Enhanced Disclosure

Saxo believes that openness and transparency, coupled with a full alignment of interest between providers and clients, offer a genuine opportunity for differentiation between participants that facilitate market access. In order to demonstrate its commitment towards promoting integrity and trust within the financial industry, Saxo has taken the initiative to provide enhanced disclosure as a means to engender greater confidence in clients so that they can make the most informed decision when choosing a facilitator.

This disclosure comes at a time of increased scrutiny for brokers, in particular with regard to regulatory requirements, and follows the recommendations of ESMA and the UK Financial Conduct Authority to provide some additional disclosure as a means to improve investor protection by limiting the risks of FX and CFD products for retail investors.

The information provided is based on aggregated data across Saxo Bank Group for the last 12 months and over the previous calendar quarter.

Broker Incentive

1. What is the average percentage of notional exposure that you hedge as an overall market risk position?

FX overall in previous calendar quarter*	**97.7%**
CFD Indices in previous calendar quarter	**99.5%**

*Saxo Bank Group principal FX Spot & Forward business, excluding Prime DMA business.

Why this is important: This describes average amount of net client exposure that is fully hedged at any point in time during a trading day, either internally by matching opposing interest from different clients or externally with the market. The higher the percentage, the less potential conflict of interest that a broker may have when acting as principal versus its client. A responsible broker should not take client profitability into account when determining a hedging strategy.

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2. What is your net revenue and how does net revenue compare in relation to total client assets under management (AUM)?

Saxo's 2016 revenues were EUR 400 million (DKK 3 billion), which represents only 3.5% of revenue in proportion to client AUM.
Why this is important: The lower the percentage, the more likely a broker fosters an environment that encourages responsible trading habits, and nurtures their clients for success. In addition, it's important to explore and compare the relationship between leverage and profitability, given that Saxo has made the strategic decision not to offer clients what we would consider to be irresponsibly high leverage. We ensure that the leverage offered to clients is in line with dynamic market conditions respecting volatility levels and liquidity availability which, from time to time, may require responsible caps on leverage to protect our clients from adverse market conditions.

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3. What is your current AUM and how has client AUM trended over the last 5 years?

Saxo's current AUM is approximately EUR 13.5 billion (DKK 100 billion) and we have seen this figure more than double over the last five years with an annualised average rate of increase of nearly 25% YoY.
Why this is important: AUM generally changes according to the flow of money in to and out from a broker. It also fluctuates based on changes in the value of the underlying investments in client accounts. Increases in AUM demonstrate that consumers trust a broker with their funds and also highlights a broker's desire and ability to foster a client base that is profitable, or otherwise satisfied with their performance.

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4. Do you, or any related Group company, take proprietary positions?

No

Why this is important: Proprietary trading creates a conflict of interest that a broker may have when acting as principal versus its clients. This may include, but is not limited to, the misuse of client orders, positions and other information, along with the increase in the amount of risk on the balance sheet that could result in a lack of security of client funds if the broker were to fail.

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5. Do you, or any related Group company, make hedge execution decisions based on client trading behaviour or account profitability?

No

Why this is important: Client trading behaviour and account profitability should not be a factor in deriving a broker's hedging strategy.

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6. Do you, or any related Group company, receive any form of P&L share from an FX hedging counterparty that relates to the post trade position P&L of the volume you hedge with them?

No

Why this is important: A responsible broker should not contravene any regulation that restricts payment for order flow, or hide behind any opaque undisclosed third party relationships which effectively result in the broker indirectly profiting from position taking based on its clients trading activity.

Broker Stability

1. Which trading counterparties do you place collateral with to support execution of hedge trades to offset market risk arising from trades where you are principal to your clients?

100% EU and US licenced banks

Citibank N.A
Deutsche Bank AG
UBS AG
Royal Bank of Scotland PLC
Morgan Stanley & Co. International PLC
Nomura International PLC
J.P Morgan Securities PLC

Note: Saxo Bank Group subsidiaries hedge all client trades 1:1 with Saxo Bank A/S as counterparty; a European Licensed Bank. Of course, Saxo's market access and liquidity sourcing is extremely comprehensive and extends well beyond just the names above, but these are the institutions with whom Saxo has counterparty default risk, which is the salient point.

