LMAX Limited MIFIDPRU 8 Disclosures

Authorised and Regulated by the Financial Conduct Authority Firm Reference Number 509778

Registered Company Number 06505809

31 December 2025

Grant Pomeroy, Finance Director

DISCLAIMER

The information contained in this disclosure has not and is not required to be audited by the Firm's external auditors and does not constitute any form of financial statement.

LMAX™ | Exchange

Introduction

LMAX Limited (trading as LMAX Exchange) is a multilateral trading facility for spot foreign exchange (FX) and operates a central limit order book execution model multi-dealer platform for spot FX. Clients benefit from transparent fair execution within a trusted and regulated trading environment taking place on robust, scalable ultra-low latency technology.

The Firm is authorised and regulated by the Financial Conduct Authority (FCA), company reference number 509778, and is subject to the FCA's Prudential Sourcebook for MiFID Investment Firms (MIFIDPRU).

LMAX Limited is classified as a non-SNI MIFIDPRU investment firm with a permanent minimum requirement (PMR) of £150k and is subject to the disclosure requirements as set out in MIFIDPRU 8 of the FCA handbook which requires the firm to make disclosures in respect of the following areas:

- Risk Management objectives and policies (MIFIDPRU 8.2)
- Governance arrangements (MIFIDPRU 8.3)
- Own Funds (MIFIDPRU 8.4)
- Own Funds Requirements (MIFIDPRU 8.5)
- Remuneration Policy and Practices (MIFIDPRU 8.6)

Principal Risks and Uncertainties

LMAX Exchange has well-established processes for identifying and managing risks. The Board sets the Risk Appetite and monitors how well risks within the business are managed, mitigated and controlled. The Firm has a long-term focus, with importance placed on building a sustainable business model with the capacity to manage all the risks it faces, and the ability to continue to offer its services under sustained financial market volatility and stressed conditions.

The Firm operates in a dynamic competitive environment and is exposed to risks arising from market conditions and its competitive position. Revenue in any given period is largely driven by commission income, which is dependent on the trading volumes of the Firm's clients. High market volatility typically leads to increased trading activity and commission income, whereas lower volatility tends to have the opposite impact.

The Firm has assessed that its risk management and governance is compliant with FCA's regulatory requirements, including that it has:

- In place adequate oversight, systems and controls in relation to risk management.
- In place appropriate strategies, policies and processes for identifying, measuring, monitoring and managing the risks faced.
- Sufficient capital to meet its regulatory and internal capital requirements.
- Sufficient liquidity to meet its obligations as they fall due.

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Risk Management

The Firm has assessed that it has in place adequate oversight, systems and controls and complies with MIFIDPRU 7 (Governance and Risk Management) and the Senior Management Arrangements, Systems and Controls (SYSC) part of the FCA Handbook, as applicable to the Firm.

The Firm has in place an established Risk Management Framework encompassing all risks, which is summarised in the diagram below.

Risk Management Committee

The Risk Management Committee reports to the Board, meets at regular intervals in line with its terms of reference, and consists of Senior Managers and Certified staff from across the business.

The Risk Management Committee is responsible for:

- Identifying, assessing, managing and reviewing the risk exposures of the Firm.
- Reviewing risk appetite and recommending changes to the Board.
- Reviewing the Firm's governance and oversight arrangements to ensure they are fit for purpose and meet legal and regulatory requirements.
- Reviewing and recommending to the Board the approval of the Firm's risk policies and risk register.
- Assessing and recommending to the Board to approve the Firm's capital and liquidity adequacy, at least on an annual basis, through the Internal Capital Adequacy and Risk Assessment (ICARA) Process.
- Reviewing and recommending to the Board to approve the firm's wind-down planning and recovery and resolution planning.
- Keeping the Board informed of risk through risk reporting (including exposure versus risk appetite, risk metrics, Key Risk Indicators (KRIs)), as well as matters requiring escalation.

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Three Lines of Defence

The Firm operates a Three Lines of Defence (3LOD) model, which is well-defined, and which clearly outlines responsibilities for the identification, management, monitoring and mitigation of risks.

