CMC Spreadbet Plc

Disclosure

31 March 2022

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1. Overview

1.1 Introduction

The Disclosure document is prepared in accordance with the Financial Conduct Authority ('FCA') MIFIDPRU 8 standards. Public disclosure is an essential element of facilitating market discipline and encouraging the stability of financial markets by allowing market participants to assess key information on firms' capital adequacy and risk and control processes. Quantitative disclosures are made as at 31 March 2022.

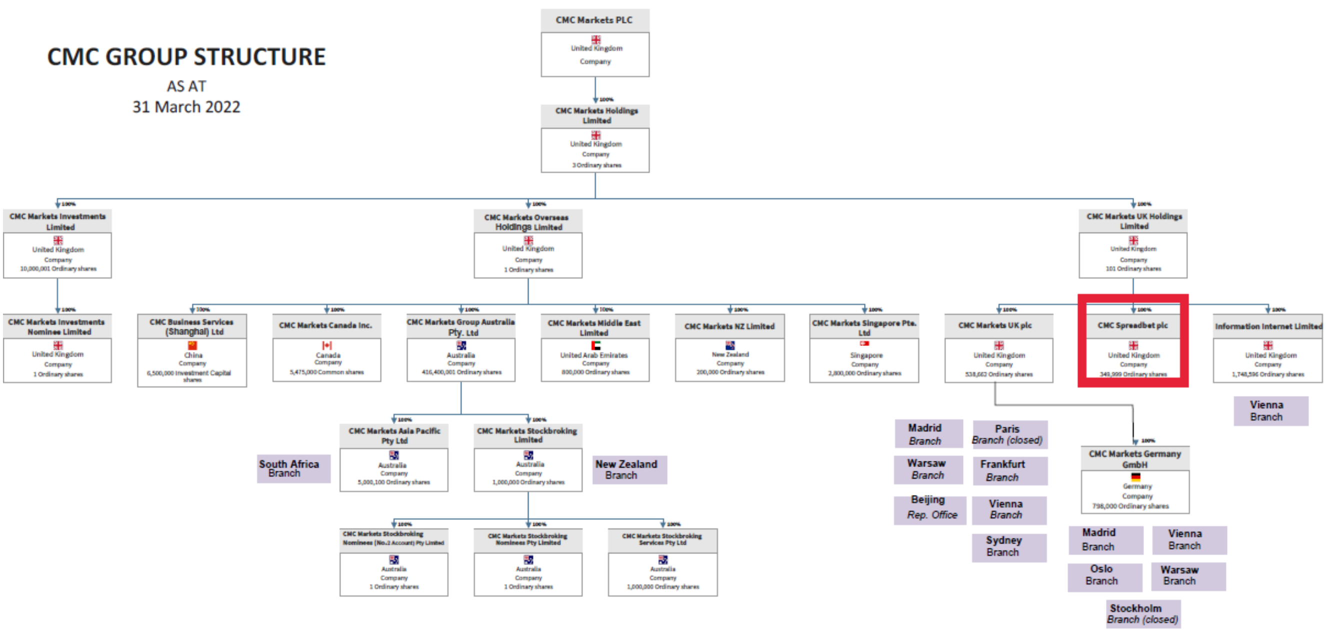
1.2 Frequency and scope of disclosures

The disclosures in this document are made in respect of CMC Spreadbet Plc ('the Firm') which provides spread bet trading products. The Firm is part of the CMC Markets Plc Group ('the Group') which can be seen in Chart 1. In accordance with MIFIDPRU 8.1.7, disclosures must be performed on an individual basis.

The disclosures will be published on at least an annual basis on the Group's website[1] on the date that its annual solvency statement is submitted to the FCA in accordance with SUP.16.12.

CMC Markets plc became the ultimate holding company of the Group under a reorganisation in 2006. The Group is defined as an "investment firm group"[2], subject to consolidated supervision by the FCA. The Group structure is shown in Chart 1 below.

Chart 1: Group structure as at 31 March 2022



[1] https://www.cmcmarketsplc.com/investors/corporate-governance/

[2] "Investment firm group" as defined in MIFIDPRU 2.4.

