

Virtu Financial Ireland Limited

Pillar III 2021 Disclosure - VFIL



**VIRTU**  
FINANCIAL



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# 1 Introduction

## 1.1 Introduction

This document sets out the Pillar III Disclosures of Virtu Financial Ireland Limited ("VFIL" or the "Firm"). The entity is an Irish registered private limited liability company and is a subsidiary of Virtu Financial Inc. a NASDAQ listed company and hereafter referred to as "Virtu Inc.". The Pillar III disclosures (the "Disclosures") are compiled as at 31 December 2021.

The Disclosures are required by Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on prudential requirements for investment firms, otherwise known as the Investment Firm Regulations ("IFR/IFD").

VFIL is regulated by the Central Bank of Ireland ("CBI") and is authorised as an Investment Firm under Regulation 8(3) and deemed authorised under Regulation 5(2) of the Statutory Instrument No. 375/2017 European Union (Markets in Financial Instruments) Regulations 2017.

## 1.2 Regulatory Background

IFR is an capital adequacy framework for investment firms in the European Union. Its purpose is to provide for a comprehensive and risk-sensitive capital adequacy structure within investment firms and to promote enhanced risk management systems and controls amongst investment firms. IFR is made up of three prudential components called "Pillars":

- **Pillar I** sets out the methodology for the calculation of the Firm's minimum regulatory capital requirements to meet the Firm's credit, market and operational risks. IFR implements a new 'K-factor' regime to tie such risks closer to the business of investment firms.
- **Pillar II** requires the Firm to fully assess its risks and to ensure there is a credible link between its risk profile and the capital it maintains. The Pillar II assessment is also called the Internal Capital and Risk Assessment ("ICARA") which is made up of an assessment of both capital and liquidity.
- **Pillar III** requires the Firm to make public disclosures of certain specific information concerning capital adequacy, risk exposures and risk management arrangements in order to promote greater market discipline and transparency through the disclosure of key information.

The Disclosures meet VFIL's obligations with respect to Pillar III and the requirements outlined in Articles 46-53 of IFR.

## 1.3 Scope, Frequency and location of Disclosures

The Disclosures have been prepared as at 31 December 2021, which is the fiscal year end for VFIL. The Pillar III reports are disclosed on an annual basis.

The Firm publishes its Pillar III Disclosures on the Virtu Financial group's website at the following address <https://www.virtu.com/regulatory-disclosures/>.

These disclosures have been prepared solely for the purpose of fulfilling the Firm's Pillar III disclosure requirements under IFR and are not used by management for any other purpose. They have not been audited nor do they constitute any form of audited financial statement.



## 2 Risk Management Objectives and Policies

### 2.1 Risk Management Framework

The Board seeks to have in place an integrated and institution-wide risk culture. This cultural approach means that employees are aware of their responsibilities relating to risk management, understand the risks the Firm faces and are aware of how such risks are managed within the Firm. This risk culture is developed through staff training, formal and informal reporting, meetings and formal communications to staff from Senior Management as regards the Firm's risk policies and procedures.

The Firm has established regular and transparent reporting mechanisms so that the Directors and all of the relevant functions within the Firm are provided with reports in a timely and meaningful manner. This enables the sharing of relevant information about the identification, measurement or assessment and monitoring of risks both vertically and horizontally.

In order for the Board to achieve its risk objectives, it has put in place a permanent independent Risk Management Function supervised by the Chief Risk Officer. The Risk Management Function is organisationally separate from the activities that it is assigned to monitor and control, but it is not isolated from them.

The Firm's control environment is highly automated, through the use of Virtu Financial Group's proprietary technology infrastructure. The Firm's infrastructure incorporates automated risk protections and risk limiting tools to protect against operational, trading and other potential risk areas. Within the Firm there is a strong focus on rigorous risk management techniques and early identification of issues with escalation protocols to the Board.

The Firm's governance structure shall be outlined in more detail in Section 3.1 on the Governance Framework.

