



eToro (UK) Limited

IFPR (MIFIDPRU 8) Disclosures

Full Year 2023

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Approved By:	Risk and Audit Committee on behalf of the Board of Directors
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1. Introduction

eToro UK Ltd (“eToro UK”, “the Firm”, “we”, “our”, “us”) was incorporated in the United Kingdom on 2nd March 2012 with company number 07973792. The Firm is authorised by the FCA (FRN 583263) with permission to carry out the following activities:

- Arranging (bring about) deals in investments;
- Arranging safeguarding and administration of assets;
- Dealing in investments as agent;
- Dealing in investments as principal – limited licence – matched principal broker;
- Making arrangements with a view to transactions in investments;
- Managing investments;
- Safeguarding and administration of assets (without arranging); and
- A firm that carries out specific cryptoasset activities under the Money Laundering Regulations.

The Firm is categorised as a Non-Small and Non-Interconnected (Non-SNI) MIFIDPRU Investment Firm under the Investment Firm Prudential Regime (IFPR), due to the fact that it safeguards and administers assets, holds client money and deals on own account (on a matched principal basis).

eToro is required to maintain a permanent minimum capital balance of £750k as a result of its matched principal permission.

In accordance with section 8 of the Prudential Sourcebook for MIFID Investment Firms (MIFIDPRU), eToro UK is required to publish annual disclosures relating to its:

- Risk Management Policies and Objectives;
- Governance Arrangements;
- Own Funds;
- Own Funds Requirements; and
- Remuneration Policies and Practices.

2. MIFIDPRU 8.2 - Risk Management Policies and Objectives

2.1. Harms associated to the Firm’s Business Strategy

eToro UK provides a multi-asset, social investment network where clients can follow and copy other social investors and trade contracts for differences (“CFDs”) in foreign exchange, commodities, indices, bonds, exchange traded funds (“ETFs”) and stocks. Clients may also purchase the underlying asset in both stocks and cryptoassets.

In executing its business strategy, eToro UK is exposed to potential harm resulting from its ongoing activities, as are the Firm’s clients and the wider market as a whole. The key risk types to which eToro UK is exposed are: operational risk, liquidity risk, group risk, credit risk, business risk, conduct risk, market risk and concentration risk, all of which have potential to cause harm, whereby the Firm’s own funds resources or liquid assets may be impacted.

The Firm conducts an ICARA (Internal Capital Adequacy and Risk Assessment) Process to ensure that eToro UK has appropriate systems and controls in place to identify, monitor and, where proportionate, reduce all potential material harms that may result from the ongoing operation of its business or winding down its business, and holds financial resources that are adequate for the business it undertakes.

2.2. The Firm's Approach to Risk Management

5 Pillars of Risk

The Firm divides its risk management efforts across 5 risk pillars as follows:

Governance	Identification & Assessment	Monitoring & Control	Reporting	Risk Culture
Roles & Responsibilities Board Committee Structure Committee Terms of Reference 3 Lines of Defence Risk Appetite	Risk Identification Risk Register Risk Self-Assessments Impact Matrix BCP ICARA Process Wind-Down Planning	Risk Control Self-Assessment Risk Policies Risk Limits KRIs	Regulatory MIF forms MIFIDPRU 8 Disclosures Periodic Risk Reports (UK and Group) Management Information Incident Reporting	Risk Training Risk Inductions Risk Newsletters

Risk Management Function

The Risk Management function is led by the Chief Risk Officer UK ("CRO"), who reports into the Chief Compliance & Operations Officer UK. The CRO is supported by a Senior Risk Analyst in the UK, 4 2nd line risk managers based in Cyprus, 6 risk staff based in Israel, including the Group CRO and a further 2 risk staff across other sister entities. The responsibilities of the Chief Risk Officer include:

- Reviewing and monitoring the risk management of the Firm, including through application of Key Risk Indicators;
- Reporting to the RAC and Board directly on risk issues;
- Reviewing and approving capital and liquidity adequacy calculations;
- Preparing the MIFIDPRU 8 disclosures;
- Designing and implementing of risk policies;
- Designing and implementing the ICARA Process; and
- Submitting the ICARA document to the Board for approval.

The Firm operates a Risk and Audit Committee (RAC), a sub-committee of the Board, the responsibilities of which are described in detail in section 3.2.

2.3. How the Firm Sets its Risk Appetite

The Board will consider the nature and extent of the risks that it is willing to take to achieve its strategic objectives whilst maintaining sound risk management and internal control systems. The risk appetite is considered in the context of the regulatory environment, the sectors in which eToro UK operates and eToro UK's culture.

Risk Appetite and Risk Tolerance are set at the Risk Category level and are used to govern the level of residual risks the Firm is able to take.

