

# Solo Disclosure of Information (Pillar 3) For the year ended December 31<sup>st</sup>, 2023

**April 2024**

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3 Thalia Street, Office Number 310-318, 3rd Floor, 3011, Limassol, Cyprus

☎ +357 25 20 70 00

📠 +357 25 20 70 00

✉ info@traders-trust.eu

🌐 [www.traders-trust.eu](http://www.traders-trust.eu)

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## **1. Introduction**

TTCM TRADERS TRUST CAPITAL MARKETS LTD is a Cypriot Investment Firm (“CIF”) regulated by the Cyprus Securities and Exchange Commission (the “Commission” or the “CySEC”) with license number 374/19 in line with the L. 87(I)/2017 Law which provides for the provision of Investment services, the exercise of investment activities, the operation of regulated markets and other related matters (the “law”).

On 26 June 2021, most investment firms became subject to a new prudential framework, composed of Regulation (EU) 2019/2033, also known as the Investment Firms Regulation (IFR), and Directive (EU) 2019/2034, also known as the Investment Firms Directive (IFD).

Pursuant to Article 14 of the Regulation (EU) 2019/2034 (the “Regulation” or “IFR”) and Article 9 of the Directive (EU) 2019/2033 (the “Directive” or “IFD”) the Company is categorised as “Limited Scope” CIF with minimum/initial capital requirement of €150,000.

According to Article 12 of the IFR the Company is not deemed to be small and non-interconnected Investment Firm and pursuant to Article 46 of the IFR is required to proceed to disclosures (Pillar III disclosures).

The above has resulted to the respective amendments of the Investment Services and Activities and Regulated Markets Law (Law 144(1)/2007) and the implementation of the respective Regulations and the release of Law L.165(I)/2021, for the purpose of harmonization with the actions of the European Directive (IFD) and Regulation (IFR).

Following the implementation of the above, the Company is required to disclose information relating to its capital, the risks that the Company is exposed to, its own funds, its remuneration policies and practices as well as its investment policy. These disclosures are for the year ended 31 December, 2023. The Company’s policy is to meet all required Pillar III disclosure requirements as detailed in the Prudential framework for Investment Firms Capital Requirements Regulations (IFR & IFD).

This report is published and will be available on the Company’s website at [www.traders-trust.eu](http://www.traders-trust.eu)

### **1.1. Reporting Frequency**

The Company’s policy is to publish the disclosures required on an annual basis. Should there be a material change in the approach used for the calculation of capital, business structure or regulatory requirements, the frequency of disclosure will be reviewed.

### **1.2. Verification**

The Company’s Pillar 3 disclosures are subject to internal review and validation prior to being submitted to the Board for approval. This includes approval by the CEO, the Risk Manager, the Head of Accounting and External Auditor.

The Company's Pillar III disclosures have been reviewed and approved by the Board. In addition, the Remuneration disclosures, as detailed in Section 6 of this document, have been reviewed by the Board, which has responsibility of the Remuneration Policy in the absence of a Remuneration Committee.

### **1.3. Reporting Details**

The Company reports on a Solo basis and the reporting currency is EUR.

### **1.4. Non-Material, Proprietary or Confidential Information**

This document has been prepared to satisfy the Pillar III disclosure requirements set out in the IFR. The Company does not seek any exemption from disclosure on the basis of materiality or on the basis of proprietary or confidential information.

## **2. Corporate Governance – Board and Committees**

### **2.1. Board of Directors**

The Board has overall responsibility for the business. It sets the strategic aims for the Company, in line with delegated authority from the shareholder and in some circumstances subject to shareholder approval, within a control framework, which is designed to enable risk to be assessed and managed. The Board satisfies itself that financial controls and systems of risk management are robust.

The principal responsibilities of the Board, the Senior Management, the Internal Auditor, the Risk Management Committee and the Risk Management Function in relation to the management of the Company's risks are briefly described in the following subsections.

#### Board of Directors

The Board of Directors, which carries the ultimate responsibility for the approval of the ICAAP, has unequivocal responsibilities as regards the management of the Company's risks, their internal control and the Company's capital adequacy. With the Board, at all times, lies the responsibility for defining the Company's risk profile in terms of its risk tolerance and for making the necessary arrangements so as for the Company to operate within this predetermined profile at all times, as well as regarding the adequacy of the Company's capital allocated in proportion to the nature and level of material risks and the respective capital requirements.

The Board holds meetings where the written reports generated by the internal control functions of the Company are reviewed and approved. The BoD is responsible for addressing any deficiencies identified throughout the said reports at the soonest possible, especially where there is a breach of the regulatory framework which could potentially harm the Company. The said control functions are the Risk Management, the Internal Audit, the Compliance Department and the Money Laundering Compliance Department. In this manner the Board remains up to date with the Company's position as regards the aforementioned functions.

#### Senior Management

The Senior Management reviews the written reports prepared by the internal control function of the company including the Risk Manager's report, applies the decisions of the Board with respect to risk management and monitors whether all the Company's risk management procedures are followed.

#### Risk Manager

The Risk Manager is responsible to identify, assess, quantify, monitor and manage the Company's financial and non-financial risks ensuring that all the different types of risks assumed by the Company are in compliance with its obligations as those derive from applicable legislation and that all necessary risk management procedures are in place. Further, it is the responsibility of the Risk Manager to make recommendations and indicate whether the appropriate remedial measures have been taken in the event of any deficiencies identified.

#### Internal Auditor

The Internal Auditor evaluates the adequacy and effectiveness of the Company's internal control systems, policies and procedures with respect to risk management. The Internal Audit function acts independently and is separated from the other functions and activities of the Company, with the Internal auditor being appointed by the Board of Directors and reports directly to the senior Management of the Company. The Internal Auditor is responsible for the application of an effective Internal Control System, and the performance at least on annual basis, of checks as these are required by the Internal Control System. The Internal Auditor is provided with access to the Company's personnel and books and any audit issues identified, are considered by the Board when these are presented to it through the appropriate reports.

### **2.2. Board Recruitment Policy**

Recruitment of Board members combines an assessment of both technical capability and competency skills referenced against the Company's regulatory and operational framework. It seeks to resource the specific experience and skills needed to ensure the optimum blend (diversity) of individual and aggregate capability having regard to the Company's long term strategic plan.

