PILLAR 3 DISCLOSURES

CONTENTS

1. OVERVIEW

1.1. INTRODUCTION

The Pillar 3 disclosure is a requirement of the EU's Capital Requirements Directive (CRD), as implemented in the UK by the Financial Conduct Authority (FCA).

Its aim is to encourage market discipline by developing a set of disclosure requirements which will allow market participants to assess key information on firms' capital adequacy, risk assessment and control processes.

The Pillar 3 disclosures are in addition to minimum capital requirements (Pillar 1) and supervisory review process capital requirements (Pillar 2), also under the CRD.

The Pillar 3 disclosure rules are contained in Articles 431 – 455 of the Capital Requirements Regulation (CRR). Information is disclosed by IG Group Holdings plc (the Group) under these rules unless it does not apply or is considered by the Risk Committee as being proprietary or confidential information. In the instances where information is not being disclosed then reference is made to this fact.

Quantitative disclosures under the CRR are made as at 31 May 2016.

1.2. SCOPE AND FREQUENCY OF DISCLOSURES

The Pillar 3 disclosures are made in respect of all entities that are consolidated in IG Group Holdings plc's Annual Report for the year ended 31 May 2016 and listed in Note 15 of that report. The same entities also form the UK Consolidation Group which is subject to consolidated supervision by the FCA. The Group's prudentially regulated entities and their regulator(s) are shown in Table 1 on the following page.

In accordance with Article 433 of the CRR, the Pillar 3 disclosures are made on an annual basis and published on the Group's corporate website (www.iggroup.com).

The Pillar 3 disclosures are not subject to external audit unless they are equivalent disclosures to those prepared under IFRS and included in IG Group Holdings plc's Annual Report. The Pillar 3 disclosures have been considered by the Executive Risk Committee and members of the Board Risk Committee.

The Pillar 3 disclosures have been prepared as required under CRD and for no other purpose. They do not constitute any form of financial statement and must not be relied upon in making any judgement about the Group.

We have not applied for any Internal Ratings Based (IRB) waivers and consequently no Pillar 3 IRB disclosures are included in this document.

TABLE 1
PRUDENTIALLY REGULATED ENTITIES AND REGULATOR(S)

ENTITY	REGULATOR(S)
IG Index Limited	Financial Conduct Authority (FCA)
IG Markets Limited	FCA and the Australian Securities and Investments Commission (ASIC)
IG Securities Limited	Japanese Financial Services Agency (JFSA) and the Ministry of Economy, Trade and Industry (METI)
IG Asia Pte Limited	Monetary Authority of Singapore (MAS)
Nadex Inc.	Commodity Futures Trading Commission (CFTC)
IG Markets South Africa Limited	Financial Services Board (FSB)
IG Bank SA	Swiss Financial Market Supervisory Authority (FINMA)
IG Limited	Dubai Financial Services Authority (DFSA)

There are no current or foreseen material, practical or legal impediments to the transfer of capital resources or repayment of liabilities between IG Group Holdings plc and its subsidiary undertakings, other than restrictions due to regulatory capital requirements held by the above regulated entities.
Intra-group capital transferability is reviewed at least once a year as part of the Internal Capital Adequacy Assessment Process (ICAAP) (see Section 4.4 below).

2. RISK MANAGEMENT OBJECTIVES AND POLICIES

2.1. RISK GOVERNANCE FRAMEWORK

The Group's Risk Governance Framework provides the Board with assurance that we have evaluated and managed our risks as far as possible, within appropriate predefined boundaries. The risk management systems are deemed adequate to provide this assurance. Chart 1 sets out the framework for the Board and executive committees, independent control functions and on-going business operations that exercise governance over risk.

CHART 1
RISK GOVERNANCE FRAMEWORK

THE BOARD

- Evaluates risk and determines risk governance arrangements
- Sets and reviews the risk appetite and the key risk indicators
- Reviews and challenges updates from the Board Risk Committee
- Reviews and challenges the system of internal control and risk management
- Reviews and challenges capital and liquidity stress-testing
- Approves the Corporate Governance Report in the Annual Report

BOARD COMMITTEES

BOARD RISK COMMITTEE

- Evaluates risks and determines risk management arrangements
- Considers the risk appetite and KRIs for current and future strategy and recommends for approval by the Board
- Reviews and challenges the Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Adequacy Assessment (ILAA) and Recovery Plan
- Ensures rigorous stress-testing and scenario-testing of the Group's business
- Ensures a sufficient level of risk mitigation is in place
- Reviews the Group's major risk exposures
- Considers the adequacy and effectiveness of the technology infrastucture and supporting documentation in the Risk Management Framework
- Provides input to the Remuneration Committee on the alignment of the remuneration policy to risk performance

REMUNERATION COMMITTEE

- Reviews the structure and level of remuneration throughout the business and assesses the impact of remuneration on risk

AUDIT COMMITTEE

- Receives annual reporting from the Board Risk Committee on the Group's internal controls and Risk Management Framework
- Reviews an assessment of the control enviroment, via internal audit reports, and progress on implementing both internal and external audit recommendations
- Monitors and reviews the internal audit fuction's effectiveness in the overall context of the Group's internal controls and risk-management systems

NOMINATION COMMITTEE

- Identifies and recommends suitable candidates for appointment to the Board to ensure that its composition meets Group's needs
- Ensures that succession plans are in place

EXECUTIVE COMMITTEES

EXECUTIVE COMMITTEE

- Sets out IG's Values
- Overseas the execution of the IG Strategy on behalf of the Board
- Agrees and recommends the Business Plan to the Board and manages the delivery of the agreed Business Plan
- Defines and allocates overall budgets and resources to ensure the organisation has the capabilities and resources to deliver the objectives in the Business Plan, and oversees the control of costs
- Ensures there is an effective management structure and organisation within the Group which is consistent with the effective delivery of the Business Plan
- Oversees performance across IG including performance against agreed Key Performance Indicators in all aspects of IGs operations
- Reviews and approves major change and key investment initiatives and, where required, submits for Board approval
- Discusses any matter which any member of the Committee believes to be of such importance that it should be brought to the attention of the Committee

