

Registration number: 06262150

Cowen Execution Services Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2020



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Company Information

Directors

John Holmes

Kevin Disley

Michael Healey

Michael Page

James Niven

Matthew Cyzer

(Resigned 01/07/2020)

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

Registration No. 06262150

The Directors present their Strategic report for Cowen Execution Services Limited ("Company") for the year ended 31 December 2020.

Principal activities and review of the business

The Company is a wholly owned subsidiary of Cowen Execution Holdco, LLC. 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's primary activity is to act in an agency capacity as a broker for its own clients and for clients of its affiliate, Cowen & Company LLC ("C&Co"). In the ordinary course of business, the Company provides execution services in cash equities and ETFs, utilizing multiple regulated financial institutions, including affiliates, as its executing broker. The Company is a member of the London Stock Exchange. The Company also provides administrative support to the institutional clients using the Westminster RPA administrative services.

Regulatory information

The Company is authorised and regulated by the Financial Conduct Authority ("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

Registration No. 06262150

Performance for the year

The results of operations for the year ended December 31, 2020 are presented in the income statement account on page 12. The net profit for the year amounted to £668,000 (2019 net loss: £243,000).

In 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 encouraged by the first full year performance of the team of professionals who joined the platform in late 2019. A net profit of £668,000 is reported after an increase in operating expenses as a result of the above-mentioned investment coupled with the trading volume increase across the markets in 2020.

The Directors are satisfied with the Company's performance and remain cautiously optimistic that this investment will continue to provide improved performance going forward.

The Company's Key Performance Indicators for the years ended 31 December 2020 and 31 December 2019 are as follows:

	2020	2019
	£'000	£'000
Turnover	19,203	10,259
Operating expenses	(18,343)	(10,547)
Interest income	20	22
Net profit/(loss)	668	(243)
Net assets	9,854	8,973
Average number of employees	35	27

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 subdued volumes for a number of years, however the market volatility in 2020, primarily in relation to the Global Coronavirus COVID-19 pandemic was such that the industry saw unprecedented levels of volume increase. It is difficult to project if this will continue into 2021, but the Directors believe that the Company is well positioned to take advantage of any such continuation. Whilst conditions can change from both an environmental impact or in relation to changes in economic conditions, taxation policy or regulatory requirements causing a fall in equity market volumes, the Company strives to mitigate this risk through a diversified client base.

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.

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.

Strategic report

Registration No. 06262150

Competitive Risks

The research, brokerage and investment banking industries are intensely competitive, and we expect this to remain so. The Company competes on the basis of a number of factors, including client relationships, reputation, the abilities of our professionals, market focus and the quality and price of our services. The Company offers a suite of execution and related services that provide investment managers with solutions that are customizable and scalable. Along with other companies we have experienced price competition in these areas and expect this to continue.

Environmental risk

Brexit

On the 29th March 2017, the United Kingdom triggered Article 50 of the Treaty of Lisbon, which has resulted in the UK officially leaving the European Union with effect from 11.00pm on 31st December 2020. During the course of 2020, the UK enjoyed a formal transition period, during which the post transitional trading relationships with the EU were negotiated. This post transitional relationship was agreed before the deadline of 31st December 2020. This agreement does not cover financial services, and negotiation continues on the framework related to this area. Whilst this negotiation continues the Company has some restriction on conducting business with clients within the EEA, outside of certain jurisdictional exemptions. The Directors continue to monitor the situation closely and will respond according to the final agreement, the present impact is not expected to be material based on the restrictions to date.

Coronavirus (COVID-19)

During the first quarter of 2020, the Company started to operate under the unprecedented situation presented to all sectors in the United Kingdom, and globally, by the Coronavirus (COVID-19) pandemic. The Directors have overseen the rapid development and implementation of a COVID-19 response plan, as part of the efforts to navigate any potential business disruptions whilst ensuring our primary responsibility to the support and well-being of our colleagues and their families.

From the end of the first quarter to the end of 2020, and into 2021, our primary direction has been for all staff to work from home. This has been implemented with a very high level of continued success, and attendance has been limited to occasional business critical requirements and well-being related requirements.

The Directors continue to monitor all Government guidance and operate a cautious response to an eventual return to the workplace and changes in practices that may be required as a result of evolving work practices.

