

Wolverine Trading UK Limited
MIFIDPRU 8 Disclosure
September 2024

1. Overview

Wolverine Trading UK Limited (“WTUK” or “the Firm”) is a United Kingdom (“UK”) incorporated private limited company, registered under the number 03770429 and is authorized and regulated by the Financial Conduct Authority (FCA) under reference number 190655. The Firm is a wholly-owned subsidiary of Wolverine Holdings, LP, and an affiliate of Wolverine Trading, LLC, which is registered with the Securities and Exchange Commission as a broker-dealer in the United States.

As part of its compliance with MIFIDPRU 8, the Firm is required to provide certain public disclosures. This annual disclosure statement outlines important information about the firm’s business.

WTUK, which became FCA authorised in 2001, carries on business activities under MIFID UK as a non-SNI MIFIDPRU Investment Firm, holding the following FCA permissions:

- Dealing for its own account on markets in financial futures or options or other derivatives and on cash markets for the sole purpose of hedging positions on derivatives markets.

WTUK does not have regulatory permissions to hold client money, does not deal with retail or institutional customers, and no investment advice is provided.

WTUK engages in market making and valuation arbitrage to add liquidity and transparency to the markets. WTUK deals for its own account on markets in financial futures or options or other derivatives and on cash markets for the sole purpose of hedging positions on derivatives markets. WTUK only trades on exchange, we do not trade off-exchange.

2. Governance Arrangements

Governance of the Firm is the ultimate responsibility of the WTUK Board of Directors. The Board is responsible for the ongoing success and development of the Firm’s business as well as setting the risk appetite for the Firm as part of the risk framework.

Directorships

Directors of the Firm are David Cavicke, Hafizur Rahman, and Dean Murphy and they are expected to disclose any external executive and non-executive directorships to the Compliance department on a regular basis. David Cavicke has one external directorship.

Diversity, Equity & Inclusion

The Firm is committed to building diverse teams and an inclusive culture that respects, values, and celebrates the diversity of backgrounds, identities, and ideas of those with whom we work. We believe that being intentional will allow us to better serve our employees and help us attract and grow great talent. Supporting and having a workforce that reflects a diversity of backgrounds and experiences plays a critical part in driving our success. Ultimately, diversity fuels how we grow and prosper. Our goal is to focus on attracting and retaining a diverse mix of talented individuals at all levels, developing and growing a diverse mix of talent across the organization, and fostering an environment of inclusion and community for everyone.

3. Risk Management Objectives and Policies

WTUK conducts a proprietary trading operation and does not handle orders for any other investment firms or public customers. Consequently, the Firm is focussed on limiting the financial exposure of the broker or dealer that could arise as a result of Market Access, and ensuring compliance with all regulatory requirements that are applicable in connection with Market Access.

WTUK has a Risk Management Framework, which sets out how risk is managed across all identified risk categories. This incorporates best practices for managing risk in the most appropriate way given the nature, scale and complexity of WTUK's activities. The key focus is on market and positional risk, as well as operational risk, and the Firm has a very low appetite for these risks.

Trading and position risks are reviewed daily and intraday. Operational processes have controls in place to mitigate risks. Any issues are addressed immediately or escalated to senior management. If necessary, the Board is alerted.

WTUK operates two lines of defence to ensure that its risks are appropriately managed and that there is due oversight of how the risks are being managed.

The first line of defence is the business and operational management which has the direct day-to-day ownership, responsibility and accountability for identifying, assessing, controlling and mitigating risks and establishing an appropriate control environment.

The first line of defence performs the following activities for the Front Office:

- Daily review of trading risk levels
- Daily and intraday review that positions are fully hedged
- Daily reconciliation of prior day trades between WTUK systems and clearing firm reports
- Automated processes that check positions to auto-hedge

The second line of defence comprises the Risk and Compliance Functions. It monitors and facilitates the implementation of effective risk management practices by business and operational management.

The Risk Function is responsible for the measurement, monitoring and reporting of market, concentration, and liquidity risks and incidents within the Firm and for driving the development of the risk management capability, including an effective risk management framework. The Risk Function has a direct reporting line into the WTUK Board and produces regular reports on risk matters, which form part of the overall risk reporting management information produced for the Board.

The Compliance Function is headed by the Chief Compliance Officer with a direct reporting line into the Board. The Compliance Function produces reports on regulatory matters to be included in the management information reported to the Board. The objective of the Compliance Function is to monitor compliance with all regulatory rules and requirements and ensure all regulatory issues are effectively monitored and managed.

It is through this reporting and monitoring that the effectiveness of the risk management is assessed on an ongoing basis.

The Firm undertakes the ICARA Process to:

- Ensure that it identifies the key potential harms that may arise from its ongoing operations and is able to address them.

- Holds sufficient financial resources to remain viable throughout its economic cycle; and
- Is able to wind-down its operations in an orderly manner.

