TD Bank International S.A.

Pillar 3 Disclosures
Year Ended October 31, 2015

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Overview

1.1 Purpose

The purpose of the Pillar 3 disclosure report is to provide information on the implementation at TD Bank International S.A. ("the Bank" or TDBI) of the Basel III framework and risk assessment processes in accordance with the Pillar 3 requirements in accordance with part XIX "disclosure by credit institutions" of the Commission de Surveillance du Secteur Financier ("CSSF") circular 06/273 as amended, and Circular CSSF 15/618 transposing EBA guidelines on "Pillar 3 disclosures". In addition, it follows to meet the regulatory disclosure requirements under CRD IV and to provide further useful information on the capital and risk profile of the Bank.

The Capital Requirements Directive IV (CRD IV) that came into force on 1 January 2014 created a revised regulatory capital framework across Europe, based on the provisions of the Basel III Capital Accord. The Basel III framework with higher minimum capital requirements, conservation and countercyclical buffers, revised risk-based capital measures, a leverage ratio and liquidity standards was designed to strengthen the resilience of the banking sector and requires banks to hold more capital, mainly in the form of common equity.

The disclosures in this document complement the work already undertaken by the firm in their assessment of capital requirements under the Internal Capital Adequacy Assessment Process (ICAAP). The Basel framework established a more risk sensitive approach to capital management and is comprised of three pillars:

Pillar 1: Defines the rules and regulations for calculating risk-weighted assets and regulatory minimum capital requirements for Credit, Market and Operational Risk.

Pillar 2: Addresses a banking organizations internal process for assessing its overall capital adequacy in relation to its risks, the process that is also referred to as the Internal Capital Adequacy Assessment Process (ICAAP). Pillar 2 requires the CSSF to undertake a supervisory review to assess the robustness of TDBI's internal assessment.

Pillar 3: Designed to promote market discipline by providing market participants with key information on a banking organisation's risk exposure and risk management processes through a set of minimum disclosure requirements. Expanded disclosure about capital and risk enables interested parties to better understand the risk profile of individual banks and to make comparisons. Pillar 3 requires all material risks to be disclosed, enabling a comprehensive view of a bank's risk profile.

TDBI is authorized and regulated by the CSSF and as such is subject to minimum regulatory capital requirements. The Bank is a leading international online brokerage and banking service. As a regulated company, TDBI is required to disclose certain aspects of regulatory information and certain details of internal processes relating to the structure and operations in place to measure and report risks. As part of this disclosure, details of the capital structure and regulatory capital requirements are required. The disclosures are to be published so they are readily available for any party interested in doing business with the regulated entity and are to be verified as a formal document of the Company.

1.2 Frequency and Location

Pillar 3 disclosure report will be updated at least annually and more frequently if appropriate. TDBI has an accounting reference date of 31 October and unless otherwise stated all information is as at 31 October 2015.

The report will be published on the TDBI's website, int.tddirectinvesting.com and will not be subject to external audit, except to the extent that any disclosures are equivalent to those made under accounting requirements.

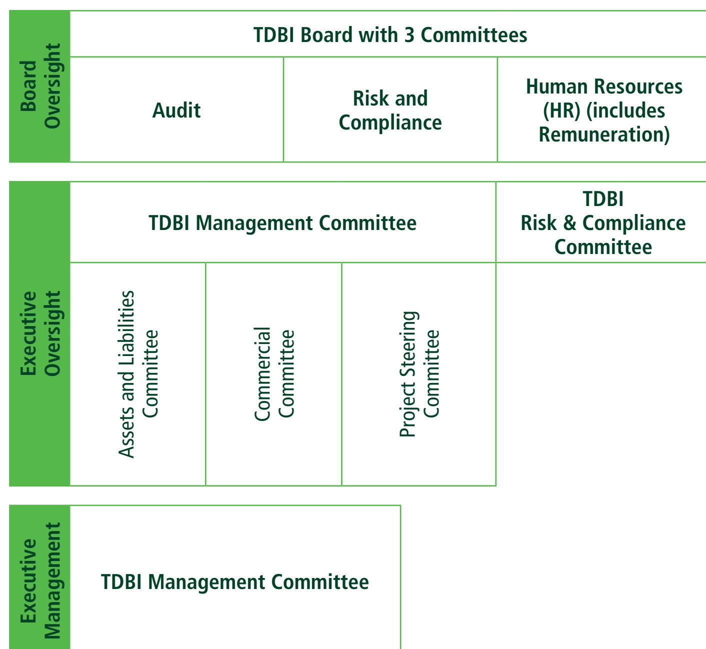
The Pillar 3 disclosures have been prepared purely for explanation of the basis on which TDBI has prepared and disclosed certain capital requirements and information about the management of certain risks and for no other purpose.