The potential longer-term impacts on the overall business into 2021 and beyond are difficult to fully assess as the situation continues globally, however during 2020 the Company's business has seen an overall increase in client volumes. This has continued into the early part of 2021, and the Directors continue 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

21/04/2021

Directors' report

Registration No. 06262150

The Directors present their Directors' report and financial statements for the year ended 31 December 2020.

Directors and their interests

The current Directors are shown on page 1. The following Directors have held office during the year since 1 January 2020:

John Holmes
Kevin Disley
Michael Healey
Michael Page
James Niven (Resigned 01/07/2020)
Matthew Cyzer

Recommended dividend

The net profit for the year amounted to £668,000 (2019 net loss: £243,000). The Company's Directors did not recommend a dividend in 2020 (2019: nil).

Future developments

The Directors aim to maintain the policies which have resulted in the Company's growth in turnover. The Directors remain cautiously optimistic regarding the future of the Company considering uncertain market / environmental conditions and will continue to invest in the Sales and Trading platform, when suitable opportunities arise. All future developments will be taken under the continued review of Coronavirus (COVID-19), whilst it remains a factor.

Post balance sheet events

The near-term outlook for the financial markets that the Company operates in are still in a state of fluctuation and volatility resulting from the ongoing global responses to the Covid-19 pandemic. The Company continues to benefit from an increase in trading related volumes since the end of 2020 and remains focused on maximizing opportunities across all market conditions. The Directors remain confident that the Company's prudent business model, coupled with the proven experience of our employees, leaves the Company well placed to continue to serve our clients in these unprecedented and challenging market conditions.

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, which has resulted in the UK officially leaving the European Union with effect from 11.00pm on 31st December 2020. During the course of 2020, the UK enjoyed a formal transition period, during which the post transitional trading relationships with the EU was negotiated. This post transitional relationship was agreed before the deadline of 31st December 2020. This agreement does not cover financial services, and negotiation continues on the framework related to this area. Whilst this negotiation continues the Company has some restriction on conducting business with clients within the EEA, outside of certain jurisdictional exemptions. The Directors continue to monitor the situation closely and will respond according to the final agreement.

The Directors have continued to actively monitor political developments, and potential remediation around the scenario of loss of passporting rights to those clients registered in the European Economic Area (EEA). Whilst the issue of equivalence for the United Kingdom in relation to financial services remains an ongoing discussion, the Directors are ensuring that where certain EEA countries are establishing temporary permission regimes, applications are being made for such. The Directors did not deem it appropriate, at this point in time, to continue with securing authorization for a MiFID compliant entity to be established within Europe. The current restrictions are not expected to be material based on the restrictions to date. The Directors continue to monitor the political developments and remain positioned to respond accordingly.

Directors' report

Registration 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 and consideration of relevant scenarios, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and have ample access to liquidity from current cash holdings. This assessment considers both the results in the financial year, forecasts and business plans for future periods and relevant scenarios. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements (see note 2).

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 2020 (2019: 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 unaudited 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
21/04/2021

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;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Members of Cowen Execution Services Limited for the year ended 31 December 2020

Opinion

We have audited the financial statements of Cowen Execution Services Limited ("the company") for the year ended 31 December 2020 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 2020 and of its profit 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").

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.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the company will continue in operation.

Independent Auditor's Report to the Members of Cowen Execution Services Limited for the year ended 31 December 2020

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, internal audit, and inspection of policy documentation as to Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and "Audit and Risk" Committee minutes.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because of limited judgement and simple nature of revenues.

We did not identify any additional fraud risks.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior management, those posted to seldom used accounts, and those containing certain key words.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's license to operate. We identified the following areas as those most likely to have such an effect: regulatory capital and liquidity recognising the financial and regulated nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Independent Auditor's Report to the Members of Cowen Execution Services Limited for the year ended 31 December 2020

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report 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 strategic report and the directors' report;
- in our opinion the information given in those reports 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.