### 2.2 Objectives, Policies and Strategies

#### 2.2.1 Capital Requirements

It is the objective and the policy of the Firm to be sufficiently capitalised to both meet its regulatory obligations and to meet any capital requirements of future potential business opportunities.

In accordance with the IFR and VFILs Internal Capital and Risk Assessment ("ICARA") process, the Firm's capital requirement is monitored on a daily basis by senior management and following the preparation of quarterly accounts, capital adequacy calculations are prepared and filed with the Central Bank of Ireland. The Firm employs sophisticated and automated tools to monitor and report on its capital requirements.

VFIL is classified as a Class 2 Firm under IFR and utilises K-factors and/or Fixed Overhead Requirements to calculate its Pillar I capital requirements. Additionally, the Firm fully assesses its risk profile to ensure there is a credible link between its risk profile and the capital it maintains through the ICARA process. This process identifies specific areas of risk outside of the Pillar 1 'K-factors' and assigns extra capital to ensure the Firm is fully capitalised to compensate for these risks.

The Central Bank of Ireland has also subjected the Firm to an additional capital add on whereby Pillar I risks are multiplied by 125%.

As at 31 December 2021 and at all times throughout the year, the Firm complied with its prudential minimum capital requirements of IFR in that the capital resources were in excess of the capital required by the Firm.

#### 2.2.2 Concentration Risk

Concentration risk can be defined as any single (direct and/or indirect) exposure or group of exposures with the potential to produce losses large enough to threaten an institution's health or its ability to maintain its core business. Concentration risk arises from:

1. large individual exposures; and
2. significant exposures to groups of counterparts whose likelihood of default is driven by common underlying factors, for example:
  - economic sector
  - geographical location
  - currency
  - credit risk mitigation measures

The Firm considers concentration risk in terms of capital/assets, liquidity, geography, clients and revenues.

It is the objective and strategy of the Firm to diversify these risks to ensure the Firm is not reliant on an individual entity, group, geography or revenue stream, which may fall away.

The Firm is satisfied that there is no material concentration risk within the Firm. The Firm currently holds no capital under the Concentration k-factor (K-CON), as formulated under IFR.



## 2.2.3 Liquidity

Liquidity risk represents the risk that the Firm does not have:

- sufficient liquid assets to meet short and medium-term liquidity requirements over an appropriate set of time horizons
- adequate levels of liquidity buffers, under both normal and stressed conditions
- have sufficient funding plans to support strategic objectives.

It is the objective and policy of the Firm that in its approach to managing liquidity, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Firm's reputation. The Firm maintains compliance with Article 43 of IFR by ensuring that its liquid assets are equivalent to at least 33% of its Fixed Overheads Requirement ("FOR").

The liquidity position of the Firm is monitored on a daily basis by finance and operations, with management information on liquidity provided on a regular basis to senior management and periodically reported to the Board. On an annual basis, a five-year forward looking liquidity plan is prepared by the finance function and reviewed by the Board.

## 2.3 Risk Appetite Statement

Risk appetite is defined as the aggregate level and types of risk an organization is willing to assume within its risk capacity to achieve its strategic objectives and business plan. Risk capacity is defined as the maximum level of risk the Firm can assume given its current level of resources before breaching constraints determined by regulatory capital and liquidity needs, the operational environment and obligations, constraints from a conduct perspective to shareholders, clients and other stakeholders.

The risk appetite for the Firm is encapsulated in the entities budget and medium-term business plan, which is aligned with the Firm's overall business risk appetite and is sanctioned by the Board on an annual basis. Consequently the Firm's risk appetite is reflective of its strategy, including organisational objectives, business plans and shareholders expectations. The Firm acknowledges a willingness and capacity to take on risks and is inclusive of a tolerance for loss or negative events that can be reasonably quantified, such as operational risk losses resulting from trade errors, lost revenue because of third party outages (venues, brokers etc.) and others. Such losses are referred to as expected losses.

The firm acknowledges a willingness and capacity to take on risks and is inclusive of a tolerance for loss or negative events that can be reasonably quantified, such as operational risk losses. The level of risk the firm is willing to take on is determined across key strategic areas and strategic objectives within those areas (aligned with the business plan). For each objective the firm sets a risk appetite ranging from Very Low to Very High and a numeric score at each level to allow for aggregation.

