

TriOptima AB

Regulatory disclosure pursuant to the EU Investment Firm Regulation

In respect of the financial year to 31st December 2021

Background and scope

This document presents the disclosures required to be made by TriOptima AB pursuant to Article 46(1) of Regulation (EU) 2019/2033, commonly known as the Investment Firm Regulation.

Risk management policies and objectives

TriOptima monitors and manages the risks to which it is exposed, in a prudent and effective manner with regard to the relative likelihood and potential cost (damage) attributable to each risk. Risk management in TriOptima is carried out in a structured manner, is reported regularly to the Board of Directors and the Risk Management Function (“RMF”), and where appropriate to relevant authorities. TriOptima follows regulatory requirements and makes use of established industry standards and recommendations, to determine its risk management approach, adapting the same to the specifics and circumstances of its business.

Risks are classified into risk areas, each being assigned to a named Risk Area Owner (“RAO”) who is responsible for the identification, assessment and management of the risks in that area. The RAO is also empowered to request any information or reports necessary to fulfil that role. The RMF supports the RAOs to ensure that risk management and controls are in line with applicable policies, instructions and guidelines.

Notwithstanding the role of the RAO, operational managers remain responsible for ensuring that their work is managed in such a way that risks are addressed in accordance with applicable policies, instructions and guidelines.

Capital and liquidity requirements

The Fixed Overheads Requirement (“FOR”) currently represents the highest measure of capital required and hence TriOptima maintains at least this amount of capital. TriOptima shall also hold liquid assets that are at least one-third of FOR.

TriOptima funds its operations with its own capital in addition to holding sufficient funding (cash) to cover expenditure in the form of FOR plus a minimum of USD 5 million.

There is no material liquidity risk other than from the non-collection of client debt for the invoiced services as well as general unexpected cash flows.

Indicators, triggers and incidents are monitored at a global level and are included in the monthly KRI reporting to the TriOptima Risk Committee and TriOptima Board.

Concentration risk

Concentration risk in TriOptima is the risk of loss from having assets concentrated within a particularly narrow group of debtors. The largest two clients represent c. 10% of annual revenue, however this is not considered to be a material risk. Also, there is concentration risk inherent in TriOptima having a major Swedish bank as the sole custodian of its cash holdings, though again this is not considered to be a material risk requiring any mitigating measures.

Risk profile statement (Board approved)

The most severe challenges the business faces at the present time are in the area of external change. On the one hand, new regulations can have a material impact on the triReduce compression service (for example with SA-CCR), and on the other, there is a risk of losing market share and of increased price pressure from competitors. The mitigation of such risks is supported by maintaining a continuous dialogue with both regulators and clients. Another key risk is the threat of a high attrition rate for staff, with management focused on implementing measures to minimise turnover. There is also a key business risk in triReduce/triBalance cycle proposals being rejected, which is mitigated in part by continuously investing in and developing the services.

It can also be noted that the failure or malfunction of the service delivery systems will always represent a fundamental risk. While this carries a high potential impact, the mitigating controls that have been implemented are demonstrably sound, in view of the low levels of historic service interruptions.

As a result of the Covid-19 pandemic, there were continued challenges to the business and operations during 2021. The business strategy remained the same, since no adjustments within our control could have mitigated the risk of revenue declining due to a negative shift in the economic environment. In any event, the TriOptima service offering is critical to the financial market infrastructure and during the past year there has been no negative trend in service usage or client participation in general.

Governance arrangements*Directorships*

The Board of TriOptima AB consists of 4 directors:

- Guy Rowcliffe
- John Stewart
- Martin Sandström
- Joanna Davies

Diversity

Currently the policy on the diversity of the Board membership is that there be at least one female director. It is intended that with effect from 1st January 2023 this will increase to two female directors.