Furthermore, the Board approved Risk Appetite Statement (RAS) is updated at least annually or following significant changes to the Board's Risk Appetite. The RAS allows the Board to address specific risks both quantitatively and qualitatively, by setting rules, thresholds and limits to inform staff decision making.

2.4. Risk Categories and Mitigants

eToro UK is exposed to a number of risk types, which are described below. The Firm has strategies and processes in place which are designed to reduce the potential for harm across each of these risks.

Risk Type	Description
Business	The risk of a decline in profits because of uncertainties inherent in business such as competition, change in customer tastes and preferences.
Conduct	The risk that the behaviour of EToro UK or its staff results in poor outcomes for customers or market instability.
Credit	The risk that parties with whom eToro UK has contracted fail to meet their financial obligations.
Financial	The risk that the adequacy of eToro UK's financial resources is reduced.
Group	The risk that the financial position of EToro UK is adversely affected by its relationships with other group entities.
Market	The risk that EToro UK suffers financial losses due to adverse price movements.
Operational	The risk of loss due to inadequate internal processes, systems or staff.

Risk Category	Risk Type	Description	Examples of Controls / Mitigants
AML / CFT Regulations	Operational	The risk that non-compliance with AML / CFT regulations and internal policies leads to punitive actions from the regulator and an increased risk of financial crime being committed.	eToro UK operates a 3 lines of defence model with respect to AML / CFT regulations, with the customer onboarding team acting as the primary 1 st line of defence, carrying out PEP and adverse media screening and ID verification. The Financial Crime team under the supervision of the MLRO, implement 2 nd line monitoring. More detail is provided in the Firm's AML Policy.
Capital Requirements	Financial	The risk that EToro UK does not hold enough capital to satisfy its own funds threshold requirement.	eToro UK maintains own funds buffers and a Financial KRI escalation policy designed to ensure the Firm is sufficiently capitalised at all times. Capital adequacy is monitored by the Risk and Finance teams and reported into the RAC and Board.
Client Assets	Conduct	The risk that non-compliance with the FCA's CASS rules leads	eToro UK operates a dedicated CASS team, responsible for

Regulations		to punitive actions from the regulator and an increased risk of harm to clients.	ensuring compliance with the CASS rules in relation to client money and custody assets. The CASS Officer reports into the CASS Committee on a quarterly basis.
Client Counterparty Credit	Credit	The risk that a financial loss is incurred due to a client not meeting its financial obligations to eToro UK.	eToro UK acts as agent with respect to transmission of its clients' orders and as such is not exposed to client counterparty credit risk.
Client Protection Rules	Conduct	The risk of non-compliance with the FCA's rules regarding, for example: disclosures, appropriateness & suitability testing and risk warnings.	The eToro UK Compliance team maintain a Client Acceptance Policy and a Suitability Policy. They also actively monitor for changes to regulations, including attending FCA roundtables and related seminars. The CRO prepares Board approved MIFIDPRU 8 disclosures annually.
Concentration	Credit	The risk that an excessive exposure to a single counterparty leads to a financial loss.	eToro UK mitigates concentration risk in relation to the institutions it uses to hold client money and to provide custody of assets through its diversification of funds policy. Products offered cover multiple asset classes including CFDs, real stocks and real cryptocurrency, ensuring the Firm is well positioned to take advantage of changing client appetites.
Data Protection / Privacy	Operational	The risk that eToro UK's information or data, including personal data of clients and staff, is leaked, modified, destroyed, stolen or used in an unauthorised way.	Data and IT security are outsourced to eToro Ltd and are governed by outsourcing agreements and SLAs. An IT Security Policy is maintained by the Group CISO. Staff laptops are protected with antivirus software and utilise VPN technology.
Employment Practices	Operational	The risk that poor employment practices lead to detriment to staff or difficulty in retaining and attracting talented staff.	eToro UK has an internal HR team responsible for staff training and hiring.
Environment, Social, Governance (ESG)	Business	The risk that negligence in relation to ESG (Environment, Social, Governance) issues affects a company's financial position or operating performance.	eToro UK is aware of its obligations to provide a safe and secure workplace and to apply a policy of equality and inclusion among its workforce, through the application of its Equality, Inclusion and Diversity Policy.
Financial Liquidity Requirements	Financial	The risk that eToro UK cannot meet its short-term financial obligations or its liquidity threshold requirements, due to being unable to convert its assets into cash.	eToro UK maintains liquid assets buffers and a Financial KRI Escalation policy designed to ensure the Firm holds sufficient liquidity at all times. Liquidity adequacy is monitored by the Risk and Finance teams and reported into the RAC and Board.
Foreign Exchange	Market	The risk that fluctuations in exchange rates result in negative financial impact to eToro UK.	eToro UK's Treasury team maintain limits on the size of balances denominated in non-reporting currency.
Fraud	Operational	The risk of fraud being committed by internal or external parties by circumventing processes and controls, including those operated by third-party providers.	eToro UK operates the 4-eyes principle in relation to authorisation of key processes and transactions. The Firm protects staff and client accounts using 2FA to reduce unauthorised access.

