PILLAR III DISCLOSURE

For ITG Ventures Limited and its subsidiaries, Investment Technology Group Limited and Investment Technology Group Europe Limited, in connection with the 2010 Annual Reports

Disclosure pursuant to Regulation 37, European Communities (Capital Adequacy of Investment Firms) Regulations 2006 (as amended)

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Introduction

The purpose of this disclosure is to compile the information relating to capital adequacy and risk management which ITG (which includes the entities operating in Europe listed below) is required to disclose under regulations applicable to it. The Basel II Accord, implemented in the European Union through the Capital Requirements Directive (the "CRD") establishes a revised regulatory capital framework across Europe governing the amount and nature of capital that must be maintained by credit institutions and investment firms. In Ireland, the CRD has been implemented by the European Communities (Capital Adequacy of Investment Firms) Regulations, 2006 (as amended) and is supervised by the Central Bank of Ireland. The CRD consists of three pillars:

a. Pillar I specifies the minimum amount of capital required to meet the company's credit, market and operational risk,

b. Pillar II identifies risk factors not captured in Pillar 1 and allocates capital to those risks in addition to a re-assessment of capital allocation to credit, market and operational risk ensuring the company's capital is adequate to meet its risks. Pillar II sets the framework for the company's Internal Capital Adequacy Assessment Process ("ICAAP"), and

c. Pillar III requires disclosure of specified information about the underlying management controls and capital adequacy position of the company.

This document is designed to meet ITG's Pillar III obligations. This disclosure document is published on ITG's website (www.itg.com) and shall be reviewed at least annually. All figures in this document are correct as of 31 December 2010. The disclosures contained in this document have not been audited by ITG's external auditors unless they are deemed to be equivalent to those made under accounting requirements. Therefore they do not constitute financial statements and should not be relied upon in making judgments about ITG. This disclosure contains information about ITG's risk management process and its calculation of certain capital requirements.

Background to the business

ITG is a specialised agency brokerage and technology company that provides innovative solutions spanning the investment continuum. ITG is a leader in electronic trading and operates POSIT®, a multilateral trading facility. ITG's integrated approach includes a range of products from portfolio management and pre-trade analysis to trade execution and post-trade evaluation.

ITG is exposed to limited risk in its business as the company acts as an agency broker and does not engage in proprietary trading. The risk associated with ITG's brokerage service is managed by well-proven risk processes and policies. Where ITG's clients use systems and software services provided by ITG without ITG's brokerage services, ITG will not be the counterparty to those transactions. Such services involve only operational risk, the scope of which is limited as far as possible through agreements with ITG's clients.

Corporate Structure

The disclosures in this document are made on a fully consolidated basis in respect of the following companies:

a. ITG Ventures Limited ("ITGVL"), an Irish company engaged in the licensing of products and services to institutional clients in Europe, the Middle East and Africa.

b. Investment Technology Group Limited ("ITGL"), an Irish broker-dealer, offering broker services and products to clients in Europe, the Middle East and Africa. ITGL is a full service company under the CRD. ITGL is a wholly owned subsidiary of ITG Ventures Limited.

c. Investment Technology Group Europe Limited ("ITGEL"), an Irish broker-dealer and service company operating branches in London and Paris. ITGEL is a limited license company under the CRD. ITGEL is a wholly owned subsidiary of Investment Technology Group Limited.

ITGL and ITGEL are authorised under the European Communities (Markets in Financial Instruments) Regulations, 2007 (as amended) and regulated by the Central Bank of Ireland and provide services to professional clients and eligible counterparties only. The companies are wholly owned subsidiaries of Investment Technology Group, Inc., a NYSE listed US public company. While ITGEL, ITGL and ITGVL, (herein referred to as "ITG" or the "company"), are fully consolidated for statutory accounting and capital adequacy purposes there are certain limited differences as to the treatment of certain assets and capital items for statutory accounting and for capital adequacy calculations. There are no current or foreseen material restrictions or legal impediments to the movement of capital between the legal entities or the repayment of liabilities between the parent and subsidiary undertakings apart from the requirement to ensure there is adequate capital in each regulated entity to meet its regulatory requirements.

