

## TriOptima AB

# Regulatory disclosure pursuant to the EU Investment Firm Regulation

In respect of the financial year to 31<sup>st</sup> December 2022

## 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 further additional buffer.

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. 15% 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*

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 competitive threat is further elevated by other firms' ambitions in the non-cleared post trade space. 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 and cross training existing staff. 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.

A further key risk relates to the threat of cyberattacks with an increase in especially ransomware and denial-of-service attacks. There are continuous efforts to improve information security measures via enhanced monitoring, stronger and more modern tools and technologies, and improved processes for detection, prevention and incident response.

## **Governance arrangements**

### *Directorships*

The Board of TriOptima AB consists of 4 directors:

- Guy Rowcliffe
- John Stewart
- Helena Persson
- Joanna Davies

### *Diversity*

Currently the policy on the diversity of the Board membership is that there be at least one female director. Currently there are 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 CommUNITY groups which are established within Ostra. These include triVersity that 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
<b>Purpose</b>	Strategic direction and business performance	Independent controls review and integrated assurance	Operational and management
<b>Attendees</b>	TriOptima CEO Director TriOptima Execution Board members representing owners	TriOptima CEO Director TriOptima Execution Business owners Heads of Technology and Infrastructure TriOptima CISO FLOD (First Line of Defence Risk Officer) Risk & Compliance	TriOptima CEO Head of triReduce Head of triResolve Head of Margin & triCalculate
<b>Chair</b>	Chairman of the Board	Head of Risk, TriOptima	TriOptima CEO
<b>Frequency</b>	Four times each year	Bi-Monthly	Weekly
<b>Documentation</b>	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 OSTTRA Group Policies 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 seven 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"): 6 persons

*Total remuneration (in EUR):*

	Senior Management	Identified Staff
Fixed remuneration	177 360	586 713
Variable remuneration	165 788	149 443

*Variable remuneration (in EUR):*

		Senior Management	Identified Staff
Cash	Paid up front	66 315	76 562
	Deferred	99 473	72 881

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

	Senior Management	Identified Staff
Due to vest in the financial year	229 270	237 208
Due to vest in subsequent years	155 324	222 504

## **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 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 758,700 SEK, in accordance with Article 14 of the IFR.

#### *FOR*

The Company’s FOR equals 154,699,250 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 2021. 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 applicable to the Company for the year ended 31 December 2022. The relevant K-factor (“K-COH”) requirement which stands for client orders handled was applicable from 1 August 2022 when the Reset Service business was transferred to the Company. The Company’s K-COH equals 10,332,139 SEK, in accordance with Article 15 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)

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
<b>OWN FUNDS</b>	<b>355,749,738</b>	
<b>TIER 1 CAPITAL</b>	<b>355,749,738</b>	
<b>COMMON EQUITY TIER 1 CAPITAL</b>	<b>355,749,738</b>	
Fully paid up capital instruments	154,881	A
Share premium	-	
Retained earnings	539,772,127	B
Accumulated other comprehensive income	-	
Other reserves	86,690,096	C
Minority interest given recognition in CET1 capital	-	
Adjustments to CET1 due to prudential filters	-	
<b>Other funds</b>	<b>-</b>	
<b>(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1</b>	<b>(270,867,366)</b>	
(-) Own CET1 instruments	(112,279,473)	
(-) Direct holdings of CET1 instruments	(112,279,473)	D
(-) Indirect holdings of CET1 instruments	-	
(-) Synthetic holdings of CET1 instruments	-	
(-) Losses for the current financial year	-	
(-) Goodwill	-	
(-) Other intangible assets	(158,587,893)	E
(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	-	
(-) Qualifying holding outside the financial sector which exceeds 15% of own funds	-	
(-) Total qualifying holdings in undertaking other than financial sector entities which exceeds 60% of its own funds	-	
(-) CET1 instruments of financial sector entities where the institution does not have a significant investment	-	
(-) CET1 instruments of financial sector entities where the institution has a significant investment	-	
(-) Defined benefit pension fund assets	-	
(-) Other deductions	-	
CET1: Other capital elements, deductions and adjustments	-	