This methodology ensures that the risk appetite is aligned with the firm's overall objectives. There are certain risks that the Board wishes to avoid completely, this means that the Board has no risk appetite towards these additional risks in the pursuit of any of the strategic objectives and has set a risk tolerance of zero incidents.

### 2.3.1 Credit & Counterparty Risk Appetite

#### Credit Risk

There is no appetite for Credit risk. VFIL does not extend credit.

#### Counterparty Risk

There is a low appetite for Counterparty risk.

Counterparties can be broadly placed within two categories;

- Banks in which the VFIL has cash deposits and therefore there is a risk that those funds become unavailable in the event the bank (counterparty) is unable to provide access to those funds.
- Trading counterparties in which there is an obligation to deliver cash to pay for shares purchased or shares for shares sold; the risk here is initially a settlement delay followed by a settlement default.

The Firm has robust credit approval and treasury policies with the primary objective of preserving principal, maintaining liquidity obligations and limit capital and credit risk exposure due to customer defaults.

VFIL monitors the Expected Default Frequency as determined by a 3rd party Credit Agency (Moody's) of all its Banking Counterparties and those Trading Counterparties that have an EDF. As relates to risk appetite for Counterparty Risk the firm has adopted an EDF threshold of 5% as a tolerance trigger for considering the ongoing exposure to that counterparty

### 2.3.2 Market Risk Appetite

There is a medium/low appetite for Market Risk.



Market Risk is an inherent part of the firm's business activities and the overall risk appetite of the company is determined with reference to the strategic goals, potential earnings power, the capital base and diversified business model.

The firm seeks to avoid unwanted directional and market risk and continually assesses its market risk exposures with a view to maintaining correlated or market neutral positions. Position taking profit and loss within the firm's risk tolerances are expected so long as the trend in revenue generation is positive.

Risk limits are set to be consistent with the risk appetite.

### 2.3.3 Liquidity & Funding Risk Appetite

There is no appetite for VFIL being unable to meet all payment obligations as and when they become due.

The Firm has a liquidity metric called the liquidity survival horizon, expressed as the time the Firm is able to fulfil all its fixed overhead obligations in a stressed scenario that simulates a cease in all revenues and related variable costs.

The Firm's risk appetite would be considered breached (operating outside of appetite) if the survival horizon dropped below 1 months under stressed conditions.

The Finance Department and Head of Finance acting in the capacity of treasury management will ensure they are able to identify measure and manage the liquidity requirements of the Firm through the monitoring of operational liquidity as well as determining and securing the Firm's longer term funding requirements.

The Firm has zero tolerance as relates to breaches of its regulatory capital requirements and has in place near real-time monitoring of said requirements and alerting mechanisms that provide early warning when requirements versus own funds are marginal or stressed.

The Firm's risk appetite as regards capital adequacy would be considered breached (operating outside of appetite) if the excess of own funds to capital requirements was equal to or less than 5% for 6 consecutive days.

### 2.3.4 Operational Risk Appetite

Operational Risk is pervasive, managed across the organisation and a consequence of operating the business; consequently articulating a risk appetite is more challenging than doing so for other risk types.

To this end the business has, in addition to the impact on earnings approach, extended the operational risk appetite to include statements across i) information technology, ii) fraud and corruption & iii) information management.

At a high-level operational risk appetite is based on an impact on earnings approach.

This involves looking at how much the Firm could potentially lose due to operational risk losses. In setting operational risk appetite both the impact on solvency and reputation are considered.

#### Information Technology

Covering both daily operations and on-going enhancements to IT systems, these include

- Core Systems Outages and Interruptions;

There is a very low appetite for risks to the availability of systems which support the critical business functions and recovery times of these functions have been identified.

- Cybersecurity

The firm has a very low appetite for threats arising from external malicious cyber-attacks. To address this the firm's global Chief Information Security Officer and department aims for a strong internal control process.

