TRADEWEB EU B.V.
PILLAR 3 DISCLOSURE
10 SEPTEMBER 2019 FOR FIRST QUARTER 2019

Introduction 2
Internal Capital Adequacy Assessment Process ('ICAAP') 2
Governance arrangements 3
Risk Management Framework: Three lines of defence 3
Own funds 4
Capital Requirements 4
Credit risk 4
Market Risk 6
Operational Risk 6
Capital buffers 6
Remuneration Policy and Disclosure 6
Approval 7

Introduction

Tradeweb EU B.V. ('the **Company**') is authorised and regulated by the Dutch Authority for the Financial Markets (**'AFM'**) and the Dutch Central Bank (**'DNB'**). The Company has been authorised and regulated by the AFM since 2019 to operate a Multilateral Trading Facility ('**MTF**'), an Organised Trading Facility ('**OTF**') and Approved Publication Arrangement ('**APA**').

The Company is required to comply with the applicable disclosure requirements set out in the Capital Requirements Regulation (EU) No 575/2013 ('**CRR**'), which is commonly referred to as the 'Pillar 3 disclosure obligations'; and Article 96 of the Capital Requirements Directive (2013/36/EU) ('**CRD IV**').

The Capital Requirements Directive of the European Union establishes a regulatory capital framework across Europe governing the amount and nature of capital that must be maintained by credit institutions and investment companies. The framework consists of three "Pillars":

- Pillar 1 sets out the minimum own funds requirements;
- Pillar 2 requires the Company to assess whether its Pillar 1 capital is adequate to meet its risks; and
- Pillar 3 requires disclosure of specific information about the Company's risk exposure, capital, risk assessment and management procedures.

To encourage market discipline, the Company is required to disclose information about its capital position and material risks. The requirements for a Pillar 3 disclosure are set out in Part VIII, Articles 431 – 455 of the CRR.

This Pillar 3 disclosure has been prepared based on the Company's accounts for the first quarter of 2019, has been verified by the Company directors, and has not been audited by the Company's external auditors.

In accordance with Article 432 of the CRR, the Company is permitted to omit information which is regarded as immaterial such that the omission would be unlikely to change or influence the decision of a reader relying on that information for the purpose of making an economic decision. In addition, the Company is permitted to omit information which is regarded as proprietary or confidential. Information is regarded as proprietary to the Company if disclosing it publically would undermine its competitive position. Information is considered to be confidential where there are obligations binding the Company to confidentiality with any of its counterparties.

The Company is not part of a Consolidation Group under CRR and consequently, does not report on a consolidated basis under CRR. The Company is also not an institution of global systemic importance. The Company's immediate parent company is TWEL Holding LLC, which is a limited liability company formed in the USA.

Internal Capital Adequacy Assessment Process ('ICAAP')

The Company has assessed material risks to its business as part of its Internal Capital Adequacy Assessment Process ('**ICAAP**') and has set out appropriate actions to manage them. In particular, the Company has identified all material risks through scenario analysis and has assessed whether or not it would be appropriate to hold capital against those risks and / or whether or not to implement alternative risk mitigation.

The ICAAP is owned by the Company's Board of Directors ('**Board**') and is updated annually or when there is a material change to the business, whichever is earlier. The Board is supported by the International Risk Committee ('**RiskCo**').

The heads of individual business units are responsible for identifying and analysing risks relevant to their business units, for discussing this in their respective operational committees, and for reporting to RiskCo. Risks are then escalated, as appropriate, up to the Board.

Governance arrangements

The principal role of the Board is to provide leadership of the Company within a framework of prudent and effective controls, and is responsible for overseeing the Company's business and for promoting the long term success of the Company as a whole. Matters reserved for the Board include: (1) strategy; (2) directing the business; (3) financial reporting, controls and capital management; and (4) internal controls. The Board meets as and when required to discharge its functions.

The Board comprises four (4) executive directors. Directors are appointed from within the Company, having regard to their individual and combined knowledge, skills and experience to effectively direct and oversee the Company.

The directors review risks, controls and other risk mitigation arrangements and consider the financial impact of the risks as part of business planning and capital management. The Company conducts stress tests to assess the impact of stress scenarios on its financial position / capital and the Company is confident that it holds sufficient capital levels and has appropriate risk management procedures in place. Management will continue to update and reassess the scenarios as market, business and product landscapes continue to change and evolve. Updates are reported to the Board.

Risk Management Framework: Three lines of defence

The Company has implemented a 'three lines of defence' model for the risk management:

1. The first line of defence comprises the senior management team, managing directors and business leaders, including product management. Each of these individuals is responsible for proactively identifying risks related to their business lines and implementing approved procedures to mitigate them.
2. The second line of defence includes the Company's functional teams such as finance, HR, IT, legal and compliance, as well as the governance committees described above. The second line of defence ensures the efficiency of the Company's risk management, works to keep the Company within the Board's risk appetite, and monitors compliance with applicable regulatory requirements. RiskCo meets monthly to support the Board to achieve these objectives.
3. The third line of defence is the internal audit function. A third party firm provides the Company's Internal Audit services, including reviews of the business operations and systems of internal control. Internal Audit review scopes and findings are agreed and tracked by the ARC.

Own funds

Details of the Company's own funds capital resources and capital ratios as at 31 March 2019 are set out below.

