

Registration number 06211806

Jane Street Financial Limited

Directors' Report and Financial Statements

Year Ended 31 December 2010

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Jane Street Financial Limited
Contents
Year Ended 31 December 2010

Company Information	I
Directors' Report	2-3
Statement of Directors' Responsibilities	4
Independent Auditor's Report	5-6
Profit and Loss Account	7
Balance Sheet	8
Cash Flow Statement	9
Notes to the Financial Statements	10-15

The following pages do not form part of the statutory financial statements

Pillar III Market Disclosures	16-22
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Jane Street Financial Limited
Company Information
Year Ended 31 December 2010

Directors	O R Cooper D A Proctor I R Schaad
Company secretary	O R Cooper
Registered office	10 Chiswell Street London EC1Y 4UQ
Company Number	06211806
FSA firm number	486546
Auditors	Dixon Wilson 22 Chancery Lane London WC2A 1LS

Jane Street Financial Limited
Directors' Report
Year Ended 31 December 2010

The Directors present their report and the financial statements for the year ended 31 December 2010

Directors of the Company

The Directors who held office during the year were as follows

O R Cooper - Company secretary and director

D A Proctor

I R Schaad

Principal activity

The principal activity of the Company is to provide agency services for various entities within the Jane Street Group

Business review

Fair review of the business

The Company is authorised and regulated by the Financial Services Authority as a full scope BIPRU 730k firm. During the year the Company has provided agency services for various entities within the Jane Street Group. The Company does not have any external clients.

The Directors are satisfied with the development of the Company in furtherance of Jane Street Group strategies and with its position at 31 December 2010. The Company is compensated by an entity within the Jane Street Group based on a transfer pricing arrangement that is reviewed periodically.

Principal risks and uncertainties

The principal risk to which the Company is exposed would be business risk related to the failure of another Jane Street Group entity. The Directors are satisfied that the chance of such an event occurring is remote.

Financial instruments

Credit risk:

The Company's primary exposure to credit risk at 31 December 2010 is with respect to cash deposits with banks. The Company maintains its cash in bank accounts denominated in USD. The Company only places deposits with highly rated credit institutions that have been approved by the Board of Directors and for amounts not exceeding 100% of the Company's capital and audited reserves.

Future developments

The Directors anticipate that the Company's activities will change to more of a principal trading model in 2011.

Jane Street Financial Limited
Directors' Report (continued)
Year Ended 31 December 2010

Disclosure of information to the auditors

Each Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. The Directors confirm that there is no relevant information that they know of and which they know the auditors are unaware.

Approved by the Board on ^{26 APR 2011} and signed on its behalf by

A handwritten signature in black ink, appearing to read 'I R Schaad', written over a horizontal line.

I R Schaad
Director

Jane Street Financial Limited
Statement of Directors' Responsibilities
Year Ended 31 December 2010

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Jane Street Financial Limited
Independent Auditor's Report
Year Ended 31 December 2010

Independent Auditor's Report to the Member of Jane Street Financial Limited

We have audited the financial statements of Jane Street Financial Limited (the "Company") for the year ended 31 December 2010, set out on pages 7 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's member, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's member those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's member as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities (set out on page 4), the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements.

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Jane Street Financial Limited
Independent Auditor's Report (continued)
Year Ended 31 December 2010

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Gordon Spinks

Gordon Spinks (Senior Statutory Auditor)
For and on behalf of Dixon Wilson, Statutory Auditors

22 Chancery Lane
WC2A 1LS

Date *27 April 2011*

Jane Street Financial Limited
Profit and Loss Account
Year Ended 31 December 2010

	Note	2010 \$	2009 \$
Turnover	2	11,566,836	6,109,789
Administrative expenses		<u>(8,262,329)</u>	<u>(4,364,135)</u>
Operating profit and profit on ordinary activities before taxation	3	3,304,507	1,745,654
Tax on profit on ordinary activities	4	<u>(933,820)</u>	<u>(486,970)</u>
Profit for the financial year		<u>2,370,687</u>	<u>1,258,684</u>

Turnover and operating profit derive wholly from continuing operations

The Company has no recognised gains or losses for the year other than the results above

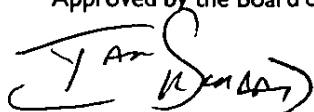
Jane Street Financial Limited (Registration number: 06211806)

