RAYMOND JAMES FINANCIAL INTERNATIONAL LIMITED: PILLAR 3 DISCLOSURES & POLICY (FINANCIAL YEAR ENDING 30 SEPT 2021)

1. Introduction

Under the FCA's Prudential Sourcebook for Investment Firms ('IFPRU'), Raymond James Financial International Limited ("RJFI" or "the Firm") is classified as an IFPRU €50K Limited Licence investment firm. As such, it is required to comply with the three "Pillars" of the EU's Capital Requirements Directive ('CRD') framework. These are:

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- Pillar 1, which sets out the minimum amount of capital that the Firm needs to meet its basic regulatory obligations;
- Pillar 2, which requires the Firm to consider how much (if any) additional capital it needs to maintain to mitigate other prudential risks that are specific to the Firm and not covered under Pillar 1. This is undertaken by the Firm in its Internal Capital Adequacy Assessment Process ("ICAAP");
- Pillar 3, which requires the Firm to disclose to market participants key information about its underlying risks, risk management controls and capital position.

The purpose of this document is to meet our obligation in respect of Pillar 3.

RJFI is a wholly owned subsidiary of Raymond James Financial, Inc. ("RJF"), a diversified US-based financial services Firm. As a subsidiary of non-EEA parent, RJIF provides 'unconsolidated' reporting to the FCA, and undertakes the ICAAP and Pillar 3 Disclosure on a solo basis.

RJFI makes Pillar 3 disclosures on an annual basis, as soon as practicable following the end of the Financial Year. These are either provided within our annual reports and financial statements or can be found within the Raymond James Group's European capital markets Legal and Regulatory Disclosures website at the following address:

https://www.raymondjames.com/corporations-and-institutions-locations/euro-capital-markets/european-legal-and-regulatory-documents

Under the rules of the CRD, firms may omit certain information, in specifically-defined circumstances, where a disclosure contains information that is immaterial, proprietary or confidential. RJFI confirms that it has not omitted any disclosures on these grounds.

All figures in this document are correct as at 30th September 2021 unless stated otherwise.

2. Risk Management Policies and Objectives

Key Risks

Where possible, the Firm seeks to manage all of the risks that arise from its operations. The Firm has devised a prudential risk management framework that is appropriate to its size, scope and operations. The risk management framework identifies the key prudential risks faced by the Firm, and reports them to the Firm's Board of Directors. The Firm's Board of Directors is responsible for ensuring that an appropriate amount of capital, both in amount and quality, is maintained. Other risk management information is collected, reviewed, and where appropriate, acted upon as part of established internal procedures.

A summary of the key risks that have been identified by the Firm, and how they are mitigated, is given below:

Business / Market Risk

- Market correction due to economic factors and/or a geopolitical event: Mitigated by the retention of appropriate capital resources, which are determined on the basis of stress testing, sensitivity testing and modelling;
- Loss of key clients: Mitigated by diversification of clients and servicing clients with multiple Raymond James touch points including sales teams rather than individual sales associates, sales traders and equity analysts;

Operational Risk

- The risk resulting from inadequate or failed business processes and systems. The Firm seeks to monitor potential sources of errors arising from its operations and continually strengthen internal systems and processes, supervisory and oversight functions to reduce exposure to operational risk. The Firm has resilient infrastructure and systems that are regularly tested for business continuity purposes.
- Loss of key staff and skills: Mitigated by the maintenance of competitive staff compensation, measured by industry benchmarking;

Counterparty Risk

- Failure of a client to complete a dealing transaction: Mitigated by the credit analysis undertaken by the Firm as part of its account opening process and ongoing monitoring of clients' business activities and limits;

Liquidity/Capital Risk

- The risk that the Firm has insufficient funds to meet its liabilities as they fall due. This is mitigated by regular monitoring of capital and liquidity resources, forecasting, and stress testing and scenario analysis. The Firm does not undertake trading on its own account, or face market counterparties directly when executing trades on behalf of clients, which limits its liquidity exposures; and

Currency Risk

- Firm's loss of income due to currency fluctuations: Mitigated by maintaining sufficient cash reserves in more than one currency to absorb short-term currency exchange rate fluctuations.

Risk Management Function

Given the size and scope of the Firm's business activities, the Firm does not have a dedicated risk management function. Instead, responsibility for risk management is shared among the Board of Directors and the Institutional Operating Committee (the "Committee"), a committee established by the Board consisting of senior managers within the Firm , each of whom is involved in the Firm's day-to-day business activities, and senior managers of the Firm. The Firm has a local Compliance function which provides oversight and supervision of the Firm's activities, and is also subject to periodic audit assessment as part of the wider Raymond James Group. The Firm's Internal Capital Adequacy Assessment Process ("ICAAP"), which considers the material risks that the Firm is exposed to, is commissioned and approved by the Board on at least an annual basis.

3. Integration into Business Strategy

The Firm's primary objectives are:

- To continue to operate in the European markets undertaking dealing relationships with professional and eligible counterparties;
- To increase the size of the business operations through organic growth;
- To achieve economies of scale that will allow Raymond James Financial International, Ltd (the Company) to increase its profitability, thereby providing a greater return to its shareholders.

