OEXN Limited

PILLAR III DISCLOSURES

YEAR ENDED 2023

In accordance with Part Six of Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms

APRIL 2024

DISCLOSURE

The Pillar III Disclosure and Market Discipline report for the year has been prepared by OEXN Ltd (the “Company”) as per the requirements of Regulation (EU) 2019/2033 (Investment Firm Regulation, “IFR”) issued by the European Commission and the law 165(I)/2021 on the prudential supervision of Investment firms (“L.165(I)/2021”) issued by the Cyprus Securities and Exchange Commission.

OEXN Ltd states that any information that was not included in this report was either not applicable on the Company’s business and activities or such information is considered as proprietary to the Company and sharing this information with the public and/or competitors would undermine our competitive position.

The Company makes the disclosures on a solo basis.

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1. Introduction

1.1. The Company

OEXN Ltd was incorporated in Cyprus on the 28th of August 2020 with registration number HE 412340. The Company is authorised and regulated by the Cyprus Securities and Exchange Commission ("CySEC") as a Cyprus Investment Firm ("CIF") to offer Investment and Ancillary services under license number 423/22. The principal activity of the Company is the provision of investment services to natural and legal persons in accordance with the provisions of the applicable legislation and requirements issued by the CySEC. In particular, the Company was granted its license on 21/11/2022 and is authorised to provide the below investment and ancillary services:

Investment Services:

- ✓ Reception and transmission of orders in relation to one or more financial instruments
- ✓ Execution of orders on behalf of clients
- ✓ Dealing on own account

Ancillary Services:

- ✓ Foreign exchange services where these are connected to the provision of investment services
- ✓ Safekeeping and administration of financial instruments, including custodianship and related services
- ✓ Granting credits or loans to an investor to allow him to carry out a transaction in one or more financial instruments, where the firm granting the credit or loan is involved in the transaction
- ✓ Investment research and financial analysis or other forms of general recommendation relating to transactions in financial instruments

The Company, as a CIF, offers a variety of investment products to Retails, Professional and Eligible Counterparties (the "Clients") including CFDs on different underlying asset classes such as Foreign Exchange, Commodities, Stocks, Cryptocurrencies and Stock Indices.

The Company shall be offering the above investment services, as applicable, regarding:

- Transferable securities (complex instruments).
- Money-market instruments.
- Units in collective investment undertakings.
- Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, emission allowances or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash (complex instruments).
- Options, futures, swaps, forwards and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of default or other termination event (complex instruments).
- Options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market, a MTF, or an OTF, except for wholesale energy products traded on an OTF that must be physically settled (complex instruments).
- Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in point 6 of this Section and not being

for commercial purposes, which have the characteristics of other derivative financial instruments (complex instruments).

- Derivative instruments for the transfer of credit risk (complex instruments).
- Financial contracts for differences (complex instruments)
- Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of default or other termination event, as well as any other derivative contracts relating to assets, rights, obligations, indices and measures not otherwise mentioned in this Section, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market, OTF, or an MTF (complex instruments).

1.2. Scope of the report

In accordance with part six of the IFR, and paragraph 37 of the Law 165(I)/2021, the Company is required to disclose information relating to its risk exposure and management, capital structure, capital adequacy as well as the most important characteristics of the Company's corporate governance including its remuneration system. The scope of this report is to promote market discipline and to improve transparency of market participants.

The Pillar III Disclosures report for the year 2023 sets out both quantitative and qualitative information required in accordance with part six of the IFR and in particular articles 46 to 53, which set the requirements of the disclosures.

These disclosures constitute the 3rd pillar set by the Basel Accord:

- Pillar I (minimum capital requirement) ensures that the Company maintains at all times a sufficient amount of capital above the minimum requirement in relation to certain key risks.
- Pillar II (supervisory review process) requires institutions and supervisors to take a view on whether they should hold additional capital against risks not covered in Pillar I and to take action accordingly within the Internal Capital Adequacy and Risk Assessment Process (the "ICARA").
- Pillar III (market discipline) complements Pillars I and II and improves market discipline by requiring firms to disclose information on their capital resources and Pillar I capital requirements, risk exposures and their risk management framework.

This report has been prepared using the audited figures.

The Board of Directors and the Senior Management have the overall responsibility for the internal control systems in the process of capital adequacy assessment and they have established effective processes to ensure that the full spectrum of risks faced by the Company is properly identified, measured, monitored, and controlled to minimise adverse outcomes.

The Company's business effectiveness is based on the guidelines of the risk management policies and procedures put in place. The Board of Directors, Internal Audit, Risk Manager, Compliance and Anti-Money Laundering Officer control and supervise the overall risk system so that all units charged with risk management perform their roles effectively on a continuous basis.

1.3. Regulatory Framework

The minimum capital requirements were calculated in accordance with the 'Pillar I' rules as set out by the Laws and Regulations, published by the CySEC. All CIFs under CySEC's authority must meet the requirements with respect to capital adequacy and market discipline, which are comprised by the following:

- Law L.165(I)/2021: Prudential supervision of investment firms (hereinafter "the Law on prudential supervision of investment firms").
- Law 87(I)/2017: Provision of investment services, the exercise of investment activities, the operation of regulated markets and other related matters (hereinafter "the Law").
- Regulation (EU) No. 2019/2033: Prudential requirements of investment firms and amending Regulations (EU) No 1093/2010, (EU) No 575/2013, (EU) No 600/2014 and (EU) No 806/2014.
- Regulation (EU) No. 575/2013: Prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 (the "CRR").
- Regulation (EU) No. 648/2012: European Markets Infrastructure Regulation.
- Directive (EU) 2019/2034: on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU and 2014/65/EU.
- Directive (EU) 2019/878: amending the Capital Requirements Directive IV as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures (the "CRD V").
- Directive 2013/36/EU: on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (the "CRD IV").
- Law L.97(I)/2021 on the capital adequacy of investment firms.
- Directive DI-97-01 regarding the discretions provided by Regulation (EU) 575/2013.