- The first line of defence (1LOD) are the business owners in operational functions, who are accountable and responsible for identifying, assessing, managing and reporting risks.
- The second line of defence (2LOD) are individuals, teams, and/or committees responsible for providing oversight, as well as review and challenge of the First Line, ensuring that risks are managed within the defined Risk Appetite. This typically includes Risk and Compliance functions, along with relevant risk committees and sub-committees.
- The third line of defence (3LOD) are the independent assurance providers that provide the Firm and its Board with confidence that activities and risk management conducted by the first and second lines of defence are operating effectively. The Firm generally relies on its external auditors and commissions specific thematic reviews by specialist advisors from time to time.

Risk Appetite Setting

The Firm's strategic objectives and risk appetite are set by the Board concurrently. The risk appetite sets out the level of risk that it is willing to undertake in pursuit of its strategic business objectives. It promotes consistent, 'risk-informed' decision-making aligned with strategic aims, and it also supports robust corporate governance by setting clear risk-taking boundaries.

The Risk Appetite Statements, limits, KRIs, and Early Warning Indicators (EWIs) are reviewed at least annually, or more often as deemed appropriate, as part of the ICARA review process.

Key Risks

Based on the Firm's business model, the key risks include capital, liquidity, counterparty, operational, information technology and cyber security, foreign exchange, conduct, business and strategic, and reputational risk, which are outlined in further detail below.

The ICARA Process is undertaken at a solo entity level, whereby the Firm assesses its own funds requirements, counterparty credit and concentration risk, and liquidity to ensure that adequate financial resources are maintained to support its business activities. This ICARA Process incorporates the Firm's Risk Management Framework, as noted above, including the identification and ongoing monitoring of key risks. Each risk is assessed against the Firm's risk appetite along with the other controls and mitigants to reduce the risk of harm to the Firm, its clients, and the wider market.

Capital Adequacy Risk

As of 31 December 2025, LMAX Exchange was regulated under the Investment Firm Prudential Regime (IFPR), which stipulates the requirements to hold sufficient regulatory capital to cover its risk exposures, valued according to applicable rules. The Firm manages capital adequacy through its Regulatory Capital Policy, ensuring that it holds sufficient capital to deliver its business plan and to meet regulatory requirements.

The Firm manages its capital resources with the objectives of facilitating business growth whilst complying with the regulatory capital resources requirement. LMAX Exchange undertakes an annual ICARA Process through which it assesses its capital requirements, including the application of a series of stress-testing scenarios, to its base financial projections. The ICARA document is reviewed, challenged and approved by the Board annually.

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Liquidity Risk Management

Liquidity risk is defined as the risk that the Firm, although solvent, either does not have sufficient liquid resources to meet its obligations as they fall due or can secure such resources only at excessive cost.

Liquidity is managed through the application of the Firm's Liquidity Risk Management Policy and the liquidity requirements specified in IFPR. The Firm manages liquidity to ensure it maintains sufficient resources to meet its financial liabilities as they fall due, under both normal circumstances and stressed conditions. The Firm's liquidity requirements are modelled annually as part of the ICARA process and are monitored and managed on an ongoing basis.

Counterparty Credit and Concentration Risk

Counterparty Credit risk relates to the potential that a counterparty is unable to meet its financial obligations when due. Impairment analysis of trade and fees receivable is performed quarterly, to assess potential credit losses and consider the counterparty's credit quality. None of the Company's trade receivables are material by individual counterparts.

Concentration risk relates to the potential for significant loss arising from being overly exposed to a single investment, such as the counterparties with which the Firm deposits cash. The Firm's cash is held with authorised counterparties of a high credit standing.

Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes business and reputational risk.

Operational Risk is discussed through Risk Management Committee, which ensures that the Firm has adequate systems and controls in place to prevent material operational losses.

Information Technology and Cyber Security

As an online business, the integrity and operational robustness of IT systems are critical for ongoing performance. Ensuring that appropriate protection is in place to detect and prevent any intrusion such that all systems are safeguarded against hackers, email viruses, attacks and other forms of cybercrime is essential. Any failure in these measures could significantly impact on the Firm's reputation and hence financial performance.

The Firm conducts annual third-party security assessments covering both internal and external facing systems and applications and to assess the susceptibility to cyber-crime. The Group has implemented an information security framework aligned with ISO 27001:2022, which is certified by a UKAS accredited audit body and assessed for compliance at least annually. The Group also maintains an internal audit team responsible for developing, testing, and maintaining the controls required to support various compliance activities.

In addition, the firm has established an ISF Forum to facilitate regular engagement between Information Technology and Operations, enabling the review of business updates, project progress and related matters.