Governance and Risk Management Framework

2.1 Governance Framework

TDBI's risk management process and associated governance structure are designed to ensure that there is an effective process and a clear organizational structure with well defined responsibilities to identify, manage and monitor risk.

The robust governance structure separates oversight and management as shown below:



Board oversight:

Each Business Area is responsible for managing the risks within its operations, which includes identification, control, mitigating actions and reporting. The Board of Directors has the ultimate responsibility for limiting and monitoring the Bank's risk exposure as well as for setting targets for the capital ratios and risk appetite.

The Board's central role is to create and deliver value by effectively governing the TDBI's business, while meeting the interests of shareholders and other stakeholders through transparent reporting and active engagement. Risk is measured and reported according to common principles and policies approved by the Board of Directors, which also decides on policies for credit risk, counterparty credit risk, liquidity risk and operational risk management as well as the ICAAP.

Risk and Compliance Committee

The Board of TDBI has established a Risk and Compliance Committee. The Risk and Compliance Committee assists the Board in fulfilling their oversight responsibilities with regard to risk appetite, the risk management and compliance framework and the governance structure that supports it. Specific responsibilities include advising the Board on the overall risk appetite, tolerance and strategy, reviewing the risk profile against the risk appetite, as well as any exceptions to the risk appetite metrics, as reported by senior management and reviewing the effectiveness of Risk Management as appropriate.

Audit Committee

The Board of TDBI has established an Audit Committee. The Audit Committee assists the Board in their oversight responsibilities relating to financial matters, including corporate reporting, risk management and internal control. The Audit Committee is responsible for the oversight of the quality and integrity of accounting and reporting practices, and the performance of the internal audit function and independent external auditors.

HR Committee

The Human Resources Committee assists the Board in fulfilling its corporate governance and oversight responsibilities relating to the remuneration practices of the Company. It ensures that compensation processes are aligned with the business and compensation strategy, that it appropriately rewards senior officers for their contribution to the Company, that the business is compliant with regulatory expectations and best practice and that the Company is able to attract, retain and motivate high performing individuals to create sustainable value.

Executive oversight:

The Executive Oversight level is the stage at which risks in respect of decisions made by the Executives and risks with current business practice are considered and assessed. This will influence the decisions made by the Executives if necessary.

There is a Risk & Compliance Committee that represents a forum on the principal risks facing the business, the extent of financial, regulatory and reputational exposure and the direction of those risks.

Executive Management:

The Executive Management level is the stage at which decisions are made in respect of how the business operates. It is supported by the Management Committee, a forum for review, discussion and guidance in relation to strategic goals and the strategies to implement.

Governance and Risk Management Framework

2.2 Risk Management Framework

Risk exists in all aspects of TDBI's business and the environment in which it operates. Risk is identified and managed as part of a Group-wide Risk management framework that starts with the Board approved strategy, Risk Appetite, Capital, Funding and Operational Plans. The Risk Appetite is translated and cascaded to the Bank qualitatively (through risk policies, standards and operating procedures) and quantitatively (through our key risk indicators, quantified by different metrics assigned with internal limits).

Compliance with TDBI's Risk Management Framework is mandatory. TDBI's operating model differentiates accountabilities using a 'three lines of defense' approach as follows:

First line: Businesses (Owners of Risks and Controls)

Second line: Risk and Control Functions (who provide oversight and challenges)

Third line: Audit (who provide independent assurance).