1.4. Classification and prudential requirements

According to the Investment Firm Regulation (EU) 2019/2033 (the "IFR") and the Investment Firm Directive (the "IFD"), which entered into force on 26 July 2021, investment firms are classified based on their activities, systemic importance and their size. All investment firms are classified as Class 1, 2 or 3.

Class 1 Investment Firms are the largest and most interconnected, with risk profiles similar to those of significant credit institutions have equal treatment with credit institutions in the sense of a level playing field accordingly and they will fall entirely under the CRR.

Those that are categorised as Class 2 and Class 3, will have the most impact from the IFR and IFD, as the capital requirements, reporting requirements and internal governance policies are subject to the provisions of IFR/IFD.

CIFs that meet all of the below criteria are categorised as Class 3 Investment Firms while if they exceed any of the following specific thresholds, they are categorised as Class 2 Investment Firms.

Assets under management	< EUR 1.2 billion
Client order handled – cash trades	< EUR 100 million per day
Client order handled – derivative trades	< EUR 1 billion per day
Assets safeguarded and administered	Zero
Client money held	Zero
On and off-balance sheet total	< EUR 100 million
Total annual gross revenue from investment services and activities	< EUR 30 million

Table 1: Threshold Criteria

The Company is categorised as a Class 2 Investment Firm and in accordance with the IFR, the capital requirement is equal to the highest of the following:

- K-Factor Requirement
- Permanent Minimum Capital Requirement ("PMCR")
- Fixed Overheads Requirement ("FOR")

The K-factors are quantitative indicators divided into three groups and they aim to capture the risk the investment firm can pose to customers, to market access or the firm itself. The FOR is calculated as one quarter of the previous year fixed expenses based on audited figures. The PMCR is EUR 750,000 based on the Company's license.

2. Risk management objectives and policies

2.1. Risk Management Framework

The implementation of a high-performance and efficient risk management system is a critical undertaking for the Company, as well as the balance between strong risk culture and the development of its activities. The Company operates a separate Risk Management function, which is responsible for the implementation of the Risk Management Policy, set by the Board of Directors (the "BoD"). The Risk Management Function is also responsible for the Risk Appetite of the Company and the monitoring of the risks on a regular basis. The procedures set by the Company ensure that all risks are effectively managed and measured against the set level of risk tolerance.

The Risk Management Function consists of the Risk Manager, which operates independently to the rest of the Company's functions. The Risk Manager reports to the Senior Management and BoD on a frequent basis, and at least annually, indicating whether the appropriate remedial measures have been taken in the event of any deficiencies identified throughout the year. The Risk Management function can report directly to the BoD, independently from Senior Management, in order to raise concerns and warn where appropriate, if risks identified can affect the Company.

The Company has adopted the "Three Lines Model", an updated version of the "Three Lines of Defence Model" to reflect the evolving role of risk management and to encourage greater collaboration between business functions in ways the previous model did. The "Three Lines Model" provides organizations with an opportunity to enhance their current approach to the "Three Lines of Defence Model", including implementing stronger governance, defining a Governing Body, potentially blending first and second lines, and updating the communication flow across all lines. Organizations should carefully assess their current construct to determine how to best optimize the "Three Lines Model" and continue maturing their risk management capabilities to maximize value to the organization.

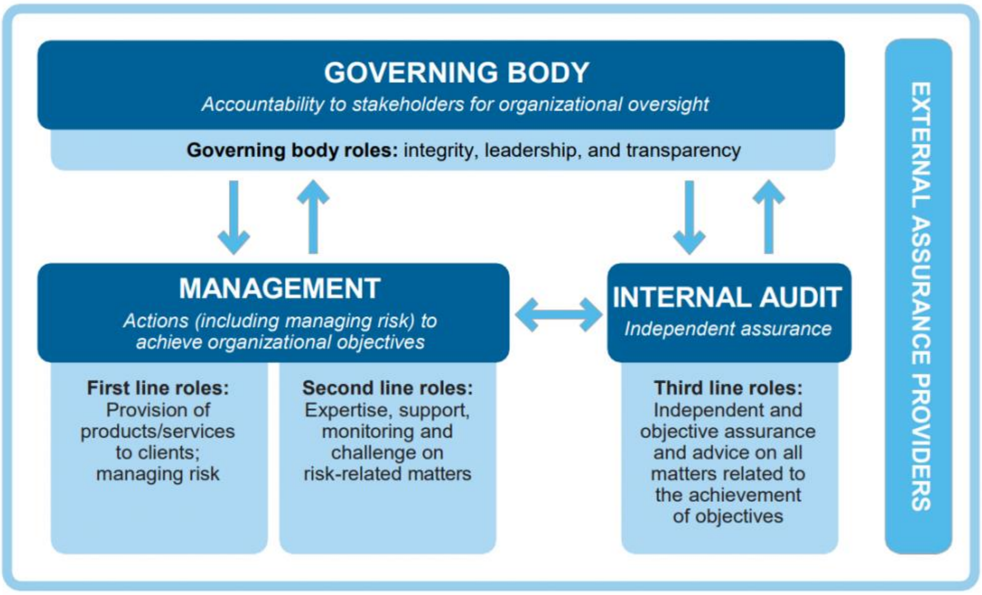
GOVERNING BODY
Accountability to stakeholders for organizational oversight
Governing body roles: integrity, leadership, and transparency
MANAGEMENT
Actions (including managing risk) to achieve organizational objectives
First line roles: Provision of products/services to clients; managing risk
Second line roles: Expertise, support, monitoring and challenge on risk-related matters
INTERNAL AUDIT
Independent assurance
Third line roles: Independent and objective assurance and advice on all matters related to the achievement of objectives
EXTERNAL ASSURANCE PROVIDERS

