conotoxia®

Disclosures and Market Discipline

According to Part Six of Regulation (EU) 2019/2033 of the European Parliament and of the Council on the prudential requirements of investment firms

FOR THE YEAR ENDED 31 DECEMBER 2022

April 2023

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1. INTRODUCTION

1.1. CIF Information

The purpose of this document is to disclose information in accordance with the scope of application of the Capital Requirements Directive IV (CRD IV) requirements for **Conotoxia Holding Cyprus Limited** (hereinafter, the 'Group').

The Conotoxia Holding Cyprus Limited was incorporated in the Republic of Cyprus on 9 December 2015 as a limited liability company with registration number HE349931 and it is the parent company of Conotoxia Ltd (the "Company") which was incorporated in the Republic of Cyprus on 15 January 2016 as a private limited liability company with registration number HE 351239 and it is a Cyprus Investment Firm. Conotoxia Ltd is authorized and regulated by the Cyprus Securities and Exchange Commission (CySEC) with CIF No. 336/17 on the 11 September 2017 and activated on 11 November 2017.

The table below illustrates the current licence information of the Company:

Table 1: Company License Information (based on the First Appendix of the Law 87(I)/2017)

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<tr><th></th><th></th><th colspan="8">Investment Services and Activities</th><th colspan="7">Ancillary Services</th></tr>
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</table>

The Company is authorised to provide the following **Investment Services**, in accordance with Part I of the First Appendix of the Law 87(I)/2017:

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

The Company is authorised to provide the following **Ancillary Services**, in accordance with Part II of the First Appendix of the Law 87(I)/2017:

- Safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash/collateral management.
- Foreign exchange services where these are connected to the provision of investment services.
- Investment research and financial analysis or other forms.

- Granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction.

The Company is authorised to provide the aforementioned investment and ancillary services, as applicable for each service, for the following Financial Instruments, in accordance with Part III of the First Appendix of the Law 87(I)/2017:

1. Transferable Securities
2. Money Market Instruments
3. Units in Collective Investment Undertakings
4. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash.
5. Options, futures, swaps, forward rate agreements 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 (otherwise than by reason of a default or other termination event).
6. 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 or/and an MTF
7. Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in point 6 of Part III and not being for commercial purposes, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are cleared and settled through recognised clearing houses or are subject to regular margin calls
8. Derivative instruments for the transfer of credit risk
9. Financial contracts for differences
10. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates, emission allowances 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 (otherwise than by reason of a default or other termination event), as well as any other derivative contract relating to assets, rights, obligations, indices and measures not otherwise mentioned in this Part, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market or an MTF, are cleared and settled through recognised clearing houses or are subject to regular margin calls.

1.2.Classification and prudential requirements

The Investment Firms Directive (EU) 2019/2034 ("IFD") and the Investment Firm Regulation, Regulation (EU) 2019/2033 ("IFR") entered into force on 26 July 2021, introducing a new classification system for investment firms, based on their activities, systemic importance, size and interconnectedness. All investment firms are classified as Class 1, 2 or 3 Investment Firms.

Class 1 Investment Firms are the largest and most interconnected investment firms, 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 fall entirely under the Regulation EU) No 575/2013 ("CRR").

Investment Firms categorized as Class 2 and Class 3 have had the most impact following the introduction of the new prudential framework as their 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 when they exceed any of the following specific size thresholds, they are categorised as Class 2 Investment Firms.

Table 2: Threshold Criteria

No.	Metric	Thresholds
1.	Assets Under Management	<€1.2 billion
2.	Client orders handled – cash trades	< €100 million per day
3.	Client orders handled – derivative trades	<€1 billion per day
4.	Assets safeguarded and administered	zero
5.	Client money held	zero
6.	On- and off-balance sheet total	< €100 million
7.	Total annual gross revenue from investment services and activities	< €30 million

Further to the above, the Group is categorized as a **Class 2 Investment Firm** since the Company does not meet all of the above criteria and as such it should maintain own funds of at least the **higher** between:

A. Permanent minimum capital requirement

The permanent minimum capital requirement of the Group is **€750k** since it is authorized to provide the investment service of *"dealing on own account"*.

B. Fixed overhead requirements

The Fixed Overheads Requirement is calculated as one quarter (¼) of the previous year fixed expenses (based on audited figures).

C. K-Factors requirement

The K-Factors are quantitative indicators that reflect the risk that the IFR/IFD prudential regime intends to address. Specifically, capital requirements from applying the K-factors formula (pursuant to Article 15 of the IFR) is the sum of the Risk to Client ('RtC'), Risk to Market ('RtM') and Risk to Firm ('RtF') proxies.

Since the Company is authorised to offer the Dealing on Own Account, Investment Advice Investment Services and Portfolio Management; however, for the Portfolio Management, the Company did not activate it yet; all K-factors are applicable to the Company except for K-AUM.

However, and upon activation of the Portfolio Management, the Company will need to calculate K-AUM, as well.

1.3.Scope of application

The Disclosures & Market Disclosures Report (the 'Report') is prepared on an individual (consolidated) basis in accordance with the disclosure requirements as laid out in Part Six of the IFR. Investment firms are required to disclose their capital resources, capital requirements, remuneration policies, practices and governance standards.

The Report has as a starting point the financial information used in the Company's Financial Statements which are prepared in accordance with the International Financial Reporting Standards ("IFRS"). As the two documents serve different purposes, the reported figures illustrate differences, which lie on the differences of the fundamental concepts between the IFR and the IFRS.

1.4.Regulatory framework

The Report has been prepared in accordance with the regulatory regime for investment firms that the European Parliament has adopted, the IFR and the IFD as well as the relevant provisions of the Law 165(I)/2021 *"The Prudential Supervisions for Investment Firms Law of 2021"* (the "Law") and the Law 164(I)/2021, amending Law 97(I)/2021, *"The Capital Adequacy Investment Firms Law of 2021"*.

The IFR establishes the prudential requirements in terms of own funds, level of minimum capital, concentration risk, liquidity requirements and level of activity with respect to EU investment firms. Furthermore, IFR introduced significant changes in the prudential regulatory regime applicable to Investment Firms, including a new classification system, an amended minimum initial capital requirement and minimum capital ratios, changes in the calculation of capital requirements, variations in reporting requirements, internal governance policies, the introduction of the K-Factors methodology and practices relating to liquidity requirements, large exposures and consolidation requirements.

The Regulatory framework consists of:

- **Basic Prudential Requirement** - Covers minimum capital and liquidity requirements.
- **Internal Capital and Liquidity Adequacy Assessment** – Regulates the investment firm's accountability to the regulator for capital and liquidity adequacy. If the regulator deems the capital to be insufficient, a corrective requirement can be imposed on the Group in the form of what is known as a 'SREP'.
- **Disclosures Requirement** - require the disclosure of information regarding the prudential requirements, risk management and principles of the remuneration policy**.**

The Group has a formal policy, approved by the Board of Directors ('Board' or 'BoD'), which details its approach in complying fully with the market disclosure requirements as laid out in Part Six of the IFR.

The provisions on disclosure requirements are described in Articles 46 to 53 of the IFR. In addition, these disclosures must be verified by the external auditors of the CIF. The CIF will be responsible to submit its external auditors' verification report to CySEC. The Group has included its risk management disclosures on its website.

Materiality is based on the criterion that the omission or misstatement of information would be likely to change or influence the decision of a reader relying on that information for the purpose of making economic decisions. Where the Group has considered a disclosure to be immaterial, this was not included in the document.

Frequency

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

Location of publication

The Group's market disclosures are published on the Group's official website:

- https://forex.conotoxia.com/
- https://forex.cinkciarz.pl/
- https://invest.conotoxia.com/
- https://invest.cinkciarz.pl/
- invest.conotoxia.com
- invest.cinkciarz.pl

Verification

The Group's market disclosures are subject to internal review and validation prior to being submitted to the Board for approval. The Group's market disclosures have been reviewed and approved by the Board. In addition, the Remuneration disclosures have been reviewed by the Risk Manager.

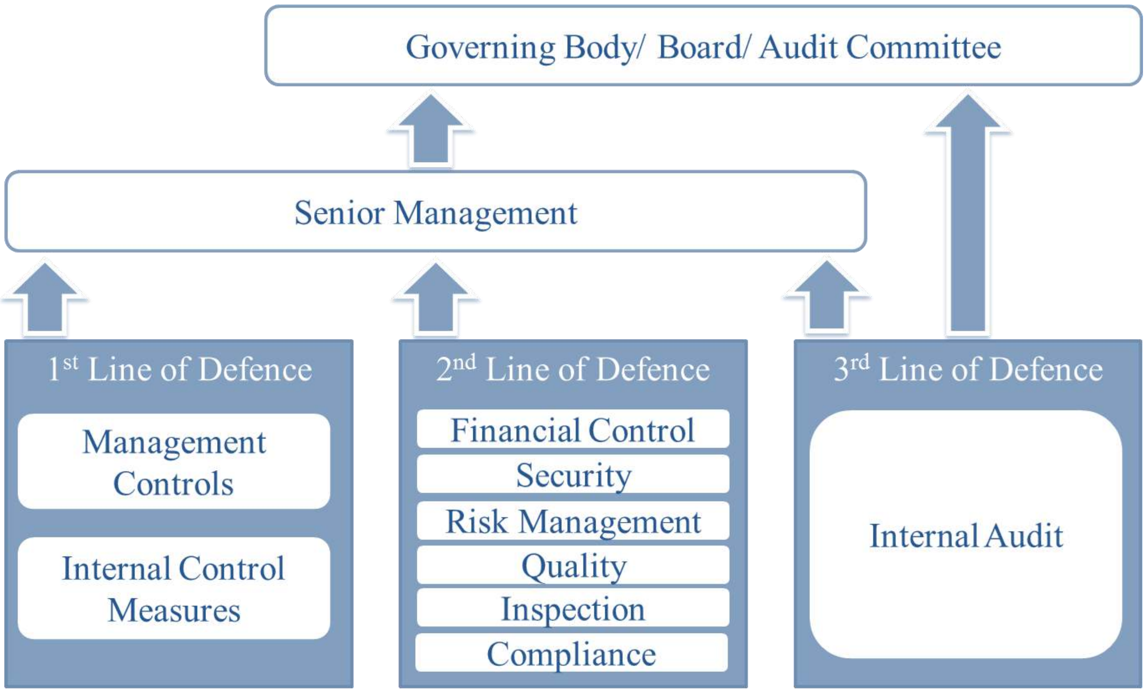
1.5.Risk management objectives and policies

To ensure effective risk management, the Group has adopted the Three Lines of Defence model, with clearly defined roles and responsibilities.

First Line of Defence: Managers are responsible for establishing an effective control framework within their area of operation and identifying and controlling all risks so that they are operating within the organisational risk appetite and are fully compliant with the Group's policies and where appropriate defined thresholds. The First Line of Defence acts as an early warning mechanism for identifying (or remedying) risks or failures.

Second Line of Defence: The Risk Management Function is responsible for proposing to the Board appropriate objectives and measures to define the Group's risk appetite, devising the suite of policies necessary to control the business including the overarching framework, independently monitoring the Group's risk profile and providing additional assurance where required. The Risk Management Function 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. Integral to the mission of the Second Line of Defence is identifying risk areas, detecting situations/activities in need of monitoring, and developing policies to formalise risk assessment, mitigation and monitoring.

Third Line of Defence: Comprised by the Internal Audit Function which is responsible for providing assurance to the Board on the adequacy of design and operational effectiveness of the systems of internal controls. Internal Audit undertakes on-site inspections/visits to ensure that the responsibilities of each Function are discharged properly (i.e. soundly, honestly and professionally) as well as reviewing the Group's relevant policies and procedures. Internal Audit works closely with both the First and Second Lines of Defence to ensure that its findings and recommendations are taken into consideration and followed, as applicable.



