Tradelink Worldwide Limited

MIFIDPRU 8 Disclosure

31 December 2023

Contents

1. Introduction

1.1 Background and Disclosure

TradeLink Worldwide Limited ("TradeLink" or the "Firm") is a proprietary trading firm authorised and regulated in the UK by the Financial Conduct Authority ("the FCA"). In January 2022, the FCA implemented the 'Investment Firms Prudential Regime' ("IFPR"). Under the IFPR, TradeLink must make certain public disclosures as per Chapter 8 of the Prudential Sourcebook for MiFID Investment Firms in the FCA Handbook ("MIFIDPRU 8").

TradeLink is classified under MIFIDPRU as a Non-Small and Non-Interconnected MIFIDPRU investment firm ("Non-SNI MIFIDPRU Investment Firm"). TradeLink falls within the thresholds set out in MIFIDPRU 7.1.4R(1), and as such TradeLink is required by MIFIDPRU 8 to disclose information on the following areas:

- Risk management objectives and policies;
- Governance arrangements;
- Own funds;
- Own funds requirements; and
- Remuneration policy and practices.

The purpose of these disclosures is to give stakeholders and market participants a clear picture of the risks to the Firm's business and potential risks to market participants caused by the Firm through several quantitative and qualitative measures. TradeLink intends to contribute to market confidence by offering the markets proportional disclosures about its financial health and how its material risk takers are compensated.

The Firm's remuneration arrangements disclosed in section 6 of this document have been prepared according to the relevant rules applicable to TradeLink in part 19G of the Senior Management Arrangements, Systems and Controls legislation (SYSC19G).

1.2 Structure, Operating Model and Principal Activities

The Firm operates from London: Park House 16-18 Finsbury Circus Ground Floor London EC2M 7EB.

The Firm is a propriety trading Firm and the principal activity of the Firm is trading futures and options for its own account on the world's major futures exchanges primarily using a fixed income arbitrage trading strategy. As well as being regulated by the Financial Conduct Authority, the Firm is overseen by CME and EUREX as non-clearing members.

The Firm is authorised to carry out the following activities and services as per the FCA register:

- Dealing on own account

1.3 Frequency of Disclosure

The Firm completes the MIFIDPRU 8 disclosure annually on the date the Firm publishes its annual financial statements. As appropriate, the disclosures will be made more frequently if there is a major change to the Firm's business model.

All figures within this disclosure are as at the Firm's financial year end, 31 December 2023.

2. Risk Management objectives and policies (MIFIDPRU 8.2)

This section describes TradeLink's risk management objectives and policies for the categories of risk addressed by the requirements of the Firm in the following areas:

- Own funds
- Liquidity
- Concentration risk

2.1 Statement of Risk appetite

TradeLink has adopted a low overall risk appetite in respect to all types of material harms that arise in the course of pursuing its business model and strategy. The Firm's low-risk appetite is reflected in its maintenance of own funds and core liquid assets well in excess of its own funds and liquid assets requirements, respectively, which is indicative of the fact that the Firm seeks to minimise the risk of being unable to meet its liabilities as they fall due. Measures are nonetheless implemented to ensure that risks that fall within the Firm's risk appetite are mitigated to the extent possible. However, where an identified potential harm is deemed sufficiently remote in terms of the likelihood of its occurrence, no risk management action is taken, because if the risk were to materialise then the Firm would implement the wind down plan. The Firm accordingly within its wind down plan has quantified adequate 'additional' own funds and liquid assets to support an orderly wind down. This is reflected within the Firm's threshold requirements for capital and liquid assets.

Without undermining any of the above, the key point to note is that the Firm has taken a 'proportionality approach' to risk assessment on the basis of the relative simplicity of its business model. The Firm considers its business model to be relatively simple and narrow in scope with a moderate exposure to external risks and the position risk exposure on the trading portfolio which is adequately provided for in the calculation of K-NPR.

2.2 Risk Management

TradeLink has established a risk management process to ensure that it has effective systems and controls in place to identify, monitor and manage risks arising in the business. Risk management for TradeLink is the responsibility of two material risk takers and the senior management team.

Own Funds requirement

To calculate the Firm's own funds threshold requirement, TradeLink identifies and measures the risk of harms applicable to the Firm and considers these risks with regards to its ongoing operations and from a wind-down perspective. The Firm then determines the extent to which systems and controls in place mitigate the Firm's risks and the potential for a disorderly wind-down, and thereby determines the appropriate amount of additional own funds required on top of the K-factor requirement to cover the residual risks.