- Change Management

The firm has a low risk appetite for system related incidents which are generated by poor change management practices.

- Fraud & Corruption

The firm has no appetite for any fraud or corruption perpetrated by its staff.

- Information Management

The firm is committed to ensuring that its information is authentic, appropriately classified, properly secured (protected) and managed in accordance with legal, regulatory and business requirements.

The firm has a very low appetite for the compromise of processes governing the use of information, its management and disclosure (publication) and has no appetite for the deliberate and/or malicious misuse of its information.



### 2.3.5 Regulatory Risk Appetite

There is a very low appetite for relevant legal and regulatory risk and the group seeks to operate to very high ethical standards. There is no appetite for regulatory sanctions and other substantive regulatory recourse and interventions.

There is no appetite for non-compliance, including deliberate or purposeful violations with applicable laws and regulation.

There is no appetite for failure to adequately agree or, adherence to contractual agreements. There is an acceptance that firm faces risks from contractual disputes, failure to enforce contractual agreements and, inadequate management of tortious/non-contractual rights or failure to avoid tortious/non-contractual obligations.

There is an acceptance that the firm faces risks resulting from an actual or future change in laws and regulations that may materially impact the business through increases in cost, reduction in the services we are able to offer and the competitive landscape.

The group encourages and maintains an appropriately balanced legal and regulatory compliance culture and promotes policies and procedures to ensure businesses and staff are encouraged at all times to operate in accordance with the laws, regulations and voluntary codes which impact on the applicable entities within the Group.

### 2.3.6 Reputational Risk Appetite

There is no appetite for reputational risk and for adverse media coverage. The Group will use every effort to ensure that events that could potentially lead to such coverage are avoided.



## 3 Governance

### 3.1 Governance Framework

The governance framework is based upon the concept of three 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. This concept ensures that each line reports independently to the Board and relevant Sub-Committees. The three lines of defence are as follows:

**1st line:** The First Line of Defence is the individuals who adhere to policy and standards and principles established by the Board and are responsible for day to day business management. Each business line owns the risks and controls for its respective business and retains full accountability for control of related business issues.

**2nd line:** The Second Line of Defence is performed by the control functions including:

- The Risk Management Function supervised by the Chief Risk Officer;
- The Finance Function supervised by the Head of Finance; and
- The Compliance Function managed by the Firm’s Compliance Officers.

**3rd line:** Independent assurance stakeholders comprising Internal Audit and External Audit. The Internal Audit function provides assurance to the Firm’s Risk Committee, Audit Committee, Remuneration Committee and the Board on the adequacy of the Firm’s systems of internal controls, risk management and governance processes. The function of Internal Audit is undertaken by EisnerAmper Ireland, the Irish subsidiary of a global audit and risk management assurance services provider.

The External Audit function provides independent assurance to the Audit Committee and the Board on the adequacy of the internal controls, accounting systems and accuracy and completeness of the financial statements. External Audit is provided by PwC.

### 3.2 The Board of Directors

The Board has responsibility for implementing and monitoring the Firm’s risk management policies and procedures, including the identification and proper management of each of the key risks that the Firm faces. As such, the Board is accountable to shareholders for the overall direction and control of the Firm and for managing the Risk Management Framework. The Board is committed to ensuring that high standards of governance are in place to protect the interests of shareholders and all other stakeholders of the Firm, and in doing so promotes the highest standards of integrity, transparency and accountability.

The Board normally comprises of at least two independent non-executive directors, at least one non-executive director affiliated to the Firm’s ultimate parent entity/shareholder and two executive directors (the “Directors”).

The Directors are appointed based on their skills, qualifications and experience whilst ensuring that they have appropriate time to devote to their responsibilities as a Board member in consideration of the commitments of other professional roles they may have. As of 31 December 2021, the Directors held the following directorship appointments:

Directorship Type	Director	Number*
Executive Director	David Furlong	3
Executive Director	Desmond Carbery	1
Independent Non-Executive Director	Charles J McCreevy	7
Independent Non-Executive Director	Aogán Foley	10
Independent Non-Executive Director	David McGeough	41
Non-Executive Director	Brett Fairclough	1

\*Directorships within the same corporate group are counted as one

### 3.3 Board Sub-Committees

The Directors have delegated responsibility for supervision of certain functions within the Firm to various sub-committees of the Board and to senior management who report to the Board at periodic meetings.