Governance and Risk Management Framework

Like other market participants, ITG is exposed to various types of risk as a natural part of its business. Effective risk management is important for all parties associated with ITG such as clients, clearing banks and lenders. ITG's strategy is to identify, manage, monitor and assess risk in a consistent fashion on a timely basis. The risk management framework adopted by ITG consists of:

a. **Board of Directors**
   The board of directors of each of ITGL, ITGEL, and ITGVL (each referred to herein as the "Board(s)") are the governing bodies ultimately responsible for ITG's risk management framework. The Boards review and approves ITG's Risk Policy, determine ITG's risk appetite, review management reports and approve the company's ICAAP.

b. **Risk Policy**
   ITG's Risk Policy describes the Boards' philosophy to risk management and the capabilities the Boards expect to be embedded within ITG's approach to risk management.

c. **Management of Risk Framework (MoRF)**
   ITG's MoRF describes the processes, practices, tools and methodologies that execute the implementation of the Risk Policy in practice, it is the link between policy and its effective implementation. The MoRF adopts industry recognized best practices including the AS/NZS 4360 standard for Risk Management.

d. **Credit and Risk Committee**
   The Credit and Risk Committee comprising senior management and chaired by the Chief Financial Officer ("CFO") meets periodically to review all credit and related risks. The CFO is responsible for assessing and monitoring the company's exposure to risk, adopting and reviewing specific risk policies and control procedures and approving controls or other mitigating action to ensure risks are adequately managed.

e. **Compliance and Anti-Money Laundering Officer**
   The Compliance and Anti-Money Laundering Officer is responsible for the oversight of compliance monitoring and providing regulatory advice to management and staff.

f. **Risk Manager**
   The Risk Manager is a central risk function responsible for monitoring and assessing risk and to report findings to the EMEA CFO. He is also responsible for the implementation of the risk management process, preparation of risk management policies, advice and guidance on techniques, methodologies and tools, risk reporting, operational risk loss recording & analysis & the implementation of the company's ICAAP.

Risk Appetite

ITG's appetite to risk can be summarised as conservative whilst exploiting business opportunities that are aligned with ITG's achievement of approved business strategies, goals and plans while balancing the expectations and interests of ITG customers, regulators, employees, suppliers and the shareholders of ITG's ultimate parent company, Investment Technology Group, Inc.

Risk Management Strategies and Processes

ITG's risks consist primarily of credit risk, market risk, liquidity risk and operational risk. ITG has put strategies and processes in place to manage these risks.

Credit Risk	Market Risk	Liquidity Risk	Operational Risk	Other Risks
Counterparty Risk	Interest rate Risk	Liquidity Risk	System Risk	Earnings Risk
Concentration Risk	Foreign Exchange Risk		Settlement Risk	
	Equity price Risk		Human error	
	Competition Risk		Legal, compliance & regulatory Risk	
			Business Continuity Risk	
			Strategic Risk	
			Reputational Risk	

Credit and Counterparty Risk

For ITG, credit and counterparty risk is the current or prospective risk to earnings and capital arising from the failure of an obligor of ITG to perform an obligation at the stipulated time or otherwise to perform as agreed. ITG is primarily an agency broker, does not have any retail clients and does not engage in proprietary trading. The company is therefore not exposed to the credit and counterparty risk that would arise from proprietary trading activity or the higher risk associated with trading for retail clients.

ITG regularly monitors amounts due from its institutional, hedge fund and broker dealer clients and has appropriate credit control procedures in place. The credit control process is operated by the company's CFO. Outstanding balances are reported to senior management by means of management accounts and are reviewed by the company's Credit and Risk Committee regularly. Trade counterparty exposures are monitored on a daily basis by management. The majority of ITG's transactions are settled on a DVP (delivery versus payment) or RVP (receipt versus payment) basis thereby reducing the risk involved in the actual settlement of trades.

In the event of a client failing to complete a transaction, ITG could suffer financial damage. In such cases, ITG may then need to buy or sell securities on the market at a different price than the price applicable to the original transaction in order to complete the transaction with the counterparty. The pre-settlement risk in relation to clients is minimized by the fact that all ITG clients are required to undergo a credit check before being approved for trading. A credit risk model developed in-house is used to assess credit risk of clients. The Credit and Risk Committee conducts a credit review of clients on a regular basis. In addition, ITG is subject to counterparty risk when it trades with a counterparty, an exchange or other execution venue. However such market counterparties are generally subject to minimum capital regulatory requirements and counterparty risk in such instances is reduced where the execution venue operates a central clearing counterparty (CCP).

