IFPR Disclosure

Financial Year Ended 31st May 2024

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1. Introduction

This document presents the IFPR disclosures of Spreadex Limited required by MIFIDPRU 8 for the financial year ended 31st May 2024.

The purpose of the IFPR disclosures is to encourage market discipline by developing disclosure requirements which allow market participants to assess a firm's risk assessment procedures, as well as the firm's capital and risk exposures.

In accordance with the rules of the Financial Conduct Authority ("FCA"), Spreadex Limited will disclose the information set out in MIFIDPRU 8 annually.

2. Risk Management Objectives and Policies

Spreadex's Executive Board has responsibility for the implementation of an appropriate risk strategy that ensures the Group achieves its business objectives, whilst preserving its strong financial position and ensuring regulatory compliance and good outcomes for both clients and markets.

2.1 Principal Risks

Spreadex's business activities naturally expose it to strategic, financial and operational risks due to the inherent nature of the business it undertakes and the financial, market and regulatory environments in which it operates. Spreadex recognises the importance of understanding and managing such risks and that a cap or limit cannot be placed on all of the risks to which it is exposed. However, effective risk management ensures that risks are managed to an acceptable level.

Spreadex has adopted a common risk taxonomy that breaks the principal risks the Group faces into three broad risk categories; the risks inherent in the business model, operational risks, and the risks inherent in the regulatory environment.

Risk Category	Principal Risks	Mitigation and Controls
Business model risks	**Market risk** The risk of incurring financial losses due to market price movements negatively impacting the firm's net position in financial instruments.	• Board approved risk limits that monitor our exposures in real time. • Liquidity forecasting and stress testing. • Maintenance of material cash balances in excess of our liquidity requirements. • Extensive use of hedging to minimise risk.
	Credit risk – Client	• The setting of client margin requirements is designed to minimise clients experiencing poor outcomes, given the relevant market volatility and liquidity,

	The risk that a client fails to meet their financial obligations to the Group.	whilst also reducing Spreadex's exposure to debt. • Client positions are liquidated once they have insufficient margin, protecting clients from additional losses and Spreadex from additional client debt. • Spreadex also set prudent client credit limits on the basis of supporting financial information provided by the client and Spreadex's appetite for risk.
	Credit risk – Third Party The Group has exposure to financial institutions such as our banks and hedging counterparties.	• The Group undertakes due diligence of counterparties on an ongoing basis. • Credit exposures to third parties are actively managed in accordance with our Group counterparty risk limits.
	Liquidity The risk that the Group is unable to meet its financial obligations as they fall due.	• Active liquidity management is a key priority of our finance department with approved liquidity thresholds and stress testing. • Maintenance of a strong net cash position, significantly in excess of regulatory and liquidity requirements. • Access to additional support from shareholders if required and the option to take out debt with financial institutions if required.
	Capital adequacy The risk that the Group holds insufficient capital to cover its risk exposures.	• The Group conducts daily monitoring of compliance with all regulatory capital requirements. With the ICARA (Internal Capital Adequacy and Risk Assessment), the Group conducts an annual capital and liquidity assessment including the application of a series of stress-testing scenarios.
Operational risk	**Financial crime** The risk of failing to identify and report financial crime, including money laundering, terrorist	• A detailed and robust control framework (covering account opening and ongoing monitoring) that identifies relevant risks and implements an appropriate mixture

	financing and proliferation financing.	of automatic and manual controls incorporating front line defence, compliance review and dip sampling and Executive Director oversight and monitoring.
	Business Continuity The risk that a business continuity event or system failure results in a reduced ability or inability to perform core business activities or processes.	• Robust incident management policies and processes with key learnings identified and actioned as part of post incident reviews. • Maintenance of a detailed Business Continuity Plan ('BCP'). • Geographically distributed cloud-based infrastructure. • Remote access options to facilitate recovery to home working.
	IT The risk of data loss, that the Group's operations are affected, that clients receive a degraded service or are unable to trade due to an operational outage or system limitations.	• Continuous investment in our proprietary technology and identification of relevant KPIs, with real time monitoring and alerting. • 24/7 incident response capability. • Capacity stress/load testing with systems designed to run significantly in excess of standard use levels. • Regular 'war' gaming and identification of potential weaknesses. • Detailed disaster recovery planning and testing. • Utilisation of coding and release best practices.
Regulatory risk	**Regulatory** The risk of investigation, enforcement, or sanction by financial services regulators.	• Dedicated compliance function in place to ensure operations adhere to regulatory requirements and expected standards. • Horizon scanning and impact assessment for new regulations, ahead of implementation deadlines.