The risk management strategy of TDBI is to develop and implement effective processes to identify, report, assess, measure and manage risks incurred by the Bank, and to comply with applicable regulatory requirements and internal guidelines associated with risk management. TDBI has implemented and continues to develop an appropriate risk management program, alongside with maintaining a level of capital proportionate to the risks it is exposed to. Key areas of focus are:

- Identification and effective management of all types of risks the Company is exposed to;
- Strong governance;
- Use of key risk and business performance indicators to monitor levels of risk;
- Monitoring the implementation of significant changes in the Bank through an established change process;
- A culture of ethical conduct, accountability, risk awareness and transparency that extends across the Company and all its activities enabling effective escalation and decision making;
- Full compliance with applicable laws, regulations and policies.

Risk appetite within TDBI is defined as the level and nature of risk that the Bank is willing to take in order to pursue its strategy on behalf of shareholders. TDBI's risk appetite framework is based on explicit top-down risk appetite statements ensuring comprehensive coverage of key risks faced by the Bank. The risk appetite framework includes the cascading of risk appetite levels to Business Areas and segments in terms of allocated risk level thresholds and operational risk limits.

Tracking of loss history and trends provides information that is important to on-going risk assessment and applicability. Mitigating internal controls operate and, where risk exposures trend above tolerance levels, whether through periodic review or from analysis of loss events, appropriate mitigating actions are put in place to reduce the exposure, and actions are tracked to completion.

Risk Guidelines prescribe that reporting of risk shall be generated with the appropriate frequency and level of detail to facilitate its effective management by Senior Management. Key risk and performance indicators are used to monitor exposure to the risks the Bank is facing. These indicators are used to establish TDBI's actual risk profile, which is measured against its target risk profile as established through the Risk Appetite Statement. They are intended to trigger a management response when indicator threshold breaches are noted.

Capital

3.1 Foreign markets

The Bank is fully financed by share capital with 29,000 ordinary shares having been issued.

Share capital is 100% owned by Toronto-Dominion Bank Group (TDBG), a Canadian company listed on the Toronto Stock Exchange (TSX).

The total capital of the Bank currently consists entirely of Tier 1 capital. See below the situation of total capital as of October 31, 2015:

	in EUR '000
Subscribed capital Retained earnings Deductions from Tier 1 capital	29,000 - 4,288 -1,642
Total Tier 1 capital after deductions	**23,070**
Tier 2 capital Tier 3 capital	0 0
Total Capital	**23,070**

Tier 1 Capital comprises Share Capital and Retained Earnings. Deductions are made in respect of Intangible Assets and deferred tax. There are no Tier 2 and Tier 3 deductions.

Excessive leverage ratio

The CRR/CRD IV framework introduces a new leverage ratio, designed to limit the excessive use of leverage across the Banking system.

Because of this development, as of 30 September 2015, the Bank reports a leverage ratio equal to 5.22%. Although CRR/CRD IV does not impose a minimum ratio, the Basel Committee suggested a minimum ratio of 3%. The Bank will perform the monitoring of this ratio and will take any corrective actions when required.

in EUR '000	LR Exposure: Month-1-value	LR Exposure: Month-2-value	LR Exposure: Month-3-value
Exposure value	453,063	440,134	428,908
Tier 1 capital	22,959	23,024	22,957
Leverage ratio	5.07%	5.23%	5.35%
Regulatory leverage ratio		5.22%	

3.2 Capital Adequacy – Pillar 1

The business reviews the adequacy of its capital in detail through the Internal Capital Adequacy Assessment Process (ICAAP). This process requires the business to look in detail at the risks it faces and stresses the amount and quality of capital the business has against these risks. Should the Senior Management of the business determine that an increased amount of capital is required in order to meet perceived risks, then an additional capital requirement can be added. The business has set trigger points as to when a review will be undertaken with a minimum of at least annually. The business constantly reviews the regulatory environment in which it operates with reviews of liquidity and client assets and money recently being completed.

The objective of the capital management process is to ensure that TDBI remains well capitalized both in the present and in the future. Taking into account the capital strength of the business and the calculated capital requirement of TDBI, management believes they meet the requirements of the Regulator (CSSF - Commission de Surveillance du Secteur Financier):

"A firm must at all times maintain overall financial resources, including capital resources and liquidity resources, which are adequate, both as to amount and quality, to ensure that there is no significant risk that its liabilities cannot be met as they fall due."

Pillar 1 Capital Adequacy Ratio is calculated as below and ensures Total capital resources is in excess of 8%:

Total Capital Resources	x 8%
Capital Resource Requirement	

The capital conservation buffer has been introduced by the Luxembourg authorities through CSSF Circular 14-01, effective as of January 1st, 2014 and is calculated as 2.5% of the risks exposed in CET1 (Common Equity Tier 1).