1.5.1. Risk Management Framework

Managing risk effectively in a Group operating in a continuously changing risk environment, requires a strong risk management culture. As a result, the Group has established an effective risk oversight structure and the necessary internal organisational controls to ensure that the Group undertakes the following:

- Adequate risk identification and management,
- Establishment of the necessary policies and procedures,
- Setting and monitoring of relevant limits, and
- Compliance with the applicable legislation.

The Board meets on a regular basis and receives updates on risk and regulatory capital matters from management. The Board reviews regularly (at least annually) written reports concerning compliance, risk management and internal audit policies and procedures as well as the Group's risk management policies and procedures as implemented by Management.

As part of its business activities, the Group faces a variety of risks, the most significant of which are described further below. The Group holds regulatory capital against the three all-encompassing main types of risk: credit risk, market risk and operational risk.

1.5.2. Risk Statement

The Group's activities expose it to a variety of risks, and in particular to credit risk, market risk, operational risk, compliance risk, regulatory risk, reputational risk, group risk, strategic risk, liquidity risk, conduct risk etc. The Group, through its operations, has a significant exposure to the economies and financial markets.

As regards the management of the risks arising from the current macroeconomic and political uncertainty (heightened inflation, Ukrainian crisis, climate crisis etc.), the Group is following the local government guidelines, enhancing its onboarding procedures and closely monitoring its capital and liquidity positions.

Risk Strategy

The risk strategy of the Group is the responsibility of the Board, which formulates it and is responsible for monitoring its implementation. This is achieved through the development of risk management processes and procedures as well as through an assessment of the risks undertaken and the effectiveness of the risk management framework, given the Group's business model. One important characteristic of the Group's risk strategy is the alignment with the strategic and operational targets that are set by the Board.

The risks that arise from the implementation of the Group's strategic and business plans are regularly analyzed in order to ensure the adequacy of the relevant policies, procedures and systems.

The risk strategy of the Group aims to provide to both Senior Management and employees a general risk framework for the management of the different types of risks in line with the overall risk management and risk bearing capacity of the Group. The Group recognizes the importance of risk management to its business' success, and therefore the overall objective is to establish effective risk management policies that are able to mitigate the Group's exposure to various risks.

Risk Appetite

Risk appetite is the level and type of risk a firm is able and willing to assume in its exposures and business activities, given its business objectives and obligations to stakeholders. Risk appetite is generally expressed through both quantitative and qualitative means and should consider extreme conditions, events and outcomes. In addition, risk appetite should reflect potential impact on earnings, capital and funding/liquidity.

The Group has a low-risk appetite with respect to investing and managing business and operational activities.

According to the Financial Stability Board (FSB), an appropriate risk appetite framework (RAF) should enable risk target, risk appetite, risk limits and risk profile to be considered for business lines and legal entities as relevant, and within the group context.

The Risk appetite framework is defined as the overall approach, including policies, processes, controls, and systems through which risk appetite is established, communicated, and monitored.

Moreover, it includes a risk appetite statement, risk limits, and an outline of the roles and responsibilities of those overseeing the implementation and monitoring the RAF.

The RAF should consider material risks to the financial institution, as well as to the institution's reputation vis-à-vis policyholders, depositors, investors and customers. The RAF aligns with the institution's strategy.

The Group is assessing its risk appetite with respect to investing and managing business and operational activities while the Group's Risk Appetite Statement is prepared by the Risk Manager and approved by the Board of Directors.

Table 3: Risk Appetite areas

Indicator	Normal [1]	Warning [2]	Limit [3]
Minimum Own Fund Requirement	>€900k	<€900k	€750k
Common Equity Tier 1 Ratio[4]	>100%	<75%	56%
AT1 Capital Ratio[4]	>125%	<100%	75%
Total Capital Ratio[4]	>150%	<125%	100%
Liquid Assets	>€230k	<€230k	€185k
Return on Assets	≥5.00%	<5.00%	0.00%
Retained Earnings / Total Equity	≥10.00%	<10.00%	5.00%

Notes:

1. *The level of the indicator is within the acceptable limits as per the Group's risk appetite.*
2. *The Group should take proactive actions in order to ensure that the level of the indicator will remain above the acceptable limits.*
3. *The level of the indicator falls below the acceptable limits and as such the Group should proceed with the required actions in order to restore the level of the said indicator to the normal predefined levels.*
4. *Additional own funds requirement and additional 18.75% total capital ratio requirement as per the paragraph 18 of the Law 20(I)/2016 have been taken into consideration for Normal and Warning thresholds.*

The Risk Appetite framework has been designed to create links to the strategic long-term plan, capital planning and the Group's risk management framework.

The Board approves the Group's corporate strategy, business plans, budget, long term plan and ICARA. The Group employs mitigation techniques defined within the Group's policies, to ensure risks are managed within its Risk Appetite.

1.5.3. Risk Culture

Risk culture is a critical element in the Group's risk management framework and procedures. Management considers risk awareness and risk culture within the Group as an important part of the effective risk management process. Ethical behaviour is a key component of the strong risk culture, and its importance is also continuously emphasised by the management.

The Group is committed to embedding a strong risk culture throughout the business where everyone understands the risks they personally manage and is empowered and qualified to take accountability for them. The Group embraces a culture where each of the business areas are encouraged to take risk–based decisions, while knowing when to escalate or seek for advice.

1.6. Declaration of the Board

The Board is required to proceed with an annual declaration on the adequacy of the Group's risk management framework and ensure that the risk management arrangements and systems of financial and internal control in place are in line with the Group's risk profile.

The Group's risk management framework is designed to identify, assess, mitigate and monitor all sources of risk that could have a material impact on the Group's operations. The Board considers that the Group has in place adequate systems and controls with regards to its size, risk profile and strategy and an appropriate array of assurance mechanisms, properly resourced and skilled, to avoid or minimise loss. Key ratios and figures representing interaction of the risk profile and the stated risk tolerances are deemed to be proprietary information.

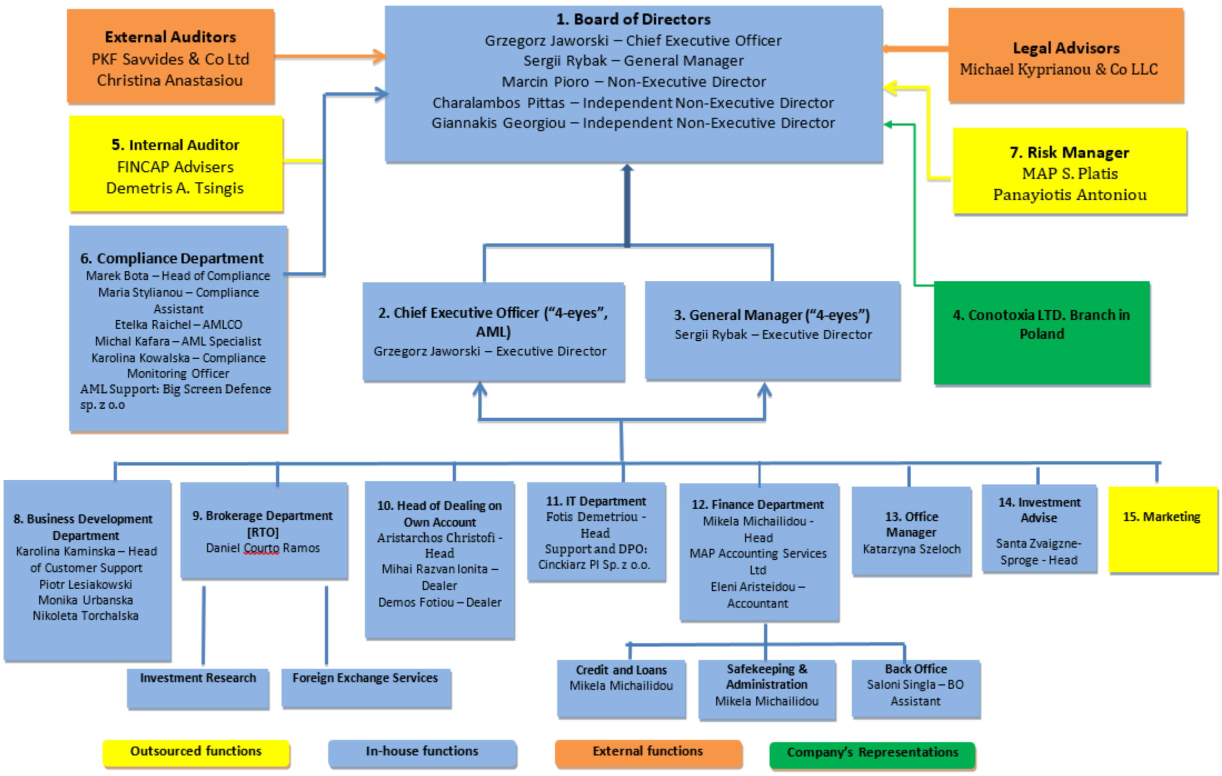
2. CORPORATE GOVERNANCE

The Group's systems of risk management and internal control include risk assessment, management or mitigation of risks, including the use of control processes, information and communication systems and processes for monitoring and reviewing their continuing effectiveness.

The risk management and internal control systems are embedded in the operations of the Group and are capable of responding quickly to evolving business risks, whether they arise from factors within the Group or from changes in the business environment.

2.1. Organisational Structure

The Company's latest organizational structure is as follows:



Through the said structure, the Group incorporates a strict Internal Governance framework. Furthermore, the 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 Group with the principle of segregation of duties and helps in the avoidance and control of possible conflict of interest situations within the Group.

The Group has in place an Internal Operations Manual which lays down the activities, processes, duties and responsibilities of the Board, Committees, Senior Management and staff constituting the Group.

Moreover, the Group implements and maintains adequate risk management policies and procedures which identify the risks relating to the Group's activities, processes and systems, and where appropriate, sets the level of risk tolerated by the Group. The Group adopts effective arrangements, processes and systems, in light of the set level of risk tolerance, where applicable.

2.1.1. Board of Directors

As at 31 December 2022, the Board comprises of two executive directors and three non-executive directors.

The Board has the ultimate and overall responsibility for the investment firm and defines, oversees and is accountable for the implementation of the governance arrangements. The Board is responsible for ensuring that the Group complies at all times with its obligations under the Law. In doing so, the Board approves and periodically reviews the effectiveness of the policies, arrangements and procedures put in place, whilst if needed, takes appropriate measures to address any deficiencies.

The main responsibilities of the Board of Directors are:

- To establish, implement and maintain decision-making procedures and an organizational structure which clearly and in documented manner specifies reporting lines and allocates functions and responsibilities;
- To ensure that its relevant persons are aware of the procedures that must be followed for the proper discharge of their responsibilities;
- To establish, implement and maintain adequate internal control mechanisms designed to secure compliance with decisions and procedures at all levels of the Group;
- To employ personnel with the skills, knowledge and expertise necessary for the discharge of the responsibilities allocated to them;
- To establish, implement and maintain effective internal reporting and communication information at all relevant levels of the Group;
- To maintain adequate and orderly records of its business and internal organization; and
- To ensure that the performance of multiple functions by its relevant persons does not and is no likely to prevent those persons from discharging any particular function soundly, honestly, and professionally.

The Board has the overall responsibility for the establishment and oversight of the Group's Risk Management Framework. The Board satisfies itself that financial controls and systems of risk management are robust.

2.1.2. Risk Manager

Further to the formation of the overall Internal Governance Framework, it should be noted that the Board has appointed a Risk Manager to ensure that all the different types of risks taken by the Group are in compliance with the Law and the obligations of the Group under the Law, and that all necessary procedures, relating to risk management are in place and are functional on an operational level from a day-to-day basis. The Risk Manager reports directly to the Senior Management of the Group.