Group	All	The risk that the financial position of eToro UK is adversely affected by its relationships with other group entities.	eToro UK monitors group level KRIs designed to provide early warning of stress to the financial adequacy of group entities.
Human Error	Operational	The risk that an unintentional, manual staff action leads to a negative outcome for the firm.	eToro UK automates processes where possible to reduce the risk of human error.
Institutional Counterparty Credit	Credit	The risk that an institutional counterparty to a transaction could default before the final settlement of the transaction's cash flows.	eToro UK performs onboarding due diligence and ongoing credit risk assessments and due diligence of all institutional counterparties. Client and corporate funds are diversified across multiple counterparties.
Interest Rate	Market	The current or prospective risk to both the earnings and the economic value of the Company arising from adverse movements in interest rate that affect assets, liabilities and off-balance-sheet items in the non-trading book.	The Treasury department actively manages yield from interest generating products, taking into account both the potential interest earnings as well as the creditworthiness of the institution.
Legal	Operational	The risk of loss to eToro UK caused by a defective transaction, inadequate protection of assets or a successful claim made by a third party.	Legally binding terms and conditions agreed to by all clients.
Market Abuse Regulations	Operational	The risk that non-compliance with market abuse regulations and internal policies leads to punitive actions from the regulator and an increased risk of market abuse being committed.	eToro UK operates a 3 lines of defence model with respect to market abuse regulations, with the group trading team acting as the primary 1 st line of defence, while Compliance implement 2 nd line monitoring of suspicious transactions and orders. More detail is provided in the Firm's Market Surveillance Policy and the Market Abuse Escalation Guide. The Firm also maintains a PA Dealing and Insider Trading Policy.
Market Liquidity	Market	The risk that difficulty in executing a large order due to insufficient orderbook liquidity, leads to significant price deterioration for the client or firm.	eToro UK operates an agency execution model and therefore has no market risk exposure in its trading book.
Net Open Position	Market	The market risk that arises from price movements across financial instruments in which the Firm has unhedged trading book exposures.	eToro UK operates an agency execution model and therefore has no market risk exposure in its trading book.
Operational Resilience	Operational	The risk that inadequate processes, systems or controls leads to the Firm being unable to provide its Important Business Services, causing harm to clients.	eToro UK operates a robust operational risk framework including incident reporting, RCSAs and maintenance of a firm-wide risk register.
Organisational & Corporate Governance	Operational	The risk that inadequate governance arrangements lead to risk appetite breaches and poor outcomes for clients and firm.	The Firm maintains a Corporate Governance Policy that outlines its approach to organisational structure, including the Board of Directors and its sub-committees, as well as their responsibilities.
Outsourcing	Operational	The risk posed to eToro UK by non-performance, or poor performance, by a service provider of a function transferred to the service provider under an outsourcing arrangement.	eToro UK maintains outsourcing agreements with all outsourcing providers, both external and within the eToro group, defining service level agreements (SLAs).

People	Operational	The risk to the organisation and its performance that can be attributed to the workforce, excluding conduct risk which is considered separately. It includes behavioural actions, non-deliberative (human error), organisation structure, capabilities, deployment, mobility, attraction, retention, talent and succession management and issues pertaining to employee relations.	eToro UK prioritises a transparent and progressive working culture by providing ongoing skills training and rewarding incident reporting. Procedures and policies are documented as are responsibilities of SMCR staff to assist with succession planning and staff handovers.
Physical Security	Operational	The risk of loss, damage or theft of physical assets.	eToro UK rents secure office space with appropriate levels of physical security in relation to office space and other physical assets.
Product	Conduct	The risk that our products are not designed to help clients meet their objectives, thereby delivering poor outcomes.	New instruments must pass the listing procedure as defined in the Firm's New Instrument Listing Policy, subject to approval from multiple departmental key stakeholders. On an ongoing basis, Compliance monitor financial instruments to ensure they continue to meet the needs of the identified target market.
Prudential Regulations	Financial	The risk that non-compliance with the MIFIDPRU rules or internal policies leads to punitive actions from the regulator.	The Chief Risk Officer and Chief Compliance Officer both have responsibility for ensuring the Firm complies with the MIFIDPRU rulebook. The CRO is responsible for conducting the ICARA Process, including authoring the Firm's ICARA document.
Regulatory	Business	The risk that a change in regulation leads to losses for EToro UK.	eToro UK's compliance staff regularly attend regulatory seminars in which upcoming changes to regulations are discussed. The FCA's Market Watch communications and Policy Statements are reviewed for indications of change to the regulatory environment.
Reputational	Business	The risk that negative publicity, public perception or uncontrollable events have an adverse impact on a company's reputation, thereby affecting its revenue.	Media outlets and social media are closely monitored to gauge the company's reputation. The UK PR team is responsible for mitigating reputational risks and escalating concerns up to the Board's Management Committee.
Sanctions	Operational	The risk that non-compliance with sanctions leads to punitive action.	Sanctions screening is carried out by the customer onboarding team and further monitoring is provided by Compliance.
Settlement	Credit	The risk that one or more parties will fail to deliver on the terms of a contract at the agreed-upon time.	Beyond the onboarding due diligence and ongoing credit risk assessments performed by eToro UK, the middle office team are responsible for maintaining relationships with the Firm's counterparties, and ensuring swift settlement of transactions.
Strategic	Business	The risk that executive management make poor strategic decisions that damage EToro UK's ability to generate profit.	eToro UK employs an experienced, highly skilled senior management team and Board of Directors who are responsible for developing and executing a successful business strategy.
Tax	Financial	The risk that tax liabilities are poorly understood or	The Firm's tax affairs are managed by the Finance team and