Own Funds Disclosure at 31 March 2019	€'000
Share Capital	3,730
Profit and Loss account and other Reserves	(796)
Common Equity Tier 1 capital	2,934
Deductions from Tier 1	-
Additional Tier 1	-
Total Tier 1 capital	2,934
Tier 2 capital	-
Total Own Funds (Tier 1 plus Tier 2)	2,934
Capital Requirement for 2019	883
Total capital ratio (%)	27%

Capital Requirements

The Company assesses whether or not it is appropriate to hold capital against risks either on the base case or stressed scenarios. The Company separately calculates the wind-down cost for the business under stressed scenarios. The minimum capital requirement is set by the higher of: (1) Base capital of €730,000; (2) the sum of credit risk and market risk; and (3) the fixed overhead requirement, which is calculated as 25% of relevant annual expenditure and essentially sets the Company's minimum level of capital requirement.

Credit risk

Credit risk is the risk that a party will default on a financial obligation. The Company manages the risk as follows:

- Default of banks in relation to the Company's cash deposits held with them - Periodic monitoring of the financial strength of the credit institution with whom the firm deposits cash.

- Failure to collect payments due from customers and group companies - Tight credit control: performing credit checks, checking credit worthiness of the clients; monitoring payments against agreed arrangements.

- Counterparty credit risk – Assignment of notional trading limits to each counterparty having regard to micro parameters such as a company rating, financial reports, assets under management, trading history. The Company also has regard to macro driven risks such as country risk and legal framework. These are actively monitored and managed.

The Company offers trading via its Organised Trading Facility, whereby the Company performs assisted intermediated all-to-all trading. Trades are in bonds and are settled with counterparties DVP with involvement of a settlement agent within several days, typically T+2.

With respect to such trades, and depending on the product, trades will either be affected on a bi-lateral basis between the dealers, or with an affiliate company acting as the counterparty on a matched principal basis between the dealers. In this scenario, trades are immediately novated to the relevant clearing member.

The Company's exposures relate to bank deposits, other exposures include prepayments and receivable balances from other debtors including related parties. Bank deposits exposures are risk-weighted using external credit agencies ratings and mapped to credit quality steps as prescribed in the CRR. Exposures, for which a credit rating is not available, are assigned a risk weight in accordance with the credit quality steps as per CRR.

Bank deposits are repayable on demand and the other exposures have no maturity period.

The company has adopted the standardised approach to credit risk, and the Company's credit risk capital requirement at 31 March 2019 is €1.5m. The Company had no impaired exposures as at 31 March 2019 and no provision was made.

As set out in the Company's ICAAP for the 2019 financial year:

Total capital requirement by exposure classes at 31 March 2019 (in €'000)

Exposure Class	Balance (in €'000s)
Government & Central Bank	-
Institution	58
Corporates	-
Other	33
Total	**91**

Distribution by exposures classes at 31 March 2019

Exposure Class	Distribution
Institution	90%
Other	10%

Geographic distribution of exposures at 31 March 2019

Region	Distribution
Europe	90%
USA	10%

Market Risk

The Firm has no trading book positions, and market risk arises due to conducting business in currency, mainly in EUR, GBP and USD. Market risk is therefore determined by foreign currency exposure. The Market Risk Capital Requirement as at 31 March 2019 was €261k.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events, including legal risk. The main business and operational risks to which the Company is exposed, and the associated risk mitigation techniques include:

- Market downturn - The Company monitors revenues and market volumes; has a variety of asset classes and charging structures;
- Business interruption e.g. terrorism, system failure – The Company has a Business Continuity facility; Disaster recovery plan includes: backup connectivity, duplicate systems, real-time data replication to alternate facilities; business interruption insurance in place;
- Trade errors - Constant liaison with dealers and customers; the Company has highly trained support staff and procedures in place to mitigate errors;
- Loss of major customers – The Company continues to work to strengthen its customer base and product lines;
- System issues - Policies and procedures are in place; ongoing operational and related compliance monitoring; monitoring of large and unusual trades; check price information;
- Regulatory risk – The Company has robust compliance controls in place and ensures up-to-date knowledge and training for key staff;
- Reputation risk – The Firm limits staff access to client data; staff are obliged to maintain confidentiality.

The Company's primary risk is general business risk associated with operating an electronic trading environment. As such, the Company has operational risk arising from maintaining and monitoring those systems. The Company continually updates and monitors its system to mitigate associated risks. The management team of each business line and functional area is responsible for identifying risks in the respective department's operations, and for implementing procedures to mitigate risks. The foundation of these risk assessment processes is management's knowledge of the market, operations, technology, and products.

Capital buffers

As a limited license firm, the company is exempt from the capital buffers requirement.

Remuneration Policy and Disclosure

The Company has adopted a Remuneration Policy that complies with all requirements applicable to fixed and variable remuneration in financial companies. The Company does not have a Board-level Remuneration Committee and discloses basic qualitative and quantitative information about its policy.

The Company seeks to provide a compensation structure that rewards individual performance while taking into account the employee's role and company performance. A mix of external market levels, internal pay ranges and position valuation factors are considered when determining compensation. A holistic compensation philosophy is applied, which incorporates salary, cash bonus, health and welfare benefits, work / life accommodations and in some cases equity in the Company. Compensation is designed to engage and motivate employees and drive performance, without encouraging risky behaviour and short term decision making.

With these considerations in mind:

- The Company's remuneration structure is designed to attract, motivate and retain high-caliber individuals.

- The Company aims to ensure that a significant part of remuneration is performance-related (both with respect to individual performance and the performance of the overall business globally) so that the success of individuals is tied to the success of the business; employees' performance is evaluated based on objectives and targets set at the beginning of the period.

- The Company's remuneration policy promotes sound and effective risk management.

Tradeweb's global executive committee is the final approver, and determines compensation levels and the overall bonus pool levels. The bonus pool is determined by the performance of the overall Tradeweb business over the course of the relevant period.

Approval

Approved by the Board

10 September 2019