		• Regular review of existing policies, processes and procedures. • Specific compliance committees for AML, market abuse and FCA regulations.

3. Governance Arrangements

3.1 Management Accountability

Spreadex Limited is controlled by the Board of Directors who formally meet every six weeks.

The Group is organised into different departments designed to address the business, legal, regulatory and compliance requirements of the business. The Firm is a UK business which meets the requirements of MIFIDPRU 7.1.4 and leverages from relevant internal departments and Executive Committees.

The Firm's Board and Senior Management believe that this existing departmental structure overseen by the Group's 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 Spreadex Board delegates the day-to-day running of the business to the Executive Directors. The Executive Directors convene and sit on a number of internal working groups and Executive Committees which take responsibility for:

- Approving and overseeing implementation of the Firm's strategic objectives, risk strategy and internal governance;
- Ensuring the integrity of the Firm's accounting and financial reporting systems, including financial and operational controls and compliance with the regulatory system;
- Overseeing the process of disclosure and communications;
- Having responsibility for providing effective oversight of senior management;
- Monitoring and periodically assessing:
    - 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 taking appropriate steps to address any deficiencies; and
- Having 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 tests 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.

3.2 Directorships

Details of the Directors of the Company are included in the published annual report and financial statements.

Excluding directorships held with Spreadex Group companies, Tom Harris has 11 directorships and Paul Harris has 6 directorships. No other directors have external directorships.

3.3 Diversity

Spreadex is committed to creating an environment that ensures that everyone is treated with fairness, dignity, and respect. The invaluable contribution of our people has been at the heart of Spreadex's success. We recognise that our future achievements hinge on cultivating and enriching an environment where our employees can fully realise their potential. This involves ensuring we create a workplace where all employees have the opportunity to flourish, irrespective of their beliefs and identities. Spreadex values diversity throughout the firm, including in our management body, where appointments are made purely on merit and based upon the skills and experience required to carry out the role, irrespective of age, sex, race, religious beliefs, sexual orientation, marital status, disability, pregnancy or gender reassignment.

4. Own Funds

As required by 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.

Common Equity Tier 1 instruments consist of ordinary allotted, called up and fully paid £1 share capital, retained earnings and other reserves. Other reserves relate to historic capital contributions from the company's parent.

The firm does not have additional Tier 1 or Tier 2 Capital.

Table 1: Composition of Regulatory Own Funds

	Item	**Amount (£000's)**	**Cross reference number**
1	**Own Funds**	128,064	
2	**Tier 1 Capital**	128,064	
3	**Common Equity Tier 1 Capital**	128,064	
4	Fully paid-up capital instruments	11,550	1
5	Share premium	-	
6	Retained earnings	116,007	2
7	Accumulated other comprehensive income	-	
8	Other reserves	507	3
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	-	

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

		Balance Sheet as in published/audited Financial Statements (£000's)	**Cross reference to Table 1**
Assets			
	Intangible Assets	2,700	
	Tangible Fixed Assets	427	
	Current Debtors	195,497	
	Cash Held	49,414	
	Non-current debtors	4,596	
	Total Assets	**252,633**	
Liabilities			
	Current Creditors	(121,192)	
	Non-current provisions	(3,377)	
	Total Liabilities	**(124,569)**	
Equity			
1	Share Capital	11,550	1
2	Other Reserves	507	3
3	P&L	116,007	2
	Total Shareholders Equity	**128,064**	

5. Own Funds Requirements

5.1 Own Funds Requirements

In accordance with MIFIDPRU 4.3.2 Spreadex is required to hold funds in excess of its Own Funds Requirement. The Own Funds Requirements is the greater of its 'K-Factor' requirement, the 'Fixed Overheads Requirement' and the 'Permanent Minimum Requirement'.

As of 31 May 2024, the Own Funds Requirement was £13,793k, whilst the Common Equity Tier 1 Capital resources of the company were £128,064k (Consisting of £11,550k called up share capital, £116,007k retained earnings and £507k other reserves) resulting in a capital surplus of £114,271k.

The detail of the Own Funds Requirement is presented below with the additional information on the K-Factor disclosed underneath.

As at 31 May 2024	Amount (£000's)
Permanent Minimum Requirement	1,370
Fixed Overheads Requirement	8,011
K-Factor	13,793
Own Funds requirement	**13,793**

K-Factor	Description	Requirement Amount (£000's)
K-AUM	Assets Under Management	-
K-CMH	Client Money Held	163
K-ASA	Assets Safeguarded & Administered	-
K-COH	Client orders Handled	-
K-DTF	Daily Trading Flow	2
K-NPR	Net Position Risk	13,629
K-CMG	Clearing Margin Given	-
K-TCD	Trading Counterparty Default	-
K-CON	Concentration Risk	-
Total		**13,793**

5.2 Adequacy of Own Funds

In accordance to the Overall Financial Adequacy Rule (OFAR), the 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.