The countercyclical capital buffer will be applicable starting with 1 January 2016, set at 0% applicable to relevant exposures located in Luxembourg as per CSSF Regulation 15-04.

Even though the CCyB rate was set to zero in Luxembourg, by having exposures to other jurisdictions, the Bank will be required to compute its institution-specific CCyB rate as defined by CSSF Circular 15/625. As the regime is applicable as of 1 January 2016 the institution CCyB was included in the forecasted figures of the ICAAP exercise.

The Pillar 1 capital requirements as of October 31, 2015 are detailed below. Amounts are in thousands:

(in EUR '000)	31.10.2015
Total Capital Requirement	**9,712**
Credit Risk Credit Risk for exposure with financial institutions Credit Risk for exposure with corporate Credit Risk for exposure with retail customers Credit Risk for other exposure	**8,160** 6,086 - 1,986 88
Market Risk Market Risk in respect of foreign currency	**-** **106**
Operational Risk Operational Risk under the basic indicator approach	**1,446** 1,446
Total Capital Resources	**23,070**
Capital Adequacy Ratio %	**19%**
Capital Conservation Buffer	**3,035**
Countercyclical Capital Buffer	**-**

The risks with associated material capital impact have been identified as Credit Risk, Market Risk and Operational Risk. Credit risk is applied to all deposits with financial institutions (risk weight varies according to the bank's credit assessment conducted by a nominated external credit assessment institution), on margin loans to clients (risk weighted at 75%), to other balance sheet assets (risk weighted at 100%), and to off balance sheet clients' undrawn Lombard loans (risk weight at 75% x 50%).

The Bank is not making use of any Credit Risk Mitigation technique for reducing its capital requirements to cover credit risk in the frame of its Capital Adequacy Ratio calculation. As noted above the full value of margin loans is subject to credit risk with no mitigation adopted for the collateral held by the Bank on behalf of the client. Regarding large exposures, the Bank is not currently facing any client exposure exceeding 10% of the Bank's own funds, except for money market placement at intra-group.

Market risk covers the risks that arise from fluctuations in values of, or income from, assets or in interest or exchange rates. The Bank's overall net currency position is above the 2% threshold of Total capital resources as defined in the CSSF Circular 06/273 and thus 106.35 € thousands are to be allocated to cover foreign exchange risk.

The Basic Indicator Approach is utilised to calculate operational risk.

3.3 Capital Adequacy – Pillar 2

TDBI bases its internal capital requirements under the ICAAP on risks defined by the CSSF Circular 07/301 and risks internally defined in the Departmental risk registers (under Pillar 2), which follow the Group's Enterprise Risk Management Framework. The Company has adopted a "Pillar 1 plus" approach to determine its capital requirements. A bottom-up and top-down methodology is used to quantify and validate the adequacy of the Company's Pillar 1 and Pillar 2 capital add-on requirements and to ensure completeness and comprehensiveness.

The bottom-up approach entitles the completion of Departmental risk registers based on all risks relevant to the business. Significant risks are then quantified using actual internal loss experiences and management's judgment. The risk controls, systems, policies and procedures of the Company are factored into the quantification to determine the probability of occurrence and net impact on the Company's capital.

A top-down (scenario analysis) approach validates the Pillar 1 and Pillar 2 capital assessment conclusions. All these risks are assessed through the ICAAP. The Board reviews and approves the ICAAP on an annual basis, or when there are any major changes to the business strategy and risk profile. The Board uses the ICAAP as part of its business planning and capital management.

The risks included in the Pillar 2 add-on and their capital requirements based on relevant scenarios are detailed below:

CSSF Risk Category	Pillar 2 Capital Requirements (in EUR)
Operational Risk	292,001
Credit and counterparty Risk	1,153,500
Liquidity Risk*	0
Concentration Risk**	0
Country/Transfer Risk	630,000
Reputational Risk	127,743
Compliance Risk	150,000
Legal Risk	200,000
Business and strategic Risk	532,000
Macroeconomic/regulatory Risk	319,357
Total Pillar 2 add-on capital requirement (excluding credit risk and operational risk already included in pillar 1)	**1,959,099€**

*** Liquidity risk** is considered as material; however capital is not the best mitigation for it. Liquidity needs close and recurrent monitoring and measurement to ensure liabilities are met when they fall due. Clear liquidity planning and management policies and procedures are in place to monitor this risk.