### 3.3.1 Risk Committee

The Risk Committee is appointed by the Board of Directors of the Firm. The primary function of the Committee is to assist the Board in fulfilling its oversight of the appropriateness of the Firm's operational risk management framework and the significant operational risks in the Firm's business. The Committee takes into account the current and prospective macro-economic environment in preparing advice to the Board on the Firm's overall risk appetite and tolerance.

The Committee consists of no fewer than two members and each member is a member of the Board and is Chaired by an independent non-executive director.

During 2021, the Risk Committee met 4 times.

### 3.3.2 Audit Committee

The Audit Committee has specific responsibility to assist the Board in fulfilling its oversight responsibilities in respect of the Firm and its affairs relating to the financial reporting process and the Firm's internal control processes. This includes the integrity of the financial information provided to the Board, the Firm's parent, the Central Bank of Ireland, the Companies Registration Office, the effectiveness of the Firm's systems of internal control and internal audit, the statutory audit of the annual and consolidated accounts, the independence of the statutory auditor or audit company, and in particular the provision of additional audit or advisory services to the Firm.

The membership of the Audit Committee is comprised of non-executive Directors of the Company and is Chaired by an independent non-executive director.

During 2021, the Audit Committee met 4 times.

### 3.3.3 Remuneration Committee

The Remuneration Committee is chaired by a Non-Executive Independent Director and the committee has specific responsibility for oversight of remuneration policies and their implementation by the Firm. The membership of the Remuneration Committee is comprised of the non-executive Directors of the Firm. The Chairman of the Board, an Independent Non-Executive Director, is also the Chairman of the Remuneration Committee.

During 2021, the Remuneration Committee met once.

## 3.4 Diversity Policy

Virtu Financial is an equal opportunity employer, committed to a diverse and inclusive workplace, welcoming you for who you are and does not discriminate on the basis of race, national origin, gender, gender identity, sexual orientation, protected veteran status, disability, age, or other legally protected status.

We seek to create an inclusive, equitable, culturally competent and supportive environment where our management and employees (seek/expect) model behavior that enriches our workplace. All our initiatives are employee - led and we aim to promote and create opportunities for employees on organizational culture, engagement with leadership to discuss equity in the workplace and to provide feedback and insight to executive staff on culture, climate, equity, inclusion and diversity in the workplace. Virtu Inc. has established a Diversity and Inclusion Charter setting out the roles and responsibilities of the Diversity and Inclusion Committee - [https://s21.q4cdn.com/422114427/files/doc\\_downloads/committee/v2/FINAL-Diversity-Committee-Charter-\(TMM-06172020\).pdf](https://s21.q4cdn.com/422114427/files/doc_downloads/committee/v2/FINAL-Diversity-Committee-Charter-(TMM-06172020).pdf)

Virtu publishes commitments in relation to diversity and inclusion on its website - <https://www.virtu.com/about/virtutogether/>.



## 4 Own Funds

### 4.1 Reconciliation between regulatory capital and accounting capital

The following table reconciles the Total Shareholders Equity in the Audited 2021 Financial Statements to the Common Tier 1 Equity as per the 31 December IFREP.

Item	€'000
<b>Total Shareholders Equity</b>	130,673
Regulatory Adjustments	(1,052)
Unaudited portion of current year profit/loss	(35,256)
<b>Common Equity Tier 1 Capital</b>	94,365

### 4.2 Main features of Own Funds

The following table sets out the make up of the Firm's Tier 1 Capital as per the 31 December 2021 IFREP.

