

PILLAR 3 DISCLOSURE

Overview

The Company name (former name, Daewoo Securities (Europe) Limited) has been changed as of 24 November 2016, to “Mirae Asset Securities (UK) Ltd.”. This is following the successful merger of our parent company, Mirae Asset Daewoo Co., Ltd (former name Daewoo Securities Co., Ltd.) with Mirae Asset Group. Due to this, our grand parent company had changed from Korean Development Bank, to Mirae Asset Securities Co., Ltd. The merger process between Mirae Asset Daewoo and Mirae Asset Securities had been completed as of 31st December 2016. Following the merger, Mirae Asset Daewoo has become the company’s parent and Mirae Asset Securities Co Ltd was dissolved. Mirae Asset Capital Co., Ltd has been a new grand parent company since then. While our Corporate Governance and name changes have been completed, MASUK has remained the same. In terms of licensing, business practice and conduct we have remained entirely unchanged. Furthermore, our business model and values have not been affected. MASUK also increased its paid capital to \$78,364,700 during the year.

Since 2008 MASUK has applied the capital adequacy framework set out in the Capital Requirements Directive (CRD) as part of its capital management strategy. The CRD is based on three pillars:

Pillar 1 covers the calculation of risk weighted capital requirements for credit risk, market risk and operational risk

Pillar 2 allows firms and supervisors to take a view on whether the firm should hold additional capital to cover the three Pillar 1 risk types, or to cover other risks faced by the firm

Pillar 3 covers external communication of the risk and capital information by firms

MASUK is regulated by the UK Financial Conduct Authority (FCA) and, for the purposes of prudential requirements, is categorised as a IFPRU €730k firm. Pillar 3 requirements applying to IFPRU firms are set out in the FCA Handbook within the “Prudential Sourcebook for Banks, Building Societies and Investment Firms” (IFPRU), at IFPRU 11.

MASUK makes its Pillar 3 disclosures on an annual basis. However, the Board of Directors continually monitors this frequency to ensure that it remains appropriate and will consider more frequent publication of necessary.

Capital Management Process

Capital adequacy is the degree to which capital resources on MASUK’s balance sheet are sufficient to cover the capital requirements for the business both now and for the foreseeable future. MASUK’s authority to operate as an investment firm is dependent upon the maintenance of adequate capital resources. MASUK’s capital management process ensures that capital resources and requirements are continually reviewed against financial projections and risk assessments to enable the company to meet minimum regulatory requirements in the UK, support its credit rating and maintain cost of funds and support its growth plans and strategic objectives.

Capital Adequacy

	<u>Year ended</u> <u>31.12.2016</u> \$'000	<u>Year ended</u> <u>31.12.2015</u> \$'000
Tier 1 Capital (Shareholder's Funds)	76,655	15,582
Total Capital Requirement (see below)	(6,447)	(6,962)
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Excess	70,208	8,620
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Total Capital Requirement

	<u>Year ended</u> <u>31.12.2016</u> \$'000	<u>Year ended</u> <u>31.12.2015</u> \$'000
Pillar 1 risks:		
Market Risk (based on inventory level)	4,313	1,450
Operational Risk (based on 3 year's average gross income)	574	452
Pillar 2 risks:		
Fraud	80	80
Employee error	40	40
Disaster recovery	160	160
Information Technology and Telecommunications	40	40
Information services	40	40
Employee cover	40	40
Trade settlement	80	80
Money laundering	80	80
Concentration risk	0	4,500
Cost of Wind-down of the Firm's Business (90 days)	1,000	0
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Total	6,447	6,962
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Risk measurement and management

We have calculated our risk weightings based on an internal assessment of the likelihood of an event occurring and its projected financial impact on MASUK using the standardised approach. We have also included the cost of Wind-down of the Firm's Business to survive for 90 days. The management of MASUK adopts policies to reduce or eliminate the possibility of the other risks occurring to the maximum extent that these are considered avoidable.

Remuneration Disclosures

The remuneration committee comprises the Board of Directors of MASUK and remuneration is reviewed on an annual basis. The remuneration policy takes into account the long-term interests of MASUK's parent company who is its principal stakeholder. Employees who are entitled to performance-related bonuses will be only rewarded after a predetermined calculation has been made based on audited results. Other employees who receive discretionary rewards are assessed against quantitative and qualitative criteria including revenue generation per employee; perceived improvements in client and counterparty relationships; compliance with regulatory requirements and achievements in improvements in cost, credit and systems control. As at 31st December 2016, all variable remuneration was paid in the form of cash, none of which has been deferred.

Aggregate quantitative remuneration information broken down by business division is as follows:

	<u>Year ended</u> <u>31.12.2016</u> \$'000	<u>Year ended</u> <u>31.12.2015</u> \$'000
Sales	731	828
Trading	414	538
Administration	726	573
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Total	1,871	1,939
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