2. Risk management objectives and policies

2.1 Principal Risks

In accordance with MIFIDPRU 8.2 a firm is required to disclose its risk management objectives and policies for the categories of risk addressed by:

- MIFIDPRU 4 (Own funds requirements)
- MIFIDPRU 5 (Concentration risk); and
- MIFIDPRU 6 (Liquidity)

Furthermore, the risk management objectives and policies for each of the items above must include:

(1) a concise statement approved by the firm's governing body describing the potential for harm associated with the business strategy; and

(2) a summary of the strategies and processes used to manage each of the categories of risk listed in MIFIDPRU 8.2.1R and how this helps to reduce the potential for harm.

As the Firm's reference date falls before 30 December 2022, the Firm is not required to disclose the information above until 2023 as stipulated in the FCA's MIFIDPRU handbook transitional provisions regarding disclosure requirements[3].

[3] MIFIDPRU TP 12.6

3. Governance

3.1 Management Accountability

The Group is organised into different departments designed to address the business, legal, regulatory and compliance requirements of the business. The Firm is a subsidiary within the Group and leverages relevant Group departments and Committees (Audit, Nomination, Risk and Remuneration).

The Firm's Board and senior management believes that this existing departmental structure overseen by the Group and Firm's Boards ensures effective and prudent management of the Firm, including the segregation of duties in the Firm and the prevention of conflicts of interest, and in a manner that promotes the integrity of the market and the interests of clients.

The Firm's Board takes overall responsibility for the Firm and:

- Approves and oversees implementation of the Firm's strategic objectives, risk strategy and internal governance;
- Ensures the integrity of the Firm's accounting and financial reporting systems, including financial and operational controls and compliance with the regulatory system.
- Oversees the process of disclosure and communications;
- Has responsibility for providing effective oversight of senior management;
- Monitors and periodically assesses:
    - The adequacy and the implementation of the Firm's strategic objectives in the provision of investment services and / or activities and ancillary services;
    - The effectiveness of the Firm's governance arrangements; and
    - The adequacy of the policies relating to the provision of services to clients, and takes appropriate steps to address any deficiencies; and
- Has adequate access to information and documents which are needed to oversee and monitor management decision-making.

The Firm ensures that the members of the management body of the firm meet the requirements of SYSC 4.3A.3R. The Firm is subject to the Senior Managers Regime ('SMR') and all members of the management body hold SMF status. The Firm has undertaken the necessary fitness and propriety test associated with the SMR (alongside additional referencing processes) to ensure each member:

- Is of sufficiently good repute;
- Possesses sufficient knowledge, skills and experience to perform their duties;
- Possesses adequate collective knowledge, skills and experience to understand the firm's activities, including the main risks;
- Reflects an adequately broad range of experiences;
- Commits sufficient time to perform their functions in the Firm; and
- Acts with honesty, integrity and independence of mind to effectively assess and challenge the decisions of senior management where necessary and to effectively oversee and monitor management decision-making.

