Tradition

PILLAR 3 DISCLOSURES - 2015

1 INTRODUCTION

1.1 Background

A revised regulatory capital adequacy framework; Capital Requirements Regulation ("CRR") and Capital Requirements Directive ("CRD"), together referred to as "CRD IV", came into effect on 1 January 2014.

CRD IV has been implemented in the UK by the FCA Handbook, specifically the General Prudential Sourcebook ("GENPRU"), the Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU") and the Prudential Sourcebook for Investment Firms ("IFPRU").

The regulatory framework established by CRD consists of three Pillars:

1. Pillar 1 sets out the minimum capital required to meet a firm's credit, market and operational risk;

2. Pillar 2 requires a firm to establish an Internal Capital Adequacy Assessment Process ("ICAAP") to establish whether its Pillar 1 capital requirement is sufficient to cover all the risks faced by the firm, and if not, to calculate the additional capital required. The ICAAP is then subject to review by the Financial Conduct Authority ("FCA"), through the Supervisory Review and Evaluation Process ("SREP"); and

3. Pillar 3 requires a firm to disclose specific information concerning its risk management policies and procedures, and its regulatory capital adequacy position.

The rules in FCA Prudential Sourcebook for Investment Firms (IFPRU) set out the provisions governing Pillar 3 disclosures, and the purpose of this document is to enable the UK incorporated, FCA regulated subsidiaries within the Tradition Group ("Tradition London Group") to meet these requirements.

1.2 Disclosure Policy

In accordance with Article 431(3) of CRDIV Tradition London Group has adopted a formal disclosure policy to comply with the disclosure requirements and has policies for assessing the appropriateness of the disclosures, including their verification and frequency.

Under Article 432(1) of CRDIV, a group may omit one or more of the required disclosures if the information is not material, that is that the information would not be likely to change or influence the decision of a user relying on that information for the purposes of making an economic decision.

Under Article 432(2) of CRDIV, a group may omit one of more of the required disclosures if they would require the disclosure of any information regarded as proprietary or confidential; that is information which would, respectively, undermine a competitive position or breach an obligation of confidence between a group and its customers.

In accordance with CRR Article 433 and 434, the Tradition London Group (TLG) will publish this disclosure at least annually on the Tradition London Group's website.

2 RISK MANAGMENT

2.1 Tradition London Group - Management and Control

The Tradition London Group is composed of the following UK incorporated, FCA authorised and regulated entities:

- Tradition (UK) Ltd ("TUK")
- Tradition Financial Services Ltd ("TFS")
- TFS Derivatives Ltd ("TFD")
- Tradition London Clearing Ltd ("TLC")
- TFS-ICAP Ltd ("TFI")[1]
- Trad-X (UK) Ltd ("TRX")

[1]TFI is a joint venture between Tradition Financial Services Ltd, Volbroker.com Ltd and ICAP. Tradition London Group has an effective interest in TFI of 27.5%, 50% is held by Volkbroker.com Ltd and the remaining 22.5% is held by ICAP. TFI is managed by Tradition London Group on behalf of the joint venture partners.

The Tradition London Group entities are provided with administrative support services by a UK incorporated sister company, Tradition Management Services Ltd ("TMS"). Costs incurred by TMS are recharged to the appropriate Tradition London Group entity.

All the Tradition London Group entities are subsidiaries or affiliates, via different intermediate holding companies of Compagnie Financiere Tradition ("CFT"), which is the holding company of all the 'Tradition' businesses and is listed on the Swiss stock exchange. CFT itself is a subsidiary of Viel et Compagnie Finance SE a company incorporated in France and listed on Euronext Paris.

The Tradition London Group Boards are supported by two additional control committees; the Risk Committee and the Regulatory Committee. In addition, a local Audit Committee, chaired by an independent non-executive director, reviews the effectiveness of the control functions and the control environment in order to provide assurance to the Tradition London Group Boards on the effectiveness of these functions.

2.2 Tradition London Group - Governance and Control Framework

The Tradition London Group has created a governance and control framework that sets out the way in which the formal Board and Committee structure and approval systems operate. The framework utilises the three lines of defence model and covers policy, risk appetite, business performance, limits setting, delegation of levels of authority and capital management and assurance mechanisms.

The three lines of defence model recognise that entities across the London Board are all risk-bearing entities. This is because their processes and systems are all subject to the risk that they are inadequate or that they fail in such a way that incidents arise as a consequence.