The Risk Manager, has the following responsibilities:

- Design the overall risk management system of the Group;
- Comply and implement the relevant provisions of the Law;

- Prepare the Risk Management policies and procedures;
- Provide training to relevant employees and the Senior Management, on risk-related issues;
- Analyze the market and its trends;
- Evaluate the effect of the introduction of any potential new services or activities on the Group's risk management;
- Measures for the monitoring of capital adequacy and large exposures;
- Draft written reports to the Board including recommendations;
- Monitor Client and counterparty limits;
- Identify and manage the overall risks faced by the Group;
- Establish methods for risk monitoring and measurement;
- Monitor the performance and overall actions of the Dealing on Own Account Department;
- Prepare and implement the ICARA of the Group;
- Apply stress testing scenarios and undertake analysis of the results;
- Review the policy on maximum limits with respect to liquidity risk and market risk;
- Identify the instruments that are qualified as liquid assets;
- Ensure that data for the calculation of the K-Factors requirement are available at all times; and
- Fulfil the disclosure requirements under part six of IFR based on the categorization of the Group.

2.1.3. Committees

Establishing committees helps management bodies in their supervisory function. Committees draw on the specific knowledge and areas of expertise of individual management body members. While committees should prepare decisions and make recommendations to the management body in its supervisory function, the management body has the overall responsibility.

Moreover, the qualifications of the committee members should entail sufficient academic background, extensive knowledge of and exposure to the capital markets and financial services industry, and high level of knowledge and understanding of the legal framework under which the Group is regulated.

According to Circular C487, if the Group meets the definition of 'significant CIF' as set out in Section 26(8)(a) of the Law, it is obligated to establish a Risk, Remuneration and Nomination Committee. The Group does not fall under the definition of 'significant CIF' since its average on and off-balance sheet items during the four preceding years were less than €100m. Therefore, it is not required to comply with the additional regulatory requirements indicated above.

2.1.4. Other Governance Functions

Internal Audit Function

The Internal Auditor reports to the Senior Management and the Board of the Group and is separated and independent from the other functions and activities of the Group. The Internal Auditor has access to the Group's premises, systems, information, personnel and financials. The Board ensures that internal audit issues are considered when presented to it by the Internal Auditor and appropriate actions are taken according to the Board's assessment and prioritization.

Compliance Function

Pursuant to the regulatory obligations of the Group and with the view to complement the Internal Governance framework of the Group, the Board has established a compliance function to manage compliance risk. Furthermore, the Board has appointed the Compliance Officer (the "CO") who is to be responsible for this function across the entire investment firm. More specifically, the CO is responsible to establish, implement and maintain adequate policies and procedures designed to detect any risk of failure by the Group 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 function, policies and procedures should also be compliant with Article 22 of Commission Delegated Regulation (EU) 2017/565 and ESMA guidelines on the compliance function.

The Compliance Officer is independent and reports directly to the Senior Management of the Group, having at the same time the necessary authority, resources, expertise and access to all relevant information. The staff within the compliance function possesses sufficient knowledge, skills and experience in relation to compliance and relevant procedures and has access to regular training.

Anti-Money Laundering Compliance Officer

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

2.1.5. Responsibilities

Table 4: Roles and Responsibilities

Role	Responsibilities
Risk Manager	• Design the overall risk management system of the Group • Comply and implement the relevant provisions of the Law • Prepare the Risk Management policies and procedures • Provide training to relevant employees and the Senior Management, on risk-related issues • Analyze the market and its trends • Evaluate the effect of the introduction of any potential new services or activities on the Group's risk management • Measures for the monitoring of capital adequacy and large exposures • Draft written reports to the Management Body including recommendations. • Monitor Client and counterparty limits • Identify and manage the overall risks faced by the Group • Establish methods for risk monitoring and measurement • Monitor the performance and overall actions of the Dealing on Own Account Department • Prepare and implement the ICARA of the Group

	• Apply stress testing scenarios and undertake analysis of the results, • Review the policy on maximum limits with respect to liquidity risk and market risk • Identify the instruments that are qualified as liquid assets. • Ensure that data for the calculation of the K-Factors requirement are available at all times. • Fulfil the disclosure requirements under part six of IFR based on the categorization of the Group.
Compliance Function	• Monitoring and assessing the adequacy and effectiveness of the measures and procedures which are put in place in order to detect any potential risk failure by the Group • Monitoring counterparties agreements • Monitoring promotional material and advertisements • Reviewing the Group's website frequently to ensure compliance with the Law • Monitoring and assessing the adequacy and effectiveness of actions taken under the Law requirements • Assisting and advising the relevant persons undertaking the investment services and activities in order to comply with the regulatory requirements • Providing written reports to the BoD on a frequent basis, and at least annually on the adequacy and effectiveness of the measures and procedures employed • Being up-to-date with changes in the legislation and the issuance of new directives • Training and educate employees on regulatory requirements on an ongoing basis and ensuring all employees attend necessary training sessions with external providers on compliance with laws, rules and regulations • Ensuring that the management does not exercise inappropriate influence over the way in which relevant persons carry out their responsibilities • Ensuring that procedures pertaining the Group's conflict of interest policy are followed • Assisting in the identification and resolution of conflicts of interest and recording services and activities which rise potential possibility of the conflict of interest • Monitoring the existence of Chinese walls between the various departments • Monitoring personal transactions of the relevant persons; • Monitoring procedures regarding obligations for reporting to Clients • Assisting in investigation of the Client complaints and adequately recording them; and • Overseeing the development and periodic review of the Group's product governance arrangements. • Maintaining records of communications with regulatory bodies • Ensuring that the Group complies with its continuous obligations towards the Commission

Internal Audit	• Establish, implement and maintain an audit plan to examine and evaluate the adequacy and effectiveness of the Group's systems, internal control mechanisms and arrangements • Provide timely, accurate and relevant reporting in relation to internal audit matters to the Board of Directors and the Senior Management of the Group, at least annually. • Provide the Group with an Independent confirmation that the process followed by the Group is according to the Board's requirements, • Provide the Group with an Independent review of the risk assessment, stress testing and capital allocation exercises performed, and shall confirm their compliance with the policies and procedures approved by the Board of the Group • Perform an Independent validation of all numbers included in the ICARA Report and shall confirm their agreement with the financial records
AMLCO	• The improvement of mechanisms used by the Group for counteraction of legalization (laundering) of criminally earned income • To decrease the probability of appearance among the Customers of the Group of any persons/organizations engaged in illegal activity and/or related with such persons/organizations • To minimize the risk of involvement of the Group in any unintended holding and realization of operations with any funds received from any illegal activity or used for its financing • 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

2.2. Policy on Recruitment

Recruitment into the Board combines an assessment of both technical capability and competency skills referenced against the Group's leadership framework. Members of the Board possess sufficient knowledge, skills and experience to perform their duties. The overall composition of the Board reflects an adequately broad range of experiences to be able to understand the CIF's activities, including the main risks to ensure the sound and prudent management of the Group as well as sufficient knowledge, of the legal framework governing the operations of a CIF.

Board of Directors Recruitment

The management of a Group must be undertaken by at least two persons meeting the requirements below:

1. Members of the Board shall at all times be of sufficiently good repute and possess sufficient knowledge, skills and experience to perform their duties. The overall composition of the Board of directors shall reflect and adequately board range of experiences.
2. All Board members shall commit sufficient time to perform their functions in the Group;
3. The number of directorships which may be held by a member of the Board at the same time shall take into account individual circumstances and the nature, scale and complexity of the Group's activities. Unless representing the Republic, members of the Board of a

Group that is significant in terms of its size, internal organisation and the nature, the scope and the complexity of its activities shall not hold more than one of the following combinations of directorships at the same time:
  - one executive directorship with two non-executive directorships;
  - four non-executive directorships.
4. For the purposes of subsection above, the following shall count as a single directorship:
   a) Executive or non-executive directorships held within the same group;
   b) Executive or non-executive directorships held within:
      i. institutions which are members of the same institutional protection scheme provided that the conditions set out in Article 113, paragraph (7) of CRR are fulfilled; or
      ii. undertakings (including non-financial entities) in which the CIF holds a qualifying holding.
5. Directorships in organisations which do not pursue predominantly commercial objectives shall not count for the purposes of the previous subsection;
6. The Commission may allow members of the Board of Directors to hold additional non-executive directorships;
7. The Board of Directors shall collectively possess adequate knowledge, skills experience to be able to understand the Group's activities, including the principal risks; and
8. Each member of the Board of Directors shall act with honesty, integrity and independence of mind to effectively assess and challenge the decisions of the senior management where necessary and to effectively oversee and monitor the decision-making of the management.

Chairman of the BoD shall not exercise simultaneously the functions of a Chief Executive Officer within the Group, unless justified by the Group and approved by CySEC.

2.3. Number of Directorships held by members of the Board

The table below discloses the number of directorships held by members of the management body of the Group, including Conotoxia Ltd and any other companies belonging to the same group, as at 31 December 2022. Directorships in organisations which do not pursue predominantly commercial objectives such as non-profit or charitable organisations, are not taken into account for the purposes of the below.

Table 5: Number of Directorships of the members of the Board of Directors*

Name of Director	Position	Number of Executive Directorships	Number of Non-Executive Directorships
Sergii Rybak	Executive Director	1	-
Grzegorz Jaworski	Executive Director	1	-
Charalambos Pittas	Non-Executive Director	2	1
Marcin Pioro	Non-Executive Director	1	-
Yiannakis Georgiou	Non-Executive Director	-	3

**The information in this table is based only on representations made by the directors of the Company.*

For the purpose of the above, Executive or Non-Executive directorships held within the same group shall count as a single directorship.

2.4. Policy on Diversity

The Group is committed to promoting 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 Group takes into consideration various aspects such as broad industry experience, knowledge, independence, gender, age and cultural and educational background for the Board appointments.

2.5. Information flow on risk to the board

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, Money Laundering and Terrorist Financing and Risk Management issues and approves the ICARA report as shown in the table below:

Table 6: Information flow on risk to board

No.	Report Name	Owner of Report	Recipient	Frequency
1	Risk Manager's Report	Risk Manager	Senior Management, Board, CySEC	Annually
2	Form 165-01	Risk Manager	Senior Management, Board, CySEC	Quarterly
3	ICARA Report	Risk Manager	Senior Management, Board	Annually
4	Market Disclosures	Risk Manager	Senior Management, Board	Annually
5	Risk Register	Risk Manager	Senior Management, Board	Annually
6	Compliance Report	Compliance Officer	Senior Management, Board, CySEC	Annually
7	Internal Audit Report	Internal Auditor	Senior Management, Board, CySEC	Annually
8	Anti-money laundering (AMLCO) Report	Anti-money laundering Compliance Officer	Senior Management, Board, CySEC	Annually

9	Audited Financial Statements	External Auditor	Senior Management, Board, CySEC	Annually
10	Form 165-03 'Prudential Supervision Information'	Risk Manager	Senior Management, Board, CySEC	Annually
11	Form 20-01 (Recovery Plan)*****	Risk Manager	Senior Management, Board, CySEC	Every Two Years
12	Resolution Templates (XBRL)	Risk Manager	Senior Management, Board, Resolution Authority (CBC)	Annually

********CIFs which are subject to simplified obligations for the purpose of preparing their recovery plans according to Directive DI20-01*

Furthermore, the Group believes that the risk governance processes and policies are of at most importance for its effective and efficient operations. The processes are reviewed and updated on an annual basis or when deemed necessary.

3. OWN FUNDS

Own Funds (also referred to as capital resources) are the type and level of regulatory capital that must be held to enable the Group to absorb losses.

During the year under review, the primary objective of the Group with respect to capital management was to ensure that it complied with the imposed capital requirements with respect to its own funds and that the Group maintained healthy capital ratios in order to support its business. Further to the above, the Group, as a **Class 2** investment firm, shall at all times have own funds at least the highest of the following:

- Initial minimum requirement,
- Fixed Overheads Requirements, and
- K-Factors Requirement.