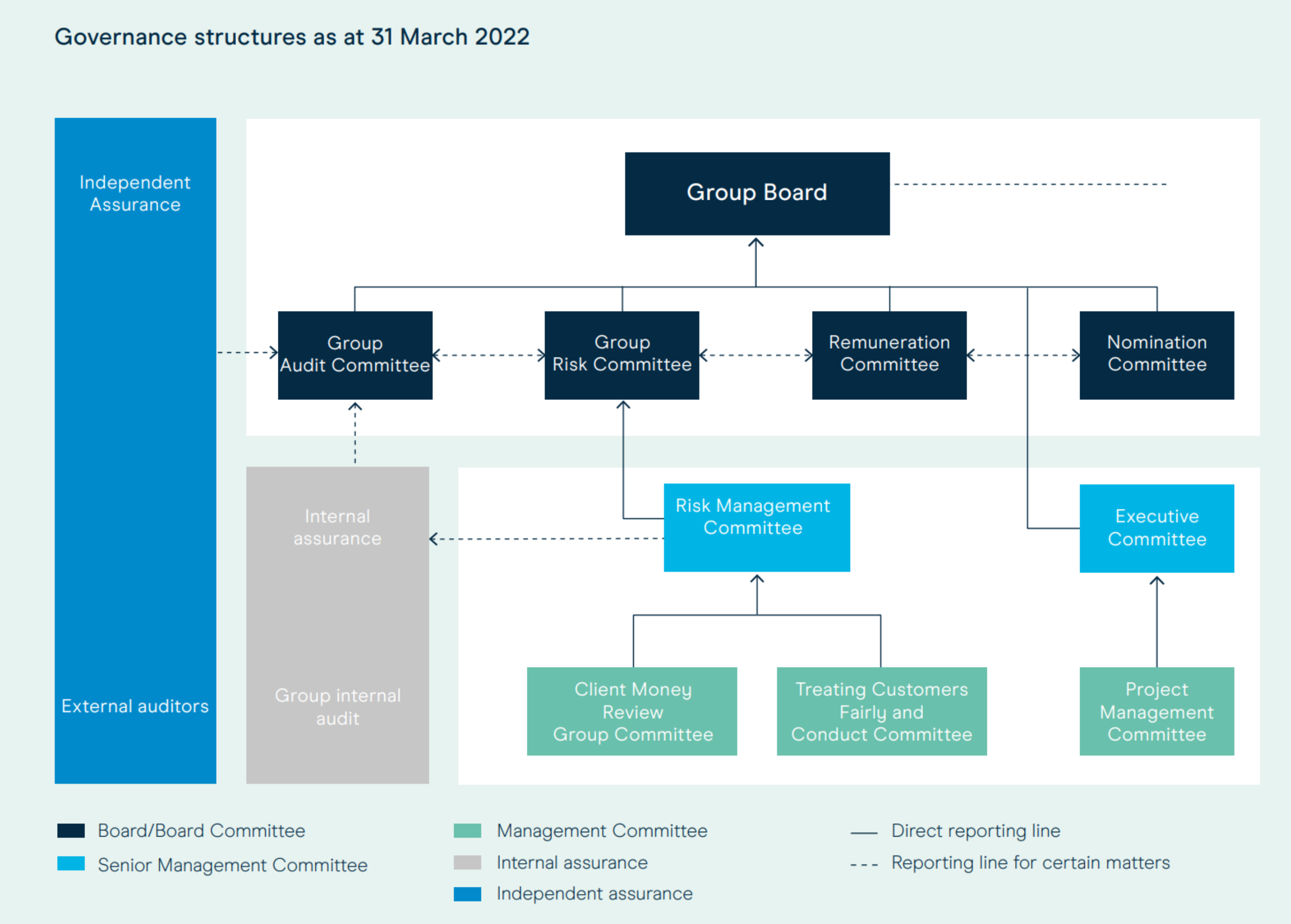
Board of Directors

The Board has overall responsibility for the Firm's affairs.

The Directors of CMC Spreadbet plc who were in office during the financial year and up to 31 March 2022 were:

Lord Peter Cruddas	Chief Executive Officer
David Fineberg	Deputy Chief Executive Officer
Euan Marshall	Chief Financial Officer

Governance Structure



3.2 Number of Directorships

The number of Executive and non-Executive directorships held by the Directors at the year ended 31 March 2022 were as follows:

Director	Number of Executive Directorships	Number of Non-Executive Directorships
Lord Peter Cruddas	2	0
David Fineberg	0	0
Euan Marshall	0	0

It should be noted that the following are out of scope for this analysis:

- Executive and non-executive directorships held in organisations which do not pursue predominantly commercial objectives; and
- Executive and non-executive directorships held within the same group or within an undertaking (including a non-financial sector entity) in which the firm holds a qualifying holding.

3.3 Summary of Diversity Policy

The Group's Diversity and Inclusion Statement and Policy sets out the Group's commitment to creating an environment that ensures that everyone is treated with fairness, dignity, and respect.