Balance Sheet

At 31 December 2010

	Note	2010 \$	2009 \$
Current assets			
Debtors	8	304,308	78,546
Cash at bank		<u>12,855,698</u>	<u>10,456,157</u>
		13,160,006	10,534,703
Creditors Amounts falling due within one year	9	<u>(5,530,635)</u>	<u>(5,276,019)</u>
Net assets		<u>7,629,371</u>	<u>5,258,684</u>
Capital and reserves			
Called up share capital	10	4,000,000	4,000,000
Profit and loss account	12	<u>3,629,371</u>	<u>1,258,684</u>
Shareholder's funds	11	<u>7,629,371</u>	<u>5,258,684</u>

Approved by the Board on *26 APR 2011* and signed on its behalf by



I R Schaad
Director

Jane Street Financial Limited
Cash Flow Statement
Year Ended 31 December 2010

	Note	2010 \$	2009 \$
Reconciliation of operating profit to net cash flow from operating activities			
Operating profit		3,304,507	1,745,654
Increase in debtors		(14,582)	-
Increase in creditors		254,616	5,276,019
Net cash inflow from operating activities		3,544,541	7,021,673
Tax paid		(1,145,000)	(565,516)
Net cash inflow before financing		2,399,541	6,456,157
Financing			
Issue of shares		-	4,000,000
Increase in cash	13	2,399,541	10,456,157
Reconciliation of net cash flow to movement in funds			
	Note	2010 \$	2009 \$
Increase in cash		2,399,541	10,456,157
Movement in net funds	13	2,399,541	10,456,157
Net funds at 1 January	13	10,456,157	-
Net funds at 31 December	13	12,855,698	10,456,157

Jane Street Financial Limited
Notes to the Financial Statements
Year Ended 31 December 2010

1 Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with United Kingdom Generally Accepted Accounting Principles

Income

Income is recognised in the period in which services are provided

Functional and presentation currency

The functional currency is US\$. The accounts have been presented in US\$

Foreign currency

Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing rates at the balance sheet date. All exchange differences are included in the profit and loss account.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments

Pension / retirement plan costs

Contributions payable to the defined contribution retirement benefit schemes are charged to the profit and loss account in the period to which they relate.

2 Turnover

The turnover is attributable entirely to amounts charged to Jane Street Holding, LLC, in the United States of America, exclusive of VAT (see note 15)

3 Operating profit

Operating profit is stated after charging

	2010	2009
	\$	\$
Auditor's remuneration	37,784	18,989

Jane Street Financial Limited
Notes to the Financial Statements
Year Ended 31 December 2010

4 Tax on profit on ordinary activities

	2010 \$	2009 \$
Current tax		
UK Corporation tax charge	<u>933,820</u>	<u>486,970</u>

Factors affecting current tax charge for the year

Tax on profit on ordinary activities for the year is higher than (2009 - lower than) the standard rate of corporation tax in the UK of 28% (2009 - 28%)

The differences are reconciled below

	2010 \$	2009 \$
Profit on ordinary activities before taxation	3,304,507	1,745,654
Corporation tax at standard rate	<u>925,262</u>	<u>488,783</u>
Expenses not deductible for tax purposes	6,181	867
Foreign exchange adjustments	<u>2,377</u>	<u>(2,680)</u>
Total current tax	<u>933,820</u>	<u>486,970</u>

5 Auditor's remuneration

	2010 \$	2009 \$
Audit of the financial statements	<u>23,693</u>	<u>6,463</u>
Other fees to auditors		
Other services pursuant to legislation	4,381	5,232
Tax services	1,561	4,231
Other services	<u>8,149</u>	<u>3,063</u>
	<u>14,091</u>	<u>12,526</u>
Total auditor's remuneration	<u>37,784</u>	<u>18,989</u>

Jane Street Financial Limited
Notes to the Financial Statements
Year Ended 31 December 2010

6 Staff costs

The average number of persons employed by the Company (including Directors) during the year, analysed by category was as follows

	2010 No.	2009 No.
Back office	7	3
Front office	7	4
Management	2	1
Total average headcount	<u>16</u>	<u>8</u>

The aggregate payroll costs were as follows

	2010 \$	2009 \$
Wages and salaries	6,799,526	3,781,754
Social security costs	159,660	33,277
Staff pension / retirement plan costs	<u>41,654</u>	<u>15,334</u>
Total payroll costs	<u>7,000,840</u>	<u>3,830,365</u>

Staff are remunerated by other entities within the Jane Street Group. Remuneration is allocated between Group entities on the basis of time spent and the amounts allocated to the Company are as disclosed above.

