

## PILLAR 3 DISCLOSURES - 2016

### 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 or 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 will publish this disclosure at least annually on the Tradition London Group’s website.

## 2 RISK MANAGEMENT

### 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”)<sup>1</sup>
- ◆ Trad-X (UK) Ltd (“TRX”)

<sup>1</sup>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 Volbroker.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 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 covers: policy, risk appetite, business performance, limits setting, delegation of levels of authority, capital management and assurance mechanisms.

The governance and controls structure for the Tradition London Group is based on the following three lines of defence:

- ◆ 1st line – Process owners and the management functions which have primary responsibility for the assessment and monitoring of their own risks;
- ◆ 2nd line – Support functions which provide the business with specialist support in analysing risks and monitoring controls; and
- ◆ 3rd line – Independent assurance, in particular oversight, review and validation by Internal Audit and External Audit.

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

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

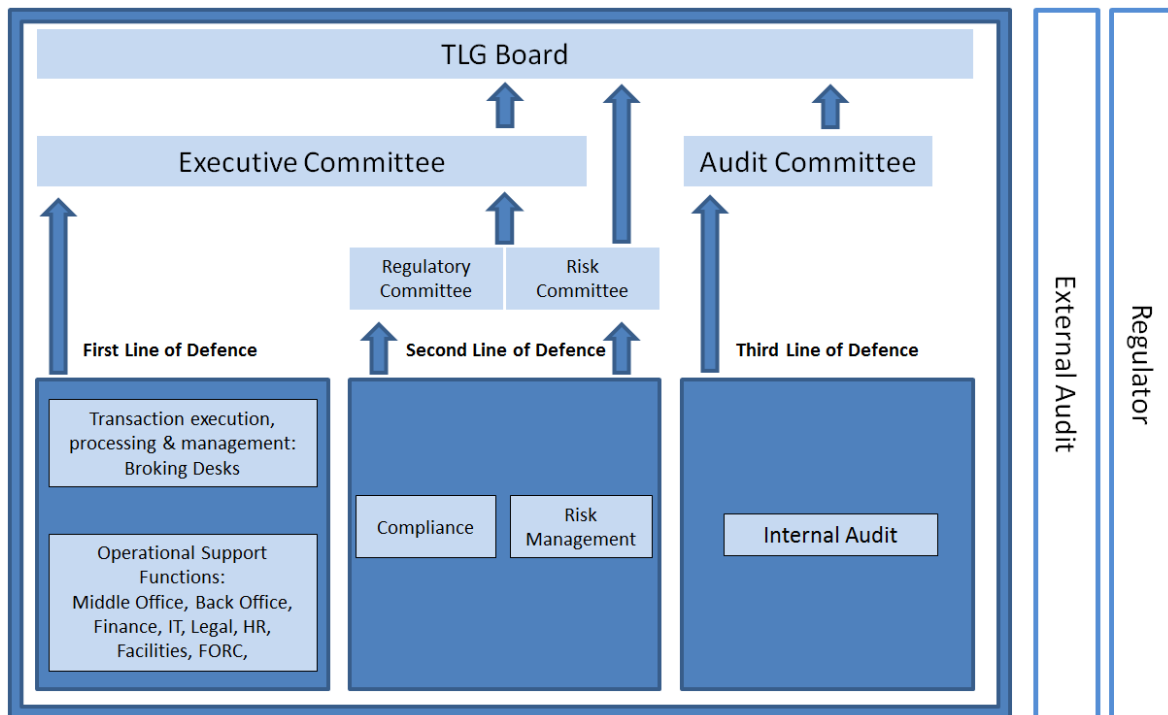
TUK, TFD, Trad-X and TFS Boards have delegated their authority to an Executive Committee of the Tradition London Group which is chaired in rotation by the Chief Executive Officers (CEOs). The Executive Committee is supported by other functional committees.

TLC has its own Board, Executive Committee and other management structures which do not fall under the Tradition London Group Executive Committee. However they rely on the support and control functions of the Tradition London Group.

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.

## 2.2 Tradition London Group - Governance and Control Framework

The governance framework is based upon the concept of 3 internal lines of defence against risk. This concept aims to ensure that accountability for the management of risk is pushed “towards the coal-face” to ensure that it is embedded in day-to-day management, but the boundaries between lines of defence should not be considered rigid.



### The First Line of Defence

The first line of defence 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, reported and remediated where appropriate.

The day-to-day management of certain controls are delegated to a number of support functions which support the first line of defence business and operational management. These support functions include, but are not limited to: Finance, IT, Legal, HR, Facilities and Front Office Risk and Control.

### The Second Line of Defence

The second line of defence 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.

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

### The Third Line of Defence

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. 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 and the Board 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.

Jointly with the Risk Committee, the London Risk Manager provides the overall executive leadership for risk management for all legal entities across the support functions and across all disciplines of risks.

