



Naga Markets Europe Limited

Regulated by the Cyprus Securities and Exchange Commission License no. 204/13

Legal Entity Identifier: 549300MP3SKVBZGRWS47

Public Disclosures in accordance with Part Six Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms as at 31 December 2021

July 2022

DISCLOSURE

*The Pillar III Disclosures Report for the year 2021 has been prepared by **Naga Markets Europe Limited** as per the requirements of Part Six of [Regulation \(EU\) 2019/2033](#) (the “Investment Firms Regulation” or “IFR”) issued by the European Commission and the [Law 165\(I\)/2021 on the prudential supervision of investment firms](#) (“L.165(I)/2021”) as issued by the Cyprus Securities and Exchange Commission (the “CySEC”).*

***Naga Markets Europe Limited** states that any information that was not included in this report was either not applicable on the Company’s business and activities -OR- such information is considered as proprietary or confidential to the Company and sharing this information with the public and/or competitors would undermine our competitive position.*

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1. INTRODUCTION

1.1. Corporate Information

Naga Markets Europe Limited (hereinafter the “Company”) is established as a Cyprus Investment firm (“CIF”), licensed and supervised by CySEC. The Company was granted its license on 20 June 2013 and offers Investment and Ancillary services to individual and corporate clients. Its current activities are concentrated in the provision of investment services including Execution of client orders, Dealing on own account and the Portfolio Management.

Additionally, the Company is authorised to provide the investment service of reception and transmission of orders in relation to one or more financial instruments and the ancillary services, which include the safekeeping and administration of financial instruments, including custodianship and related services, granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction and foreign exchange services where these are connected to the provision of investment services.

The Company provides Market Maker services to clients to trade in Contracts for Difference (“CFDs”). The Company provides access to financial markets to both corporate and individual clients which will mainly be classified as retail clients. The Company is providing its services through the trading platform incorporated in its website. The clients have direct access to and control over the trading platform and use the trading platform in order to submit their orders with the Company as well as monitor their open positions.

The table below summarized the key corporate information of the Company.

Table 1: Company information

Company name	Naga Markets Europe Limited
CIF Authorization date	20 June 2013
CIF License number	204/13
Company Registration Date	15 June 2009
Company Registration Number	HE 251168
Investment Services	
Reception & Transmission of orders in relation to one or more financial instruments	
Execution of Orders on Behalf of Clients	
Dealing on own account	
Portfolio management	
Ancillary Services	
Safekeeping and administration of financial instruments, including custodianship and related services	
Granting credit or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction	
Foreign exchange services where these are connected to the provision of investment services	

1.2. Regulatory Framework

1.2.1 Basis of Disclosures

This report (hereinafter the “Disclosures” or the “Pillar III Disclosures”) is prepared by the Company, in accordance with Part Six of the [IFR](#) and the Paragraph 37 of [L.165\(I\)/2021](#), requiring investment firms to disclose information relating to their level of own funds, own funds requirements, governance arrangements, and remuneration policies and practices.

The purpose of this report is to promote market discipline and to improve transparency of market participants. The Pillar III Disclosures Report for 2021 sets out both quantitative and qualitative information required in accordance with Part Six of the [IFR](#), which set the requirements of the public disclosures.

In accordance with the [Directive \(EU\) 2019/2034](#) (i.e., the “Investment Firms Directive”, “IFD”) issued by the European Commission, the following capital adequacy framework applies, which consists of three (3) ‘Pillars’:

- Pillar I: sets minimum capital requirements comprising of base capital resources requirements; Risk to Client, Risk to Market and Risk to Firm risk capital requirements; and the Fixed Overheads requirement.
- Pillar II: requires firms to undertake an overall internal assessment of their capital adequacy and their liquid assets, taking into account all the risks which the firm is exposed to and whether additional capital should be held to cover risks not adequately covered by Pillar I requirements. This is achieved through the Internal Capital Adequacy Assessment and Risk-Assessment Process (“ICARA”).
- Pillar III: requires firms to publicly disclose qualitative and quantitative information on their capital resources and Pillar I capital requirements, risk exposures and their risk management framework and controls, in order to enhance market discipline.

The minimum capital requirements as at 31st December 2021 for the IFR/[IFD](#) were calculated in accordance with the ‘Pillar I’ rules as set out by the applicable Laws and Regulations, as published by the CySEC. All CIFs under CySEC’s authority must meet the requirements with respect to capital adequacy and market discipline, which are comprised by the following:

- Law [L.165\(I\)/2021](#): Prudential supervision of investment firms (hereafter “the Law on prudential supervision of investment firms”).
- [Regulation \(EU\) 2019/2033](#) – Prudential requirements of investment firms and amending Regulations (EU) No 1093/2010, (EU) No 575/2013, (EU) No 600/2014 and (EU) No 806/2014 – IFR.
- [Regulation \(EU\) No. 648/2012](#) – European Markets Infrastructure Regulation.

- [Directive \(EU\) 2019/2034](#) on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU and 2014/65/EU – (hereafter “Investment Firms Directive”, or “IFD”).
- Law [L.87\(I\)/2017](#) regarding the provision of investment services, the exercise of investment activities and the operation of regulated markets.
- [Regulation \(EU\) No. 575/2013](#) – Prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 (hereafter “CRR”).
- [Directive \(EU\) 2013/36 EU](#) - on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (hereafter “CRD IV”).
- [Law L.97\(I\)/2021](#) on the capital adequacy of investment firms.
- [Directive DI-97-01](#) regarding the discretions provided by Regulation (EU) 575/2013.

Therefore, these Disclosures have been prepared in accordance with the following:

- Part Six of the IFR.
- Sections 37 and 50(1)(f) of Law 165(I)/2021.
- The Commission Implementing Regulation 2021/2284 of 10 December 2021 laying down implementing technical standards for the application of Regulation 2019/2033 of the European Parliament and of the Council with regard to supervisory reporting and disclosures of investment firms.

The Company is a Class 2 CIF and is required to hold €750k of initial capital set in accordance with Article 14 of IFR and Article 9 of the IFD.

1.2.2 New prudential Regime

The new prudential regime, introduced on 5th December 2019, for the EU investment firms, came into force as of 26th June 2021 and comprises of the [IFR](#) and [IFD](#). Both IFR and IFD take into consideration the investment firms’ size and interconnectedness based on financial and economic factors and thus introduced a new classification for investment firms based on their size, activities, systemic importance and interconnectedness. Under the new prudential regime, the Company is classified as **Class 2** investment firm and is subject to the new capital requirements set out in the [IFD](#) and [IFR](#).

A new permanent capital has been introduced by the new prudential regime for the Company. In this respect, the Company proceeded by taking all the necessary actions to ensure compliance with the new permanent capital requirement. In particular, from 26th June 2021 onwards the minimum permanent capital that the Company shall maintain at all times amount equal to **EUR750,000**, in accordance with Article 9 of [IFD](#).

Based on the new prudential regime, the Company is subject to a new capital requirement which equals to the highest of the following:

- Permanent minimum capital (EUR750,000).
- K-factor requirement.
- Fixed Overheads requirement.

The new K – factor requirement introduced by the [IFR](#) aims to capture the potential harm that the Company can do to its clients, the markets in which it operates and to itself and it is equivalent at least to the sum of:

- Risk-to-client (“RtC”).
- Risk-to-market (“RtM”).
- Risk-to-firm (“RtF”).

The K-factor requirement is tailored to the investment firms based on the type and scale of their activities. In this respect, the Company is exposed to capital requirement arising from the K-factor components that are relevant to the services and activities that it is authorised to provide. During the year, the Company based on its type and scale of activities and the services authorized to provide, was solely exposed to risks arising from the potential harm that an investment firm can do to its clients, the markets in which it operates and to itself.

Additionally, the Company is also subject to the Fixed Overheads requirement calculated in accordance with Article 13 of the [IFR](#). It is measured on the basis of the Company’s activity of the preceding year and shall amount to at least **one quarter** of the fixed overheads of the previous financial year.

Further to the above, the Company is subject to the new liquidity requirement introduced by the new prudential regime which intends to ensure that the Company has some resilience to unexpected liquidity shocks. It is measured in accordance with Articles 43 and 45 of the [IFR](#) and shall amount to at least one third of the fixed overheads requirement and 1.6% of the total amount of the guarantees provided by the Company respectively.

Following the new challenges arising from the new prudential regime, the Company assesses the impact of the new requirements introduced from the [IFR](#) and [IFD](#) on its Own Funds in order to take all the appropriate measures to ensure compliance with the new Own Funds requirements.

1.2.3 Frequency, Medium & Verification of Disclosures

The Disclosures were approved by the Board of Directors, that verify the adequacy of risk management arrangements of the Company and provide assurance that the risk management systems in place are adequate with regards to the Company's profile and strategy. Refer to the Risk Management Declaration in Section 2.6 of these Disclosures. Additionally, the information contained in the Pillar III Disclosures Report is reviewed by the Company's external auditors.

The Company publishes the Pillar III Disclosures on the Company's website at www.nagatrader.com and www.nagamarkets.com on an annual basis.

The Pillar III Disclosures are prepared on a solo basis and are updated and published annually. The Company is not preparing consolidated financial statements and thus is making the disclosures on an individual basis.

Information in the Disclosures is presented in Euros (€), unless otherwise indicated.

1.3. Operating Environment & Major challenges during 2021

1.3.1 Implications from War in Ukraine

In February 2022, a number of countries imposed new sanctions against certain entities and individuals in Russia as a result of the official recognition of the Donetsk People Republic and Lugansk People Republic by the Russian Federation. Announcements of potential additional sanctions have been made following military operations initiated on 24 February 2022.

Such sanctions can directly impact the sanctioned entities and individuals, and entities under their control. Business counterparties of these sanctioned entities can be indirectly impacted, as well as certain industries of the Russian economy.