Figure 1: Three Lines Model

The "Three Lines Model" is mainly based upon the following six principles:

- Governance requires appropriate structures and processes in place to enable accountability through integrity, leadership, transparency, actions and assurance from an independent internal audit function.
- The governing body ensures appropriate structures and processes are in place for effective governance by delegating responsibility and providing resources to management to achieve objectives while ensuring legal, regulatory and ethical expectations are met.
- Management's responsibility to achieve organisational objectives comprises both first and second-line roles.
- Internal audit provides an independent and objective assurance and advice on the adequacy and effectiveness of governance and risk management.
- Internal audit's independence from the responsibilities of management is critical to its objectivity, authority and credibility.
- All roles working together collectively contribute to the creation and protection of value when they are aligned with each other and with the prioritised interests of stakeholders.

2.2. Risk Management Function

The Function is entrusted with the task of the determination, evaluation and efficient management of the risks inherent in the provision of Investment Services by the Company. The Risk Management Function will assess potential risks and evaluate their significance, the likelihood of their occurrence, and how these should be managed. It implements and maintains adequate risk management policies and procedures which identify the risks relating to the Company's activities, processes and systems, and where appropriate, set the level of risk tolerated by the Company. The Company adopts effective arrangements, processes and systems, in light of that level of risk tolerance, where applicable.

The Risk Manager provides annual risk management report covering all types of risks to Senior Management and is responsible for evaluating and managing the Company's risks at all times. Such reports should also be presented to the Board and minutes of such meetings attached to the relevant reports should be submitted to CySEC within twenty (20) days from the day of the meeting, and not later than four months from the end of each calendar year.

2.3. Types of Risks

Given the diversity and evolution of the Company's activities, risk management involves the following main categories:

- Credit and Counterparty risk (including Country risk): risk of losses arising from the inability of the Company's customers, issuers or other counterparties to meet their financial commitments. Credit risk includes Counterparty risk linked to market transactions (Replacement risk) and securitisation activities. In addition, Credit risk may be further amplified by Concentration risk, which arises from a large exposure to a given risk, to one or more counterparties, or to one or more homogeneous groups of counterparties. Country risk arises when an exposure (loan, security, guarantee or derivative) becomes liable to negative impact from changing political, economic, social and financial conditions in the country of exposure.
- Market risk: risk of a loss of value on financial instruments arising from changes in market parameters, the volatility of these parameters and correlations between them. These parameters include but are not limited to exchange rates, interest rates, and the price of

securities (equity, bonds), commodities, derivatives and other assets, including real estate assets.

- Operational risks (including Accounting and Environmental risks): risk of losses arising from inadequacies or failures in internal procedures, systems or staff, or from external events, including low-probability events that entail a high risk of loss. The Company's systems are evaluated, maintained and upgraded continuously
- Risk to Client ("RtC) risks carried by an investment firm during its services, actions or responsibilities, that could negatively impact its clients. RtC captures the risks arising from the client assets under management and ongoing advice, client money held, assets safeguarded and administered, and client orders handled.
- Liquidity risk: risk of the Company not being able to meet its cash or collateral requirements as they arise and at a reasonable cost. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.
- Compliance risk (including Legal and Tax risks): risk of legal, administrative or disciplinary sanction, or of material financial losses, arising from failure to comply with the provisions governing the Company's activities.
- Reputational risk: risk arising from a negative perception on the part of customers, counterparties, shareholders, investors or regulators that could negatively impact the Company's ability to maintain or engage in business relationships and to sustain access to sources of financing.
- Strategic risk: risks inherent in the choice of a given business strategy or resulting from the Company's inability to execute its strategy.
- Business risk: risk of lower than anticipated profits or experiencing losses rather than a profit.

2.4. Compliance Officer

Compliance risk (including legal and tax risks) corresponds to the risk of legal, administrative or disciplinary sanction, or of material financial losses, arising from failure to comply with the provisions governing the Company's activities. Compliance means acting in accordance with applicable regulatory rules, as well as professional, ethical and internal principles and standards. Fair treatment of customers, with integrity, contributes decisively to the reputation of the Company.

The Board appoints 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 also monitors the prevention of reputational risk and provides expertise for the Company performs controls at the highest level and assists with the day-to-day operations. The Compliance Officer is responsible for:

- Monitoring and assessing the level of compliance risk that the Company faces, considering the investment and ancillary services provided, as well as the scope of financial instruments traded and distributed.
- Monitoring the adequacy and effectiveness of the measures and procedures of the Company.

