

Baader Helvea Ltd Pillar III Market Disclosures Document

Purpose of Disclosures

This document sets out the Pillar 3 market disclosures for Baader Helvea Ltd, an authorised and regulated limited licence firm in the UK.

The applicable rules are built on three pillars:

Pillar 1: Minimum capital requirements

Pillar 2: Guidance for the setting of bespoke capital requirements by the firm's senior management through the Internal Capital Adequacy Assessment Process ("ICARA") and subsequent Supervisory Review and Evaluation Process ("SREP").

Pillar 3: Rules for the disclosure of risk and capital management, including capital adequacy.

The purpose of Pillar 3 is to encourage market discipline by developing a set of disclosure requirements which will allow market participants to assess key pieces of information on a firm's capital, risk exposures and risk assessment process. The disclosures are to be made public for the benefit of the market.

Background to Baader Helvea Ltd

Baader Helvea Ltd is authorised and regulated by the Financial Conduct Authority (FCA). It is a 100% owned subsidiary of Baader Helvea AG, a Swiss-regulated securities dealer. The Baader Helvea Group is fully owned by Baader Bank AG of Germany. There are no branches or related entities of Baader Helvea Ltd that are also regulated by the FCA. Baader Helvea Ltd is an IFPRU 50k limited licence firm.

Baader Helvea Ltd is a small securities firm that essentially acts in an introducing capacity. It maintains relationships with UK institutional clients. It provides research produced by Baader Bank AG, Baader Helvea AG and Baader Helvea Ltd to clients. Any orders received from clients are passed to Baader Bank AG for centralized trade execution.

Risk Governance within Baader Helvea Ltd

Baader Helvea Ltd is committed to implementing a good practice firm-wide governance and risk management framework appropriate to the size, nature and complexity of the business. The governing body for the risk framework within Baader Helvea Ltd is the Board of Directors which has the ultimate responsibility for managing and controlling risk within the risk appetite of Baader Helvea Ltd.

Risk Management Objectives and Policies

Baader Helvea Ltd's risk management objective is to safeguard the assets of Baader Helvea Ltd while allowing sufficient operating freedom to secure a satisfactory return. The Board of Baader Helvea Ltd recognises that a critical success factor of a good governance and risk management framework is embedding sound risk management into the day to day business of the firm. Baader Helvea Ltd adheres to the Rules on Risk Management of Baader Helvea AG which applies to all subsidiary companies. Risk must be fully understood and adequately measured to ensure that the risk exposure is appropriate for the returns anticipated, and is consistent with Baader Helvea Ltd's long-term goals and obligations to its stakeholders.

Risk in the firm is managed according to common principles and policies approved by the Board. The following key principles are central to Baader Helvea Ltd's risk management strategy:

1. The setting of risk appetite limits;
2. Clearly articulated roles and responsibilities with appropriate segregation of duties;
3. Monitoring of the adequacy and effectiveness of key internal controls;
4. Regular reporting on risk-related issues and forecasts to the Board;
5. Documented and communicated policies addressing key areas of risk to the business.

Risk appetite limits

Risk appetite limits define the level and nature of risks to which senior management considers it is acceptable to expose the firm. It therefore defines the boundaries of activity that the Board intends for the firm. The Board sets and approves, on an annual basis, risk appetite statements for areas of actual or potential significant risk to the business. Baader Helvea Ltd has considered all relevant risk categories suggested by the FCA and has put in place risk appetite statements only for those risk categories which are applicable to the nature of its business.

Roles and Responsibilities

The Board retains final responsibility for ensuring that Baader Helvea Ltd's risk management framework is appropriate to the size, nature and complexity of the business and that this framework is implemented consistently and effectively across the firm.

Senior management in both Baader Helvea Ltd and Baader Helvea AG, the parent company, are accountable for the identification of material risks assumed in their areas of responsibility and for ensuring that these risks are controlled and managed in line with Baader Helvea Ltd's risk policy and within the risk appetite of Baader Helvea Ltd. The principle of individual accountability and responsibility for risk management is an important feature of Baader Helvea Ltd's culture.

Independent review and challenge is provided by the Executive Management Board of Baader Helvea AG which includes the Chief Executive Officer of the Baader Helvea Group, the Chief Financial Officer of the Baader Helvea Group, and the General Counsel & Chief Compliance Officer of the Baader Helvea Group. The Board ensures that the risk policy is consistently implemented within Baader Helvea Ltd and monitors the overall adequacy and effectiveness of the risk management framework on behalf of the Board.

As a key part of ensuring a good control environment, functions where an internal conflict may occur are segregated within Baader Helvea Ltd and Baader Helvea AG.

Key Control Monitoring

Baader Helvea Ltd believes that an effective system of internal control is an essential element of good management and Baader Helvea Ltd puts in place appropriate procedures to ensure that key risks are appropriately controlled within Baader Helvea Ltd's risk appetite. Day to day independent and objective assessment and monitoring of key controls is provided by the Head of Middle Office of Baader Helvea AG and the Compliance Officer.

Risk Reporting

Regular reporting is in place to allow the Board to review the firm's risk profile against risk appetite, monitor losses, incidents and any breaches of the risk policy.

Policy

Baader Helvea Ltd has in place documented policies with respect to key areas of risk to the firm. These include market abuse, personal account dealing, error reporting, and a Compliance Manual which sets out ethical guidelines.

Capital Resources

The regulatory capital requirement (Pillar I) for Baader Helvea Ltd as at 31 December 2023 is £317,000. The Pillar II capital requirement is £317,000. The actual capital held by Baader Helvea Ltd as at 31 December 2023 is £3,533,000. Eligible Tier 1 Capital stood at £3,533,000, which gives a surplus of £3,216,000.

Baader Helvea Ltd's consolidated capital resources (after appropriation of 2023 profit) as at 31 December 2023 are shown in the table below:

Capital Resources		£000's
Tier One Capital	Permanent Share Capital	800
	P&L a/c and other reserves	2,733
Tier Two Capital		0
Tier Three Capital		0
Less Deductions		0
Total Capital Resources		3,533
Regulatory capital req't	(Pillar I/II, winding down requirement)	317
Surplus		1,049

Baader Helvea Ltd's Approach to Assessment of Capital Adequacy

Baader Helvea Ltd maintains sufficient capital to meet UK regulatory requirements. In line with these requirements, Baader Helvea Ltd maintains the higher of Pillar 1 and Pillar 2 (ICARA) capital requirements. The adequacy of the capital held by Baader Helvea Ltd is assessed, at least annually, as part of the Individual capital Adequacy Assessment Process (ICARA) and is subject to formal sign off by the Board.

Pillar 1/2 Capital Calculation

Based upon its regulatory permissions and scope of activities, the firm is subject to the capital requirements for a limited licence firm. Baader Helvea Ltd's pillar 1 capital is based on the Fixed Overhead requirement (FOR), being higher than Baader Helvea Ltd's Credit Risk plus Market Risk exposure.

	Calculation Method	Capital (£)
Permanent minimum requirement		75,000
Fixed Overhead Requirement (FOR)	The FOR is calculated as 13 weeks' fixed expenditure based on financial statements as at 31 December 2022.	317,000
Pillar 1 Capital	Higher of the sum of the credit and market risk charges and the FOR	317,000

BAADER HELVEA REMUNERATION POLICY

General

This policy reflects the Baader Helvea Group's objectives for good corporate governance as well as ensuring that the Group is able to attract, develop and retain high-performing and motivated employees in a competitive, international market. Employees are offered a competitive remuneration package, where they feel encouraged to create sustainable results, while at the same time, maintaining the link between shareholder and employee interests. The cornerstone of this policy is that it reflects the long term strategic and operational objectives of Baader Helvea, underlining the fact that remuneration is designed to eliminate incentives for taking inappropriate risks or for violating applicable regulations.

Remuneration components

There are two main remuneration components which are combined to ensure an appropriate and balanced remuneration package that reflects the business unit, the employee's rank in the Group, their professional activity as well as benchmarking with market rates.

The two remuneration components are:

- Fixed remuneration (including fixed supplements)
- Performance-based remuneration (Discretionary Bonus)

Fixed Remuneration

The fixed remuneration is determined on the basis of the role of the individual employee, including responsibility and job complexity, performance and local market conditions.

Performance-Based Remuneration

The performance-based remuneration motivates and rewards high performers. Performance-based remuneration is awarded in a manner which promotes sound risk management and does not induce excessive risk-taking. This is done by ensuring:

- An appropriate balance between fixed and performance-based components
- That the fixed component represents a sufficiently high proportion of the total remuneration to make nonpayment of the performance-based component possible

While the overall profitability of the firm is important in determining how much will be set aside for performance based compensation overall, the criteria for awarding such remuneration will differ on the basis of each employee's role.

For example, trading volume and transaction revenues for particular stocks will not be taken into consideration when determining performance based compensation for Research Analysts. Employees in Control Functions will not be compensated in such a way as to create a conflict of interests between adequate controls and revenue generation.

Remuneration of the Non-Executive members of the Board of Directors

Members of the Board of Directors receive a fixed fee, which is set at a level that is on par with the rest of the market, reflects the qualifications and contribution of each member, the extent of the responsibilities and the number of board meetings. As at 31 December 2023, Baader Helvea Ltd has no directly remunerated executive or non-executive board members. All members of the board are co-opted from the immediate holding company Baader Helvea AG in (CH) or the ultimate holding company Baader Bank AG in Unterschleissheim (DE).