During the past year, the Group has built on the relationships with organisations such as Inclusive Employer and EveryWomen. Inclusive Employer have delivered a number of workshops covering inclusion topics from introductory overviews, to introducing allyship alongside more in-depth assessments on specific inclusion topics, such as neurodiversity inclusion. These workshops have provided learning opportunities but have also encouraged and supported teams and colleagues to discuss and connect around inclusion and open inclusion dialogues. Following the success of the Group's Women@CMC programme in the APAC region, which has included a growth in female representation, the programme has been rolled out in the UK & Europe. The programme connects women across five of the Group's offices via networking sessions and topic-based development workshops.

Gender Pay is also an important metric for the Group. Whilst the Group's published gender pay gap in the UK is 24% as at 5th April 2021 the Group's on-going monitoring demonstrates that, as at March 2022, the Group has improved to 86%. The Group continues to work to improve its monitoring, developing real-time metrics and a more robust grading structure to ensure the headline metrics are underpinned by local practise.

These activities, supported by the Group Board and Senior Management, have ensured that inclusion is being considered and discussed in decision making and as part of the review of many business processes. The Group have also engaged an Inclusion Consultant to provide an external viewpoint and help to develop the Group's formal inclusion strategy for the longer term. The Group continues to build on the foundations of everyday inclusion through further training, development of policies and practices along with further embedding an inclusive culture all employees feel a part of.

3.4 Risk Committee

In accordance with MIFIDPRU 7.3R a non-SNI MIFIDPRU firm is required to establish a risk committee. However, as a result of a waiver granted by the FCA the obligations to establish nomination, risk and remuneration committees at the individual firm level no longer applies. In accordance with the terms of the waiver the Firm can leverage the existing CMC Group remuneration, risk and nomination committees.

4. Own Funds

4.1 Own Funds

The Firm only holds Common Equity Tier 1 Capital which is comprised of share capital, other audited reserves and retained earnings. No deductions are made from Common Equity Tier 1 capital.

In accordance with MIFIDPRU 8.4 the Firm is required to provide information regarding its Own Funds instruments in addition to how these reconcile to the balance sheet.

The composition of own funds is illustrated in more detail in Table 1 below, with Table 2 demonstrating how this aligns to the Balance Sheet in the Financial Statements. Table 3 discloses the main features of the Own Fund Instruments issued by the Firm.

The Firm does not have Additional Tier 1 or Tier 2 Capital.

Table 1: Composition of Regulatory Own Funds

31 March 2022	Item	Amount (£ '000)	Source based on reference numbers of the Balance Sheet in the audited Financial Statements
1	Own Funds	48,294	iii
2	Tier 1 Capital	48,294	
3	Common Equity Tier 1 Capital	48,294	
4	Fully Paid Up Capital Instruments	350	i
5	Share Premium	-	
6	Retained Earnings	47,944	ii
7	Accumulated Other Comprehensive Income	-	
8	Other Reserves	-	
9	Adjustments to CET1 Due to Prudential Filters	-	
10	Other Funds	-	
11	(-) Total Deduction from CET1	-	

Table 2: Reconciliation of Regulatory Own Funds to the Balance Sheet in the Audited Financial Statements

		A	B	C
		Balance Sheet as in Published / Audited Financial Statements	Under Regulatory Scope of Consolidation	Cross Reference to Table 2
		As at 31 March 2022 (£'000)	As at 31 March 2022 (£'000)	
Assets – Breakdown by Asset Classes According to the Balance Sheet in the Audited Financial Statements				
Current Assets				
2	Trade & Other Receivables	45,735		
3	Amounts Due From Brokers	180		
4	Cash & Cash Equivalents	6,133		
	Total Assets	**52,048**		
Liability – Breakdown by Liability Classes According to the Balance Sheet in the Audited Financial Statements				
Current Liabilities				
1	Trade & Other Payables	3,754		
	Total Liabilities	**3,754**		
Shareholders' Equity				
1	Ordinary Share Capital	350		i
2	Retained Earnings	47,944		ii
	Total Shareholders' Equity	**48,294**		**iii**