Foreign Exchange Risk

The Firm proactively manages its FX risk with regards to currency exposure on financial assets and liabilities by conducting regular internal review, cash management and by hedging the residual exposure when deemed appropriate.

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Conduct Risk

Conduct risk is broadly defined as the risk of misconduct by LMAX Exchange or its employees that may result in client detriment or adversely affect the integrity and stability of the financial markets or effective competition.

The Firm strives to promote good behaviour across all aspects of the organisation and develop a culture in which it is clear there is no room for misconduct. The Firm has no appetite for conducting risks to crystalise into a breach that may harm clients, markets, or competition. Any issues that are likely to result in material harm to clients, markets, or competition are to be raised at the Conduct Committee and the Board as appropriate.

Business & Strategic Risk

Business risk is defined as any risk to the Firm arising from changes in its business, including the risk that the Firm may not be able to carry out its business plan and its desired strategy.

The Firm is willing to take risks on new products, business lines and acquisitions to achieve growth and drive profitability over the long-term, while maintaining the Firm's financial resilience. The Firm will only engage in activities that are aligned to the Firm's desired risk profile and long-term strategy. The Firm aligns its business plan to ensure it can meet its strategic objectives and ensures variations in its business performance versus the plan do not deviate above acceptable levels.

Reputational Risk

Reputational Risk is defined as the risk arising from negative perception on the part of customers, counterparties, shareholders, investors, debt holders, market analysts, other relevant parties or regulators that can adversely affect the Firm's ability to maintain existing or establish new business relationships and continued access to sources of funding.

The Firm's appetite for reputational risk is low. The Marketing and Legal & Compliance functions maintain a daily watching brief for reputational issues. Additionally, the Firm undertakes to:

- Provide serves only to appropriate customers, considering their financial means and the absence of links to money laundering, fraud and terrorist financing; and
- Only engage exchange participants from jurisdictions where the Firm is satisfied that its activities are legally permissible.

Approach to Assessing the Effectiveness of the Risk Management Function

The Board assesses the adequacy of the Firm's Risk Management Framework as part of the ICARA review process and considers whether the outcomes of the risk management process reflect a framework that is fit for purpose.

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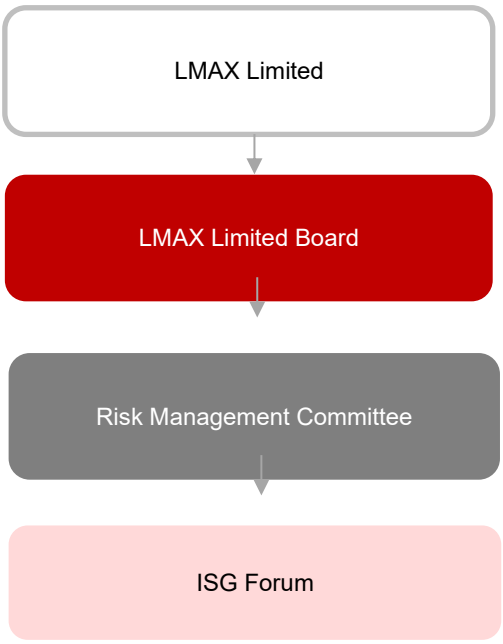
Governance

The Firm has established the governance structure as set out in the diagram. LMAX Limited operates as a standalone entity, with its own Board and governance and oversight arrangements. The Board and Risk Management Committee provide regular updates to the relevant Group Committees and escalate matters where appropriate.



The Board

The LMAX Limited Board has overall responsibility for the firm (SYSC 4.3A.1R (1)) and for risk management and devotes sufficient time to the consideration of risk (MIFIDPRU 7.2.3R (1)).

The Board is actively involved in, and ensures that adequate resources are allocated to, the management of all risks, in accordance with MIFIDPRU 7.2.3R (2).

The Board is required to define, oversee, and is accountable for, the implementation of governance arrangements that ensure effective and prudent management of the firm, including:

- The segregation of 1LOD and 2LOD responsibilities within the Firm
- Preventing conflicts of interest to maintain market integrity and protect clients' interests

The Board meets at least three times a year and is responsible for:

- Approving and overseeing implementation of the Firm's:
    a) Strategic objectives and risk appetite
    b) Risk strategy
    c) Internal governance
- Performance of the duties of the supervisory function in accordance with SYSC 4.3A1R(3), SYSC 4.3.1R and SYSC 4.3.2AG, including:
    a) Ensuring the integrity of the Firm's accounting and financial reporting systems
    b) Ensuring the Firm complies with its obligations under the regulatory system
    c) Assessing and reviewing the effectiveness of the policies, arrangements and procedures and financial and operational controls put in place to comply with these obligations
    d) Supervision of the senior personnel of the Firm
- Overseeing the process of disclosure and communications
- Providing effective oversight of senior management
- Monitoring and periodically assessing:
    a) The adequacy and the implementation of the Firm's strategic objectives in the provision of investment services and/or activities and ancillary services;
    b) The effectiveness of the Firm's governance arrangements; and
    c) The adequacy of the policies relating to the provision of services to clients and taking appropriate steps to address any deficiencies.