ITG has credit risk vis-a-vis the credit institutions in which it holds its bank deposits. Bank reconciliations are prepared on a monthly basis in order to ensure the company's records are in agreement with those of the banks used by it. In order to minimize the credit risk of bank defaults ITG diversifies its funds over several European banks and holds its cash balances only with financially stable banks with a strong credit rating.

ITG has adopted the standardised approach to the calculation of an appropriate capital requirement for its credit and counterparty risk and free delivery exposure. This amounts to 8% of the total balance due.

ITG's Credit and Counterparty Risk and Free Delivery Capital Requirement as at 31 December 2010 was distributed among exposure categories as follows in €000's:

Category	Exposure	Risk %	Risk	8% Capital Requirement
Institutional exposure	259,677	20%	51,935	4,155
Other Liquid assets	6,262	100%	6,262	501

The maturity for all exposures is less than three months.

Concentration risk is the risk of concentrated exposure on a small number of clients, limited market penetration, or reduced geographic coverage.

ITG manages this risk by continuing to expand its client base and by providing a diversified product and service range suitable to a broad range of institutional clients. ITG's strategy is to continue to diversify its product base and asset class offering. ITG's services and products offer global solutions to its client base, thereby avoiding limited concentration on a specific geographic area. In addition, ITG continues to expand the number of geographic markets in which it offers services, including continued expansion into emerging markets.

Market Risk

Market risk is the current or prospective risk of losses arising from adverse movements in market values as a result of price changes in respect of interest rates, currencies or equities. ITG does not conduct proprietary trading and consequently is not exposed to the risk of loss in value of stock holdings which would arise from such trading.

ITG is subject to three sources of market risk:

a. Interest rate risk

As ITG has no borrowings other than short-term borrowings associated with the occasional funding of failing or non-standard equity settlement receivables, its interest rate risk is generally limited to exposure on deposits and interest expense on short-term borrowings. Although ITG strives to maximize interest receipts and minimize interest payments through obtaining competitive rates and products from financial institutions, national or European Union monetary policy dictates the basis for rates. Due to the fluctuation of ITG's daily trading volumes, the company is unable to place cash on long or medium term deposits.

b. Foreign exchange risk

ITG is exposed to currency risk as a result of sales and expenses in foreign currencies. ITG operates in a number of geographic locations and hence has assets and liabilities denominated in a number of currencies. As ITG's financial statements are stated in sterling, the company's treasury function seeks to minimize liquid assets held in currencies other than sterling, seeks to reduce foreign exchange exposure, and, where appropriate it seeks to hedge these exposures.

c. Equity price risk

Equity price risk is the risk of loss due to an adverse change in equity market prices. This risk would arise if ITG held stock positions which were subject to an adverse change in equity market prices. As ITG is primarily an agency broker and does not engage in proprietary trading, it has limited exposure to this risk. In addition, the majority of ITG's transactions are settled on a DVP (delivery versus payment) or RVP (receipt versus payment) basis thereby mitigating this risk.

On rare occasions ITG may hold small stock positions resulting from corporate action stock roundings, to fund non-standard settlement activity, as a result of failed trades, or from human or system trading errors. ITG's internal policy is to sell all stock holdings, immediately, on identification. ITG has procedures and controls in place to identify such positions on a timely basis.

d. Competition Risk

Competition risk is risk that new or existing competitors in the market acquire market share from ITG. This risk is mitigated by sales and relationship managers retaining excellent client relationships and being proactive to client demands. The Company endeavours to continuously improve its products in order to remain ahead of the market, by investing in R&D, by market monitoring and by providing a competitive offering. Most of ITG's products have been tested in the US market by its US affiliate and accordingly, ITG's competition risk is reduced by its introduction to mature and proven US products to the European market.

ITG has adopted the standardised approach to the calculation of its capital requirement for market risk exposure. As of 31 December 2010 ITG's Market Risk Capital Requirement was:

Market Risk Capital Requirement	**Position € 000's**	**Risk Weight**	**€ 000's**
Interests rate positional risk requirement	Not applicable		
Equity positional risk requirement	Not applicable		
Commodity positional risk requirement	Not applicable		
Foreign currency positional risk requirement	3,016	8%	241
Option positional risk requirement	Not applicable		
Collective investment undertaking positional risk requirement	Not applicable		
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Total Market Risk Capital Requirement	**3,016**		**241**

ITG has adopted the standardised approach to the calculation of its capital requirement for settlement / delivery risk in the Trading Book. ITG's Trading Book items represent principal trades given up to prime brokers. As of 31 December 2010 ITG's Settlement Risk Capital Requirement was:

Total unsettled transactions in the trading book	**Risk Weighting**	**Unsettled transactions at settlement price € 000's**	**Price difference due to unsettled transactions €000's**	**Capital Requirement € 000's**
Unsettled up to 4 days	0%	15,481	0	0
Unsettled between 5 and 15 days	8%	0	0	0
Unsettled between 16 and 30 days	50%	0	0	0
Unsettled between 31 and 45 days	75%	0	0	0
Unsettled for 46 days or more	100%	0	0	0
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Total Market Risk Capital Requirement		**15,481**	**0**	**0**

Liquidity Risk

Liquidity risk is the current or prospective risk that ITG either does not have sufficient financial resources available to meet its liabilities when they fall due, or can secure them only at excessive cost. ITG requires a high level of access to working capital in order to provide various forms of collateral in the form of pledged bank balances to act as security for equity settlement and for agents acting as clearing members to finance collateral calls on Central Security Depositories. From time to time ITG is also required to fund non-standard settlement activity and failing trades. ITG utilizes its cash deposit and overdraft facilities to fund this activity.

ITG's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities and funding requirements. ITG monitors its cash and net unsettled receivable positions on a daily basis. ITG's current liquid assets comprise the sum of bank balances, unutilized overdraft facilities, the difference between contract settlement receivables and payables and temporary intercompany settlement loans.

Cash balances are invested in accordance with approved treasury policies typically in short-term bank deposits with maturities of 30 days or less.

ITG's ultimate parent company holds cash balances which are available to ITG to fund expansion, provide security for banking facilities and cover any short term liquidity shortages ITG incurs.

Operational Risk

Operational risk is the risk of direct or indirect loss or damage to ITG resulting from inadequate or failed internal processes, people and systems, or from external events that affect ITG or its operational earnings. This risk includes;

a. **Human error**
The risk of errors caused by human factors.

b. **System risk**
The risk that one of ITG's systems ceases to function as intended.

c. **Legal and compliance risk**
Legal risks can arise in connection with agreements between ITG, its suppliers, customers, staff, agents or banks. Compliance risk can arise from a failure to comply with applicable laws, rules, or regulations.

d. **Settlement risk**
The risk of a failed or incorrect settlement of a transaction.

e. **Business continuity risk**
The risk of disruptions in business arising from internal and/or external events.

ITG operates effective internal controls and processes to mitigate these risks. These include employing competent and experienced staff, monitoring and improving internal procedures and day-to-day controls. ITG's operational issues and failures are brought to the attention of ITG's senior management as appropriate, and are consolidated for formal review by the Credit and Risk Committee on a regular basis. ITG engages independent external auditors to help identify weaknesses in the company's internal procedures. ITG operates a crises management plan and has in place comprehensive insurance cover for major incidents.

ITG has adopted the standardised approach to the calculation of its capital requirement for operational risk exposure. As of 31 December 2010 ITG's Operational Risk Capital Requirement was:

Operational Risk Capital Requirement	**Position € 000's**	**Risk Weight**	**€ 000's**
Corporate Finance	Not applicable		
Retail Brokerage	Not applicable		
Commercial Banking	Not applicable		
Trading and sales	10,534	100%	10,534
Retail Banking	Not applicable		
Payment and Settlement	Not applicable		
Agency Services	Not applicable		
Asset Management	Not applicable		
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Total Market Risk Capital Requirement	**10,534**		**10,534**

Strategic risk is the risk that ITG may not be able to carry out its business plan or its desired strategy and could therefore suffer losses if its income falls. To retain its attractiveness, ITG must adapt to new technology trends and changing market structures, manage client requirements and remain ahead of its competitors. The Boards and executive management set the strategy for ITG, to ensure these objectives are achieved. ITG manages its strategic risk by adopting a long-term perspective as the basis for its decision-making. In addition, ITG aims to provide a high standard of service to its clients thereby ensuring that its clients become long-term partners.

Reputational risk is the current and future risk arising from the negative perception or image of the company among clients, counterparties, shareholders, suppliers and government agencies. Although ITG is part of a global group, a negative perception of ITG could put the group's European business at risk and damage the entire group.

ITG bases its operations on best market practices in the financial sector. ITG manages its reputational risk by being proactive in responding to client requirements, treating clients and suppliers as partners and through respect for its competition. ITG recruits professional staff to deliver its services and operates a dedicated marketing and public relations function.

Other Risks

Earnings Risk

Earnings risk is the risk that ITG will diverge from its “normal” earnings level. Specifically this relates to the effect that changes in fees and expenses could have on the company’s margins and profitability. Since ITG’s trading revenues are derived from market equity volumes and valuations, the company is sensitive to this risk.

ITG manages earnings risk by forecasting internal and external variables that indicate how various outcomes impact profitability. ITG’s Boards and Executive Committee are aware of these variables and use sensitivity analyses to forecast trading revenues under different market conditions. Excluding variable expenses relating to executing and clearing equity trades, ITG’s other costs are mostly fixed. If required, ITG can implement policies or strategies to reduce these fixed costs independent of revenue performance. ITG assesses all revenues and costs regularly to evaluate whether changes are required to address changing market conditions. In addition, ITG aims to mitigate earnings risk by diversifying its product offering and by providing clients with a range of payment options for products and services.

In the event of significant falls in revenues, the company is confident that with the existing levels of capital held by it, the company should continue to cover the expenses of its business.

Capital Adequacy Analysis

Under the CRD, the capital base of ITG is compared with a computed capital requirement. The eligible capital base consists of shareholder equity. Original own funds is calculated by adding or deducting retained earnings and intangible assets from the eligible capital base.

ITG's own funds for solvency purposes excludes free delivery equity trades at market value greater than 5 days old. ITG's Total Own Funds for solvency purposes at 31 December 2010 was €22.5m (2009: €32.4m). ITG's computed capital requirement was €15.4m (2009: €12.8), giving a surplus of €7m (2009: €19.7m). ITG meets the requirements imposed by the CRD, i.e. the Total Own Funds for solvency purposes exceeds the capital requirements for credit risks, market risks and operational risks. ITG's strategy for capital management is to maintain a capital level that comfortably exceeds the minimum level. ITG's daily procedures include measuring, monitoring and, where required, taking appropriate steps to safeguard the company's capital.

ITG has elected to use the standardised approach to calculate the company's capital requirements. ITG has the following Own Funds for solvency purposes as at 31 December 2010 based on Pillar I requirements:

Eligible Capital	**2010**	**2009**
	€ 000's	**€ 000's**
Shareholders Equity	59,993	47,498
Eligible Reserves	(21,009)	(15,021)
Intangible assets	(16,514)	-
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Original Own Funds	22,470	32,477
Free deliveries from 5 business days post contractual payment or delivery leg	-	(35)
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Total Own Funds for Solvency Purposes	**22,470**	**32,442**
Minimum initial capital required	**730**	**730**
Capital Requirements		
Capital requirement for credit, counterparty credit, dilution risks and free deliveries	4,656	3,664
Capital requirement for settlement / delivery risk	-	1
Capital requirement for position, foreign exchange and commodity risks	241	372
Capital requirements for Operational risks	10,534	8,749
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Total capital requirement	**15,431**	**12,786**
Surplus of own funds	**7,039**	**19,656**

Since the company's ICAAP (Pillar II) process has not identified capital to be held over and above the Pillar I requirement, or identified any material risks not covered by the Pillar I requirement, the capital resources detailed above are considered adequate to continue to finance ITG over the next year. No additional capital injections are considered necessary.

Capital Planning

ITG's approach to assessing the adequacy of its internal capital to support current and future activities is contained in the company's ICAAP which is reviewed by the Boards regularly. Risk and other data reviewed in the ICAAP is regularly reviewed and updated.