Key risks of the Firm include:

Operational Risk – System outages reduce revenue/could cause trading losses and/or trade errors lead to losses

Group Risk – The interruption of group shared services

Market Risk – Market moves against WTUK

Concentration risk – WTUK could become concentrated to a counterparty.

Liquidity Risk – Potential for margin calls

Through the ICARA process, inclusive of stress testing and the assessment of wind-down, WTUK has determined, given the nature, scale and complexity of the activities the adequacy of its own funds and liquidity is appropriate.

4. Own Funds

As of 31 December 2023, the Firm's Regulatory Own Funds per the audited financial statements is £5,869,207 comprised of Called Up Share Capital and Retained Earnings of £1,110,297 and £4,758,910, respectively.

Composition of regulatory own funds			
	Item	Amount (GBP thousands)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1	OWN FUNDS	5,869	
2	TIER 1 CAPITAL	5,869	
3	COMMON EQUITY TIER 1 CAPITAL	5,869	
4	Fully paid-up capital instruments	1,110	Note 16
5	Share premium		
6	Retained earnings	4,759	
7	Accumulated other comprehensive income		
8	Other reserves		
9	Adjustments to CET1 due to prudential filters		
10	Other funds		
11	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1		
19	CET1: Other capital elements, deductions and adjustments		
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		

Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements

		a	b	c
		Balance sheet as in published/audited financial statements (GBP thousands)	Under regulatory scope of consolidation	Cross-reference to template OF1
		As at period end	As at period end	
Assets – Breakdown by asset classes according to the balance sheet in the audited financial statements				
1	Tangible assets	8		
2	Debtors	7,502		
3	Cash	19		
	Total Assets	7,529		
Liabilities – Breakdown by liability classes according to the balance sheet in the audited financial statements				
1	Creditors	(1,660)		
	Total Liabilities	(1,660)		
Shareholders' Equity				
1	Called up share capital	1,110		Line 4
2	Retained earnings	4,759		Line 6
	Total Shareholders' Equity	5,869		

5. Own Funds Requirements

WTUK maintains capital adequacy with a healthy headroom above its Own Funds Threshold Requirement (as per the ICARA process). The Firm has forecasted future earnings and own funds, including stressed scenarios, for the next several years. All projections show the Firm maintaining a healthy headroom above its Own Funds Threshold Requirement throughout the projection period. In 2024, the Firm has an Own Funds Threshold Requirement of £450,000 based on Transitional Provision TP 2.20.

WTUK's only permissions are dealing for the Firm's own account. Based on the regulatory permission that WTUK holds, the following K-factors apply to the Firm:

- K-CON (Concentration Risk)
- K-DTF (Daily Trading Flow)
- K-NPR (Net Position Risk)
- K-TCD (Counterparty Risk)

WTUK has systems containing position data used to calculate the K-factors. Fixed Overhead Requirement is based on 25% of total 2023 fixed costs. K-Factors and FOR as of 30 June 2024 are as follows:

Own fund requirements as of 30 June 2024	£,'000
Transitional requirement	450
K-Factors:	
K-DTF	29
K-NPR, K-TCD, and K-CON	20,774
Total KFR	20,803
Fixed Overhead Requirement (FOR)	281

6. Remuneration Policy and Practices

FCA rule MiFIDPRU 8.6.2 requires the Firm to disclose information on remuneration policy and practices for those categories of staff whose professional activities have a material impact on its risk profile:

WTUK's compensation philosophy is to attract and retain the highest calibre of staff with a compensation and benefits package that is market competitive and rewards:

- Performance (of the firm, team and individual against established goals),
- the creation and maintenance of an inclusive and positive culture focused on doing what is right and supporting sustainable long-term value,
- growth and development for our employees and our business.

The Firm's compensation structure has been designed to be applicable to all our staff. It ensures that pay practices are appropriate and proportionate to the nature, scale and complexity of the current and future risks that are inherent in the business model and activities carried out.

In addition to being regulatory compliant and gender neutral, as well as supporting equal pay and diversity in the jurisdictions within which we operate, it also promotes sound and effective risk management, aligns with the Firm's business strategy, and rewards long-term sustainable investing outcomes.

As required in the MIFIDPRU Remuneration Code, relevant Investment Firms are required to identify employees whose professional activities have a material impact on the risk profile of the firm or the assets that are managed by the firm. The Remuneration Code includes published criteria to assist in identifying those employees.

WTUK has one employee identified as a Material Risk Taker (MRT). Disclosing the remuneration of this employee would identify the individual, therefore this information has not been disclosed.

WTUK's employee compensation structure is comprised of an appropriate mix of salary and variable bonus.

This disclosure statement is governed by the laws of the United Kingdom. Any disputes arising from or in connection with this disclosure statement shall be subject to the exclusive jurisdiction of the courts of the United Kingdom.