Registration number: 06262150

Cowen Execution Services Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2019

Contents

Company Information

Directors
Kevin Disley
Michael Healey
Michael Page
James Niven (Appointed 16/08/2019)
Matthew Cyzer (Appointed 01/10/2019)

Registered office
1 Snowden Street
11th Floor
London
EC2A 2DQ

Solicitors
Norton Rose Fulbright LLP
3 More London Riverside
London SE1 2AQ

Independent Auditors
KPMG LLP (UK)
Chartered Accountants and Statutory Auditors
15 Canada Square
London
E14 5GL

Strategic report

Registered No. 06262150

The Directors present their Strategic report for Cowen Execution Services Limited ("Company") for the year ended 31 December 2019.

Principal activities and review of the business

The Company is a wholly owned subsidiary of Cowen Execution Holdco, LLC. On June 1st, 2017, the Company, along with its parent company Cowen Execution Holdco LLC (formerly Convergex Group LLC) ("Parent") and affiliated entities were acquired by Cowen CV Acquisition LLC, an indirect (wholly owned) subsidiary of Cowen Inc. ("Cowen" or the "Ultimate Parent"). These financial statements are consolidated in the financial statements of Cowen. Copies of the parent's financial statements are available at the registered office of Cowen Inc., 599 Lexington Avenue, New York, NY 10022, USA or online at http://www.cowen.com.

Principal activities

The principal activities of the Company are conducted in the United Kingdom ("UK") and during the year were:

- The provision of global algorithmic, electronic trading and sales trading execution services to institutional and wholesale clients.
- The provision of Research Payment Account ("RPA") administration services under the service mark of Westminster RPA.

Each of the foregoing activities were conducted through clearly identifiable Divisions of staff ("Divisions"). The Divisions align to relevant Cowen subsidiaries that support broadly the same businesses in the United States of America. The Company's institutional clients include investment managers, hedge funds, corporations, plan sponsors, broker-dealers, and other financial intermediaries.

Operating model

The Company is authorized and regulated by the Financial Conduct Authority ("FCA") in the UK and passported under the Markets in Financial Instruments Directive, to receive and transmit client orders to Cowen Execution Services, LLC ("CES"), and to execute client orders as agent, in international capital markets on behalf of institutional and wholesale clients. The Company also provides RPA administration services to institutional clients.

Regulatory information

The Company is authorised and regulated by the FCA pursuant to the Financial Services & Markets Act 2000. All of the Company's undertakings were conducted within the permissions granted to the Company by the FCA.

Strategic report

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Performance for the year

The results of operations for the year ended December 31, 2019 are presented in the income statement account on page 11. The net loss for the year amounted to £243,000 (2018 net profit: £348,000).

During the year, the intercompany arrangement between CES and CESL was revised leading to a reduction in both operating cost and revenue for the year ended 31 December 2019. As a result, the Company reported no electronic trading revenue and associated brokerage and clearing expenses for the year ended 31 December 2019.

The Directors made the strategic decision to invest in a small group of senior professionals with a view to deliver increased commission revenues. The Directors are satisfied with the Company's performance and cautiously optimistic about the future prospects of the Company as a result of the investment.

On the 20th December 2019, the Company received £5,000,000 in exchange for issuance of 10,000,000 ordinary shares to its Parent. The Directors are satisfied with the Company's performance and cautiously optimistic about the prospects of the Company, as a result of the investment in staff and issuance of shares.

The Company's Key Performance Indicators for the years ended 31 December 2019 and 31 December 2018 are as follows:

	2019	*2018*
	£'000	*£'000*
Turnover	10,259	19,546
Operating expenses	(10,547)	(19,132)
Interest income	22	-
Net profit	(243)	348
Net assets	8,973	4,166
Average number of employees	27	23

Principal risks and uncertainties

Business risks concern the typical macroeconomic issues that affect markets in general, such as a weakening of economic conditions or a more challenging operating environment as a result of new technology, regulatory and statutory requirements.

The Company provides trade execution services to a broad range of clients across the buy- and sell-side firms of the financial services industry, including traditional asset managers, banks, hedge funds and other broker-dealers. The client base predominantly spans the US, UK and EU27 domicile. The industry has operated within an environment of historically subdued volumes for a number of years and this continued through 2019. The Directors anticipated broadly similar market conditions in 2020 although a change in global or regional economic conditions, taxation policy or regulatory requirements could result in a fall in equity market volumes, and a commensurate decline in commission revenues earned. The Company strives to mitigate this risk through its diversified client base, low- and high-touch customer service models and its strategy to increase market share from new and existing clients.

The Directors continue to monitor the market conditions that are evolving resultant from the Coronavirus (COVID-19) global pandemic, and any potential impact on the commission revenues earned. Increased market volatility has resulted in an increase in market volumes in the 1st quarter of 2020.

The principal risks and uncertainties facing the Company are credit risk, liquidity risk, market risk, and operational risk, a review of each is included in note 16 to the financial statements.

Strategic report

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People Risk

Our people are the most valuable resource. Our success depends upon the efforts, skill, reputations and business contacts of our senior professionals. Accordingly, the Company's continued success will depend on the continued service of these individuals. Therefore, the loss of key personal could have a material adverse effect on the Company's results.

Environmental risk

On the 29th March 2017, the United Kingdom triggered Article 50 of the Treaty of Lisbon, which will result in the UK officially leaving the European Union. Throughout the course of 2019, there was continued debate within the UK Parliament in respect of the effective date of the withdrawal, this was finally set at 11pm on 31st January 2020, with a transition period currently set until 31st December 2020.The post transition trading relationship with the EU will be negotiated by the UK and the remaining EU Member States during this transition period. The Directors are mindful of any potential implications for the Company's business and are continuing to finalise contingency plans to respond to any change within the regulatory framework in which it would operate post 31st December 2020. The Company continues to monitor the situation closely.

Financial Instrument Risk

In addition, during the normal course of business, the Company has exposure to a number of key financial instrument risks including market risk, credit risk and liquidity risk. As part of the Company's risk management process, these risks are monitored on a regular basis throughout the course of the year to ensure that the risks to which the Company is or may become exposed are identified and, where appropriate, mitigated.