TriOptima is passionate about creating an inclusive workplace and strives to create a company that is free from discrimination. We are proud to be able to promote and participate in creating an inclusive workplace through our Employee Network Groups (ENG) which are established within CME Group. These include the Women's Initiative Network (WIN) which is a community supporting women of all titles, ages and geographic locations that offers support, guidance direction and networking. As a part of WIN, triVersity has been formed in TriOptima to cover aspects of diversity and inclusion as race, age and more.

Governance

	TriOptima Board of Directors and its committees	TriOptima Risk Committee	Management Team
Purpose	Strategic direction and business performance	Independent controls review and integrated assurance	Operational and management
Attendees	TriOptima CEO, TriOptima CTO, Board members representing owners	TriOptima CEO, Business owners, CTO, TriOptima CISO, TriOptima FLOD (First Line of Defence Risk Officer), Risk & Compliance	TriOptima CEO, CTO, TriOptima Head of Business Development, Head of triResolve
Chair	Chairman of the Board	Head of Risk, TriOptima	TriOptima CEO
Frequency	Four times each year	Bi-Monthly	Weekly
Documentation	Agenda, minutes, papers	Agenda, minutes, papers	Agenda, papers, management reports

The TriOptima Board of Directors meets at least four times a year and provides strategic and commercial direction for the TriOptima business, within the framework of CME Group Policies, Delegated Authorities and OSTTRA Strategy. In conjunction with each Board meeting there is also a separate meeting of the Board Risk Committee.

The TriOptima Risk Committee meets bi-monthly and is responsible for overseeing the risk management framework, risk appetite, risk strategy, controls, systems and policies. The Committee includes representatives from the business lines and the control functions.

Remuneration

TriOptima has identified six persons as having a material impact on the risk profile of the firm. These are as follows:

- Senior Management = 1 person
- Other members of staff with a material impact on risk profile ("Identified Staff"): 5 persons

Total remuneration (in EUR):

	Senior Management	Identified Staff
Fixed remuneration	163 814	574 784
Variable remuneration	108,088	468 104

Variable remuneration (in EUR):

		Senior Management	Identified Staff
Cash	Paid up front	43 235	117 449
	Deferred	64 853	350 656

Deferred variable remuneration from previous performance periods (in EUR):

	Senior Management	Identified Staff
Due to vest in the financial year	47 457	189 405
Due to vest in subsequent years	94 914	277 888

Capital adequacy and own funds requirements*Approach to assessing internal capital adequacy*

TriOptima calculates and holds an amount of capital necessary to cover its credit, market, operational and other risks that it may be exposed to. In order to make the calculation, TriOptima undertakes an internal capital and risk assessment process (“ICARA”).

The ICARA approach is as follows:

- I. Identify potential risk exposures resulting from extreme but plausible risk events
- II. Assess the likelihood those risks will materialise
- III. Consider control strategies in place to mitigate the identified risks
- IV. Assess the adequacy of capital available to absorb those risks
- V. Quantify additional capital resources (if any) required by the assessment

The ICARA is organised and prepared on the basis of the figures in the annual financial statements, and with input from relevant internal stakeholders, prior to review and approval by the Board of Directors. The ICARA is reviewed and updated at least of an annual basis, or else in response to a material change in circumstances.

Capital Resources

TriOptima AB's regulatory capital resources are solely in the form of Tier 1 capital instruments, comprising ordinary share capital and externally audited retained earnings less intangibles and investments in subsidiaries.

TriOptima AB (hereafter the "Company") does not hold any Tier 2 capital.

Own Funds Requirements

The methodologies used to calculate the total own funds requirement for the Company are detailed below.

Pillar 1

Per Part Three of IFR, the Company shall maintain at all times sufficient own funds at least equal to the higher of the following:

- Permanent minimum capital requirement ("PMCR")
- Fixed overhead requirement ("FOR"); or
- K-factor requirement ("K-FR").

PMCR

The PMCR is a fixed requirement prescribed to a firm based on its permissions to carry on certain investment services and/or activities. The Company's PMCR is EUR 75,000, in accordance with Article 14 of the IFR.