The Group 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.

3.1. Composition of regulatory own funds

The Group shall disclose information relating to their own funds according to Article 49(a) and (c) of IFR.

The following information provides a full reconciliation of the Common Equity Tier 1 (CET1) and Additional Tier 1 (AT1) instruments and Tier 2 (T2) instruments issued by the Group. The Group's regulatory capital comprises fully of CET1 capital while it has not issued any AT1 or T2 capital.

The composition of the Group's Own Funds which is cross-referenced to the corresponding rows in table EU IF CC2 is shown below:

Table 7: IF CC1.01 - Composition of regulatory own funds as at 31 December 2022

Common Equity Tier 1 (CET1) capital: instruments and reserves		Amounts €'000	Source based on reference numbers/letters of the balance sheet in the audited financial statements (EU IF CC2)
1	**OWN FUNDS**	**849**	
2	**TIER 1 CAPITAL**	**849**	
3	**COMMON EQUITY TIER 1 CAPITAL**	**849**	
4	Fully paid up capital instruments	6,845	1 (Shareholders' Equity)
5	Share premium	-	N/A
6	Retained earnings	(40,042)	3 (Shareholders' Equity)
7	Accumulated other comprehensive income	-	N/A

8	Other reserves	300	2 (Shareholders' Equity)
9	Minority interest given recognition in CET1 capital	-	N/A
10	Adjustments to CET1 due to prudential filters	-	N/A
11	Other funds	-	N/A
12	**(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1**	-	
13	(-) Own CET1 instruments	-	N/A
14	(-) Direct holdings of CET1 instruments	-	N/A
15	(-) Indirect holdings of CET1 instruments	-	N/A
16	(-) Synthetic holdings of CET1 instruments	-	N/A
17	(-) Losses for the current financial year	(2,211)	17 (Shareholders' Equity)
18	(-) Goodwill	-	
19	(-) Other intangible assets	(3)	3 (Assets)
20	(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	-	N/A
21	(-) Qualifying holding outside the financial sector which exceeds 15% of own funds	-	N/A
22	(-) Total qualifying holdings in undertaking other than financial sector entities which exceeds 60% of its own funds	-	N/A
23	(-) CET1 instruments of financial sector entities where the institution does not have a significant investment	-	N/A
24	(-) CET1 instruments of financial sector entities where the institution has a significant investment	-	N/A
25	(-)Defined benefit pension fund assets	-	N/A
26	(-) Other deductions	-	N/A
27	CET1: Other capital elements, deductions and adjustments	(40)	1 & 2 (Assets)
28	**ADDITIONAL TIER 1 CAPITAL**	-	
29	Fully paid up, directly issued capital instruments	-	N/A
30	Share premium	-	N/A
31	**(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1**	-	
32	(-) Own AT1 instruments	-	N/A
33	(-) Direct holdings of AT1 instruments	-	N/A
34	(-) Indirect holdings of AT1 instruments	-	N/A
35	(-) Synthetic holdings of AT1 instruments	-	N/A
36	(-) AT1 instruments of financial sector entities where the institution does not have a significant investment	-	N/A
37	(-) AT1 instruments of financial sector entities where the institution has a significant investment	-	N/A
38	(-) Other deductions	-	N/A

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

[*]According to the Circular C334, CIFs should deduct the additional Cash Buffer of 3 per thousand of the eligible funds and financial instruments of their clients as at the previous year calculated according to paragraph 11(6) of the Directive DI87-07 (operation of the ICF).

3.2. Main features of capital instruments

The Group shall disclose the main features of the CET1 and AT1 instruments and Tier 2 instruments issued according to Article 49(b) of IFR. Therefore, the Group's capital instruments' main features are outlined below:

Table 8: EU IF CCA - Main features of own instruments issued by the firm

No	Item	CET1 Capital
1	Issuer	CONOTOXIA HOLDING CYPRUS LTD
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Public or private placement	Private
4	Governing law(s) of the instrument	Cyprus Companies Law
5	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares
6	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	6.845
7	Nominal amount of instrument	€1
8	Issue price	€6,845,000
9	Redemption price	N/A
10	Accounting classification	Shareholder's Equity
11	Original date of issuance	09/12/2015
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	N/A

15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
21	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
22	Existence of step up or other incentive to redeem	No
23	Noncumulative or cumulative	Non-cumulative
24	Convertible or non-convertible	Non-convertible
25	If convertible, conversion trigger(s)	N/A
26	If convertible, fully or partially	N/A
27	If convertible, conversion rate	N/A
28	If convertible, mandatory or optional conversion	N/A
29	If convertible, specify instrument type convertible into	N/A
30	If convertible, specify issuer of instrument it converts into	N/A
31	Write-down features	N/A
32	If write-down, write-down trigger(s)	N/A
33	If write-down, full or partial	N/A
34	If write-down, permanent or temporary	N/A
35	If temporary write-down, description of write-up mechanism	N/A
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
38	Link to the full term and conditions of the instrument (signposting)	N/A

3.3. Balance Sheet Reconciliation

The Group shall disclose the balance sheet included in their audited financial statements for the year-end disclosures.

As at the 31 December 2022, the reconciliation of Group’s assets and liabilities and regulatory Own Funds is shown in the following table:

Table 9: EU IFCC2 - Reconciliation of regulatory own funds to balance sheet in the audited financial statements

No.	Item	Balance sheet as in published/ audited financial statements €'000	Cross reference to EU IF CC1
Assets - *Breakdown by asset classes according to the balance sheet in the published/audited financial statements*			
1	Investors' Compensation Fund	39	Ref. 27
2	Cash Buffer	2	Ref. 27
3	Intangible Assets	3	Ref. 19
4	Property, Pant and Equipment	40	N/A
5	Right-of-Use Assets	52	N/A
6	Receivables	449	N/A
7	Loans Receivables	16	N/A
8	Cash and Cash Equivalents	590	N/A
xxx	**Total Assets**	**1,189**	
Liabilities - *Breakdown by liability classes according to the balance sheet in the published/audited financial statements*			
1	Trade and Other Payables	96	N/A
2	Lease Liabilities	52	N/A
3	Borrowings	0	N/A
xxx	**Total Liabilities**	**149**	
Shareholders' Equity			
1	Share Capital	6,845	Ref. 4
2	Advances from shareholder	300	Ref. 8
3	Audited Reserves	(3,900)	Ref. 6
4	Unaudited Profits	(2,205)	Ref. 17
xxx	**Total Shareholders' equity**	**1,140**	

4. OWN FUNDS REQUIREMENTS

The Group as a **Class 2** investment firm group shall at all times have own funds at least the highest of the following:

- Initial Capital Requirement,
- Fixed Overhead Requirements and
- K-Factors Requirement.

4.1. Initial Capital Requirement

As per the Title III of the Law, the initial capital of a CIF which is authorised to provide any of the investment services or perform any of the investment activities listed in points (3) and (6) of Part I of Annex I to the Investment Services and Activities and Regulated Markets Law, shall be €750k while for a CIF which is authorised to provide any of the investment activities listed in points (1), (2), (4), (5) and (7) which is not permitted to hold clients' money or securities belonging to its clients, the initial capital shall be €75k. For all other CIFs, the initial capital shall be €150k.

Therefore, since the Group is authorised to provide the investment service of dealing on own account, its initial capital is €750k.

4.2. Fixed Overheads requirement

The fixed overheads requirement (FOR) applies to all CIFs. The FOR is intended to calculate a minimum amount of capital that a CIF would need available to absorb losses if it has cause to wind-down or exit the market.

It is calculated as the one quarter of the fixed overheads of the preceding year (or business plan where the audited financial statements are not available) in accordance with the provision of Article 13 of IFR.

Further to the above, the Group's fixed overheads requirement based on the latest solo and consolidated audited financial statements and consolidated management accounts are **€558k** and **€560k** respectively as per the table below:

Table 10: Fixed Overheads Requirement

Item	Solo €'000	Consolidated €'000
Total expenses of the previous year after distribution of profits	**2,517**	**2,524**
Total deductions	**(283)**	**(283)**
(-)Staff bonuses and other remuneration	-	-
(-)Employees', directors' and partners' shares in net profits	-	-
(-)Other discretionary payments of profits and variable remuneration	(283)	(283)
(-)Shared commission and fees payable	-	-
(-)Fees, brokerage and other charges paid to CCPs that are charged to customers	-	-
(-)Fees to tied agents	-	-
(-)Interest paid to customers on client money where this is at the firm's discretion	-	-

(-)Non-recurring expenses from non-ordinary activities	-	-
(-)Expenditures from taxes	-	-
(-)Losses from trading on own account in financial instruments	-	-
(-)Contract based profit and loss transfer agreements	-	-
(-)Expenditure on raw materials	-	-
(-)Payments into a fund for general banking risk	-	-
(-)Expenses related to items that have already been deducted from own funds	-	-
Annual Fixed Overheads	**2,233**	**2,240**
Fixed Overheads requirement	**558**	**560**

4.3. K-Factors Requirement

The K-factors capital requirement is essentially a mixture of activity- and exposure-based requirements. The K-factors which apply to an individual investment firm will depend on the MiFID investment services and activities it undertakes. Capital requirement from applying K-factors formula is the sum of Risk to Client (‘RtC’), Risk to Market (‘RtM’) and Risk to Firm (‘RtF’).

Further to the above and since the Group is a Class 2 IF which is authorized to provide the investment service of Dealing on Own Account, all RtC, RtM and RtF proxies are applicable for the Group.

4.3.1. Risk to Client

The risk to Client proxy captures the risk that may be inflicted onto the clients. RtC exists in the activities/services of the firm which are related to the client and are measured as a percentage of Clients Money Held (CMH), Assets Under Management (AUM), Assets Safeguarded & Administered (ASA) and Clients’ Orders Handled (COH).

The Group is required to calculate the following K-Factors requirements as part of the RtC:

4.3.1.1. K-AUM: Assets Under Management

K-AUM captures the risk of harm to clients from an incorrect discretionary management of client portfolios or poor execution and provides reassurance and client benefits in terms of the continuity of service of ongoing portfolio management and investment advice.

AUM is the value of assets an IF manages for its clients under both discretionary portfolio management and non-discretionary arrangements constituting investment advice of an ongoing nature.

Calculation

AUM shall be the rolling average of the value of the total monthly assets under management, measured on the last business day of each of the previous 15 months, excluding the 3 most recent monthly values.

K-AUM shall be the arithmetic mean of the remaining 12 monthly values multiplied by the relevant coefficient of 0.02%.

Since the Group did not provide portfolio management or investment advice services during the year ending 31 December 2022, the Group was not subject to the risk relating to this K-factor.

Upon activation of the portfolio management or investment advice services, the Group will be subject to the risk relating to K-AUM.

4.3.1.2. K-CMH: Clients Money Held

K-CMH captures the risk of potential for harm where an investment firm holds the money of its clients, taking into account whether they are on its own balance sheet or in third-party accounts and arrangements under applicable national law provided that client money is safeguarded in the event of bankruptcy, insolvency, or entry into resolution or administration of the investment firm.

CMH is the amount of client money that an investment firm holds or controls. It excludes client money that is deposited on a (custodian) bank account in the name of the client itself, where the investment firm has access to these client funds via a third-party mandate (on a segregated or nonsegregated basis).

Calculation

CMH shall be the rolling average of the value of total daily client money held, measured at the end of each business day for the previous 9 months, excluding the 3 most recent months.

K-CMH shall be the arithmetic mean of the daily values from the remaining 6 months multiplied by the relevant coefficient (0.4% and for segregated accounts and 0.5% for non- segregated accounts).