Additionally, the recent events in Ukraine have created challenges to businesses located and operating there. The stability of the Ukrainian economy may be significantly impacted by the ongoing events involving risks that are not typical for developed markets. Given the fast development of the events described above, new events can take place daily. The events described above represent non-adjusting events after the reporting period.

There were no material adverse effects on the Company's financial performance and position as of 31 December 2021. The situation continues to evolve and broader implications for counterparties of the Company, such as financial institutions, are not possible to assess at this time; however, no material adverse effects expected on the Company's financial statements

1.3.2 COVID-19 challenges

During 2021, the Company continued to face challenges in relation to its operations arising from the spread of the coronavirus pandemic (“COVID-19”). In response to the need to address negative consequences of COVID-19 pandemic, the Company introduced a wide range of mitigating measures to ensure that the business operations of the Company will continue normally. In particular, due to the social distancing measures introduced to restrict the COVID-19 virus the Company should take all necessary following measures and actions:

- Identify all the key operation risks implement a plan to minimize the possible business disruptions.
- Arrange for all staff members to have access to a laptop and ensure that everyone will be able to perform their duties from home in case of need.
- Implement alternative communication channels for all Company’s employees.
- Establish measures and procedures in order to contribute to the slow of the spread of the illness.

The Company has established the following measures in order to ensure that the virus is spread slowly:

- Cancel all of the social and public gatherings, such as seminars and meetings.
- Follow the instructions issued by the Ministry of Health, and required from its staff tested positive, employees with symptoms, employees who are contacts with confirmed COVID-19 cases or travelled recently to get quarantine.

Further to the above, CySEC extended the deadline for submission of the following reports, in an effort to ensure operational continuity:

- Annual Compliance Report.
- Annual Risk Management Report.
- Annual Internal Audit Report.
- Annual Audited Financial statements.
- Annual Auditors’ Suitability Report.
- COREP forms based on the audited financial statements.
- Disclosures made in Form 144-14-11 on prudential supervision information.

1.3.3 New prudential framework for investment firms and CySEC’s data collection exercise

In response to the need to identify the new categorisation of the investment firms under the new prudential framework ([IFR/IFD](#)) as well as the new capital requirements arising from the new regulatory framework, CySEC launched a Data Collection exercise on 21st April 2021 (Circular [C442](#)). Based on the abovementioned Circular, the Company should perform an assessment based on the [IFR/IFD](#) and submit the Data Collection Template. The relevant reporting performed by the 31st of May 2021.

1.3.4 Implementation of the new prudential framework of investment firms and new reporting forms

CySEC published on 4th of August 2021, guidelines on the implementation of the new prudential framework of investment firms ([IFR/IFD](#)), publication and testing submission of the new reporting forms under [IFR/IFD](#). The new form (“Form165-01 Reporting for Class 2 CIFs”) cover the new reporting prudential requirements under [IFR/IFD](#), which include the level and composition of own funds, own funds requirements and relevant calculations, the level of activity in respect of the conditions set out in Article 12(1) of the IFR, including the balance sheet and revenue breakdown by investment service and applicable K-factor, concentration risk and liquidity risk. The Form165-01 Reporting for Class 2 CIFs shall be reported on a quarterly basis to CySEC, with the first official reference date 30th of September 2021.

Further to the above, a testing submission on a solo basis with reference date 30th of June 2021, was introduced by CySEC through the Circular [C464](#) dated on 4th of August 2021. The scope of this testing submission was to ensure that the investment firms familiarize themselves with the new prudential requirements and reporting obligations and take at an early stage the measures necessary to comply with the new prudential requirements.

1.3.5 Exposures to shareholders and directors

CySEC issued the [Practical guide for the implementation of IFR/IFD](#) on 4th of August 2021 in order to provide to the CIFs important information in regards to the implementation of the new prudential framework for investment firms. Based on this Practical Guide, the limits on exposures to the Company’s shareholders and directors which arise from the Directive DI144-2014-14 for the prudential supervision of investment firms issued by CySEC are no longer applicable since the abovementioned directive has been repealed.

However, the Company shall monitor and control the concentration risk arising from the trading book exposures. In this respect, the Company shall monitor and control its trading book exposures with its shareholders and directors exposures in accordance with the limits requirements set out in Article 37 of [IFR](#).

Where the limits referred to in Article 37 of [IFR](#) are breached, the Company shall notify CySEC without any delay as per Article 38 of [IFR](#). More information in relation to the concentration limits arising from the trading book of the Company can be found in Sections 2.3 & 4.5.

Nevertheless, according to the [Practical guide for the implementation of IFR/IFD](#), the Company shall assess its banking book concentration risk it is exposed to during the assessment of the amount, type and distribution of internal capital and liquid assets that the Company consider adequate to cover the nature and level of risks which it may pose to others and to which the Company itself is or might be exposed.

2. RISK MANAGEMENT OBJECTIVES & POLICIES

2.1. Risk Management Framework

Implementing a high-performance and efficient risk management structure is a critical undertaking for the Company, in all businesses, markets and regions in which it operates, as are maintaining a strong risk culture and promoting good corporate governance. The Company's risk management, supervised at the highest level is compliant with the regulations enforced by CySEC and the European regulatory framework.

The implementation of a high-performance and efficient risk management system is a critical undertaking for the Company, as well as the balance between strong risk culture and the development of its activities. The Enterprise Risk Management programme ("ERM") is closely monitored at the highest level of the Company: it is supervised by the Management body, with the participation of members of the Executive Committee, and is the subject of regular reporting to the BoD.

The first phase of the ERM programme was carried out between 2020 and 2021 (year-end). It has improved the consistency and effectiveness of the Company's risk management system by fully integrating risk prevention and management within the day-to-day management of the Company's operations. In particular, the BoD ensures the adequacy of the Company's risk management infrastructure, monitoring changes in the cost of risk and approves the risk limits for market risks.

2.2. Risk Management Governance

2.2.1 Risk Management Function

The Company operates a separate Risk Management function, which is responsible for the implementation of the Risk Management Policy, set by the BoD and the Risk Management Committee. The Risk Management Function is also responsible for the Risk Appetite of the Company and the monitoring of the risks on a regular basis. The procedures set by the Company ensure that all risks are effectively managed and measured against the set level of risk tolerance.

The Risk Management Function consists of the Risk Manager and the Risk Management Committee, which operates independently to the rest of the Company's functions. The Risk Manager reports to the Managing Director of the Company. The Risk Manager shall also submit reports to the Senior Management and BoD on a frequent basis, and at least annually, indicating whether the appropriate remedial measures have been taken in the event of any deficiencies.

The Risk Management function reports directly to the BoD, independently from Senior Management, in order to raise concerns and warn where appropriate, if risks identified can affect the Company.

Additionally, the Risk Management Function of the Company bears the responsibility to construct the Company's ICARA, including the formation of the subjective decisions / policies on the relevant risks applicable to the Company, as well as to plan and organize the implementation and embedment of the ICARA within the Company, on an operational level. Further, the Risk Management Function is responsible to review, re-run as well as draft the Company's ICARA Report to the Board on an annual basis. In particular, the Risk Management Function of the Company shall, inter alia:

- Design the overall risk management system of the Company
- Prepare the Risk Management policies and procedures
- Identify all risks faced by the Company
- Establish methods for risk monitoring and measurement
- Prepare and implement the ICARA of the Company
- Apply stress testing scenarios and undertake analysis of the results
- Propose for additional, if necessary, capital allocation for Pillar 2 risks and other risks not covered by Pillar 1,
- Together with the ICARA Implementation team to provide training to relevant employees and the Senior Management, as regards the Company's ICARA.

2.2.2 Risk Management Committee

The Risk Management Committee of the Company is formed with a view to ensure the efficient monitoring of the risks inherent in the provision of the investment and ancillary services to clients, as well as the overall risks underlying the operations of the Company. To this effect, the Company has adopted and maintains an applied risk management framework/ policy, which identifies the risks relating to the Company's activities, processes and systems and sets the risk tolerance levels of the Company.

The Risk Management Committee bears the responsibility to monitor the adequacy and effectiveness of the said risk management framework / policy and procedures that are in place, the level of compliance by the Company and its relevant persons with the policies and procedures adopted, as well as the adequacy and effectiveness of measures taken to address any deficiencies with the respect to those policies and procedures that are in place, including failures by the Company's relevant persons to comply with those policies and procedures. The detailed responsibilities of the Risk Management Committee are set out in the Company's latest and approved Risk Strategy & Risk Management Policy.

The Company's Risk Management Committee held 3 meetings during 2021, discussing important issues surrounding the Company's operations.

2.2.3 The Risk Manager

The Company has to ensure that all risks to client, risk to market, risk to firm, concentration and operational risks as well as for the comprehensive control of risk, such as liquidity risk, and continuing development of methods for risk measurement are adequately managed. In this respect, the Risk Manager is responsible for monitoring, analysing and reporting risk on a comprehensive basis, including asset and liability gap, capital, liquidity, legal, compliance and regulatory risks, as well as other non-financial risks.

The Risk Manager is, inter alia, responsible to:

- Identify and evaluate the fundamental risks faced by the Company.
- Design the Company's ICARA, identify, assess and quantify all material risks surrounding the Company, and propose the allocation of the necessary funds to cover those risks.
- Examine the financial results of the Company and monitor the capital adequacy and the large exposures of the Company and communicating the results to the Company's management.
- Draft the Annual Risk Management report to the Senior Management and the BoD making recommendation and indicating in particular whether the appropriate remedial measures have been taken in the event of any deficiencies.
- Provide recommendations regarding risk management, exposures and control, which will be presented to the BoD and the management.

2.2.4 Other Control Functions

The Company has established separate control functions which work independently from its operations and include the Compliance, Risk Management and Internal Audit functions. The head of each control function reports directly to the Managing Director and have direct access to the BoD to raise concerns and warn in relation to any matter that may affect the Company.

Meetings with the Board Committees and the relevant control function takes place on a regular basis. The BoD ensures that each control function has adequate recourses to perform their responsibilities in accordance to the size and the complex of the Company.