On behalf of the Board

Michael Page, Director
22/04/2020

Directors' report

Registered No. 06262150

The Directors present their Directors' report and financial statements for the year ended 31 December 2019.

Directors and their interests

The current Directors are shown on page 1. The following Directors have held office during the year since 1 January 2019:

John Holl	(Resigned 28/02/2019)
John Holmes	
Michael Healey	
Kevin Disley	
Michael Page	
James Niven	(Appointed 16/08/2019)
Matthew Cyzer	(Appointed 01/10/2019

Recommended dividend

The net loss for the year amounted to £243,000 (2018 net profit: £348,000). The Company's Directors did not recommend a dividend in 2019 (2018: nil).

Future developments

The Directors continue to implement a strategic plan designed to deliver growth in the core business line of equity execution solutions. This will be achieved by continued investment in the Sales and Trading platform, when suitable opportunities arise and through the continued development of its electronic trading platform. Additionally, the Directors will develop the Company's execution capabilities to include the utilization of the regulatory permission of dealing in investments as principal to facilitate client orders.

All future developments will be taken under the continued review of Coronavirus (COVID-19), whilst it remains a factor.

Financial instruments

Details of financial instruments risks are provided in the strategic report on page 4.

Environmental risk

On the 29th March 2017, the United Kingdom triggered Article 50 of the Treaty of Lisbon, signalling the intention of the UK to officially leave the European Union. The Withdrawal Agreement Bill ("WAB") has now passed through all stages in UK Parliament, and following ratification by the European Parliament, the UK formally ceased to be a Member State of the European Union at 11pm, 31st January 2020. Under the terms of the legislation, the UK is now is a transition period until 31st December 2020. UK legislation call this the "implementation period". During transition the UK continues to trade with the EU as part of the Single Market, and immediate changes associated with leaving the EU are therefore likely to be small. In particular, UK banks and investment firms will continue to benefit from the passporting rights that were held before exit day. The European Commission and the UK will now begin negotiations for a new partnership for post the transition period.

The Directors have actively monitored political developments, especially around the scenario of any loss of passporting rights to those clients registered in the European Economic Area (EEA). To mitigate for such a scenario, the firm has applied to secure authorization from the Commission de Surveillance du Secteur Financier (CSSF), in Luxembourg, to create a MiFID compliant entity to continue to service any such clients in the EEA, together with the ability to avail itself of third country rules such as reverse solicitation these actions would enable business to continue as usual.

As the regulatory landscape continues to evolve, the Directors remain committed to apply such resources required to implement new regulations.

Directors' report

Registered No. 06262150

Going concern

The financial statements of the Company have been prepared on the basis that the Company has the ability to continue as a going concern for at least one year from the date of issuance of these financial statements.

The Company has sufficient financial resources together with an institutional client base across Europe and the United Kingdom. As a consequence, the Directors believe that the Company is well placed to manage business risks successfully despite the current uncertain market conditions.

After making inquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Directors' liabilities

The Company indemnifies directors and officers against liability in respect of proceedings that may be brought by third parties, subject to the conditions set out in the Companies Act. Such qualifying third-party indemnity provision remains in force as at the date of approving the Directors report.

Political donations

No political donations were made by the Company during 2019 (2018: nil).

Pillar 3 Disclosure

In accordance with the rules of the Financial Conduct Authority, the Company has published further information on its risk management objectives and policies and on its regulatory capital requirements and resources in the appendix to the financial statements.

Equal opportunities

Cowen is committed to the equality of opportunity. In the recruitment of staff and their subsequent career development, individuals are considered solely on the basis of their aptitude and ability, irrespective of sex, marital status, race, age, sexual orientation, religion or disability.

Disclosure of information to the auditors

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors and the Company's auditor, each Director has taken all the steps that he/she is obliged to take as a Director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Re-appointment of auditors

In accordance with s.485 of the Companies Act 2006, a resolution to reappoint KPMG LLP was proposed at the recent Annual General Meeting.

On behalf of the Board

Michael Page, Director
22/04/2020

Statement of Directors' Responsibilities in Respect of the Strategic Report, the Directors' Report and the Financial Statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COWEN EXECUTION SERVICES LIMITED

Opinion

We have audited the financial statements of Cowen Execution Services Limited ("the company") for the year ended 31 December 2019 which comprise the Income Statement, the Statement of Changes in Equity, the Statement of Financial Position and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the other information, which comprises the strategic report and the directors' report. Our opinion on the financial statements does not cover these reports and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read these reports and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the strategic report and the directors' report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Rahim Butt (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
22 April 2019

Income Statement

	Note	2019 £'000	2018 £'000
Turnover	3	10,259	19,546
Operating expenses		(10,547)	(19,132)
Operating (loss)/profit	5	(288)	414
Interest income		22	-
(loss)/profit on ordinary activities before taxation		(266)	414
Taxation credit/(charge)	6	23	(66)
Net /(loss)/profit		(243)	348

There are no components of other comprehensive income recognised as a part of total comprehensive income outside the income statement.

The notes on pages 13 to 25 form part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2019

	Called Up Share Capital	Other Reserves	Retained Earnings	Shareholders' Equity
	£'000	£'000	£'000	£'000
At 1 January 2018	1,650	125	1,033	2,808
Profit for the year	-	-	348	348
Issue of Shares	1,000	-	-	1,000
Share based payment transactions	-	10	-	10
At 31 December 2018	2,650	135	1,381	4,166

	Called Up Share Capital	Other Reserves	Retained Earnings	Shareholders' Equity
	£'000	£'000	£'000	£'000
At 1 January 2019	2,650	135	1,381	4,166
Loss for the year	-	-	(243)	(243)
Issue of Shares (note 12)	5,000	-	-	5,000
Share based payment transactions	-	50	-	50
At 31 December 2019	7,650	185	1,138	8,973