Independent Auditor's Report to the Members of Cowen Execution Services Limited for the year ended 31 December 2020

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

21 April 2021

Income Statement

		2020	2019
	Note	£'000	£'000
Turnover	3	19,203	10,259
Operating expenses		<u>(18,343)</u>	<u>(10,547)</u>
Operating profit/(loss)		860	(288)
Interest income		20	22
Profit/(loss) on ordinary activities before taxation		<u>880</u>	<u>(266)</u>
Taxation credit/(charge)	6	<u>(212)</u>	<u>23</u>
Net profit/(loss)		<u><u>668</u></u>	<u><u>(243)</u></u>

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

The notes on pages 15 to 26 form part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2020

	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
Profit for the year	-	-	(243)	(243)
Issue of Shares	5,000	-	-	5,000
Share based payment transactions	-	50	-	50
At 31 December 2019	7,650	185	1,138	8,973

	Called Up Share Capital	Other Reserves	Retained Earnings	Shareholders' Equity
	£'000	£'000	£'000	£'000
At 1 January 2020	7,650	185	1,138	8,973
Profit for the year	-	-	668	668
Issue of Shares	-	-	-	-
Share based payment transactions	-	213	-	213
At 31 December 2020	7,650	398	1,806	9,854

The notes on pages 15 to 26 form part of these financial statements.

Statement of Financial Position

At 31 December 2020

		2020	2019
	Note	£' 000	£' 000
Fixed assets			
Tangible assets	8	217	170
Current assets			
Debtors	9	1,274	2,248
Cash at bank		11,231	9,208
		<u>12,505</u>	<u>11,456</u>
Creditors: amounts falling due within one year	10	<u>2,770</u>	<u>2,529</u>
Net current assets		<u>9,735</u>	<u>8,927</u>
Total assets less current liabilities		<u>9,952</u>	<u>9,097</u>
Creditors: amounts falling due after more than one year	11	<u>98</u>	<u>124</u>
Net Assets		<u>9,854</u>	<u>8,973</u>
Capital and Reserves			
Called up share capital	12	7,650	7,650
Retained earnings		1,806	1,138
Other reserves		398	185
Total equity		<u>9,854</u>	<u>8,973</u>

The notes on pages 15 to 26 form part of these financial statements

The financial statements were approved by the Board of Directors on 21 April 2021 and were signed on its behalf by:



Michael Page, Director

Notes to the financial statements

For the year ended 31 December 2020

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 21 April 2021.

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 prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, to meet its liabilities as they fall due for that period.

On 11 March 2020 the World Health Organisation declared the Covid-19 outbreak a pandemic and the directors took the decision to protect the safety and well-being of employees by moving to a remote working model. This decision has to date not impacted our employee's ability to service our clients and it has been implemented with a very high level of continued success. The Directors continue to monitor all Government guidance and operate a cautious response to an eventual return to the workplace and changes in practices that may be required as a result of evolving work practices. Since year-end the Company has continued to experience high volumes of trading and associated revenues and remains focused on maximizing opportunities across all market conditions.

After reviewing the Company's performance and relevant stress scenario analysis to assess the impact of Covid-19 on the Company's key financial indicators (including those on capital and liquidity) the Directors are confident that the Company will have sufficient funds, to meet its liabilities for at least 12 months from the date of approval of the financial statements.

Notes to the financial statements

For the year ended 31 December 2020

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, Cowen & Company LLC ("C&Co"). The Company acts as an introducing broker by receiving and transmitting client orders to C&Co and, as such, incurs client support and order handling costs on behalf of C&Co. All costs associated with the Company acting as an introducing broker for C&Co are marked up at 12% and charged to C&Co in accordance with the transfer pricing agreement. Such cost recharge is treated as revenue on the Company's books and is recognised on a monthly basis.

Spread revenue earned from riskless principal trading and commission revenue generated from high-touch trading activity are not governed by the transfer pricing agreement and recognised directly on the Company's books 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.

Notes to the financial statements

For the year ended 31 December 2020

2. Accounting Policies (continued)

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.

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.

Notes to the financial statements

For the year ended 31 December 2020

2. Accounting Policies (continued)

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.

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 expired.

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

Notes to the financial statements

For the year ended 31 December 2020

2. Accounting Policies (continued)

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.

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 2020

3. Turnover

	2020 £'000	2019 £'000
Commission Revenue	8,594	£
Transfer Pricing	9,517	9,816
Facilitation Trading	610	-
Research Payment Account (RPA)	307	327
Research Payment Fees	175	116
	<u>19,203</u>	<u>10,259</u>

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

	2020 £'000	2019 £'000
United Kingdom	<u>19,203</u>	<u>10,259</u>

4. Directors and employees

Staff costs during the year were as follows:

	2020 £'000	2019 £'000
Wages and salaries	8,895	4,837
Social security costs	1,200	663
Pension costs	312	153
	<u>10,407</u>	<u>5,653</u>

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:

	2020	2019
Sales and Trading	31	23
Commission Management	4	4
Total	<u>35</u>	<u>27</u>

Directors

Remuneration in respect of directors was as follows:

	2020 £'000	2019 £'000
Aggregate Emoluments	1,710	170
Defined Contribution pension scheme	12	-
	<u>1,722</u>	<u>170</u>

During the year 1 director (2019: 1) was a member of the Company Group Personal Pension Plan.