2.3. Risk Identification and Strategies/processes to manage risks

The Company and the RM identifies on on-going basis specific risks stemming from its underlying business and operations and exposures which may manifest due to internal and external to the Company factors. Therefore, the risk population – or risk universe – is dynamic and corresponds to the Company’s nature, scale, scope and complexity of its business and the services and activities it is licensed to provide or perform. Given the diversity and evolution of the Company’s activities, risk management involves the main categories of risks which are presented in the following section.

2.3.1 K-factor Risk Components

Risk-to-Client (RtC)

Risk to Client refers to the risks carried by an investment firm during its services, actions or responsibilities, that could negatively impact its clients. RtC captures the risks arising from the clients’ assets under management and ongoing advice, client money held, assets safeguarded and administered, and client orders handled.

Risk-to-Market (RtM)

Risk to Market refers to the risk of loss of value on financial instruments arising from changes in market parameters, the volatility of these parameters and correlations between them. These parameters include but are not limited to exchange rates, interest rates, and the price of securities (equity, bonds), commodities, derivatives and other assets, including real estate assets.

Risk-to-Firm (RtF)

Risk to Firm refers to the risk of an investment firm’s exposure to the default of its trading counterparties, concentration exposure in its large exposures to specific counterparties and operational exposures from its daily trading flow.

2.3.2 Market Risk

Market risk means the risk of loss for the Company resulting from fluctuations in the market value of its investments and/or asset positions attributable to changes in market variables such as interest rate, foreign exchange rates, equity/commodity risk and price volatility risk influencing the supply and demand situation of the financial instruments, as described below in detail.

- Interest rate risk covers the volatility that may accompany interest rate fluctuations due to fundamental factors, such as central bank announcements related to changes in monetary policy. This risk is most relevant to investments in fixed-income securities, such as bonds. Nevertheless, interest rate movements have a market wide impact since they are used as underlying parameter across the valuation of financial instruments and underlying operations.

- Equity risk is the risk involved in the changing prices of stock investments.
- Commodity risk covers the changing prices of commodities such as crude oil and precious metals.
- Currency risk, or exchange-rate risk, arises from the change in the price of one currency in relation to another; investors or firms holding assets in another country are subject to currency risk.

2.3.3 Credit Risk (incl. Concentration Risk)

Credit risk includes Counterparty risk linked to market transactions (Replacement risk) and securitisation activities. Credit risk may be amplified by Concentration risk, which arises from a large exposure to a given risk, to one or more counterparties, or to one or more homogeneous groups of counterparties. Specifically, concentration risk (including Country risk) refers to the risk that occurs due to lack of diversification, or as the definition states, the concentration of assets on one sector or geographical area. Similarly, country risk arises when an exposure (loan, security, guarantee or derivative) becomes liable to negative impact from changing political, economic, social and financial conditions in the country of exposure.

Credit risk arises from all transactions where actual, contingent or potential claims against any counterparty, borrower, obligor or issuers (which are referred to collectively as “counterparties”). These transactions are typically part of traditional non-trading activities or direct trading activity with clients. Based on the annual risk identification and materiality assessment, credit risk contains three material categories, namely default risk, industry risk and country risk.

- **Default risk:** The most significant element of credit risk, is the risk that counterparties fail to meet contractual obligations in relation to the claims described above.
- **Industry risk:** Is the risk of adverse developments in the operating environment for a specific industry segment leading to deterioration in the financial profile of counterparties operating in that segment and resulting in increased credit risk across this portfolio of counterparties.
- **Country risk:** Is the risk that the Company may experience unexpected default or settlement risk and subsequent losses, in a given country, due to a range of macro-economic or social events primarily affecting counterparties in that jurisdiction including: a material deterioration of economic conditions, political and social upheaval, nationalisation and expropriation of assets, government repudiation of indebtedness, or disruptive currency depreciation or devaluation.

The Company measures, manages/mitigates and reports/monitors credit risk using the following philosophy and principles:

- Measure and consolidate all credit exposures to each obligor

- Manage credit exposures on the basis of the “one obligor principle”, under which all facilities to a group of borrowers which are linked to each other (i.e. by one entity holding a majority of the voting rights or capital of another) are consolidated under one group
- Regularly monitor the credit rating of all obligors.

The credit rating is essential and is used as the basis for the risk appetite determination on a counterparty and portfolio level and credit decision as well as the determination of credit risk regulatory capital. Ongoing monitoring of counterparties helps keep ratings up to date.

In regards to concentration risk, its management is integrated as part of the management of individual risk types, which are monitored on an ongoing basis and diversification takes place where such concentrations pose regulatory risks. The key objective is to avoid any undue concentrations, which is achieved through a quantitative and qualitative approach, as follows:

- Intra-risk concentrations are assessed, monitored and mitigated by the individual risk disciplines (credit, market, operational risk management and others).
- Inter-risk concentrations are managed through quantitative and qualitative assessments, identifying and assessing risks and providing a holistic view across the Company.

2.3.4 Operational Risk

Operational risk refers to the risk of losses arising from inadequacies or failures in internal procedures, systems or staff, or from external events, including low-probability events that entail a high risk of loss.

During 2021, the Company further enhanced its capabilities in Operational Risk Management, in conjunction with the 3 Lines of Defence Program. Specifically, the Company enhanced the roles and responsibilities of the first and second line in managing operational risk, strengthening governance and delivery of improved tools to support risk identification and assessment.

The Company takes decisions to manage operational risks, both strategically, as well as in day-to-day business. The foundation of operational risk management is based on the following two principles:

Operational Risk Principle I:

Risk Owners have full accountability for their operational risks and have to manage against a defined risk specific appetite. Risk owners are accountable for managing all operational risks in their business/processes with an end-to-end process view, within defined operational risk specific appetite and for identifying, establishing and maintaining first level controls.

Operational Risk Principle II:

The BoD establishes the risk management framework and defines the Risk Appetite. The Company manages operational risk using the Risk Management framework, which enables the determination of the operational risk profile in comparison to the risk tolerance, systematic identification of operational risk themes and concentrations and to define risk mitigating measures and priorities.

In order to cover the broad range of risk types underlying operational risk, the Company adopted a number of operational risk management techniques. These aim to efficiently manage the operational risk in the Company's business and are used to identify, assess and mitigate operational risks:

- **Emerging Risk Identification:** The Company assesses and approves the impact of changes on its risk profile as a result of new products, outsourcing activities, strategic initiatives, and divestments, as well as material systems and process changes. Once operational risks are identified and assessed, they are compared to the relevant risk appetite metric and either mitigated or accepted. Risks which violate applicable national or international regulations and legislation are not accepted by default; once identified, such risks are always mitigated.
- **Risk Mitigation:** When the Company implements risk mitigating measures, it systematically monitors their resolution. Residual operational risks rated significant or above, need to be accepted by the Senior Management/BoD.
- **Key Risk Indicators ("KRIs"):** are used to monitor the operational risk profile and alert the organisation to impending problems in a timely fashion. KRIs enable the monitoring of the Company's control culture and business environment and trigger risk mitigating actions. They facilitate the forward-looking management of operational risks, based on early warning signals.
- **Fraud Risk:** is managed based on the Prevention and Suppression of Money Laundering and Terrorist Financing Laws of 2007-2021 ("AML Law") (refer to Section 2.3.7 below) as well as other legal and regulatory requirements via a risk-based approach. In line with regulatory requirements, a risk assessment is performed on a regular basis.
- **Business Continuity Risk:** is managed with the Business Continuity Plan which outlines core procedures for the relocation or the recovery of operations in response to varying levels of disruption. Within this program, each of our core businesses functions set up, maintain and periodically test business continuity plans to promote continuous and reliable service.
- **The Operational Risk in Technology** is managed, following international standards for IT management.

The Company calculates its capital requirement for its Operational risk in accordance with the Fixed Overheads approach. The fixed overheads requirement is measured on the basis of the investment firm's activity of the preceding year as per Article 13 of the IFR.

2.3.5 Liquidity Risk

Liquidity risk refers to the risk of the Company not being able to meet its cash or collateral requirements as they arise and at a reasonable cost (e.g., funding or cash flow risk). Funding risk is associated with the ability of the Company to comply with its financial obligations concerning debt service, capital expenses, operating expenses or any other contractually enforceable financial obligation. Market or asset liquidity risk is the risk that an asset position held by the Company cannot be sold, liquidated or closed at a reasonable cost in a sufficiently short timeframe. The higher the ability to easily exit a position the lower the market liquidity risk is.

Refer to Section 4.6 for detail information on liquidity risk and liquidity requirements under IFR.

2.3.6 Compliance, Reputational and Legal Risk

Compliance risk (including Legal and Tax risks) refers to the risk of legal, administrative or disciplinary sanction, or of material financial losses, arising from failure to comply with the provisions governing the Company's activities. Similarly, reputational risk refers to the risk arising from a negative perception on the part of customers, counterparties, shareholders, investors or regulators that could negatively impact the Company's ability to maintain or engage in business relationships and to sustain access to sources of financing.

Compliance means acting in accordance with applicable regulatory rules, as well as professional, ethical and internal principles and standards. Fair treatment of customers, with integrity, contributes decisively to the reputation of the Company. By ensuring that these rules are observed, the Company works to protect its customers and, in general, all of its counterparties, employees, and the various regulatory authorities to which it reports.

Independent compliance structures have been set up within the Company's different business lines to identify and prevent any risks of non-compliance. The Compliance Officer verifies that all compliance laws, regulations and principles applicable to the Company's services are observed, and that all staff respect codes of good conduct and individual compliance. The Compliance Officer also monitors the prevention of reputational risk and provides expertise for the Company, performs controls at the highest level and assists with the day-to-day operations. To this end, the Compliance Officer is responsible for the following:

- The Company's financial security (prevention of money laundering and terrorism financing; know-your-customer obligations; embargoes and financial sanctions).
- Developing and updating consistent standards for the function, promoting a compliance culture, coordinating employee training and managing Company regulatory projects.
- Coordinating a compliance control mechanism within the Company (second-level controls), overseeing a normalised Compliance process, oversight of personnel operations and, finally, managing large IT projects for the function.
- Preventing and managing conflicts of interest.