As at 31 December 2022, the K-CMH was €2k. The table below shows the average CMH values in segregated accounts and non-segregated accounts for the 4th quarter of 2022 in accordance with the Article 18(1) of IFR:

Table 11: Total CMH (average amounts)

	Factor amount		
	December 2022 €'000	Novembe r 2022 €'000	October 2022 €'000
CMH - Segregated (average amounts)	593	595	624
CMH - Non-segregated (average amounts)	-	-	-

4.3.1.3. K-ASA: Assets Safeguarded and Administered

K-ASA captures the risk of safeguarding and administering client assets, and ensures that investment firms hold capital in proportion to such balances, regardless of whether they are on its own balance sheet or in third-party accounts.

ASA means the value of assets that an investment firm safeguards and administers for clients – ensuring that investment firms hold capital in proportion to such balances, regardless of whether they are on its own balance sheet or in third-party accounts.

Calculation

It is calculated as the rolling average of the daily total value of assets under safekeeping and administration, measured at the end of each business day for the previous 9 months, excluding the 3 most recent months.

K-ASA shall be the arithmetic mean of the daily values from the remaining 6 months multiplied by the relevant coefficient of 0.04%**.**

During the year under review, the Group was not subject to the risk relating to K-ASA since it was safeguarding clients' positions in CFD products. It is noted that the safeguarding of clients' positions in CFD products is captured under K-CMH in consideration of the nature of CFD products.

As at 31 December 2022, the K-ASA was zero.

4.3.1.4. K-COH: Client Orders Handled

K-COH captures the potential risk to clients of an investment firm which executes orders (in the name of the client, and not in the name of the investment firm itself), for example as part of execution-only services to clients or when an investment firm is part of a chain for client orders.

COH captures the potential risk to clients of an investment firm which executes its orders (in the name of the client). This is the value of orders that an investment firm handles for clients, through the reception and transmission of client orders and execution of orders on behalf of clients.

Calculation

COH shall be the rolling average of the value of the total client orders handled, measured throughout each business day for the previous 6 months.

K-COH shall be the arithmetic mean of the daily values from the remaining 3 months multiplied by the relevant coefficient (0.1% and for cash trades and 0.01% for derivative trades). As at 31 December 2022, the K-COH was €2k. The table below shows the arithmetic mean amount of COH in cash trades and derivatives for the 4th quarter of 2022, in accordance with the Article 20(1) of IFR:

Table 12: Total COH (average amounts)

	Factor amount		
	December 2022 €'000	**November 2022 €'000**	**October 2022 €'000**
COH - Derivative (average amounts)	**16,906**	**15,185**	**9,998**
Of which: Execution of client orders	-	-	-
Of which: Reception and transmission of client orders	*16,906*	*15,185*	*9,998*

4.3.2. Risk to Market

The Risk to market proxy captures the risk an IF can pose to market access. The K-factor for RtM is based on the rules for market risk, for position in financial instruments in foreign exchange and in commodities in accordance with the CRR.

4.3.2.1. *K-NPR: Net Position Risk*

A Class 2 investment firm must calculate its K-NPR requirement by reference to trading book positions and positions other than trading book positions where the positions give rise to foreign exchange risk or commodity risk. The K-NPR requirement is calculated in accordance with Title IV of Part Three of the CRR.

The Group is exposed to market risk resulting from exposure to:

- FX Risk;
- Commodity Risk; and
- Equity Risk

As at 31 December 2022, the K-NPR capital requirement amounted to **€43k** for both solo and consolidated basis, as shown in the table below:

Table 13:K-NPR capital requirement

K-NPR	Solo €'000	Consolidated €'000
Foreign Exchange Risk	8	8
Commodities Risk	10	10
Position Risk due to equities	25	25
K-NPR	**43**	**43**

Foreign Exchange Risk

Foreign exchange risk is the effect that unanticipated exchange rate changes may have on the Group. In the ordinary course of business, the Group is exposed to foreign exchange risk, which is monitored through various control mechanisms.

The foreign exchange risk in the Group is effectively managed by setting and controlling foreign exchange risk limits, such as through the establishment of a maximum value of exposure to a particular currency pair as well as through the utilization of sensitivity analysis.

The Group's foreign exchange risk capital requirement is €8k emanating from a net foreign exchange exposure of €57k based on the latest relevant calculations of the Group's capital requirements as at 31 December 2022.

The Group continues to regularly monitor the impact of exchange rate risks and if deemed necessary, corrective actions will be taken to minimize the effect.

Closely Correlated Currencies

Following the EBA's Final draft Implementing Technical Standards on Closely Correlated Currencies under Article 354 (3) of CRR, the Group may apply lower own funds requirements against positions in relevant closely correlated currencies as these are disclosed by EBA. In this respect, for the calculation of the foreign exchange risk for matched positions on closely correlated currencies, a capital requirement of 4% instead of 8% is used.

The Group's matched positions in closely correlated currencies for the period up to 31 December 2022 were €2k. In this respect, please find below the analysis of the Group's exposure to Foreign Exchange Risk as at 31 December 2022:

Table 14: Foreign Exchange Risk capital requirements

	Net Positions		2% total own funds	Positions Subject To Capital Charge			OFR
	Long	Short		Long	Short	Matched	
TOTAL POSITIONS	**845**	**57**	**16**	**39**	**80**	**2**	**8**
Currencies closely correlated	806	26		-	25	2	0
of which: reporting currency	804	-		-	-	-	
All other currencies	-	31		-	55		4
Gold	39	-		39	-		3

Commodities Risk

Commodities Risk is the risk of unexpected changes in commodities' prices. These commodities are split into precious metals (except gold), base metals, agricultural products and other energy products (oil, gas). The Group calculates its capital requirement with respect to commodities risk using the Simplified Approach. Each position in commodities or commodity derivatives is expressed in terms of the standard unit of measurement. The spot price in each commodity is expressed in the reporting currency. The capital requirements for each commodity are calculated as the summation of the following:

- 15% x net position (long or short) x spot price for the commodity
- 3% x gross position (long plus short) x spot price for the commodity

As at 31 December 2022, the Commodities risk capital requirements due to commodities risk amounted to **€10k.**

Table 15: Capital requirements for Commodities risk

Category	Gross Long €000	Gross Short €000	Net Long €000	Net Short €000	OFR €000
Precious Metals	5	22	-	16	3
Other	40	69	34	63	7
Total	**45**	**91**	**34**	**80**	**10**

Position Risk

Position Risk is the risk involved with a certain trading position, commonly incurred due to the changes in price of the debt and equity instruments. The Group calculates its capital requirements for position risk as the sum of the own funds' requirements for the general and specific risk of its positions in debt and equity instruments.

Equities

Equity Risk is the risk that the fair value of a financial instrument fluctuates as a result of changes in market prices other than due to the effect of transactional foreign currency exposures or interest rate risks.

The sum of the absolute values of all of the Group's net long positions and all its net short positions is its overall gross position. The Group calculates, separately for each market, the difference between the sum of the net long and the net short positions. The sum of the absolute values of those differences is its overall net position. The specific risk on this individual equity can be ignored if the stock-index future in question is exchange traded and represents a relevant appropriately diversified index.

The Group multiplies its overall gross position by 8% in order to calculate its own funds requirement against specific risk. The own funds requirement against general risk are the Group 's overall net position multiplied by 8%.

As at 31 December 2022, the market risk capital requirements, due to position risk in equities amounted to **€25k.**

Table 16: Position risks in equities

	Total Exposure €'000	Capital Requirements €'000
General Risk	318	25
Specific Risk	-	-
Total	**318**	**25**

4.3.3. Risk to Firm

The Risk to Firm captures the risk that could be inflicted on the Group. The K-factors under RtF capture an investment firm's exposure to their trading counterparties, the concentration risk in an investment firm's large exposures and the operational risk from an investment firm's daily trading flow: K-factors for K-TCD and K-CON under RtF constitute a simplified application of the rules laid down in the CRR on counterparty credit risk and large exposure risk, respectively.

The Group is required to calculate the following K-Factors requirements as part of the RtF:

4.3.3.1. *K-TCD: Trading Counterparty Default*

K-TCD captures the risk to an investment firm by counterparties to over-the-counter (OTC) derivatives, repurchase transactions, securities and commodities lending or borrowing transactions, long settlement transactions, margin lending transactions, or any other securities financing transactions, as well as by recipients of loans granted by the investment firm on an ancillary basis as part of an investment service that fails to fulfil their obligations, by multiplying the value of the exposures, based on replacement cost and an add-on for potential future exposure, accounting for the mitigating effects of effective netting and the exchange of collateral.

Calculation

Calculation based on CRR counterparty credit risk refers to exposure value, credit valuation, replacement cost, potential future exposure and collateral. The following formulas describe the calculation of the capital requirement for K-TCD:

$$K\text{-}TCD = a \times EV \times Rf \times CVA$$

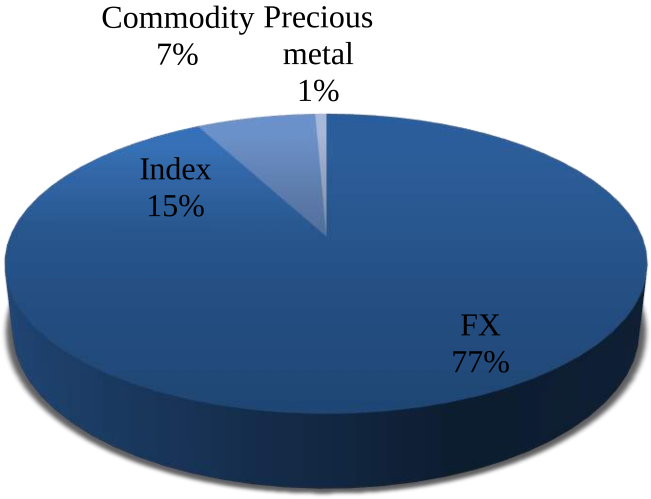
Where:
- *a=1.2*
- *EV = Exposure value calculated in accordance Article 27 of IFR*
- *RF = the risk factor applicable to the counterparty type as set out in the table 2 in Article 26*
- *CVA = the credit valuation adjustment calculated in accordance with Article 32of IFR.*

Table 17: K-TCD Exposures

	Positive Fair Value	Notional Amount	PFE Value	Collateral	Exposure Amount	K-TCD
	€'000	€'000	€'000	€'000	€'000	€'000
Interest Rate	-	-	-	-	-	-
Foreign exchange	780	1,627	65	67	779	75
Equity single name	-	-	-	-	-	-
Equity index	80	422	84	10	154	15
Commodity and emission allowance	69	126	23	13	79	8
Other (i.e. cryptos)	25	10	3	9	20	2
Total	**954**	**2,186**	**176**	**99**	**1,031**	**99**

The graph below shows the breakdown of the K-TCD capital requirement per asset class:

K-TCD per Asset Class



4.3.3.2. K-CON: Concentration Risk on Large Exposures

K-CON captures concentration risk in relation to individual or highly connected private sector counterparties with whom firms have exposures above 25 % of their own funds, or specific alternative thresholds in relation to credit institutions or other investment firms, by imposing a capital add-on in line with CRR for excess exposures above those limits.

All IFs should monitor and control their concentration risk. However only Investment Firms which are subject to a minimum own funds requirement under the K-Factors should report the concentration risk.

Limits

Where the client is a credit institution or an investment firm, the limit to concentration will be the higher between 25% of the investment firm's capital or €150m. If the amount of €150m is higher than 25% of the firm's own funds, the limit to concentration should not exceed 100% of the firm’s capital.

Where the client is not a credit institution or investment firm, the limit to concentration risk remains at 25% of the investment firm’s own funds.

Calculation

Where a firm exceeds these limits, it will be required to hold an additional own fund requirement based on the excess over the limit multiplied by a factor between 200% and 900%, depending on the size of the excess as per Table 6 of Article 39 of IFR.