		miscalculated, causing a negative financial impact to the Firm.	undergo periodic audits to ensure compliance with UK legislation.
Tax Regulations	Operational	The risk that tax reports are submitted incorrectly or late, resulting in financial penalties.	The Firm's tax reporting is managed by the Finance team, including preparation and submission of various tax reports such as FATCA, CRS, QI, stamp duty etc.
Technology	Operational	The risk that any technology failure disrupts the company's normal business.	eToro UK operates a robust IT control framework including an extensive suite of KRIs monitored by 1 st line technology teams and incident reporting procedures designed to immediately identify and escalate IT related issues.
Transaction / Trade Reporting	Operational	The risk that UK EMIR trade reports and UK MiFIR transaction reports are submitted late or containing errors, leading to punitive action from the regulator.	The Firm outsources compilation and transmission of transaction reports to eToro IL, who are responsible for maintenance of static data, post-submission analysis and monitoring for successful submission of reports.
Vendor	Operational	The risk posed to eToro UK by non-performance, or poor performance, by a service provider of a function transferred to the service provider that does not fall under an outsourcing arrangement.	The Firm's 3 rd party vendors are subject to contractual SLAs and agreements which give the firm legal protection in relation to the level of service provided.

2.5. How the Firm Assesses the Effectiveness of its Risk Management Processes

Through the application of the 3 lines of defence model, risk management processes are assessed by the 2nd and 3rd line of defence as set out as below:

Line of Defence	Team	Key Responsibilities
First	<p>All non-2nd and 3rd line staff form part of the Firm's 1st line of defence.</p> <p>Risks and controls are owned by senior managers within the 1st line teams.</p>	<ul style="list-style-type: none"> ● Owning risks and controls across all risk categories, for example: Market Risk, Operational Risk, Liquidity Risk etc; ● Contributing to the risk register via Risk & Control Self-Assessments ● Implementation of the risk appetite policy approved by the Board; ● Management of real-time risks, which include financial crime risks; and ● Ensuring procedures are efficient and effective.
Second	Risk Department	<ul style="list-style-type: none"> ● Ensuring the 1st line's adherence to the Board's risk appetite; ● Oversight of risk controls and procedures; ● Staff training; ● Development and monitoring of the wind-down plan; ● Reporting on the effectiveness of controls.

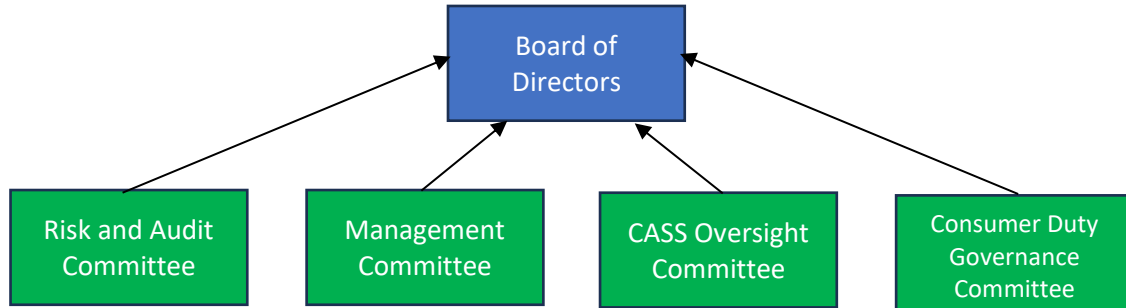
	Compliance Department	<ul style="list-style-type: none"> ● Monitoring of 1st line activities in compliance with rules, regulations and standards, including reporting on the effectiveness of controls; ● Provide advice and guidance on all compliance issues relevant to the firm; ● Act as the point of contact and liaise with the FCA and all other legal and regulatory organisations; ● Staff training.
Third	Internal Audit	<ul style="list-style-type: none"> ● Reviewing and monitoring 2nd line of defence with respect to the Firm's policies and the Board's risk appetite.