- Proposing ethical rules to be followed by all Company employees.
- Training and advising employees and raise their awareness of compliance issues.
- Building and implementing steering and organisational tools for the function: Compliance and Reputational Risk dashboards, forums to share best practices, meetings of functional compliance officers.
- Generally monitoring subjects likely to be harmful to the Company's reputation.

In light with the new regulatory requirements introduced during 2021, the Company's compliance function has adopted the compliance monitoring plan for the reference year which was appropriate to the size of the Company as well as the nature, scale and complexity of its business so as to be able to detect any risk of failure by the Company to comply with its obligations under the relevant legislation, as well as the associated risks. It targets the continued enhancement of priority functions, the central tools for monitoring regulatory application (including training, harmonisation, and regulatory oversight), financial security, constant oversight, customer protection, market integrity (including preventing conflicts of interest), and reporting quality.

The Company intends to uphold the strictest rules in order to ensure high ethical and professional standards.

2.3.7 Money Laundering and Terrorism Financing Risk

Money laundering and terrorist financing risk mainly refers to the risk where the Company may be used as a vehicle to launder money and/or assist/be involved in financing terrorism. The Company has in place, and is updating as applicable, certain policies, procedures and controls in order to mitigate the money laundering and terrorist financing risks, based on the [Prevention and Suppression of Money Laundering and Terrorist Financing Law of 2007-2021](#) ("AML Law").

Among others, these policies, procedures and controls include the following:

- The adoption of a risk-based approach that involves specific measures and procedures in assessing the most cost effective and appropriate way to identify and manage the Money Laundering and Terrorist Financing risks faced by the Company.
- The adoption of adequate Client due diligence and identification procedures in line with the Clients' assessed Money Laundering and Terrorist Financing risk.
- Setting certain minimum standards of quality and extent of the required identification data for each type of Client (e.g. documents from independent and reliable sources, third party information).
- Obtaining additional data and information from Clients, where this is appropriate and relevant, for the proper and complete understanding of their activities and source of wealth and for the effective management of any increased risk emanating from a particular Business Relationship or an Occasional Transaction.

- Monitoring and reviewing the business relationship or an occasional transaction with clients and potential clients of high-risk countries.
- Ensuring that the Company's personnel receive the appropriate training and assistance.

The Company is frequently reviewing its policies, procedures and controls with respect to money laundering and terrorist financing to ensure compliance with the applicable legislation and incorporated, as applicable, any new information issued/available in this respect.

2.3.8 Business & Strategic Risk

Business risk is the risk of lower than anticipated profits or experiencing losses rather than a profit whereas strategic risk is the risk inherent in the choice of a given business strategy or resulting from the Company's inability to execute its strategy. Strategic Risk has been defined as part of overall Business Risk.

The key aim of Strategic Risk Management is to strengthen the Company's earnings resilience and protect it against undue earnings volatility to support overall risk appetite targets (especially Total Own Funds ratio). The Company aims to achieve this by identifying, assessing, limiting, mitigating and monitoring key strategic risks through:

- Corporate Diversification: The Company's growth strategies will be formulated to achieve both economic value creation and diversification benefit.
- Strategic Alignment and Core Competence Focus: The Company will focus on business investments that are consistent with our overall strategy and core competencies.
- Customer Experience: The Company strives to offer a superior customer experience both online and in-service centres.

2.4. Risk Appetite

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

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

- Governance (decision-making, management and supervisory bodies).

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

Essential indicators for determining the Risk Appetite and their adaptations are regularly supervised over the year in order to detect any events that may result in unfavourable developments on the Company's risk profile. Such events may give rise to remedial action, up to the deployment of the recovery plan in the most severe cases.

The BoD of the Company has the ultimate responsibility for the Company's risk appetite at all times. The Company is considering the time and requirements in order to initiate the establishment of a Risk Appetite Statement.

2.5. Stress Tests

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

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

The ultimate responsibility and ownership of the Company's stress testing policy rests with the BoD. If the stress testing scenarios reveal vulnerability to a given set of risks, the management should make recommendations to the BoD for mitigation measures or actions. These may vary depending on the circumstances and include one or more of the following:

- Review the overall business strategy, risk appetite, capital and liquidity planning.
- Review limits.
- Reduce underlying risk positions through risk mitigation strategies.
- Consider an increase in capital.

- Enhance contingency planning.

The Company performs financial modelling and stress analysis on a frequent basis especially when year-end financial results are available or when it revises its business plan, mainly through its ICAAP report.

2.6. Board Risk Management Declaration

The Company's Risk Management Committee is entitled to review and appropriately assess the effectiveness of the risk management strategies and procedures adopted by the Company. These procedures are designed to manage and mitigate any deficiencies that the Company might face during its operations. The Company's Management Body ensures that the Company has adequate measures and procedures in place so as to prevent and mitigate any risk arising from its operations.

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

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

As with all investment firms, the Company is exposed to a variety of risks and in particular to Risk to Client, Risk to Market, Risk to Firm and Operation risk. More information can be found in the following sections within the Disclosures.

Finally, it is the ultimate responsibility of the Board of Directors is to ensure for the approval and appropriate implementation of the Company's risk management framework. The Risk Management framework is the sum of systems, policies, processes and people within the Company that identify, assess, mitigate and monitor all sources of risk that could have a material impact on the Company's operations.

The Board of Directors approves in full the adequacy of Risk Management arrangements of the Company, providing assurance that the risk management systems in place are adequate with regards to the Company's profile and strategy.

2.7. Risk Profile & Concise Risk Statement

The Company's management body is appropriately informed and acknowledge the necessity of taking all the appropriate actions for complying with the Company's minimum requirements for its Own Funds Ratio and its Own Funds, which are **100.00%** and **EUR750,000**. To this end, the Company applies adequate mechanisms and systems in order to detect the risks is exposed, arising from its operations. The Company's material risks are assessed on quarterly basis via the use of a Risk Register and the results are communicated to the Company's BoD in order to decide which mitigating actions the Company should take. The table below presents a non-exhaustive summary of the main risks identified and the controls the Company has already taken in order to manage and mitigate those risks.

Table 2: Material Risks

Risk Type	Controls in place
Regulatory Risk	The Company monitors its Total Own Funds Ratio and Own Funds on a quarterly basis in order to ensure that the Company complies with the relevant requirements (100.00% and EUR750,000, respectively). The Company's Total Own Funds Ratio stood at 343.4211% as at 31 st December 2021, which is well above the minimum requirement of 100.00%. Additionally, the Company's Own Funds stood at EUR17,981,173 which is above the minimum requirement of EUR5,235,897 (to comply with the maximum between the minimum permanent capital of EUR750,000, the K-factor requirement of EUR5,235,897 and the Fixed Overheads requirement of EUR3,511,403).
Risk to Client	The Company monitors its K-factor requirements in relation to the RtC and reports the relevant factor amount and capital requirements on a quarterly basis. As at 31 st December 2021 the Company's RtC requirement mainly emanated from K-AUM, K-CMH, K-ASA and K-COH in accordance to the Company's business and activities. As at 31 st December 2021, the Company's capital usage for the RtC K-factor requirement amounted to EUR178,685. Additional information in relation to the Risk to Client requirement is disclosed in Section 2.3.
Risk to Market	The Company monitors these exposures on a quarterly basis and has policies and procedures in place to minimise its market risk exposures. As at 31 st December 2021 the Company's market risk mainly emanated from foreign exchange rates, equities and commodities prices fluctuations which affect the Company's deposits in foreign currencies as well as from positions held during forex, equity and commodity trading. The Company's total capital usage for RtM K-factor requirement as at 31 st December 2021 amounted to

	EUR3,304,921. Additional information in relation to the Risk to Market requirement is disclosed in Section 2.3.
Risk to Firm	The Company monitors the value of its K-factors in relation to the RtF in order to detect any trend that could leave the Company with a materially different own funds requirement and reports these exposures on a quarterly basis. As at 31 st December 2021, the Company's capital usage for RtF amounted to EUR1,752,291. Additional information in relation to the Risk to Firm requirement is disclosed in Section 2.3.
Operational Risk	The Company is exposed to Operational Risk associated with inadequate personnel, processes, systems, infrastructure or external events of the Company. The Company assesses, monitors and mitigates its Operational risk exposure by having in place adequate measures, procedures and controls to be followed by its personnel. Additionally, the Company performs periodic checks on its IT infrastructure and ensures that security systems are in place and upgraded.

2.8. Reporting and Control

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

Table 3: Periodic Reporting Summary

Report Name	Report Description	Owner	Recipient	Frequency	Original Deadlines ¹
Annual Compliance Report	To inform the Senior Management & the BoD of the Company regarding the Performance of Compliance function during the year	Compliance Officer	Senior Management, BoD, CySEC	Annual	30/04/2022
Annual Internal Audit Report	To inform the Senior Management & the BoD of the Company regarding the Internal Auditor during the year	Internal Auditor	Senior Management, BoD, CySEC	Annual	30/04/2022
Annual Risk Management Report	To present the work undertaken by the Risk Manager during the year	Risk Manager	Senior Management, BoD, CySEC	Annual	30/04/2022
Pillar III Disclosures	To publicly disclose information regarding Company's risk management, capital structure, capital adequacy and risk exposures	Senior Management	BoD, CySEC, Public	Annual	30/04/2022

¹ CySEC, through its email dated 25 May 2022 and its Letter dated on 18 April 2022, extended the deadline by two months of the following annual reports:

1. Audited Financial Statements
2. Form165-01 based on the Audited Financial Statements
3. External auditors' verification report regarding Pillar III Disclosures.