Statement of Financial Position

At 31 December 2019

	Note	2019 £' 000	2018 £' 000
Fixed assets			
Tangible assets	8	170	213
Current assets			
Debtors	9	2,248	1,169
Cash at bank		9,208	4,975
		11,456	6,144
Creditors: amounts falling due within one year	10	2,529	2,063
Net current assets		8,927	4,081
Total assets less current liabilities		9,097	4,294
Creditors: amounts falling due after more than one year	11	124	128
Net Assets		8,973	4,166
Capital and Reserves			
Called up share capital	12	7,650	2,650
Retained earnings		1,138	1,381
Other reserves	12	185	135
Total equity		8,973	4,166

The notes on pages 13 to 25 form part of these financial statements

The financial statements were approved by the Board of Directors on 22 April 2020 and were signed on its behalf by:

Michael Page, Director

Notes to the financial statements

For the year ended 31 December 2019

1. **General Information**

The Company is a private company limited by share capital and is incorporated and domiciled in England. The address of its registered office is:
11th Floor
Broadgate Quarter
1 Snowden Street
London
EC2A 2DQ
UK

These financial statements were authorised for issue by the Board on 22 April 2020.

2. **Accounting policies**

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements have been prepared in compliance United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006. The financial statements are prepared in sterling which is the functional currency of the Company and rounded to the nearest £'000.

Basis of preparation

The financial statements have been prepared on a going concern basis, under the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value. The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

Going concern

The financial statements of the Company have been prepared on the basis that the Company has the ability to continue as a going concern for at least one year from the date of issuance of these financial statements.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Directors are mindful of the potential implications for the Company's business regarding the UK officially leaving the European Union. Such implications include but not limited to the loss of passporting rights to the clients registered in EEA and changes to the regulatory requirements. An application was filed with CSSF to create a MiFID compliant entity to continue to service the clients in the EEA and the Directors are developing contingency plans to respond to any changes within the regulatory framework in which it operates. Additionally, the Company has considered performance forecasts for the foreseeable future.

The near-term outlook for the financial markets that the firm operates in are uncertain as a result of the outbreak of Covid-19. Whilst it is too early to assess the impact of Covid-19, the firm has benefitted from an increase in trading volumes since year-end and remains focused on maximizing opportunities across all market conditions. In addition, the Company has performed certain stress testing scenarios to assess the impact of Covid-19 on the Company's key financial indicators (including those on capital and liquidity) as well as being considered within the going concern assessment. The Directors are confident that the firm's prudent business model, coupled with the proven experience of our employees, leaves the firm well placed to serve its clients in these challenging market conditions

Notes to the financial statements

For the year ended 31 December 2019

2. Accounting Policies (continued)

Summary of disclosure exemptions

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the Company's shareholders.

In the ordinary course of business, the company undertakes transactions with its sister company Cowen and Company, LLC located in New York. These transactions are undertaken on an arm's length basis. The Company is a wholly owned subsidiary of Cowen Holdings, Inc. and elected not to disclose transactions with it and any fellow group companies in these financial statements.

The Company has elected to take advantage of the following exemptions:

(i) from the requirement under FRS 102 paragraph 1.12 (b) to prepare a statement of cash flows as the Company is a subsidiary of Cowen Group, Inc. ("the Group") where greater than 90% of the voting rights are controlled within the Group and the Group's financial statements in which the Company is included are publicly available;

(ii) from disclosing share based payment arrangements, required under FRS 102 paragraphs 26.18 (b), 26.19 to 26.21 and 26.23, concerning its own equity instruments. The Company financial statements are presented with the consolidated financial statements and the relevant disclosures are included therein;

(iii) from disclosing the Company key management personnel compensation, as required by FRS 102 paragraph 33.7.

(iv) from disclosing details of transactions with entities that are part of the Group in accordance with FRS 102 paragraph 33.9 since it is a subsidiary of a Group which is wholly owned and the Group's financial statements are publicly available.

Turnover recognition

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured.

Turnover comprises the fair value of the consideration received or receivable under a transfer pricing agreement with its affiliated company CES. The Company acts as an introducing broker by receiving and transmitting client orders to CES and, as such, incurs client support and order handling costs on behalf of CES. All costs associated with the Company acting as an introducing broker for CES are marked up at 15% and charged to CES in accordance with the transfer pricing agreement. Such cost recharge is treated as revenue on the Company's books and is recognized on a monthly basis.

The company also provides Research Payment Account ("RPA") administration services to its clients and recognises the revenue on an accrual basis.

Finance income and costs policy

Interest payable and similar expenses include interest payable and net foreign exchange losses that are recognised in the profit and loss account (see foreign exchange note). Interest income and interest payable are recognised in the profit or loss as they accrue, using the effective interest method. Interest income on cash is minimal and is recognised when notified by the banks.

Pension scheme arrangements

Certain of the Company's employees are members of a defined contribution occupational pension scheme. The Company is required to make monthly contributions to the plan on behalf of its employees. Contributions made to the defined contribution scheme during the period are recognised in the Income Statement in the period in which the contribution is payable.

Notes to the financial statements

For the year ended 31 December 2019

2. **Accounting Policies (continued)**

Share capital
Ordinary called up shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Operating Leases
Rentals payable under operating leases are charged in the Income Statement on a straight line basis over the lease term. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Finance Leases
Finance lease obligations are recognised at the lower of the fair value of the leased asset and the present value of the minimum lease payments in the balance sheet. Lease payments are apportioned between the reduction of the lease liability and finance charges in the Income Statement using the effective interest method to achieve a constant rate of interest on the remaining balance of the liability.

Foreign exchange, presentation and functional currency
The functional currency and presentation currency of the Company is pounds sterling (GBP). Transactions denominated in other currencies are translated into GBP at the rate of exchange ruling at the date of transaction. Monetary assets and liabilities are translated into GBP at the rate of exchange ruling at the balance sheet date. Exchange gains and losses on financial assets and financial liabilities are included in the income statement.

Related party transactions
The Company has taken advantage of the exemptions contained within FRS 102 section 33 and has not disclosed transactions with group companies which are wholly owned by a member of the group.