Table 3: Main Features of Own Instruments Issued by the Firm

Cross Reference to Table 2 & Table 3	Item Reference from the Audited Financial Statements	Features of Own Fund Instrument
iv	Share Capital	Instrument Type: Ordinary Share Capital Amount Recognised in Regulatory Capital: GBP 350k Nominal amount of instrument: GBP 1 Accounting Classification: Ordinary Share Capital

5. Own Funds Requirements

5.1 Own Funds Requirements

In accordance with MIFIDPRU 4.3.2 the Firm is required to hold own funds in excess of the greater of the K-Factors, Fixed Overhead Requirement (‘FOR’) or its Permanent Minimum Capital Requirement (‘PMR’). In accordance with MIFIDPRU 8.5 a firm must disclose its K-factor requirements and FOR as detailed in Table 4 below:

Table 4: Own Funds Requirements

Requirement as at 31 March 2022	Total (£ ‘000)
Sum of K-AUM + K-CMH + K-ASA	402
Sum of K-COH + K-DTF	278
Sum of K-NPR + K-CMG + K-TCD + K-CON	461
FOR	5,319

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

- Client Money Held (‘K-CMH’)
- Net Position Risk (‘K-NPR’)
- Trading Counterparty Default (‘K-TCD’)
- Daily Trading Flow (‘K-DTF’)

5.2 Adequacy of Own Funds

In accordance with the Overall Financial Adequacy Rule (‘OFAR’)[4] 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:

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

The K-factors and the FOR are the starting point to assess the amount of own funds required to sustain ongoing operations and support an orderly wind down respectively.

As part of the Internal Capital Adequacy and Risk Assessment (‘ICARA’) process (which is performed as a Group ICARA), the Firm may determine that additional own funds may be required to cover those risks / harms that are insufficiently covered by the K-factors / FOR. The Group employs quantitative tools such as stress testing and scenario analysis for this purpose.

The own funds threshold requirement (‘OFTR’) is calculated as the higher of these two assessments and represents the amount of own funds that a firm needs to hold at any given time to comply with the OFAR.

[4] As set out in MIFIDPRU 7.4.7

6. Remuneration

The disclosure requirements regarding remuneration are set out in MIFIDPRU 8.6. However, in accordance with the transitional provisions in MIFIDPRU TP 12, the Firm is not required to disclose the information about its remuneration policies and practices that would ordinarily be required by MIFIDPRU 8.6 as the Firm's remuneration period, relating to the financial year ended 31st March 2022, commenced prior to 1st January 2022. Instead, the Firm has continued to comply with Article 450 of the CRR.

The FCA has defined a high level three tier proportionality framework as set out in the FCA's General Guidance on Proportionality relating to the Remuneration Code of SYSC19A. This sets out their expectations on the level of application of the Code requirements to different types of firms. Within these tiers, the Group meets the definition of the proportionality tier 3, and these disclosures reflect the requirements for such tier 3 firms.

6.1 Decision making process for determining remuneration policy

The Group Remuneration Committee (the 'Committee') consists of the Group's Non-Executive Directors. Meetings are held at least twice a year and written Terms of Reference, approved by the Board are available on the Company's website: https://www.cmcmarketsplc.com/investors/corporate-governance/committees/. The main role and responsibility of the Committee are:

- To review and agree appropriate Remuneration Policies which comply with all relevant regulations;
- To review and set the remuneration of the Executive Directors and endorse the remuneration of the senior management team having regard to remuneration of the wider CMC workforce;
- To review and ensure that incentive payments to Executive Directors are linked to the achievement of stretching financial performance and both strategic and individual agreed objectives;
- To ensure that remuneration incentivises and retains key employees including the Executive Directors and senior management;
- To ensure that Executive remuneration is linked to the delivery of the long-term success of the Company;
- Have oversight of the operation of remuneration arrangements across the CMC group through regular review of 'management' information including gender related;
- To review any major changes to employee benefit structures, including new share schemes, and ensure that shareholders are consulted, and the required approval processes followed;
- To review the appropriateness of remuneration against the risk management strategy following advice from the Group Risk Committee; and
- To ensure all relevant regulations relating to Executive Director remuneration are adhered to.