Financial Reporting	It is a formal record of the financial activities of the CIF	Finance Department	BoD, CySEC	Annual	30/04/2022
Suitability Report	It's a formal report, which is required to be provided to the retail clients of the CIF in order to make a personal recommendation to the client.	Risk Management Function / Finance Department	BoD, CySEC	Annual	30/04/2022
Statement of Eligible Funds	A measure of the CIF's ICF. It is expressed based on a risk based approach taking into account the reliability of the statement of eligible funds and financial instruments.	Risk Management Function / Finance Department	BoD, CySEC	Annual	10/05/2022
Capital Adequacy Reporting	A measure of the CIF's capital. It is expressed as a percentage and is used to protect depositors and promote the stability and efficiency of financial systems all over the world	Risk Management Function / Finance Department	Senior Management, CySEC	Quarterly plus Audited	11/05/2021 11/10/2021 11/11/2021 11/02/2022

3. GOVERNANCE ARRANGEMENTS

3.1. Directorships held by Members of the Management Body

The members of the Management body of the Company, given their industry experience, have been taking seats in other Company boards. In line with this, the following table indicates the number of positions that each member holds (including the one in the Company). Positions held by a member of the Management body in the same group are considered as one position.

Table 4: Directorships held by Members of the Management Body

Name	Position in the CIF	Directorships (Executive)	Directorships (Non-Executive)
Benjamin Bilski	Executive Director	2	-
Michael Milonas	Executive Director	2	1
Andreas Matsas	Non-Executive Director (Note 1)	-	4
Socrates Fekkas	Non-Executive Director (Note 1)	1	2

Note 1: Mr. Socratis Fekkas and Mr. Andreas Matsas resigned from their position as members of the Board of Directors of the Company on 2 May 2022.

The Company notes that Mr. Pantelis Christou, Mr. Demetris Sparsis and Mr. Georgios Lakkotrypis were appointed on 2nd June 2022 and are members of the Board as at the date of these Disclosures.

During 2021, the BoD has met **9** times discussing important issues surrounding the Company's operations in an effort to effectively discharge its duties.

All the Company's Directors have been approved by CySEC.

3.2. Diversity Policy

Diversity is increasingly seen as an asset to organizations and linked to better economic performance. It is an integral part of how the Company does business and imperative to commercial success.

The Company recognizes the value of a diverse and skilled workforce and management body, which includes and makes use of differences in the age, skills, experience, background, race and gender between them. A balance of these differences will be considered when determining the optimum composition.

The Company is committed to creating and maintaining an inclusive and collaborative workplace culture that will provide sustainability for the organization into the future. This is also documented as best practises in the Corporate Governance Code of many EU countries.

In line with the recent changes in the regulatory reporting framework, the Company maintains a dedicated diversity policy in relation to the Management body.

The Investment Services Law (Article 10 (2) (b) (ii)) requires institutions to set a target for the representation of the underrepresented gender in the Board and the preparation of a policy on how to increase the number of the underrepresented gender in the Board to achieve this target. The target, policy and their implementation shall be made public.

At the date of these Disclosures, the Board has yet to set the above required policy, even though it aspires towards representation of the underrepresented gender within its Board of Directors. The Company intends to set and implement a relevant target in the future.

3.3. Board Recruitment

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

The persons proposed for the appointment should have specialised skills and/or knowledge to enhance the collective knowledge of the BoD and must be able to commit the necessary time and effort to fulfil their responsibilities. The final approval of a member of the Management Body is given by CySEC. Factors considered in the review of potential candidates include:

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

In line with the recent changes in the regulatory reporting framework, the Company maintains a dedicated recruitment policy in relation to the BoD.

The Company's BoD is chosen to be specialists in various fields in order to be able to offer diversity and the expertise required to oversee its smooth operations.

4. OWN FUNDS & OWN FUND REQUIREMENTS

4.1. Capital Management Objectives

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

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

The Company determines its internal solvency targets in accordance with these objectives. In line with the above, the Company is obligated to calculate and report on a quarterly basis, under [IFD](#), its Permanent minimum capital requirement (EUR 750,000), K-factor requirement (sum of the Risk to Client, Risk to Market and Risk to Firm) and the fixed overheads requirements the result of which, i.e. solvency/total own funds ratio, needs to be above 100.00% at all times.

4.2. Internal Capital Adequacy Assessment

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

As per CySEC Circular [C326](#) regarding the Prudential Supervision Information ("Form 144-14-11"), all Cyprus Investment Firms shall prepare the aforesaid form by 30 June each year, to allow CySEC with its supervisory role in the assessment of ICAAP, the assessment of annual audited financial statements and the safeguarding of clients' money. To this end, the Company maintains compliance with the ICAAP as required under Pillar II of Basel III and its local implementation in Cyprus, through risk management and governance framework, methodologies, processes and infrastructure.

The Company prepared the latest ICAAP for the year with reference date 31st December 2020. The results of these tests showed that the Company currently has adequate capital and liquidity reserves to absorb the impact of such risks if they were to materialize in line with the tests' parameters. The methods used to quantify the Company's Pillar I capital requirements as part of

the most recent ICAAP were in accordance with the CRR, whereas for computing its Pillar II capital requirement, the Company uses a more sophisticated methodology to quantify and aggregate the capital requirements for the risks in total. With this in mind, capital should be allocated in order to absorb Pillar II risks, incorporating the assessment undertaken by the Company for the purpose of its ICAAP. All risks that were considered as material had been included in the analysis

Furthermore, the Company applies stress tests scenarios in its internal capital adequacy assessment process in order to assess the Company's potential risks arising from such scenarios. In particular, the most recent ICAAP included stress test scenarios that related to the Company's foreign exchange risk stress test scenario, recession/business risk stress test scenario and reverse stress test scenario, based on the Company's expectations for the next three years.

The Company will apply the updated guidelines as a result of the new requirements arising from the new prudential regime and the recent changes in the regulatory framework, to ensure it continues to demonstrate that adequate risk management has been undertaken by the Company. In particular, the Company has established an Internal Capital And Risk Assessment Process ("ICARA") which documents in an ICARA Report in accordance the Guidelines GD-IF-02 & GD-IF-03 and Directives DI144-2014-14 and DI144-2014-14(A). Upon CySEC's request the ICARA Report shall be submitted to CySEC.

The ICARA report describes how the Company has implemented and embedded the management of the various risks to which it is subject, within its business. The ICARA also describes the Company's Risk Management framework, which includes - among others – its risk profile and the extent of risk appetite, the risk management limits where relevant, as well as the measures that need to be taken and, if necessary, the Pillar II capital to be held for the most material risks (including risks other than the Pillar I risks) faced by the Company.

4.3. Main features of Capital Instruments

At 31st December 2021, the Total Capital ratio, Tier 1 Ratio and CET1 Ratio of the Company stood at 343.4211% and the capital requirement amounted to EUR 5,235,897. Total Capital ratio and total capital requirements are calculated in accordance with the relevant provisions of the [IFR](#).

As at the reference date, the Company's own funds comprised of the Company's Share Capital and Share premium (i.e., Ordinary shares (net of repurchased shares and treasury shares) and related share premium accounts), retained earnings and other reserves. The Company's Other reserves consist of an amount of EUR500K, that arose as a result of a partial write-off of an amount due to the Company's shareholder in 2020.

There was no Additional Tier 1 and Tier 2 capital as of 31 December 2021. A detailed description of the main features of Common Equity Tier 1 issued by the Company are presented below in Appendix 7.1.

Deductions from Own Funds

The Company, in accordance with Article 36 of the [CRR](#), deducted from CET 1 Capital the amount of EUR167,903 representing the ICF contributions as per CySEC Circular [C162](#), the additional cash buffer of 3 per thousand of the eligible funds and financial instruments of Company's clients, as required by CySEC Circular C334², and the Intangible assets, with the latter amounting to €35K.

4.4. Solvency Ratio (Capital Ratio or Total Own Funds Ratio)

The solvency ratio is set by comparing the investment firms' equity with the highest between the permanent minimum capital, the K-factor requirement or the fixed overhead requirement. For the own fund requirements refer to Section 4.5. In accordance with the new regulatory framework, the Company shall comply with the following minimum requirements at all times:

- CET1 Ratio of 56.00%.
- Tier 1 Ratio of 75.00% (including CET1 and Additional Tier 1).
- Total Own Funds Ratio of 100.00% (including CET1 and Additional Tier 1 Tier 2).

The Total Own Funds Ratio as reported to CySEC for the year ended 31 December 2021 was 343.4211%, well above the minimum regulatory requirement of 100.00%.

The following two tables present the composition of the Company's Own Funds as at 31 December 2021, and how these Own Funds reconcile with the Company's Audited Financial Statements as of this date, respectively. Both tables have been prepared using the format set out in the Final Report on the Draft Implementing Standards issued by the EBA on reporting and disclosure requirements of investment firms under the IFR (EBA/ITS/2021/02).

² As per the CySEC CircularC334, the members of ICF are required to keep a minimum cash buffer of 3 per thousand of the eligible funds and financial instruments of their clients as at the previous year in a separate bank account in case there is need for an extraordinary contribution and this should not be used for any other purpose. Therefore, CIFs should deduct the additional cash buffer of 3 per thousand of the eligible funds and financial instruments of their clients from the Common Equity Tier 1 capital. CIFs are expected to reflect the above in their submissions of the Form 165-01 (calculation of own funds and capital adequacy ratio).