Tangible assets
Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all tangible assets at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset as follows:

Furniture & fixtures – 5 years / straight-line method
Leasehold improvements – 5 years / straight-line method
Computer equipment – 3 years / straight-line method

The carrying values of tangible assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Trade Receivables
Trade receivables are measured at the transaction price on initial recognition. Subsequent to initial recognition, appropriate allowances for estimated irrecoverable amounts are recognised on the Income Statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and cash equivalents
Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less.

Notes to the financial statements

For the year ended 31 December 2019

2. **Accounting Policies (continued)**

Trade payables
Trade payables are initially measured at the transaction price, and are subsequently measured at amortised cost, using the effective interest rate method.

Financial instruments
The Company has chosen to adopt Section 11 Basic financial instruments and Section 12 Other financial instruments of FRS 102 in respect of financial instruments. A financial instrument is a contract that gives rise to a financial asset of one entity and financial liability or equity instrument of another entity.

Recognition and measurement

(i) Basic financial instrument assets including trade and other receivables, cash and bank balances are initially recognised at transaction price. Current asset investments are initially recognised at cost. Such assets are subsequently carried at amortised cost using the effective interest method. Financial assets are de-recognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

(ii) Basic financial instrument liabilities include basic trade and other payables and loans from related group companies are initially recognised at transaction price. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Financial liabilities are de-recognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

There have been no complex financial instrument transactions during the year or in the prior year as per Section 12 of FRS 102.

Share based payments
The Company's employees participate in the Cowen Group, Inc.'s various stock incentive plans (the "Plans"). The Plans permit the grant of options, restricted shares, restricted stock units and other equity-based awards to the Company's employees, directors. Stock options granted generally vest over a two-to-five-year period and expire seven years from the date of grant. Restricted share units issued may be immediately vested or may generally vest over a two-to-five-year period. Employees are required to remain in employment of the Group. The Group has historically made annual grants during the first quarter of each year.

Equity settled arrangements are measured at fair value at the date of grant. The fair value is expensed on a straight-line basis over the vesting period. The amount recognised as an expense is adjusted to reflect the actual number of shares or options that will vest.
Settlements and cancellations are treated as an acceleration of vesting and the unvested amount is recognised immediately in the Profit and Loss.

Notes to the financial statements

For the year ended 31 December 2019

2. Accounting Policies (continued)

Taxation

The current tax charge is calculated at current rates on the taxable profits or losses.

Deferred tax is recognized in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognized if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements, which are capable of reversal in one or more subsequent periods.

Deferred tax is measured at a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Critical accounting estimates and judgements and estimation of uncertainty

The directors are of the opinion that due to the nature of the business, there are no critical accounting estimates or judgements used in the preparation of these financial statements.

Notes to the financial statements

For the year ended 31 December 2019

3. Turnover

	2019 *£'000*	*2018* *£'000*
Electronic Trading	-	10,854
Transfer Pricing	9,816	8,284
Research Payment Account (RPA)	327	336
Research Payment Fees	116	72
	10,259	19,546

The analysis of the Company's turnover for the year by geographical market is as follows:

	2019 *£'000*	*2018* *£'000*
United Kingdom	10,259	19,546

4. Staff costs

	2019 *£'000*	*2018* *£'000*
Staff costs:		
Wages and salaries	4,837	3,963
Social security costs	663	382
Pension costs	153	165
	5,653	4,510

Pension costs comprise the Company's contributions in respect of the defined contribution scheme.

The average monthly number of employees during the year was made up as follows:

	2019	*2018*
Sales and Trading	23	20
Commission Management	4	3
Total	27	23

Directors

Remuneration in respect of directors was as follows:

	2019 *£'000*	*2018* *£'000*
Aggregate Emoluments	170	695

During the year one director (2018: nil) was a member of the Company Group Personal Pension Plan.

Loans totalling £156,594 were granted to 1 director and these are due for repayment within 12 months.

Notes to the financial statements

For the year ended 31 December 2019

5. Operating profit

	2019 £'000	2018 £'000
This is stated after charging:		
Depreciation	67	65
Foreign exchange loss	158	27
Operating lease expense – property	284	177
Auditor's remuneration for:		
- the audit of annual financial statements	39	21
- audit related assurance services	17	21
- tax compliance services	-	-
Restructuring / Severance	140	43

6. Taxation

(a) Analysis of tax charge in the period

Current tax:	2019 £'000	2018 £'000
UK corporation tax charged at 19% (2018: 19%)	-	84
Adjustment in respect of previous periods	-	(16)
Total current tax expense	-	68
Deferred Tax:		
Adjustment in respect of previous periods	1	3
Origination and reversal of timing differences	(24)	(5)
Total deferred tax (benefit)/expense – (Note 6c)	(23)	(2)
Total tax (benefit)/expense for the year	(23)	66

(b) Reconciliation of the tax charge

	2019	2018
(Loss)/Profit on ordinary activities before taxation	(266)	414
Tax on ordinary activities at UK tax rate of 19% (2018: 19%)	(51)	79
Expenses not deductible for tax purposes	32	1
Tax increase/(decrease) from effect of capital allowances and depreciation	2	-
Net trading adjustment	(5)	-
Non trading deficit – CTA 2009 S456 (1)(a)	19	-
Adjustment in respect of previous periods – current tax	-	(16)
Adjustment in respect of previous periods – deferred tax	1	3
Tax decrease from other short-term timing differences	(24)	-
Under/(Over) provided in current year	3	(1)
Total tax (benefit)/charge for the year	(23)	66

(c) Deferred tax

	2019	2018
Accelerated capital allowances	2	4
Trading losses available for future utilisation	12	-
Deferred compensation	10	4
Adjustment in respect of previous periods – deferred tax	(1)	-
Total deferred tax asset	23	8

Notes to the financial statements

For the year ended 31 December 2019

6. Taxation (continued)

The movement on the deferred tax asset and provision is shown below:

Balance at the beginning of the year	8	(6)
Amount (charged)/credited to the Income Statement for the year	23	2
Other	-	12
Deferred tax asset balance at the end of the year	31	8

It is expected to be more likely than not that future profits will emerge against which the deferred tax asset will be realised.

UK Corporation tax rates changed from 20% to 19% effective 1 April 2017. Accordingly, the Company's Losses for this accounting year were taxed at an effective rate of 19%. In the Finance bill dated 19th March 2020, the tax rate was held at 19% and will now no longer change from 19% to 17%.