EXECUTIVE RISK COMMITTEE

- Oversees the day-to-day risk management activity across the Group
- Evaluates the risks in the context of the Group's risk appetite
- Maintains the Risk Management Framework
- Receives, analyses and evaluates risk MI
- Deals with specific risk issues as they arise
- Analyses the regulatory enviroment for forthcoming changes
- Evaluates new business transactions

ICAAP & ILAA COMMITTEE

- Oversees the results of the ongoing stress-testing and scenario-testing process, ensuring that risks are continuously identified and assessed
- Considers the impact on capital and liquidity of changes in strategy or the operating enviroment
- Reviews the KRIs on a quarterly basis

CLIENT MONEY COMMITTEE

- Oversees the processes and controls over segregating client funds and the Financial Conduct Authority (FCA)'s client assets (CASS) operational oversight function
- Monitors and reviews the levels of prudent margin in the UK and buffers in client money pools outside the UK

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CONTROL FUNCTIONS

Additional levels of assurance are provided by control functions, which are independent of the business operations – namely finance, risk, compliance, legal and internal audit. The control functions provide periodic reporting to the Board and Executive Committees as appropriate.

INTERNAL AUDIT | FINANCE | RISK | COMPLIANCE | LEGAL

BUSINESS OPERATIONS

In addition to the control functions, we have embedded risk management into our underlying business operation. Heads of departments are responsible for maintaining risk registers and, where necessary, taking action to mitigate risks and enhance the control enviroment. The risk and compliance control functions use these registers in coordinating the idenification, measurement and montioring of risk across the business.

INTERNAL CONTROLS IMPLEMENTED BY MANAGEMENT

2.2. IG GROUP'S RISK APPETITE STATEMENT

The Group aims to increase shareholder value through the pursuit of the following strategic goals and objectives:

- address the needs of active traders and sophisticated investors throughout their investment lifecycle
- achieve, maintain or extend market leadership in our core areas of expertise
- strengthen our global reach
- delivering quality service to clients
- sustain sustain our leadership in technology

The strategies in place to achieve these objectives are explained in more detail in pages 22 – 29 of the IG Group Holdings plc's Annual Report.

The Risk Appetite Statement (RAS) defines the degree of risk that the Board is prepared to accept, both on an individual risk and aggregate basis, in pursuit of its strategic goals and objectives.

In conjunction with the specific limits, the Board has put in place a set of high level principles and a set of KRIs which are a balance of quantitative and qualitative measures that provide an indication of increasing or reducing risk levels over an appropriate time horizon. They are designed to alert the Board and management that a risk is approaching, or has exceeded, an acceptable level.

3. IG GROUP'S PRINCIPAL RISKS

The risks outlined below are those that we believe have the potential to have a significant detrimental impact on our ability to achieve our business objectives.

Our principal business risks are stress-tested, both on an individual and combined scenario basis, as part of the ICAAP.

PRINCIPAL RISKS	MITIGATING ACTIONS
REGULATORY RISK	
Regulatory risk is one of our most significant risks and we look at it from three different angles: **Change risk** • Is the risk that one of our regulators introduces new regulations or the regulatory environment itself changes impacting on the way we operate our business. **Expansion risk** • Is the risk that policy and regulation in jurisdictions where we do not currently operate remain onerous and closed to our business model. **Breach risk** • Is the risk that we breach a regulation that applies to our business, leading to a client or market detriment, sanctions, fines, reputational damage or, in extreme situations, loss of license.	We engage with regulators and policymakers in the jurisdictions we operate or intend to expand our product offering into, as part of policy consultations and by investing in public relations programmes ensuring we have access to up-to-date information on regulatory change. We participate in discussions with regulators that are considering changing their regulations in order to allow retail derivative trading. Our compliance, legal and risk teams provide a robust line of defence, ensuring that our processes and controls are effective in ensuring compliance with regulatory obligations. We work closely with our regulators to ensure that we operate to the highest regulatory standards and can adapt quickly to regulatory change. We are committed to engaging proactively with regulators and industry bodies, continuing to support changes which promote protection for clients and greater clarity of the risks they face.
OPERATIONAL AND INFORMATION TECHNOLOGY (IT) RISK	
This is the risk of financial loss, disruption or damage to our reputation due to inadequate or failed internal processes and IT systems. These risks can also arise from human error or external events that we cannot influence. Cyber risk is a constant threat in the modern online environment. The reliability of our client trading platforms is key to delivering our strategy.	We have designed and implemented a system of internal controls to manage operational risk in line with the Risk Appetite Statement and Risk Management Framework. We run a complete disaster recovery solution to ensure we provide clients with a consistent and uninterrupted level of service. We operate a fully functional secondary site with real-time replication of all systems across the two locations and fully independent power supplies. We support these systems with on-going business continuity planning and regular testing. We invest significantly in the technology infrastructure to ensure that these platforms are operationally stable, with system access being centrally controlled. Our investment supports the resilience and reliability of the platform, ensuring low levels of latency, maintaining and testing system capability under significant load and conducting penetration testing. The Executive Risk Committee reviews our Key Risk Indicators on a monthly basis, a process which includes monitoring levels of core system uptime and deal latency. We have a dedicated team which has implemented a robust, multi-layered system, providing round-the-clock monitoring and intruder-prevention controls.
MARKET RISK	
This is the risk that the fair value of financial assets and financial liabilities will change due to movements in market prices. IG takes market risk in order to facilitate real-time client dealing and as such, taking market risk is inherent to delivering quality service to clients.	This is managed on a real-time basis, monitoring all client positions against market risk limits set by the Board for 'operational efficiency'. We hedge most of our residual market risk exposure, not taking proprietary positions based on an expectation of market movements. However, not all net client exposures are hedged and therefore the Group may have a residual net position in any of the financial markets in which it offers products up to the market risk limit. We invest in technology that enables real-time and constant monitoring of our market exposure. If exposures exceed our pre-agreed limits, our risk-management policy requires the positions hedged to bring the exposure back into line with these limits.
CREDIT RISK	
This is the risk that a counterparty fails to perform its obligations, resulting in financial loss to the Group. The principal sources of credit risk are from financial institutions and individual clients. Individual client credit risk can arise where there are significant, sudden movements in the market, due to high general market volatility or specific volatility relating to an instrument in which the client has an open position. This can lead to a client's deposited funds being insufficient to cover trading losses. Financial institution credit risk mainly arises from the use of derivative instruments to hedge our market risk exposures. We also place cash with banks. The counterparty credit risk is the risk that a counterparty to a derivative instrument held by us or holding our cash could default.	**Financial institutions credit risk** All financial institutions are subject to ongoing credit review. Exposure limits are set and approved by the Executive Risk Committee. We regularly monitor key metrics, including balances held and changes in short-term and long-term credit ratings. **Individual client credit risk** Only clients that pass certain suitability criteria are accepted. We run training programmes to educate clients in aspects of trading and risk management, as well as encouraging them to collateralise their accounts to an appropriate level. We conduct a pre-deal credit check on every client order. We operate a number of risk management tools for clients to manage their exposures, including: guaranteed and non-guaranteed stops, limit orders, extended trading hours, trading via mobile platforms. Our overall credit risk exposure is managed through real-time monitoring of client positions via our 'close-out monitor' (COM) and through the use of tiered margining. The COM is an automated process whereby accounts which have fallen below the liquidation threshold are automatically identified and closed. We only grant credit against unrealised losses for a very small number of generally long-standing clients, with credit terms such that any losses arising are payable immediately on the closure of transactions.