The Firm's governance framework which includes the Board of Directors and sub-committees of the Board is described in more detail in section 3. The Board is ultimately responsible for reviewing the effectiveness of the Firm's risk management and compliance frameworks at least annually.

The Chief Risk Officer is responsible for updating the Firm's risk policies, ensuring all key risks are identified, formulating and monitoring key risk indicators (KRIs), preparing management information and formally presenting to the RAC on a quarterly basis. In this way, the CRO is responsible for ensuring the RAC and Board are sufficiently well-informed to enable them to articulate the Firm's risk appetite, to challenge risk policies and to assess the effectiveness of the Firm's risk management processes.

3.MIFIDPRU 8.3 - Governance Arrangements

eToro UK’s governing body is the Board of Directors (the “Board”), which is supported by 4 sub-committees:



The Board consists of 2 members of the Group Executive Committee, 2 local (eToro UK employed) members as Executive Directors and 4 Non-Executive Directors, three of which are independent. One of the Executive Directors is the designated UK Managing Director (SMF 1). The full list of members is as follows:

Name	Role	Other Current Executive Directorships*	Other Current Non-Executive Directorships*
Jonathan Assia	Group CEO (Israel), Executive Director	1	0
Avi Sela	Group COO Regulation (Israel), Executive Director	1	0
Anthony Wollenberg	Independent Non-Executive Director	0	2
Paul Andrew Chrimes	Non-Executive Director	0	1
Robert James Brown	Independent Non-Executive Director	0	2
Edward Charles Drake	Chief Compliance and Operations Officer, Executive Director	1	0
Dan Moczulski	UK Managing Director, Executive Director	1	0
Shalom Berkovitz	Non-Executive Director (resigned 31 st March 2024)	-	-
Lord Stanley Fink	Independent Non-Executive Director	EXEMPT	EXEMPT
Meron Shani	Group CFO, Executive Director	1	0

* taking into account exemptions for Group directorships, non-commercial activities, and overall exemptions from SYSC 4.3A.6 when the member of the Management Body represents the United Kingdom.

The purpose of the Board is to provide overall governance and strategic direction by applying sound business judgement in the best interests of eToro UK, taking into consideration the objectives of its shareholders, employees, customers, and other stakeholders, such as regulators.

The responsibilities of the Board, as outlined in the Board Terms of Reference document, include:

- Develop and approve an appropriate strategy for the eToro UK business;
- Set targets and monitor performance;
- Approve the Firm’s budgets, and review actual performance against the budget;

- Review and revise Terms of Reference of sub-committees;
- Approve the Firm's risk-taking philosophy, risk appetite and risk tolerance;
- Review in line with business change and at least annually, or with significant change in business, of:
 - Regulatory permissions;
 - Policy documents (including anti-money laundering, business continuity, treating customers fairly, financial promotions, complaints handling, remuneration);
 - Internal Capital Adequacy and Risk Assessment ("ICARA") and Liquidity Policy, including assumptions for stress tests;
 - Wind-Down Plan; and
 - Consumer Duty Governance Document.
- Review the effectiveness of the Firm's risk and compliance management frameworks at least annually;
- Implementation of the Firm's remuneration policy and ensure it complies with the FCA's Remuneration Code, and is consistent with and promotes sound and effective risk management;
- Review and approve major outsourcing agreements and take action on significant breaches of SLAs;
- Review significant exceptions to policies and guidelines;
- Review and take action on compliance and risk issues, trends, practices, loss events, and compliance breaches that have significant or cross business implications;
- Review compliance indicators and other applicable management information and take remedial action where needed;
- Review reports and maintaining oversight of key matters arising from any Board sub-committees; and
- Oversight of the Firm's financial crime prevention arrangements.

3.1. Diversity of the Management Body

eToro UK understands that its people are the cornerstone of its business. Developing an inclusive and supportive culture where every member of the team is able to realise his or her potential, will also enable the business to achieve its objectives.

Our aim is that our workforce is truly representative of society as a whole and that each employee is treated fairly, irrespective of their age, disability, gender / gender reassignment, marriage / civil partnership, pregnancy / maternity, race, religion or belief, sex, or sexual orientation.

We oppose all forms of unlawful and unfair discrimination or victimisation. To that end the purpose of our Equality, Diversity and Inclusion Policy is to provide equality and fairness for all in our employment, including in terms of pay equality.

