

MUFG Securities EMEA plc Consolidated Pillar 3 Disclosure 30<sup>TH</sup> SEPTEMBER 2024



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## 1. About MUFG Securities EMEA plc

MUFG Securities EMEA plc ("The Group") is a wholly-owned international capital markets subsidiary of Mitsubishi UFJ Securities Holdings Co. Ltd. ("MUSHD"), which is wholly owned by Mitsubishi UFJ Financial Group ("MUFG") and was established in 1983. The Group's Tier 1 capital at 30 September 2024 was £1,984 million.

MUFG was formed in October 2005 through the merger of Mitsubishi Tokyo Financial Group and UFJ Holdings and is one of the world's largest and most diversified financial groups. MUFG's services include commercial banking, trust banking, investment banking, credit cards, consumer finance, asset management, leasing and other financial service activities.

The Group actively trades in fixed income, equity and structured finance products, providing client solutions across primary and secondary markets. The client group includes financial institutions, corporations and central banks. The Group primarily supports this client group from its base in London and additionally operates a branch in the Dubai International Financial Centre.

The Group established a wholly owned subsidiary in The Netherlands, namely MUFG Securities (Europe) N.V. ("MUS(EU)"), as well as a branch of that entity in Paris, to support the continued servicing of clients across Europe. MUS(EU) was granted a MiFID II Investment Firm Licence in The Netherlands in December 2018 and commenced trading in March 2019. MUS(EU) was granted a credit institution licence in 2022. The scope of this document covers MUS(EMEA) and MUS(EU) on a consolidated basis.

The Group works in close partnership with MUFG and its corporate bank, MUFG Bank, Ltd. ("MUFG Bank"), to ensure its clients experience seamless product delivery that meets all of their objectives.



#### 2. Introduction

The Basel II Framework was implemented in the European Union via the Capital Requirements Directive ("CRD") in June 2006. The framework is made up of three pillars:

Pillar 1 (Minimum capital requirements)

Pillar 1 sets out 'minimum capital requirements'. It covers the calculation of risk weighted exposure amounts ("RWEA") and the capital resources requirements for credit risk, market risk and operational risk. Credit risk includes counterparty credit risk and concentration risk.

Pillar 2 (Supervisory review process)

Pillar 2 capital framework is intended to ensure that firms have adequate capital to support the relevant risks in their business, and that they have appropriate processes to ensure compliance with the CRD. It considers whether additional capital is required over and above the Pillar 1 capital requirements. A firm's Internal Capital Adequacy Assessment Process ("ICAAP") supports this process.

Pillar 3 (Market discipline)

Pillar 3 of the Basel framework aims to promote market discipline through regulatory disclosure requirements. It covers external disclosures of capital and risk exposures to increase transparency and improve comparability and consistency of disclosures.

The Basel Committee agreed updates to the Basel framework in July 2009, commonly referred to as Basel 2.5. These seek to better capture risk from securitisation and trading book exposures and were incorporated into European law via amendments to the CRD known as the "Third Capital Requirements Directive" or "CRD III".

Basel III, released in December 2010, builds on Basel 2.5. It sets higher capital and liquidity requirements to be phased in over the coming years. In the EU, Basel III was implemented through the Capital Requirements Regulation ("CRR") and CRD IV in January 2014. The UK Prudential Regulation Authority ("PRA") published final rules for implementing CRD IV in its Policy Statement 7/13. Reporting and Disclosure requirements are covered in the Policy Statement.

In the UK, all European legislation that was in place on 31 December 2020 was onshored into UK law, subject to certain amendments. In Oct 2021, the PRA published PS22/21 Implementation of Basel standards – Final rules and 'The UK leverage ratio framework' in PS21/21. The final rules specified how the PRA implements the remaining Basel standards with the PRA rules set out these policy statements.

The PRA issued PS17/23, 'Implementation of the Basel 3.1 standards – Near-final part 1' in December 2023 and PS9/24, 'Implementation of the Basel 3.1 standards – Near-final part 2' in September 2024 on the implementation of the remaining Basel reforms that the PRA refers to as Basel 3.1. These policy statements cover the parts of the Basel III standards that remain to be implemented in the UK such as market risk, credit risk mitigation, Credit Valuation Adjustment ("CVA") capital requirements, operational risk and Pillar 3 disclosures. The proposed implementation date of these standards is 1 January 2026.

The Pillar 3 are prepared in accordance with the latest PRA rules and the disclosures are available on the Group's corporate website (<a href="www.mufgemea.com">www.mufgemea.com</a>). Disclosure in respect of remuneration as required under Article 450 of the CRR is separately published on the same website and forms part of the Pillar 3 disclosure for the Group.