TradeLink's risks are controlled by a set of compliance and operational policies and procedures. This also links to the Internal Capital Adequacy and Risk Assessment process (ICARA) as a continuous internal review process that supports the senior management in the decision-making process and its exercise of oversight and control over the Firm. As explained further, the ICARA process is an important component that feeds into and derives from the policies, procedures, systems and controls that play a key role to ensure that the Firm operates effectively.

At 31 December 2023 the Firm's own funds threshold requirement (OFTR) is £1,208,298 which is driven through the wind down plan and is considered adequate to support an orderly wind down.

Concentration Risk

The Firm deals on its own account and is subject to position risk (specific or general). The Firm monitors the concentration of assets to a client or a group of connected clients on an ongoing basis as part of the monthly management process. As a Non-SNI the Firm reports on the concentration risk to the FCA on a quarterly basis.

Liquidity Risk

Liquidity risk is the risk that the Firm may be unable to generate sufficient cash or other liquid assets in a timely manner to meet its commitments as they become due. TradeLink's systems, policies and processes in place allow the Firm to monitor and manage regulatory liquidity requirements, working capital needs and cash flows to help provide a sufficient buffer against liquidity risk.

Due to the nature of the Firm's operations, all of its financial liabilities are short-term, and the Firm maintains adequate cash resources to cover its immediate obligations.

3. Governance arrangements (MIFIDPRU 8.3)

3.1 Senior management team

TradeLink believes that effective governance arrangements help the Firm achieve its strategic objectives while also ensuring that the risks to the Firm, its stakeholders and the wider market are identified, managed, and mitigated.

The Firm's senior management team are responsible for determining business strategy and risk appetite along with designing and implementing a risk management framework that recognises the risks that the business faces, determines how those risks may be mitigated and assesses the ongoing management of those risks. The Firm's senior management meet on a regular basis and discuss the projections for profitability and capital management, business planning and risk management for the business.

The following individuals and the SMF's they hold make up the Senior Management team at TradeLink Worldwide Limited:

1) **Harlan Jay Moeckler**
- SMF3 Executive Director

2) **Steven Wesley Wolf**
- SMF3 Executive Director

3) **Terry John Regas**
- SMF16 Compliance Oversight
- SMF17 Money Laundering Reporting Officer (MLRO)

4) **Meryl Larce**
- SMF17 Money Laundering Reporting Officer (MLRO)

The table below sets out the number of directorships (executive and non-executive) held by each SMF staff.

Name	Position at TradeLink	No. of external directorships held
Harlan Jay Moeckler	• Executive Director • CFO, TradeLink L.L.C. (Parent Company)	2
Steven Wesley Wolf	• Executive Director • Co-Chairman, Parent Company	1
Terry John Regas	• Compliance officer • CCO, Parent Company	Nil
Meryl Larce	• Accountant	Nil

3.2 Approach to Diversity of the Senior Management Team

TradeLink's approach to diversity within Management is consistent with its Parent's core values (the "Diversity Vision Statement"). The Parent and TradeLink are committed to promoting equality, diversity and inclusion. The Group recognises that having diverse teams is essential to creating a well-balanced structure that encourages equality throughout the business and in turn maintains a desirable, committed, and efficient workplace.

Management has a responsibility to lead by example and adhere to the Diversity Vision Statement, which helps promote the Group's aim of equal opportunities. As such, there is a strong emphasis on the recruitment process, taking into consideration not only experience and talent but also gender, ethnicity, age, and education as well as clear focus on talent development and career growth for diverse professionals.

The Group is focused on developing a recruitment and selection process for jobs in a way that ensures no discrimination occurs. Vacancies should generally be advertised to a diverse section of the labour market. Advertisements should avoid stereotyping or using wording that may discourage particular groups from applying. Furthermore, the Group strives to enable equal opportunity for long-term career growth and development for all associates.

4. Own Funds (MIFIDPRU 8.4)

4.1 Composition of Regulatory Own Funds

TradeLink 's own funds are made up of Common Equity Tier 1 (CET1) capital. As at 31 December 2023, the firm had sufficient regulatory capital to cover its own funds requirements. This can be seen summarised in the table below.

