DISCLOSURES

Tel +44 (0)1923 832 600 Fax +44 (0)1923 845 308 E-Mail cs@spreadco.com Spread Co Ltd
Argyle House Joel Street Northwood Hills London HA6 1NW United Kingdom
Spread Co Limited 22 Bruton Street London W1J 6QE United Kingdom Registered in England and Wales.
Registered No: 05614477 Authorised and regulated by the Financial Conduct Authority.

FCA Register No: 446677

Table of Contents

INTRODUCTION

The disclosures included in this document are prepared in accordance with the Financial Conduct Authority (FCA) MIFIDPRU 8 standards.

The disclosures aim to assure market discipline by developing disclosure requirements which will allow market participants to assess key information on the firm's capital adequacy, risk and control processes.

1.2 SCOPE AND FREQUENCY OF DISCLOSURES

1.2.1 SCOPE

The disclosures are made in respect of Spread Co Limited ('The Firm') for the year ended 31 December 2022. Spread Co is a Non-SNI MIFIDPRU Investment Firm regulated by the Financial Conduct Authority.

Spread Co is a wholly owned subsidiary of Spread Co (UK) Limited and its ultimate parent company is Valiant Holdings Limited.

Spread Co is incorporated in the UK and is authorised and regulated by the FCA to deal on its own account for a variety of investment products. Spread Co is permitted to deal with all customer types - retail, professional and eligible counterparties. Spread Co may hold and control client money. Spread Co offers OTC leveraged financial derivatives in the form of Contracts for Difference and Spread Bet to its clients.

Spread Co's activities give it the MIFIDPRU categorisation of a "Full Scope" and a "MIFIDPRU £750K" firm.

1.2.2 FREQUENCY

Spread Co will be making the disclosures annually which will be as at the Accounting Reference Date which is currently 31 December and published on Spread Co's website (www.spreadco.com) on the date that it's annual solvency statement is submitted to the FCA.

The disclosures have been prepared as required under FCA MIFIDPRU 8 standards and for no other purpose. They do not constitute any form of financial statement and must not be relied upon in making any judgement about Spread Co.

1.2.3 MATERIALITY AND CONFIDENTIALITY

The rules provide that we may omit one or more of the required disclosures if we believe that the information is immaterial. Materiality is based on the criterion that the omission or misstatement of any information would be likely to change or influence the decision of a reader relying on that information.

In addition, we may also omit one or more of the required disclosures where we believe that the information is regarded as proprietary or confidential. In our view, proprietary information is that which, if it were shared, would undermine our competitive position. Information is considered to be confidential where there are obligations binding us to confidentiality with our customers, suppliers and counterparties.

2.1 RISK MANAGEMENT FRAMEWORK

Spread Co's Risk Management Framework identifies, manages, monitors, and reports on the harms to the firm, the clients and the market.

This framework provides the Board with assurance that the Group's risks, including the risks relating to the achievement of the Group's strategic objectives, are understood, and managed in accordance with the appetite and tolerance levels set.

The Board is ultimately responsible for the overall risk management approach of the Firm and for determining and approving and monitoring risk strategies, setting limits, applying principles and ensuring appropriate risk reduction strategies and procedures are coordinated and implemented.

It is also responsible for quantification and qualification of risks inherent in the Firm's trading positions and ensuring that risk procedures and systems are optimised and maintained.

The Firm has exposure to the following principal risks:

Market Risk - Trading
Credit Risk
Liquidity Risk
Operational Risk
Foreign Exchange Risk

2.2 PRINCIPAL RISKS

RISK MANAGEMENT BY CATEGORY

2.2.1 *MARKET RISK - TRADING*

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and underlying prices. Market risk is the risk of loss in portfolio value as a result of movements in these financial instruments' market values.

The Firm does not undertake proprietary trading based on expectations in changes in market prices. However, the Firm does not hedge all client transactions and therefore has a net position in the markets on which it offers products.

The client positions are monitored on a continual basis and where large exposures build up beyond the specified risk limit per market, these are off-set by hedging in the market. The Firm therefore has exposure to market risk to the extent that it has residual un-hedged positions and this exposure depends on market movements and client activities during the trading day.

At this point the Firm's equity exposures are relatively low as the majority of client positions are in more liquid, and less correlated instruments such as foreign exchange and commodities.

The Firm's market risk is also reduced significantly by offering a large number of tradable markets, whose movements are not always significantly correlated and in which long and short client positions frequently offset each other considerably.

2.2.2 *CREDIT RISK*

The Firm has credit risk with banks with which it deposits funds and market counterparties with which it hedges. The Firm sets limits as to the maximum exposure for each counterparty and where possible requests for its funds to receive client money protection to reduce exposure to credit risk. The Firm's credit risk is also the risk that clients will cause a financial loss for the Firm by failing to discharge their financial obligations to it.