The Pillar 3 disclosures were verified and approved internally, including a review by the Board Risk Committee to ensure that the external disclosures convey the Group's capital and risk profile comprehensively, subject to materiality and proprietary confidentiality. There is no requirement for external auditing of these disclosures.

#### 2.1 Management Attestation

I confirm that the information included in this disclosure complies to the best of my knowledge with the CRR disclosure requirements and has been prepared in accordance with the relevant formal policies and internal processes, systems and controls of the Group.

Tony Syson Chief Financial Officer, MUS(EMEA)



### 3. Regulatory Approach

The Group is regulated by the UK PRA and Financial Conduct Authority ("FCA") and is subject to minimum capital adequacy standards. The Group calculates appropriate capital requirements for each of its material risks.

#### 3.1 Methodologies for capital calculations

#### Pillar 1 Credit Risk

The Group's credit risk requirement is measured under the Standardised Approach in accordance with Title 2 of Part Three within CRR.

#### Pillar 1 Market Risk

The calculation of the Group's market risk capital requirements is primarily based on its Value at Risk ("VaR") model which has been approved by the PRA. Market risk capital requirements for a small number of positions are calculated using the Standardised Approach.

#### **Pillar 1 Operational Risk**

The Group calculates its operational risk using the Standardised Approach in accordance with Title 3 of Part Three within CRR.

#### **Basis of consolidation**

In this disclosure, the Group is presented on a consolidated basis and there is no difference between the financial accounting consolidation and the regulatory consolidation used for regulatory reporting purposes.



# 4. Key Prudential Metrics

The table below summarises the main prudential regulation measures and ratios.

Table 1: Key Metrics (KM1)

		30 Sep	30 Jun	31 Mar	31 Dec	30Sep
		2024	2024	2024	2023	2023
		£m	£m	£m	£m	£m
	e own funds (amounts)	1	1	1		
1	Common Equity Tier 1 ("CET1") capital	1,520	1,546	1,543	1,517	1,514
2	Tier 1 capital	1,984	2,009	2,007	1,981	1,978
3	Total capital	2,213	2,226	2,237	2,226	2,219
	ighted exposure amounts	T		2 2 2 2	T	
4	Total risk-weighted exposure amount	6,706	7,696	6,800	8,578	8,519
	ratios (as a percentage of risk-weighted exposu		00.000/	00 700/	47.000/	47.770/
5	Common Equity Tier 1 ratio (%)	22.67%	20.08%	22.70%	17.68%	17.77%
6	Tier 1 ratio (%)	29.59%	26.11%	29.52%	23.09%	23.22%
7	Total capital ratio (%)	33.00%	28.92%	32.90%	25.94%	26.05%
	al own funds requirements based on SREP (as					
UK 7a	Additional CET1 SREP requirements (%)	2.57%	2.57%	2.57%	2.57%	2.57%
UK 7b	Additional AT1 SREP requirements (%)	0.86%	0.86%	0.86%	0.86%	0.86%
UK 7c	Additional T2 SREP requirements (%)	1.14%	1.14%	1.14%	1.14%	1.14%
UK 7d	Total SREP own funds requirements (%)	12.56%	12.56%	12.56%	12.56%	12.56%
	ed buffer requirement (as a percentage of risk-v					
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%	2.50%	2.50%
UK 8a	Conservation buffer due to macro-prudential or	0.00%	0.00%	0.00%	0.00%	0.00%
	systemic risk identified at the level of a Member					
	State (%)					
9	Institution specific countercyclical capital buffer	0.88%	1.08%	0.83%	0.78%	0.63%
	(%)					
UK 9a	Systemic risk buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
10	Global Systemically Important Institution buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
UK 10a	Other Systemically Important Institution buffer	0.00%	0.00%	0.00%	0.00%	0.00%
11	Combined buffer requirement (%)	3.38%	3.58%	3.33%	3.28%	3.13%
UK 11a	Overall capital requirements (%)	15.94%	16.14%	15.89%	15.84%	15.69%
12	CET1 available after meeting the total SREP	15.61%	13.02%	15.63%	10.62%	10.71%
	own funds requirements (%)					
Leverage	e ratio	1	'	'		
13	Total exposure measure excluding claims on	50,443	48,103	50,394	47,689	48,679
	central banks					
14	Leverage ratio excluding claims on central	3.93%	4.18%	3.98%	4.15%	4.06%
	banks (%)					
Addition	al Leverage Ratio Requirements	1	'	'		
14a	Fully loaded ECL accounting model leverage	3.93%	4.18%	3.98%	4.15%	4.06%
	ratio excluding claims on central banks (%)					
14b	Leverage ratio including claims on central banks (%)	3.85%	3.97%	3.77%	4.01%	3.91%
14c	Average leverage ratio excluding claims on central banks (%)	4.08%	4.02%	4.05%	3.89%	3.94%
14d	Average leverage ratio including claims on central banks (%)	3.91%	3.79%	3.87%	3.75%	3.81%
14e	Countercyclical leverage ratio buffer (%)	0.31%	0.38%	0.29%	0.27%	0.22%
	233310, chical loverage ratio barror (70)	3.0170	3.0070	3.2070	J.Z1 /0	5.22 /0