The Firm intends to maintain sufficient capital resources to allow it to achieve these objectives whilst meeting its regulatory obligations.

4. Capital Resources

Capital is held to ensure that a suitable capital level is maintained in excess of the combined Pillar 1 and Pillar 2 capital requirements. Pillar 2 capital requirements are calculated as part of the ICAAP using a risk-based approach that takes into account management's view of specific risk exposures.

As an IFPRU €50K limited licence firm, the Firm's Pillar 1 capital requirement will be calculated as the greater of the following:

- Base Capital Requirements of €50K;
- Credit Risk and Market Risk Requirements; or
- Fixed Overheads Requirement (FOR)

As of 30 September 2021, the firm has determined that the Fixed Overhead Requirement ($6,650,000) established our Pillar 1 requirement.

The Firm's capital resources are comprised entirely of share capital, share premium and audited reserves. The capital position of the Firm as at 30 September 2021 is set out below:

Capital type	**$'000**
Common Equity Tier 1 Capital (CET 1)	33,030,813
Additional Tier 1 Capital	-
Deductions from Tier 1 Capital	-
Tier 1 Capital (CET 1 + Additional Tier 1)	**33,030,813**
Tier 2 Capital	**-**
Own funds (Tier 1 + Tier 2)	**33,030,813**

Pillar 1 Capital Ratios

As at 30 September 2021, the Firm's capital ratios were well in excess of the minimum requirements:

Pillar 1 Own Funds Requirement (Articles 92 to 97 of CRR)

- Fixed Overhead Requirement (FOR) (Article 97) = $6,650,000
- Total Risk Exposure Amount (Article 92) (12.5 x FOR) = $83,125,000

Ratio of types of capital to Total Risk Exposure Amount expressed as percentage:

- Common Equity Tier 1 Capital Ratio (min 4.5%) = 39.7%
- Tier 1 Capital Ratio (min 6%) = 39.7%
- Total Capital Ratio (min 8%) = 39.7%

5. Remuneration Code

The Firm is a IFPRU €50K limited licence firm and is considered a proportionality level 3 firm by the Financial Conduct Authority ("FCA") for purposes of the Remuneration Code (the "Code") based on relevant total assets. The Firm does not hold client money or assets and does not have the relevant regulatory permission to do so.

Given the size, nature and lack of complexity of the Firm, it is not proportionate to establish a remuneration committee. It is the role of the Operating Committee, as the body responsible for the governance of the Firm, to incorporate the fundamental principles of the Code in its oversight function. Specifically, the Committee has assumed the responsibilities of revising as necessary the Firm's remuneration policies to ensure compliance with FCA rules and regulations. The Committee has determined that the Firm's compensation structure is consistent with and promotes effective risk management and conforms to the general principles of the Code.

Specifically, the Firm has established a remuneration framework that is designed to be market competitive and motivate employees to improve individual and business performance, retain key employees and align employee actions with the interests of shareholders. While compensation arrangements for associates vary depending on the role and responsibilities of the individual, the remuneration structure of key sales and agency trading desk associates is commission-based. While this structure incentivises and rewards employees for increased business production, it also contains loss-sharing provisions for business generated that may result in losses for the Firm. Aligning the compensation scheme with both profits and losses motivates the employees to seek business with reputable, financially solvent clients which helps mitigate the Firm's exposure to counterparty risk.

As part of its obligations to comply with the Code, the Firm has undergone the process of identifying those employees known as Code Staff. Due to the low number of total staff, the Firm has elected as a starting point to review all employees' compensation. It has also included, as part of the review, employees of the Raymond James Group, regardless of where the employee may be based, who perform any senior management function, senior influence or controlled function for the Firm ("Group Employees"). It is appropriate to estimate the amount of time spent by each Group Employee on Firm matters based on their global responsibilities before concluding that they are Code Staff. The Firm has also evaluated whether any employees classified as "high earners" may have a material impact on the Firm's risk profile. Based on this comprehensive review, the Committee has identified 13 employees as Code Staff due to their involvement with the business. The Firm is entitled to disapply certain aspects of Principle 12 relying on the general FCA guidance on proportionality.

Raymond James has 21 individuals classified as Code Staff. The total amount of remuneration paid to these individuals excluding those paid by the Raymond James Group entities was $18,960,000.

6. The Investment Firms Prudential Regime (IFPR)

The FCA is introducing a new prudential regime for Investment Firms in the UK (the IFPR) which will come into force on 1 January 2022, replacing the current rules relevant to disclosures under IFPRU and the CRR. The regulations will take a more proportionate approach to investment firms with the firm's size and activities determining the reporting required. Under the new rules, RJFI will be classified as a non-Small Non-Interconnected (non-SNI) firm and subject to new requirements covering own funds, liquidity, regulatory reporting, corporate governance, remuneration and disclosures. RJFI has undertaken analyses to determine the applicability of the requirements under the new regime and has determined that current levels of regulatory capital remain comfortably in excess of the requirements at the onset of the IFPR and forecast to remain to do so.