Loans totalling £156,594 were granted to 1 director in 2019 of which £91,633 remains outstanding. No additional loans to directors were made in 2020.

Notes to the financial statements

For the year ended 31 December 2020

5. Expenses and Auditor's remuneration

	2020 £'000	2019 £'000
Included in (loss) / profit are the following:		
Depreciation expense (note 8)	96	67
Foreign exchange losses / (gains)	306	158
Operating lease expense – property	324	284
Auditor's remuneration:		
Fees payable to the Company's Auditors for the audit of the Company's annual financial statements	56	39
Audit-related assurance services	17	17
Restructuring / Severance	38	140

6. Taxation

(a) Analysis of tax charge in the period

	2020 £'000	2019 £'000
<u>Current tax:</u>		
UK corporation tax charged at 19% (2019: 19%)	204	-
Adjustment in respect of previous periods	(23)	-
Total current tax expense	181	-

Deferred Tax:

Adjustment in respect of previous periods	12	1
Origination and reversal of timing differences	19	(24)
Total deferred tax (benefit)/expense – (Note 6c)	31	(23)
Total tax (benefit)/expense for the year	212	(23)

(b) Reconciliation of the tax charge

Profit/(Loss) on ordinary activities before taxation	880	(266)
Tax on ordinary activities at UK tax rate of 19% (2019: 19%)	167	(51)
Expenses not deductible for tax purposes	5	32
Tax increase/(decrease) from effect of capital allowances and depreciation	(14)	2
Net trading adjustment	(4)	(5)
Non trading deficit – CTA 2009 S456 (1)(a)	4	19
Adjustment in respect of previous periods – current tax	(23)	-
Adjustment in respect of previous periods – deferred tax	-	1
Tax increase/(decrease) from other short-term timing differences	46	(24)
Under/(Over) provided in current year	-	3
Current tax (benefit)/charge for the year	181	(23)

(c) Deferred tax

Accelerated capital allowances	14	2
Trading losses available for future utilisation	12	12
Deferred compensation	(7)	10
Adjustment in respect of previous periods – deferred tax	12	(1)
Total deferred tax benefit	31	23

Notes to the financial statements

For the year ended 31 December 2020

6. Taxation (continued)

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

Balance at the beginning of the year	31	8
Amount charged/(credited) to the Income Statement for the year	(24)	23
Deferred tax asset balance at the end of the year	7	31

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

Balance at the beginning of the year	-	-
Amount (charged)/credited to the Income Statement for the year	8	-
Deferred tax liability balance at the end of the year	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 2020 are measured at the revised rate of 19% (2019: 17%)

7. Pension scheme

During the year ended 31 December 2020, 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 2020 and 2019 and this amounted to £312,134 and £152,562, respectively. Amounts outstanding as of the year end and payable related to the Plans were nil at 31 December 2020 and 2019.

8. Tangible assets

	<i>Leasehold Improvement £'000</i>	<i>Furniture and Equipment £'000</i>	<i>Computer Equipment £'000</i>	<i>Software £'000</i>	<i>Total £'000</i>
Cost:					
At 1 January 2020	188	2	236	-	426
Additions	-	-	107	36	143
At 31 December 2020	188	2	343	36	569
Depreciation:					
At 1 January 2020	164	-	92	-	256
Charge for the year	22	-	66	8	96
At 31 December 2020	186	-	158	8	352
Net book value:					
At 31 December 2020	2	2	185	28	217
At 31 December 2019	24	2	144	-	170

Notes to the financial statements

For the year ended 31 December 2020

9. Debtors

	2020	2019
	£'000	£'000
Amounts due from group undertakings	739	1,590
Prepayments	217	93
Fees receivable	42	6
Deferred tax assets (note 6)	7	31
Corporation tax receivable	-	4
Trade debtors	270	524
	<u>1,275</u>	<u>2,248</u>

Forgivable loans totalling £254,490 less applicable taxes and payroll deductions were granted to one employee in 2019 of which £63,623 was expensed during 2020 (2019: £6,627). These loans will be forgiven in equal instalments over a four-year period.