The Jane Street Group operates defined contribution pension schemes (retirement plans), the assets and liabilities of which are held separately from those of the Company. The costs are allocated between Group entities as disclosed above.

Jane Street Financial Limited
Notes to the Financial Statements
Year Ended 31 December 2010

7 Directors' remuneration

	2010 \$	2009 \$
Remuneration (including benefits in kind)	3,759,311	3,059,947
Company contributions to retirement plans	2,421	5,638
Total Directors' remuneration	<u>3,761,732</u>	<u>3,065,585</u>

The Directors' remuneration disclosed above includes the following amounts paid to the highest compensated Director

	2010 \$	2009 \$
Remuneration (including benefits in kind)	<u>3,196,321</u>	<u>2,369,816</u>

The Directors of the Company are remunerated by other entities within the Jane Street Group. Remuneration is allocated between Group entities on the basis of time spent and the amounts allocated to the Company are as disclosed above

8 Debtors

	2010 \$	2009 \$
Corporation tax recoverable	289,726	78,546
Prepayments	14,582	-
Total Debtors	<u>304,308</u>	<u>78,546</u>

9 Creditors: Amounts falling due within one year

	2010 \$	2009 \$
Amounts owed to Group undertakings (see note 15)	5,524,605	5,276,019
Other creditors	6,030	-
Total Creditors	<u>5,530,635</u>	<u>5,276,019</u>

Jane Street Financial Limited
Notes to the Financial Statements
Year Ended 31 December 2010

10 Share capital

Allotted, called up and fully paid shares

	No.	2010 \$	No.	2009 \$
Ordinary US\$ 1 of \$1.00 each	4,000,000	4,000,000	4,000,000	4,000,000

11 Reconciliation of movement in shareholder's funds

	2010 \$	2009 \$
Profit attributable to the member of the Company	2,370,687	1,258,684
New share capital allotted	-	4,000,000
Other movement of ordinary share capital	-	(2)
Net addition to shareholder's funds	2,370,687	5,258,682
Shareholder's funds at 1 January	5,258,684	2
Shareholder's funds at 31 December	7,629,371	5,258,684

12 Profit and Loss reserves

	Profit and loss account \$	Total \$
At 1 January 2010	1,258,684	1,258,684
Profit for the year	2,370,687	2,370,687
At 31 December 2010	3,629,371	3,629,371

Jane Street Financial Limited
Notes to the Financial Statements
Year Ended 31 December 2010

13 Analysis of net funds

	At 1 January 2010 \$	Cash flow \$	At 31 December 2010 \$
Cash at bank	10,456,157	2,399,541	12,855,698
Net funds	<u>10,456,157</u>	<u>2,399,541</u>	<u>12,855,698</u>

14 Parent company

The Company is controlled by Jane Street Holding, LLC. The Company is a wholly owned subsidiary of Jane Street Holding, LLC, an entity that was formed under the laws of the State of Delaware in the United States of America. Jane Street Holding, LLC is the only Group member producing consolidated accounts including the results of the Company.

15 Related party transactions

During the year the Company made the following related party transactions:

Jane Street Holding, LLC (Parent company) - The Company had turnover in the year of \$11,566,836 (2009 - \$6,109,789). At the balance sheet date the amount due to Jane Street Holding, LLC was (\$2,840,605) (2009 - (\$2,307,908)).

Jane Street Capital, LLC (Under common control) - Jane Street Capital, LLC incurred various expenses on behalf of the Company. At the balance sheet date the amount due to Jane Street Capital, LLC was (\$41,997) (2009 - (\$13,779)).

Jane Street Europe Limited (Under common control) - Jane Street Europe Limited paid for various operating expenses of the Company in the period. At the balance sheet date the amount due to Jane Street Europe Limited was (\$2,642,003) (2009 - (\$2,954,332)).

The above are all fellow Group companies. The Company provides agency services for other entities within the Jane Street Group. All three above meet various payments or provide operating cash flows to the Company. Amounts due between Group entities are interest free and have no set repayment dates. Balances are intended to settle, in time, through the operating cash flows of the Group.

The Directors have interests in the capital of Jane Street Holding, LLC, which is the Parent company of Jane Street Europe Limited, the Company and Jane Street Capital, LLC, and therefore are interested in all transactions between these entities.