3. IG GROUP'S PRINCIPAL RISKS (CONTINUED)

COMPETITOR RISK	
This is the risk that the market proposition of our competitors is more compelling, leading to a loss of clients and revenue for the Group. Additionally, this is a risk that the actions of our competitors affects the way that our regulators view our industry.	We recognise that we operate in a highly competitive industry and the emergence of smaller firms domiciled in less regulated environments brings a variety of risks. We continuously monitor our competitor activity, pricing and operations including through Investment Trends surveys. We monitor the potential impact of key innovation from our competitors as well as poor competitor activity which may have consequences with our regulators.
LIQUIDITY RISK	
This is the risk that we will be unable to meet payment obligations as they fall due.	Due to the very short-term nature of our financial assets and liabilities, we do not have any material mismatches in our liquidity maturity profiles. Short-term liquidity 'gaps' can arise, due to our commitment to segregate all client funds. Total available liquidity is monitored on a daily basis, including the committed unsecured banking facilities (£160m at 31 May 16). Daily stress tests are carried out and the level of committed unsecured bank facilities is validated by stress testing our three year liquidity forecast. A Board-approved ILAA (approved in December 2015) considers stresses on our liquidity in line with the requirements of BIPRU12.
CONDUCT RISK	
This is the risk that the Group's conduct poses to the achievement of fair outcomes for consumers or to the sound, stable, resilient and transparent operation of the financial markets.	Our Group conduct risk strategy puts consumer and market outcomes at the heart of the business. All client calls are recorded and our compliance team monitor these on a regular basis. Training is being rolled out to fully embed the conduct risk strategy into the current business practices and culture of the Group. We evaluate suitability and only offer access to products where knowledge and wealth considerations have been evaluated.
REPUTATIONAL RISK	
This is the risk of damage to the perception of the Group by public opinion, its customers, investors or any other interested party.	We actively monitor steps and changes being made by regulators and the industry ensuring that the Group remains compliant. This includes ongoing training for all employees. We have a dedicated investor relation team dealing with shareholders, journalists and the members of the public on all matters that may affect the reputation of the Group. We continue to embed a culture and tone from the top of doing the right thing for our clients, our staff and our industry.
PEOPLE RISK	
This is the risk that the Group has an incorrect level and mix of people to execute its business strategy, combined with the inability to attract, develop, motivate and retain talented employees.	We regularly review the Group's resource requirements, talent mapping and succession planning including the most appropriate locations to deploy our staff. We operate a remuneration system which is linked to revenue performance and a bi-annual appraisal system to provide regular assessment of individual performance and identification of training and development needs. Benchmarking of remuneration packages of all employees is undertaken annually. The Group invites all employees to participate in the annual employee survey to gauge employees' satisfaction and feedback on improvements. We continue to invest in the development of our people with tailored training to meet their needs.

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4. CAPITAL RESOURCES

4.1. TOTAL CAPITAL RESOURCES SUMMARY

The Group's total own funds and risk exposure amounts as at 31 May 2016 are shown in Table 2 below.

Own funds represent 28.5% of the total risk exposure amount as at 31 May 2016 (2015: 27.9%), calculated on the financial statements for the financial year.

TABLE 2

YEAR ENDED 31 MAY	SECTION REF	2016 £m	2015 £m
Shareholders' equity per audited financial statements		663.0	591.4
Investment in own shares		1.8	1.2
COMMON EQUITY TIER 1 ITEMS		**664.8**	**592.6**
DEDUCTIONS FROM COMMON EQUITY TIER 1 ITEMS			
Less: foreseeable dividends		(84.0)	(71.8)
Less: intangible assets, net of associated deferred tax liabilities		(125.1)	(124.0)
Less: investment in own shares		(1.8)	(1.2)
Less: deferred tax asset that relies on future profitability		(7.2)	(7.1)
COMMON EQUITY TIER 1 CAPITAL		**446.7**	**388.5**
Tier 2 capital		-	-
TOTAL OWN FUNDS		**446.7**	**388.5**
TOTAL RISK EXPOSURE AMOUNTS			
Risk weighted amounts for credit and counterparty risks	5.1	325.9	275.1
Total risk exposure amount for settlement	5.2	0.4	0.9
Total risk exposure amount for position, foreign exchange and commodities risks	5.3	389.4	337.5
Total risk exposure amount for operational risk	5.4	831.8	778.8
Total risk exposure amount for CVA add on	5.5	20.8	-
TOTAL RISK EXPOSURE AMOUNT		**1567.6**	**1392.3**
CET1 Capital ratio (regulatory minimum 4.5%)		28.5%	27.9%
Surplus (+) / Deficit (-) of CET1 capital		376.2	325.8
T1 Capital ratio (regulatory minimum 6%)		28.5%	27.9%
Surplus (+) / Deficit (-) of T1 capital		352.6	305.0
Total Capital ratio (regulatory minimum 8%)		28.5%	27.9%
Surplus (+) / Deficit (-) of total capital		321.3	277.1

4.2. COMMON EQUITY TIER 1 CAPITAL

Common Equity Tier 1 capital comprises equity share capital, share premium and reserves.