The governance and controls structure for the Tradition London Group's entities are based on the following three lines of defence:

1st line – Consists of operations and business process owners across London entities who have primary responsibility for their Risk and Control Self-Assessment (RCSA process). They act as risk owners with a responsibility to be proactive: in reducing the likelihood and severity of incidents, including establishing appropriate risk controls; ensuring that when incidents occur they are recorded and reported and in carry out corrective actions where appropriate. Financial controls, for example, are first-line controls.

2nd Line – consists of the risk and control functions that establish overarching systems and processes to assess, monitor and minimise risks across the organisation, overseeing the effectiveness of the first-line risk management and control environment, and where necessary defining additional controls, mitigation or other risk management measures. The second line is responsible for challenging and formally reviewing the effectiveness of the first line in managing the risks that it incurs and owns. At TLG, the second line includes the Compliance and Risk functions.

3rd Line –The third line of defence consists of the internal audit function, which is responsible for providing independent review and assurance of the effectiveness of the systems and controls established by the first and second lines. The internal audit function will raise any identified weaknesses in the control environment to the responsible senior managers, provide regular reporting on its findings to the Board and ensure that failure to implement its recommendations in a timely manner is escalated appropriately.

In discharging their duties under the risk governance framework, the second and third lines of defence are responsible to, and provide advice to, the TLG Board. The Board retains ultimate responsibility for risk governance, and as part of this responsibility the Board actively challenges the risk management arrangements established by the first and second lines of defence. Independent assurance, in particular oversight, review and validation is provided to the Board by Internal Audit of the effectiveness of risk assessment and management.

The boards of the Tradition London Group provide the following governance and oversight:

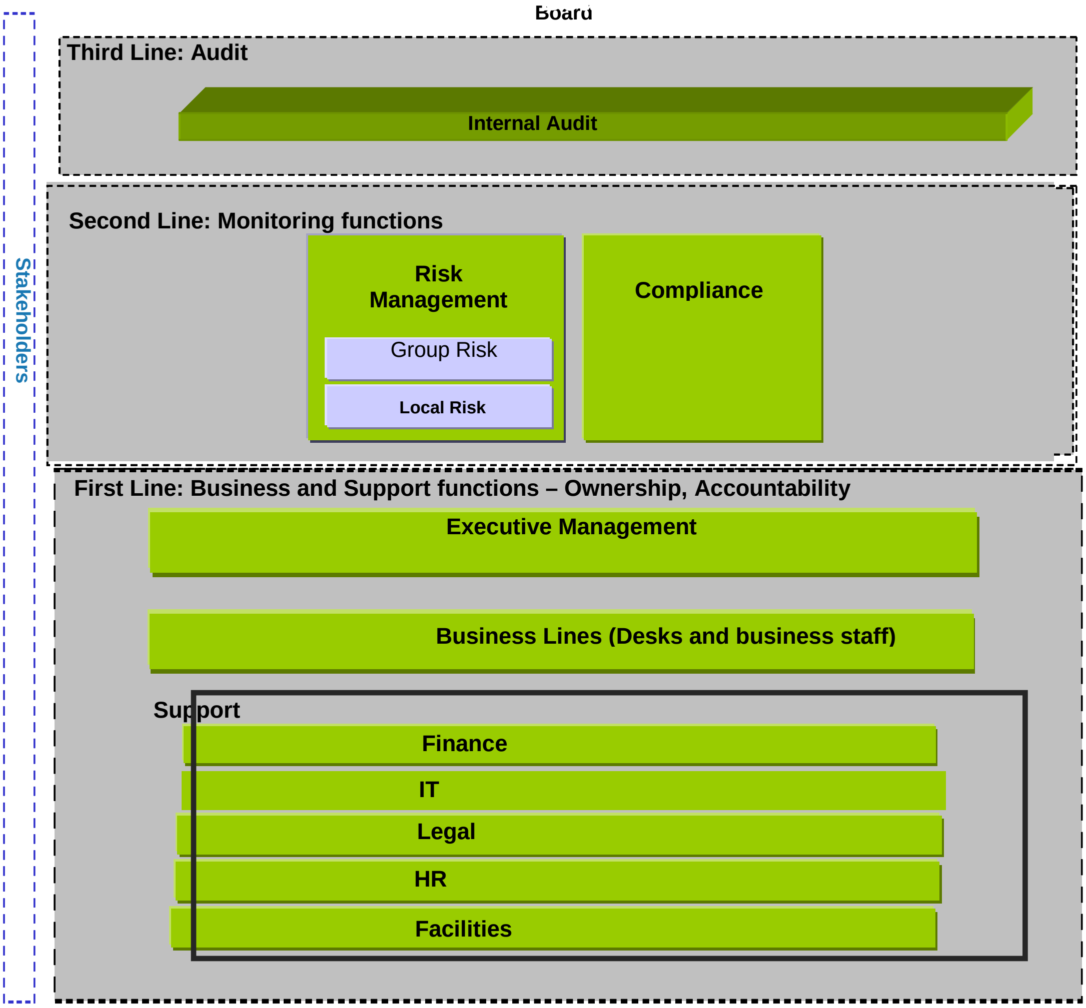
- Setting appropriate strategy within risk appetite;
- Promoting internal risk culture and risk awareness;
- Monitoring the implementation of the risk strategy by the Risk Committee;
- Ensuring independence of the control functions such as Compliance and Risk Management;
- Ensuring independence of Internal Audit (Assurance activity); and
- Verifying that independent control functions operate correctly.