Jane Street Financial Limited Pillar 3 Disclosures

For period ending 31 December 2010

1

Purpose of disclosures

This document sets out the Pillar 3 disclosures for Jane Street Financial Limited ("JSFL") as of 31 December 2010

The following disclosures refer to JSFL on a stand alone basis

The purpose of Pillar 3 is to encourage market discipline by developing a set of disclosure requirements which will allow market participants to assess key pieces of information on a firm's capital, risk exposures and risk assessment process. The disclosures are to be made public for the benefit of the market

Background of Jane Street Financial Limited

JSFL is authorised and regulated by the Financial Services Authority ("FSA") and is a full scope BIPRU 730K firm. It is a member of the Jane Street Group and is wholly owned by Jane Street Holding, LLC ("JSH"), a United States firm. The Jane Street Group employs approximately 250 professionals in offices in New York, Hong Kong and London. JSFL was established in London for the purpose of providing agency services to the Jane Street Group.

JSFL is compensated for its activities by The Jane Street Group pursuant to an intercompany agreement.

The Jane Street Group engages in proprietary trading using quantitative strategies.

Certain entities within the Jane Street Group are subject to regulatory supervision and are registered market makers on United States exchanges. The Jane Street Group is not subject to consolidated supervision by the United States regulators.

The Jane Street Group endeavours to be a leader in performance, experience, and education. The Jane Street Group is well capitalized and has the size and resources to successfully make markets and profitably trade under both normal and stressed market conditions. JSFL's Board of Directors is familiar with the financials of JSH and feels that it is adequately capitalized to fulfil all financial obligations of JSFL.

Activities of Jane Street Financial Limited

JSFL has been established to provide agency services to the Jane Street Group and to conduct proprietary trading activities. It is currently acting only in an agency capacity. Authorized in May 2009, JSFL is in the process of building up its business activities to include trading as principal.

Risk Governance within Jane Street Financial Limited

JSFL is committed to implementing a good practice firm-wide governance and risk management framework appropriate to the size, nature and complexity of the business. The Governing Body for the risk framework within JSFL is the Board of Directors which has the ultimate responsibility for managing and controlling risk within the risk appetite of JSFL.

Risk management objectives and policies

Risk in JSFL is managed according to common principles and policies approved by the Board of Directors. The following key principles are central to the current functioning of, and ongoing enhancements to, JSFL's risk management strategy:

1. The setting of risk appetite limits,
2. Clearly articulated roles and responsibilities with appropriate segregation of duties,

- 3 Monitoring of the adequacy and effectiveness of key internal controls,
- 4 Regular reporting on risk-related issues and forecasts to the Board of Directors,
- 5 Documented and communicated policies addressing key areas of risk to the business

Risk appetite limits

Risk appetite limits set out the amounts and type of risk that JSFL regards as appropriate for it to accept in order to execute its strategies. The Board of Directors sets and approves, on an annual basis, risk management objectives and limits for areas of actual or potential significant risk to the business. These limits will be reviewed to take into account any significant changes in the business.

Roles and Responsibilities

The Board of Directors retains final responsibility for ensuring that JSFL's risk management framework is appropriate to the size, nature and complexity of the business and that this framework is implemented consistently and effectively across JSFL. The principle of individual accountability and responsibility for risk management is an important feature of JSFL's culture.

Review and challenge is provided by the Co-Chief Executive Officers ("CEOs") and the Compliance Officer who ensure that the risk policies and procedures are correctly implemented within JSFL. These individuals monitor the overall adequacy and effectiveness of the risk management framework on behalf of the Board of Directors. As a key part of ensuring a good control environment, JSFL monitors systems and processes to determine whether internal conflict exists requiring segregation of functions.

Key Control monitoring

JSFL believes that an effective system of internal control is an essential element of good management and JSFL puts in place appropriate procedures to ensure that key risks are appropriately controlled within JSFL's risk appetite. Day to day independent and objective assessment and monitoring of key controls is provided by the CEOs / Compliance / external review.

Risk reporting

Regular monitoring, which includes but is not limited to, day to day conversations between finance, legal, compliance, traders and the Board of Directors, is in place to allow the Board of Directors to review JSFL's risk profile against risk appetite, monitor losses, incidents and any breaches thereof.

Policy

JSFL has in place documented policies with respect to key areas of risk. These policies include Market Abuse, Personal Account dealing, Money Laundering, Trading limits, and others which address JSFL's guidelines.

Capital Resources

The regulatory capital requirement for JSFL as at 31 December 2010 is \$2,445 thousand. The actual capital held by JSFL as at 31 December 2010 is \$5,259 thousand, which gives a surplus of \$2,814 thousand.