Capital Resources	€'000
<i>Tier 1 Capital</i>	
Ordinary Share Capital	1
Share Premium	-
Capital Contributions	-
Other Reserves	24,852
Retained Earnings	70,871
<i>Adjustments</i>	
Intangible assets	(1,052)
Value adjustments due to prudential filters	(307)
<b>Total Tier 1 Capital</b>	94,365

### 4.3 Description of Restrictions

The Firm currently has two sources of restrictions on own funds.

The Firm's own funds are restricted by regulatory capital requirements which are required to be held under IFR. Additionally, the Firm's own funds are restricted by the margin requirements of brokers or GCMs required to support the trading and operation of the Firm.



## 5 Own Funds Requirements

### 5.1 Approach to Assessing the Adequacy of Capital

In accordance with the IFR and VFILs Internal Capital and Risk Assessment ("ICARA") process, the Firm's capital requirement is monitored on a daily basis by senior management and following the preparation of quarterly accounts, capital adequacy calculations are prepared and filed with the Central Bank of Ireland. The Firm employs sophisticated and automated tools to monitor and report on its capital requirements.

VFIL is classified as a Class 2 Firm under IFR and utilises K-factors and/or Fixed Overhead Requirements to calculate its Pillar I capital requirements. Additionally, the Firm fully assesses its risk profile to ensure there is a credible link between its risk profile and the capital it maintains through the ICARA process. This process identifies specific areas of risk outside of the Pillar 1 'K-factors' and assigns extra capital to ensure the Firm is fully capitalised to compensate for these risks.

As at 31 December 2021 and at all times throughout the year, the Firm complied with its prudential minimum capital requirements of IFR in that the capital resources were in excess of the capital required by the Firm.

### 5.2 K-factor requirements

The following table sets out the Firm's K-factor requirements as per the 31 December 2021 IFREP.

Group	K-factor	€'000
Risk to Client	Assets under management	-
	Client money held - Segregated	-
	Client money held - Non-segregated	-
	Assets safeguarded and administered	-
	Client orders handled - Cash trades	-
	Client orders handled - Derivatives trades	-
Risk to Market	K-Net positions risk requirement	9,651
	Clearing margin given	-
Risk to Firm	Trading counterparty default	122
	Daily trading flow - Cash trades	991
	Daily trading flow - Derivative trades	586
	K-Concentration risk requirement	-
<b>Total K-factor requirement</b>		<b>11,350</b>

### 5.3 Fixed Overheads Requirements

The following table lists the annual fixed overheads of the previous year after distribution of profits.

Requirement	€'000
<u>Total expenses</u>	81,466
- Of which were incurred by third parties	-
<u>Total deductions</u>	(6,615)



Requirement	€'000
Staff bonuses and other remuneration	(6,345)
Employees', directors' and partners' shares in net profits	-
Other discretionary payments of profits and variable remuneration	-
Shared commission and fees payable	-
Fees, brokerage and other charges paid to CCPs that are charged to customers	-
Fees to tied agents	-
Interest paid to customers on client money where this is at the firm's discretion	-
Non-recurring expenses from non-ordinary activities	(270)
Expenditures from taxes	-
Losses from trading on own account in financial instruments	-
Contract based profit and loss transfer agreements	-
Expenditure on raw materials	-
Payments into a fund for general banking risk	-
Expenses related to items that have already been deducted from own funds	-
<b>Total Expenses less deductions</b>	<b>74,851</b>
<b>Fixed Overhead Requirement</b>	<b>18,713</b>



## 6 Remuneration Policies

### 6.1 Introduction

The Firm is subject to Article 51 of IFR and is required to disclose certain metrics and features relating to the Firm's remuneration policies, decision making processes, linkages between pay and performance and disclosure of remuneration of staff who have a material risk impact on the Firm's activities.

The Firm's Remuneration Policy defines the categories of staff identified as senior management, staff engaged in control functions and any employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers, whose professional activities have a material impact on the Firm's risk profile in accordance with EBA guidelines.

#### 6.1.1 Governance

As part of the Firm's governance framework, the Board has established a Remuneration Committee, a sub-committee of the Board of Directors with specific responsibility for remuneration policies and principles and for overseeing their implementation in the Firm.