Why this is important: When choosing a hedging counterparty a broker should choose creditworthy and properly licensed institutions. It is important for clients to understand the risks of trading leveraged products, but also the risk of the broker with whom they trade. Clients should be aware of the possibility that aggregate client gains, if hedged by the broker against a risky counterparty, could result in a lack of security of client funds if the broker were to fail as a result of a counterparty failing to honour the financial commitments of the hedge trade.

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2. What is your total capital ratio over the past 3 years?

2016	**19.5%**
2015	**20.7%**
2014	**19.7%**

Note: The total solvency need and buffer requirement for the Saxo Bank Group is 12.9% (Q4 2016), which means that the Group has an excess capital buffer of 6.6%, which is 33% greater than that required. Saxo Bank Group subsidiaries maintain healthy solvency ratios in their own right. E.g. Saxo Capital Markets UK Limited solvency ratio is 33.9% (2016).

Why this is important: This demonstrates the financial strength, or solvency, of a broker. It's important to understand the likelihood that the broker will stay in business, and is therefore able to honour the financial commitments of trades with its clients. In addition, Saxo Bank A/S as a European Licensed Bank comes under greater regulatory scrutiny and has higher solvency requirements than brokers which do not operate with a full banking license.

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3. What is your liquidity coverage ratio over the past 3 years?

Q4 2016	**146.7%**
Q4 2015	**101.0%**
Q4 2014	**77.0%**

Note: This compares to a legal requirement of 80% in 2017 which increases to 100% from 2018 onwards.

Why this is important: Unlike capital solvency which demonstrates a broker's financial strength and ability to absorb unexpected losses, LCR demonstrates the ability to satisfy payment obligations as they fall due. This may arise in the case of adverse market conditions that may result in a call for additional collateral from trading counterparties or exchanges, or a need for large payouts or withdrawals. It is important for clients to know that the funds that they have deposited with their broker are not tied up in a way that they cannot be withdrawn at any point in time.

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4. Which regulatory licenses do you hold globally?

- **Saxo Bank A/S** is incorporated in Denmark as a licensed bank (License Number: 1149) and is regulated – along with **Saxo Bank A/S Italy, Saxo Bank A/S Czech Republic, Saxo Bank A/S Netherlands** – by the Danish Financial Supervisory Authority (FSA).
- **Saxo Capital Markets UK Limited** is authorised and regulated by the Financial Conduct Authority (Firm reference number 551422).
- **Saxo Bank A/S Italy** is registered by the Bank of Italy (Registration Number: 5720).
- **Saxo Bank A/S Czech Republic** is registered by the Czech National Bank (Registration Number: 28949587).
- **Saxo Bank A/S Netherlands** is registered by the Bank of the Netherlands (Registration Number: 34357130).
- **Saxo Capital Markets Pte. Ltd. Singapore** is licensed as a Capital Market Services provider and an Exempt Financial Advisor, and is supervised by the Monetary Authority of Singapore. Co. (Registration Number: 200601141M).
- **Saxo Bank (Switzerland) AG** is a licensed bank regulated by the Swiss Federal Banking Commission (Registration Number CH-660-0511991-1).
- **Saxo Banque (France) SAS** is licensed as a Credit Institution by the Bank of France (Registration Number: 483632501 R.C.S. Paris).
- **Saxo Bank Abu Dhabi A/S** is licensed by the Central Bank of the United Arab Emirates (License number is CN-1747174).

- **Saxo Bank Dubai Ltd** is licensed by the Dubai Financial Services Authority as a Category 4 financial services firm (Registration number: CL0820).
- **Saxo Bank FX K.K.** is licensed by the Japanese Financial Services Agency (Registration Number: 239).
- **Saxo Capital Markets South Africa (PTY) Ltd.** is registered by the Financial Services Board (Registration Number 40983).
- **Saxo Capital Markets Hong Kong Ltd.** is registered by the Securities and Futures Commission in Hong Kong (Registration Number 1395901).
- **Saxo Privatbank A/S** is licensed as a Bank by the Danish Financial Supervisory Authority (FSA) (Registration Number: 9695).
- **Saxo Capital Markets (Australia) Pty. Ltd** is registered by the Australian Securities and Investments Commission (ASIC) (Registration Number: 126 373 859).
- **Saxo Capital Markets Menkul Değerler A.S.** is a fully authorized and licensed brokerage house regulated by the Capital Markets Board of Turkey (CMBT). License No: G-042(405) (Trade Registration Number: 228474).