The Firm has negligible client credit risk as it requires clients to place a margin or deposit in their account for all trades before they are permitted to deal with the Firm. The Firm has a formal margin policy and clients must top up their margin to pre-set levels if they fall below these, or the Firm may enforce the liquidation of one or more of their open positions.

The Firm does not extend credit over and above clients being permitted to trade at the Firm's pre-set margin levels, nor does it accept financial instruments other than cash by way of collateral. This further mitigates any credit risk to the Firm.

2.2.3 *LIQUIDITY RISK*

Liquidity risk is the risk that the Firm will encounter difficulty in meeting its financial obligations. The Firm's approach to liquidity is to ensure that as far as possible it will always have sufficient liquidity to meet its clients' and brokers' margin requirements and liabilities when they fall due. This is achieved by ongoing monitoring of the Firm's available working capital as compared with the amounts due to clients and counterparties, as settled daily to their respective P&Ls.

Any failure by the Firm to meet its payment obligations could result in market counterparties closing the Firm's hedging positions or failure to meet client withdrawal requests, either of which would have material adverse consequences for the Firm's business. The cash position of the Firm is therefore monitored closely by the CEO and contingency plans are always in place to meet unexpected demands.

2.2.4 *OPERATIONAL RISK*

The Firm's operational risk is the risk that the Firm will derive losses through inherent failure in its processes, personnel, technology or infrastructure or by external forces impacting on any of these. These risks are countered through regular assessment of the likelihood of these risks as part of the Firm's ongoing internal risk management procedures, including maintaining a fully up-to-date risk register and ICARA, and contingency planning for how to deal with such risks arising. The Firm's ICARA also details expected costs which would be associated with risks which cannot be fully mitigated, and these are taken into account when planning the Firm's capital.

2.2.5 *FOREIGN EXCHANGE RISK*

The Firm operates globally and uses pounds sterling as its functional currency and is thus exposed to foreign exchange risk arising from various currency combinations. Foreign currency-denominated assets and liabilities together with expected cash flows give rise to foreign exchange exposures. Due to changes in global markets currency combinations will also change within a financial year.

The foreign exchange policy of the Firm is to hedge material foreign exchange exposures. Exposures are hedged by means of matching assets with liabilities and holding material cash balances in Sterling, Euros and US dollars.

3.1. MANAGEMENT ACCOUNTABILITY

The Firm’s Board takes overall responsibility for the Firm and:

• Approves and oversees implementation of the Firm’s strategic objectives, risk strategy and internal governance.
• Ensures the integrity of the Firm’s accounting and financial reporting systems, including financial and operational controls and compliance with the regulatory system.
• Has responsibility for providing effective oversight of senior management.
• Monitors and periodically assesses:

  - The effectiveness of the Firm's governance arrangements; and
  - The adequacy of the policies relating to the provision of services to clients and takes appropriate steps to address any deficiencies.
  - The adequacy and the implementation of the Firm’s strategic objectives in the provision of investment services and / or activities and ancillary services.

• Has adequate access to information and documents which are needed to oversee and monitor management decision-making

The Firm ensures that the members of the management body meet the requirements of SYSC 4.3A.3R. The Firm is subject to the Senior Managers Regime (‘SMR’) and all members of the management body hold SMF status. The Firm has undertaken the necessary fitness and propriety tests associated with the SMR (alongside additional referencing processes) to ensure each member:

• Is of sufficiently good repute;
• Possesses sufficient knowledge, skills, and experience to perform their duties;
• Possesses adequate collective knowledge, skills, and experience to understand the Firm's activities, including the main risks;
• Reflects an adequately broad range of experiences;
• Commits sufficient time to perform their functions in the Firm; and
• Acts with honesty, integrity, and independence of mind to effectively assess and challenge the decisions of senior management where necessary and to effectively oversee and monitor management decision-making.

In accordance with MIFIDPRU 7.3R a non-SNI MIFIDPRU firm is required to establish a risk committee.

3.2 NUMBER OF DIRECTORSHIPS

The number of executive and non-executive directorships held by the Directors as at 31 December 2023 were as follows:

Executive Director	No. of Executive Directorships Directorships	No of Non-Executive
Ajay Pabari	5	0
Non-Executive Director		
Bharat Thakrar	46	3

Julian Costly	5	0

4.1. OWN FUNDS

Spread Co's available capital resources ('Own Funds') are valued for the purposes of meeting minimum capital requirements, according to the IFRS balance sheet value of reserves, and according to the criteria set out in MIFIDPRU 3.

Spread Co only holds Common Equity Tier 1 items which incorporate share capital and retained earnings. The firm does not have Additional Tier 1 or Tier 2 instruments.