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- Defining, approving and overseeing:
    a) The organisation of the Firm (SYSC 4.3A.1AR (1)) including the:
        - Skills, knowledge and expertise required by personnel
        - Resources
        - Procedures and arrangements for provision of services and activities
    b) A product governance policy and target market assessment (SYSC 4.3A.1AR (2))
    c) A remuneration policy for staff involved in providing services to clients should encourage responsible business conduct, treating clients fairly, and avoiding conflicts of interest with clients. (SYSC 4.3A.1AR (3))
- Reviewing and approving the content of the ICARA document within a reasonable period after the review of the ICARA process has been completed, including specifically reviewing and approving the key assumptions underlying the ICARA document. (MIFIDPRU 7.8.8R)
- The effectiveness of wind-down planning, setting the strategy for the process and reviewing and approving the wind-down plan at least annually, and after any material change in the business/operating model. (WDPG App 2.1.2G, WDPG App 2.1.3G, WDPG 3.1.4G and WDPG 3.1.5G)

Risk Committee

Whilst the Firm is not required to establish a Risk Committee under MIFIDPRU 7.3.1R, the Firm has established a Risk Management Committee comprising senior stakeholders with the required knowledge and experience.

Equality and Diversity

The Firm is committed to promoting equality, inclusion, and diversity across the Group.

Directorships

The following directors have held office in executive and non-executive functions throughout the financial year ending December 2025. The number of directorships held outside the Firm are also shown.

Director	Position at the Firm	Number of Other Directorships (Executive)	Number of Other Directorships (Non-Executive)
Grant Pomeroy	Executive Director	-	-
Timothy Turner	Executive Director	-	-
Barbara Pozdorovkina	Executive Director	-	-
Chetan Parmar	Executive Director	1	-
Daniel Karakanna	Executive Director	-	-

Directorships held within the same group are counted as a single directorship and those in non-commercial organisations are excluded.

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Own Funds

This disclosure is using the required templates provided in MIFIDPRU 8.4.2R, including a reconciliation with own funds in the balance sheet in the audited financial statements.

Composition of Regulatory Own Funds – 31 December 2025

	Item	Amount (GBP '000)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1	**OWN FUNDS**	**6,623**	
2	**Tier 1 Capital**	**6,623**	
3	**Common Equity Tier 1 Capital**	**6,623**	
4	Fully paid-up capital instruments	599	Note 10 of the Audited Financial Statement
5	Share premium	31,000	Note 10 of the Audited Financial Statement
6	Retained earnings	(5,080)	Page 17 of the Audited Financial Statement
7	Accumulated other comprehensive income		
8	Other reserves	5,391	Note 11 of the Audited Financial Statement
9	Adjustments to CET1 due to prudential filters	-	
10	Other funds	-	
11	**(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1**	**25,287**	
19	CET1: Other capital elements, deductions, and adjustments	25,287	Note 4 - Investment in subsidiaries Note 6 - Intangible assets of the Audited Financial Statement
20	**Additional Tier 1 Capital**	-	
21	Fully paid up, directly issued capital instruments	-	
22	Share premium	-	
23	**(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1**	**-**	
24	Additional Tier 1: Other capital elements, deductions, and adjustments	-	
25	**Tier 2 Capital**	-	
26	Fully paid up, directly issued capital instruments	-	
27	Share premium	-	
28	**(-) TOTAL DEDUCTIONS FROM TIER 2**	**-**	
29	Tier 2: Other capital elements, deductions, and adjustments	-	

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Reconciliation to Audited Financial Information

The Table below reflects the balance sheet of the audited financial statements. It reconciles own funds in the balance sheet where assets and liabilities have been broken down by the various balance sheet classifications.

Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements (£'000)				
		Balance sheet as in published/audited financial statements	Under regulatory scope of consolidation	Cross reference to Composition of own funds table
		31/12/2025	31/12/2025	
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements				
1	Investment in subsidiaries	2,469	-	Item 19
2	Intangible assets	25,981	-	Item 19
3	Property, plant and equipment	5,298	-	
4	Trade and other receivables	37,175	-	
5	Cash and cash equivalents	8,121	-	
	Total Assets	**79,044**		
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements				
1	Non-current liabilities: Deferred tax liabilities	3,140	-	
2	Non-current liabilities: Lease liability	2,215	-	
3	Non-current liabilities: Loan	432	-	
4	Current liabilities: Lease liability	1,253	-	
5	Current liabilities: Trade and other payables	40,094	-	
	Total Liabilities	**47,134**	-	
	Net Assets	**31,910**		
Shareholders' Equity				
1	Share capital	599	-	Item 4
2	Share premium	31,000	-	Item 5
3	Distributable reserves	5,391	-	Item 8
4	Retained earnings	(5,080)	-	Item 6
	Total Shareholders' equity	**31,910**		

Main Features of the Firm's Own Funds Instruments

As at the 31 December 2025 the firm had in issue 599,082 ordinary shares with a nominal value of £1. An additional two ordinary shares were issued in Q1 2025 as per the note above.

The Firm's ordinary shares are the only CET1 own funds instrument currently in issue.

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Own Funds Requirement

The Firm's own funds requirement is broken down as follows (as of 31 December 2025):

Requirement	£000s
Permanent Minimum Capital Requirement (PMR)	150
Fixed Overhead Requirement	**3,319**
Total K-Factor Requirement	**-**
Sum of K-AUM, K-CMH and K-ASA	-
Sum of K-COH and K-DTF	-
Sum K-NPR, K-CMG, KTCD and K-CON	-
Own Funds Requirement (Higher of PMR, OFR, KFR)	**3,319**
Own Funds	**6,623**
Own Funds Surplus	**3,304**

Assessing the Adequacy of Own Funds

The Firm assesses the adequacy of its own funds in accordance with the minimum own funds' requirement of MIFIDPRU 4, as shown in the table above. As of 31 December 2025, the Firm had £6,623k of own funds against a regulatory minimum requirement of £3,319, an excess of £3,304k.

In addition to the regulatory minimum, the Firm undertakes its own assessment of own funds requirements through its ICARA Process, to identify additional own funds required to:

- Fund its ongoing business operations, taking into account potential periods of financial stress during the economic cycle (MIFIDPRU 7.6.4G (2)(a)); and
- Ensure that the firm can be wound down in an orderly manner (MIFIDPRU 7.6.4G (2)(b))

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Remuneration

Qualitative Disclosures

The Firm meets the conditions set out in SYSC19G.1.1R and is therefore exempt from the extended remuneration code (SYSC 19G.1.1R(4)) and disclosure requirements (MIFIDPRU 8.6.8R(6)). The Firm is compliant with the standard remuneration requirements.

The Group Remuneration policy applies to all entities in the LMAX Group consistently. The policy is owned by the Chief People Officer and is approved by the Group Remuneration Committee, a committee of the Group Board.

The Firm's approach to remuneration is designed to ensure all staff receive a fair and competitive remuneration package appropriate to their role and responsibilities.

Remuneration components include an annual salary, benefits package, annual discretionary bonus, long-term incentive plan for senior management and key talent.

Salaries are regularly benchmarked to market. The individual payout of the annual bonus scheme is determined by job level, firm performance and discretionary personal performance awards. The approach to bonuses ensures fairness and is designed to incentivise all colleagues to work together to collectively improve the firm's performance.

Although the Firm is exempt from extended remuneration requirements, the Firm remains subject to the disclosure obligations under the MIFIDPRU 8.6.8R, which requires firms to disclose the total amount of remuneration awarded to senior management, material risk takers, and all other staff, split between fixed and variable remuneration.

Note: A total of eight individuals were identified as senior management and/or material risk takers. Their remuneration has been aggregated to preserve anonymity.

No individuals were awarded any guaranteed variable remuneration or severance payments.

Quantitative Disclosures	Fixed remuneration (£)	Variable remuneration (£)	Total remuneration (£)
Senior Management and Material Risk Takers	672,199	178,476	850,675
Other staff	3,122,118	166,163	3,288,281
Total	**3,794,317**	**344,640**	**4,138,957**

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