The Remuneration Policies are designed to promote sound and effective risk management. The Remuneration Committee reviews and approves the Remuneration Policies for all employees, including for Material Risk Takers and senior risk and compliance employees, to help ensure pay arrangements encourage appropriate behaviour and compliance with the Company's risk appetite. For example, all employees receive a salary which reflects their market value, responsibilities and experience. An individual may only receive an annual incentive award if he / she operates within the risk appetite of the Company and has demonstrated appropriate behaviour. Key senior managers are eligible for consideration of Long-Term Incentive Plan ("LTIP") awards, with any vesting based on performance over at least two years.

The Committee has flexibility to adjust the formulaic outcome if the Company's recorded performance is not a genuine reflection of underlying business performance or if results were not achieved within the Company's risk appetite. Combined Incentive Plan ("CIP") awards are subject to malus and clawback for all participants in various circumstances, including a failure of risk management. The Group Head of HR is closely involved in the remuneration process to ensure that both the Remuneration Policies and outcomes reinforce compliance with the Company's risk appetite, including reporting independently to the Committee at least annually on compliance with the risk appetite, on any notable risk events and on the behaviour of the Material Risk Takers.

6.2 Code Staff Criteria

The FCA Remuneration Code requires the Group to identify individuals whose professional activities have a material impact on its risk profile (known as 'Code Staff').

The following criteria have been identified as meeting the FCA's requirements for Code Staff:

- Extent to which each individual has the ability and authority to make decisions that may impact on material areas of risk set out in CMC's internal risk documentation including: ICAAP / ICARA, Risk Appetite Statement and Risk Management Framework;
- Reporting lines including but not limited to direct reporting line to the CEO and Executive Directors;
- Primary responsibilities: staff performing an FCA Senior Manager Function ("SMF") and certain Certification Functions ("CF") within CMC, i.e. Individuals whose professional activities have a material impact on the firms risk profile, including but not limited to those that meet the qualitative and quantitative criteria outlined in the Remuneration Code (staff who identify as Material Risk Takers ("MRT");
- Level of autonomy in role; and
- Level of earnings.

6.3 Link between pay and performance

The Executive Remuneration policy and the Group Remuneration policy support the Group's business strategy, which encourages and rewards for growth and shareholder alignment. It is based on building long-term relationships with clients and employees and managing the financial consequences of business decisions across the entire economic cycle.

Overall, the policies are designed to provide packages which attract and retain directors, senior management and employees of the highest calibre and motivate them to perform to the highest standards.

At the same time, the objective is to align individual rewards with the Group's performance, the interests of shareholders, and a prudent approach to risk management.

The variable remuneration element for the majority of employees who are not Executive Directors is an annual incentive awarded based on company and individual performance. An LTIP may also be awarded to senior managers and key talent subject to continued employment and sustained performance.

For Executive Directors in the financial year ending 31 March 2021 the Group received shareholder approval for an amended Directors' Remuneration Policy as set out on page 81 to 88 of the CMC Markets plc 2021 Annual Report and Accounts. The Executive Directors are eligible to participate in the Group's Combined Incentive Plan which provides a performance-based award aligned to the financial and strategic objectives of the business. The award is split into a cash award and share award. The share award vests in three tranches in years 3,4 and 5 and vesting is subject to sustained performance.

All variable remuneration awards are also assessed against delivery of a mandatory risk objective and compliance with our Conduct policy standard, with the approach to annual salary reviews consistent across the Group. All employees are eligible to participate in the annual incentive award scheme or an equivalent scheme, with targets appropriate to their organisational level and business area. Key senior managers are also eligible for LTIP awards to further support long-term alignment with shareholder interests.

In addition to the above variable remuneration, a Share Incentive Plan ('SIP') was implemented in 2016 for all employees; the plan gives employees the opportunity to purchase investment shares and to receive matching shares which vest after three years subject to the participant remaining employed by the Group. The plan is tax qualified for UK employees, for employees in Australia the SIP award is in the form of options over shares, and for employees in all other countries the awards are in the form of Phantom (cash settled) shares. These share-based benefits reinforce alignment with shareholders' interests at all levels of the organisation.