- Developing, designing and re-designing the appropriate procedures of the Company, to prevent and resolve potential conflicts of interest.
- Communicating the relevant statutes of the Internal Operations Manual ("IOM") to each employee and notify them of any relevant changes therein that relates to their role and responsibilities in the Company.

2.5. Anti-Money Laundering Compliance Officer

The Anti-Money Laundering Compliance Officer (the "AMLCO") is responsible to assess the Company's compliance with the relevant legislative requirements, effectiveness of the policies, procedures and controls applied by the Company for the prevention of money laundering and terrorist financing, as well as any measures required for improvement of weaknesses and/or compliance deficiencies. The Company's employees should report to AMLCO their knowledge or suspicion of transactions involving money laundering and terrorist financing activities.

The AMLCO reports to the Board and Senior Management of the Company and leads the Company's Anti-Money Laundering Compliance procedures and processes. He/she has the necessary authority, resources, expertise and access to all relevant information. The AMLCO prepares an annual report to the Senior Management and Board for approval within two months from the end of each calendar year, on the matters on his responsibility, indicating whether appropriate remedial measures have been taken in the event of any deficiencies.

2.6. Internal Audit

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

- 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.
- Issue recommendations based on the result carried out in accordance with the audit plan.
- Verify compliance with the recommendations issued.
- Provide timely, accurate and relevant reporting in relation to internal audit matters to the BoD and the Senior Management of the Company, at least annually.

2.7. Internal Capital Adequacy and Risk Assessment Process ("ICARA")

The ICARA requires institutions to identify and assess risks not adequately covered in Pillar I, maintain sufficient capital to face these risks and apply appropriate risk-management techniques to maintain adequate capitalization on an ongoing and forward-looking basis, i.e., internal capital supply to exceed internal capital demand.

The Company maintains compliance with the ICARA as required under Pillar II of Basel III and its local implementation in Cyprus, through risk management and governance framework, methodologies, processes and infrastructure. The Company is in the process of updating its ICARA, in which each risk will be taken into account.

2.8. Stress Testing

Stress testing is a key risk management tool used by the Company to rehearse the business response to a range of scenarios, based on variations of market, economic and other operating environment conditions. Stress tests are performed for both internal and regulatory purposes and serve an important role in:

- Understanding the risk profile of the Company.
- The evaluation of the Company’s capital adequacy in absorbing potential losses under stressed conditions: This takes place in the context of the Company’s ICARA on an annual basis.
- The evaluation of the Company’s strategy: Senior management considers the stress test results against the approved business plans and determines whether any corrective actions need to be taken. Overall, stress testing allows senior management to determine whether the Company’s exposures correspond to its risk appetite.
- The establishment or revision of limits: Stress test results, where applicable, are part of the risk management processes for the establishment or revision of limits across products, different market risk variables and portfolios.

2.9. Risk Appetite

The Company defines Risk Appetite as the level of risk, by type and by business that the Company is prepared to incur given its strategic targets. Risk Appetite is defined using both quantitative and qualitative criteria. The Risk Appetite Framework takes into account earnings sensitivities to business cycles and credit, market and operational events. The Risk Appetite is one of the strategic oversight tools available to the Management bodies. It underpins the budgeting process and draws on the ICARA, which is also used to ensure capital adequacy under stressed economic scenarios.

Furthermore, the positioning of the business in terms of risk/return ratio as well as the Company’s risk profile by type of risk will be analysed and approved by the BoD. The Company’s risk appetite strategy will be implemented by the Senior Management in collaboration with the BoD and applied by all divisions through an appropriate operational steering system for risks, covering:

- Governance (decision-making, management and supervisory bodies)
- Management (identification of risk areas, authorisation and risk-taking processes, risk management policies through the use of limits and guidelines, resource management)
- Supervision (budgetary monitoring, reporting, leading risk indicators, permanent controls and internal audits)

Essential indicators for determining the Risk Appetite and their adaptations will be regularly supervised over the year in order to detect any events that may result in unfavourable developments on the Company’s risk profile. Such events may give rise to remedial action, up to the deployment of the recovery plan in the most severe cases. The BoD of the Company has the ultimate responsibility for the Company’s risk appetite at all times. The Company shall maintain a Risk Appetite Statement.

2.10. Reporting and control

In line with the requirements set out in the Cyprus Investment Firms Law and subsequent Directives, the Company has been able to maintain a good information flow to the Management body, as it can be seen below:

Report Name	**Owner**	**Recipient**	**Frequency**
Compliance Report	Compliance Officer	BoD, CySEC	Annually
Risk Management Report	Risk Manager	BoD, CySEC	Annually
Internal Audit Report	Internal Auditor	BoD, CySEC	Annually
Pillar III Disclosures	Risk Manager	BoD, CySEC, Public	Annually
Independent Auditors Verification on the Pillar III Report	External Auditor	BoD, CySEC	Annually
Financial Reporting	External Auditor	BoD, CySEC	Annually
Capital Adequacy Reporting	Risk Manager /Accounting	Senior Management, CySEC	Quarterly
ICARA (Pillar II) Report	Risk Manager	BoD, CySEC	Annually
Prudential Supervision	Risk Manager	BoD, CySEC	Annually
Recovery Plan	Risk Manager	BoD, CySEC	Every two years
Anti-money Laundering Report	Anti-money Laundering Compliance Officer	BoD, CySEC	Annually