Deferred tax balances at 31 December 2019 are measured at the revised rate of 17% (2018: 17%)

7. Pension scheme

During the year ended 31 December 2019, the Company operated a defined contribution pension scheme for the benefit of employees and directors. The Plans' assets are held independently from those of the Company under a separately administered plan. The pension cost represents contributions paid by the Company to the fund on behalf of the employees during 2019 and 2018 and this amounted to £152,562 and £165,085, respectively. Amounts outstanding as of the year end and payable related to the Plans were nil at 31 December 2019 and 2018.

8. Tangible assets

	Leasehold Improvement £'000	*Furniture and Equipment £'000*	*Computer Equipment £'000*	*Total £'000*
Cost:				
At 1 January 2019	188	-	214	402
Additions	-	2	22	24
At 31 December 2019	188	2	236	426
Depreciation:				
At 1 January 2019	143	-	46	189
Charge for the year	21	-	46	67
At 31 December 2019	164	-	92	256
Net book value:				
At 31 December 2019	24	2	144	170
At 31 December 2018	45	-	168	213

Notes to the financial statements

For the year ended 31 December 2019

9. Debtors

	2019	*2018*
	£'000	*£'000*
Amounts due from group undertakings	1,590	862
Prepayments	93	96
Fees receivable	6	90
Deferred tax assets (note 6)	31	8
Corporation tax receivable	4	-
Trade debtors	524	113
	2,248	1,169

Forgivable loans totalling £254,490 less applicable taxes and payroll deductions were granted to one employee of which £6,627 was expensed during the year. These loans will be forgiven in equal instalments over a four-year period.

A loan of £119,610 was also granted during the year to one employee and this is due for repayment by March 2021. All loans are subject to interest and this is calculated using the HMRC Official Interest Rate for Beneficial Loans compounded annually for the relevant tax year.

10. Creditors: amounts falling due within one year

	2019	*2018*
	£'000	*£'000*
Accruals	2,441	1,933
Corporate tax payable	-	44
Other accrued taxes	45	45
Finance leases (note 13)	43	41
	2,529	2,063

The Company continued to incur costs for the previous owners' Nonqualified Deferred Compensation Plan. The plan provided a portion of each executive's and other highly compensated individual's annual bonus as a long-term cash award ("LTCA"). The LTCA from this plan vested over 27 months, after the award date, and was payable at the end of that period. Compensation expense was accrued rateably over that period. Payments to the employees were made on the payment date in the amount of the initial award including change in value of any elected investment options. The Company made the final payment related to this deferred bonus program of £47,647 in 2019.

Under the 2010 Cowen Inc. Equity Plan, the Company awarded deferred cash to its employees during the year ended 31 December 2019. These awards vest over a five-year period and accrue interest at 0.7% per year. The Company has plans to make principal payments related to this deferred bonus program of £29,022 in 2020.

11. Creditors: amounts falling due after more than one year

	2019	*2018*
	£'000	*£'000*
Accruals	46	7
Finance leases (note 13)	78	121
	124	128

The Company has plans to make principal payments related to the deferred bonus program of £34,826 in 2021 and £11,609 in 2022.

Notes to the financial statements

For the year ended 31 December 2019

12. Called up share capital

	Number	*Authorised* £'000	Number	*Allotted called up and fully paid* £'000
Class A shares of £1 each:	275,000	275	275,000	275
Ordinary shares of £0.50 each:	4,750,000	2,375	4,750,000	2,375
At 31 December 2018	5,025,000	2,650	5,025,000	2,650

	Number	*Authorised* £'000	Number	*Allotted called up and fully paid* £'000
Class A shares of £1 each:	275,000	275	275,000	275
Ordinary shares of £0.50 each:	14,750,000	7,375	14,750,000	7,375
At 31 December 2019	15,025,000	7,650	15,025,000	7,650

On 20 December 2019 the Company received £5,000,000 in exchange for issuance of 10,000,000 ordinary shares to its parent.

Other Reserves

This reserve records the nominal value of shares repurchased by the Company. The Company received an equity contribution from Cowen Group, Inc. of £49,616 (2018: £9,993) relating to employee stock options granted to key managerial personnel of Cowen Execution Services Limited by the parent. This was accounted for as an equity settled transaction under Section 26 of FRS102. It represents the restricted shares and options awarded to key employees. Please refer to Note 14 for further details.

13. Operating and Finance leases

For the year ended 31 December 2019 the Company made payments recognised as an expense for operating leases totalling £284,000 (£177,000 in 2018). At 31 December 2019 the Company had total future minimum lease payments under non-cancellable operating leases as follows;

	2019 £'000	*2018* £'000
Operating leases which expire:		
Not later than one year	128	128
Later than one year and not later than five years	11	138

The net carrying amount of finance leases for the year ended 31 December 2019 amounted to £121,000 (2018: £162,000). At 31 December 2019 the Company had total future minimum lease payments under non-cancellable finance leases as follows;

	2019 £'000	*2018* £'000
Finance leases which expire:		
Not later than one year	46	46
Later than one year and not later than five years	81	128

Notes to the financial statements

For the year ended 31 December 2019

14. Share based payments

The Company's employees participate in the Cowen Inc.'s various stock incentive plans (the "Plans"). The Plans permit the grant of options, restricted shares, restricted stock units and other equity-based awards to its employees, employees of its subsidiaries, consultants and directors. Stock options granted generally vest over two to five-year periods and expire seven years from the date of grant. Restricted shares and restricted share units issued generally vest over two to five-year periods. The fair value of restricted stock granted to the Company's employees was determined based on the number of shares granted and the quoted price of the common stock of Cowen Inc. on the date of grant. The compensation cost for the above award that has been expensed during the year ended 31 December 2019 is £49,616 (2018: £9,993).