**** Concentration Risk** is captured by all scenarios used to quantify the risks above.

From the table above it can be noted that Credit Risk and Country/Transfer Risk are the categories to which TDBI is most exposed to follow with a much smaller impact, by the operational risk.

Business and strategic Risk

Business risk is defined as the risk that the business will be materially altered or even rendered unviable trough a shock or other change.

The scenario considered for of the pillar 2 capital requirements was of senior management decision to change the pricing model resulting in unfavorable result on revenue.

Credit and counterparty Risk

Credit risk is defined as the risk to earnings and capital arising from an obligor's failure to meet the terms of any contract with the institution or otherwise fail to perform as agreed.

The credit risk assumed by TDBI is in placing money with highly rated banks for fixed terms within one year. TDBI invests its funds with different financial institutions that are not connected and geographically spread.

TDBI uses the expertise of TD Credit Risk Management Group (CRM Canada) for vendor/supplier counterparty risk assessment and no banking relationship new to TD can be entered without CRM's approval. Annual ongoing due diligence on open banking relationships is carried out to ensure ongoing suitability and to meet the standard expected by global regulators. CRM monitors daily the banking counterparties rating, and no counterparty rated below BBB (the rating is established internally based on all information from the market) is accepted.

Country/Transfer Risk

Country/Transfer risk is defined as the risk associated with the possibility that a currency is available but cannot be sent out of the country, usually due to central Bank restrictions or a national debt restructuring.

Based on the scenarios above, it was noted that Pillar 1 imposes enough capital requirements to cover credit risk and a part of operational risk. Therefore management decided to exclude credit risk and operational risk already included in Pillar 1 from the calculation of the Pillar 2 add-on.

TDBI's management quantifies the internal capital requirement as the **Pillar 1 + Conservation buffer + Higher of Pillar 2 add-on and Stress test**.

In addition to calculating risk capital for its various risk categories, TDBI's conducts a comprehensive capital adequacy stress test to analyze the effects of a series of risks that will materialize within one year. As result, the stress test total combined impact = 4,811,159€

The internal capital requirement as at October 31, 2015, demonstrated the Bank is well capitalized, with enough capital surplus to meet future needs.

Remuneration

4.1 Remuneration Governance and Policies

Oversight of remuneration at TD Bank Group (TD) globally is a key function of the Human Resources Committee (TD HRC) of the Board of Directors. Additional oversight of remuneration for TD Bank International S.A. is provided by the TD Bank International S.A. Human Resources Committee (TDBI HRC) whose mandate includes ensuring alignment with regulatory requirements in Luxembourg.

TD Bank Group Human Resources Committee

In keeping with best practices, the TD HRC is composed entirely of independent directors who are knowledgeable about issues related to human resources, leadership, talent management, remuneration, governance and risk management. To assist in executing its responsibilities, the TD HRC hires an independent remuneration advisor who reports solely to the TD HRC and does not provide any services to management.

TDBI Human Resources Committee

The TDBI HRC is the committee of the Board of TDBI that has been authorized by the Board to play a critical role in the oversight of remuneration.

The TDBI HRC is responsible for overseeing remuneration policies and programs for employees of TDBI in Luxembourg and for ensuring alignment with the requirements of the applicable regulatory authority, including the promotion of effective risk management. As part of the oversight responsibilities, the TDBI HRC is responsible for identifying Identified Staff, for reviewing and approving the individual remuneration packages for all Identified Staff, and for reviewing and approving the aggregate incentive awards for all employees.

The TDBI HRC met four times in 2015.

Committee Composition

The TDBI HRC is composed of 2 directors of the business. No individual is involved in decisions relating to his or her own remuneration.

Advisors

The TDBI HRC may engage external advisors for independent advice and counsel. In 2015, the Committee engaged PricewaterhouseCoopers to provide specific external advice.