Intangible assets that are deducted from Common Equity Tier 1 capital primarily relate to goodwill resulting from a management buy-out transaction in 2003 and intangible assets arising on consolidation (including goodwill) following the acquisition of Nadex Inc.

In addition, foreseeable dividends are deducted from the Common Equity Tier 1 items. IG is highly cash generative and it remains the Boards intention to pay as an ordinary dividend approx. 70% of the Group's post tax earnings.

4.3. TIER 2 CAPITAL

Tier 2 capital comprises redeemable preference share capital of £40,000 (not shown in Table 2 as the balance is de minimis).

The redeemable preference shares are entitled to a fixed non-cumulative dividend of 8% paid in preference to any other dividend and have no voting rights, except that they are entitled to vote should we fail to pay any amount due on redemption of the shares.

4.4. INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)

We undertake an internal assessment of capital requirements annually or more frequently, if required.

The outcome of the ICAAP is the Internal Capital Assessment (ICA), which is approved by the Board and determines the amount of any risk-based capital resources requirement (Pillar 2) that we identify over a three to five year planning horizon, in addition to the Pillar 1 requirements.

The ICA is reviewed on an on-going basis by the ICAAP and ILAA Committee to ensure that all group-wide changes to our risk profile are assessed and reported to the Board.

The ICA is subject to FCA review and the FCA has set Individual Capital Guidance (ICG) as part of its Supervisory Review and Evaluation Process. The ICG is guidance given to a firm about the amount and quality of capital resources that the FCA believes the firm should hold under the overall financial adequacy rule. Any quantum specified under an ICG remains a confidential matter between the firm and the FCA.

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4.5. REGULATORY CAPITAL BUFFERS

Under CRD IV, institutions are required to meet the following own funds requirements: a common equity Tier 1 capital ratio of 4.5%, a Tier 1 capital ratio of 6% and a total capital ratio of 8%. These form the institution's Pillar 1 requirements. Pillar 2 covers risks that are not fully addressed by Pillar 1.

Alongside the minimum capital requirements, CRD IV requires institutions to hold capital buffers that can absorb losses in times of economic stress. To ensure that the same risks are not duplicated within the buffers, the Pillar 2 is assessed alongside other capital buffers, as described below.

Capital Conservation Buffer

The capital conservation buffer is designed to ensure that institutions build up capital buffers outside of times of stress that can absorb losses if required. The requirement is 2.5% of Total Risk Exposure Amounts but will be phased in from 2016 in steps of 0.625% per annum to the full 2.5% value in 2019. As of 31 May 2016, the capital conservation buffer was 0.625% and therefore the requirement was £9.8m.

Countercyclical Capital Buffer (CCyB)

The CCyB is designed to ensure that financial institutions to hold additional capital to reduce the build-up of systemic risk in a credit boom by providing additional loss absorbing capacity and acting as an incentive to limit further credit growth.

Each institution's specific countercyclical buffer rate is a weighted average of the countercyclical capital buffers that apply in the jurisdictions where the relevant credit exposures are located. The CCyB rates for each jurisdiction are issued by the Bank of England.

TABLE 3
GEOGRAPHICAL DISTRIBUTION OF CREDIT EXPOSURES RELEVANT FOR THE CALCULATION OF THE COUNTERCYCLICAL CAPITAL BUFFER

BREAKDOWN BY COUNTRY	EXPOSURE AT 31 MAY 2016 (£M)	OWN FUNDS REQUIREMENT WEIGHTS	COUNTERCYCLICAL CAPITAL BUFFER RATE	INSTITUTION SPECIFIC COUNTERCYCLICAL BUFFER RATE
Norway	0.8	0.250%	1%	0.002%
Sweden	2.5	0.768%	1%	0.008%
Hong Kong	3.1	0.961%	0.625%	0.006%
				0.016%

TABLE 4
AMOUNT OF INSTITUTION SPECIFIC COUNTERCYCLICAL CAPITAL BUFFER

	2016 £m
Total risk exposure amount (TREA)	1568.4
Institution specific countercyclical buffer requirement (TREA * 0.016%)	0.3

G-SII buffer

Financial institutions that are considered to represent a higher risk to the global financial system, based on a number of key factors, are defined as globally systemically important institutions (G-SIIs). IG does not currently fit the criteria of a G-SII and hence this buffer is not applicable.

4.6. LEVERAGE RATIO

The Leverage Ratio was introduced under Basel III as a transparent, comparable, non-risk weighted based ratio. It is defined as the ratio of Tier 1 capital to total exposures (balance sheet exposures, derivative exposures, securities financing transactions and off balance sheet items).

The Basel Committee have set a minimum leverage ratio of 3%. As at 31st May 2016, IG has a leverage ratio of 32.7%.

TABLE 5

YEAR ENDED 31 MAY	2016 £m	2015 £m
Total assets per audited financial statements	791.0	683.4
Reversal of accounting values: Derivatives	(7.0)	(1.3)
	784.0	**682.1**
Replaced with values after applying regulatory rules:		
Derivatives: Market value	279.1	367.6
Derivatives: Add-on Mark-to-Market Method	436.1	267.1
Exclusion of items already deducted from Tier 1 capital	(132.3)	(131.1)
EXPOSURE MEASURE AFTER REGULATORY ADJUSTMENTS	**1367.0**	**1185.6**
TIER 1 CAPITAL	446.7	388.5
LEVERAGE RATIO	**32.7%**	**32.8%**

5.1. CREDIT RISK

Table 2 (in Section 4.1 above) shows the total risk weighted amounts for credit and counterparty risks. Credit risk is calculated for the non-trading book items and counterparty risk for the trading book requirements. We use the Standardised Approach under CRR Title II, Chapter 6, and Articles 111 – 141 to calculate our credit risk weighted exposure amounts.