The entity is part of a Group share-based payment scheme and it recognises and measures its share-based payment expense on the basis of a reasonable allocation of the expense recognised for the Group. Since the award is equity settled by the Group, the corresponding credit is accounted as an 'Equity contribution from parent' as a separate line item in equity. A deferred tax asset of nil (2018: £1,699) is recognised on the unvested restricted shares, taking into account projected future profits for the next year. On 5th December 2016, the Group completed a 1 for 4 reverse stock split. Pursuant to the reverse split common shareholders automatically receive 1 common share for every 4 common shares owned.

There were no outstanding stock options as at 1 January 2019 and none were issued during the year.

15. Financial Instruments

	Note	*2019* *£'000*	*2018* *£'000*
Financial assets measured at amortised cost			
Amounts owed by group undertakings	9	1,590	862
Trade receivables	9	524	113
Fees Receivable	9	6	90
Total Financial Instruments - Assets		2,120	1,065
Financial liabilities measured at amortised cost			
Finance leases	10,11	121	162
Trade creditors	10	2,441	1,933
Total Financial Instruments - Liabilities		2,562	2,095

16. Financial risk management policies and objectives

The Company is exposed through its operations to a number of risks, the most significant of which are credit, market, operational and liquidity risk.

Each division in the Company has risk functions in place to manage the risk aspects of the business line, including the activity of that division under the Company. The policy for managing these risks is set by the Board of Directors, and is as follows:

Credit risk

It is the policy of the Company to hold cash balances in highly liquid funds with reputable, multi-national banking institutions to mitigate credit risk. This will provide the Company with immediate access to its own funds as needed

Credit risk is controlled by the Credit & Risk Management department by establishing exposure limits based on the financial condition and internal credit rating of new clients.

Notes to the financial statements

For the year ended 31 December 2019

Market risk

The Company maintains its operating capital in interest-bearing cash accounts. The cash balance is subject to market risk, which is the potential that future changes in the interest rate environment may reduce interest income.

During the course of 2019, CESL had no trading book as its business model is as a pure agency brokerage business. It therefore does not have any proprietary positions, and no direct position risk exposure. It should be noted that in 2019 the FCA has authorised a Variation of Permission to permit CESL to have a trading book in which position risk will arise only on a limited, highly controlled basis, with low levels of intraday and overnight position limits available to the traders in highly liquid transferable instruments. This will not take effect until 2020.

The Firm does, however, have limited exposure to exchange rate fluctuations and therefore FX position risk. These arise from various sources on balance sheet, although traditionally the majority of FX position risk has been absorbed by other Cowen Group entities. Where deemed appropriate, the Firm does have the option to hedge its position risks through the use of derivative contracts.

Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its liabilities as they fall due. The Company's capital is invested in liquid assets. Generally, the majority of the Company's receivables and payables are with Cowen and other affiliated companies. Liquidity risk is managed by requesting payment in advance from Cowen for costs incurred on behalf of the affiliated US companies based on an estimate of the forthcoming month's expenditure. In this way, the Company is able to maintain its credit and liquidity risk exposures against Cowen and affiliated companies at a reasonable level.

Operational Risk

Operational risk refers to the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. The Company is aware that operational risk can never be eliminated but seeks to minimise the probability and impact by focusing on an operational risk management framework and minimising or mitigating this risk through a formal control assessment process to ensure awareness and adherence to key policies and control procedures.

The Company has a tested business continuity plan in place that it believes will cover critical processes.

The Company has established internal policies relating to ethical business conduct, and compliance with applicable legal and regulatory requirements, as well as training and other procedures designed to ensure that these policies are followed.

The Company maintains an internal control framework to manage operational risk, along with a set of comprehensive policies and procedures overseen by senior management. Operational Risk Management ("ORM") as a distinct risk discipline incorporates governance and risk management activities comprising (i) ORM in Cowen uses a proprietary database to assess, monitor and calculate Key Risk Indicators (ii) business managers who ensure alignment of internal controls with their business risk profiles; and (iii) the Company's Audit & Risk Committee ("ARC") which oversees all aspects of operational risk management strategy. The ARC and Company's Board of Directors approves and oversees all outsourcing arrangements with Group and meets a minimum of four times per year to review risk management systems and discuss key risk aspects of the business, including disaster recovery and business continuity planning.

17. Ultimate parent undertaking

On June 1st, 2017, the Company, along with its Parent and affiliated entities were acquired by Cowen CV Acquisition LLC, an indirect (wholly owned) subsidiary of Cowen Inc.

Notes to the financial statements

For the year ended 31 December 2019

18. Post balance sheet events

The near-term outlook for the financial markets the firm operates in are uncertain as a result of the outbreak of Covid-19. Whilst it is too early to assess the impact of Covid-19, the firm has benefitted from an increase in trading volumes since year-end and remains focused on maximizing opportunities across all market conditions. The Directors are confident that the firm's prudent business model, coupled with the proven experience of our employees, leaves the firm well placed to serve our clients in these challenging market conditions.

Appendix: Financial Conduct Authority Pillar 3 Disclosure

For the year ended 31 December 2019 (unaudited)

Introduction
The Capital Requirements Directives (the "Directives") of the European Union ("EU") have established a regulatory capital framework across Europe governing the amount and nature of capital that credit institutions and investment firms must maintain. In the United Kingdom, the Directives have been implemented by the Financial Conduct Authority ("FCA") in its regulations through the General Prudential Sourcebook ("GENPRU"), the Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU") and the Prudential Sourcebook for Investment Firms ("IFPRU").

CRD III and CRD IV are EU legislative packages covering prudential rules for banks, building societies and investment firms.

Effective 1 January 2014, CRD IV implemented the Basel III agreement in the EU.

The FCA's framework consists of three 'Pillars':

- Pillar 1 sets out the minimum capital amount that meets the Company's credit, market and operational risk;
- Pillar 2 requires the Company to assess whether its Pillar 1 capital is adequate to meet its risks; and
- Pillar 3 requires disclosure of specified information about the underlying risk management controls and capital position.

This document is designed to meet the Company's Pillar 3 obligations in accordance with the Capital Requirements Regulation ("CRR"). The information within the scope of Pillar 3 is published on an annual basis. The disclosure requirements are contained in Part Eight of the CRR, in particular articles 431 to 455 and are based on the position as at the Accounting Reference Data (31 December 2019).