FOR

The Company's FOR equals 177,357,250 SEK, in accordance with Article 13 of the IFR. The FOR is an amount equal to one quarter of TriOptima AB's fixed overheads of the preceding year i.e. the financial year ended 31 December 2020. The Company must calculate its fixed overheads by calculating its total expenditure after the distribution of profits and the deduction of certain non-fixed expenditure items.

K-FR

The K-FR, in accordance with Part Three, Title II of the IFR, is not applicable to the Company for the year ended 31 December 2021. The relevant K-factor requirement (the so-called "K-COH" which stands for client orders handled) is zero (in the absence of execution of client orders). Even when execution of client orders is added (expected for RESET business during 2022 and for triBalance business during 2023), initial estimates indicate that the Fixed Overheads Requirement will remain larger than the K-factor requirement.

Where applicable, K-COH is calculated in accordance with Article 20 of the IFR.

The Company's Pillar 1 requirement is driven by the Fixed Overhead Requirement (FOR), at the Pillar 3 disclosure date.

Appendix

Template EU IF CC1.01

Composition of regulatory own funds (Investment firms other than small and non-interconnected)

		(a)	(b)
Common Equity Tier 1 (CET1) capital: instruments and reserves		Amounts (SEK)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1	OWN FUNDS	202,806,672	N/A
2	TIER 1 CAPITAL	202,806,672	N/A
3	COMMON EQUITY TIER 1 CAPITAL	202,806,671	N/A
4	Fully paid up capital instruments	154,881	Share capital
5	Share premium	-	N/A
6	Retained earnings	295,632,765	Profit brought forward converted via blended FX rate
7	Accumulated other comprehensive income	-	N/A
8	Other reserves	146,819,700	Development fund plus statutory reserve
9	Minority interest given recognition in CET1 capital	-	N/A
10	Adjustments to CET1 due to prudential filters	-	N/A
11	Other funds	-	N/A
12	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(239,800,675)	N/A
13	(-) Own CET1 instruments	(94,705,608)	Shares & participations in subsidiaries
14	(-) Direct holdings of CET1 instruments	(94,705,608)	Shares & participations in subsidiaries
15	(-) Indirect holdings of CET1 instruments	-	N/A
16	(-) Synthetic holdings of CET1 instruments	-	N/A
17	(-) Losses for the current financial year	-	N/A
18	(-) Goodwill	-	N/A

19	(-) Other intangible assets	(145,095,067)	Intangible assets
20	(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	-	N/A
21	(-) Qualifying holding outside the financial sector which exceeds 15% of own funds	-	N/A
22	(-) Total qualifying holdings in undertaking other than financial sector entities which exceeds 60% of its own funds	-	N/A
23	(-) CET1 instruments of financial sector entities where the institution does not have a significant investment	-	N/A
24	(-) CET1 instruments of financial sector entities where the institution has a significant investment	-	N/A
25	(-) Defined benefit pension fund assets	-	N/A
26	(-) Other deductions	-	N/A
27	CET1: Other capital elements, deductions and adjustments	-	N/A
28	ADDITIONAL TIER 1 CAPITAL	-	N/A
29	Fully paid up, directly issued capital instruments	-	N/A
30	Share premium	-	N/A
31	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	-	N/A
32	(-) Own AT1 instruments	-	N/A
33	(-) Direct holdings of AT1 instruments	-	N/A
34	(-) Indirect holdings of AT1 instruments	-	N/A
35	(-) Synthetic holdings of AT1 instruments	-	N/A
36	(-) AT1 instruments of financial sector entities where the institution does not have a significant investment	-	N/A
37	(-) AT1 instruments of financial sector entities where the institution has a significant investment	-	N/A
38	(-) Other deductions	-	N/A
39	Additional Tier 1: Other capital elements, deductions and adjustments	-	N/A