Table 5: EU IF CC1.01 – Composition of regulatory own funds

Common Equity Tier 1 (CET 1) capital: instruments and reserves			
Ref	EUR	31 December 2021	Source based on reference numbers/letters of the balance sheet in the audited FS
1	OWN FUNDS	17,981,173	
2	TIER 1 CAPITAL	17,981,173	
3	COMMON EQUITY TIER 1 CAPITAL	17,981,173	
4	Fully paid-up capital instruments	1,580,000	Ref 1 (Shareholders' Equity)
5	Share premium	16,850,000	Ref 2 (Shareholders' Equity)
6	Retained earnings	(731,230)	Ref 4 (Shareholders' Equity)
8	Other reserves	500,000	Ref 3 (Shareholders' Equity)
10	Adjustments to CET1 due to prudential filters	(14,536) ⁴	Ref 7
12	(-) TOTAL DEDUCTIONS FROM CET 1 capital	(203,061)	
19	(-) Other intangible assets	(35,159)	
27	CET 1: Other capital elements, deductions and adjustments	(167,903) ³	
28	ADDITIONAL TIER 1 CAPITAL	-	
40	TIER 2 CAPITAL	-	

Table 6: EU IFCC2: Own funds reconciliation of regulatory own funds to balance sheet in the audited financial statements

Ref	31 December 2021 (EUR)	Balance sheet as in published/audited financial statements	Cross reference to EU IF CC1
Assets - Breakdown by asset classes according to the balance sheet in the published/audited financial statements			
1	Property and equipment	378,160	
2	Right-of-use assets	38,000	
3	Intangible assets	35,159	Ref 19
4	Investors' compensation fund	114,513	Ref 27
5	Other receivables	1,753,591	
6	Receivables from related parties	9,551,082	
7	Derivative assets	6,241,499	Ref 10 ⁴
8	Restricted cash	57,942	
9	Cash at bank and in hand	7,724,056	Ref 27 ⁵
	Total Assets	25,894,002	

³ The amount of EUR167,903 represents the ICF contributions as per [Circular C162](#) of the CySEC dated 10 October 2016, the additional cash buffer of 3 per thousand of the eligible funds and financial instruments of Company's clients as per the paragraph 11(6) of the [Directive DI87-07](#).

⁴ Adjustments to CET1 due to prudential filters – EUR14,536

⁵ Deductible amount (EUR53,390) representing the additional cash buffer of 3 per thousand of the eligible funds and financial instruments of Company's clients as per the paragraph 11(6) of the [Directive DI87-07](#).

Ref	31 December 2021 (EUR)	Balance sheet as in published/audited financial statements	Cross reference to EU IF CC1
Liabilities - Breakdown by liability classes according to the Balance Sheet in the Management Accounts			
1	Other payables	687,870	
2	Payables to related parties	842,003	
3	Committed clients' funds	5,216,003	
4	Derivative liabilities	949,357	Ref 10 ⁴
	Total Liabilities	7,695,233	
Shareholders' Equity			
1	Share capital	1,580,000	Ref 4
2	Share premium	16,850,000	Ref 5
3	Contribution from shareholder	500,000	Ref 8
4	Accumulated losses	(731,231)	Ref 6
	Total Shareholders' equity	18,198,769	

The Column titled “Under regulatory scope of consolidation” of Table EU IFCC2 and prescribed by Commission Implementing Regulation (EU) 2021/2284, has not been included in the abovementioned table since the Company complies with the disclosure requirements of Part Six of the IFR on an individual basis.

4.5. Own fund Requirements

4.5.1 K-Factor Requirement

The [IFR](#) introduces a new approach of accounting the potential harm that an investment firm can do to its clients, the markets in which it operates and to itself. The K-factor requirement captures the Risk-to-Client, Risk-to-Market and Risk-to-Firm. As per the Article 15 of the [IFR](#), an investment firms capital requirement equals to the sum of the following K-factor requirements:

- Risk-to-Client: Risk-to-Client covers risks carried by an investment firm during its services, actions or responsibilities, which could negatively impact its clients.
- Risk-to-Market: Risk-to-Market captures the net position risk (“K-NPR”) from the trading book in accordance with the market risk provisions of the [CRR](#) or, where permitted by the competent authority for specific types of investment firms which deal on own account through clearing members, based on the total margins required by an investment firm’s clearing member (“K-CMG”).
- Risk-to-Firm: Risk-to-Firm captures an investment firm’s exposure to the default of its trading counterparties (“K-TCD”), concentration risk (“K-CON”) in an investment firm’s large trading book exposures to specific counterparties and operational risks from an investment firm’s daily trading flow (“K-DTF”).

The K-factor requirement is tailored to the investment firms based on the type and scale of the investment firm's activities. The investment firms are required to calculate the K-factor requirement only for the K-factor components that are relevant to the services and activities that they are authorized to provide.

During the year, the Company based on its type and scale of activities and the services authorized to provide, was solely exposed to risks arising from the potential harm that an investment firm can do to its clients, the markets in which it operates and to itself.

The Company monitors the value of its K-factors in order to detect any trend that could leave the Company with a materially different own funds requirement and reports these exposures on a quarterly basis.

4.5.1.1 Risk-to-Client (RtC)

The K-factors under the RtC captures the client assets under management and ongoing advice (K-AUM), client money held (K-CMH), assets safeguarded and administered (K-ASA) and client orders handled (K-COH). The K-factors under RtC are proxies covering the business areas of the Company from which harm to clients can conceivably be generated in case of problems.

The components of the Risk to Client are the following as per the Article 16 of the [IFR](#):

- 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 continuity of service ongoing portfolio management and investment advice.
- K-CMH: captures the risk of potential for harm where an investment firm holds 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 provide that client money is safeguarded in the event of bankruptcy, insolvency, or entry into resolution or administration of the investment firm.
- K-ASA: captures the risk of safeguarding and administering client financial instruments 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.
- K-COH: captures the potential risks from both execution of orders in the name of the client and the reception and transmission of client orders.

The Company calculates the RtC K-factor requirement based on the Article 16 of [IFR](#).

The Company monitors the value of its K-factors in order to detect any trend that could leave the Company with a materially different own funds requirement and reports these exposures on a quarterly basis.

As at 31st December 2021 the Company's RtC requirement mainly emanated from K-AUM, K-CMH, K-ASA and K-COH in accordance to the Company's business and activities. The Company calculates the K-AUM, KCMH, K-ASA and K-COH requirements in accordance with the Articles 15, 16, 17, 18, 19 and 20 of the [IFR](#), respectively. The RtC K-factor requirement in this section is measured based on the Article 16 of [IFR](#).

The tables below illustrate the Company's RtC requirements as at 31st December 2021.

Table 7: RtC Requirement as at 31st December 2021

Risk to Client	Factor amount (€)	K-factor requirement (€)
K-AUM	25,952,888	5,190
K-CMH	29,149,469	116,598
K-ASA	142,199,049	56,880
K-COH	29,615	17
Total RtC Requirement	197,331,021	178,685

Table 8: K-AUM Requirement as at 31st December 2021

K-AUM	Factor amount (€)	K-factor requirement (€)
AUM – Discretionary portfolio management	25,952,888	5,190
AUM – Ongoing non-discretionary advice	-	-
Total K-AUM requirement	25,952,888	5,190

Table 9: K-CMH Requirement as at 31st December 2021

K-CMH	Factor amount (€)	K-factor requirement (€)
CMH - segregated	29,149,469	116,598
CMH – non - segregated	-	-
Total K-CMH requirement	29,149,469	116,598

Table 10: K-ASA Requirement as at 31st December 2021

K-ASA	Factor amount (€)	K-factor requirement (€)
ASA – Fair value of financial instruments (Level 1)	142,199,049	56,880
ASA – Fair value of financial instruments (Level 2)	-	-
ASA – Fair value of financial instruments (Level 3)	-	-

K-ASA	Factor amount (€)	K-factor requirement (€)
<i>Of which: Assets formally delegated to another financial entity</i>	-	-
<i>Of which: Assets of another financial entity that has formally delegated to the Company</i>	-	-
Total	142,199,049	56,880

Table 11: K-COH Requirement as at 31st December 2021

K-COH	Factor amount (€)	K-factor requirement (€)
COH – Cash trades		
<i>Of which: Execution of client orders</i>	15,257	15
<i>Of which: Reception and transmission of client orders</i>	-	-
COH – Derivatives		
<i>Of which: Execution of client orders</i>	14,358	1
<i>Of which: Reception and transmission of client orders</i>	-	-
Total	29,615	16

4.5.1.2 Risk-to-Market (RtM)

Market risk corresponds to the risk of a loss of value on financial instruments arising from changes in market parameters, the volatility of these parameters and correlations between them. These parameters include, but are not limited to, exchange rates, interest rates, and the price of securities (equity, bonds), commodities, derivatives and other assets, including real estate assets.

As mentioned above, in the context of Pillar I, market risk mainly arises through:

- *Position Risk*: It refers to the probability of loss associated with a particular trading/security (long or short) position due to price changes.
- *Interest rate risk*: The risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. However, due to their short residual maturity, the resulting capital requirement is zero.
- *Commodities Risk*: It refers to the uncertainties of future market values and of the size of the future income, caused by the fluctuation in the prices of commodities. These commodities may be oil, metals, gas, electricity etc.
- *Foreign Exchange Risk*: It is a financial risk that exists when a financial transaction is denominated in a currency other than the base currency of the Company. The foreign exchange risk in the Company is effectively managed by the establishment and control of

foreign exchange limits, such as through the establishment of maximum value of exposure to a particular currency pair as well as through the utilization of sensitivity analysis.

The Company calculates the RtM K-factor requirement based on the standardised approach for calculating K-NPR in accordance with the Article 22 of [IFR](#). The Company reports these exposures on a quarterly basis and has policies to minimize its market risk exposures which are in accordance with the [CRR](#).

In addition, in accordance with the circular issued by CySEC on 3rd August 2021 ([C462](#)), trading book exposures in crypto assets are required to be treated by the Company as investments in derivatives and subject to Market Commodity Risk calculated in accordance with the relevant provisions set out in [CRR](#).

As at 31st December 2021 the Company's market risk mainly emanated from foreign exchange rates, equities and commodities prices fluctuations which affect the Company's deposits in foreign currencies as well as from positions held during forex, equity and commodity trading.

