



Remuneration Policy

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Remuneration Policy

1. Introduction

As a Small, Non-Interconnected firm as defined under the rules of MIFIDPRU, OTCX Trading Limited (“OTCX”) is required to comply with the FCA’s basic requirements for remuneration, as set out in SYSC 19G. This policy sets out key standards around OTCX Remuneration practices.

OTCX recognises that remuneration is a key driver of employee behaviour and that inappropriate remuneration may drive excessive risk taking and increase the likelihood of harm to the firm, its clients and the integrity of the market. The implementation of this Remuneration Policy is a key control to ensure that the performance of staff is assessed in a way that does not conflict with the duty to act in the best interest of the firm and its clients.

All aspects of the Remuneration Policy are gender-neutral, including fixed and variable remuneration. The principles and design of the Remuneration Policy and procedures comply with the Equality Act 2010. OTCX’s Code of Conduct, Policies and internal controls are designed to ensure that the firm and its employees do not discriminate against any of the protected characteristics set out in the Equality Act. As a small, privately held, company, OTCX is not required to report on gender- or other protected characteristic-related pay gaps, however the firm’s senior management does periodically review these statistics to the firm’s remuneration practices remain bias-free.

2. Risk management

The firm’s Remuneration Policy is consistent with, and promotes, sound and effective risk management. The Policy is implemented alongside the firm’s Risk Management Framework, Compliance Handbook, Conflicts of Interest register, Employee training, Monitoring programme across three lines of defence and Employee Performance review process.

The Policy is structured in accordance with the FCA’s MIFIDPRU Remuneration Code: basic remuneration requirements. Taking into account the proportionality principle, the firm’s remuneration policy is designed to be proportionate to the size of the business, the number of employees, the complexity of the firm’s activities and the firm’s internal organisation and culture.

Two risk mitigating factors are particularly important to note:

1. As OTCX is not party to any of the trades which are arranged on its platform, and as no discretion is involved in the matching of trades, none of OTCX’s staff have the ability to take financial risk; and
2. OTCX’s business is entirely independent of the risk position of its clients.

The oversight of the Remuneration Policy and practices is governed by the Remuneration Committee (“RemCo”). RemCo has overall responsibility for adopting, reviewing and overseeing the implementation of the firm’s Remuneration policy.

Reporting responsibilities

- The Committee Chair shall report to the Board on the Committee's proceedings after each meeting.
- The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit.
- The Chair of the Committee shall formally report annually to the Board how the Committee has discharged its responsibilities.

3. Remuneration structure

The policy sets a clear distinction between the criteria for setting fixed and variable remuneration. Details about the remuneration components included in fixed and variable remuneration are set out in employee contractual documentation.

Fixed remuneration

Fixed remuneration constitutes the majority of the overall remuneration of any given employee at OTCX. Fixed remuneration is agreed between OTCX and the candidate before they join the firm. The level of fixed remuneration is calibrated in line with market standards, role, candidate's experience and does not discriminate for any protected characteristic set out in the Equality Act 2010.

Variable remuneration

Bonus

OTCX employees will, at the discretion of the Board of the Company, be entitled to participate in an annual performance-related bonus scheme. Any amount arising to the employee pursuant to such scheme will be linked to an incentive plan (including but not limited to establishing appropriate targets to be achieved by the Employee) to be agreed separately to employee contractual arrangements.

Commission Plan

Based on their role in generating sales, a small number of relevant OTCX employees and contractors are eligible to receive commission payments from revenue generated by clients of OTCX. The terms of the Commission Plan are set out for each financial year and are defined in a yearly Commission Plan agreed with the eligible employees.

Share options

Based on their role, relevant OTCX employees are eligible to the Company Share Option Plan (CSOP). CSOP is a long-term incentive plan that helps align OTCX employees with the company's long-term objectives. An employee can hold CSOP options over shares with a value of up to £30,000 (increasing to £60,000 from 6 April 2023), based on their market value at the date of the grant. Any options granted above this limit will not benefit from any of the CSOP tax advantages.

4. Business strategy

The Policy operates in line with the firm's business strategy to act as a trusted market intermediary for its clients. The policy and practices around fixed and variable remuneration of all staff support the business objectives, values and long-term interests of the firm.

Remuneration standards are driven by the following factors:

Alignment to culture

- Align the interests of Senior Management and revenue generating functions with the long-term strategy of the firm;
- Establish a strong employee performance culture in line with the firm's risk management and regulatory compliance

Risk

- Ensure appropriate balance between fixed and variable remuneration, across both short-medium and long-term strategic goals of the firm;
- Ensure remuneration processes are compliant with applicable regulation, market standards and risk appetite set by the Board

Clarity

- Ensure the Remuneration rules and practices are clearly articulated for all staff across both fixed and variable remuneration components

Attract, retain and motivate talent

- Ensure that talent is attracted to join the firm and motivated to stay and perform their duties by providing reward opportunities that, subject to the firm's performance, are competitive within market standards
- Ensure remuneration practices are applied consistently and encourage the values of equality, diversity and inclusion

5. Conflicts of interest management

The Conflicts of Interest Policy sets out the internal rules to manage any personal and business-related conflicts as they arise. All staff are required to disclose any conflict of interest in the Conflicts of Interest Register. The Conflicts of Interest Register is reviewed by Compliance which ensures there is sufficient degree of independence from the first line.

The Remuneration policy and underlying practices should be read alongside such conflicts of interest management procedures.