40	TIER 2 CAPITAL	-	N/A
41	Fully paid up, directly issued capital instruments	-	N/A
42	Share premium	-	N/A
43	(-) TOTAL DEDUCTIONS FROM TIER 2	-	N/A
44	(-) Own T2 instruments	-	N/A
45	(-) Direct holdings of T2 instruments	-	N/A
46	(-) Indirect holdings of T2 instruments	-	N/A
47	(-) Synthetic holdings of T2 instruments	-	N/A
48	(-) T2 instruments of financial sector entities where the institution does not have a significant investment	-	N/A
49	(-) T2 instruments of financial sector entities where the institution has a significant investment	-	N/A
50	Tier 2: Other capital elements, deductions and adjustments	-	N/A

Template EU IFCC2: Own funds

Reconciliation of regulatory own funds to balance sheet in the audited financial statements

		a	b	c
		Balance sheet as in published/ audited financial statements (EUR)	Under regulatory scope of consolidation	Cross reference to EU IF CC1
		31-Dec-21	31-Dec-21	
Assets - Breakdown by asset classes according to the balance sheet in the published/audited financial statements				
1	Lending to credit institutions	23,185,000	N/A	N/A
2	Shares & participations in subsidiaries	9,260,000	N/A	Direct holdings of CET1 instruments
3	Intangible assets	14,251,000	N/A	Other intangible assets
4	Tangible assets	1,902,000	N/A	N/A
5	Other assets	42,791,000	N/A	N/A
6	Prepaid expenses and accrued income	24,975,000	N/A	N/A
8	Total Assets	116,364,000	N/A	N/A
Liabilities - Breakdown by liability classes according to the balance sheet in the published/audited financial statements				

1	Accrued expenses and deferred income	6,319,000	N/A	N/A
2	Other current liabilities	8,174,000	N/A	N/A
3	Other non-current liabilities	1,950,000	N/A	N/A
4	Total Liabilities	16,443,000	N/A	N/A
Shareholders' Equity				
1	Share capital	17,000	N/A	Fully paid up capital instruments
2	Development fund	4,031,000	N/A	Other reserves
3	Statutory reserve	1,810,000	N/A	Other reserves
4	Profit brought forward	36,861,000	N/A	Retained earnings
5	Profit for the period	57,202,000	N/A	N/A
6	Total Shareholders' equity	99,921,000	N/A	N/A

Template EU IF CCA

Own funds: main features of own instruments issued by the firm

		a
		31-Dec-21
1	Issuer	TriOptima AB
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	LEI: 213800YD7WP4IMB52K89
3	Public or private placement	Private
4	Governing law(s) of the instrument	Laws of Sweden & IFR
5	Instrument type (types to be specified by each jurisdiction)	CET1 as published in the EBA list (art. 26(3))
6	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	SEK 202,807M
7	Nominal amount of instrument	EUR 0.11
8	Issue price	EUR 0.11
9	Redemption price	N/A
10	Accounting classification	Shareholders' equity
11	Original date of issuance	24 March 2010
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity date
14	Issuer call subject to prior supervisory approval	No

15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	<i>Coupons / dividends</i>	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
21	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
22	Existence of step up or other incentive to redeem	No
23	Noncumulative or cumulative	Non-cumulative
24	Convertible or non-convertible	Non-convertible
25	If convertible, conversion trigger(s)	N/A
26	If convertible, fully or partially	N/A
27	If convertible, conversion rate	N/A
28	If convertible, mandatory or optional conversion	N/A
29	If convertible, specify instrument type convertible into	N/A
30	If convertible, specify issuer of instrument it converts into	N/A
31	Write-down features	No
32	If write-down, write-down trigger(s)	N/A
33	If write-down, full or partial	N/A
34	If write-down, permanent or temporary	N/A
35	If temporary write-down, description of write-up mechanism	N/A
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
38	Link to the full term and conditions of the instrument (signposting)	N/A