Spreadex has implemented an Internal Capital Adequacy and Risk Assessment process in accordance with the requirements of the FCA’s MIFIDPRU rules.

The K-factors and the Fixed Overheads Requirement 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, the Firm may determine that additional own funds may be required to cover any risks that are insufficiently covered by the K-factors or Fixed Overheads Requirement. Spreadex 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.

6. Remuneration Policy and Practices

6.1 Remuneration Approach

Spreadex's business strategy is to achieve long-term success in the financial leveraged trading and sports betting markets by building a trusted and respected brand and providing the highest quality products and levels of service.

Spreadex seeks to align its employee remuneration with both this business strategy, and the interests of its shareholders, and consequently rewards employees who are able to help the Firm achieve this strategy.

6.2 Financial Incentives

Spreadex recognises that its employees are fundamental to the ongoing success of the business and therefore focusses on attracting the highest quality talent.

Spreadex remunerates its employees through fixed and variable components and seeks to maintain an appropriate balance between the two.

In determining fixed compensation, Spreadex undertakes regular industry and geographical benchmarking, to ensure remuneration is at an appropriate level to recruit and retain the required calibre of staff.

In determining variable compensation, the firm seeks to reward behaviours that generate sustained, long-term value for the firm, and does not promote or encourage taking undue risk.

6.3 Remuneration Committee

To achieve these aims Spreadex operates a Remuneration Committee, responsible for the Group-wide policies, plans and practices, including setting the remuneration for members of the Executive Board, and a Remuneration Sub-Committee, which is responsible for setting the remuneration for the remaining Spreadex staff in accordance with the Group-wide policies, plans and practices.

The Remuneration Committee consists of two non-executive directors and the CEO.

6.4 Material Risk Takers

The following categories of staff were identified as MRTs (under SYSC19G.5) in FY24:

- Members of the management body,
- Senior management,
- Staff members with responsibility for control functions,

- Staff members with the responsibility for the prevention of money laundering and terrorist financing,
- Staff members responsible for managing material risks to the firm, and
- Staff members responsible for managing information technology.

6.5 Key Components of Remuneration

Fixed Remuneration

All employees of the Firm receive a fixed salary, consisting of a base salary according to position and function. Many factors can influence an employee's base salary, such as the role, experience level, market pay levels for comparable jobs, location of the job and available talent. Base salary can be all, or a meaningful part, of an employee's total compensation, depending on the job function and the level of role.

The base salary level is evaluated on an annual basis with no guaranteed increase for employees on individual contracts, unless contractual and or mandatory on a country specific basis e.g. indexation of minimum wage in UK. Fixed pay also includes benefits and pension contributions.

Benefits

All employees receive routine employment benefits on market aligned terms.

Pension

Employees receive a pension based on jurisdictional requirements and market drivers.

Variable Remuneration

The Firm uses performance-based variable compensation for incentivising and rewarding performance. The Firm believes that its annual variable compensation program serves a fundamental role in motivating its employees to deliver sustained shareholder value. The share of annual variable pay awards to MRTs may be subject to retention periods, set deferral percentages and periods in line with regulatory requirements. Annual variable pay awards are discretionary. They are determined on an individual basis including the performance of the individual, the relevant business unit, and the overall results of the Firm. Spreadex also offer a Senior Management Long Term Incentive Programme, which is designed to incentivise Executive Directors and Senior Managers to focus on the long-term growth, health and sustainability of the business. Any pay-outs made via the Long Term Incentive Programme are based on the compound annual growth rate ('CAGR') of the company's EBITDA over a three-year period.

6.6 Quantitative Disclosures

	Senior Management / MRTs (£m)
Total remuneration	5.8
Fixed remuneration	2.7

Severance payments	0.0
Variable remuneration	3.1
Guaranteed variable remuneration	0.0

7. Investment Policy

In accordance with MIFIDPRU 8.7.6, a firm is only required to disclose information in relation to its investment policy if the following circumstances are applied:

- Only in respect of a company whose shares are admitted to trading on a regulated market;
- Only where the proportion of voting rights that the MIFIDPRU investment 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 Spreadex does not meet these requirements, it is not required to disclose any information relating to its investment policy.