The Remuneration Committee is primarily responsible for Firm-wide remuneration policy with respect to remuneration, bonus and incentive arrangements and compensation payments; to consider the appropriateness of remuneration payments considering the risk profile, long term objectives and goals of the Firm; and to ensure the Remuneration Policy is in compliance with applicable laws and codes.

The members of the Committee are the Non-Executive Directors of the Firm.

In taking any decisions in relation to employee remuneration, the Firm's policy defines the process for assessing staff, awarding remuneration and how it ensures the remuneration award is consistent with the principles of effective risk management.

#### 6.1.2 Remuneration pool criteria

Performance-based remuneration pools must be based on an assessment of the Firm's budgeted performance and a number of key performance indicators ("KPIs") reflecting the trend in the Firm's focus areas. The KPIs assessed by the Firm include, but are not limited to profit before tax compared with budget, relative contribution of local performance towards the performance the overall group, assessment of risk-adjusted return, effective risk management; and compliance with internal business procedures and regulatory obligations.

Sustainability of financial position for the Firm is also an input variable into the performance-based remuneration pool, particularly resource availability to meet regulatory capital requirements, strategic growth objectives, distribution policy and other liquidity planning requirements.

The Board of Directors decides on the funds to be allocated to the performance-based remuneration pools in accordance with the Remuneration Policy on the recommendation of the Remuneration Committee.

#### 6.1.3 Criteria for setting of individual remuneration

The Firm recognizes that the individual performance of senior management and material risk takers is key to delivering sustained and long-term value creation for its shareholders and in attracting, developing and retaining these staff. The intention of the policies on remuneration is to ensure employees feel encouraged to create sustainable results and that the interests of the employees are linked to the interests of the Firm's shareholder.

In consideration of the setting of individual remuneration the following is considered:

- Fixed remuneration is determined on the basis of the role of the individual employee, including their relevant professional experience, seniority, professional qualifications or specific skills, responsibilities (which may include services on the Firm's Board or the Board's of its affiliates, or any sub-committees of such Boards) and job complexity, performance and local market conditions.
- The performance-based remuneration component is designed to motivate and reward high performers, generate shareholder value and have regard for the importance of effective risk management. Performance-based remuneration reflects sustainable and risk adjusted performance as well as performance in excess of that required to fulfil their particular duties.

The nature and parameters of an employee's performance-based remuneration is dependent as to whether their professional activities have a material impact on the Firm's risk profile.

Where an employee's professional activities are identified as having a material impact on the Firm's risk profile, the Board have defined a maximum percentage of performance-based remuneration relative to the fixed remuneration for certain risk takers.



Performance-based pay is always granted at the sole discretion of the Board and no employee shall have any contractual right to such payments, unless and until such pay is awarded on such conditions as the Board of Directors or Remuneration Committee see fit.

Guaranteed variable remuneration is not generally a component of performance-based remuneration though in exceptional cases in the first year of employment it may be rewarded and only where the Firm has a sound and strong capital base.

## 6.2 Design characteristics of Firm's remuneration system

### 6.2.1 Remuneration system

The remuneration framework have been designed to provide a firm-wide remuneration policy with respect to remuneration, bonus and incentive arrangements and compensation payments; to ensure that such remuneration payments are appropriate considering the risk profile, long term objectives and goals of the Firm; and to ensure the Remuneration Policy is in compliance with applicable laws and codes.

This has been achieved by having policies and systems in place which:

- provide a stringent governance structure for setting goals and communicating these goals to employees;
- include both financial and non-financial goals in performance and result assessments;
- include compliance with regulatory requirements and internal procedures in performance and result assessments;
- identify such staff who can have a material impact on the risk profile of the Firm and designing and rewarding staff members with appropriate incentives in a manner that is compatible with long-term oriented and prudent risk taking approach; and
- provide rules as to the nature, composition and execution of staff members total remuneration assessments and distributions.