Identified Staff

In identifying Identified Staff, all employees that could have a material impact on TDBI's risk profile are considered. The final list is determined by the TDBI HRC after assessing a number of factors including role, accountabilities, impact on risk, discretionary limits and reporting relationships. As a result of this, the following groups of employees have been identified as Identified Staff:

- Senior Management
- Heads of Control Functions (i.e. Internal Audit, Compliance, Risk Management, Anti-Money Laundering, Finance)
- Heads of Business Lines
- Material Risk Takers

The process for identifying Identified Staff incorporates the qualitative and quantitative criteria for identifying material risk takers, as published by the European Banking Authority (EBA) in June 2014.

At a minimum of annually, the TDBI HRC reviews and approves the individuals identified as Identified Staff, based on criteria established by the Commission de Surveillance du Secteur Financier.

4.2 Link between Remuneration and Performance

Remuneration is made up of fixed pay (i.e. salary), variable incentive pay (non-deferred and deferred incentives), and benefits. Fixed pay is typically aligned with the market for similar roles at similar sized companies.

All variable incentive pay is dependent on the achievement of financial and non-financial measures at the bank, segment, and individual level (additional details on the metrics in the different incentive plans is provided in the next section of this disclosure). All variable or incentive pay includes consideration of adherence to effective risk management at both the plan and individual level.

Under all incentive plans, the TD HRC and the TDBI HRC have the ability to reduce or cancel awards in the event of poor performance, significant risk related issues, or other unusual circumstances. To facilitate appropriate risk adjustments to incentive plans, the TD Chief Risk Officer presents an annual Enterprise Risk Appetite Scorecard to a joint session of the TD HRC and the Risk Committees of the TD Board of Directors. This process allows the TD HRC to appropriately consider risk when determining global incentive pools, and to ensure that remuneration is appropriately linked to the bank's risk-adjusted performance. The TDBI HRC is advised of the Risk Appetite Scorecard results for consideration when determining annual awards for TDBI. In addition, there is an annual process under which material risk and control events are identified and documented (with input from risk and control function heads, as appropriate) and then, based on the circumstances of the event, individual performance and remuneration impacts are considered. Results from the risk and control process are reviewed with the TDBI HRC.

Variable incentive is delivered in two parts – non-deferred incentives and deferred incentives. Generally, the more senior or more highly paid the employee, the greater the portion of remuneration that is delivered in deferred remuneration. Deferred incentives (share based) are used to align employees with shareholders over the long term, and the ultimate value realized is based on performance over time.

Deferred incentives are delivered through a number of different plans including a Restricted Share Unit Plan, a Performance Share Unit Plan, and a Stock Option Plan. These plans "cliff vest" (i.e., vest 100%) at the end of a minimum of three years. To ensure that remuneration is aligned with risks over the medium term, at maturity the share-unit based deferred plans (Restricted Share Units / Performance Share Units) are subject to a discretionary reduction to the value of outstanding awards in unusual circumstances prior to payout based on consideration of risk outcomes during the deferral period.

Remuneration

Design and structure of remuneration including criteria used for performance measurement, risk adjustment, deferral policy and vesting criteria

All Identified Staff receive a salary plus incentive. TD ensures that fixed remuneration is sufficient to maintain an appropriate balance between fixed and variable remuneration components.

Annual incentive awards for Identified Staff are delivered through the Executive Compensation Plan (ECP) or the Employee Incentive Plan (EIP).

Details regarding the criteria used for performance measurement, risk adjustment, the deferral policy and vesting criteria can be found in the TD Annual Management Proxy Circular found at the following site: http://www.td.com/document/PDF/investor/2015/td-investor-2015-Proxy-EN.pdf

Executive Compensation Plan (ECP)

Under the ECP, each executive has an individual remuneration target. At year-end, the aggregate pool of funds available to award as incentive remuneration is equal to the sum of the individual targets multiplied by a business performance factor.

The key metrics used to determine the business performance factor include Net Income After Tax (NIAT) and Customer Experience results for the bank and for business segments as applicable. In addition, relative performance is evaluated against a peer group of companies on a series of measures that are determined by the TD HRC on an annual basis. The final business performance factor is subject to a discretionary risk adjustment that is approved by the TD HRC after considering performance against the bank's risk appetite.