Credit Exposures

Table 6 analyses the total amount of exposures after accounting offsets and without taking into account the effects of credit risk mitigation, and the average amount of the exposures over the financial year to 31 May 2016 broken down by different types of credit exposure classes.

For the purposes of the Pillar 3 disclosures, we do not treat client money accounts held under trust for our clients in client money bank accounts as credit exposures of the Group as defined under FCA rules (or overseas equivalent).

TABLE 6
ANALYSIS OF TOTAL CREDIT EXPOSURES AND RISK WEIGHTED ASSETS BY REGULATORY ASSET CLASS (£M)

REGULATORY EXPOSURE ASSET CLASS	EXPOSURE AT 31 MAY 2016	RWAs AT 31 MAY 2016	AVERAGE EXPOSURE FINANCIAL YEAR ENDING 31 MAY 2016
Central Government	136.0	-	122.2
Institutions	515.3	107.0	497.4
Corporates	95.8	33.4	73.1
Retail	127.3	127.4	117.4
Exposures in default	2.2	2.2	2.3
Other Items*	55.9	55.9	54.8
	932.5	**325.9**	**867.2**

*Other items include tangible assets, prepayments and balances that will be transferred to the Group's own cash from segregated client funds on the following working day in accordance with the UK's Financial Conduct Authority (FCA) 'CASS' rules and similar rules of other regulators in whose jurisdiction the Group operates as well as excess funds held in segregation in certain jurisdictions. This also includes amounts due from banking counterparties or held within segregated client funds in relation to monies transferred by clients to the Group that remain unsettled at the year-end. The Group is required to segregate these client funds at the point of client funding and not at cash settlement.

Central Government exposures include a value of £82.6m with a maturity of greater than three months to satisfy the FCA requirement to hold a "liquid assets buffer" as part of the Individual liquidity Adequacy Assessment (ILAA) process. We also hold encumbered UK Government securities at brokers as collateral to support the hedging of client market exposures in accordance with the Group's market risk management policy. At 31 May 2016, the value of these encumbered assets was £53.4m.

Further information on asset encumbrance can be found in Note 21 of the Group's annual report under the section "Financial Investments".

Table 7 analyses the trading and non-trading book credit risk weighted assets in respect of the above credit exposures:

TABLE 7
ANALYSIS OF TRADING AND NON-TRADING BOOK CREDIT RISK WEIGHTED ASSETS (£M)

REGULATORY EXPOSURE ASSET CLASS	TRADING BOOK RWAs AT 31 MAY 2016	NON-TRADING BOOK RWAs AT 31 MAY 2016	TRADING BOOK RWAs AT 31 MAY 2015	NON-TRADING BOOK RWAs AT 31 MAY 2015
Central Government	-	-	-	-
Institutions	60.1	46.9	18.5	79.0
Corporates	30.1	3.3	15.8	0.6
Retail	127.4	-	105.5	-
Exposures in default	2.2	-	-	2.0
Other Items	-	55.9	-	53.7
	219.8	**106.1**	**139.8**	**135.3**

The counterparty risk capital requirements are calculated on potential future credit exposures (calculated under CRR Title II, Chapter 6, and Article 274 – CRR Mark to Market Method) which are in addition to the balance sheet credit exposures reported under International Financial Reporting Standards.

Credit Exposures by Geographic Distribution

Table 8 analyses the geographic distribution of non-trading book credit exposures:

TABLE 8
ANALYSIS OF NON-TRADING BOOK CREDIT EXPOSURES BY REGION (£M) AS AT 31 MAY 2016

REGULATORY EXPOSURE ASSET CLASS	UK	EUROPE (EX UK)	AUSTRALIA	REST OF WORLD	EXPOSURE TOTAL	RWAs TOTAL
Central Government	136.0	-	-	-	136.0	-
Institutions	150.9	5.0	5.1	54.4	215.4	46.9
Corporates	0.1	-	-	3.6	3.7	3.3
Other Items	27.8	9.8	7.5	10.8	55.9	55.9
	314.8	**14.8**	**12.6**	**68.8**	**411.0**	**106.1**

Table 9 analyses the geographic distribution of trading book credit exposures:

TABLE 9
ANALYSIS OF TRADING BOOK CREDIT EXPOSURES BY REGION (£M) AS AT 31 MAY 2016

REGULATORY EXPOSURE ASSET CLASS	UK	EUROPE (EX UK)	AUSTRALIA	REST OF WORLD	EXPOSURE TOTAL	RWAs TOTAL
Institutions	91.5	83.2	78.3	46.9	299.9	60.1
Corporates	6.5	2.7	3.0	79.9	92.1	30.1
Retail	72.9	25.7	12.0	16.7	127.3	127.4
Exposures in default	1.6	0.4	0.1	0.1	2.2	2.2
	172.5	**112.0**	**93.4**	**143.6**	**521.5**	**219.8**

Credit Exposures by Maturity

All trading book credit exposures have a maturity of less than 3 months. Table 10 analyses the residual maturity breakdown of non-trading book credit exposures:

TABLE 10
ANALYSIS OF NON-TRADING BOOK CREDIT EXPOSURES BY MATURITY (£M) AS AT 31 MAY 2016

REGULATORY EXPOSURE ASSET CLASS	< 3 MONTHS	3 MONTHS – 1 YEAR	1 TO 5 YEARS	> 5 YEARS	EXPOSURE TOTAL	RWAs TOTAL
Central Government	-	110.7	25.3	-	136.0	-
Institutions	215.4	-	-	-	215.4	46.9
Corporates	3.7	-	-	-	3.7	3.3
Other Items	55.9	-	-	-	55.9	55.9
	275.0	**110.7**	**25.3**	**-**	**411.0**	**106.1**

Credit Exposures by Past Due and Impairment Amounts

Specific impairments of trade receivables due from clients are recorded in a separate allowance account. Impairments are recorded where IG determines that it is probable that it will be unable to collect all amounts owing according to the contractual terms of the agreement. There are no collective impairments taken.