In relation to the management body (the Board), the Firm targets a diverse Board and will continue to strive towards this goal with future appointments.

3.2. Requirement to have a Risk Committee

Under MIFIDPRU 7.1.4, the Firm is not required to have a Risk Committee due to its on-balance sheet assets and off-balance sheet items not exceeding £100m on a rolling-average basis over the last 4 years.

The Firm, however, chooses to operate a Risk and Audit Committee (RAC), a sub-committee of the Board, which meets at least quarterly.

The responsibilities of the RAC include:

- Provide a forum for discussing, coordinating and ensuring accountability for monitoring, addressing, and mitigating all of eToro UK's risk exposures on a timely basis;
- Advise on and challenge eToro UK risk management and compliance frameworks with a view to embedding a supportive risk culture throughout the firm;
- Develop and propose eToro UK's risk-taking philosophy, risk appetite and risk tolerance for approval by the eToro UK Board;

- Identify actual and potential risks within the business and ensure appropriate mitigants are in place;
- Review the company's risk register;
- Monitor and evaluate all significant aspects of risk management practices;
- Define and monitor risk and conduct metrics, Key Risk Indicators ("KRIs"), that provide an early signal of increasing risk exposures in various business areas;
- Review the adequacy of the ICARA process;
- Review the Internal Capital Adequacy and Risk Assessment ("ICARA") document, Wind Down Plan and Liquidity Policy prior to submission to the eToro UK Board;
- Review and challenge stress testing reports and analysis with appropriate escalation to the eToro UK Board;
- Review company policy documents prior to submission to the eToro UK Board;
- Review and approve risk aspects of new products;
- Oversee and challenge due diligence on risk issues relating to material transactions and strategic proposals;
- Identify thematic areas of focus for future Internal Audit initiatives;
- Review and follow up on internal / external audit findings;
- Review Financial Statements; and
- Prepare and retain all meeting minutes to document key decisions and discussions by the Committee.

4. MIFIDPRU 8.4 - Own Funds

The following table details the components of the Firm's Own Funds resources, with references to the Firm's audited financial statements for full year 2023.

Composition of Regulatory Own Funds			
No.	Item	Amount (GBP)	Balance sheet reference in audited financial statements
1	OWN FUNDS	30,332,292	
2	Tier 1 Capital	30,332,292	
3	Common Equity Tier 1 Capital	30,332,292	
4	Fully paid up capital instruments	0	
5	Share Premium	21,693,092	8
6	Retained Earnings	8,835,315	3.8
7	Accumulated other comprehensive income	0	
8	Other reserves	0	
9	Adjustments to CET1 due to prudential filters	0	
10	Other funds	0	
11	Total Deductions from CET1	-196,115	12.3
19	CET1: Other capital elements, deductions and adjustments	-196,115	
20	Additional Tier 1 Capital	0	
21	Fully paid up, directly issued capital instruments	0	
22	Share premium	0	
23	Total Deductions from Additional Tier 1	0	
24	Additional Tier 1: Other capital elements, deductions and adjustments	0	
25	Tier 2 Capital	0	
26	Fully paid up, directly issued capital instruments	0	
27	Share premium	0	
28	Total deductions from tier 2	0	
29	Tier 2: Other capital elements, deductions and adjustments	0	

5. MIFIDPRU 8.5 - Own Funds Requirement

The Own Funds Requirement of the Firm is, as prescribed in MIFIDPRU 4.3, the higher of:

- The Firm's K-Factor Requirement (KFR)
- The Firm's Fixed Overheads Requirement (FOR)
- The Firm's Permanent Minimum Capital Requirement (PMR)

eToro UK's K-Factor Requirement as of 31st Dec 2023 was as follows:

Own Funds Requirement	Amount (£000s) *
Sum of K-AUM – Assets Under Management K-CMH – Client Money Held (Seg) K-ASA – Assets Safe-Guarded and Administered	1,885
Sum of K-COH - Client Orders Handled (Cash) K-COH – Client Orders Handled (Derivatives) K-DTF – Daily Trade Flow (Cash)	126
Sum of K-NPR – Net Positions Risk K-CMG – Clearing Margin Given K-TCD – Trading Counterparty Default K-CON – Concentration	1,373
Total K-Factor Requirement	3,384
Fixed Overheads Requirement	3,121
Permanent Minimum Capital Requirement	750
Own Funds Requirement (Max of KFR, FOR, PMR)	3,384

5.1. The Overall Financial Adequacy Rule (OFAR)

eToro UK must, at all times, hold own funds 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. (MIFIDPRU 7.4.7 R)

The Firm ensures adherence to the OFAR through the application of its ICARA Process. The overall purpose of the Firm's ICARA Process is to ensure that eToro UK:

- Has appropriate systems and controls in place to identify, monitor and, where proportionate, reduce all potential material harms that may result from the ongoing operation of its business or winding down its business; and
- Holds financial resources that are adequate for the business it undertakes.