Why this is important: The financial markets play a critical role in the lives of everyone and without which the modern economy would not function. Regulated brokers and individuals offering financial services are required to run their businesses in the best interests of consumers and uphold the integrity of the financial services industry. A regulatory license proves that a broker adheres to and meets a range of strict requirements specified by their local regulator, or other regulatory authority in which they operate under, in order to promote the efficient, fair and orderly operation of the financial markets. In addition, Saxo's Global Head of Foreign Exchange is a member of the Bank of England's FX Joint Standing Committee and was proud to have had the opportunity to participate in the drafting and review of the recently launched FX Global Code of Conduct (see http://www.globalfxc.org/). Saxo is pleased to be one of the first institutions globally to have formally signed the Statement of Commitment to this Code.

Client Leverage & Performance

1. What is the maximum leverage that has been made available to retail clients in 2016?

FX	**100:1**
CFD Indices	**50:1, up to 100:1 with Intraday margin**

CFD Stocks	**10:1**
CFD Futures	**100:1**

Why this is important: It's important to explore and compare the relationship between leverage and profitability, given that the amount of leverage varies substantially between brokers. Saxo has made the strategic decision not to offer clients what we would consider to be irresponsibly high leverage. Trading FX and CFD products brings a number of advantages, for example allowing investors to trade the full global macro cycle and hedge their market exposure in a flexible and efficient way. However, with excessive leverage, the risks of trading with these products can outweigh the benefits. Responsible caps on leverage are therefore key to consumer protection, and in this respect Saxo's interests are fully aligned with the interests of our clients.

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2. What percentage of net free equity are clients using as margin?

In last 12 months	**29.3%**
In Q1 previous calendar quarter	**28.8%**

Note: This measure excludes White Label clients.

Why this is important: This indicates to what degree client volume is driven by leverage; the lower the percentage the less leverage is being utilised. It also helps to clarify how and to what extent clients use leverage with different brokers. Saxo ensures that the leverage offered to clients is in line with dynamic market conditions respecting volatility levels and liquidity availability which, from time to time, may require responsible caps on leverage to protect our clients from adverse market conditions.

How this is calculated: Margin Requirement / NetFreeEquity.

Note: NetFreeEquity = Total Equity (AUM) minus collateral which cannot be used to fund positions i.e. some assets such as stocks and bonds do not offer their full value to be used as collateral for covering margin products.

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3. What percentage of client trades, on margin products, occurred due to forced automatic margin close-out and/or execution of mandatory trade related stop-loss orders?

Note: A forced close-out is defined as a position closure resulting from account exposure exceeding the required maintenance margin and does NOT necessarily result in the loss of the entire account balance.

In last 12 months	**0.1%**
In previous calendar quarter	**0.1%**

Note: This measure excludes White Label clients.

Why this is important: Offering excessive leverage that is not in line with underlying market conditions is irresponsible in our view. Extreme leverage leads to clients being closed-out of their positions too quickly and too often to be profitable, even with normal daily market price movements. A premature close-out means that the client is cut off from recovering an immediate loss due to short-term market anomalies. It is possible that some brokers use mandatory trade related stop-loss orders as an additional way to force clients to liquidate positions in normal market moves in over-leveraged accounts. i.e. the lower the percentage, the fewer client trades are forced into liquidation. Automatic margin close-out and/or mandatory trade related stop-loss orders should have the purpose of safeguarding the client and broker from a non-normal market move. If automatic margin close-out and/or execution of mandatory stop-loss orders occur too often, it is an indication that the leverage made available to, or used by, clients may not be appropriate or that a broker may be behaving in a way so as not to protect clients from crystallising losses when they do occur (e.g. insufficient education or assistance with appropriate risk management).

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4. What is the average tenure of your current client base?

In excess of 5 years

Why this is important: This measurement highlights a broker's desire and ability to foster a client base that is profitable, or otherwise satisfied with their performance.
Note: This includes all private client trading both cash and margined products. Many of our clients hold a mix of exchange listed and OTC products supporting the advantages of a diversified portfolio with a facilitator who offers collateral efficiency through cross-product margining benefit in a single account.

Click here to tell us what other information you would find helpful in order to make a more informed decision when choosing a broker to support your trading and investment needs.