Liquidity	/ Coverage Ratio ("LCR")					
15	Total high-quality liquid assets (HQLA)	6,875	6,848	6,830	6,992	7,267
	(Weighted value - average)					
UK 16a	Cash outflows - Total weighted value	6,647	6,948	7,161	7,286	7,395
UK 16b	Cash inflows - Total weighted value	3,888	4,144	4,368	4,472	4,537
16	Total net cash outflows (adjusted value)	2,759	2,804	2,792	2,814	2,858
17	Liquidity coverage ratio (%)	253%	246%	251%	251%	260%
Net Stab	le Funding Ratio					
18	Total available stable funding	10,527	10,786	10,977	11,302	11,669
19	Total required stable funding	8,684	9,084	9,223	9,626	10,182
20	NSFR ratio (%)	121%	119%	119%	117%	115%

Own funds decreased in Q3 2024 driven by an increase in deductions from CET1 capital, mainly related to dividend and coupon payments and deferred tax assets.

RWEAs decreased over Q3 2024 due to lower market risk from a decrease in Risks Not in VaR ("RNIV"), VaR and Incremental Risk Charge ("IRC") plus reductions in credit risk following the expiry and restructuring of a number of funding trades, partly offset by an increase in bilateral derivative exposures.

Capital ratios improved due to the reduction in RWEAs, partly offset by the decrease in capital resources.

Leverage ratio decreased driven by an increase in leverage ratio exposures and a reduction in Tier 1 capital. Leverage ratio exposures increased due to greater reverse repo exposure with financial counterparties and an increase in cash collateral on borrowed securities.

LCR and Net Stable Funding Ratio ("NSFR") were stable over the period.



### 5. Capital Resources

The Group's regulatory capital resources are assessed under the CRR and CRD. The Group's capital consists of Tier 1 – share capital, retained earnings and Additional Tier 1 ("AT1"), and Tier 2 – subordinated debt which is fixed term and denominated in Japanese yen.

The Group manages its risk profile and its capital resources with the objective of maintaining a capital ratio in excess of the Capital Resources Requirement for its risk profile at all times. The management of the Group's capital is carried out under the principle that it should not unexpectedly need to raise new capital or significantly reduce its risk taking in order to meet its capital management objectives. The Group has fulfilled its capital requirements at all times during the half-year.

MUFG and the Group's affiliate MUFG Bank provide support arrangements to the Group, including a 'Keep Well Agreement'. The Group is not aware of any material impediments to the transfer of capital resources from its parent or affiliate.

The breakdown of own funds and capital ratios is shown in Table 1 on page 8.



## 6. Capital Requirements

The Pillar 1 framework provides the basis for capital requirements arising from credit, market and operational risk. It covers the calculation of RWEA and the capital requirements. The Pillar 2 framework requires firms to hold capital for all risks not sufficiently covered in the Pillar 1 framework and ensures that firms have adequate capital to support the relevant risks in their business. The table below sets out the Group's RWEAs and own funds requirements.

Table 2: Overview of Risk Weighted Exposure Amounts (OV1)

		Risk weighte	ed exposure	Total own
		amounts	(RWEAs)	funds
				requirements
	(£m)	30 Sep 2024	30 Jun 2024	30 Sep 2024
1	Credit risk (excluding CCR)	463	888	37
2	Of which the standardised approach	463	888	37
3	Of which the foundation IRB (FIRB) approach	-	-	-
4	Of which slotting approach	-	-	-
UK 4a	Of which equities under the simple risk-weighted approach	-	-	-
5	Of which the advanced IRB (AIRB) approach	-	-	-
6	Counterparty credit risk - CCR	2,500	2,208	200
7	Of which the standardised approach	1,841	1,596	147
8	Of which internal model method (IMM)	-	-	-
UK 8a	Of which exposures to a Central Counterparty ("CCP")	48	60	4
UK 8b	Of which credit valuation adjustment - CVA	610	551	49
9	Of which other CCR			
10	Empty set in the UK			
11	Empty set in the UK			
12	Empty set in the UK			
13	Empty set in the UK			
14	Empty set in the UK			
15	Settlement risk	0	0	0
16	Securitisation exposures in the non-trading book (after the	-	-	-
	cap)			
17	Of which SEC-IRBA approach	-	-	-
17 18	Of which SEC-IRBA approach Of which SEC-ERBA (including IAA)	-	-	-
	Of which SEC-ERBA (including IAA) Of which SEC-SA approach			-
18	Of which SEC-ERBA (including IAA) Of which SEC-SA approach Of which 1250%/ deduction		-	- - -
18 19	Of which SEC-ERBA (including IAA) Of which SEC-SA approach Of which 1250%/ deduction Position, foreign exchange and commodities risks (Market		-	- - - - 232
18 19 UK 19a <b>20</b>	Of which SEC-ERBA (including IAA) Of which SEC-SA approach Of which 1250%/ deduction Position, foreign exchange and commodities risks (Market risk)	- - - 2,899	3,664	- - -
18 19 UK 19a <b>20</b>	Of which SEC-ERBA (including IAA) Of which SEC-SA approach Of which 1250%/ deduction  Position, foreign exchange and commodities risks (Market risk) Of which the standardised approach	2,899	3,664	- - - <b>232</b>
18 19 UK 19a <b>20</b> 21 22	Of which SEC-ERBA (including IAA) Of which SEC-SA approach Of which 1250%/ deduction  Position, foreign exchange and commodities risks (Market risk) Of which the standardised approach Of which IMA	2,899 124 2,775	3,664 128 3,536	- 232
18 19 UK 19a <b>20</b> 21 22 UK 22a	Of which SEC-ERBA (including IAA) Of which SEC-SA approach Of which 1250%/ deduction Position, foreign exchange and commodities risks (Market risk) Of which the standardised approach Of which IMA Large exposures	2,899 124 2,775 47	3,664 128 3,536 139	- - - 232 10 222 4
18 19 UK 19a 20 21 22 UK 22a 23	Of which SEC-ERBA (including IAA) Of which SEC-SA approach Of which 1250%/ deduction  Position, foreign exchange and commodities risks (Market risk) Of which the standardised approach Of which IMA  Large exposures Operational risk	2,899 124 2,775	3,664 128 3,536	- - - 232 10 222
18 19 UK 19a <b>20</b> 21 22 <b>UK 22a</b> <b>23</b> UK 23a	Of which SEC-ERBA (including IAA) Of which SEC-SA approach Of which 1250%/ deduction  Position, foreign exchange and commodities risks (Market risk) Of which the standardised approach Of which IMA  Large exposures Operational risk Of which basic indicator approach	2,899 2,899 124 2,775 47 797	3,664 128 3,536 139 797	- - - 232 10 222 4
18 19 UK 19a <b>20</b> 21 22 <b>UK 22a</b> <b>23</b> UK 23a UK 23b	Of which SEC-ERBA (including IAA) Of which SEC-SA approach Of which 1250%/ deduction  Position, foreign exchange and commodities risks (Market risk) Of which the standardised approach Of which IMA  Large exposures Operational risk Of which basic indicator approach Of which standardised approach	2,899 124 2,775 47	3,664 128 3,536 139 797	- - - 232 10 222 4
18 19 UK 19a 20 21 22 UK 22a 23 UK 23a	Of which SEC-ERBA (including IAA) Of which SEC-SA approach Of which 1250%/ deduction  Position, foreign exchange and commodities risks (Market risk) Of which the standardised approach Of which IMA  Large exposures Operational risk Of which basic indicator approach Of which standardised approach Of which advanced measurement approach	2,899 2,899 124 2,775 47 797	3,664 128 3,536 139 797	10 222 4 64
18 19 UK 19a 20 21 22 UK 22a 23 UK 23a UK 23b	Of which SEC-ERBA (including IAA) Of which SEC-SA approach Of which 1250%/ deduction  Position, foreign exchange and commodities risks (Market risk) Of which the standardised approach Of which IMA  Large exposures Operational risk Of which basic indicator approach Of which standardised approach Of which standardised approach Of which standardised approach Of which advanced measurement approach Amounts below the thresholds for deduction (subject	2,899 2,899 124 2,775 47 797	- - 3,664 128 3,536 139 797	10 222 4 64
18 19 UK 19a 20 21 22 UK 22a 23 UK 23a UK 23b UK 23c 24	Of which SEC-ERBA (including IAA) Of which SEC-SA approach Of which 1250%/ deduction  Position, foreign exchange and commodities risks (Market risk) Of which the standardised approach Of which IMA  Large exposures Operational risk Of which basic indicator approach Of which standardised approach Of which standardised approach Of which standardised approach Of which advanced measurement approach Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	2,899 2,899 124 2,775 47 797	- - 3,664 128 3,536 139 797	10 222 4 64
18 19 UK 19a 20 21 22 UK 22a 23 UK 23a UK 23b UK 23c 24	Of which SEC-ERBA (including IAA) Of which SEC-SA approach Of which 1250%/ deduction  Position, foreign exchange and commodities risks (Market risk) Of which the standardised approach Of which IMA  Large exposures Operational risk Of which basic indicator approach Of which standardised approach Of which standardised approach Of which advanced measurement approach Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)  Empty set in the UK	2,899 2,899 124 2,775 47 797	- - 3,664 128 3,536 139 797	10 222 4 64
18 19 UK 19a 20 21 22 UK 22a 23 UK 23a UK 23b UK 23c 24 25 26	Of which SEC-ERBA (including IAA) Of which SEC-SA approach Of which 1250%/ deduction  Position, foreign exchange and commodities risks (Market risk) Of which the standardised approach Of which IMA  Large exposures Operational risk Of which basic indicator approach Of which standardised approach Of which standardised approach Of which advanced measurement approach Amounts below the thresholds for deduction (subject to 250% risk weight) (For information) Empty set in the UK Empty set in the UK	2,899 2,899 124 2,775 47 797	- - 3,664 128 3,536 139 797	10 222 4 64
18 19 UK 19a 20 21 22 UK 22a 23 UK 23a UK 23b UK 23c 24 25 26 27	Of which SEC-ERBA (including IAA) Of which SEC-SA approach Of which 1250%/ deduction  Position, foreign exchange and commodities risks (Market risk) Of which the standardised approach Of which IMA  Large exposures Operational risk Of which basic indicator approach Of which standardised approach Of which standardised approach Of which advanced measurement approach Amounts below the thresholds for deduction (subject to 250% risk weight) (For information) Empty set in the UK Empty set in the UK	2,899 2,899 124 2,775 47 797	- - 3,664 128 3,536 139 797	10 222 4 64
18 19 UK 19a 20 21 22 UK 22a 23 UK 23a UK 23b UK 23c 24	Of which SEC-ERBA (including IAA) Of which SEC-SA approach Of which 1250%/ deduction  Position, foreign exchange and commodities risks (Market risk) Of which the standardised approach Of which IMA  Large exposures Operational risk Of which basic indicator approach Of which standardised approach Of which standardised approach Of which advanced measurement approach Amounts below the thresholds for deduction (subject to 250% risk weight) (For information) Empty set in the UK Empty set in the UK	2,899 2,899 124 2,775 47 797	- - 3,664 128 3,536 139 797	10 222 4 64