The persons proposed for appointment to the Board should commit the necessary time and effort to fulfill their obligations. Prior to their appointment the proposed persons should obtain the approval of the Commission. Main factors influencing the decision to propose the appointment of potential Directors include:

- Integrity and honesty;
- High business acumen and judgement;
- Knowledge of financial matters including understanding of financial statements and important financial ratios;
- Knowledge and experience relevant to financial institutions;
- Risk Management experience; and
- Specialized skills and knowledge in finance, accounting, law, or related subject.

### **2.3. Policy on Diversity**

The Company is committed to promote a diverse and inclusive workplace at all levels, reflective of the communities in which it does business. It approaches diversity in the broadest sense, recognizing that successful businesses flourish through embracing diversity into their business strategy, and developing talent at every level in the organisation.

For this purpose, The Company takes into consideration various aspects such as broad industry experience, knowledge, independence, gender, age, cultural and educational background, for the Board appointments.

#### **2.4. Number of Directorships Held by the Board Members**

According to Section 9 of the Investment Services and Regulated Markets Law of 2017 there is a limitation to the number of directorships held by members of the Board of a CIF that is significant in terms of its size, internal organisation and in terms of the nature, the scope and the complexity of its activities. Thus, only one of the below listed combinations of maximum directorships that can be held simultaneously is allowed:

- One executive directorship with two non-executive directorships;
- Four non-executive directorships

We note that the Company is not Significant as defined by the current definitions by the regulator, thus the application of the above restriction is not applicable.

The number of executive and non-executive / independent directorships held with any entity by those who are also directors in the members of the Company is listed below. It should be noted that Executive or non-executive directorships held within the same company shall count as a single directorship:

Full name of Director	Entity Name	Position/Title	# Executive	# Non-Executive	Country
Nicola Giuseppe Berardi	TTCM Traders Trust Capital Markets Ltd	Executive Director	1		Switzerland
Naji El Afifi	TTCM Traders Trust Capital Markets Ltd	Executive Director	1		Cyprus
Spyros Georgiou	TTCM Traders Trust Capital Markets Ltd	Non-executive Director		1	Cyprus

Evagoras Paphitis	TTCM Traders Trust Capital Markets Ltd	Non-executive Director		1	Cyprus
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## 2.5. Risk Management Committee

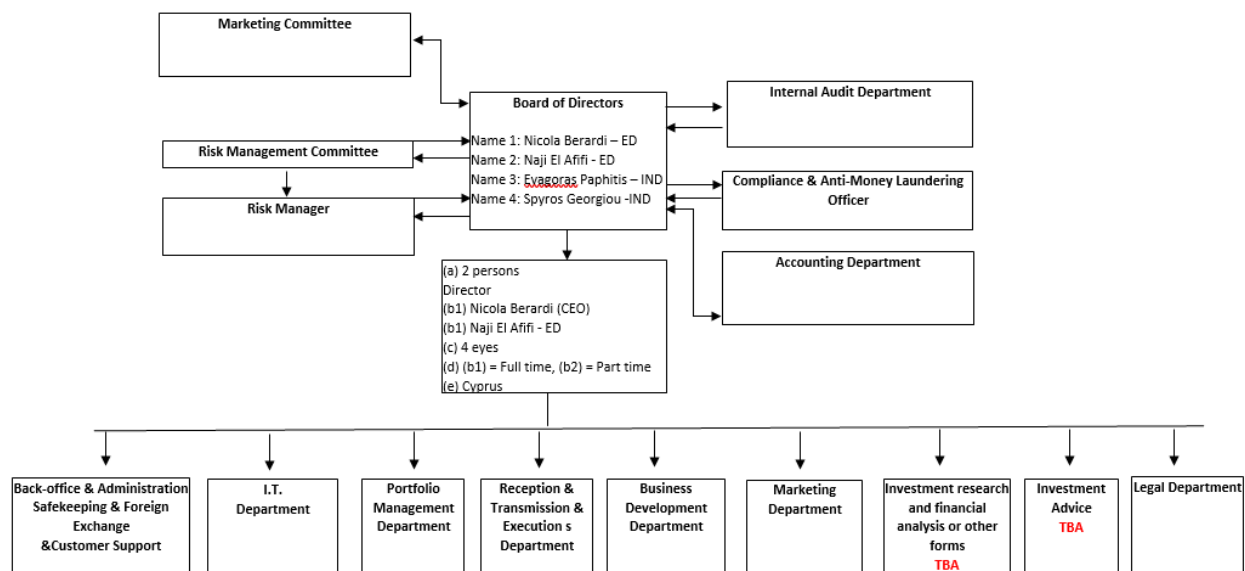
The Company has set up a separate Risk Committee which met three times during the year under review, on 3<sup>rd</sup> April, 2<sup>nd</sup> July and 2<sup>nd</sup> October 2023 respectively.

## 2.6. Governance Committee

The Company has not formed any governance committees since the current scale and complexity of its operations does not require such level of elaborate governance oversight to adequately monitor its operational effectiveness and its potential risks. The Committee meet on annual basis

## 2.7. Organizational Structure

ORGANIZATIONAL CHART



## 3. Risk Management Objectives and Policies

There is a formal structure for monitoring and managing risks across the Company comprising of detailed risk management frameworks (including policies and supporting documentation) and independent governance and oversight of risk.



To ensure effective risk management the Company has adopted the “three lines of defense” model of governance with clearly defined roles and responsibilities.

**First line of defense:** Managers are responsible for establishing an effective control framework within their area of operations and identifying and controlling all risks so that they are operating within the organizational risk appetite and are fully compliant with Company policies and where appropriate defined thresholds.

**Second line of defense:** The Risk Management Function is responsible for proposing to the Board appropriate objectives and measures to define The Company’s risk appetite and for devising the suite of policies necessary to control the business including the overarching framework and for independently monitoring the risk profile, providing additional assurance where required. Risk will leverage their expertise by providing frameworks, tools and techniques to assist management in meeting their responsibilities, as well as acting as a central coordinator to identify enterprise wide risks and make recommendations to address them.

**Third line of defense:** comprises the Internal Audit Function which is responsible for providing assurance to the Board and senior management on the adequacy of design and operational effectiveness of the systems of internal controls.