MIFIDPRU 7.6.3 R requires that the firm must assess whether it should hold additional own funds in excess of its Own Funds Requirement (OFR) to comply with the Overall Financial Adequacy Rule (OFAR). eToro UK has identified potential material harms that cannot be fully mitigated, and chooses to hold additional own funds to protect against such harms.

Similarly, the Firm assesses the potential harms that may occur during a wind-down, and has determined that it must hold additional own funds in excess of the firm's Fixed Overheads Requirement.

eToro chooses to hold the larger of these 2 amounts as own funds, thereby ensuring compliance with the OFAR.

6. MIFIDPRU 8.6 - Remuneration Policy & Practices

6.1. Approach to Remuneration

The Firm's approach to remuneration is aligned with eToro UK's / eToro Group's business strategy, objectives, values and long-term interests.

The Firm's remuneration practices are set so as to apply an appropriate level of fixed remuneration (salary and benefits in line with market rates) together with variable remuneration that includes bonuses based on achieving pre-set objectives at the company and / or individual level.

6.2. Objectives of Financial Incentives

Financial incentives are designed to help the Firm to execute on its business strategy, whilst complying with regulatory requirements, including the Conduct of Business rules e.g. in relation to conflicts of interest, and the review of the suitability of instruments sold by staff to clients. Remuneration must also adhere to the Firm's internal policies and procedures in relation to fair treatment of clients and expected levels of client satisfaction.

The remuneration of staff is dependent on their specific role within the business:

- Non-client facing employees receive variable remuneration in the form of bonuses based on achieving pre-set objectives at the company and/or individual level;
- Client-facing staff receive bonuses based on both new customer acquisition but also on customer net deposits, with the variable component also incorporating qualitative criteria. These qualitative criteria include compliance with regulatory requirements and the Firm's internal policies and procedures;

6.3. Decision Making-Process

The Firm does not have a separate remuneration committee. Remuneration of the Firm's staff is approved by a Vice President within the Group HR team and a second appropriate Vice President i.e. the budget owner of the new joiner's team.

Bonus payments are based on achievement of objectives (MBO - Management By Objectives) set and agreed by the Managers. The annual budget, including bonus payments, are approved by Group HR and the Group Deputy CEO & Group CFO. Shares available for employee share option grants are approved annually by the Group Board and individually by Group HR and the Group Deputy CEO & Group CFO.

Remuneration (salary, bonus targets) of senior employees is approved prior to recruitment completion directly by the Group Deputy CEO & Group CFO.

The eToro Group takes into account the overall profitability of the Group, as well as regional, firm specific performance, when determining the bonus payments to be made and will reduce bonus payments if these targets are not met.

6.4. Material Risk Takers

A material risk taker ("MRT"), as defined in SYSC 19.5.1 G, is a staff member whose professional activities have a material impact on the risk profile of the firm.

The following list identifies some of the professional activities that qualify a member of staff as a MRT:

- Member of the Board;
- Member of the Senior Management team;
- Responsibility for regulated activities carried out by the Firm;
- Responsibility for the activities of a controlled function;
- Responsibility for prevention of money laundering and terrorist financing;
- Manages a MRT;
- Responsibility for managing outsourcing arrangements; and
- Responsibility for taking decisions on approving or vetoing the introduction of new products.

The following are key risk indicators that are also used to determine if the professional activities of a staff member qualify them as a MRT:

- There is no sufficiently senior and experienced material risk taker who supervises the staff member on a day-to-day basis or to whom the staff member reports;
- The staff member is responsible for key strategic decisions; and
- The staff member is responsible for significant revenue or for approving transactions.

6.5. Key Characteristics of Remuneration Policies and Practices

Remuneration for permanent employees is made up of fixed pay and performance-related variable pay (if the Firm has made a gross profit for the annual year) for eligible employees – referred to as the MBO bonus.

The MBO bonus scheme is a discretionary bonus scheme designed to ensure that staff behaviour and performance are aligned with the eToro Group's business strategy, objectives, values and long term interests. It is based on a review of a number of competencies that cover both financial and non-financial metrics, and specific behavioural competencies including compliance matters.

The Firm gives consideration to the following on an annual basis:

- The Firm's overall performance;
- The wider eToro Group's performance;
- The collective performance of the relevant region or department; and
- The individual's performance against objectives.

eToro UK also credits permanent employees' trading accounts to encourage them to better understand eToro UK's product offering, and trading platform.