The Company is permitted to omit required disclosures if it believes that the information is immaterial. In addition, the Company may omit required disclosures where it believes that the information is regarded as proprietary or confidential. In the Company's view, proprietary information is that which, if it were shared, would undermine its competitive position. Information is considered to be confidential where there are obligations binding the Company to confidentiality with our customers, suppliers and counterparties.

Scope and application of the requirements
CESL is authorised and regulated by the FCA, and as such, is subject to minimum regulatory capital requirements. The Company is categorised as an IFPRU €730k Full Scope firm by the FCA for capital purposes.

The Company is a wholly owned subsidiary of Cowen Execution Holdco, LLC. On June 1st, 2017, the Company, along with its parent company Cowen Execution Holdco LLC (formerly Convergex Group LLC) ("Parent") and affiliated entities were acquired by Cowen CV Acquisition LLC, an indirect (wholly owned) subsidiary of Cowen Inc. ("Cowen").

The Company conducts activities in two of Cowen's business lines. A description of these business lines and their UK regulatory status can be found below:

- The provision of global algorithmic, electronic trading and sales trading execution services to institutional and wholesale clients.
- The provision of Research Payment Account ("RPA") administration services under the service mark of Westminster RPA.

The Company does not hold client money. The Company is not a member of an EEA sub-group and thus is not required to prepare consolidated reporting for prudential purposes.

Appendix: Financial Conduct Authority Pillar 3 Disclosure

For the year ended 31 December 2019 (unaudited)

Risk management

Overview
The Company's Senior Management is committed to maintaining and developing an adequate and comprehensive risk management process. The Company's Senior Management is responsible for identifying risks within the Company. All staff are encouraged to be alert to possible risks and to raise risks they have identified with their managers.

Organisation and Governance
The Board of the Company is the governing body, directly responsible for the overall management of CESL and provides leadership of the organisation within a framework of prudent and effective controls which enables risk to be assessed and managed, including a risk management programme.

The Board meets on a quarterly basis as a minimum, with additional meetings convened as required by the business. Meetings are documented and the Board has a schedule of regular and standing agenda items which are regularly reviewed.

The Board of Directors has established an audit and risk committee (the "Audit and Risk Committee" or "ARC") with delegated responsibility for audit and risk management functions within the Company, as set out herein.

The Company is an integral part of Cowen and its strategy, operations, policies and procedures are appropriately aligned with those of Cowen unless regulation or other factors dictate otherwise. The ARC reports directly to the Board of Directors, and its primary function is to assist the Board in fulfilling its audit and risk management responsibilities as defined by applicable law and regulations. The Chairman of the ARC is also required to ensure its activities are aligned with those of Cowen Inc.'s Audit & Risk Committee, taking direction and appropriately liaising with the Cowen Audit & Risk Committee where relevant.
The ARC's role is one of oversight, with the following primary responsibilities:

1. assist and advise the Board on internal control, financial reporting and its risk management programme;
2. review and assess the integrity and adequacy of the risk management function of the Company including processes and policies and organizational structures;
3. oversee the activities of Internal Audit and other audit/review functions as it relates to CESL's business and operations;
4. review and monitor management responsiveness to the findings of Internal Audit, the external auditors, other audits/reviews and any regulatory findings;
5. report ARC activities to the Board with appropriate recommendations;
6. annually perform a self-assessment of ARC performance;
7. review and assess the adequacy of these Terms of Reference from time to time and recommend any proposed changes to the Board for approval; and
8. encourage effective management of risk and supporting positive behaviours and conduct.

Certain tasks within the risk management process have been delegated to various individuals employed by the Company or employed by Cowen working within, for instance, Finance, Risk and Legal/Compliance.

CESL
The overall risk management programme includes various risk assessments across a number of areas and activities within the firm and an on-going process considers both existing and new risks. The overall risk management programme is therefore adequately designed for flexibility, adaptability and responsiveness, such that risk and status can be evaluated dynamically and mitigated accordingly.

The controls to mitigate a particular risk are designed to take into account the Company's appetite or tolerance for particular risks. Both the control procedures and the allocation of these control procedures are

Appendix: Financial Conduct Authority Pillar 3 Disclosure

For the year ended 31 December 2019 (unaudited)

recorded in the risk assessments. The controls in place may not eliminate a risk entirely but are intended to reduce it to a level acceptable to the Company.

The assessments are appropriate to the nature, scale and complexity of the Company's business and are based on an analysis of the likelihood of an event (whether accidental or deliberate) and its impact on the Company in terms of its business and the risk of financial loss, regulatory good standing or reputation in the market.

The key component of the risk assessment is structured around the following fundamental principles:
- identifying risks through a formal risk self-assessment process;
- assessing probability and impact of identified risk;
- assigning responsibility for managing risks through a 1st line of defense;
- implementing risk management techniques and controls to mitigate risk;
- overseeing the effectiveness of risk management processes and controls through 2nd and 3rd lines of defense;
- continually reviewing and updating the above; and
- documenting the processes and the output.

The Company executes its risk management programme based on various annual (or more frequent) deliverables, including assessing its business and operational risks and setting forth appropriate actions to manage them. Among others risks, the Company's considers the following:
- market risk;
- credit risk;
- operational risk;
- regulatory risk;
- business risk.

The potential risks that the Company is currently exposed to have been identified and discussed by the Company's Senior Management. Annually or more frequently if required, the risk management process is reviewed in order determine the efficiency and effectiveness of the risk management process and procedures. The key activities include:
- ensuring all material risks have been identified and quantified including through a risk self-assessment process;
- ensuring actions are being carried out properly and are adequate to mitigate any particular risk as identified by a particular risk assessment; and
- identifying enhancements that can be made to the risk management programme and the risk assessments.

Where the Company identifies material risks, it considers the financial impact of these risks as part of its business planning and capital management and determines whether the amount of regulatory capital is adequate. Any exceptions arising from the above assessments and reviews are reported to the appropriate senior manager or Senior Management and, where necessary, the Company's Audit & Risk Committee, which will oversee the implementation of the necessary remedial actions and/or report to the Company Board of Directors, as required. Material exceptions are also reported to Cowen Inc.'s Audit and Risk Committee of Holdings. The Internal Audit function is performed internally by Cowen Inc's internal audit department. Management of this department communicates regularly with Cowen Inc.'s ARC.