**Template EU IF CC1.01 (Continued)**

<b>Common Equity Tier 1 (CET1) capital: instruments and reserves</b>	<b>Amounts (SEK)</b>	<b>Source based on reference numbers/ letters of the balance sheet in the audited financial statements</b>
<b>ADDITIONAL TIER 1 CAPITAL</b>	-	
Fully paid up, directly issued capital instruments	-	
Share premium	-	
(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	-	
(-) Own AT1 instruments	-	
(-) Direct holdings of AT1 instruments	-	
(-) Indirect holdings of AT1 instruments	-	
(-) Synthetic holdings of AT1 instruments	-	
(-) AT1 instruments of financial sector entities where the institution does not have a significant investment	-	
(-) AT1 instruments of financial sector entities where the institution has a significant investment	-	
(-) Other deductions	-	
Additional Tier 1: Other capital elements, deductions and adjustments	-	
<b>TIER 2 CAPITAL</b>	-	
Fully paid up, directly issued capital instruments	-	
Share premium	-	
(-) TOTAL DEDUCTIONS FROM TIER 2	-	
(-) Own T2 instruments	-	
(-) Direct holdings of T2 instruments	-	
(-) Indirect holdings of T2 instruments	-	
(-) Synthetic holdings of T2 instruments	-	
(-) T2 instruments of financial sector entities where the institution does not have a significant investment	-	
(-) T2 instruments of financial sector entities where the institution has a significant investment	-	
Tier 2: Other capital elements, deductions and adjustments	-	

**Template EU IFCC2: Own funds**

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

	a	c
	Balance sheet as in published / audited financial statements €'000	Cross reference to EU IF CC1
	31-Dec-22	
<b>Assets - Breakdown by asset classes according to the balance sheet in the published/audited financial statements</b>		
Lending to credit institutions	28,741	
Shares & participations in subsidiaries	10,078	D
Intangible assets	14,235	E
Tangible assets	1,829	
Other assets	38,036	
Prepaid expenses and accrued income	25,754	
<b>Total Assets</b>	<b>118,673</b>	
<b>Liabilities - Breakdown by liability classes according to the balance sheet in the published/audited financial statements</b>		
Accrued expenses and deferred income	8,440	
Other current liabilities	10,726	
Other non-current liabilities	957	
<b>Total Liabilities</b>	<b>20,123</b>	
<b>Shareholders' Equity</b>		
Share capital	17	A
Development fund	4,015	C
Statutory reserve	1,810	C
Profit brought forward	48,466	B
Profit for the period	44,242	
<b>Total Shareholders' equity</b>	<b>98,550</b>	

**Template EU IF CCA**

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

<b>Description</b>	<b>Common Equity Tier 1 (a)</b> <b>31-Dec-22</b>
<b>Issuer</b>	<b>TriOptima AB</b>
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	LEI 213800YD7WP4IMB52K89
Public or private placement	Private
Governing law(s) of the instrument	Laws of Sweden & IFR
Instrument type (types to be specified by each jurisdiction)	CET1 as published in the EBA list (art. 26(3))
Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	SEK 356M
Nominal amount of instrument	EUR 0.11
Issue price	EUR 0.11
Redemption price	N/A
Accounting classification	Shareholders' equity
Original date of issuance	24 March 2010
Perpetual or dated	Perpetual
Original maturity date	No maturity date
Issuer call subject to prior supervisory approval	No
Optional call date, contingent call dates and redemption amount	N/A
Subsequent call dates, if applicable	N/A
<i>Coupons / dividends</i>	
Fixed or floating dividend/coupon	Floating
Coupon rate and any related index	N/A
<b>Existence of a dividend stopper</b>	<b>No</b>
Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
Existence of step up or other incentive to redeem	No
Non-cumulative or cumulative	Non-cumulative
<b>Convertible or non-convertible</b>	<b>Non-convertible</b>
If convertible, conversion trigger(s)	N/A
If convertible, fully or partially	N/A
If convertible, conversion rate	N/A
If convertible, mandatory or optional conversion	N/A
If convertible, specify instrument type convertible into	N/A
If convertible, specify issuer of instrument it converts into	N/A

## Template EU IF CCA (Continued)

Description	Common Equity Tier 1 (a)
	31-Dec-22
<b>Write-down features</b>	<b>No</b>
If write-down, write-down trigger(s)	N/A
If write-down, full or partial	N/A
If write-down, permanent or temporary	N/A
If temporary write-down, description of write-up mechanism	N/A
Non-compliant transitioned features	No
If yes, specify non-compliant features	N/A
Link to the full term and conditions of the instrument (signposting)	N/A