TUK, TFD, Trad X and TFS Boards have delegated their authority to an Executive Committee of the Tradition London Group which is chaired in rotation by the Chief Executive Officer (CEO). The Executive Committee is supported by other functional committees.

TLC has its own Board and CEO and its own management structure which does not fall under the main London Executive Committee although it relies on the support and control functions of the London office.

The Tradition London Group Boards are supported by two additional control committees –the Risk Committee and the Regulatory Committee. In addition, a local Audit Committee, chaired by an independent non-executive director, reviews the effectiveness of the control functions and the control environment in order to provide assurance to the Tradition London Group Boards on the effectiveness of these.

London Group Governance and Control Framework



First Line of Defence
The first line of defence is the business and operational management which has the direct day-to-day ownership, responsibility and accountability for assessing, controlling and mitigating risks and establishing an appropriate control environment.

First Line of Defence – Support Functions
The first line of defence business and operational management is supported by a number of support functions to which are delegated the day-to-day management of certain controls. These support functions include:

- Finance Function – The Chief Financial Officer ("CFO") reports functionally to the Group CFO and locally to the CEOs and the Executive Committee. The CFO is responsible for financial management of Tradition London Group with an objective to control and support the business activities undertaken by the Tradition London Group, taking into account the strategy of the Group and the local legal, regulatory and fiscal environments. Key responsibilities include the reporting on performance, monitoring capital adequacy, meeting regulatory, legal and fiscal reporting requirements and the management of liquidity, funding and credit control.

- Legal Function – There are currently four Solicitors (with a further lawyer taking up the role of Strategy Director), their responsibilities include managing the Group's contractual relationships with the business's principal asset: its staff as well as its relationships with suppliers and certain customers.

Second Line of Defence

The second line of defence monitors and facilitates the implementation of effective risk management practices by business and operational management. This role is primarily performed by the control functions and senior managers described below:

- Risk Function – The Risk Manager has a dual reporting line into the Tradition London Group Boards of Directors and CFT's Chief Risk Officer. The Risk Manager is responsible for the measurement, monitoring and reporting of risks within the London Group and for driving the development of risk management capability and the risk management framework. More information on Risk Management within Tradition London Group is provided in section 2.3.

- Compliance Function – The London Head of Compliance has a reporting line to the London Boards. The objective of compliance is to monitor compliance with all regulatory rules and requirements and ensure all regulatory issues are effectively monitored and managed.

Third Line of Defence

As a third line of defence, the Internal Audit function provides assurance to the London Executive Committee, the Audit Committee and the Boards of Directors on the adequacy of the internal controls, risk management and governance processes, in particular when these are affected by material changes to the Group's risk environment. The internal audit function for London is outsourced to PwC. On an annual basis, Internal Audit prepares an audit programme. The programme is developed working closely with the local and Group control functions, and the external auditors. The programme is approved by the London and Group Audit Committee. Internal Audit provides regular update reports to the Audit Committees focusing on key findings and their resolution.

2.3 Risk Management

The objective of the risk management within Tradition London Group is to provide one of the second lines of defence with the London Head of Risk being responsible for:

- The assessment, monitoring and reporting of risks within Tradition London Group;
- Ensuring mechanisms are in place to forewarn Management and the Board when risk exposures threaten to breach Tradition London Group's risk appetite;
- Driving the development of Tradition London Group's risk management capability through the implementation of improvement projects, control frameworks and risk measures; and
- Satisfying CFT's Risk Management, the local Board of Directors, and external stakeholders (e.g. the FCA) that Tradition London Group applies appropriate risk management systems and processes.

The London Head of Risk has dual reporting into the Group Chief Risk Officer (CRO) and directly to the Boards of the legal entities. Jointly with the Risk Committee, the Risk Manager provides the overall executive leadership for risk management for all legal entities across all disciplines of risks (or working with other functions within Tradition London Group).

2.4 Risk Categorisation and Profile

Risk categories of relevance for Tradition London Group include:

- **Credit Risk** (including default, settlement and concentration risk)
  For settlement risk management TLG utilises a dedicated credit analyst team, whose members are based in Switzerland and London. They have the responsibility for assessing, challenging and deciding on credit

ratings and trading limits for the matched principal/cleared broking businesses. Daily reports are used for monitoring and enforcement purposes. The credit function ensures that credit exposures are monitored and that appropriate management information is provided to both local and group management. Credit limit breaches are reported daily to the brokers responsible and to management.

The Tradition London Group is exposed to settlement risk in its matched principal/cleared broking businesses. All transactions are managed on a Delivery versus Payment ("DVP") basis. A trade is deemed to be completed when both sides of a deal are settled, which is once payment is made and securities are delivered. The Tradition London Group is therefore exposed to settlement risk between trade date and settlement date when at least one side of a transaction remains unsettled beyond the agreed time frame (two working days). Unsettled ('failed') trades are marked to market and monitored very closely at both local and CFT level. The relevant Tradition London Group settlement department will liaise with counterparties to ensure that unsettled trades are resolved as quickly as possible; monitoring will take into account counterparty rating, underlying liquidity class, mark to market and capital requirement; ultimately, where justified, buy-ins will be triggered e.g. in case of technical default or counterparty insolvency.

The Tradition London Group's businesses have an inherent concentration risk profile. The exposure to concentration risk is managed through monitoring and action on large credit exposures via the Credit Control Committee.

The Finance Function assesses and manages the cash held with banks and the commission receivables from customers in order to assess and monitor overdue receivables. Where recovery, of all or part of amounts due, is in doubt, Finance is responsible for establishing provisions so that balance-sheet values fairly reflect potential credit losses. Tradition London Group's Finance function has an agreed methodology that is used and is aligned with applicable accounting and regulatory requirements. Oversight of the provision process is undertaken through the Credit Control Committee.

The Tradition London Group has not experienced any significant credit losses. The universe of core clients of the Tradition London Group is primarily comprised of credit worthy banks and financial institutions. The experience of the market turmoil during the 'Credit Crisis', the collapse of Lehman Brothers and the more recent turmoil arising from events in Russia and Greece have had a limited impact on the Tradition London Group, and all of the original receivables due from Lehman Brothers at the time of its collapse were subsequently recovered.

- **Market Risk**

  The Tradition London Group is mainly exposed to foreign currency risk that arises through its revenue generation (commission receivables), clearer and bank balances, and intercompany balances. The London Risk Manager is responsible for monitoring and managing the foreign currency exposures, and assessing the adequacy and effectiveness of the market risk mitigants (mainly currency forward contracts).

  In addition to GBP, revenue is principally earned in EUR and USD and to a lesser degree in other currencies. Foreign currency risk is analysed and managed locally by the Tradition London Group, taking into account economic trends and the magnitude of the currency exposures. The Tradition London Group policy is to monitor foreign currency bank balances daily and to convert currency balances regularly and ideally at times when exchange rates are favourable against the monthly benchmark. The timing of conversion cannot be guaranteed as the need for GBP may come at a time when the exchange rates may be adverse for the Tradition London Group. The risk is considered material and as such is mitigated by appropriate use of forward contracts for economic hedging of between 75% - 120% of the foreign currency exposure.

  Market risk also arises when transactions arranged by the Tradition London Group between two clients are not completed at the original quoted price, leading to a difference or error, or in the Tradition London Group being left with a naked long or short position. As these are error related they are deemed to fall under Operational Risk. To manage this risk, it is company policy to close any positions as quickly as possible at the next available price.

- **Operational Risk**
  Tradition London Group follows the Basel Committee definition for operational risk - the risk of loss caused by human error, ineffective or inadequately designed processes, system failure or improper conduct (including criminal activity).