Composition of regulatory own funds			
	Item	£'000	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1	**OWN FUNDS**	**2,853**	
2	**TIER 1 CAPITAL**	**2,853**	
3	**COMMON EQUITY TIER 1 CAPITAL**		
4	Fully paid up capital instruments	3,750	Page 9
5	Share premium	-	
6	Retained earnings	(897)	Page 9
7	Accumulated other comprehensive income	-	
8	Other reserves	-	
9	Adjustments to CET1 due to prudential filters	-	
10	Other funds	-	
11	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	-	
19	CET1: Other capital elements, deductions and adjustments		
20	**ADDITIONAL TIER 1 CAPITAL**	**-**	
21	Fully paid up, directly issued capital instruments	-	
22	Share premium	-	
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	-	
24	Additional Tier 1: Other capital elements. Deductions and adjustments	-	
25	**TIER 2 CAPITAL**	-	
26	Fully paid up, directly issued capital instruments	-	
27	Share premium	-	
28	(-) TOTAL DEDUCTIONS FROM TIER 2	-	
29	Tier 2: Other capital elements, deductions and adjustments	-	

4.2 Reconciliation of Regulatory Own Funds to the Audited Financial Statements

The below table shows the reconciliation of regulatory own funds to balance sheet in the audited financial statements:

Reconciliation of regulatory own funds to balance sheet in the audited financial statements			
		a	b
	£'000	Balance as per audited financial statements	Cross-reference to template OF1
		31/12/23	
Assets			
1 – Fixed Assets	264	263,636	
2 - Debtors	824	823,711	
3 – Cash at bank	6,934	6,933,988	
	Total Assets	**8,021,335**	
Liabilities			
1 – Creditors (Due within 1 Year)	3,224	3,223,530	
2 – Creditors (Due after 1 Year)	482	482,468	
3 – Provisions for liabilities	132	132,126	
	Total Liabilities	**3,838,124**	
Equity			
1 – Share capital	3,750	3,750,000	4 – Paid up share capital
2 – Retained earnings	433	433,211	
- *Audited retained earnings*	*(897)*	*(896,577)*	6 – retained earnings
- *Profit and Loss for the year end 2023**	*1,330*	*1,329,788*	
	Total equity	**4,183,211**	

* As at 31 December 2023 the profit for the year ended 2023 was not yet audited therefore, this profit is not included within the Firm's regulatory own funds.

5. Own funds requirements (MIFIDPRU 8.5)

The tables below summarise the Firm's own funds requirements. TradeLink is required to always maintain own funds that are at least equal or greater than the Firm's own funds requirement.

5.1 Permanent Minimum Requirement (PMR), Fixed Overhead Requirement (FOR) and K-Factor Requirement (KFR)

The table below shows the breakdown of the own funds requirement. TradeLink is required at all times to maintain own funds that are at least equal to the Firm's own funds requirement. The own funds requirement is the higher of the Firm's PMR, FOR and KFR:

Requirement as at 31/12/23	£'000
Permanent Minimum Requirement (PMR)	**750**
- *Transitional Provision 2.20 (year 2) **	*350*
Fixed Overhead Requirement (FOR)	**948**
- *Based on 2022 audited financial statements*	*948*
K-factor Requirement (KFR)	**1,480**
- K-NPR Requirement	1,409
- K-DTF Requirement	71
MIFIDPRU 4 Own Funds requirement	**350***

**The KFR is superseded by the transitional provision (MIFIDPRU TP 2.20) as the Firm was formally classified as a local firm prior to the implementation of the IFPR.*

5.2 Approach to Assessing the Adequacy of Own Funds

TradeLink is subject to MIFIDPRU 7 which requires Firms to use the Internal Capital Adequacy and Risk Assessment (ICARA) process to identify whether they comply with the Overall Financial Adequacy Rule (OFAR). The ICARA process is the collective term for the internal systems and controls which a Firm must operate to identify and manage potential harms which may arise from the operation of a Firm's ongoing business, and to ensure that its business can be wound down in an orderly manner. The OFAR requires that 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:

- 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 markets.

The adequacy of the ICARA process will be assessed at least on an annual basis, or more frequently if there is a material change in the business model/risk profile.

Additional Own Funds Requirement

The additional own funds requirement is the amount of capital identified by TradeLink that is necessary to mitigate risks to ensure the viability of the Firm throughout economic cycles and to ensure it can be wound down in an orderly manner. Within the ICARA, TradeLink identifies, and measures risk of harms faced by the Firm and considers these risks with regards to its ongoing operations and wind-down. The Firm then determines the degree to which systems and controls alone mitigate risk of harm and the risk of a disorderly wind-down.

Ongoing Operations

As a non-SNI MIFIDPRU Firm, TradeLink has assessed all material harms posed to clients, the market and itself resulting from its ongoing operations, taking into consideration the existing controls in place. TradeLink has concluded that an additional £138,281 capital and £115,234 liquidity is required to mitigate the harm arising from these risks.

Wind Down

Wind-down planning has been performed in order to identify potential scenarios that could cause a need to wind down the business, and to determine the level of resources that the Firm would require to wind down in an orderly manner. As part of the wind-down plan, TradeLink has considered the most likely scenarios to initiate a wind down relate to the strategic operational decision by the Parent company or being faced with significant poor performance. The Firm concluded that £1,208,298 of capital would be required for an orderly wind down.

