

Oppenheimer EU Limited (“Oppenheimer”)

Pillar 3 Disclosure

Introduction

Oppenheimer EU Ltd. (“Oppenheimer” / “the Firm”) is a private limited company established on the 16th of May 2008 under the laws of England and Wales, Companies House No. 6595648, and an investment firm registered with the Financial Services Authority (“FSA”), Firm FSA Reference No. 483856. Oppenheimer is an indirect, wholly-owned subsidiary of Oppenheimer Holdings Inc. (“OPY”), which is publicly traded on the New York Stock Exchange under ticker symbol OPY, and it is 100% directly owned by Oppenheimer Coöperatieve U.A. Oppenheimer is also affiliated with Oppenheimer & Co. Inc. (“OPCO”), a broker-dealer registered with both the Securities & Exchange Commission (“SEC”) and the Financial Services Regulatory Authority (“FINRA”) and incorporated under the laws of the State of New York. OPCO is an indirect, wholly-owned subsidiary of OPY and is the primary operating entity in the Oppenheimer group of companies (“Oppenheimer Group”). The consolidated financial statements of all companies in the Oppenheimer Group may be found on the SEC website, www.sec.gov, under Oppenheimer Holdings Inc. or OPY.

Disclosure Policy

The Capital Requirements Directive (‘the Directive’) of the European Union establishes a revised regulatory capital framework across Europe governing the amount and nature of capital credit institutions and investment firms must maintain. In the United Kingdom, the Directive has been implemented by the FSA in its regulations through the General Prudential Sourcebook (‘GENPRU’) and the Prudential Sourcebook for Banks, Building Societies and Investment Firms (‘BIPRU’).

The FSA framework consists of three ‘Pillars’:

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

The rules in BIPRU 11 set out the provision for Pillar 3 disclosure. We are permitted to omit required disclosures if we believe that the information is immaterial such that omission would be likely to change or influence the decision of a reader relying on that information. In addition, we may omit required disclosures where we believe that the information is regarded as proprietary or confidential. In our view, proprietary information is that which, if it were shared, would undermine our competitive position. Information is considered to be confidential where there are obligations binding us to confidentiality with our customers, suppliers and counterparties. We have made no such omissions. This Pillar 3 disclosure fulfils Oppenheimer’s obligation to disclose to market participants key pieces of information on a firm’s capital, risk exposures and risk assessment processes.

Scope and application of the requirements

Oppenheimer is authorised and regulated by the FSA and thus is subject to minimum regulatory capital requirements. The Firm is categorised as a limited licence firm by the FSA for capital purposes and as such has no trading book exposures. Oppenheimer is authorised by the FSA to perform investment services under the Markets in Financial Instruments Directive (“MiFID”) limited to the receipt and transmission of orders in relation to one or more financial instruments or investment advice, and to conduct certain regulated activities, which include advising on investments, trading as principal (limited to matched principal broking), agreeing to carry on a regulated activity and arranging (bringing about) deals in investments with respect to Professional Clients and Eligible Counterparties. The Firm introduces and clears all the securities transactions through OPCO.

Oppenheimer is not part of a consolidation group for prudential purposes.

Capital Resources

As a BIPRU limited licence firm, Oppenheimer's capital resources requirement is the higher of the base capital resources requirement (€50,000), or the sum of the credit risk capital and market risk capital requirements or the fixed overhead requirement ("FOR"), which is equal to one-quarter of the firm's relevant fixed expenditures as defined by the FSA. As at 31 December 2009, Oppenheimer's Capital resources requirement is determined by reference to its FOR of \$1.83 million, but the business and operations are monitored for changes to this method. The Firm's capital resources are comprised of \$2.5 million in capital reserves and share capital and \$0.75 million in subordinated debt.

Oppenheimer's capital arrangements are established in its Articles of Association. The Firm's capital position as at 31 December 2009 is summarised as follows:

Capital item	\$ millions
Tier 1 capital less innovative tier 1 capital	2.41
Total tier 2, innovative tier 1 and tier 3 capital	0.75
Deductions from tier 1 and tier 2 capital	0
Total capital resources, net of deductions	3.16

Risk Management

The Firm is governed by its Board of Directors and its Executive Committee (collectively "Management") who determines its business strategy and risk appetite. Management is also responsible for establishing and maintaining the Firm's governance arrangements. Due to the size and nature of the business, there is no independent risk management function. Management has designed and implemented a risk management framework that recognizes the risks that the business faces.

Management also determine how the risks may be mitigated and assess on an ongoing basis the necessary controls and procedures to manage those risks. The Board of Directors meets on a regular basis and the Executive Committee meets frequently both formally and informally to discuss business planning, profitability, cash flow, projections, regulatory capital, and risk management.

Management has identified that business, operational, market and credit risks are the main areas of risk to which the Firm is exposed. As required by the FSA, the Firm formally reviews the risks, controls, and other risk mitigation arrangements to assess their effectiveness on an annual basis. Where Management identifies material risks it considers the financial impact of these risks as part of our business planning and capital management and concludes whether the amount of regulatory capital is adequate.

Oppenheimer has considered key risks in the following categories:

- Business risk – the risk of events such as poor performance, pricing pressures or loss of key personnel which would reduce the net cash flow generated by Oppenheimer and hinder its ability to finance its operations and meet its expenses.
- Operational risk – the risk of trading errors due to a breach of the Firm's established procedures. Legal and reputational risks are also included within the category of operational risk.
- Market risk - the exposure to external market forces which could impact on Oppenheimer's financial resources, such as economic or political events, interest rates and FX rates.
- Credit risk – the exposure of Oppenheimer to any counterparty for non-payment of fees.

Oppenheimer's capital is primarily to protect against operational, credit and market risks/losses which we may encounter. Having performed the ICAAP it is Oppenheimer's opinion that no additional capital is required in excess of its FOR capital requirement.