### **3.1. Risk Appetite**

Risk Appetite limits the risks which the business can accept in pursuit of its strategic objectives. Risk Appetite is formally reviewed annually and is monitored on an ongoing basis for adherence. The Company’s strategy, business plan and capital and liquidity plans are set with reference to Risk Appetite considering for all business lines and legal entities within the Company.

The Board approves the Risk Appetite, which defines the level of risk that the Company is prepared to accept to achieve its strategic objectives and is translated into specific risk measures that are tracked, monitored and reported to the Board. The Risk Appetite framework has been designed to create clear links to the strategic long-term plan, capital planning, stress testing and the Company’s risk management framework. The review and approval process is undertaken at least annually. The Company’s Risk Appetite covers the core areas of, Risk to the Clients of the firm, Risk the firm poses to the Market, Risk to the Firm, Concentration risk and Liquidity risk.

The Board approves the Company’s business plans, budget, Internal Capital Adequacy Assessment Process (the “ICAAP”) and also monitor’s the Company’s risk profile, capital adequacy, liquidity and concentration position.

#### **3.1.1. Risk Identification**

The Risk Identification process provides guidance on the sources to investigate and research in order to identify new and emerging risks and sets out consistent principles, which should be applied.

#### **3.1.2. Risk Assessment**

The Risk Assessment process is the means through which the Company understands and estimates the effect of risk on the business lines and the processes, systems and controls that mitigate those risks to an acceptable level. This is achieved through the documentation and regular update of a detailed Risk Register /Map where all financial and non-financial risks the Company faces are identified and recorded by the Risk Manager as well as the relevant risk management controls. The Risk Register is discussed and finalised during the Risk Management Committee's meetings.

### **3.1.3. Risk Management Function**

The Risk Management Function (the "RMF") operates under the leadership of the Risk Management Officer (the "RMO") who reports directly to the Senior Management and the Board. The Risk Management function comprises by individuals with specific expertise and is structured to provide analysis, challenge, understanding and oversight of each of the principal risks faced by the Company.

### **3.1.4. Stress Testing**

Stress Testing is the process by which the Company's business plans are subjected to severe stress scenarios in order to assess the impact of those potential stresses on the Company's business including the projected capital and liquidity positions.

The Company is required to prepare and make available upon request periodic ICAAP reports which set out future plans, their impact on capital availability and requirements and the risks to capital adequacy under potential stress scenarios.

### **3.1.5. ICAAP and Approach to assessing adequacy of Internal Capital**

The Company, in accordance with EU regulation 2019/2033 (IFR), is implementing an ICAAP procedure in order to evaluate the risks to clients, risks to market and risks to the firm as well as any additional risks that are not covered by the IFR/IFD framework and the calculation of K-Factors. The ICAAP process considers all of the risks faced by the Company, the likely impact of them if they were to occur, how these risks can be mitigated and the amount of capital that it is prudent to hold against them both currently and in the future.

The Company performs a full ICAAP annually with approval provided by the Board. For this purpose, all departments of the organization will complete the Risk Records Charts. After the evaluation of the complete Risk Records charts, the Risk Manager creates a Risk Register with Assessments. The Financial department prepares Business Plans and Capital Plans for the next 3 years based on rolling P&L and Balance Sheet. The Risk Manager implements Stress Test of the Capital Plan, based on "What if" approach in each department of the Company. All stress tests are then summarized by the Risk Manager, assessed, identified and submitted as a "Stress Test Register" to the Risk Committee and to ICAAP Committee. The Financial department prepares stress tests on the Capital Plan based on Stress Test Register. It also prepares Budget of the Company, based on stress tested Capital Plan. The Financial department compares the calculated Capital Plan and stress tested Capital Plan: Pillar I Risks + Pillar II risks (uncovered Pillar I Risks).

These measures allow the Management to evaluate Gap Analysis (what we have at hands and what we should have), and to create Action Plan to monitor and mitigate the consequences of the risks in order to make the Board of Directors to be able to assess and approve Action Plan along with outcomes of ICAAP.

### **3.1.6. Control Functions**

#### **3.1.6.1. Internal Audit**

The Company, taking into account the nature, scale and complexity of its business activities, as well as the nature and the range of its investment services and activities, establishes and maintains an internal audit function through the appointment of a qualified and experienced Internal Auditor.

The Internal Auditor is appointed and reports to the Senior Management and the Board of the Company. The Internal Auditor is separated and independent of the other functions and activities of the Company. The Internal Auditor bears the responsibility to:

- (a) establish, implement and maintain an audit plan to examine and evaluate the adequacy and effectiveness of the Company's systems, internal control mechanisms and arrangements
- (b) issue recommendations based on the result carried out in accordance with point (a)
- (c) verify compliance with the recommendations of point (b)
- (d) provides timely, accurate and relevant reporting in relation to internal audit matters to the Board of Directors and the Senior Management of the Company, at least annually.

The Internal Auditor is responsible for applying the Internal Control System (hereinafter, the "ICS"), which confirms the accuracy of the reported data and information. Furthermore, the role of the Internal Auditor is the programming, on an at least annual basis (as applicable), of checks on the degree of application of the required ICS.

The Internal Auditor has clear access to the Company's personnel and books. Likewise, the Company's employees have access to the Internal Auditor for the reporting of any significant deviations from the guidelines provided.

The Board ensures that internal audit issues are considered when presented to it by the Internal Auditor and appropriate actions shall be taken. The Board ensures all issues are dealt with and prioritised according to the Board's assessment.

#### **3.1.6.2. Compliance Officer**

Pursuant to the regulatory obligations of the Company and with the view to complement the Internal Governance framework of the Company, the Board has appointed a Compliance Officer, to head the Compliance Function of the Company in order to establish, implement and maintain adequate policies and procedures designed to detect any risk of failure by the Company to comply with its obligations, to put in place adequate measures and procedures designed to minimize such risks and to enable the competent authorities to exercise their powers effectively.

The Compliance Officer is independent and reports directly to the Senior Management of the Company, having at the same time the necessary authority, resources, expertise and access to all relevant information.

The Compliance Officer is responsible, inter alia, to:

- a) liaising with all relevant business and support areas within the Company
- b) monitor on a permanent basis and to assess, on a regular basis, the adequacy and effectiveness of the measures, policies and procedures put in place, and the actions taken to address any deficiencies in the firm's compliance with its obligations;
- c) monitor and assess the level of compliance risk that the Company faces, taking into account the investment and ancillary services provided, as well as the scope of financial instruments traded and distributed
- d) monitor the adequacy and effectiveness of the measures and procedures of the Company
- e) advise and assist the relevant persons responsible for carrying out the investment services to be in compliance with the Law.

#### **3.1.6.3. Anti-Money Laundering Compliance Officer**

The Board retains a person to the position of the Company's Anti-Money Laundering Compliance Officer (hereinafter the "AMLCO") to whom the Company's employees report their knowledge or suspicion of transactions involving money laundering and terrorist financing. The AMLCO belongs to the higher hierarchical levels/layers of the Company so as to command the necessary authority. The AMLCO leads the Company's Anti-Money Laundering Compliance procedures and processes and report to the Senior Management and the Board of the Company. Scope and objectives of the AMLCO:

- a) The improvement of mechanisms used by the Company for counteraction of legalization (laundering) of criminally earned income
- b) To decrease the probability of appearance among the Customers of the Company of any persons/organizations engaged in illegal activity and/or related with such persons/organizations
- c) To minimize the risk of involvement of the Company in any unintended holding and realization of operations with any funds received from any illegal activity or used for its financing
- d) To ensure compliance with anti-money laundering laws and directives issued by CySEC as well as the identification and proper reporting of any money laundering activity to the relevant authorities.

#### **3.1.7. Information flow on risk to the management body**

Risk information flows up to the Board directly from the business departments and control functions. The Board ensures that it receives on a frequent basis, at least annually written reports regarding Internal Audit, Compliance, Anti-Money Laundering and Terrorist Financing and Risk Management, Risk and Investment Committees (where applicable) and approves the Company's ICAAP report.

Furthermore, the Company believes that the risk governance processes and policies are of utmost importance for its effective and efficient operation. The processes and policies are reviewed and updated on an annual basis or when deemed necessary and are approved by the Board.

### **3.2. Board Declaration - Adequacy of the Risk Management Arrangements**

The Board of Directors is ultimately responsible for the risk management framework of the Company. The risk management framework is the totality of systems, structures, policies, processes and people within the Company that identify, assess, mitigate and monitor all internal and external sources of risk that could have a material impact on the Company's operations.

The Board is responsible for reviewing the effectiveness of the Company's risk management arrangements and systems of financial and internal control. These are designed to manage rather than eliminate the risks of not achieving business objectives, and, as such, offer reasonable but not absolute assurance against fraud, material misstatement and loss.

The Board considers that it has in place adequate systems and controls with regard to the Company's profile and strategy and an appropriate array of assurance mechanisms, properly resourced and skilled, to avoid or minimize loss.

### **3.3. Board Risk Statement**

Considering its current nature, scale and complexity of operations, The Company has developed a policy that establishes and applies processes and mechanisms that are most appropriate and effective in monitoring activities.

The operations of the Company expose it to the economies and financial markets and more specifically to a variety of risks, the most material of which are credit risk, market risk, operational risk, compliance risk, regulatory risk, reputational risk and liquidity risk.

The Outbreak of Covid-19 in 2021 has created an unrepresented challenge to the global economy, similar to the one of the latest economic recession. At the same time there was an increase in terms of grade which was due to ensuring staff welfare, change of procedures with a move to work from home and unfortunate required decrease in workforce.

The Company has taken all necessary steps and adapted its business model to ensure that its employees have access to its technology infrastructures necessary for the completion of their tasks. It has further amended its Business Continuity Plan and monitors closely the financial impact of the pandemic.

The aim is to promptly identify, measure, manage, report and monitor risks that interfere with the achievement of the Company's strategic, operational and financial objectives. The policy includes adjusting the risk profile in line with the Company's stated risk tolerance to respond to new threats and opportunities in order to minimize risks and optimize returns.

Risk appetite measures are integrated into decision making, monitoring and reporting processes, with early warning trigger levels set to drive any required corrective action before overall tolerance levels are reached. Risks are assessed systematically and evaluated as to the probability of a risk scenario occurring, as well as the severity of the consequences should they occur.

The following table sets out a number of key measures used to monitor the Company's risk profile:

Risk Area	Metrics	Comment	Measure as at 31/12/2023
<b>Capital</b>	Common Equity Tier1 (CET1) ratio,  Tier 1 ratio and  Total Own Funds ratio	The Company's objective is to maintain regulatory ratios well above the minimum thresholds set by CySEC. It therefore aims to maintain its capital ratios at least 2% points above the required level (regulator's current limits are 56% for CET1, 75% for Tier 1 and 100% for Total Own Funds ratio).	CET1 ratio: 115.0%  Tier1 ratio: 115.0%  Total own funds ratio: 115.0%
<b>Liquidity</b>	Liquid assets	The Company aims to keep its Liquid assets at least 5% above the required level (regulator's current limit is set to 1/3 (or 33%) of fixed overheads requirement).	Liquid Assets as percentage of minimum requirement: 90.48%
<b>Credit Risk</b>	Exposure to single financial institution	The Company's objective is to minimize the potential loss from counterparties. It thus aims to limit its exposure to a single financial institution holding either client funds or own funds of the company at levels of 80% or less of client funds or its own funds respectively	Current exposure: 74.37%

### 3.4. Own Funds

Own Funds (also referred to as capital resources) is the type and level of regulatory capital that must be held to enable the Company to absorb losses. Own funds consist of the sum of Common Equity Tier 1 capital, Additional Tier 1 Capital and Tier 2 Capital and the Company is required to hold own funds in sufficient quantity and quality in accordance with IFR which sets out the characteristics and conditions for own funds.

The Company throughout the year under review managed its capital structure and made adjustments to it in light of the changes in the economic and business conditions and the risk characteristics of its activities. During the year under review, the Company complied fully with its initial capital requirement (i.e. €150,000) and fulfilled its obligations by successfully submitting, on a quarterly basis, the CRD IV CoRep Forms and the IFR/IFD Forms once the new regulatory framework since they came into force in June 2021.

#### Tier 1 & Tier 2 Regulatory Capital

Investment Firms shall disclose information relating to their own funds. Furthermore, Investment Firms shall disclose a description of the main features of the Common Equity Tier 1 and Additional Tier 1 instruments and Tier 2 instruments issued by the Investment Firm. In this respect, the Company's Tier 1 capital is wholly comprised of Common Equity Tier 1 Capital and other reserves.

At 31<sup>st</sup> of December 2023 the Capital base of the Company was as follows:

<b>OWN FUNDS (CET1+T1)</b>	<b>€491</b>
COMMON EQUITY TIER 1 CAPITAL (CET1)	512
Fully paid up capital instruments	2,502
Share premium	186
Retained earnings	-2,505
Previous years retained earnings	-2, 505
Other reserves	473
(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	-6
(-) Other intangible assets	-6
(-) CET1 instruments of financial sector entities where the investment firm has a significant investment	0
CET1: Other capital elements, deductions and adjustments ( <i>Note 1</i> )	-139
ADDITIONAL TIER 1 CAPITAL (T1)	-
TIER 2 CAPITAL (T2)	-

Under the Law, Own Funds consists mainly of paid up share capital, retained earnings less any proposed dividends, translation differences, investor compensation fund and un-audited current year losses. Current year profits are not added to own funds unless these are audited.

#### 4. Own Funds requirements

The primary objective of the Company's capital management is to ensure that the Company complies with externally imposed capital requirements and that the Company maintains healthy capital ratios in order to support its business and maximize shareholders' value.

Based on the Company's classification belonging to the Company, quarterly Capital Adequacy Reports are prepared and submitted to the CySEC. The Capital Adequacy Reports is prepared on a Solo basis and the reporting currency is Euro.

It should be noted that the Company does not have any material Crypto-asset holdings and the risks emanating from trading in crypto assets, and/or in financial instruments relating to crypto assets for its clients is immaterial. Therefore, no information is included in this report on:

- the exposure amounts of different crypto-asset exposures,
- the capital requirement for such exposures and
- the accounting treatment of such exposures.

At 31<sup>st</sup> of December 2023 the composition of the Company's Capital base and its capital ratios were as follows:

Item	€000
<b>Own Funds</b>	512
Common Equity Tier 1 Capital	512
Additional Tier 1 Capital	-
Tier 1 Capital	512
Tier 2 Capital	-
<b>Own Funds requirement</b>	445
Permanent minimum capital requirement	150
Fixed overhead requirement	445
Total K-Factor Requirement	34
Total own funds requirement	445

According to the Regulation and the Law, the minimum CET1, Tier 1 and Own Funds ratios of the Company should be 56%, 75% and 100% respectively. As at 31 December, 2023, the Company's ratios are presented below and they are higher than the minimum requirements.

Capital Ratios	
CET 1 Ratio	115.0%
Tier 1 Ratio	115.0%
Own Funds Ratio	115.0%

The Company is classified as Class 2 and is therefore required to calculate its Own Funds requirements as the highest of:

- its Permanent Minimum Capital (PMC)
- K-Factor capital Requirement (KFR)
- Fixed Overheads Requirements (FOR)

Where the permanent minimum capital (PMC) of the Company is €150,000 and a summary of the Company's K-Factor and Fixed overheads requirements is provided in the following sections.

EU IF CC1.01 - Composition of regulatory own funds (Investment firms other than small and non-interconnected).



	Amounts in €	Source based on ref.no/ letters of the balance sheet in the audited financial statements
<b>Common Equity Tier 1 (CET1) capital: instruments and reserves</b>		
OWN FUNDS	511,802	N/A
TIER 1 CAPITAL	511,802	N/A
COMMON EQUITY TIER 1 CAPITAL	511,802	N/A
Fully paid-up capital instruments	2,501,883	ISSCOR
Share premium	186,417	SHPRM
Retained earnings	-2,505,250	P&L
Accumulated other comprehensive income	N/A	N/A
Other reserves	473,254	D1OPE TTHG D3OPE D4OPE
Minority interest given recognition in CET1 capital	N/A	N/A
Adjustments to CET1 due to prudential filters	N/A	N/A
Other funds	N/A	N/A
(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	-5,647	N/A
(-) Own CET1 instruments	N/A	N/A
(-) Direct holdings of CET1 instruments	N/A	N/A
(-) Indirect holdings of CET1 instruments	N/A	N/A
(-) Synthetic holdings of CET1 instruments	N/A	N/A
(-) Losses for the current financial year	N/A	N/A
(-) Goodwill	N/A	N/A
(-) Other intangible assets	-5,647	CSOFTH COSFTP MACHIH MACHDP LINENH LINENP
(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	N/A	N/A
(-) Qualifying holding outside the financial sector which exceeds 15% of own funds	N/A	N/A
(-) Total qualifying holdings in undertaking other than financial sector entities which exceeds 60% of its own funds	N/A	N/A
(-) CET1 instruments of financial sector entities where the institution does not have a significant investment	N/A	N/A

(-) CET1 instruments of financial sector entities where the institution has a significant investment	N/A	N/A
(-) Defined benefit pension fund assets	N/A	N/A
(-) Other deductions	N/A	N/A
CET1: Other capital elements, deductions and adjustments	-138,856	ICF
ADDITIONAL TIER 1 CAPITAL	N/A	N/A
Fully paid up, directly issued capital instruments	N/A	N/A
Share premium	N/A	N/A
(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	N/A	N/A
(-) Own AT1 instruments	N/A	N/A
(-) Direct holdings of AT1 instruments	N/A	N/A
(-) Indirect holdings of AT1 instruments	N/A	N/A
(-) Synthetic holdings of AT1 instruments	N/A	N/A
(-) AT1 instruments of financial sector entities where the institution does not have a significant investment	N/A	N/A
(-) AT1 instruments of financial sector entities where the institution has a significant investment	N/A	N/A
(-) Other deductions	N/A	N/A
Additional Tier 1: Other capital elements, deductions and adjustments	N/A	N/A
TIER 2 CAPITAL	N/A	N/A
Fully paid up, directly issued capital instruments	N/A	N/A
Share premium	N/A	N/A
(-) TOTAL DEDUCTIONS FROM TIER 2	N/A	N/A
(-) Own T2 instruments	N/A	N/A
(-) Direct holdings of T2 instruments	N/A	N/A
(-) Indirect holdings of T2 instruments	N/A	N/A
(-) Synthetic holdings of T2 instruments	N/A	N/A
(-) T2 instruments of financial sector entities where the institution does not have a significant investment	N/A	N/A
(-) T2 instruments of financial sector entities where the institution has a significant investment	N/A	N/A
Tier 2: Other capital elements, deductions and adjustments	N/A	N/A

EU IFCC2: Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements.

	in €	Balance sheet as in published/audited financial statements	Under regulatory scope of consolidation	Cross reference to EU IF CC1
		As at period end	As at period end	
<b>ASSETS - Breakdown by asset classes</b>				
1	Cash, cash balances at central banks and other demand deposits	247,649.18	N/A	N/A
2	Other assets	426,730.82	N/A	N/A
3	Tangible assets	86,109.14	N/A	N/A
4	Intangible assets	5,646.93	N/A	N/A
	<b>Total Assets</b>	<b>766,136.07</b>		
<b>LIABILITIES - Breakdown by liability classes</b>				
1	Other liabilities	53,938.39	N/A	N/A
	<b>Total Liabilities</b>	<b>53,938.39</b>		
<b>Shareholders' Equity</b>				
1	Capital	2,501,883	N/A	ISSCOR
2	Other reserves	473,253.86	N/A	D1OPE TTHG D3OPE D4OPE
3	Share premium	186,417	N/A	SHPRM
4	Retained earnings	-2,449,356.18	N/A	P&L
	<b>Total Shareholders' equity</b>	<b>712,197.68</b>		

EU IF CCA: Own funds: main features of own instruments issued by the firm.

Issuer	Company
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
Public or private placement	Private
Governing law(s) of the instrument	Cyprus Companies Law
Instrument type (types to be specified by each jurisdiction)	Ordinary Shares

Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	EUR 200.000
Nominal amount of instrument	EUR1
Issue price	EUR 1
Redemption price	N/A
Accounting classification	Ordinary share capital
Original date of issuance	01/06/2009
Perpetual or dated	N/A
Original maturity date	N/A
Issuer call subject to prior supervisory approval	N/A
Optional call date, contingent call dates and redemption amount	N/A
Subsequent call dates, if applicable	N/A
<i>Coupons / dividends</i>	N/A
Fixed or floating dividend/coupon	N/A
Coupon rate and any related index	N/A
Existence of a dividend stopper	N/A
Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
Existence of step up or other incentive to redeem	N/A
Noncumulative or cumulative	N/A
Convertible or non-convertible	N/A
If convertible, conversion trigger(s)	N/A
If convertible, fully or partially	N/A
If convertible, conversion rate	N/A
If convertible, mandatory or optional conversion	N/A
If convertible, specify instrument type convertible into	N/A
If convertible, specify issuer of instrument it converts into	N/A
Write-down features	N/A
If write-down, write-down trigger(s)	N/A
If write-down, full or partial	N/A
If write-down, permanent or temporary	N/A
If temporary write-down, description of write-up mechanism	N/A
Non-compliant transitioned features	N/A
If yes, specify non-compliant features	N/A
Link to the full term and conditions of the instrument (signposting)	N/A

### 5.1. K- Factor requirements

The K-factor requirements are calculations introduced by the new framework of IFR/IFD and are tailored to the respective activities of an investment firm according to its authorisation. K-factors are quantitative indicators targeting the services and business practices that are most likely to generate risk to the Company. K-Factors are categorised into three main groups, risk to clients, risk to markets and risk to the firm, reflecting the risk of the Company on each of these areas.

### 5.1.1. Risk to Clients (RtC)

Risk to Clients refers to the Company's aspects of operation which could cause harm to clients and as such they pose a risk. RtC captures the Company's exposure to risk to clients taking into consideration assets under management, client money held, assets safeguarded and administered and client orders handled.

### 5.1.2. Risk to Market (RtM)

This is the risk the Company may pose to the markets and it relates to the trading book positions of the Company either they are for its clients or for its own account. RtM also exists from positions in the banking book of a Company in currencies other than the reporting currency of the Company.

### 5.1.3. Risk to Firm (RtF)

Risk to Firm refers to the Company's exposure to its trading counterparties, concentration risk from large exposures and operational risk from daily trading flow which could affect the orderly operation of the firm. The respective K-Factor Captures the Company's exposure to these risks. RtF is not applicable to the Company due the limited scope of its authorisation

The Company has been constantly monitoring its K-Factors during the year under review and the K-Factor and the respective requirements of the Company as at 31<sup>st</sup> of December 2023 are presented below:

	Factor amount	K-factor requirement
TOTAL K-FACTOR REQUIREMENT		34
Risk to client (RtC)		30
Assets under management	-	-
Client money held - Segregated	6,325	25
Client money held - Non - segregated	-	-
Assets safeguarded and administered	-	-
Client orders handled - Cash trades	-	-
Client orders handled - Derivatives Trades	44,504	4
Risk to market (RtM)		4
K-Net positions risk requirement		4
Clearing margin given	-	-
Risk to firm (RtF)		-
Trading counterparty default		-
Daily trading flow - Cash trades		-

Daily trading flow - Derivative trades		-
K-Concentration risk requirement		-

## 5.2. Fixed Overheads Requirement

The fixed overheads requirement shall amount to at least one quarter of the fixed overheads of the preceding year. Investment firms shall use figures resulting from the applicable accounting framework and where an investment firm has not been in business for one year from the date on which it started providing investment services or performing investment activities, it shall use the projected fixed overheads included in its projections for the first 12 months' trading.

At 31<sup>st</sup> of December 2023 the Company's Capital fixed overhead requirement was as follows:

	€000
Fixed Overhead Requirement	445
Annual Fixed Overheads of the previous year after distribution of profits	1,780
Total expenses of the previous year after distribution of profits	2,427
Of which: Fixed expenses incurred on behalf of the investment firms by third parties	-
(-)Total deductions	-647
(-)Shared commission and fees payable	-647
(-)Non-recurring expenses from non-ordinary activities	-

## 5.3. Liquidity Requirement

An additional requirement for Investment firms is the Liquidity requirement. According to it the Company must hold an amount of liquid assets equivalent to at least one third of its fixed overhead requirement.

Liquidity risk is the risk that the Company may not have sufficient liquid financial resources to meet its obligations when they fall due or would have to incur excessive costs to do so. The Company's policy is to maintain adequate liquidity and contingent liquidity to meet its liquidity needs under both normal and stressed conditions. To achieve this, the Company monitors and manages its liquidity needs on an ongoing basis. The Company also ensures that it has sufficient cash on demand to meet expected operational expenses. It also monitors the Company's exposures and diversification avoiding high concentration risk. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. Currently the Company is not subject to any liquidity risk as it maintains Liquid assets above its Liquidity requirement as indicated in the table below.

	€000
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Liquidity Requirement	148
Client guarantees	-
Total liquid assets	134
Unencumbered short term deposits	134
Total eligible receivables due within 30 days	-
Level 1 assets	-

## 5.4. Other Risks

### 5.4.1. Strategic Risk

Strategic risk corresponds to the unintended risk that can result as a by-product of planning or executing the strategy. A strategy is a long-term plan of action designed to allow the Company to achieve its goals and aspirations. Strategic risks can arise from:

- Inadequate assessment of strategic plans;
- Improper implementation of strategic plans; or
- Unexpected changes to assumptions underlying strategic plans.

Risk considerations are a key element in the strategic decision-making process. The Company assesses the implications of strategic decisions on risk-based return measures and risk-based capital in order to optimize the risk-return profile and to take advantage of economically profitable growth opportunities as they arise.

### 5.4.2. Reputation Risk

Reputational risk can arise from direct Company actions or by actions of third parties that it may or may not have a relationship with. Such Company actions may include internal security breaches, employee fraud, client misinformation, mistakes in handling client requests and any other actions that can lead to significant negative public opinion and subsequently loss of business and income. Third party actions can include problems with the provision of the outsourced services that can lead to operational interruptions, database hosting and security, spreading of rumors and unsubstantiated information.

The Company strives to preserve its reputation by adhering to applicable laws and regulations, and by following the core values and principles of the Company, which includes integrity and good business practice. The Company centrally manages certain aspects of reputation risk, for example communications, through functions with the appropriate expertise. It also places great emphasis on the information technology security which is one of the main causes of such reputational risk manifestation.

### 5.4.3. Business Risk

This includes the current or prospective risk to earnings and capital arising from changes in the business environment including the effects of deterioration in economic conditions. Research on economic and

market forecasts are conducted with a view to minimize The Company's exposure to business risk. These are analyzed and taken into consideration when implementing the Company's strategy.

#### **5.4.4. Capital Risk Management**

This is the risk that The Company will not comply with capital adequacy requirements. The Company's objectives when managing capital are to safeguard The Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Company has a regulatory obligation to monitor and implement policies and procedures for capital risk management. Specifically, The Company is required to test its capital against regulatory requirements and has to maintain a minimum level of capital. This ultimately ensures the going concern of The Company.

The Company is further required to report on its capital adequacy on a regular basis and has to maintain at all times a minimum own funds ratio which is set at 100%. The capital adequacy ratio expresses the capital base of The Company as a proportion of the total risk weighted assets. Management monitors such reporting and has policies and procedures in place to help meet the specific regulatory requirements. This is achieved through the preparation on a monthly basis of Company's Management Accounts to monitor the financial and capital position of The Company.

#### **5.4.5. Regulatory Risk**

This may arise as a result of negligent actions by The Company's Senior Management and / or staff members, and may lead to fines, loss of license and / or other form of disciplinary action by the regulatory authority. As a result, The Company's reputation will be adversely affected.

The Company maintains strong compliance / internal audit departments, which perform frequent inspections on The Company's processes and procedures. Should a non-compliance issue arise, all appropriate measures are immediately taken to rectify the issue. Both the compliance officer and the internal auditor are qualified and well trained and remain abreast with any new regulatory developments. The potential of such risk arising is considered low.

#### **5.4.6. Legal and Compliance Risk**

The Company may, from time to time, become exposed to this type of risks, which could manifest because of non-compliance with local or international regulations, contractual breaches or malpractice.

The probability of such risks manifesting is relatively low due to the detailed internal procedures and policies implemented by The Company and regular reviews performed by the compliance officer. Additionally, the management consists of individuals of suitable professional experience, ethos and integrity, who have accepted responsibility for setting and achieving The Company's strategic targets and goals. In addition, the Board meets regularly to discuss such issues and any suggestions to enhance compliance are implemented by management. From The Company initiation until the date of this report no legal or compliance issues arose. Any changes to local, EU and third country Regulations, Directives, and Circulars are being constantly monitored and acted upon ensuring that The Company is always compliant with them.

#### **5.4.7. Information Technology Risk**



Information technology risk could occur because of inadequate information technology security, or inadequate use of The Company's information technology. For this purpose, policies have been implemented regarding back-up procedures, software maintenance, hardware maintenance, as well as use of both hardware and software intrusion aversion measures such as (but not limited to) firewalls, anti-virus software, use of security keys, access restrictions, network fencing, and encryption techniques. Materialization of this risk has been minimized to the lowest possible level given The Company's current complexity of its operations and the services it offers to its clients.

#### **5.4.8. Portfolio management related Risk**

The Company provides the investment service of portfolio management which creates exposure to risk. This risk is comprised of several material sub risks, as presented below:

- Preferential treatment of specific clients
- False presentation of portfolio performance
- Delay in providing clients with an analytical statement of holdings
- Churning of the clients' accounts in order to benefit from trading commissions and/or spreads
- Use of material non-public information to purchase/sell CFDs on shares for a client's portfolio
- Portfolio manager or other company employee to be the counterparty in a client transaction

Frequent sample checks are conducted by the Company's Compliance Officer and also the Internal Auditor aiming (1) to verify the priority of transactions related to managed accounts and (2) to determine whether there are consistent patterns that seem to benefit specific clients.

Further to the above, clients receive an account statement from the Company with all transactions performed along with the prevailing floating profits and/or losses per transaction and a statement of their current holdings is also sent in a prompt and accurate manner. Such account statements are generated automatically by the Company's systems to which each managed account's manager has limited access; hence, possibility of false presentation is essentially immunized. The Company's Compliance Officer ensures that such statements are being submitted at least on a monthly basis to each client.

"Churning" is strictly prohibited, and the turnover of client portfolios is monitored by the Compliance Officer and any unusually high turnover is always investigated with relevant findings being reported to the board of directors. The Company maintains a restricted or watch list where the Company or the portfolio manager place any financial instruments that are related to any material non-public information, the Company or the Portfolio manager might hold; the Compliance Officer is responsible to monitor transactions on an ex-post basis in order to identify potential trading in restricted instruments. In the case of an important announcement related to a company, the compliance officer checks if there was any abnormal trading activity prior to such an announcement.

In the unlikely event that any person working with the Company or is related to the portfolio manager(s) happens to be the counterparty to a transaction, the portfolio manager is responsible to inform the client prior to such transaction. The Compliance Officer checks all transactions and identifies those for which the Company acts both as a buyer and a seller. In such circumstances, he inspects the transactions to see if there was any breach in relevant procedures and applicable laws and regulations and reports such breach directly to the board of directors. Apart from the efficient implementation of the aforementioned

mechanisms, allocation of additional capital towards exposure to such risk (within the context of the Company's internal risk assessment) is included under exposure to Legal and Compliance Risk.

## **5. Remuneration Policy**

The purpose of The Company's Remuneration Policy is to ensure the consistent implementation of the MiFID conflicts of interest and conduct of business requirements in the area of remuneration.

The remuneration policy and practices of The Company are designed in such a way to avoid exposing The Company into excessive or undue risks. Moreover, they are targeted to avoid creating incentives that may lead relevant persons to favor their own interest, or the firm's interests, to the potential detriment of clients. The Company has set up adequate controls for compliance with the regulatory requirements on the remuneration policy and practices. The controls are implemented throughout The Company and subject to periodic review.

The Company's remuneration policy takes into consideration a number of factors in relation to the remuneration of senior management, risk takers, staff engaged in control functions and any employee receiving remuneration equal to at least the lowest remuneration received by the senior management, or risk takers whose professional activities have material impact on the risk profile of The Company or of the assets it manages. These factors are:

- (a) the remuneration policy is clearly documented and proportionate to the size, internal organisation and nature, as well as to the scope and complexity of the activities of the investment firm;
- (b) the remuneration policy is a gender-neutral remuneration policy;
- (c) the remuneration policy is consistent with and promotes sound and effective risk management;
- (d) the remuneration policy is in line with the business strategy and objectives of the investment firm, and also takes into account long term effects of the investment decisions taken;
- (e) the remuneration policy contains measures to avoid conflicts of interest, encourages responsible business conduct and promotes risk awareness and prudent risk taking;
- (f) the investment firm's management body in its supervisory function adopts and periodically reviews the remuneration policy and has overall responsibility for overseeing its implementation;
- (g) the implementation of the remuneration policy is subject to a central and independent internal review by control functions at least annually;
- (h) staff engaged in control functions are independent from the business units they oversee, have appropriate authority, and are remunerated in accordance with the achievement of the objectives linked to their functions, regardless of the performance of the business areas they control;
- (i) the remuneration of senior officers in the risk management and compliance functions is directly overseen by the remuneration committee referred to in Article 33 of the IFD or, where such a committee has not been established, by the management body in its supervisory function;
- (j) the remuneration policy, taking into account national rules on wage setting, makes a clear distinction between the criteria applied to determine the following:

- i. basic fixed remuneration, which primarily reflects relevant professional experience and organizational responsibility as set out in an employee's job description as part of his or her terms of employment;
- ii. variable remuneration, which reflects a sustainable and risk adjusted performance of the employee, as well as performance in excess of the employee's job description;
- (k) the fixed component represents a sufficiently high proportion of the total remuneration so as to enable the operation of a fully flexible policy on variable remuneration components, including the possibility of paying no variable remuneration component

The Board of Directors is responsible for determining and approving The Company's remuneration policy and practices. The Board of Director's is also responsible to monitor The Company's compliance towards the approved policy and to identify and work towards any deficiencies. The Board of Directors meets at least once a year, and whenever the need arises, to discuss issues and to reformulate the policy where this is necessary on account of changes and developments, whether internal to The Company or external in its market environment. Any changes in The Company's remuneration policy can be brought about only as a result of a decision of its Board of Directors.

The Company's annual remuneration to senior management and members of staff whose actions have a material impact on the risk profile of the investment firm for 2023 was as follows:

	Senior Management	Staffs whose actions have material impact on The Company's Risk Profile
<b>Fixed Remuneration</b>	187,785	266,500
<b>Variable Remuneration</b>	0	0
<b>Total</b>	187,785	266,500
<b>Number Of beneficiaries</b>	5	6

The forms of variable remuneration awarded by The Company is broken down as below

	Senior Management	Staffs whose actions have material impact on The Company's Risk Profile
<b>Cash</b>	0	0
<b>Shares</b>	0	0
<b>Share linked instruments</b>	0	0
<b>Other</b>	0	0

Guaranteed variable remuneration awarded by The Company is broken down as below

	Senior Management	Staffs whose actions have material impact on The Company's Risk Profile
<b>Total</b>	N/A	N/A
<b>Number Of beneficiaries</b>	N/A	N/A

Deferred remuneration breakdown for previous performance periods:

	Senior Management	Staffs whose actions have material impact on The Company's Risk Profile
Amount Due to vest in the financial year	N/A	N/A
Of which: Amount of which was paid	N/A	N/A
Of which: Amount which was reduced through performance adjustments	N/A	N/A
Amount Due to vest in the subsequent years	N/A	N/A
Total	N/A	N/A

Severance Payments breakdown:

	Senior Management	Staffs whose actions have material impact on The Company's Risk Profile
Awarded in previous periods and paid during the financial year	N/A	N/A
Awarded during the financial year	N/A	N/A
Of which: amount paid upfront	N/A	N/A
Of which: amount deferred	N/A	N/A
Number Of beneficiaries	N/A	N/A
Highest amount awarded to a single person	N/A	N/A

When implementing its remuneration Policy, the investment firm does not benefit from the derogation laid down in Article 32(4) of Directive (EU) 2019/2034.

## 6. Publication of disclosures

According to the IFR/IFD Framework adopted by CySEC, the risk management disclosures should be included in either the financial statements of the investment firms if these are published, or on their websites. In addition, these disclosures must be verified by the external auditors of the investment firm. The investment firm will be responsible for submitting its external auditors' verification report to CySEC. The Company has included its risk management disclosures as per the Directive on its website as it does not publish its financial statements. Verification of these disclosures have been made by the external auditors and sent to CySEC.