Further to the above, the Own Funds requirement of the excess shall be calculated in accordance with the following formula:

$$OFRE = \frac{OFR}{EV} * EVE$$

Where:

- *OFRE = own funds requirement for the excess;*
- *OFR = own funds requirement of exposures to an individual client or groups of connected clients, calculated by adding together the own funds requirements of the exposures to the individual clients within the group, which shall be treated as a single exposure;*
- *EV = exposure value calculated in TCD and NPR K-factors;*
- *EVE = exposure value excess calculated as Exposure Value minus Limit*

The K-CON own funds requirement shall be the aggregate amount of the own fund requirement calculated for each client or group of connected clients. The Groupcalculates and keeps aside additional capital requirement for any amount that exceeds the applicable K-CON limit. Additionally, the Group reports to CySEC, on a quarterly basis, via the Form 165-01, the amount of exposures exceeding the limits set in Article 37 of the IFR and the name of the relevant counterparty.

As at 31 December 2022, the Group had the following exposures above the limit:

Table 18: Concentration Risk on Large Exposures - Solo Basis

Name	Type	Exposure Value	Exposure Value Excess	OFR TCD	Excess %
1000464	Individual	710	514	68	65.88%

Table 19: Concentration Risk on Large Exposures - Consolidated Basis

Name	Type	Exposure Value	Exposure Value Excess	OFR TCD	Excess %
1000464	Individual	710	497	68	58.48%

The above large exposures create a concentration risk requirement of €123k on solo basis and €111k on consolidated basis. In this respect, it is advisable to monitor the exposures with the said Client in order to reduce the K-Factor requirement.

4.3.3.3. K-DTF: Daily Trading Flow

K-DTF captures the operational risks to an investment firm in large volumes of trades concluded for its own account or for clients in its own name in one day which could result from inadequate or failed internal processes, people and systems or from external events, based on the notional value of daily trades, adjusted for the time to maturity of interest rate derivatives in order to limit increases in own funds requirements, in particular for short-term contracts where perceived operational risks are lower. DTF means the daily value of transactions that an investment firm enters through dealing on own account or the execution of orders on behalf of clients in its own name, excluding the value of orders that an investment firm handles for clients which are already taken into account within the scope of client orders handled.

Calculation

DTF shall be the rolling average of the value of the total daily trading flow, measured throughout each business day for the previous 9 months, excluding 3 recent months.

K-DTF shall be the arithmetic mean of the daily values from the remaining 6 months multiplied by the relevant coefficient (0.1% and for cash trades and 0.01% for derivative trades). As at 31 December 2022, the K-DTF was **€2k**. The table below shows the arithmetic mean amount of DTF in cash trades and derivatives for the 4th quarter of 2022, in accordance with the Article 20(1) of IFR:

Table 20: Total DTF (average amounts)

	Factor amount		
	December 2022 €'000	November 2022 €'000	October 2022 €'000
DTF - Cash trades (average amounts)	-	-	-
DTF - Derivatives (average amounts)	15,414	15,330	15,600

4.3.4. K-Factors Requirement Results

As at 31 December 2022, the Group's K-Factors Requirement is **€271k** on solo basis and **€258k** on consolidated basis as shown in the table below:

Table 21: K-Factors Results

Item	Solo		Consolidated	
	Factor Amount €'000	K-Factor Requirement €'000	Factor Amount €'000	K-Factor Requirement €'000
TOTAL K-FACTOR REQUIREMENT		**271**		**259**
Risk To clients		**4**		**4**
K-AUM	-	-	-	-
K-CMH (Segregated)	593	2	593	2
K-CMH (non-Segregated)	-	-	-	-
K-ASA	-	-	-	-
K-COH (Cash Trades)	-	-	-	-
K-COH (Derivative Trades)	16,906	2	16,906	2
Risk to Market		**43**		**43**
K-NPR		43		43
K-CMG		-		-
Risk to Firm		**223**		**211**
K-TCD		99		99
K- DTF (Cash Trades)	-	-	-	-
K-DTF (Derivative Trades)	15,414	2	15,414	2
K-CON		123		111

4.4. Capital Ratios

According to Article 9 of the IFR, 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 the following conditions at all times:

$$\frac{\textbf{\textit{Common Equity Tier 1 Capital}}}{\textbf{\textit{D}}} \geq 56\%$$
$$\frac{\textbf{\textit{Common Equity Tier 1 Capital + Additional Tier 1 Capital}}}{\textbf{\textit{D}}} \geq 75\%$$
$$\frac{\textbf{\textit{Common Equity Tier 1 Capital + Additional Tier 1 Capital + Tier 2 Capital}}}{\textbf{\textit{D}}} \geq 100\%$$

where D is the Group’s own funds requirement calculated in accordance with Article 11.

The Group’s own funds, own funds requirement and capital ratio reported as at 31 December 2022, were the following:

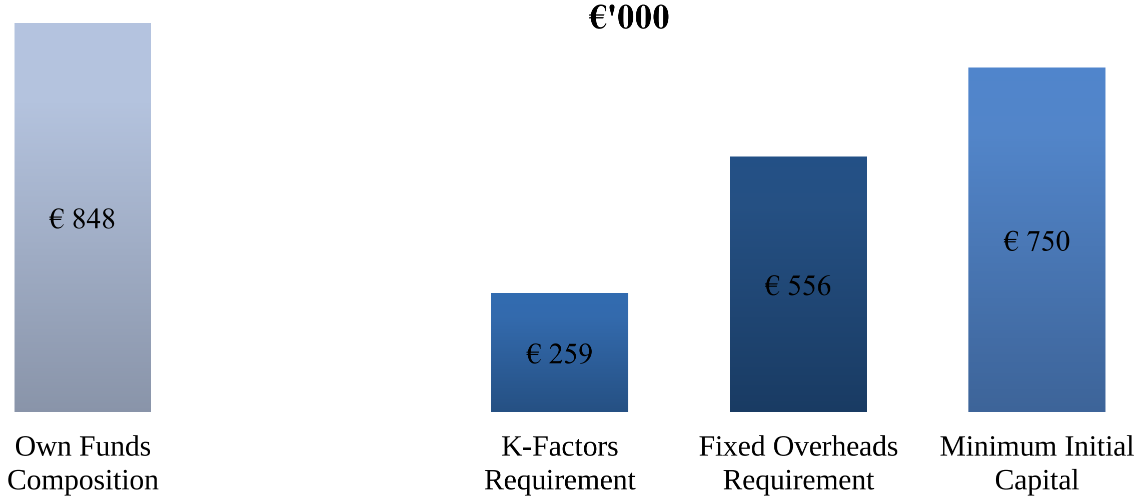
Table 22: Capital Adequacy Analysis

OWN FUNDS COMPOSITION	**Solo €’000**	**Consolidated €’000**
Total Own Funds	**782**	**849**
OWN FUNDS REQUIREMENTS	**€’000**	**€’000**
Initial Capital	750	750
Fixed Overheads Requirement	558	560
K-Factors Requirement	271	258
Own funds Requirement	**750**	**750**
CAPITAL RATIOS	**€’000**	**€’000**
CET 1 (min. 56%)	**104.24%**	**113.19%**
T1 (min. 75%)	**104.24%**	**113.19%**
Total (min. 100%)	**104.24%**	**113.19%**
Surplus of Total capital	**32**	**98**

As per the above results, the Group as at 31 December 2022 maintains adequate own funds to cover its capital requirements. However, the Group should monitor the above ratios in order to ensure compliance with the capital adequacy requirements at all times.

The graph below shows the Group’s own funds composition and requirements as at 31 December 2022:

OWN FUNDS REQUIREMENT AS AT 31 DECEMBER 2022
€'000



Further to the above, the Group has implemented a capital adequacy monthly monitoring program in order to ensure compliance with the IFR requirements at all times. In this respect, the Group calculates the capital requirement on a monthly basis in order to assess the capital adequacy ratio for the respective month.

4.5. Reporting requirements

The Group as a Class 2 investment firm is required by the Law to report on a quarterly basis the following items:

a) Level and composition of own funds
b) Own funds requirements
c) Own funds requirement calculations
d) Where the firm is a Class 3 firm – the level of activity, including the balance sheet
e) Revenue breakdown by investment service and applicable K-factors
f) Concentration risk
g) Liquidity requirements

The above information shall be reported to CySEC using the Form165-01 "Reporting for Class 2" on a quarterly basis.

The Senior Management as well as the Risk Manager monitor these reporting requirements and have policies and procedures in place to help meet the specific regulatory requirements. This is achieved through the preparation of accounts to monitor the financial and capital position of the Group.

Moreover, the Group is required to submit immediately to CySEC the prudential Form 165-01 under exceptional reporting, when

i. the own funds of the CIF have decreased below its own funds requirement,
ii. the CIF's liquid assets are below its liquidity requirement, and
iii. the CIF has exceeded the concentration risk limits, as defined in Articles 37(1) and 37(3) of IFR.

4.6. Concentration risk requirements

The concentration risk arising from exposures to each counterparty, including central counterparties, groups of connected counterparties, and counterparties in the same economic sector, geographic region or from the same activity or commodity, the application of credit risk mitigation techniques, and including in particular risks associated with large indirect credit exposures such as a single collateral issuer, must be addressed and controlled including by means of written policies and procedures.

Exposure means any asset or off-balance sheet item without applying the risk weights or degrees of risk. Large Exposure means the exposures in the trading book/banking book of an investment firm to a client or a group of connected clients, the value of which exceeds the limits set.

The CIFs that are categorized as Class 2 IFs should continue to monitor and control their concentration risk with regards to their trading book exposures to a client or a group of connected clients in accordance with Part four of IFR.

CIFs shall monitor and control their concentration risk so as not to exceed the following limits as per Article 37 of IFR.

Table 23: Large Exposure Limits

Type	Limit
Institution	Min {up to 100% of eligible capital, Max (25% of eligible capital, €150m)}
Non-institution	25% of eligible capital

Where any trading book exposure exceeds the limits mentioned above, a CIF shall calculate an additional capital requirement as part of the K-CON requirement.

According to Circular C513, the Group should notify CySEC without delay when the limits referred to in article 37(3) of IFR are exceeded, as required by article 38 of IFR.

Moreover, harm can arise from more than just a concentrated trading book exposure to a client. To mitigate the potential for harm that can arise from different types of concentrated exposures or relationships, the Group should monitor and control all their sources of concentration risk, including:

- exposures in a trading book
- assets (for example, trade debts) not recorded in a trading book
- off-balance sheet items
- the location of client money
- the location of client assets
- the location of its own cash deposits
- the sources of its earnings.

However, there are no limits on the banking book exposures of an Investment Firm.

The Group reports to CySEC on a quarterly basis the level of concentration risk with respect to the credit institutions, investment firms and other entities where client money are held and where client securities are deposited while it shall report the level of concentration risk with respect to the credit institutions where its own cash is deposited as per Article 54(2) of IFR. Moreover, the Group reports the top five clients from which the largest amounts of the Group's earnings are derived as well as the top five, if available, largest trading book exposures and largest exposures not recorded in the trading book.

Further to the above, the Group's own corporate funds and clients' funds during the year 2022 were well diversified, as per the provisions of Paragraph 6(2) of Directive DI87-01 and Circular C418. The Group maintains proper accounting controls in order to identify, monitor and control all exposures including clients' balances and the value of the assets held as financial instruments under pledge.

4.7. Liquidity Requirement

As a Class 2 investment firm, the Group is required to hold an amount of liquid assets equivalent to at least one third of the fixed overheads requirement. The purpose is to ensure that the investment firms have an adequate stock of unencumbered high-quality liquid assets that can be converted easily and immediately in private markets in cash to meet their liquidity needs for a 30-calendar day liquidity stress scenario.

The IFR specifies the instruments that are eligible to be qualified as liquid assets to be included in the calculation of the said ratio:

- Coins and banknotes
- Claims on ECB or other Central Banks
- High Quality Covered Bonds
- Shares or units in CIUs.

In this respect and as per the Group's latest solo and consolidated audited financial statements, the Group has the following liquid assets which is well above the 1/3 of the total fixed overheads requirement.