Table 11 analyses by exposure class, the amount of impaired exposures and past due exposures, specific credit risk adjustments and charges for specific credit risk adjustments during the period:

TABLE 11
CREDIT EXPOSURES – ANALYSIS OF IMPAIRED AND PAST DUE EXPOSURES AND SPECIFIC CREDIT RISK ADJUSTMENTS (£M) AS AT 31 MAY 2016

REGULATORY EXPOSURE ASSET CLASS	IMPAIRED	PAST DUE	SPECIFIC CREDIT RISK ADJUSTMENTS	CHARGES FOR SPECIFIC CREDIT RISK ADJUSTMENTS DURING THE FINANCIAL YEAR
Corporates	0.3	-	(0.3)	-
Retail	18.5	0.4	(17.3)	(1.6)
Other Items	-	-	-	-
	18.8	**0.4**	**(17.6)**	**(1.6)**

Past Due and Impairment Amounts by Geographic Distribution

Table 12 discloses the amount of our impaired exposures and past due exposures, broken down by geographical areas including the amounts of specific credit risk adjustments related to each geographical area:

TABLE 12
CREDIT EXPOSURES – GEOGRAPHIC ANALYSIS OF IMPAIRED AND PAST DUE EXPOSURES; SPECIFIC CREDIT RISK ADJUSTMENTS (£M) AS AT 31 MAY 2016

REGULATORY EXPOSURE ASSET CLASS	UK	EUROPE (EX UK)	ASIA PACIFIC	REST OF WORLD	TOTAL
Impaired	10.6	6.5	0.9	0.8	18.8
Past due items	0.2	0.2	-	-	0.4
Specific credit risk adjustments	(9.8)	(6.3)	(0.8)	(0.7)	(17.6)
Neither past due nor impaired	0.6	-	-	-	0.6
	1.6	**0.4**	**0.1**	**0.1**	**2.2**

Specific Credit Risk Adjustments
Table 13 reconciles changes in specific credit risk adjustments for impaired exposures, separately as well as specific credit risk adjustments and recoveries recorded directly to the income statement for the year ending 31 May 2016:

TABLE 13
SPECIFIC CREDIT RISK ADJUSTMENTS (£M)

Balance as at 1 June 2015	(21.7)
Charge for specific credit risk adjustments during the financial year	(1.6)
Amounts written off net of recoveries	6.6
Foreign exchange adjustment	(0.9)
BALANCE AS AT 31 MAY 2016	**(17.6)**

Credit Exposures by Credit Rating
We use External Credit Assessment Institution (ECAI) Standard and Poor's (S&P) to determine the risk weight of rated trading book and non-trading book counterparties in each standardised credit exposure class. S&P is an ECAI for the purposes of calculating risk weights under the FCA's Standardised Approach. All institutional credit exposures have a residual maturity of less than 3 months.

Table 14 analyses institutional credit exposures by S&P rating, credit quality step and risk weighting as at 31 May 2016:

TABLE 14
INSTITUTION CREDIT EXPOSURE – CREDIT QUALITY STEPS AND RISK WEIGHTING (£M) AS AT 31 MAY 2016

CREDIT QUALITY STEP	STANDARD AND POOR'S LONG-TERM RATING	RISK WEIGHT	NON-TRADING BOOK EXPOSURE	TRADING BOOK EXPOSURE
1	AAA to AA-	20%	19.1	33.6
2	A+ to A-	20%	143.8	234.7
3	BBB to BBB-	20%	52.4	31.6
4	BB+ to BB-	50%	-	-
5	B+ to B-	50%	-	-
6	CCC+ and below	150%	-	-
Unrated – non-default	-	20%	0.1	-
			215.4	**299.9**

Table 15 analyses corporate credit exposures by S&P rating, credit quality step and risk weighting as at 31 May 2016:

TABLE 15
CORPORATE CREDIT EXPOSURE – CREDIT QUALITY STEPS AND RISK WEIGHTING (£M) AS AT 31 MAY 2016

CREDIT QUALITY STEP	STANDARD AND POOR'S LONG-TERM RATING	RISK WEIGHT	NON-TRADING BOOK EXPOSURE	TRADING BOOK EXPOSURE
1	AAA to AA-	20%	-	-
2	A+ to A-	50%	1.6	-
3	BBB to BBB-	100%	-	77.5
4	BB+ to BB-	100%	-	-
5	B+ to B-	150%	-	-
6	CCC+ and below	150%	-	-
Unrated – non-default	-	100%	2.1	14.6
			3.7	**92.1**

We have no other credit exposures rated by an ECAI and we do not use credit risk mitigation techniques.

5.2. SETTLEMENT RISK

The Pillar 1 Settlement risk exposure is calculated on a small amount of stockbroking positions using regulations under Title V of the CRR. As at 31 May 2016 our settlement risk exposure amount was £0.4m (2015:£0.9m).

5.3. MARKET RISK

Market Risk Capital Requirements

The market risk capital requirements are calculated in accordance with CRR Title IV. The following table illustrates the Group's minimum (Pillar 1) market risk capital requirements and risk weighted assets requirements:

TABLE 16
ANALYSIS OF MARKET RISK CAPITAL REQUIREMENTS AND RISK WEIGHTED ASSETS

PRODUCT	CALCULATION METHOD	REQUIREMENT AT 31 MAY 2016	RWA AT 31 MAY 2016	REQUIREMENT AT 31 MAY 2015	RWA AT 31 MAY 2015
Interest rate	Maturity method	1.3	16.1	0.6	7.5
Equity	Standard equity method	22.6	282.3	22.7	283.7
Options	CAD1 model	2.2	27.4	1.9	23.8
Commodities	Extended maturity ladder approach	3.1	38.6	1.3	16.2
Foreign currency	Standard method	2.0	25.0	0.5	6.3
TOTAL		**31.2**	**389.4**	**27.0**	**337.5**

5.4. OPERATIONAL RISK

The Pillar 1 Operational risk requirement is calculated using the Basic Indicator Approach under Article 315 of the CRR. As at 31 May 2016 our operational risk requirement was £66.5m resulting in a risk weighted asset of £831.8m (2015: requirement of £62.3m and RWA of £778.8m).