To protect against conflict of interest, NIAT and Customer Experience results for executives in control functions are based on TD's enterprise performance, not on the performance of TDBI or TD Wealth Management. For all other executives (including for the Head of TDBI), results are based on TD and TD Wealth Management NIAT as well as TD Wealth Customer Experience results.

Individual awards are based on an evaluation of a number of factors including individual performance against objectives, leadership, future potential, and an evaluation against a standard set of accountabilities regarding risk and control behaviors. Individual awards can be higher or lower than their variable remuneration target multiplied by their applicable business performance factor (funds available). The sum of individual awards should not exceed the aggregate funds available under the plan on a global basis.

Employee Incentive Plan (EIP)

Annual incentive awards for TD employees in support and control functions are delivered through EIP. Under the plan, each individual has an incentive target which is multiplied by a business performance factor as well as an individual performance factor. The key metrics under the plan are similar to those of the Executive Compensation Plan and include NIAT and Customer Experience results for the bank and for business segments as applicable. The Employee Incentive Plan also includes a discretionary adjustment to account for risk or other factors.

To protect against conflict of interest, for employees in control functions, NIAT and Customer Experience results are based on TD performance, not on the performance of TDBI or TD Wealth Management. For all other employees, results are based on TD and TD Wealth Management NIAT as well as TD Wealth International Customer Experience results.

Individual awards are based on an evaluation of a number of factors including individual performance against objectives. Awards to individual employees may be higher or lower than their funds available (i.e., their variable remuneration target multiplied by their applicable business performance factor multiplied by their applicable individual performance multiplier). However, the sum of individual awards should not exceed the aggregate funds available under the plan.

Annually, the TDBI HRC reviews and approves the aggregate ECP and EIP awards, ensuring they are aligned with and support the performance of the business.

Remuneration Awarded to Identified Staff Employees

As at the end of the fiscal year, TDBI had five Identified Staff employees. Due to the size of the Identified Staff population, and data protection issues, we are not differentiating between Senior Managers and other Identified Staff.

The following tables summaries the total remuneration awarded to Identified Staff employed by TDBI in respect of the performance year ending October 31, 2015.

Table 1 – Aggregate Remuneration

	Total
Number of Identified Staff[1]	**5**
2015 Remuneration (in mm)[2]	**0.76**

Notes

1. Reflects the number of Identified Staff employed by TDBI effective October 31, 2015.
2. Remuneration reflects annualized amounts paid to Identified Staff employed by TDBI, effective October 31, 2015.

Table 2 - Remuneration - Fixed and Variable Amounts

(in €mm)[1]	Senior Management / Other Identified Staff
Fixed Compensation	**0.65**
Variable Compensation Awards[2]	
Cash Incentive (non-deferred)	**0.08**
Share Units (deferred)	**0.03**

Notes

1. Remuneration reflects annualized amounts paid to Identified Staff employed by TDBI, effective October 31, 2015.
2. No Identified Staff at TDBI received deferred remuneration in 2015.

New regulations

The regulation of banks is changing rapidly as a consequence of the recent crisis. These efforts are coordinated worldwide by the Financial Stability Board (FSB) and the Basel Committee. In Europe this is accentuated by a push to harmonise regulations and supervision practices through the development of a single rulebook and pan-European supervisory institutions. An additional feature that has recently emerged is that the European capital adequacy legislation includes a framework for macro prudential supervision, aimed at detecting and containing systemic risks. As a consequence the banks' capital requirements may in the future be shifted quite frequently by the national authorities when deemed necessary to contain systemic risk.

The changes for financial institutions in the regulatory area related to capital and risk are extensive. In addition to the CRD IV/CRR, other closely related regulations are also emerging, such as:

Single Supervisory Mechanism (SSM): Supervisory Review and Evaluation (SREP)/Stress testing

The European Central Bank tested the annual SREP assessment according to Significant Institutions in 2015 and this will be deployed to all EU institutions from 1 January 2016. On 11 December 2015, European Banking Authority (EBA) launched a consultation on draft guidelines on the internal capital adequacy assessment process (ICAAP) and the internal liquidity adequacy assessment process (ILAAP).

Additionally on 18 December 2015, EBA launched a consultation on stress testing and supervisory stress testing. These guidelines complement the EBA SREP guidelines by providing guidance on the use of supervisory stress testing by competent authorities, describing the aspects relating to the organization, resources, methodologies, and the use of the outcomes when assessing capital and liquidity adequacy under the SREP.