The Company has adopted the standardized approach for calculating K-NPR in accordance with Article 22 of [IFR](#). The Company's total capital usage for RtM K-factor requirement as at 31st December 2021 amounted to EUR3,304,921. The table below indicates the Company's RtM requirements as at 31st December 2021, broken down by type of risk.

Table 12: RtM capital requirements as at 31st December 2021

Risk to Market	K-factor requirement (€)
Foreign exchange risk	844,532
Commodity risk	1,389,358
Equity risk	1,071,031
Market TDI risk	-
Total K-NPR	3,304,921

4.5.1.3 Risk-to-Firm (RtF)

Risk to Firm captures the Company's exposure to the default of its trading counterparties (K-TCD), concentration risk (K-CON) in the Company's large exposures to specific trading book counterparties and operational risks from the Company's daily trading flow (K-DTF).

The components of the Risk to Firm are the following as per the Article 24 of the [IFR](#):

- K-TCD: captures the risk arising from the possibility that the counterparty may default on amounts owned on a derivative transaction. Derivatives are financial instruments that derive their value from the performance of assets, interest or currency exchange rates, or indexes.

The Company applies the Article 25 to 32 of the [IFR](#) for the calculation of the K-TCD requirement. The Company's trading counterparty default requirement mainly emanates from its open positions and therefore, the Company monitors and manages the risk arising from those positions.

Furthermore, as per the Circular [C462](#) issued by CySEC on 3rd August 2021, trading book exposures in crypto assets are treated by the Company as investments in derivatives and are subject to K-TCD requirement calculated in accordance to Article 26 of [IFR](#).

- 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.

The Company calculates the K-DTF requirement in accordance with the Articles 15 and 33 of the [IFR](#).

- K-CON: captures concentration risk in relation to individual or highly connected private sector counterparties with whom firms have trading book exposures above 25.00% 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.

The Company calculates the K-CON requirement in accordance with the Article 39 of the [IFR](#).

The Company monitors the value of its K-factors in order to detect any trend that could leave the Company with a materially different own funds requirement and reports these exposures on a quarterly basis.

Concentration risk limits in the trading book:

The Company's total amount of exposure to a client or a group of connected clients shall not exceed 25.00% of its Own Funds. Where the client is a credit institution or an investment firm, or where a group of connected clients includes one or more credit institutions or investment firms, the limit with regard to concentration risk shall be the higher of **25.00%** of the Company's Own Funds or EUR150 million provided that for the sum of exposure values with regard to all connected clients that are not credit institutions or investment firms, the limit with regard to the concentration risk remains at 25.00% of the Company's Own Funds. Where the amount of EUR 150 million is

higher than 25.00% of the Company's Own Funds, the limit with regard to concentration risk shall not exceed 100% of the Company's Own Funds.

The Company monitors and controls its concentration risk and where the trading book exposures with regard to a client or group of connected clients exceeds the limits as set out in the [IFR](#). The Company calculates its own funds requirement in accordance to Article 39 of the [IFR](#) and notifies the CySEC of the excess, the name of the individual client concerned and where applicable the group of connected clients concerned without delay as per Article 38 of the [IFR](#).

The tables below illustrate the Company's RtF exposure as at 31st December 2021.

Table 13: RtF Requirement as at 31st December 2021

Risk to Firm (€)	Factor amount	K-factor requirement
K-TCD	-	1,733,893
K-DTF	183,374,475	18,399
K-CON	-	-
Total Risk to Firm Requirement	183,374,475	1,752,292

Table 14: K-TCD Requirement as at 31st December 2021

K-TCD (€)	Exposure value	Replacement cost	Potential future exposure	Collateral	K-factor requirement
K-TCD	18,061,381	4,475,796	21,120,531	9,727,664	1,733,893

Table 15: K-DTF Requirement as at 31st December 2021

K-DTF (€)	Factor amount	K-factor requirement
DTF – Cash trades	68,104	68
DTF – Derivatives	183,306,371	18,331
Total	183,374,475	18,399

4.5.2 Fixed Overheads Requirement

The Fixed Overheads requirement is measured on the basis of the Company's activity of the preceding year and it is designed to capture the operational risks of the Company (refer to Section 2.3.4).

The Company has developed processes, management tools and a control infrastructure to enhance the Company-wide control and management of the operational risks that are inherent in its various activities. These include, among others, general and specific procedures, permanent supervision, business continuity plans and functions dedicated to the oversight and management of specific types of operational risks, such as fraud, risks related to external service providers, legal risks, information system security risks and compliance risks.

In order to control the exposure to operational risks, the management has established two key objectives:

- To minimise the impact of losses suffered, both in the normal course of business (small losses) and from extreme events (large losses).
- To improve the effective management of the Company and strengthen its brand and external reputation.

The Company recognises that the control of operational risk is directly related to effective and efficient management practices and high standards of corporate governance. To that effect, the management of operational risk is geared towards:

- Maintaining a strong internal control governance framework.
- Managing operational risk exposures through a consistent set of processes that drive risk identification, assessment, control and monitoring.

The Company implements the below Operational Risk Mitigation Strategies in order to minimize its Operational Risk Exposure:

- The development of operational risk awareness and culture.
- The provision of adequate information to the Company's management, at all levels, in order to facilitate decision making for risk control activities.
- The implementation of a strong system of internal controls to ensure that operational losses do not cause material damage to the Company and have a minimal impact on profitability and objectives.
- The improvement of productivity, efficiency and cost effectiveness, with an objective to improve customer service and protect shareholder value.
- Established a "four-eye" structure and board oversight. This structure ensures the separation of power regarding vital functions of the Company namely through the existence of a Senior Management. The Board further reviews any decisions made by the Management while monitoring their activities.

- Detection methods are in place in order to detect fraudulent activities.
- Comprehensive business contingency and disaster recovery plan.

The Senior Management employs specialized tools and methodologies to identify, assess, mitigate and monitor operational risk. These specialized tools and methodologies assist operational risk management to address any control gaps. To this effect, the following are implemented:

- Incident collection.
- Key Risk Indicators.
- Business Continuity Management.
- Training and awareness.

The Company calculates its Fixed overheads requirement in accordance with the Article 13 of [IFR](#), which as at 31st December 2021, amounted to EUR 3,511,403.

4.6. Liquidity Requirement

Liquidity risk corresponds to the risk of the Company not being able to meet its cash or collateral requirements as they arise and at a reasonable cost. Liquidity requirement introduced by the [IFR](#) and intends to ensure that the Company has some resilience to unexpected liquidity shocks.

The Company's primary objective is to ensure the funding of its activities in the most cost-effective way by managing liquidity risk and adhering to regulatory constraints. The liquidity system aims at providing a balance sheet framework with assets and liabilities target structure that is consistent with the risk appetite defined by the BoD:

- The assets structure should allow the businesses to develop their activities in a way that is liquidity-efficient and compatible with the target liabilities structure.
- The liabilities structure is based on the ability of the businesses to collect financial resources from customers and the ability of the Company to sustainably raise financial resources on the markets, in accordance with its risk appetite.

The principles and standards applicable to the management of liquidity risks are defined by the Company's governing bodies, whose duties in the area of liquidity are listed below:

- The Company's BoD (i) establishes the level of liquidity risk tolerance as part of the Risk Appetite exercise, (ii) meets regularly to examine the Company's liquidity risk situation, on a quarterly basis.
- The Senior Management (i) sets budget targets in terms of liquidity (ii) allocates liquidity to the pillars.

To minimize its exposure to liquidity risk, the Company implements the below Liquidity Risk Mitigation Strategies:

- Regular analysis & reporting to the BoD on the funding needs of the Company.

- Monitoring of the Company’s exposures and diversification to avoid rise of concentration risk as per the internal policies.
- Cash Management.

The table below illustrates the Company’s Liquidity requirement as at 31st December 2021 compared with the liquid assets of the Company at the same period.

Table 16: Liquidity Requirement and Liquidity Assets as at 31st December 2021, EUR

	Amount (EUR)
Liquidity Requirement	1,170,468
Total Liquid Assets	3,313,716
<i>Of which are coins and banknotes</i>	3,313,716

5. REMUNERATION POLICY & PRACTICES

5.1. Remuneration Policy Framework

Remuneration refers to payments or compensations received for services or employment. The remuneration system includes the base salary and any bonuses or other economic benefits that an employee or executive receives during employment and shall be appropriate to the CIF's size, internal organization and the nature, the scope and the complexity of its activities.

The Company's remuneration system is concerned with practices of the Company for those categories of staff whose professional activities have a material impact on its risk profile, i.e. the Senior Management, members of the Board of Directors or risk takers, whose professional activities have a material impact on the risk profile of the Company; the said practices are established to ensure that the rewards for the 'Executive Management' provide the right incentives to achieve the key business aims.

The total remuneration of staff consists of fixed and variable components. Fixed and variable components are appropriately balanced and the fixed component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components, including the possibility to pay no variable remuneration component. The Company manages and controls the ratios between the fixed and the variable component of the total remuneration for each individual and ensures compliance with the requirements arising from [IFD](#).

Based on the requirements arising from the [IFD](#) in relation to the remuneration policies, the Company updated its Remuneration Policy and set appropriate ratios between the variable and fixed components of the total remuneration taking into account the business activities of the Company and associated risks, as well as the impact that different categories of staff, including senior management, risk takers, staff engaged in control functions and any employees receiving overall remuneration equal to at least the lowest remuneration received by senior management or risk takers, whose professional activities have a material impact on the risk profile of the investment firm or of the assets that it manages, have on the risk profile of the Company.

5.2. Remuneration Governance

5.2.1 Board of Directors

The Company's BoD shall approve the Remuneration Policy and shall receive, on an annual basis, the assessment of the Remuneration Committee, concerning the Remuneration Policy's effectiveness and compliance, taking into considerations changes in the legal framework. The BoD ensures that it defines, approves, after taking advice from the Compliance Function, and oversees the remuneration policy of persons involved in the provision of services to clients aiming to encourage responsible business conduct, fair treatment of clients as well as avoiding conflict of interest in the relationships with clients.