A loan of £119,610 was granted in 2019 to one employee and was fully repaid in March 2020.

10. Creditors: amounts falling due within one year

	2020	2019
	£'000	£'000
Accruals	2,718	2,441
Other accrued taxes	-	45
Deferred tax liability	8	-
Finance leases (note 13)	44	43
	<u>2,770</u>	<u>2,529</u>

Under the 2010 Cowen Inc. Equity Plan, the Company awarded deferred cash to its employees during the year ended 31 December 2020. 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 £32,123 in 2021.

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

	2020	2019
	£'000	£'000
Accruals	64	46
Finance leases (note 13)	34	78
	<u>98</u>	<u>124</u>

The Company has plans to make principal payments related to the deferred bonus program of £25,699 in 2022, £25,699 in 2023 and £12,849 in 2024.

Notes to the financial statements

For the year ended 31 December 2020

12. Called up share capital

	<i>Number</i>	<i>Authorised £'000</i>	<i>Number</i>	<i>Allotted called up and fully paid £'000</i>
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	<u>15,025,000</u>	<u>7,650</u>	<u>15,025,000</u>	<u>7,650</u>

	<i>Number</i>	<i>Authorised £'000</i>	<i>Number</i>	<i>Allotted called up and fully paid £'000</i>
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 2020	<u>15,025,000</u>	<u>7,650</u>	<u>15,025,000</u>	<u>7,650</u>

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 £212,698 (2019: £49,616) 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 2020 the Company made payments recognised as an expense for operating leases totalling £324,000 (2019: £284,000). At 31 December 2020 the Company had total future minimum lease payments under non-cancellable operating leases as follows;

	<i>2020 £'000</i>	<i>2019 £'000</i>
Operating leases which expire:		
Not later than one year	11	128
Later than one year and not later than five years	-	11

The net carrying amount of finance leases for the year ended 31 December 2020 amounted to £78,000 (2019: £121,000). At 31 December 2020 the Company had total future minimum lease payments under non-cancellable finance leases as follows;

	<i>2020 £'000</i>	<i>2019 £'000</i>
Finance leases which expire:		
Not later than one year	46	46
Later than one year and not later than five years	35	81

Notes to the financial statements

For the year ended 31 December 2020

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 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 2020 is £212,698 (2019: £49,616).

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 (2019: nil) 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 2020 and none were issued during the year.

15. Financial Instruments

	Note	2020 £'000	2019 £'000
Financial assets measured at amortised cost			
Cash		11,231	9,208
Amounts owed by group undertakings	9	739	1,590
Trade receivables	9	270	524
Fees Receivable	9	42	6
Total Financial Instruments - Assets		12,282	11,328
Financial liabilities measured at amortised cost			
Trade creditors		502	379
Total Financial Instruments - Liabilities		502	379

The accruals balance of £2,718,000 (2019: £2,441,000) in note 10 includes the trade creditors balance of £502,000 (2019: £379,000) as reported above.

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 2020

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.

The Company predominately operates as an agency facilitation broker, trading in Cash Equities (Shares or Transferable Securities). Since the 1st January 2020 and following authorisation of a Variation of Permission application by the FCA, the Company's business has expanded its capabilities to take principal trading positions. The Company maintains a low risk business strategy, only permitting risk positions on a limited and highly controlled basis to facilitate client requests. As such, it is rare that the Company will carry overnight positions.

The Company 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 Company 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. Post Balance Sheet events

There are no significant subsequent events that require disclosure in these financial statements.

Appendix: Financial Conduct Authority Pillar 3 Disclosure

For the year ended 31 December 2020 (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 2020).

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

The Company 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 Convergenx 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 2020 (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 the Company 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 the Company'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.

Risk assessment and controls

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 2020 (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 to 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 2020 (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 the Company.

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 2020 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	£ 2,436
Surplus over capital requirement	£ 6,477

**this represents the cumulative audited P&L through 31 December 2019. 2020 unaudited P&L does not count towards Tier 1 Capital calculation.*

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 2020, the total capital ratio for the Company was 29.3% and surplus total capital was £6,477,859.

Appendix: Financial Conduct Authority Pillar 3 Disclosure

For the year ended 31 December 2020 (unaudited)

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 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 the Company'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 to 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

Appendix: Financial Conduct Authority Pillar 3 Disclosure

For the year ended 31 December 2020 (unaudited)

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.

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	£3,215,150 inclusive of bonuses awarded for 2020
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