5.5. CREDIT VALUATION ADJUSTMENT

The Credit Valuation Adjustment (CVA) is an adjustment to the mid-market valuation of the portfolio of transactions with a counterparty. As at 31 May 2016 our CVA add on was calculated in accordance with Title VI as £20.0m.

5.6. INTEREST RATE RISK IN THE NON-TRADING BOOK

Interest rate risk is the potential adverse impact on our future cash flows and earnings from changes in interest rates on our short-term deposits with banks and brokers.

Possible interest rate sensitivity

The sensitivities in the table below are based upon reasonably possible changes in interest rate scenarios, including parallel shifts in the yield curve. A 0.5% increase and a 0.25% decrease in interest rates compared to actual rates would increase/(decrease) our net interest income by the following amounts for the year ended 31 May 2016:

TABLE 17
INTEREST RATE MOVEMENT – NON-TRADING BOOK (£M)

REASONABLY POSSIBLE INTEREST RATE MOVEMENT	EFFECT FOR YEAR ENDING 31 MAY 2016
0.50% increase	4.6
0.25% decrease	(2.3)

6. REMUNERATION DISCLOSURE

Remuneration Policy disclosures in accordance with Article 450 of the CRR (Regulation of the European Parliament and the Council on prudential requirements for credit institutions and investment firms (Regulation (EU) No 575/2013) and amending Regulation (EU) No 648/2012).

This remuneration disclosure is a requirement under Article 450 of the CRR, which applies to companies within the definition of Significant IFPRU firm (FCA/PRA Combined View IFPRU 1.2).

Remuneration policies and practices for categories of staff whose professional activities have a material impact on the company's risk profile (Code Staff)

Decision-making process

The Remuneration Committee of the Board of IG Group Holdings plc (the Group) is responsible for the remuneration policy and levels for Executive Directors and other Code Staff. The Committee members are Non-Executive Directors (the Board Chairman plus three other Non-Executive Directors including a Committee Chairman). The Committee met 6 times during the financial year 2015-16. The Committee obtained independent external advice from New Bridge Street, a consultancy specialising in executive remuneration. The Committee also considers advice from the Chief Executive and Company Secretary, but not in relation to their personal remuneration. The Committee engages proactively with major shareholders through consultation on material changes to remuneration policy for executives. The Committee also takes account of the overall approach to reward for employees in the group as a whole.

The link between pay and performance

The Remuneration Committee's objective is to ensure that remuneration encourages, reinforces and rewards the growth and preservation of shareholder value. The remuneration policy is set to ensure that remuneration remains competitive and provides appropriate incentive for performance.

The Committee has agreed that all matters relating to remuneration of Group employees should:

- align with the best interests of the Company's shareholders and other stakeholders
- recognise and reward good and excellent performance of employees that helps drive sustainable growth of the Group
- focus on retaining high-performing senior management
- be consistent with regulatory and corporate governance requirements
- be designed to achieve effective risk management
- be straightforward, easy for shareholders and employees to understand and easy for the Group to monitor
- not be used to reward behaviour that inappropriately increases the Group's exposure to risks

The Committee considers that a successful remuneration policy needs to be sufficiently flexible to take account of future changes in the Company's business environment and in remuneration practice. There must be transparency and alignment to the delivery of strategic objectives at both a Company and an individual level. There must also be scope to reward for exceptional effort and achievement that delivers value both for the Company and the shareholders. Likewise, failure to achieve, individually or at Company level, will not be rewarded.

The Committee is also mindful of ensuring that there is an appropriate balance between the level of risk and reward for the individual, the Company and for shareholders.

When setting levels of variable remuneration, the degree of stretch in performance conditions and the balance of equity and cash within a package, consideration is given to obtaining the appropriate balance of each so as not to encourage unnecessary risk-taking. As well as financial risk, the Committee also ensures that there is an appropriate focus on regulatory and governance matters.

The total remuneration package is structured so that a significant proportion is linked to performance conditions, and it is the Company's policy to ensure that a high proportion of the potential remuneration package is provided via share-based instruments. This ensures that Executives have a strong ongoing alignment with shareholders through the Company's share price performance.

The Committee has implemented the Sustained Performance Plan (SPP) which provides a simple and competitive incentive mechanism that encourages and rewards both annual and sustained long-term performance, linked to the Company's strategic objectives.

The SPP encapsulates traditional annual bonus and long-term incentive plans. It is entirely share-based, encouraging executives to build up a substantial stake in the Company, thereby aligning the interests of management with shareholders.

A Long Term Incentive Plan (LTIP) has been made available to selected members of the next tier of senior management who are not invited to participate in the SPP. Vesting of awards under this plan are subject to the achievement of performance conditions aligned to Group objectives and as a share-based incentive, it provides alignment with the Group's shareholders.

All employees including Executive Directors are also encouraged to become shareholders through the operation of an HMRC-approved Share Incentive Plan (SIP).

Employees who are not members of the Board are also eligible for the Group's discretionary bonus scheme.

Design characteristics of the remuneration system

The remuneration system has been designed to be clear and simple to operate. Individuals have fixed pay components of base salary, pension contribution (or equivalent cash allowance), benefits such as medical and life insurance, and eligibility for discretionary awards under either the Group's SPP or LTIP.

The SPP combines features of both an annual bonus and long-term incentive into a single plan, and is designed to reward both annual and sustained performance. SPP awards are entirely in shares, and are determined by the Committee taking account of: earnings per share; total shareholder return relative to companies of comparable size; and non-financial metrics such as effective risk management, customer satisfaction and reliability of services provided to customers. The Committee also considers the company's underlying financial strength and management of risk, in determining awards. SPP awards are delivered into a Plan Account which holds the cumulative awards of shares made over a number of years. Each year during the initial 5-year life of the Plan, a percentage of the shares accumulated in the Plan Account vests (for the Executives, nothing in year 1, 40% in year 2 and one third in years 3, 4 and 5). This accumulation of shares over the long-term, with phased vesting, produces deferral periods of up to 7 years. Executive Directors are also required to build and maintain a shareholding in the company (2x base salary for the CEO and 1x base salary for other Executive Directors), to further align their interests with sustained performance for shareholders.