Composition of regulatory own funds Item

Item		Amount (GBP thousands)
		As of 31/12/22
1	**own funds**	**13,172**
2	**Tier 1 Capital**	**13,172**
3	**Common Equity Tier 1 Capital(CET1)**	**13,172**
4	Fully Paid-up Capital	4,400
5	Share premium	-
6	Retained earnings	8,772

5.1. OWN FUNDS REQUIREMENT

In accordance with MIFIDPRU 4.3.2, Spread Co is required to maintain own funds that are at least equal to its Own Funds Requirement at all times.

The Own Funds Requirement is the greater of:	**Amount (£000') As at 31 December 2022**
Permanent Minimum Requirement (PMR)	750
Fixed Overhead Requirement (FOR)	818
K-Factor requirement (sum of a) to c))	2,218
a) the sum of the K-AUM, K-CMH, K-ASA requirement b) the sum of the K-COH and K-DTF requirement c) the sum of the K-NPR, K-CMG, K-TCD and the K-CON requirement	26 43 2,149
Own Funds Requirement	2,218

5.2 ADEQUACY OF OWN FUNDS

In accordance to the Overall Financial Adequacy Rule (OFAR), the firm must at all times, hold own funds and liquid assets which are adequate, both as to their amount and their quality, to ensure that:

- the firm is able to remain financially viable throughout the economic cycle, with the ability to address any material potential harm that may result from its ongoing activities; and
- the firm's business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

An assessment is carried out as part of the Internal Capital Adequacy and Risk Assessment (ICARA). Spread Co calculates its own internal risk assessment of ongoing activities by identifying all risks and considering their materiality, including those that are not captured under the defined K-Factor requirements.

The higher of the internal risk assessment and the funds required for an orderly wind-down is used as the Own Funds Threshold Requirement (OFTR) and Liquid Assets Threshold Requirement (LATR) which Spread Co is required to hold at any point in time to comply with the OFAR.

The ICARA assessment is produced annually or more frequently, if there has been a material change to the business model.

There is a considerable surplus of reserves above the capital resource requirement deemed necessary to cover the risks identified.

6 REMUNERATION

6.1 REMUNERATION DISCLOSURE

Under the FCA's Remuneration Code, the Firm has determined that it is a Tier 3 firm, which allows it to disapply many of the technical requirements of the Code and proportionately apply the Code's rules and principles in establishing its Remuneration Policy.

6.2 DECISION MAKING PROCESS FOR REMUNERATION POLICY

Given the nature and size of the business, during 2022, Spread Co's Remuneration Policy was determined and administered by the Firm's Executive Directors. The Firm also has a Remuneration Committee which meets to ratify remuneration awards.

The Remuneration Committee is responsible for making recommendations to the Board on Spread Co's Remuneration Policy and will determine the remuneration and other benefits for any Executive Directors and other senior employees, including all Code Staff.

The Firm's Remuneration Policy takes full account of the Firm's strategic objectives and the long term interests of shareholders and other stakeholders. Its objective is to recognise and reward good and excellent performance of employees that helps drive the sustainable growth of the Firm and to preserve shareholder value by ensuring the successful retention of employees.

For 2022, the executive directors reviewed the performance of all employees and based on that review determined the overall level of remuneration for each employee and the split between fixed (base salary) and variable (bonus) remuneration.

6.3 CODE STAFF CRITERIA

The following groups of employees have been identified as meeting the FCA's criteria for Code Staff:

- Any employee holding a significant influence function;
- Other senior managers who have an input into the decision making process of the Firm;
- Any employee receiving total remuneration which takes them into same remuneration bracket as senior management.

6.4 THE LINK BETWEEN PAY AND PERFORMANCE CODE STAFF

Code staff remuneration is made up of fixed (basic salary) and variable (bonus) elements. Variable remuneration is directly linked to the overall performance of the Firm and is designed to link reward with the long term growth and success of the Firm.

6.5 AGGREGATE QUANTITATIVE INFORMATION ON REMUNERATION FOR CODE STAFF

For the year ending 31 December 2021, there were four Code Staff (as defined above). All were senior management. Aggregate remuneration expenditure in respect of Code Staff was £782,939.

Remuneration expenditure was divided between fixed and variable remuneration as follows:

- Fixed remuneration: £627,889
- Variable remuneration: £155,050
- Number of beneficiaries: 5

Fixed remuneration consists of basic salaries only while variable remuneration consists of bonus payments

7 INVESTMENT POLICY

In accordance with MIFIDPRU 8.7.6, a firm is only required to disclose information in relation to its investment policy if the following circumstances are applied:

• Only in respect of a company whose shares are admitted to trading on a regulated market;

• Only where the proportion of voting rights that the MIFIDPRU investment firm directly or indirectly holds in that company is greater than 5% of all voting rights attached to the shares issued by the company; and

• Only in respect of shares in that company to which voting rights are attached.

As Spread Co does not meet these requirements, it is not required to disclose any information relating to its investment policy.