OANDA Europe Limited

PILLAR 3 DISCLOSURES

31 December 2021

Contents

1. Overview

1.1 The Investment Firms Prudential Regime ("IFPR")

The Financial Conduct Authority (the "FCA") has introduced a new prudential regime for solo-regulated investment firms – the IFPR – which came into force on 1 January 2022. The IFPR aims to streamline and simplify the prudential requirements for investment firms.

As a result of the IFPR, the disclosure requirements in BIPRU 11 and Part Eight of the Regulation (EU) No 575/2013 as it forms part of UK law ("UK CRR") have been replaced by new requirements under MIFIDPRU. However, the transitional provision in MIFIDPRU TP 12.4R means that if a firm is required by BIPRU 11 or Part Eight of the UK CRR to make disclosures with a reference date before 1 January 2022, it must still publish those disclosures even if the permitted deadline for publication falls on or after 1 January 2022.

OANDA Europe Limited ("OEL" or the "Company") was previously subject to the disclosure obligation under Part Eight of the UK CRR. Although this disclosure requirement is no longer applicable to OEL, the effect of the transitional provision means that OEL must publish this Pillar 3 disclosure as it has the reference date of 31 December 2021.

Subsequent disclosures will be made in accordance with MIFIDPRU 8.

1.2 Introduction

This Pillar 3 disclosure as at 31 December 2021 is prepared in accordance with the UK CRR and Capital Requirements Directive ("CRD") as implemented by the FCA in the UK.

The purpose of the Pillar 3 disclosure was 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 used to consist 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 Part Eight (comprising Articles 431 – 455) of the UK CRR.

Disclosures are made where the regulations apply to OEL, 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 UK CRR are made as at 31 December 2021.

1.3 Corporate Structure

The Company is a private limited liability company incorporated in England and Wales. OEL is authorised and regulated by the FCA with permissions under Part IVA of the Financial Services and Markets Act 2000. The Company's Firm Reference 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 entity of the Company 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").

1.4 Frequency and Scope of Disclosures

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

2. Risk Management Framework

2.1 Corporate Governance and Risk Appetite

The governing body of the Company is the Board of Directors ("Board") and as at 31 December 2021 the Board was comprised of 4 Executive Directors.

The members of OEL's Board are:

- Gavin Bambury, Chief Executive Officer (UK)
- Hazelle Anderson, Compliance Director (UK)
- Kevin Ryan, Director (CANADA)
- Kurt Vom Scheidt, Chief Operating Officer (UK)

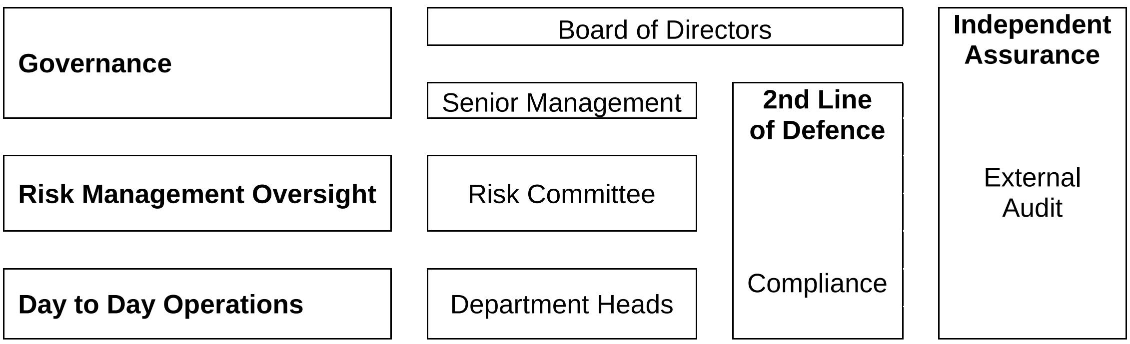
And an additional Senior Manager under the FCA SMCR regime

- Masuwa Mpikwa, Head of Finance (UK)

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.

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) of the UK CRR).

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 the UK CRR, 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 2021 available to achieve its Pillar 1 capital requirements, based on OEL's audited Financial Statements as at 31st December 2021.

OANDA Europe Limited – Capital requirement as at 31st December 2021	
	£'000
Ordinary Share Capital	7,540
Audited Retained Reserves	278
Audited Other Reserves	1,780
Shareholder's equity as per audited financial statements	**9,598**
Common Equity Tier 1 Capital / Total Capital Resources	**9,598**
Market Risk Capital Requirement (MRCR)	257
Credit and Counterparty Risk Capital Requirement (Including CVA) (CRCR)	1,506
Fixed Overhead Requirement (FoR)	3,382
Total Pillar 1 Capital Requirement	**5,145**
Capital Surplus	**4,453**

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) (UK CRR, Articles 351-352)

- Standardised approach for Credit Risk (CRCR) (UK CRR, Articles 111-141),
- Mark-to-market method for Counterparty Credit Risk (CRCR) (UK CRR, Article 274)
- Credit Valuation Adjustment add on (CVA) (UK CRR, Article 384)
- The Fixed Overhead Requirement approach for operational risk (FoR) (UK 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 Company 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 Company 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 used to be subject to the IFPRU Remuneration Code ("Code") as set out in FCA handbook and in accordance with Article 450 of the UK 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.

OEL is now subject to the MIFIDPRU Remuneration Code set out in SYSC 19G.

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 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 2021

	Directors		**Code Staff**	
	Number of recipients	**Amount (£'000)**	**Number of recipients**	**Amount (£'000)**
Fixed remuneration	7 (See Note 1)	922	10 (See Note 3)	849
Variable remuneration	4 (See Note 2)	65	6 (See Note 4)	66
Share-based payments	7 (See Note 1)	53	4 (See Note 4)	29
TOTAL		**1,040**		**944**

Note 1 - three (3) recipients left organisation throughout publication term, one (1) recipient appointment mid-year

Note 2 - one (1) mid-year appointment

Note 3 - one (1) recipient left organisation throughout publication term, one (1) mid-year appointment, three (3) heads pertaining to a single role over course of publication term

Note 4 - one (1) recipient left organisation throughout publication term, one (1) mid-year appointment

During the year, five of the seven 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 11% of the total costs up to July and 7% August to December.

6. Further Information

Should you require any further information, please contact:

UK Finance Manager
020 7101 1600

OANDA Europe Limited
18 St Swithin's Lane
London
EC4N 8AD

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.