### 6.2.2 Performance measurement criteria

The Firm's success depends in part on the availability of skilled management and the continued services of key members of its Senior Management team. If the Firm fails to attract and appropriately train, motivate and retain skilled and qualified people, its businesses may be negatively impacted.

All employees enjoy an annual performance appraisal interview where Senior Management evaluates the staff member's performance:

- performance against previously set and agreed functional and personal goals for the previous year;
- their contribution to their business area and the overall performance of that business area; and
- agree and set new goals for the following year.

Following the assessment, the recommendation on an employee's variable remuneration level is aggregated into the variable performance pool and presented to the Remuneration Committee for consideration. The total amount of remuneration is based on a combination of the assessment of the performance of the individual and of the business unit concerned and of the overall results of the institution.

### 6.2.3 Risk adjustment

The Firm can make a risk adjustment to variable remuneration to take account of a specific crystallized risk or adverse performance outcome including those relating to misconduct. Risk adjustments include reducing current year variable remuneration, the application of malus (reducing or cancelling deferred incentive awards that have not yet vested), and clawback (recouping already vested awards). Staff members may be subject to malus or clawback of up to 100% of variable remuneration where the staff member:

- participated in or were responsible for conduct which resulted in significant losses to the Firm; or
- failed to meet appropriate standards of fitness and propriety expected of the employee in accordance with internal policy, regulation or law.

### 6.2.4 Deferral and vesting policy

Variable remuneration including deferred portions (if any) is paid or vests only if it is sustainable according to the financial situation of the Firm as a whole and justified on the basis of the performance of the Firm.

The length of the deferral period (if any) shall be considered by the Remuneration Committee and Board established in accordance with its business cycle, the nature of the business, its risks and the activities of the member of staff in question by the Board.



## 6.3 Information on the criteria on which the entitlement to shares, options or variable components is based

As part of the variable remuneration, and where specified Group performance and local benchmarks are attained, the firm may award shares or share linked instruments (i.e. share options) linked to certain units or like instruments in Virtu Financial, Inc.

### 6.3.1 Policy on the ratio of fixed remuneration to variable remuneration

In order to avoid excessive risk taking, the Shareholder of the Firm has set a maximum of level of the ratio between the fixed and variable components of remuneration whereby the overall level of the variable component shall not exceed 200% of the fixed component for each Identified Staff member.

## 6.4 Aggregate quantitative information on remuneration for staff who have a material impact on the risk of the institution

For the year ended 31 December 2021, seven staff were identified as having a material impact on the risk profile of the Firm.

Aggregated remuneration metrics for key staff:

Item	€'000
<u>Fixed Remuneration:</u>	2,737
<u>Variable Remuneration:</u>	1,488
Of which:	
- Cash	581
- Shares	907
- Share linked instruments	-
<b>Total Remuneration:</b>	<b>4,225</b>
<i>Outstanding Deferred Remuneration</i>	
Vested in 2021:	927
Unvested:	879
<i>Deferred Remuneration</i>	
Awarded during 2021:	544
Paid during 2021:	927
Reduced through performance adjustments:	-
Guaranteed variable remuneration:	-
<i>Severance Payments</i>	
Upfront:	-
Deferred:	-



## 7 Investment Policy

While the Firm does hold shares for own account, it does so in the capacity of a liquidity provider and does not hold long term views on the value of the shares held. It does not exercise the associated voting rights attached to those shares.

Accordingly, it does not have an Investment Policy in place on how the Firm would exercise its voting powers.





## 8 Environmental, Social and Governance Risks

Environmental, social, and corporate governance is an approach to evaluating the extent to which a corporation works on behalf of social goals that go beyond the role of a corporation to maximize profits on behalf of the corporation's shareholders.

Virtu is committed to improving environmental and social causes. It is in the process of creating an internal task force on ESG to fully assess the physical and transition risks of its global business.

Virtu eagerly awaits the EBA report on environmental, social, and governance risks, as described in Article 35 of IFD, which will provide the introduction of technical criteria related to exposures to activities associated substantially with environmental, social, and governance objectives, with a view to assessing the possible sources and effects of risks on investment firms.