Table 2: Periodic Reporting Summary

3. Governance

3.1. Directorships

In 2023, the members of the Management body of the Company, given their industry experience, have been taking seats in other Company boards. In line with this, the following table indicates the number of positions that each member holds:

Director	Position in the Company	Executive Directorships	Non-Executive Directorships
Mr. Nenad Naumovic	Executive Director	1	-
Mr. Thanasis Sianos	Executive Director	2	-
Mrs. Evi Nikolaou	Non-Executive Director	-	2
Mr. Christos Kone	Non-Executive Director	-	2

Table 3: Directorships held by Members of the Management Body

3.2. Diversity Policy

Diversity is increasingly seen as an asset to organizations and linked to better economic performance. It is an integral part of how the Company does business and imperative to commercial success. The Company recognizes the value of a diverse and skilled workforce and management body, which includes and makes use of differences in the age, skills, experience, background, race and gender between them. A balance of these differences will be considered when determining the optimum composition.

The Company is committed to creating and maintaining an inclusive and collaborative workplace culture that will provide sustainability for the organization into the future. This is also documented as best practises in the Corporate Governance Code of many EU countries. In line with the recent changes in the regulatory reporting framework, the Company maintains a dedicated diversity policy in relation to the Management body.

3.3. Risk Management Committee

The Risk Management Committee (“RMC”) advises the Board of Directors on the overall strategy and the appetite to all kinds of risks, both current and future, and helps the Board when it verifies that this strategy is implemented. In particular, it is responsible for:

- Reviewing the risk control procedures and is consulted about setting overall risk limits.
- Reviewing on a regular basis the strategies, policies, procedures and systems used to detect, manage and monitor the liquidity risk and submitting its conclusions to the Board of Directors.
- Reviewing the policies in place and the reports prepared to comply with the regulations on internal control.
- Reviewing the policy concerning risk management and the monitoring of off-balance sheet commitments, especially in light of the memoranda drafted to this end by the without prejudice to the Compensation Committee’s missions, reviewing whether the incentives provided by the compensation policy and practices are compatible with the Company’s situation with regard to the risks it is exposed to, its share capital, its liquidity and the probability and timing of expected benefits.

The Company has established and adopted certain processes and mechanisms in place to manage the risks, with special consideration to risks arising from operations of the Brokerage Department in the process of receipt and transmission of client orders. The Risk Management Committee reports directly to the Board of Directors.

3.4. Board Recruitment

One of the BoD's main responsibilities is to identify, evaluate and select candidates for the Board and ensure appropriate succession planning. The Senior Management is assigned the responsibility to review the qualifications of potential director candidates and make recommendations to the BoD.

The persons proposed for the appointment should have specialised skills and/or knowledge to enhance the collective knowledge of the BoD and must be able to commit the necessary time and effort to fulfil their responsibilities. Factors considered in the review of potential candidates include:

- Specialised skills and/or knowledge in accounting, finance, banking, law, business administration or related subject.
- Knowledge of and experience with financial institutions.
- Integrity, honesty and the ability to generate public confidence.
- Knowledge of financial matters including understanding financial statements and financial ratios.
- Demonstrated sound business judgment.
- Risk management experience.

The Company has established a dedicated recruitment policy in relation to the BoD. The Company's BoD is chosen to be persons with different expertise in various fields in order to be able to offer diversity and the expertise required to oversee its smooth operations.

3.5. Organisational Structure

The Company's organisational structure incorporates the various organisational and functional reporting lines, as well as the different roles and responsibilities therein, while it also facilitates the compliance of the Company with the principle of segregation of duties and helps in the avoidance and control of possible conflicts of interest situations within the Company.

The Company has in place the Internal Operations Manual which lays down the activities, processes, duties and responsibilities of the Board, Committees, Senior Management and staff constituting the Company. Moreover, the Company implements and maintains adequate risk management policies and procedures which identify the risks relating to the Company's activities, processes and systems. The latest organisational structure of the Company can be seen below:

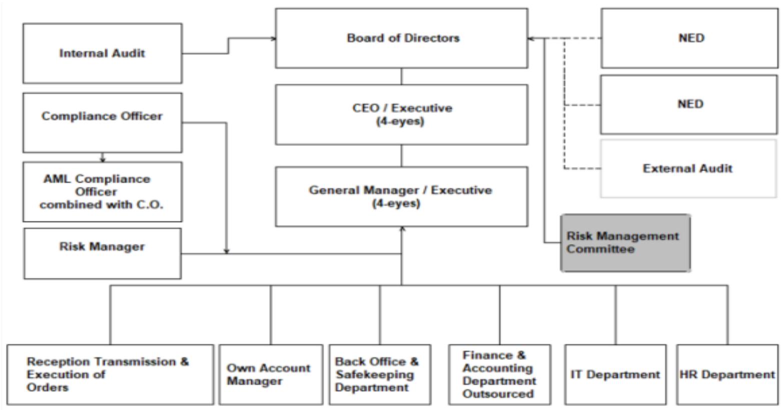
Internal Audit
Board of Directors
NED
Compliance Officer
CEO / Executive (4-eyes)
NED
AML Compliance Officer combined with C.O.
General Manager / Executive (4-eyes)
External Audit
Risk Manager
Risk Management Committee
Reception Transmission & Execution of Orders
Own Account Manager
Back Office & Safekeeping Department
Finance & Accounting Department Outsourced
IT Department
HR Department

Figure 2: Organisational Structure

4. Own Funds

4.1. Regulatory Capital

Own Funds is the type and level of regulatory capital that must be held to enable the Company to absorb losses. Investment firms shall have own funds consisting of the sum of their Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital, and shall meet all of the following conditions at all times:

- Common Equity Tier 1 Capital of at least 56% of Own Funds Requirement.
- Common Equity Tier 1 Capital and Additional Tier 1 Capital of at least 75% of Own Funds Requirement.
- Common Equity Tier 1 Capital, Additional Tier 1 Capital and Tier 2 Capital of at least 100% of Own Funds Requirement.