### 2.4 Risk Categorisation and Profile

Risk categories of relevance for Tradition London Group include:

- ◆ **Credit Risk** (including default, settlement and concentration risk)  
The Tradition London Group utilises a centralised credit team managed by CFT Lausanne which has responsibility for assessing, challenging and setting credit ratings and trading limits for the matched principal/cleared broking trading businesses. Daily limit and breach reports are created for monitoring and enforcement purposes. The CFT Credit Function ensures that credit exposures are monitored and that appropriate management information is provided to both local and CFT 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. 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 80% - 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).

Some of the pertinent operational risks facing the Tradition London Group are summarised by Basel Category as follows:

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

The Tradition London Group quantifies its exposures to the operational risk events by taking into consideration actual and historical loss experience across the legal entities. The Tradition London Group most frequently experiences operational risk losses in its day to day business from errors, penalties and differences in broking activities which are considered normal in an IDB business.

Operational risk incidents are collected in the OneSumX (GRC) system thus creating a database for analysis. Incident data in OneSumX and migrated data from the previous Efront system gives a historical internal incident database from 2009 to the present.

Tradition London Group seeks to minimise operational risks by putting in place robust internal risk management and business controls. Tradition London Group uses independent internal audit, compliance function and a compliance monitoring plan to reinforce and oversee the operation of these controls. The Tradition London Group also aims to minimise operational risk at all times through a control and operational infrastructure aligned with CFT's operational risk management framework.

In brief, the operational risk management framework determines that there are key steps in the management of operational risk. These steps include:

- Measuring risk and assessment of the risk mitigation frameworks: achieved through the application of a regular risk and control self-assessment, and scenario analysis which forms part of annual capital quantification process ;
- On-going management and monitoring of risks: achieved through management information reporting on incidents, KRIs and Risk Appetite.

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.

◆ **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 the Group's most senior regional and functional managers is responsible for establishing the Group's strategy and monitoring its implementation. It monitors the latest competitor, technological, market and regulatory developments and how these may affect the CFT Group, 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 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 recognises 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 firm*

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 Ltd; (Limited license) and
- ii. Tradition Financial Services Ltd with TFS Derivatives Ltd, TFS-ICAP 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:

- Common Equity Tier 1 capital ratio of 4.5%
- Tier 1 capital ratio of 6%
- 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 2016, the total own funds, own funds requirements and capital ratios of the Tradition London Group were as follows:

Own funds as at December 31 2016	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	27,266	36,929	5,125	3,000
Tier 1 capital	27,266	36,929	5,125	3,000
Tier 2 capital - Subordinated loan	3,100	-	-	
<b>Own funds/ Total capital resources</b>	<b>30,366</b>	<b>36,929</b>	<b>5,125</b>	<b>3,000</b>

Own funds requirement as at December 31 2016	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	44,783	43,237	2,831	600
Market risk exposure	1,059	7,242	45	-
Fixed overhead risk exposure	211,436	158,053	5,195	11,703
<b>Total risk weighted Assets (RWA)</b>	<b>211,436</b>	<b>208,532</b>	<b>8,071</b>	<b>11,703</b>

Capital ratios based on Pillar 1				
Common equity Tier 1 capital ratio ( 4.5% minimum)	12.90%	17.71%	63.50%	25.63%
Tier 1 capital ratio ( 6% minimum)	12.90%	17.71%	63.50%	25.63%
Total capital ratio ( 8% minimum)	14.36%	17.71%	63.50%	25.63%

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.

Non-Applicable Disclosures
<p>The following disclosures specified in CRR are not applicable to the Tradition London Group (TLG) entities:</p> <ul style="list-style-type: none"> <li>- Article 440- TLG entities are not currently required to hold any countercyclical capital buffer;</li> <li>- Article 441- None of TLG entities are designated an institution of global systemic importance;</li> <li>- Article 449- TLG entities do not securitise assets</li> <li>- Article 451- TLG entities are not currently required to comply with the leverage ratio requirements;</li> <li>- Article 452- TLG entities are subject o the standardised approach to credit risk, not the IRB approach for Pillar 1 credit risk charge.</li> <li>- Article 454- None of TLG entities have adopted the AMA approach for calculating their operational risk exposure (as they are not subject to a Pillar 1 operational risk charge)</li> <li>- Article 455- TLG entities do not use an internal model to calculate their Pillar 1 market risk exposure.</li> </ul>

## Pillar 3 Disclosures on Remuneration - 2016

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 £50,000 and the discretionary budget made available for support staff variable bonuses.

During 2016, 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: £96.2 (2015: £97.4m)

Non-Broking staff: £20.8 (2015: £19.8m)<sup>1</sup>

<sup>1</sup>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 (2015: £12.7m)