Overall Financial Adequacy Rule (OFAR)

TradeLink adopts a 10% buffer (‘Early Warning Indicator’) over its own funds threshold requirement (OFTR) in order to maintain a healthy own funds surplus above the requirement. If TradeLink triggers this warning, then a dialogue would be initiated with the FCA to explain the actions to be taken to rectify this.

The below table shows the OFAR as at 31 December 2023, including the own funds threshold requirement:

OFAR assessment at 31/12/2023	**£’000**
Own Funds	
Common Equity Tier 1	2,853
Additional Tier 1	-
Tier 2	-
Total Regulatory Capital	2,853
Own Funds Requirement	
Permanent Minimum Requirement	750
Fixed Overhead Requirement	948
K-factor Requirement	1,480
Superseded by transitional provision (MIFIDPRU TP 2.20) (A)	**350**
Overall Financial Adequacy Rule (OFAR)	
Assessment from ongoing operation	
As per Risk Assessment carried out through the ICARA **(B)**	488
Assessment from wind-down	
As per wind down planning **(C)**	1,208
Own Funds Threshold requirement (OFTR)	
Higher of (A), (B) or (C)	**1,208**
Early Warning Indicator (110%)	**1,329**
Surplus over Early Warning Indicator	**1,524**

6. Remuneration (MIFIPRU 8.6)

TradeLink has a Remuneration Policy in place which is in accordance with the relevant rules and guidance for the Firm's remuneration code as contained within the FCA's SYSC Sourcebook of the FCA's Handbook.

The Remuneration Code (the "RemCode") covers an individual's total remuneration - fixed and variable. The Firm incentivises staff through a combination of the two.

TradeLink 's Policy is designed to ensure that it complies with the RemCode and its compensation arrangements:

1. Are consistent with and promote sound and effective risk management;
2. Do not encourage excessive risk taking;
3. Include measures to avoid conflicts of interest; and
4. Are in line with the Firm's business strategy, objectives, values and long-term interests.

Proportionality

The FCA has sought to apply proportionality with respects to Firm's disclosures. TradeLink 's disclosure is made in accordance with its size, internal organisation, nature, scope and complexity of its activities.

Summary of the firm's approach to remuneration for all staff, including the decision-making procedures and governance in adopting the remuneration code:

- The Firm's remuneration policy is overseen by an informal committee, from time to time the committee will take legal advice from legal counsel in respect of remuneration matters.
- The Firm's policy will be reviewed as part of its annual review of its process and procedures, or following a significant change to the business requiring an update to its ICARA.
- TradeLink's ability to pay a variable remuneration is based on profits generated by the Firm, whilst ensuring that the Firm has sufficient capital and liquidity to meet its regulatory requirement. The variable component of the compensation plan is designed to encourage proprietary traders to reasonably pursue trading profits within risk constraints. Variable compensation is subject to deferral and performance adjustments.
- The Firm has identified three 'Material Risk Takers' based on the provisions laid out under SYSC 19G.5.1R, two of whom are traders and one of whom is a member of the administrative staff. Variable compensation earned by MRTs is subject to clawback and malus.

Key characteristics of the remuneration policies and practices:

- Individuals are rewarded based on their contribution to the overall strategy of the business. Other factors, such as performance, integrity, respect, teamwork and professionalism are taken into account when assessing the performance of the staff.
- The Committee has sought to set the fixed element of remuneration at a sufficient level to provide staff with comfortable living standards, in an attempt to avoid reliance on any variable element of remuneration, whilst ensuring the Firm's capital and liquidity position remains strong.
- The various components of remuneration are as follows:
    - Fixed remuneration, including salary, pension and other benefits in kind
    - Variable remuneration, including bonuses and discretionary payments
- In general, if the Company terminates employment, it may elect to make a lump sum payment equal to the notice period pay the employee would otherwise receive. This variable compensation is subject to adjustment based on the reason for employment termination.

Aggregate quantitative information on remuneration:

With respect to the financial year ended 31 December 2023, the total amount of remuneration awarded to all staff interpreted under SYSC 19G.1.24G was as follows:

	Fixed remuneration	Variable remuneration
All staff	1,311,603	1,379,381
Senior Management	0	0
Material Risk Takers (MRTs)	235,594	1,092,694

**There are no other members of senior management in addition to the Material Risk Takers as disclosed above.*

The firm did not pay any severance payments or guaranteed variable remuneration during the financial year 31 December 2023.