Table 24: Liquidity Requirements

Item	Solo €'000	Consolidated €'000
Liquid Assets	245	263
Requirement (1/3 of Fixed Overheads Requirement)	186	187
Surplus	**59**	**76**

Further to the above, the Group maintains adequate liquid assets to cover the one third fixed overheads requirement. However, the Group should monitor the above in order to ensure compliance at all times.

5. OTHER RISKS

5.1. Operational Risk

Operational risk means the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes legal risk but excludes strategic and reputational risk.

The following list presents some event-type categories, included in operational risk, with some examples for each category:

Internal Fraud	• misappropriation of assets; • tax evasion; • intentional mismarking of positions; • bribery.
External Fraud	• theft of information; • hacking damage; • third-party theft; • forgery.
Employment Practices and Workplace Safety	• discrimination; • workers compensation; • employee health; • safety.
Clients, Products, & Business Practice	• market manipulation; • antitrust; • improper trade.
Damage to physical assets	• damage to physical assets from a natural disaster, e.g. earthquake
Business Disruption & Systems Failures	• utility disruptions; • software failures; • hardware failures.
Execution, Delivery, & Process Management	• data entry errors; • accounting errors; • failed mandatory reporting; • negligent loss of Client assets.

The Group manages operational risk through a control-based environment in which processes are documented and transactions are reconciled and monitored. This is supported by continuous monitoring of operational risk incidents to ensure that past failures are not repeated.

Furthermore, the Group has in place policies and processes whose implementation assists with the evaluation and management of any exposures to operational risk.

The Group has implemented an operational risk management framework designed to ensure that operational risks are assessed, mitigated and reported in a consistent manner consisting of, inter alia, the following components:

- Maintaining a four-eye structure and implementing board oversight over the strategic; decisions made by the heads of departments;
- An IT Disaster Recovery Plan has been designed in order to be used in the event of a force majeure affecting the Group's internal systems and databases;
- Maintenance of Risk Registers in the Context of the ICARA;
- A Business Continuity Plan has been implemented which helps protect all of the Group's information databases including data, records and facilities;
- The majority of actions occurring in the Group's systems are automated and therefore it is less likely that a human error will occur;
- Review of risks and controls as part of the Internal Audit function; and
- Regular review and updating of the Group's policies.

5.2. Interest Rate Risk

Interest rate risk is the risk that the value of financial instruments (including currencies) will fluctuate due to changes in the market interest rates. The Group is exposed to interest rate risk in relation to its bank deposits and from the interest charged on the derivative financial instruments that remain open overnight.

The Group monitors interest rate fluctuations and based on the fluctuations of the relevant rates, the necessary hedging activities will be undertaken, as and where applicable.

5.3. Reputational Risk

Reputational risk is the current or prospective risk to earnings and capital arising from an adverse perception of the image of the Group on the part of customers, counterparties, shareholders, investors or regulators. Reputational risk could be triggered by poor performance, the loss of one or more of the Group's key directors, the loss of large customers, poor customer service, fraud or theft, customer claims, legal action and regulatory fines.

The Group has transparent policies and procedures in place when dealing with possible customer complaints in order to provide the best possible assistance and service under such circumstances. The possibility of having to deal with customer claims is very low as the Group provides high quality services to customers.

5.4. Strategic Risk

Strategic Risk could occur as a result of adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment. The Group's exposure to strategic risk is moderate as policies and procedures to minimize this type of risk are implemented, in the overall strategy of the Group.

5.5. Business Risk

Business Risk 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 is conducted with a view to minimize the Group's exposure to business risk. These are analyzed and taken into consideration when implementing the Group's strategy.

5.6. Regulatory Risk

Regulatory risk is the risk the Group faces by not complying with relevant Laws and Directives issued by its supervisory body. If materialized, regulatory risk could trigger the effects of reputation and strategic risk. The Group has documented procedures and policies based on the requirements of relevant Laws and Directives issued by the Commission; these can be found in the Procedures Manual. Compliance with these procedures and policies are further assessed and reviewed by the Group's Internal Auditors and suggestions for improvement are implemented by management. The Internal Auditors evaluate and test the effectiveness of the Group's control framework at least annually. Therefore, the risk of non-compliance is very low.

5.7. Legal and Compliance Risk

Legal & Compliance risks arise from violations of, or non-conformance with, the Law, Directives and Circulars issued thereof, regulations, prescribed practices, internal policies, and procedures, or ethical standards. This risk exposes the Group mainly to financial losses due to imposed fines from the Regulators. Compliance incidents may also lead to diminished reputation, reduced Group value, limited business opportunities, reduced expansion potential, and possible inability to enforce contracts.

The probability of such risks occurring is relatively low due to the detailed internal procedures and policies implemented by the Group and regular reviews by the Internal Auditors. The structure of the Group is such to promote clear coordination of duties and the management consists of individuals of suitable professional experience, ethos and integrity, who have accepted responsibility for setting and achieving the Group's strategic targets and goals. In addition, the Board meets at least annually to discuss such issues and any suggestions to enhance compliance are implemented by management.

5.8. IT Risk

IT risk could occur as a result of inadequate information technology and processing or arise from an inadequate IT strategy and policy or an inadequate use of the Group's information technology.

Specifically, policies have been implemented regarding back-up procedures, software maintenance, hardware maintenance, use of the internet and anti-virus procedures. Materialization of this risk has been minimized to the lowest possible level.

5.9. Conduct Risk

Conduct risk is defined as the risk of an action, by an individual, financial institution or the industry as a whole, which leads to customer detriment or undermines market integrity. This can bring sanctions and negative publicity. Moreover, EBA has defined conduct risk as the current or prospective risk of losses to an institution arising from inappropriate supply of financial services including cases of wilful or negligent misconduct. Consequently, conduct risk arises from failures of designated liquidity providers located in third countries associated with the Group.

Additionally, the Group is exposed to negative balances with its Liquidity Providers, in case of fast-pacing volatile market, where the LP cannot close a position at the Group's stop out limit. Therefore, the Group may be exposed to conduct risk arising from inadequate agreements with the Liquidity Providers and/or with the third parties that hold client's funds.

Furthermore, the receivable/payable amounts with the LPs are monitored daily. In particular, the Group examines its existing procedures and arrangements with respect to the products offered and services provided.

6. INTERNAL CAPITAL ADEQUACY AND RISK ASSESSMENT PROCESS

The purpose of capital is to provide sufficient resources to absorb unexpected losses over and above the ones that are expected in the normal course of business. The Company aims to maintain a minimum risk asset ratio which will ensure there is sufficient capital to support the Company during stressed conditions.

Pursuant to Chapter 2 and Paragraph 18 of the Law, the Company should establish sound, effective and comprehensive arrangements, strategies and processes to assess and maintain on an ongoing basis the amounts, types and distribution of internal capital and liquid assets that they consider adequate to cover the nature and level of risks which they may pose to others and to which the investment firms themselves are or might be exposed. These arrangements, strategies and processes shall be appropriate and proportionate to the nature, scale and complexity of the activities of the Company and they shall be subject to regular internal review.

In light of the above, the ICARA report will present the main business background aspects and developments of the Company, a summary of the Company's business economic environment, the Company's financial summary for the previous and upcoming years, the business and strategic goals, organisational structure and the risk management framework, the overall assessment of the material risks as well as a forward-looking capital and liquidity planning.

The Company recognises the importance of the ICARA and appreciates that it enables the firm to justify its business strategy and risk assessments in such a way as to be more diligent in the inclusion of risk factors in the business design process and also to hold adequate capital against the gross risks to which it is exposed to. It is also acknowledged that the ICARA Report is a reasonably intense process, requiring information from many different departments and committees of the company and also it requires senior management time at the design phase, during the risk and financial data collection phase and for the sign-off phase. Therefore, the Board is committed to continuously update the ICARA at least annually to reflect the latest strategic plans and updates.

During the year 2022, the Company replaced its existing ICAAP with the new ICARA by establishing new assessments with respect to the liquidity adequacy of the Company, designing new financial projections and stress tests to reflect the K-Factors requirement and drafting a new report which reflects all provisions under the new regulation. The methodologies of K-Factors and Liquidity Stress tests incorporated into the ICARA process, as well as the updated risk register which focus on a harm-pose approach identifying different potential risk events that may affect the Company's overall capital adequacy position.

The ICARA Report and capital planning for the year 2021 has been prepared and approved by the Board in the third quarter of 2022. The report is being reviewed and updated annually, while it is submitted to CySEC upon its request as laid down at Article 50(b) of the IFR.

7. REMUNERATION POLICY AND PRACTICES

The Group has established a remuneration policy, which its purpose is to set out the remuneration practices of the Group taking into consideration the salaries and benefits of the staff, in accordance with the provisions of the Law on remuneration policies and practices, where these comply with specific principles in a way and to the extent that is appropriate to the Group's size, internal organization and the nature, scope and complexity of its activities. Furthermore, the Group's remuneration strategy is designed to reward and motivate the people who are committed to maintaining a long-term career with the Group and performing their role in the interests of the Group.

The design of the Policy is approved by the people who effectively direct the business of the Group, after taking advice from the compliance function, and implemented by appropriate functions to promote effective corporate governance. The people who effectively direct the business are responsible for the implementation of remuneration policies and practices and for preventing and dealing with any relevant risks, that remuneration policies and practices can create. The Board discusses remuneration policy matters at least annually. Furthermore, the Policy also benefits from the full support of senior management or, where appropriate, the supervisory function, so that necessary steps can be taken to ensure that relevant persons effectively comply with the conflicts of interest and conduct of business policies and procedure. Moreover, the Policy adopts and maintains measures enabling them to effectively identify where the relevant person fails to act in the best interest of the client and to take remedial action.

Finally, the Group's remuneration policy aims to (i) provide for sufficient incentives so as for the Group's employees , to achieve the business targets, (ii) deliver an appropriate link between reward and performance whilst at the same time become a comprehensive, consistent and effective risk management tool that prevents excessive risk taking and/or undesirable practices in light of financial incentives schemes that may be implemented by the Group in future, which could lead to compliance risks for the Group in the long-run. This Policy is designed in such a way aiming not to create incentives and enforce reasonable measures to prevent any incentives that may lead persons to favor their own interests, or the Group's interests, to the potential detriment of clients.

7.1. Remuneration System

The remuneration mechanisms employed are well known management and human resources tools in order to determine the remuneration of each staff member. In addition, other factors that taken into account for the Remuneration of the Group's employees is the following:

- The financial viability of the Group,
- The general financial situation and the state in which the Group operates,
- Each employee's personal objectives (such as personal development, compliance with the Group's systems and controls, compliance with regulatory requirements, commitment and work ethics) performance evaluation and the rating received based on their annual performance in relation to the objectives set up at the beginning of the period,
- Each employee's professional conduct with clients (such as acting in the best interest of the Client, fair treatment of clients and inducing client satisfaction), as applicable.

The remuneration system takes into account the highly competitive sector in which the Group operates, and the considerable amount of resources the Group invests in each member of the staff. The remuneration includes all forms of benefits provided by the Group to its staff and can be Financial or non-Financial remuneration.

It is noted that the Group has taken into account its size, internal organisation and the nature, the scope and the complexity of its activities and it does not deem necessary the establishment of a specific remuneration committee. Decisions on these matters are taken on a Board level while the remuneration policy is periodically reviewed. The remuneration varies for different positions/roles depending on each position's actual functional requirements, and it is set at levels which reflect the educational level, experience, accountability, and responsibility needed for a staff member to perform each position/role. The remuneration is also set in comparison with standard market practices employed by the other market participants/ competitors. Furthermore, the employee's personal goals and performance evaluation in relation to the objectives set up at the beginning of the period and the employee's professional conduct with clients are taken into account in order to determine the remuneration.