The LTIP has been made available to senior management that are not invited to participate in the SPP.

Under the LTIP, awards of nominal cost options are granted which vest when specific performance targets are achieved, conditional upon continued employment at the vesting date which is normally three years after grant. For each award a minimum performance target has to be achieved before any shares vest and the awards vest fully once the maximum performance target is achieved.

The LTIP awarded in the current year vests after three years with a predefined number of shares allocated vesting based on achieving a sliding scale of diluted earnings per share growth targets of between zero and 12.27% over the performance period. For performance between these targets, awards vest on a straight line basis.

Ratios between fixed and variable remuneration

The Committee has applied the principles set out in the FCA's General Guidance on Proportionality relating to the Remuneration Code of SYSC 19A of the Handbook. As a firm in proportionality level three, the Committee has followed the principles in paragraph 29 of the guidance and has therefore not applied the specific ratio between fixed and variable remuneration set out in Article 94 (1) (g) of CRR and in SYSC 19A.3.44R(3) of the Remuneration Code. However, the Committee is mindful of the need to ensure that remuneration policies do not encourage unnecessary risk-taking and that there is an appropriate focus on regulatory and governance matters.

Performance criteria for awards of variable remuneration including shares or options

Variable pay awards for executives are granted entirely in the form of shares, dependent on performance against targets set by the Committee for each relevant financial year. For the most recent financial year, the SPP metrics were total shareholder return relative to the constituent companies in the FTSE 350 index (excluding investment trusts), earnings per share relative to a performance scale set by the Committee, and a range of non-financial metrics including measures of customer satisfaction, system reliability, effective risk management, and achieving of key strategic objectives. LTIP vesting is based on earnings per share against a sliding scale of targets.

Employees who are not members of the Board are also eligible for the Group's discretionary bonus scheme. The total bonus pool available for all eligible employees is calculated by reference to financial and non-financial measures. The financial element of the pool is calculated based on Group revenue performance against budgeted revenue. The non-financial element is driven by a range of non-financial metrics, with performance approved by the Remuneration Committee. Individual awards are designed to be reflective of the employee's performance, role and time spent at work within the financial year.

Main parameters and rationale for any variable component

Variable pay for the executive directors is awarded in the form of nominal cost options through the company's Sustained Performance Plan (SPP), which is designed to provide a clear link to key performance metrics, be simple to operate, and deliver awards in shares that have phased vesting over the long-term. The maximum award under the SPP is five times base salary for excellent performance; for on-target performance across the performance metrics, awards are between two and three times base salary. For senior management participating in the SPP the maximum award size is two and a half times base salary for excellent performance.

Other executives participate in the LTIP which is delivered in the form of nil cost options. The maximum individual grant under this plan is 100% of an individual's salary (or up to 150% of salary but only in exceptional circumstances). These awards vest subject to profit performance.

Variable pay under both long-term plans can be recouped by the Committee in exceptional circumstances such as material misstatement of financial results, an error in assessing performance, a substantial failure of risk management, or serious misconduct.

The Group Discretionary Bonus scheme is designed as much as a reward as it is a motivational and retention tool.

More information on the executive directors' remuneration is detailed on pages 70-89 of IG Group Holdings plc's Annual Report.

Aggregate quantitative information on remuneration, broken down by business area

IG Group does not operate divisional business structures, so the aggregate information is shown in Table 18 below for Code Staff of IG Group Holdings plc as a whole.

Aggregate quantitative information on remuneration

Table 18 below provides aggregate quantitative information set out in accordance with Article 450 of the CRR.

TABLE 18
CODE STAFF AGGREGATE REMUNERATION FOR 2015 – 16 YEAR

	EXECUTIVE DIRECTORS		OTHER CODE STAFF	
	NO. OF RECIPIENTS	£M	NO. OF RECIPIENTS	£M
Fixed remuneration during 2015 - 16	3	1.1	44	6.4
Variable remuneration awarded for 2015 – 16 performance				
Cash	-	-	29	3.7
Share options	3	3.9	23	4.7
Total		3.9		8.4
Outstanding deferred remuneration change during the year:				
Awarded	3	3.9	23	4.7
Lapsed due to performance outcomes or adjustments	3	(3.4)	9	(2.2)
Lapsed due to leaving service	1	(2.4)	1	(0.4)
Vested	3	2.1	13	1.2
Exercised	3	(2.3)	13	(1.2)
Outstanding deferred remuneration as at 31 May 2016:				
Outstanding unvested	2	4.2	27	9.5
Outstanding vested but unexercised	-	-	-	-
Sign-on payments or awards	-	-	-	-
Severance payments	-	-	-	-
Highest individual severance payment	-	-	-	-

For purposes of comparison, all share awards are valued at 31 May 2016.

Number of individuals with remuneration of EUR 1 million or more

Table 19 below shows in bands the number of individuals with remuneration of EUR 1m or more in respect of 2015-16. The bands are set out in accordance with the clause 1(i) of CRR Article 450.

TABLE 19
CODE STAFF AGGREGATE REMUNERATION OF EUR 1M OR MORE FOR 2015-16 YEAR

TOTAL REMUNERATION BANDS (EUROS)	EXECUTIVE DIRECTORS AND OTHER CODE STAFF (NO.)
1,000,000 – 1,500,000	1
1,500,001 – 2,000,000	2
2,000,001 – 2,500,000	-
2,500,001 – 3,000,000	-

Notes

Remuneration includes base salary, pension contribution (or allowance), fringe benefits, and variable pay granted in respect of 2015-16 performance.

7. FURTHER INFORMATION

Should you require any further information, please contact:

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Certain statements in this Pillar 3 Disclosures document are forward looking. Although we believe that the expectations reflected in these statements are reasonable, we give no assurance that these expectations will prove to be an accurate reflection of actual results.

Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these statements.

We undertake no obligation to update any Pillar 3 disclosures whether as a result of new information, future events or otherwise.

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