Appendix: Financial Conduct Authority Pillar 3 Disclosure

For the year ended 31 December 2019 (unaudited)

Cowen Inc.
Cowen Inc.'s ARC meets quarterly to review, among other things, Cowen's risk exposures, policies and risk management activities for all business lines, including CESL.

Cowen's risk management framework is designed to:
- provide that risks are identified, monitored, reported, and valued properly;
- define the types and amount of risks to take;
- communicate to the appropriate level within Cowen the type and amount of risk taken;
- maintain a risk management organisation that is independent of the risk taking activities;
- promote a strong risk management culture that encourages a focus on risk-adjusted performance;
- ensure that subsidiary risk frameworks are aligned with that of Cowen.

Regulatory capital

The Company is a Private Limited Company and its capital arrangements are established in its Memorandum and Articles of Association.

The main features of the Company's capital position at 31 December 2019 for regulatory purposes are as follows:

Capital Item	GBP 000's
Paid Up Capital Instruments	£ 7,650
Other Reserves	£ 125
Audited Retained Earnings	£ 1,138
Tier 1 Capital	**£ 8,913**
Surplus of Tier 1 Capital	£ 8,913
Capital resources requirement	£ 1,894
Surplus over capital requirement	£ 7,020

**this represents the cumulative audited P&L through 31 December 2019.*

Under CRD IV the Company must at all times, satisfy the following own funds requirements

a) Common Equity Tier 1 Capital ratio of 4.5%
b) Tier 1 capital ratio of 6%
c) Total capital ratio of 8%

CRD IV requires these ratios to be calculated using total exposure values, which are the Pillar 1 requirements multiplied by 12.5.

As at 31 December 2019, the total capital ratio for the Company was 37.7% and surplus total capital was £7,020,151.

Remuneration Code Statement

The Company is authorised and regulated by the Financial Conduct Authority as an IFPRU firm and is subject to the FCA's Rules on remuneration. These rules are codified in the FCA's Remuneration Code

Appendix: Financial Conduct Authority Pillar 3 Disclosure

For the year ended 31 December 2019 (unaudited)

located in the SYSC Sourcebook of the FCA's Handbook. The Remuneration Code (the "RemCode") covers an individual's total remuneration, including both fixed and variable. The Company incentivises through a combination of the two. The Company's policy is designed to ensure that it complies with the RemCode and that its compensation arrangements:

1. are consistent with and promote sound and effective risk management;
2. do not encourage excessive risk taking;
3. include measures to avoid conflicts of interest; and
4. are in line with CESL's business strategy, objectives, values and long-term interests.

Remuneration Policy and Practices

This section describes information about the Company's remuneration policy which is required under the FCA's Remuneration Code as it applies to the Company. The Company qualifies as a Proportionality Level 3 Company under the Remuneration Code. It is required to disclose certain quantitative and qualitative remuneration items.

Due to its size of operations in the UK, the Company has not established a formal Remuneration Committee but it has established a Compensation Committee to advise the Board. Recommendations about the remuneration arrangements applicable to the Company are made by the Compensation Committee and approved by the Company's Board. The aggregate bonus pool is recommended by the Compensation Committee of Cowen, reviewed by the Company's Compensation Committee and approved by the Board of Directors. Individual bonus decisions about the UK employees are made by the CEO of the Company.

In the event that concerns are raised about the behaviour of any employees of the Company or the risk of the business undertaken, the Company's Head of Compliance provides input to the process from a compliance perspective, including the CEO taking appropriate soundings from the Company's Head of Compliance. The Compliance Officer also has a role from a regulatory perspective of ensuring that the Code Staff list is appropriate and that the Company's remuneration policy complies with the RemCode.

Implementation of the Company's remuneration policy is reviewed annually by the Compensation Committee and Board of Directors of the Company.

Information on the link between pay and performance

The Company ensures that its remuneration policy is in line with its business strategy, objectives, values and long-term interests by ensuring that remuneration and bonus awards reward effective financial performance but also the successful achievement in relation the Company's conduct risk and culture.
Remuneration is reviewed regularly in order to ensure that remuneration is competitive, taking account of the size of the organisation and its activities. This is partly aimed at ensuring that the Company can attract and retain adequate talent. This is in line with the Company's long-term interests.

The annual cash bonus plan applies to most employees of Cowen and it is a key component of Cowen's compensation strategy. The purpose of this scheme is to reward employees for achieving Cowen's annual performance goals and for their individual performance, subject to the overriding requirement to maintain predetermined capital and liquidity surpluses in the Company. It is also intended to encourage the successful performance of Cowen and the Company by incentivising employees.

Bonus payments are discretionary and determined based on a number of factors, including revenues and EBITDA of Cowen, and individual performance. Individual performance is assessed according to (i) success in meeting certain financial goals or objectives; (ii) success in meeting certain non-financial objectives and (iii) complying with the policies and procedures of the Company. Deferral of a portion of bonus payments, for a period of 27 months, is used by the Company as a tool to support risk management objectives and practices.

Appendix: Financial Conduct Authority Pillar 3 Disclosure

For the year ended 31 December 2019 (unaudited)

In addition, the Company has implemented a Sales Payout Scheme that is consistent with one of Cowen's key strategic goals: to increase the breadth and number of the Company's revenue generating client relationships. At the date of this document, the scheme is only open to Sales Traders, whose role is to develop and maintain high-touch relationships with buy-side clients.

Aggregate Quantitative information on remuneration, broken down by Senior Management and members of staff whose actions can have a material impact on the risk profile of the Company

Category	Senior Management
Total Remuneration	£494,716 inclusive of bonuses awarded for 2019
Number of staff	4

**These disclosures are made on a cash-basis.*

Other disclosures

The approach of the business to assessing the adequacy of its internal capital to support current and future activities is contained in the Company's ICAAP document. This process includes an assessment of the specific risks to the Company's business and the internal controls in place to mitigate those risks