# 7. List of Abbreviations

Glossary				
AT1	Additional Tier 1 Capital			
CCP	Central Counterparty			
ССуВ	Countercyclical Capital Buffer			
CET1	Common Equity Tier 1 Capital			
CRD	Capital Requirements Directive			
CRR	Capital Requirements Regulation			
CVA	Credit Valuation Adjustment			
FCA	Financial Conduct Authority			
The Group	The consolidated MUFG Securities EMEA plc entity, comprised of the solo MUFG			
	Securities EMEA plc entity and MUS(EU).			
HQLA	High Quality Liquid Assets			
ICAAP	Internal Capital Adequacy Assessment Process			
IRC	Incremental Risk Charge			
LCR	Liquidity Coverage Ratio			
MUFG	Mitsubishi UFJ Financial Group			
MUFG Bank	MUFG Bank, Ltd. MUFG's corporate bank.			
MUS(EMEA)	MUFG Securities EMEA plc. The solo MUFG Securities entity, not including			
	MUS(EU).			
MUS(EU)	MUFG Securities (Europe) N.V. A wholly owned subsidiary of MUS(EMEA) in The			
	Netherlands.			
MUSHD	Mitsubishi UFJ Securities Holdings Co. Ltd. The Group's parent company, which			
	is wholly owned by Mitsubishi UFJ Financial Group.			
NSFR	Net Stable Funding Ratio			
PRA	Prudential Regulation Authority			
RNIV	Risks Not In VaR			
RWEA	Risk Weighted Exposure Amounts			
SREP	Supervisory Review Process			
T2	Tier 2 Capital			
VaR	Value at Risk			