  TLG maintains risk maps for each of the London entities and systematised Risk and Control Self Assessments (RCSAs) are conducted annually for each entity. The RCSA is coordinated by the Risk department and involves risk and control scoring/assessment by risk and control owners from the 1st and 2nd lines of defence. The output of the RCSA is analysed to identify key risks facing the business. The key risks in turn feed into selection of relevant KRIs, help define Risk Appetite, and feed into the scenario analysis process used for Operational Risk Capital quantification.

  TLG also has built up a considerable historical database of operational loss incidents, and has been capturing loss incidents since 2009, initially in the Efront system, and now in OneSumX, the new GRC platform implemented in January 2016. All legacy incident data has been migrated to OneSumX giving TLG a powerful tool for capturing, analysing, assessing and reporting on its historical operational risk losses. In addition TLG avails itself of external loss data via the bba GOLD Global Operational Loss Database, as a consortium member. Far more than just a repository of loss data, bba GOLD also provides reference KRI, Taxonomy, and Industry Risk Profile libraries, Live Op Risk event newsflashes and reporting, and an active user forum/working group.

  In accordance with the Basel 2 approach, TLG classifies Operational Risks according to the seven Basel 2 event type categories, as shown in the following table with some examples from TLG's risk map of each category:

Basel Event-Type Category (Level 1)		TLG Example Risks
1	Internal Fraud	Fraudulent transfer of funds from bank, clearing or settlement account; Bribery and/or Collusion
2	External Fraud	Fraudulent access to systems and data (external); Fraudulent transfer of funds (external)
3	Employment Practices and Workplace Safety	Departure of key staff or a whole team; Discrimination or Harassment
4	Clients, Products, and Business Practice	Market abuse; Billing not in accordance with agreed rates; New product failure
5	Damage to Physical Assets	Damage to critical building or other infrastructure and assets
6	Business Disruption and Systems Failures	Failure, alteration , disruption or interruption to utility services; System or Application is unavailable
7	Execution, Delivery, and Process Management	Error or difference on trade; Breach of contractual relationship or other obligation to a supplier

  Another key component of the framework is the implementation of an appropriate governance framework within the Tradition London Group. This includes a central Risk Function that manages operational risk and reports into the relevant risk management committees at CFT and London levels.

  Historical losses associated with Operational Risk events are well within the Tradition London Group's minimum regulatory capital requirement for Operational Risk.

- **Regulatory Risk**
  The Compliance function in London has the day-to-day responsibility for ensuring that an appropriate regulatory risk framework is in place and that regulatory risk is identified, assessed and managed across all legal entities. The scope for regulatory risk covers the risk of material loss, reputational damage or liability arising from a failure to comply with the requirements of the Tradition Group's lead regulator, the Financial Conduct Authority, other regulatory bodies and related codes of best practice that oversee regulated financial services businesses.

  Tradition London Group is subject to legal and regulatory obligations designed to restrict the ability of criminals to launder the proceeds of their crimes through the financial system. The Compliance function also has the day-to-day responsibility for ensuring that appropriate organisational arrangements are in place to undertake and monitor Anti Money Laundering activities.

Note that Management remain ultimately responsible for overall compliance with legal and regulatory requirements.

The risk that changes to law or regulation could have a direct or indirect negative impact on the Tradition London Group's ability to conduct its business is deemed to be a Strategic/Business Risk.

♦ **Strategic/Business Risk**

Tradition London Group is exposed to risk arising from changes in its business environment, including the risk that it may not be able to carry out its business plans and its desired strategy. These risks are material, as failed entry to new markets and products, failed acquisitions or late adoption of technology can be costly.

The CFT Executive Board comprising CFT's most senior regional and functional managers is responsible for establishing the CFT's strategy and monitoring its implementation. It monitors the latest competitor, technological, market and regulatory developments and how these may affect CFT, including the Tradition London Group. Issues discussed may include increasing the breadth of products offered and assessing the need for new electronic brokering platforms or other IT initiatives. Proposed strategic responses, both proactive and reactive, are evaluated at a local and regional level and then discussed and endorsed at the CFT Executive Board before implementation.

♦ **Liquidity Risk**

Liquidity Risk is the current or prospective risk arising from an organisation's inability to meet its liabilities/obligations as they come due without incurring unacceptable losses. Tradition London Group has identified the following liquidity risk exposures:

- Operational Liquidity – covers the day to day receipts and payments ; and
- Transactional Liquidity –ability to meet our obligations to our clearing and settlement agents in matched principal and exchange give-up businesses.

Operational Liquidity Risk is monitored and managed by the Finance function, while Transactional Liquidity Risk is monitored and managed by the relevant settlements/mid-office groups in TLC and TFD, and assisted again by Finance.

3 SCOPE AND APPLICATION OF CRDIV REQUIREMENTS

3.1 Business Overview

The Tradition London Group is comprised of five firms acting as Inter Dealer Brokers and another as CFT's matched principal trade facilitator via a cleared broking model. The entities operate as intermediaries in the financial markets facilitating the trading activity of customers, in particular commercial and investment banks. The businesses cover the following major product groups: Treasury Products, Interest Rate Derivatives, Fixed Income, Equities and Energy. Supporting its voice broking activity, the Tradition London Group also provides customers with access to electronic broking platforms on an increasing range of products.

In addition to its brokerage services, the Tradition London Group offers a variety of market information services through its market data division which provides real-time price information to clients and data providers such as Reuters, Bloomberg and other third parties.

The Tradition London Group's operating subsidiaries provide brokerage services on either a Name Passing, Matched Principal/Cleared Broking or Exchange Traded ('give-up') basis.

3.2 Supervision and Consolidation Groups

As noted in section 2.1, the Tradition London Group has six constituent firms in the UK that are authorised and regulated by the FCA:

- ♦ Tradition (UK) Ltd (TUK) - *Limited license firm*
- ♦ Tradition Financial Services Ltd (TFS)- *Limited license firm*
- ♦ TFS Derivatives Ltd (TFD)- *Limited activity firm*
- ♦ Tradition London Clearing (TLC)- *Limited activity firm*
- ♦ Trad-X (UK) Ltd (TRX)- *Limited license firm*
- ♦ TFS-ICAP Ltd (TFI)- *Limited license frim*

All of these firms are classified as either Limited Activity or Limited License as defined under IFPRU 1.1.11 and 1.1.12. These UK incorporated entities form UK regulatory sub-consolidation groups as follows:

i. Tradition (UK) Ltd with its South African subsidiary; Tradition Government Bond Brokers and Derivatives Brokers Ltd; (Limited license) and
ii. Tradition Financial Services Ltd with TFS Derivatives Ltd, TFS-ICAP Ltd, its South African subsidiary TFS Securities (Pty) Ltd and TFS Brokers (Israel) Limited, its subsidiary in Tel Aviv.(Limited activity)

Tradition London Clearing Ltd and Trad-X (UK) Ltd are not part of a UK regulatory sub-consolidated group.

All of the UK incorporated entities in the Tradition London Group are also included in the regulatory consolidation for the Viel Group, which is the ultimate controller of the Tradition group of international companies. This regulatory consolidation group is headed by Viel et Compagnie Finance SE which is subject to consolidated supervision by the Commission Bancaire in France.

4 OWN FUNDS AND OWN FUNDS REQUIREMENTS

Outlined in the following sections are the own funds (capital resources) and own funds requirements (regulatory capital requirements) for solo and sub-consolidation groups identified in section 3.2 above.

4.1 Capital Ratios

Under CRD IV, the Tradition London Group must, at all times, satisfy the following own funds requirements:

a) Common Equity Tier 1 capital ratio of 4.5%
b) Tier 1 capital ratio of 6%
c) Total capital ratio of 8%

CRDIV requires these ratios to be calculated using total exposure amounts, which are equivalent to the Pillar1 requirements multiplied by a factor of 12.5.

At 31 December 2015, the total own funds, own funds requirements and capital ratios of the Tradition London Group were as follows:

Own funds as at December 31 2015	Tradition (UK) Ltd consolidated sub- group	Tradition Financial Services Ltd consolidated sub- group	Tradition London Clearing Ltd Solo	Trad-X (UK) Ltd Solo
	£ in 000			
Common equity Tier 1 capital	26,070	37,465	5,150	3,000
Tier 1 capital	26,070	37,465	5,150	3,000
Tier 2 capital - Subordinated loan	3,100	-	-	
Own funds/ Total capital resources	**29,170**	**37,465**	**5,150**	**3,000**