5.2.2 Remuneration Committee

Following the provisions of the legal framework, and taking into consideration its size, internal organization, nature, scope and complexity of its activities, the Company has established a Remuneration Committee. As per the provisions of the IFD, the Committee shall consist of independent members of the Company's BoD and shall ensure competent and independent judgment on remuneration policies and practices and the incentives created for managing risk, capital, and liquidity.

The Committee is responsible for the assessment and implementation of the Remuneration Policy and the relevant practices. The Committee is responsible for the following matters:

- a) Preparing decisions regarding remuneration, including decisions which have implications for the risk and risk management of the investment firm concerned and which are to be taken by the management body;
- b) Setting the overarching principles and parameters of remuneration policy across the Company and after consideration agree for any amendments regarding the incentive plans;
- c) Governing employee share schemes, if applicable, and investigate any strategic recruitment issues and issue any respective decision;
- d) Developing remuneration related disclosure objectives for the Company to consider and ensure that those objectives meet all legal requirements and are accurate, such as the encouragement of responsible business conduct, fair treatment of all clients and avoidance of conflict of interest;
- e) The preparation of recommendations to the BoD, regarding the remuneration of the members of the SM as well as of the high earning staff members in the Company;
- f) The direct overseeing of senior officers' remuneration in the risk management and compliance functions;
- g) Supporting the BoD in overseeing the remuneration system's design and operation on behalf of the BoD;

- h) Devoting specific attention to the assessment of the mechanisms adopted to ensure that the remuneration system properly takes into account all types of risks, liquidity and capital levels as well as ensuring that the overall remuneration policy is consistent with the long-term sound and prudent management of the Company.

It is noted that the Committee shall take into account the public interest and the long-term interests of shareholders, investors and other stakeholders in the Company prior to reaching any decision. The Committee shall meet at least on an annual basis in order to assess the Company's remuneration and the effectiveness of the Remuneration Policy.

5.2.3 Senior Management

The Company's SM is responsible for the consistent day-to-day implementation of the Remuneration Policy and the monitoring of compliance risks related to the Policy.

5.2.4 Compliance Department

The Compliance Department is responsible for the preparation and periodical review of the Remuneration Policy, at least on an annual basis to ensure it is operating at maximum effectiveness and shall recommend any changes it considers necessary to the BoD for approval. Since the Remuneration Policy is developed in line with the Company's operational model, it is therefore within the responsibilities of Compliance department to ensure that any changes in the operations of the Company will be properly reflected in the Remuneration Policy and further follow the appropriate procedure to inform individuals affected as a result of any changes.

5.2.5 Human Resource (HR) Department

The HR is responsible to ensure that the remuneration of the Company's employees is in line with the provision of the Remuneration Policy. In addition, the HR shall, when necessary, request for the approval of the Company's BoD and Remuneration Committee for the remuneration of the Company's employees which are eligible for variable remuneration.

5.3. Design Characteristics of the Remuneration System

5.3.1 Fixed Remuneration Component

The Fixed remuneration shall be a substantial proportion of the total annual remuneration and shall be defined by the SM and the Head of each Department in coordination with the HR for each employee within the Company periodically.

Generally, fixed remuneration is defined according to industry standards, relevant laws and regulations, labour market conditions and scale of Company's business relating to the position. The fixed remuneration will reflect the core performance requirements, the skills of the person, the academic background and the expectations of the Company and be granted to all employees of the Company.

5.3.2 Variable Remuneration Component

The Variable remuneration of personnel consists of only cash bonus paid in addition to the fixed remuneration. This type of remuneration is not guaranteed and only applies only to employees who are eligible for variable remuneration, as set by the Remuneration Policy, whose performance will be assessed.

The Head of each Department of the Company assesses and measures under qualitative and quantitative criteria the performance of each individual and generally, which include amongst other factors compliance with laws and regulations, compliance with the Company's Internal Policies and procedures as well as overall Company's financial performance.

The amount and eligibility of the variable remuneration of each employee is based on each Department's Key Performance Indicators.

5.4. Aggregate Quantitative Information

The table below presents the remuneration of the members of the BoD and other key management personnel whose professional activities have a material impact on the risk profile ("KMP") of the Company for the year ended 31st of December 2021.

It is noted that during the year, the Company did not pay or award any deferred remuneration, any severance payments or any guaranteed variable remuneration. Also, the Company did not award any deferred remuneration or severance payments for/in previous performance periods

Table 17: Aggregate Quantitative Information on Remuneration

KMP	No. of staff	Total Fixed Remuneration	Variable				Total Remuneration
			Total Variable Remuneration	<i>Of which were cash</i>	<i>Of which were shares</i>	<i>Of which were share-linked</i>	
Executive Directors	2	84,000	-	-	-	-	84,000
Non-Executive Directors	2	109,000	-	-	-	-	109,000
Heads of Brokerage	2	180,000	34,475	34,475	-	-	214,475
Heads of Compliance Head of Risk Head of Finance, Accounting and IT	3	147,167	9,342	9,342	-	-	156,509
Other staff whose actions have a material impact on the risk profile of the Company	6	369,613	267,894	267,894	-	-	637,507
Grand Total	15	889,780	311,711	<i>311,711</i>	-	-	1,201,490

6. INVESTMENT POLICY

Article 52 of the IFR requires investment firms, which do not meet the criteria referred to in point (a) of Article 32 (4) of the IFD, to disclose the following in accordance with IFR Article 46 of the same regulation:

- (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 IFR Article 52, an explanation of the votes, and the ratio of proposals put forward by the administrative or management body of the company which the investment firm has approved; 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 IFR Article 52.

Article 32(4)(a) of the IFD refers to “*an investment firm, where the value of its on and off-balance sheet assets is on average equal to or less than EUR 100 million over the four-year period immediately preceding the given financial year*”.

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

Having considered the above references to the applicable legislation, and as at the reference date the Company did not hold any shares that would meet the criteria stated in Article 52(2) of IFR and therefore no disclosures regarding investment policy were made.

7. APPENDICES

7.1. Appendix – Main Features of Capital Instruments

Table 18: EU IF CCA Own funds: main features of own instruments issued by the Company

		Ordinary Shares
1	Issuer	Naga Markets Europe 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 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)	EUR 1.58 million
7	Nominal amount of instrument	EUR1.00
8	Issue price	EUR1.00
9	Redemption price	N/A
10	Accounting classification	Shareholder's equity
11	Original date of issuance	Various
12	Perpetual or dated	N/A
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
	<i>Coupons / dividends</i>	
17	Fixed or floating dividend/coupon	N/A
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	N/A
20	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
21	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
22	Existence of step up or other incentive to redeem	N/A
23	Noncumulative or cumulative	N/A
24	Convertible or 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

		Ordinary Shares
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	No
38	Link to the full term and conditions of the instrument (signposting)	N/A

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7.3. Appendix - Specific References to IFR & EBA Guidelines

IFR Ref	High Level Summary	Compliance Reference (Document Sections)
<i>Scope of disclosure requirements</i>		
46(1)	Requirement to publish Pillar III disclosures.	Section 1.2
46(2)	Investment firms that meet the conditions for qualifying as small and non-interconnected investment firms which issue Additional Tier 1 instruments shall publicly disclose the information set out in Articles 47, 49 and 50 on the same date as they publish their annual financial statements.	Not applicable – not a small and non-interconnected investment firm
46(3)	Investment firms no longer meeting all the conditions for qualifying as a small and non-interconnected investment firm, shall publicly disclose the information set out in Part 6 of IFR as of the financial year following the financial year in which it ceased to meet those conditions.	Not applicable - not a previously a small and non-interconnected investment firm
46(4)	Determine the appropriate medium and location to comply effectively with the disclosure requirements referred to in Article 46(1) and 46(2). All disclosures shall be provided in one medium or location, where possible.	Section 1.2.3
<i>Risk management objectives and policies</i>		
47	Disclosure of the risk management objectives and policies for each separate category of risk set out in Parts Three, Four and Five in accordance with Article 46 of 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.	Section 2
<i>Governance</i>		
48(a)	Number of directorships held by members of the management body.	Section 3.1
48(b)	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.	Section 3.2
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	Section 2.2.2
<i>Own Funds</i>		
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 investment firm	Section 4.4
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 investment firm	Section 4.3 & 4.4 Appendix 7.1
49(1)(c)	Description of all restrictions applied to the calculation of own funds in accordance with this Regulation and the instruments and deductions to which those restrictions apply	Section 4.3 & 4.4 Appendix 7.1
<i>Own Funds Requirements</i>		
50(a)	Summary of the investment firm’s approach to assessing the adequacy of its internal capital to support current and future activities.	Section 4.1 & 4.2

IFR Ref	High Level Summary	Compliance Reference (Document Sections)
50(b)	Upon a request from the competent authority, the result of the investment firm's internal capital adequacy assessment process, including the composition of the additional own funds based on the supervisory review process as referred to in point (a) of Article 39(2) of Directive (EU) 2019/2034	Not applicable since not requested by the competent authority
50(c)	K-factor requirements calculated, in accordance with Article 15 of the IFR, in aggregate form for RtM, RtF, and RtC, based on the sum of the applicable K-factors.	Section 4.5.1
50(d)	Fixed overheads requirement determined in accordance with Article 13 of the IFR.	Section 4.5.2
Remuneration Disclosures		
51	Remuneration Policy and practices.	Section 5
Investment Policy Disclosures		
52	Investment Policy.	Section 6
Environmental, social and governance risks Disclosures		
53	Environmental, social and governance risks.	N/A as at the reference date

EBA Templates	EBA Template Description	Section
EU IF CC1.01	Composition of regulatory own funds	Section 4.4
EU IF CC2	Own funds reconciliation of regulatory own funds to balance sheet in the audited financial statements	Section 4.4
EU IF CCA	Own funds main features of own instruments issued by the Company	Appendix 7.1