As of 31 December 2010, JSFL exceeded the minimum base requirement of €730 thousand (\$977 thousand) as required for a BIPRU 730K firm.

Jane Street Financial Limited Pillar III Market Disclosures

JSFL's capital resources as at 31 December 2010 and 2009 are shown in the table below

Tier	Element	2010	2009
		\$000s	\$000s
Tier 1:	Permanent Share Capital	4,000	4,000
	Profit and loss account and other reserves (include material interim net losses)	1,259	0
	Tier 1 Deductions:	0	0
	Total Tier 1 Capital:	5,259	4,000
Tier 2:	Total Tier 2 Capital:	0	0
	Total Tier 2 Deductions:	0	0
Tier 3:	Total Tier 3 Capital	0	0
Total capital after deductions		5,259	4,000
Regulatory capital requirement		2,445	841
Surplus:		2,814	3,159

Notes to Table

- 1 Permanent Share capital has been issued and fully paid up
- 2 Subsequent to the filing of FSA003 for December 31, 2010, JSFL's audited accounts reflect an increase in audited reserves of \$2,370, which on recognition increases the Tier 1 Capital base by this amount

JSFL's approach to assessment of capital adequacy

JSFL maintains sufficient capital to meet UK regulatory requirements. In line with these requirements, JSFL maintains the higher of Pillar 1 and Pillar 2 (Individual Capital Adequacy Assessment Process ("ICAAP")) capital requirements. The adequacy of the capital held by JSFL is assessed, at least annually, as part of the ICAAP and is subject to formal sign off by the Board of Directors.

Pillar 1 capital calculation

Based upon its regulatory permissions and scope of activities, JSFL is subject to the capital requirements for a BIPRU 730K full scope firm. JSFL's Pillar 1 capital is based on the sum of credit, market, and operational risk requirements.

Jane Street Financial Limited Pillar III Market Disclosures

The following is the overall minimum capital requirement and capital adequacy as of 31 December 2010 and 2009

	Calculation Method	Capital Requirement \$000s 2010	Capital Requirement \$000s 2009
Credit risk	JSFL uses the standardised approach, under which the capital requirement is calculated as 8% of the risk weighted exposure amounts as set out by the FSA (detailed breakdown is tabulated below)	206	167
Market risk	JSFL applies the standardised approaches (TSA) set out in the FSA's rules to calculate its market risk Currently JSFL's market risk arises from its foreign exchange risk as it does not have any trading book positions	12	0
Operational risk	JSFL follows the basic indicator approach to Operational Risk	2,227	674
Pillar 1 Capital	Sum of credit, market and operational risk	2445	841
Regulatory Capital Resources	Total Capital Resources	5,259	4,000
Excess Capital Resources under Pillar 1	Capital Surplus	2,814	3,159

The following table analyses the calculation between the standardised credit risk exposure classes as at 31 December 2010 with 2009 shown in parentheses for comparison

	Exposure \$000s	Average risk weight	Risk weighted exposure \$000s	Capital Requirement \$000s
Financial Institutions	12,855 (10,456)	20% (20%)	2,571 (2,091)	205 (167)
Governments	290 (N/A)	0% (N/A)	0 (N/A)	0 (N/A)
Corporate	15 (0)	100% (100%)	15 (0)	1 (0)
Total	13,160 (10,456)	19.7% (20%)	2,586 (2,091)	206 (167)

JSFL utilizes external rating from the following nominated External Credit Assessment Institutions ("ECAI")

- Standard and Poor's
- Moody's
- Fitch

These ECAIs are recognized by the FSA as eligible providers of credit ratings for the purposes of calculating credit risk requirements under the standardized approach

Pillar 2 (ICAAP)

JSFL's ICAAP assesses the amount of capital required to mitigate the risks to which JSFL is exposed over a 12 month time horizon. The ICAAP considers the impacts of future business plans as well as potential adverse scenarios (such as market downturns or significant operational errors) on the capital resources of JSFL, to ensure regulatory capital requirements are met at all times.

JSFL's exposure to risk categories as defined by the FSA and JSFL's strategies with respect to material risk categories are shown below

Risk type	Treatment
Operational Risk	Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, systems or from external events. Examples of significant operational incidents that could arise are technology failures or mis-trading of products. For JSFL, this is mitigated by the use of its business continuity plan and internal risk controls on trading systems.
Market Risk	Market risk is defined as the risk of loss arising from fluctuations in values of, or income from, assets or arising from fluctuations in foreign exchange rates. JSFL's market risk arises from its foreign exchange positions. As it does not have any trading book positions there is no other source of market risk.