Common Equity Tier 1 capital consist of the following:

- Capital instruments.
- Share premium accounts related to the instruments referred to capital instruments.
- Retained earnings.
- Accumulated other comprehensive income.
- Other reserves.
- Funds for general banking risk.

Deductions from Common Equity Tier 1 capital essentially involve the following:

- Losses for the current financial year.
- Goodwill and intangible assets.
- Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities.
- All investments in own CET1 instruments, whether held directly or indirectly.
- Non-significant & significant holdings of CET1 capital of financial sector entities – FSEs.
- Investors' Compensation Fund ('ICF') contributions as per Circular C162 issued by CySEC on 10th October 2016.
- The additional cash buffer of ICF: According to paragraph 11(6) of the Directive DI87-07, the members of ICF are required to keep a minimum cash buffer of 3 per thousand of the eligible funds and financial instruments of their clients as at the previous year in a separate bank account in case there is need for an extraordinary contribution and this should not be used for any other purpose. Therefore, CIFs should deduct the additional cash buffer of 3 per thousand of the eligible funds and financial instruments of their clients from the Common Equity Tier 1 capital. CIFs are expected to reflect the above in their submissions of the Form 165-01 (calculation of own funds and capital adequacy ratio).

Tier 2 Capital consists of the following:

- Capital Instruments including subordinated loans as that qualify as Tier 2 instruments.
- Share premium resulting from the issue of instruments included in the Tier 2 capital.
- General Credit risk adjustments of up to a maximum of 1.25% of credit risk RWAs calculated under the standardised approach Tier 2 capital shall be less or equal to one third of Tier 1 Capital.

Deductions of Tier 2 capital essentially apply to the following:

- All investments in own T2 instruments, whether held directly or indirectly.
- Non-significant holdings of T2 capital of Financial Sector Entities (FSEs) (only BB holdings).
- Significant holdings of T2 capital of FSEs

4.2. Capital Management

Capital management is implemented by the Senior Management. As part of managing its capital, the Company ensures that its solvency level is always compatible with the following objectives:

- Maintaining its financial solidity and respecting the Risk Appetite targets.
- Preserving its financial flexibility to finance organic growth.
- Adequate allocation of capital among the various business lines according to the Company's strategic objectives.
- Maintaining the Company's resilience in the event of stress scenarios.
- Meeting the expectations of its various stakeholders: supervisors, debt and equity investors, rating agencies, and shareholders.

As at 31 December 2023, the total own funds of the Company amounted to EUR 917,200, as shown in the below table.

	Amount (EUR)
OWN FUNDS	841,535
TIER 1 CAPITAL	841,535
COMMON EQUITY TIER 1 CAPITAL	841,535
Fully paid up capital instruments	750,000
Share premium	-
Retained earnings	-205,483
Accumulated other comprehensive income	-
Other reserves	751,000
Minority interest given recognition in CET1 capital	-
Adjustments to CET1 due to prudential filters	-
Other funds	-
Total deductions from Common Equity Tier 1	-453,982
CET1: Other capital elements, deductions and adjustments	-
ADDITIONAL TIER 1 CAPITAL	-
TIER 2 CAPITAL	-

Table 4: Regulatory Capital

5. Own Funds Requirement

In accordance to Article 11 of the IFR, and as already mentioned earlier in the report, Investment Firms shall at all times have own funds which amount to at least to the highest of the following:

- K-Factor Requirement
- Permanent Minimum Capital Requirement
- Fixed Overheads Requirement

5.1. Permanent minimum capital requirement

As per Article 9 of the IFD, since the Company is authorised to provide the investment service of Dealing on Own Account, the minimum initial capital is EUR 750,000.

5.2. Fixed Overheads requirement

As per Article 13 of the IFR, 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.

In accordance with the Regulatory Technical Standards (RTS) issued by the European Banking Authority (EBA), the following variable expenses can be excluded from the calculation of the fixed overheads:

- Fully discretionary staff bonuses.
- Employees', directors' and partners’ shares in profits, to the extent that they are fully discretionary.
- Other appropriations of profits and other variable remuneration, to the extent that they are fully discretionary.
- Shared commission and fees payable which are directly related to commission and fees receivable, which are included within total revenue, and where the payment of the commission and fees payable is contingent upon the actual receipt of the commission and fees receivable.
- Fees, brokerage and other charges paid to clearing houses, exchanges and intermediate brokers for the purposes of executing, registering or clearing transactions.
- Fees to tied agents in the sense of point 25 of Article 4 of Directive 2004/39/EC of the European Parliament and of the Council.
- Interest paid to customers on client money.
- Non-recurring expenses from non-ordinary activities.

As at 31 December 2023, the fixed overheads capital requirement was EUR 212,500.

5.3. K-Factor Requirement

The Company calculates its own funds requirement by reference to a set of K-factors which capture:

Risk-To-Client (‘RtC’) which captures client assets under management and ongoing advice (K-AUM), client money held (K-CMH), assets safeguarded and administered (K-ASA), and client orders handled (K-COH).