6.6. Key Remuneration Components

The components of an individual's remuneration are as follows:

- **Fixed Remuneration**
 - Reflects a staff member's professional experience and organisational responsibility as set out in the staff member's job description and terms of employment; and is
 - Permanent, pre-determined, non-discretionary, non-revocable and not dependent on performance.
- **Benefits**
 - Benefits are generally aligned with the market, including:
 - Lunch allowance;
 - Medical and Dental Cover;
 - Life Assurance;
 - Discounted Gym Membership;
 - Cycle to Work Scheme; and

- Employee Assistance Programme.
- **Pension**
 - The employer pension contribution percentage rate offered to staff is equal for all employees.
- **Variable Remuneration**
 - Variable remuneration may include bonus, options or credits on the trading platform;
 - Bonus can take two forms:
 - Annual bonus plan (MBO) for eligible employees;
 - Account Manager bonus plan;
 - Guaranteed variable remuneration.

Variable Remuneration - Bonus

Setting of performance objectives and weighting are annual process that take place at the beginning of each year or shortly after starting, if the staff member joins part way through the year. Each manager is required to set objectives for all employees.

Performance evaluation: The achievement of objectives is measured annually following the announcement of the Firm's annual results and completion of the yearly performance review cycle.

Actual payment: All payouts will be made after the completion of the annual performance evaluation and the announcement of the Firm's annual business results for the Bonus Year.

The payout formula used to calculate bonus payouts is dependent on 3 variables:

- **Company Score**
 - The company score is based on actual achievements of pre-defined objectives;
 - Company objectives will be based on several business and financial measurements against the management's budget (for example, Net Revenue, Operating Income, Funded Accounts, Net Deposits, Club Members, EBITDA, etc.);
 - A Firm threshold must be achieved for any payment to be made.
 - Any achievement below the threshold of the Firm's targets may result in either no payment, or a reduced payment, of the overall bonus.
- **Region / BU Score**
 - The Region / BU score is based on actual achievements of pre-defined objectives/KPIs for the region / BU.
 - This weight component is relevant only for employees who have region/unit KPIs.
- **Personal Score**
 - Based on overall performance, contribution, performance rating score and KPIs if relevant.

Note that variable bonus payments are subject to a cap that is applied on an individual basis.

Guaranteed Variable Remuneration

eToro UK will only consider offering guaranteed variable remuneration rarely and not as common practice. The circumstances in which the Firm may consider offering guaranteed variable remuneration awards are:

- **Buyouts**
 - The need for buyouts has not arisen to date. If it does in future, the Firm will ensure it complies with SYSC 19G.6.13R;
 - Buyout must align with the long-term interests of the Firm;
 - Contain provisions on periods of retention, deferral, vesting and ex post risk adjustment that are no shorter than any corresponding periods that applied to unvested variable remuneration under the previous contract of employment, and which remained outstanding; and
 - Will not be more generous in either its amount or terms than the variable remuneration

awarded or offered by an employee's previous employer, subject to appropriate adjustments for performance-related requirements;

- **Retention**

- The need for retention has not arisen to date. If it does in future, the Firm will ensure it complies with SYSC 19G.6.10R;
- Retention may only be offered to MRTs rarely and not as common practice:
 - After a defined event;
 - At a specific point in time

- **Severance**

- No severance was paid in 2023. The Firm will ensure severance reflects statutory requirements, along with market practice as appropriate, in compliance with SYSC 19G.6.12; and
- The Firm must ensure that payments to material risk takers relating to the early termination of an employment contract reflect the individual's performance over time and do not reward failure or misconduct.

6.7. Quantitative Disclosures

The quantitative remuneration disclosures below follow the rules in MIFIDPRU 8.6.8 R.

Total Remuneration FY22	Senior Management		Other Material Risk Takers (MRTs)		All Other Staff		Total	
	Number of recipients	Amount (£)	Number of recipients	Amount (£m)	Number of Recipients	Amount (£)	Number of Recipients	Amount (£)
Fixed Remuneration	9	1,144,083	6	155,422	60	2,783,689	75	4,083,194
Variable Remuneration - Cash	7	244,548	1	315,613	48	791,151	56	1,351,312
Guaranteed Variable Remuneration	0	0	0	0	-	-	-	-
Severance Payments	0	0	0	0	-	-	-	-
Highest Severance awarded to an individual Material Risk Takers (MRTs)	0	0	0	0	-	-	-	-
Total Remuneration	9	1,388,631	6	471,035	60	3,574,840	75	5,434,506

As a non-SNI MIFIDPRU investment firm that meets the conditions in SYSC 19G.1.1R(2), the Firm is not required to disclose the information requested in MIFIDPRU 8.6.8 R (6).

7. MIFIDPRU 8.7 - Investment Policy

eToro UK does meet the conditions outlined in MIFIDPRU 7.1.4 and therefore is not in scope of the Investment Policy disclosure requirements.