Own funds requirement as at December 31 2015	Tradition (UK) Ltd consolidated sub- group	Tradition Financial Services Ltd consolidated sub- group	Tradition London Clearing Ltd	Trad-X (UK) Ltd
	£ in 000			
Credit risk exposure	36,573	34,596	3,281	605
Market risk exposure	1,727	2,897	168	-
Fixed overhead risk exposure	180,703	138,232	3,949	10,350
Total risk exposure	**180,703**	**175,725**	**7,398**	**10,350**

Capital ratios based on Pillar 1				
Common equity Tier 1 capital ratio (4.5% minimum)	14.43%	21.32%	69.61%	28.99%
Tier 1 capital ratio (6% minimum)	14.43%	21.32%	69.61%	28.99%
Total capital ratio (8% minimum)	16.14%	21.32%	69.61%	28.99%

The total risk exposure for the TUK sub-group and Trad-X (UK) is the higher of the sum of credit risk and market risk exposures, and the fixed overhead risk exposure.
The total risk exposure amount for the TFS sub-group and TLC is the sum of credit risk, market risk and fixed overhead risk exposure amounts.

Pillar 3 Disclosures on Remuneration - 2015

In accordance with the CRR Article 450 and BIPRU 11.5.18R, a firm must disclose, at least annually, information regarding its remuneration policy and practices for those categories of staff whose professional activities have a material impact on its risk profile. The following disclosure on the Tradition London Group provides the information required under BIPRU 11.5.18R and that applicable for the Remuneration Code Proportionality level three firms.

1. ***Information concerning the decision-making process used for determining the remuneration policy, including if applicable, information about the composition and the mandate of a remuneration committee, the external consultant whose services have been used for the determination of the remuneration policy and the role of the relevant stakeholders***

Tradition London Group's remuneration policy sets out the policies, practices and procedures applicable to all Tradition London Group employees designed to discourage excessive risk taking behaviour and ensure remuneration is consistent and commensurate to performance.

Tradition London Group's Remuneration, Appointments and Allocation Committee ("RAA") is entrusted with reviewing the operation and effectiveness of the remuneration policy for the Tradition London Group. The RAA is comprised of the CFT CFO and General Counsel and the chairman and CFO of Tradition London Group. The RAA has the power to ratify the appointment, reappointment and termination of any employee remunerated over £100,000 or where an appointment is deemed special. The RAA also ratifies all discretionary bonus payments over £100,000 and the discretionary budget made available for support staff variable bonuses.

During 2015, Tradition London Group has not used the services of an external consultant in determining its remuneration policy.

2. ***Information on the link between pay and performance***

Composition of remuneration
The remuneration paid to Tradition London Group employees comprises fixed salary, variable pay in the form of bonuses, non-contributory pension and benefits in kind.

General performance review
All members of staff are subject to a performance review in connection with the setting and adjustment of remuneration. Performance is assessed by reference to appraisals; compliance with internal HR and Compliance policies and regulation and contractual performance clauses.

In addition, from time to time, an independent benchmarking exercise is carried out to ensure that the Tradition London Group compensation and benefits packages are appropriate and in line with industry peers.

Bonuses
Discretionary – Monthly/quarterly/biannual/annual (depending on the contractual provision) bonuses are allocated by senior management. Factors considered include the employee's ability, performance and conduct, his/her personal contribution (often within a team environment), the profitability of the employee's particular desk or business area (if applicable), and the overall profitability of the firm.

Formulaic – Many broking staff receive variable remuneration pursuant to a contractually-specified formula. Such formulae are devised pursuant to experience and market practice, and are the subject of regular review.

Management percentage – So as to incentivise good management, certain front office managers receive whole or part of their variable remuneration based on the profitability of the business area(s) for which they have responsibility. The calculations are based on net profits (following deduction of all attributed costs) and are paid out at the frequency of the broking staff in their business area(s). Senior management performance is also rewarded in the context of the strength or weakness of the Tradition London Group's performance in the relevant period and anticipated market conditions.

3. Aggregate quantitative information on remuneration, broken down by business area

Broking staff: £97.4m (2014: £108.9m)

Non-Broking staff: £20.8m (2014: £20.9m)[1]

[1]The non-broking staff is employed and remunerated in TMS, the sister services company. These costs are then recharged to Tradition London Group as part of the back office support costs allocation process.

4. Aggregate quantitative information on remuneration, broken down by senior management and members of staff whose actions have a material impact on the risk profile of the firm

Remuneration Code staff: £12.7m (2014: £12.8m)