Risk-to-Market (‘RtM’) which captures the net position risk (K-NPR) in accordance with the market risk provisions of Regulation (EU) No 575/2013.

Risk-to-Firm ('RtF') which captures an investment firm's exposure to the default of their trading counterparties (K-TCD), concentration risk in an investment firm's large exposures to specific counterparties (K-CON), and operational risks from an investment firm's daily trading flow (K-DTF).

The K-factor requirement is tailored to the investment firms based on the type and scale of the investment firm's activities. The investment firms are required to calculate the K-factor requirement only for the K-factor components that are relevant to the services and activities that they are authorized to provide. The Company monitors the value of its K-factors in order to detect any trend that could leave the Company with a materially different own funds requirement and reports these exposures on a quarterly basis. It shall be noted that the Company has started client activity in Q4 2023, but since this activity was minimal, the K-Factor requirement was close to 0.

The K-Factor breakdown, as at 31 December 2021, can be seen on the table below:

	Factor amount	K-factor requirement
TOTAL K-FACTOR REQUIREMENT	0	0
Risk to client	0	0
Assets under management	0	0
Client money held - Segregated	0	0
Client money held - Non-segregated	0	0
Assets safeguarded and administered	0	0
Client orders handled - Cash trades	0	0
Client orders handled - Derivatives Trades	0	0
Risk to market	0	0
K-Net positions risk requirement	0	0
Clearing margin given	0	0
Risk to firm	0	0
Trading counterparty default	0	0
Daily trading flow - Cash trades	0	0
Daily trading flow - Derivative trades	0	0
K-Concentration risk requirement	0	0

Table 5: K-Factor Breakdown

5.4. Liquidity Requirement

In addition to the Own Funds Requirement, a Liquidity Requirement was introduced by the IFR according to which the Company is required to maintain liquidity levels equal to at least one third of its Fixed Overhead Requirement.

	Amount (EUR)
Fixed Overheads Requirement	212,500
Liquidity Requirement	37,747
Total liquid assets	773,456

Table 6: Liquidity Requirement

As at 31 of December 2023 the Company satisfied the Liquidity Requirement. The Company monitors the level of its liquid assets on a continuous basis.

5.5. Capital Adequacy Ratio

The capital adequacy ratio is calculated by comparing the Company's own funds with the higher of the K-Factor Requirement, the Fixed Overheads requirement, and the Permanent minimum capital requirement. The ratio must be at all times above 100%.

As at 31 December 2023, the Company's capital requirement was EUR 750,000, and the total own funds ratio of the Company was 122%. The table below illustrates the capital requirements of the Company in detail.

	Amount (EUR)
Permanent minimum capital requirement	750,000
K-Factor Requirement	-
Fixed Overhead Requirement	113,240
Capital requirement	750,000
Total Own Funds	841,535
CET1 ratio	112%
Capital Adequacy ratio	112%
CET1 Capital	841,535
Tier 1 Capital	841,535
Tier 2 Capital	-

Table 7: Capital Requirements

6. Remuneration Policy

Remuneration refers to payments or compensations received for services or employment. The remuneration system includes the base salary and any bonuses or other economic benefits that an employee or executive receives during employment and shall be appropriate to the CIF's size, internal organization and the nature, the scope and the complexity of its activities to the provisions of the relevant Laws and Regulations. During 2023, the Company's remuneration system is concerned with practices of the Company for those categories of staff whose professional activities have a material impact on its risk profile. The said practices are established to ensure that the rewards for the Executive Management provide the right incentives to achieve the key business aims.

The total remuneration of staff consists of fixed and variable components. Fixed and variable components are appropriately balanced, and the fixed component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components, including the possibility to pay no variable remuneration component. The table below presents the remuneration of the members of the BoD and other key management personnel whose professional activities have a material impact on the risk profile of the Company for the year ended on the 31st of December 2023.

The remuneration policy is intended to ensure that the Company will attract and retain the most qualified Senior Management personnel and directors.

	Number of beneficiaries	Fixed remuneration	Variable remuneration	Total
Senior Management	3	90,500	-	90,500
Other Staff	5	135,141	-	135,141
Total	8	225,641	-	225,641

Table 8: Quantitative information on remuneration (EUR '000)

The variable to fixed remuneration ratio as at the end of the year was 0%.

6.1. Performance Related Pay

The Company shall ensure that where remuneration is linked with performance, the total amount of remuneration is based on a combination of the assessment of the performance of:

- The individual
- The business unit concerned
- The overall results of the Company

The Company implements a performance appraisal program, mainly to foster talent and promote healthy competition amongst personnel, which is based on a set of key performance indicators and targets, developed for each department. The quantitative remuneration criteria mostly rely on numeric and financial data such as the Company's performance and the individual performance evaluation and ratings of each member of the staff whose professional activities affect the risk profile of the firm. Furthermore, the Company has put in place qualitative criteria which include compliance with the regulatory requirements and internal procedures, fair treatment of client ad client satisfaction. Moreover, the remuneration of the Company's non-executive directors is fixed, and it is set at a level that is market aligned and reflects the responsibilities and the time expected to be consumed by the non-executive directors to work for the Company.