The total remuneration of staff currently consists of a fixed and may include a variable component. The Fixed Remuneration (FR) varies for different positions/roles depending on each position's actual functional requirements, and it is set at levels which reflect the educational level, professional experience, accountability, competence and responsibility needed for an employee to perform each position/role. The Policy is also set in comparison with standard market practices employed by the other market participants/competitors.

Moreover, the Group has in place a 'variable Remuneration scheme' whereby the all employees and the members of the Board of Directors may receive variable Remuneration via the Group's payroll system, via wire transfer on the employee's name in addition to their monthly fixed salary. The variable remuneration is a performance-based remuneration which motivated and rewards staff members based on their results in relation with the targets set in the beginning of the year. Moreover, the Group does not award, pay or provide guaranteed variable Remuneration. In addition, the Group has identified the following four main groups that will receive variable remuneration:

a) Senior management staff (including executive and non-executive Directors);
b) Control functions (Compliance, Internal Audit and Risk Manager);
c) Heads of Investment Services Departments; and
d) Any employee receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers, whose professional activities have a material impact on their risk profile whose activities have a significant influence on the risk profile of the Group, i.e. whose total remuneration is +/- 10% of the total remuneration of the three above categories of the covered officers and employees.

This kind of remuneration is not guaranteed, and the BoD shall determine a maximum percentage of variable remuneration relative to the fixed remuneration in order to ensure a compliant ratio between these two kinds of remuneration.

Furthermore, there is no remuneration payable under deferral arrangements (with vested or unvested portions). Finally, the Group did not pay any non-cash remuneration for the year under review, since it does not have non-cash instrument, such as shares or other equivalent non-cash instrument, in place.

7.2. Link between the pay and performance

The Group recognizes the responsibility that the Staff has in driving its future success and delivering value for the Group and that remuneration is a key component in motivating and compensating its employees. Furthermore, the overall remuneration policy incorporates an annual variable incentive compensation reflecting individual performance and overall performance. The individual performance is assessed during the annual appraisal process, which establishes objectives for all staff covering both financial and non-financial factors, specific behavioral competencies including compliance and risk management behaviors with regards to the Group's procedures.

Further to the above, the Group implements a performance appraisal program, which is based on a set of Key Performance Indicators, developed for each business unit and its target is to promote the healthy competition amongst personnel, analysis of weak and strong sides of each employee performance-based and give feedback to the staff member in order to motive them to be improved. At most of the times, the performance appraisal takes place in a multiyear framework in order to ensure that the appraisal process assess employee's long-term performance. However, sometimes the performance appraisal could be performed on medium and short-term basis, and the performance indicators of this type of performance appraisal include quantitative as well as qualitative criteria. Performance appraisal on medium and short-term can be performed as follows:

a. Objectives are set in the beginning of each year (depending on the department appraisal process) defining what the Group functions, departments and individuals are expected to achieve during the year and half annually.
b. Performance checks and feedbacks: managers provide support and feedback to the concerned staff every 6 months, during formal or informal performance reviews; the aim is to assist the staff to develop their skills and competencies.
c. 6 Months Performance review.

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

a. the individual's objectives (quantitative as well as qualitative criteria-except those who perform their duties on Control Functions where only qualitative criteria apply- are taken into account; annual performance evaluation and performance rating are taken into account),
b. the business unit objectives and
c. the overall results of the Group

7.3. Remuneration of Senior Management Personnel and Directors

The remuneration policy is intended to ensure that the business will attract and retain the most qualified Senior Management Personnel and Directors. As stated above, in the criteria used for determining the remuneration of the directors are segregated into quantitative and the qualitative criteria.

The quantitative remuneration criteria mostly rely on numeric and financial data such as the business'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. In addition to the quantitative criteria, the Group has put in place qualitative criteria which include compliance with regulatory requirements and internal procedures, fair treatment of clients and client satisfaction. Moreover, the remuneration of the non-executive directors is fixed and it is set at a level that is market aligned and reflects the qualification and competencies required based on the business's size and complexity, the responsibilities and the time that the non-executive directors are expected to consume.

The remuneration of the senior management personnel of the Group, including the Board are shown in the following tables:

Table 25: Remuneration split of staff whose activities have a material impact on the risk profile.

Annual Remuneration as at 31 December 2022				
Position	**No. of Beneficiaries**	**Fixed Remuneration €**	**Variable Remuneration €**	**Aggregated Remuneration €**
Executive Directors	2	177,277	40,345	217,622
Senior Management *(excl. directors)*	16	410,160	27,323	437,483
Non-Executive Directors	3	12,000	-	12,000
Total	**21**	**599,438**	**67,668**	**667,105**

The variable to fixed remuneration ratio as at 31 December 2022 was 11%.

The Article 32 of the IFD sets, among others, the conditions on variable remuneration paid to employees:

- at least 50% of the variable remuneration shall consist of shares/ share-linked instruments/ equivalent non-cash instruments that adequately reflect the credit quality of the IF as a going concern, or non-cash instruments which reflect the instruments of the portfolios managed;
- at least 40% of the variable remuneration is deferred over the three-to-five-year period.

Following the Article 32(4)(a) of the IFD, these points don't apply to the Group since the Group does not fall under the definition of '*significant CIF'* (off-balance sheet assets is on average less than €100m over the preceding four-year period).

Moreover, according to Article 34(4) of IFD, Investment Firms are required to disclose the number of natural persons that are remunerated €1mln or more per financial year, in pay brackets of €1mln, including their job responsibilities, the business area involved and the main elements of salary, bonus, long-term award and pension contribution. Nevertheless, currently there are no natural persons at the Group that are remunerated €1mln or more per financial year and as such the above disclosure is not applicable to the Group.

During the year there were no deferred remuneration, sign-on or severance payments.

The aggregate remuneration of the Group's personnel for the year ended 31st December 2022, broken down by business area, is presented in the following table:

Table 26: Remuneration split by business area

Annual Remuneration as at 31 December 2022			
Business Area	**Fixed €**	**Variable €**	**Total €**
Control functions*	334,918	57,397	**392,315**
Business Development Department	110,073	5,212	**115,285**
Finance & Investment Advice Departments	55,528	3,600	**59,128**
IT Department & other	52,919	-	**52,919**
Brokerage & Dealing on Own Account Departments	33,999	1,458	**35,457**
Total	**587,438**	**67,668**	**655,105**

**Control functions include the Executive Directors, Compliance Officer, and Money Laundering Compliance Officer*

8. INVESTMENT POLICY

Investment Firms should disclose the following information in accordance with Article 46 of IFR:

a) the proportion of voting rights attached to the shares held directly or indirectly by the investment firm, broken down by Member State and sector;
b) a complete description of voting behaviour in the general meetings of companies the shares of which are held in accordance with paragraph 2 of Article 46, 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; and
c) an explanation of the use of proxy advisor firms;
d) the voting guidelines regarding the companies, the shares of which are held in accordance with paragraph 2 of Article 46.

Investment Firms which meet the criteria of Paragraph 26(8)(a) of the Law, whose average on-and-off balance sheet assets over the 4 year period are less than €100m, are exempted from the disclosure requirement regarding investment policy.

The Company's average on and off-balance sheet assets for the preceding four-year period are less than €100m and as such it meets the criteria of the paragraph 26(8) of the Law. Therefore, the Company is exempted from the disclosure requirement regarding investment policy.

9. ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISKS

From 26 December 2022, investment firms shall disclose information on environmental, social and governance risks (ESG risks), including physical risks and transition risks, as defined in the EBA's report referred to in Article 35 of the IFD. The information on ESG shall be disclosed once in the first year and biannually thereafter.

Investment Firms which meet the criteria of Paragraph 26(8)(a) of the Law, and whose average on-and-off balance sheet assets over the 4-year period are less than €100m, are exempted from the disclosure of information on environmental, social and governance risks, including physical risks and transition risks as per Article 35 of IFD.

The Company's average on and off-balance sheet assets for the preceding four-year period are less than €100m and as such it meets the criteria of the paragraph 26(8) of the Law. Therefore, the Company is exempted from the disclosure requirement regarding ESG.

10. APPENDIX – SPECIFIC REFERENCES TO THE IFR

IFR Reference	High Level Summary	Section
Scope of disclosure requirements		
46 (1)	Requirement to publish market disclosures, on the date of publication of the annual financial statements.	1.3
46 (2)	Requirement to publish market disclosures for small and non-interconnected IFs	N/A
46 (3)	Requirement to publish market disclosures for IFs which do not longer meet the criteria of small and non-interconnected IF	N/A
46 (4)	Market disclosures to be published in an appropriate medium, or provide clear cross-references to other media.	1.4
Risk management objectives and policies		
47	Disclosure of the risk management objectives and policies for each separate category of risk set out in Parts Three, Four and Five of the IFR, including a summary of the strategies and processes to manage those risks and a concise risk statement approved by the investment firm's management body succinctly describing the investment firm's overall risk profile associated with the business strategy	1.5, 4, 5
Governance		
48 (a)	Disclosure of the number of directorships held by members of the management body	2.3
48 (b)	The policy on diversity with regard to the selection of members of the management body, its objectives and any relevant targets set out in that policy, and the extent to which those objectives and targets have been achieved	2.2, 2.4
48 (c)	whether or not the investment firm has set up a separate risk committee and the number of times the risk committee has met annually	2.1.3
Own Funds		
49 (1) (a)	Full reconciliation of Common Equity Tier 1 items, Additional Tier 1 items, Tier 2 items and applicable filters and deductions applied to own funds of the investment firm and the balance sheet in the audited financial statements of the IF;	3.3
49 (1) (b)	Description of the main features of the Common Equity Tier 1 and Additional Tier 1 instruments and Tier 2 instruments issued by the IF	3.2
49 (1) (c)	Description of all restrictions applied to the calculation of own funds in accordance with the IFR and the instruments and deductions to which those restrictions apply	3.1
49 (2)	EBA shall develop implementation standards for points (a), (b), (c) above.	N/A
Own Funds Requirements		

50 (a)	Summary of IF's approach to assessing adequacy of its internal capital to support current and future activities.	4.4
50 (b)	Result of ICAAP upon request of the competent authority.	6
50 (c)	K-factor requirements calculated in aggregate form for RtM, RtF, and RtC, based on the sum of the applicable K-factors	4.3
50 (d)	Fixed overheads requirement	4.2
Remuneration policy and practices		
51	Remuneration policy, including aspects related to gender neutrality and the gender pay gap, for those categories of staff whose professional activities have a material impact on the risk profile	7
51 (a)	Design characteristics of the remuneration system, including the level of variable remuneration and criteria for awarding variable remuneration, payout in instruments policy, deferral policy and vesting criteria	7
51 (b)	Ratios between fixed and variable remuneration	7
51 (c)	Aggregated quantitative information on remuneration, broken down by senior management and members of staff whose actions have a material impact on the risk profile of the investment firm	7
51 (c)(i)	The amounts of remuneration awarded in the financial year, split into fixed and variable remuneration, and the number of beneficiaries	7
51 (c)(ii)	The amounts and forms of awarded variable remuneration	7
51 (c)(iii)	The amounts of deferred remuneration awarded for previous performance periods	N/A
51 (c)(iv)	The amount of deferred remuneration due to vest in the financial year	N/A
51 (c)(v)	The guaranteed variable remuneration awards during the financial year and the number of beneficiaries of those awards	N/A
51 (c)(vi)	The severance payments awarded in previous periods, that have been paid out during the financial year	N/A
51 (c)(vii)	The amounts of severance payments awarded during the financial year, split into paid upfront and deferred, the number of beneficiaries of those payments and the highest payment that has been awarded to a single person	N/A
51 (d)	Whether the IF benefits from a derogation laid down in Article 32(4) of the IFD	7
Investment policy		
52	Not applicable due to criteria referred to in point (a) of Article 32 (4) of the IFD	8
Environmental, social and governance risks		
53	Not applicable due to criteria referred to in point (a) of Article 32 (4) of the IFD	9