Next steps:

- The Guidelines on ICAAP and ILAAP will be finalized in the first half of 2016 and are expected to apply from 30 June 2016.
- Q2 2016: EBA expects to publish the final guidelines on stress testing.

Capital Requirement Directive & Regulation (CRD/CRR) Single Resolution Mechanism, Bank Recovery & Resolution Directive, Deposit Guarantee Scheme Directive (SRM/BRRD/DGSD)

As from 1 January 2016, The Countercyclical Capital Buffer (CCyB) enters into force for credit institutions subject to CRD IV. As per CSSF Regulation No 15-04, the CCyB rate applicable to relevant exposures located in Luxembourg is set to 0%. Further guidance is provided in CSSF Regulation No 15-01 as the credit institutions which have exposures to counterparties in more than one jurisdiction compute their institution-specific CCyB by using the CCyB applicable in the country of location of these exposures. The Institution Specific Countercyclical Capital Buffer was assessed and reflected in the present report.

On 21 December 2015, EBA issued draft guidelines on sound remuneration policies in CRD IV/CRR. These Guidelines will apply from 1 January 2017. The EBA also issued an opinion on the application of the proportionality principle to the remuneration provisions.

The Law of 18 December 2015, implementing BRRD & DGSD was published in Memorial A on 24 December 2015. As a consequence, from January 2016 on, BRRD and DGSD provisions will be binding and a new resolution authority, the Single Resolution Board (SRB), will begin to reshape resolution planning in the Eurozone.

Next steps:

- Q1 2016:- 1 February 2016: Submission to the CSSF of the information requested by the SRB for the calculation of 2016 ex-ante contribution to the CSSF (Circular 15/626).
- Q4 2016: European Commission (EC) to report on the implementation of a binding leverage ratio and on the appropriateness of introducing the Basel Net Stable Funding Ratio (NSFR) as a binding element of the CRR framework.
- 2016: EBA will issue other guidelines, such as Guidelines on the disclosure of the LCR, intraday liquidity risk and others.

Markets in Financial Instruments Directive and Regulation (MiFID II / MiFIR)

MiFID II seeks to improve transparency and regulation of more opaque markets, such as derivatives. The main impacts and challenges relate to:

- Investor protection and inducements.
- New requirement for corporate governance.
- Market structure: additional financial instruments in scope for non-equity instruments and third-country firms have to establish a branch in each EU country (when serving retail clients) or register with ESMA to gain EU passport (for professionals).
- Reporting to prudential authority extended and additional publication rules apply.
- Regulatory Supervision: powers to permanently ban financial products, activities or practices and dissuasive administrative sanctions, fines and penalties will be made public.

Next steps:

- End of 2015: legislative proposal amending the formal date of entry into force to 2018.
- January 2016: expected date for final delegated regulation and delegated directive.
- 1 January 2018: Entry into force of MiFID (previously 3 January 2017).

Common Reporting Standard (CRS)

Council Directive 2014/107/EU of 9 December 2014 amending Directive 2011/16/EU in regard to mandatory automatic exchange of information in the field of taxation will become applicable from 1 January 2016 and needs to be transposed by the EU Member States from this date. The first vote of the Luxembourg law (the Law) transposing this Directive occurred on 9 December 2015. The legislative process must still be finalized either with a second vote or waiver of the second vote before the law will be published (which should occur before 1 January 2016).

Additionally, the EU reached agreements amending the existing savings taxation agreements concluded with Switzerland, Liechtenstein, and San Marino. These agreements will impose CRS-based reporting from 2017 (on calendar year 2016) in the case of Liechtenstein and San Marino, and 2018 (on calendar year 2017) in the case of Switzerland. Additional agreements between the EU and certain non-EU countries, and between EU Member States and certain non-EU countries will follow shortly.

Next steps:

- Data capture for CRS purposes (tracking financial data) should go live on 1 January 2016.
- Classification and remediation of pre-existing clients (client relations established before 1 January 2016) must be carried out before the end of 2016 or 2017, depending on the typology of the client.
- Systems to effectively exchange data with the Luxembourg tax authorities must be ready before the first exchange deadline of 30 June 2017 (on calendar year 2016).

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