7. Investment Policy

According to paragraph 1 of Article 52 of the IFR, investment firms which do not meet the criteria referred to in point (a) of Article 32 (4) of Directive (EU) 2019/2034 shall disclose the following in accordance with IFR Article 46 of this Regulation:

- The proportion of voting rights attached to the shares held directly or indirectly by the investment firm, broken down by Member State and sector.
- A complete description of voting behaviour in the general meetings of companies the shares of which are held in accordance with paragraph 2 of IFR Article 52, an explanation of the votes, and the ratio of proposals put forward by the administrative or management body of the company which the investment firm has approved.
- An explanation of the use of proxy advisor firms.
- The voting guidelines regarding the companies the shares of which are held in accordance with paragraph 2 of Article 52 of the IFR.

Article 52 (2) of the IFR states: "The investment firm referred to in paragraph 1 shall comply with that paragraph only in respect of each company whose shares are admitted to trading on a regulated market and only in respect of those shares to which voting rights are attached, where the proportion of voting rights that the investment firm directly or indirectly holds exceeds the threshold of 5% of all voting rights attached to the shares issued by the company. Voting rights shall be calculated on the basis of all shares to which voting rights are attached, even if the exercise of those voting rights is suspended."

As at the reference date the Company did not hold any shares that would meet the criteria stated in Article 52(2) of IFR and therefore no disclosures regarding investment policy were made.

8. Appendix

		Amounts	Source
1	**OWN FUNDS**	841,535	N/A
2	**TIER 1 CAPITAL**	841,535	N/A
3	**COMMON EQUITY TIER 1 CAPITAL**	841,535	N/A
4	Fully paid up capital instruments	750,000	Share Capital/Note 18
5	Share premium	-	
6	Retained earnings	-205,483	Accumulated losses
7	Accumulated other comprehensive income	-	
8	Other reserves	751,000	Capital Reserves
9	Minority interest given recognition in CET1 capital	-	
10	Adjustments to CET1 due to prudential filters	-	
11	Other funds	-	
12	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	-453,982	
13	(-) Own CET1 instruments	-	
14	(-) Direct holdings of CET1 instruments	-	
15	(-) Indirect holdings of CET1 instruments	-	
16	(-) Synthetic holdings of CET1 instruments	-	
17	(-) Losses for the current financial year	-452,961	Total loss for the current year
18	(-) Goodwill	-	
19	(-) Other intangible assets	-1,021	Intangible assets/Note 15
20	(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	-	
21	(-) Qualifying holding outside the financial sector which exceeds 15% of own funds	-	
22	(-) Total qualifying holdings in undertaking other than financial sector entities which exceeds 60% of its own funds	-	
23	(-) CET1 instruments of financial sector entities where the institution does not have a significant investment	-	
24	(-) CET1 instruments of financial sector entities where the institution has a significant investment	-	
25	(-) Defined benefit pension fund assets	-	
26	(-) Other deductions	-	
27	CET1: Other capital elements, deductions and adjustments	-	
28	**ADDITIONAL TIER 1 CAPITAL**	-	
29	Fully paid up, directly issued capital instruments	-	
30	Share premium	-	
31	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	-	
32	(-) Own AT1 instruments	-	
33	(-) Direct holdings of AT1 instruments	-	
34	(-) Indirect holdings of AT1 instruments	-	
35	(-) Synthetic holdings of AT1 instruments	-	
36	(-) AT1 instruments of financial sector entities where the institution does not have a significant investment	-	
37	(-) AT1 instruments of financial sector entities where the institution has a significant investment	-	
38	(-) Other deductions	-	

39	Additional Tier 1: Other capital elements, deductions and adjustments	-	
40	**TIER 2 CAPITAL**	-	
41	Fully paid up, directly issued capital instruments	-	
42	Share premium	-	
43	(-) TOTAL DEDUCTIONS FROM TIER 2	-	
44	(-) Own T2 instruments	-	
45	(-) Direct holdings of T2 instruments	-	
46	(-) Indirect holdings of T2 instruments	-	
47	(-) Synthetic holdings of T2 instruments	-	
48	(-) T2 instruments of financial sector entities where the institution does not have a significant investment	-	
49	(-) T2 instruments of financial sector entities where the institution has a significant investment	-	
50	Tier 2: Other capital elements, deductions and adjustments	-	

Table 9: EU IF CC1.01 - Composition of regulatory own funds

		Balance sheet as in published/audited financial statements	Under regulatory scope of consolidation	Cross reference to EU IF CC1
Assets - *Breakdown by asset classes according to the balance sheet in the published/audited financial statements*				
1	Property, plant and equipment	€ 10,409	N/A	N/A
2	Right-of-use assets	€ 54,768	N/A	N/A
3	Intangible assets	€ 1,021	N/A	N/A
4	Receivables	€ 75,148	N/A	N/A
5	Cash at bank	€ 849,294	N/A	N/A
	Total Assets	€ 915,492		
Liabilities - *Breakdown by liability classes according to the balance sheet in the published/audited financial statements*				
1	Lease liabilities	€ 19,727	N/A	N/A
2	Other payables	€ 15,182	N/A	N/A
3	Lease liabilities	€ 38,028	N/A	N/A
	Total Liabilities	€ 72,937		
Shareholders' Equity				
1	Share capital	€ 750,000	N/A	N/A
2	Capital reserve	€ 751,000	N/A	N/A
3	Accumulated losses	€ -658,445	N/A	N/A
	Total Shareholders' equity	€ 842,555		

Table 10: EU IFCC2: Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements