |
| Capital Surplus | 3,229 |

The Company has no Tier 2 Capital.

OEL has adopted the following in the calculation of the Basel III Pillar 1 minimum capital requirement under the CRD.

- Market Risk (MRCR) (CRR, Articles 351-352)
- Standardised approach for Credit Risk (CRCR) (CRR, Articles 111-141),
- Mark-to-market method for Counterparty Credit Risk (CRCR) (CRR, Article 274)
- Credit Valuation Adjustment add on (CVA) (CRR, Article 384)
- The Fixed Overhead Requirement approach for operational risk (FoR) (CRR, Article 97).

Further analysis on risk exposure amounts and classes has not been disclosed given that doing so will not add or take away any additional information that could change or influence a user's assessment of the Firm or its counterparties and so have deemed it to be immaterial.

3.3 Internal Capital Adequacy Assessment Process (ICAAP)

The Company undertakes an internal assessment of capital requirements annually or more frequently, if required by the Board.

The ICAAP documents over a three-year planning period, the assessment of the amount and quality of capital considered adequate in line with the FCA's IFPRU rules. This takes into account the nature and level of risks to which OEL is or might be exposed given the nature and scale of its business based on the Company's current and future planned activities. The aggregate Pillar 2 risk allocation amount is compared to the Pillar 1 capital requirements in order to determine the internal capital requirement for the Company. The higher of Pillar 1 and Pillar 2 is used for each risk.

Once approved by the board, the ICAAP document is integrated into the governance and risk management framework of the business. The Board will review the ICAAP at least annually and may review it more frequently, should there be any significant changes to the business. The ongoing review of the ICAAP throughout the year is delegated to the Risk Committee.

The ICAAP may be reviewed by the FCA, who may set the Individual Capital Guidance (ICG) capital requirements for the Firm as part of its Supervisory Review and Evaluation Process (SREP). The ICG provides guidance on the amount and quality of capital resources that the FCA believes OEL should hold under the overall financial adequacy rule. OEL is not obliged to make a public disclosure of any ICG that may be imposed.

4. Principal Risks

The Company's day to day operations expose it to strategic, financial and operational risks. The principal risks faced by the firm are subject to stress testing as part of the ongoing ICAAP.

4.1 Market Risk

The Company acts as principal counterparty to the client and does not act as a broker or trustee. For each customer trade, OEL places a hedge back to back with OANDA entities so that the Company is not exposed to the market risk associated with these positions.

OEL is subject to balance sheet foreign currency exposures in the normal course of business and hedges its balance sheet foreign currency risk on an ongoing basis.

4.2 Credit Risk

This is the risk that the counterparty to a transaction will cause the Company financial loss by failing to fulfil a contractual obligation.

- **Affiliate Hedging Counterparties** - OEL mitigates this risk by monitoring credit worthiness of these parties and the concentration levels are managed by the regular settlement of Intercompany balances to ensure the receivable amounts do not become significant.
- **Third Party Credit Institutions** - The Company is also exposed to potential credit risk from counterparties where the Company cash and Client Money (amounts held on behalf of clients) is held. This risk is mitigated by ongoing due diligence which includes monitoring the credit ratings of all banking partners and card fulfilment processors.

All client funds are held in segregated UK bank accounts as per the FCA CASS rules

4.3 Operational Risk

As a financial institution, OEL is responsible for smooth operation of core business processes such as client onboarding, client account funding and withdrawal, order execution and client service. Operational Risks are mitigated by constant attention to people, systems and process elements of our internal control environment. A number of formal written procedures have been established in order to prevent, as well as detect and remediate, irregular circumstances in a timely manner.

4.4 Liquidity Risk

This is the risk that the Company will not have sufficient cash to meet liabilities as they fall due. Risk is mitigated by the monitoring of available resources within normal and stressed conditions to ensure funds are readily available to meet its financial obligations as they come due, as well as ensuring adequate funds exist to support business strategies and operational growth. The Company also has access to contingency funds in a severe stress test scenario.

5. Remuneration

OEL is required to comply with the IFPRU Remuneration Code (“Code”) as set out in FCA handbook and in accordance with Article 450 of the CRR. These rules recognise that not all of the Code’s principles apply to firms equally and introduce the concept of proportionality, internal organisation and the nature, scope and complexity of its activities

Decision Making Process for Determining Remuneration Policy

OEL’s Board has implemented the remuneration policy designed by its Group Compensation Committee with the assistance of third-party consulting firms.

Link between Pay and Performance

The remuneration policy supports business strategy and is designed to ensure that remuneration remains competitive and provides incentive for appropriate performance. Base compensation increases, and variable compensation payments are linked to appropriate performance, as evaluated on a semi-annual basis in a formal evaluation process.

Code Staff Criteria

The FCA Remuneration Code requires the identification of individuals whose professional activities have a material impact on its risk profile (known as ‘Code Staff’), and the Code requirements and disclosures apply to those individuals. The following criteria have been identified as meeting the FCA’s requirements for Code Staff:

- Reporting lines including but not limited to direct reporting line to the CEO;
- Individuals who have the ability and authority to make decisions that may impact the material risk areas detailed in internal risk documentation; and
- Primary responsibilities: certain staff performing an FCA Senior Manager Function (“SMF”) and Certification Functions (“CF”) with Significant Influence Function i.e. individuals whose professional activities have a material impact on the firm’s risk profile.

Code Staff Aggregate Remuneration for 2020

| | Directors | | Code Staff | |
|-----------------------|----------------------|----------------|----------------------|----------------|
| | Number of recipients | Amount (£'000) | Number of recipients | Amount (£'000) |
| Fixed remuneration | 6 | 851 | 9 | 989 |
| Variable remuneration | 6 | 375 | 8 | 502 |
| Share-based payments | 6 | 65 | 4 | 44 |
| TOTAL | | 1,291 | | 1,535 |

During the year four of the six directors were employed directly by the Company. The other Directors were remunerated by other companies within OANDA Global Corporation, and their remuneration for services attributable to OEL represented 6.8% of the total costs.

6. Further Information

Should you require any further information, please contact:

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020 7101 1600

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Disclosures in this document involve risks and uncertainties, although we believe that the expectations reflected in these statements are reasonable, actual results may differ from those expressed or implied in these statements.