Credit Risk	<p>Credit risk is defined as the risk of loss caused by the failure of a counterparty to perform its contractual obligations. A factor which may contribute to increased credit risk is concentration of assets held with a single counterparty.</p> <p>JSFL is primarily exposed to credit risk in respect of cash deposits with banks. While being monitored closely, JSFL only places deposits with highly rated credit institutions that have been approved by the Board of Directors and for amounts not exceeding 100% of JSFL's capital and audited reserves. Consequently even in the remote event of a default by a credit institution, JSFL would remain balance sheet and liquidity solvent.</p>
Counterparty Risk	<p>Currently JSFL only acts as agent, therefore it is not subject to Counterparty Risk.</p>
Concentration Risk	<p>Concentration risk is the risk that results from a lack of diversification.</p> <p>The concentration risk rules are designed to ensure that a firm does not have exposures to counterparties that are so large that it risks a large loss should the counterparty default, which may ultimately threaten the solvency of the firm.</p> <p>For JSFL's non-trading book activity, large exposures are closely monitored and no exposure exceeds 100% of JSFL's capital and audited reserves.</p>
Business and Strategic risk	<p>Business risk is any risk to a firm arising from changes in its business, including the risk that the firm may not be able to carry out its business plan and its desired strategy. In a narrow sense, business risk is the risk to a firm that it suffers losses because its income falls or is volatile relative to its fixed cost base. However, in a broader sense, it is exposure to a wide range of macroeconomic, geopolitical, industry, regulatory and other external risks that might deflect a firm from its desired strategy and business plan.</p> <p>The Directors of JSFL feel that the Jane Street Group is well capitalized and has the size and resources to successfully make markets and profitably trade under both normal and stressed market conditions.</p>
Liquidity risk	<p>Liquidity risk is defined as the risk that a firm, although solvent, either does not have sufficient available resources to enable it to meet its obligations as they fall due, or can secure them only at excessive cost.</p> <p>There are two primary types of liquidity risk – funding liquidity risk and asset liquidity risk. Funding liquidity covers the risk that liabilities cannot be met when they fall due or can only be met at an uneconomic price. Asset liquidity risk is the risk that an asset cannot be sold due to lack of liquidity in the market. These are linked – when markets become volatile and illiquid, funding requirements such as margin haircuts generally increase, causing an increase in liabilities that may be difficult to meet through asset sales.</p> <p>JSFL's financial obligations consist of normal business costs (salaries, rent, etc.).</p> <p>JSFL's assets consist of cash accounts held with highly rated credit institutions.</p> <p>Trades are currently conducted on an agency basis, therefore, JSFL is not exposed to trading book liquidity risk.</p>

Non-applicable risk categories	<p>The following risk categories are deemed insignificant to JSFL's activities</p> <ul style="list-style-type: none"> • Interest rate risk • Securitisation risk • Residual risk
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In addition, JSFL has considered the effect of stress scenarios on its forecast and concluded that revenues will equal or exceed costs in all going concern scenarios

Remuneration

Remuneration policy and practices

JSFL's remuneration policy is determined by the Board of Directors of JSFL, working in conjunction with senior management of the Jane Street Group. The effectiveness of the remuneration policy and compliance with its requirements is subject to internal review as required, and at least annually.

As part of the Jane Street Group, JSFL operates a "pay-for-performance" remuneration model, however, both performance and pay are considered in the context of the Jane Street Group's capital base and applicable regulatory requirements. Performance is considered in the context of the Jane Street Group performance, JSFL performance and employee performance (both financial and non-financial) and, with regard to year end variable compensation, is assessed through the exercise of informed discretion to avoid payments that could reward or promote inappropriate behaviour.

Quantitative disclosure

1 By business area

	Total remuneration
Agency services on behalf of the Jane Street Group*	\$ 4,079,775

2 By senior management and members of staff whose actions have a material impact on the risk profile of JSFL

Number of Code Staff	Fixed remuneration**	Variable remuneration
Four	\$ 276,074	\$ 3,803,701

Pillar 3 process

JSFL provides annual Pillar 3 disclosures

Disclosures are verified and approved by JSFL's Board of Directors

* "Agency services on behalf of the Jane Street Group" is the only business area for JSFL

** "Fixed remuneration" includes benefits in kind