Design characteristics

Remuneration is delivered via a combination of fixed and variable elements, which includes base salary, pension and other benefits, an annual bonus and a long term incentive (for Directors, senior management and other identified staff only). For Executive Directors awards are made under the Combined Incentive Plan which provides for a cash bonus and a deferred share award based on performance criteria linked to the financial and longer-term strategic success of the business. The Remuneration Committee sets the criteria for making these awards each year along with assessing a performance underpin for the deferred share portion which is measured over a period of at least three years from the end of the year used to determine the amount of the award.

All employees receive a fixed salary that reflects their market value, responsibility, and contribution to the Group. The Group pays market competitive salaries. All employees are eligible to be considered for a variable remuneration award through a discretionary annual bonus unless they participate in another specific incentive. Any bonus payment is subject to the achievement of Group targets, business unit and individual objectives, and risk criteria.

Executive Directors are required to build up a holding of 200% of base annual salary. Executive Directors will be required to build up to this level over a period of five years, starting from the date of our listing in 2016 for the Executive Directors who were in role at the time the 2018 Remuneration Policy was approved and from the date of appointment for any recruits since that time or in future. Executive Directors will be expected to retain at least 50% of shares vesting (net of tax) until the guideline level is achieved. For the purposes of satisfying the shareholding requirement, shares held by a connected person (e.g. a spouse) will be considered to be included.

A post-employment shareholding requirement will apply of 200% of base annual salary (or the actual shareholding at date of exit if lower) for a period of two years after leaving employment.

Ratio between fixed and variable remuneration

The Committee applies an appropriate balance between fixed and variable remuneration. The Committee also ensures that the remuneration policies do not encourage unnecessary risk taking.

Main parameters and rationale for any variable component

Variable remuneration is delivered in the form of cash for the annual incentives and in the form of nominal and nil cost share options for all long-term incentives.

Senior managers and other employees are eligible for the Group's annual discretionary bonus scheme. The key financial performance measure used to determine the annual bonus pool is Profit Before Tax ('PBT') at Group level, together with an assessment of risk. A bonus pool is determined by reference to the achievement of PBT and after an assessment of risk. The pool is then allocated to eligible employees based on the achievement of individual targets.

Share Awards for Directors and other senior managers are subject to malus and clawback provisions.

6.4 Remuneration cost for Code Staff

For the year ending 31 March 2022 the aggregate remuneration in respect to the Firm's Code Staff was as follows:

Table 5: Code staff aggregate remuneration for the year ended 31 March 2022 (£m)

31 March 2022	Executive directors		Code staff	
	Number of recipients	Amount (£m)	Number of recipients	Amount (£m)
Fixed remuneration FY22	**3**	**1.3**	**15**	**2.3**
Variable remuneration – Award FY22				
Cash	3	1.5	15	1.0
SIP (Matching and dividend) awards	2	0.3	6	0.0
Total		**1.8**		**1.0**
Severance payments FY22	0	0.0	0	0.0
Outstanding Deferred Remuneration				
Vested free shares	0	0.0	0	0.0

Notes to the table:

- MRTs and Executive are employed by CMC Markets UK plc but are represented in multiple Group entities.
- Fixed remuneration: includes base salary and pension and other benefits
- Variable remuneration - Cash: The total earned in cash in respect of performance during the year ended 31 March 2021 (Paid in FY22)
- Directors Remuneration is included in the 2022 annual report and financial statements p.78-99.

Code staff aggregate remuneration of EUR1m or more for the year ended 31 March 2022

One code staff member was paid in excess of EUR1m during the year ended 31 March 2022.

7. 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 in MIFIDPRU 8.7.

8. Further Information

Should you have any queries, please contact:

Euan Marshall
CFO
E.Marshall@cmcmarkets.com

CMC Markets plc 133 Houndsditch London EC3A 7BX

Company number: 5145017

As disclosures in this document involve risks and uncertainties, and actual results may differ from those expressed or implied by these statements.