

Eurotrade RGB Holdings Limited

Disclosures and Market Discipline Report for the year ended 31 December 2021



April 2022

Disclosure

The Disclosure and Market Discipline Report or Pillar 3 Disclosures Report for the year ended 31st December 2021 has been prepared by Eurotrade RGB Holdings Limited based, partly, on the audited Financial Statements of 2021; as per the requirements of Regulation (EU) 2019/2033 (the “Investment Firms Regulation”, “IFR”) issued by the European Commission and the Law 165(I)/2021 on the prudential supervision of investment firms.

Eurotrade RGB Holdings 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 to the Company and sharing this information with the public and/or competitors would undermine our competitive position.

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The Board of Directors is ultimately responsible for the risk management framework of the Company. 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 institution providing assurance that the risk management systems in place are adequate with regards to the institution’s profile and strategy.

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1 Introduction

1.1 Corporate information

Eurotrade RGB Holdings Limited (the “Company”) was incorporated in Cyprus on 14 March 2017 (Registration number: C367109) and its registered office is Chapo Central, Floor 1, Spyrou Kyprianou 20, 1075 Nicosia, Cyprus.

The Company is a holding Company of the below companies:

- Eurotrade Investments RGB Ltd (“the CIF”) is a Cypriot Investment Firm (“CIF”) under the Registration Number HE317893, licensed and regulated by CySEC under license 279/15. Registered address at 2nd Floor, 35 Markantoniou Vragadinou, 3041 Lemesos, Cyprus.
- Eurotrade SA (Pty) Limited is an authorized financial services provider (the “FSP”), licensed and regulated by the Financial Sector Conduct Authority (FSCA) in South Africa with license number FSP 44351 with registered address at 99 Merriman Street, George Central, Western Cape, 6529, South Africa.
- Swiss Global Asset Management AG is a registered company in Switzerland No: CHE-107.828.897 with registered office at Uraniastrasse 11, 8001, Zurich and is regulated as member of ARIF, a self-regulating body approved by the Swiss Financial Markets Supervisory Authority (FINMA), with member number 3153 (the “SRO”)
- EuroTrade Bulgaria EOOD is a registered company in Bulgaria, No: 206619680, with registered office at 5 Srebarna entr. V, fl. 5, apt. 25 Sofia, 1407
- Eurotrade RGB (Seychelles) Ltd is a registered company in Seychelles, with registered office at 5 Srebarna entr. V, fl. 5, apt. 25 Sofia, 1407
- Mulix Services Limited is a registered company in Cyprus, No: HE354096, with registered office Iasonos, 1, SUITE 111, Floor 1, 1082, Nicosia, Cyprus

1.2 License information

The CIF is licensed to provide the following investment and ancillary services, in the financial instruments outlined below:

Investment Services and Activities:

- (a) Reception and transmission of orders in relation to one or more financial instruments;
- (b) Execution of orders on behalf of clients; and
- (c) Dealing on own account

Ancillary Services:

- (a) Safekeeping and administration of financial instruments, including custodianship and related services;
- (b) Advice to undertakings on capital structure, industrial strategy and related matters and advice and services relating to mergers and the purchase of undertaking; and
- (c) Foreign exchange services where these are connected to the provision of investment services.

Financial Instruments:

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

The FSP has the license to as an authorized financial services provider which is in the business to offer non-automated financial advice and/or intermediary services for the below products:

- 1) Long-Term Insurance subcategory A
- 2) Short-Term Insurance Personal Lines
- 3) Short-term Insurance Personal Lines A1
- 4) Structured Deposits (only advice non-automated)
- 5) Short-Term Insurance Commercial Lines
- 6) Derivative instruments
- 7) Long-term Deposits
- 8) Short-term Deposits

1.3 Basis of preparation

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

These Pillar 3 Disclosures are made on a consolidated basis and are updated and published annually; it will, however, be published more frequently if there are significant changes to the business (such as changes to the scale of operations, range of activities, etc.).

CySEC is responsible for implementing and enforcing the Directive (EU) 2019/2034 (the "IFD") and the transposing Law L.165(I)/2021 (the "Prudential Supervision Law"), a capital adequacy framework consisting of three (3) 'Pillars':

- Pillar I set out the minimum capital requirements firms are required to meet;
- Pillar II requires firms to assess their capital requirements in light of any specific risks not captured in the Pillar I calculations; and
- Pillar III seeks to improve market discipline by requiring firms to publicly disclose certain details of their risks, capital and risk management. Prudential disclosures under the Pillar 3 framework play a key role in promoting market discipline through the public reporting of meaningful information on the risks to their financial position, capital or liquidity, thus reducing asymmetry of information between investment firms and users of information.

During 2021, the IFR and IFD were enacted and implemented to set out the specific prudential regime required for investment firms which are not systemic by virtue of their size and interconnectedness with other financial and economic actors.

Part Six of the IFR specifies the disclosure requirements for investment firms under the scope of application of the same regulation. In particular, article 47 of the IFR specifies the disclosure requirements on

- Own Funds (Part Two of IFR),
- Capital and Own Funds Requirements (Part Three of IFR)
- Concentration risk (Part Four of IFR)
- Liquidity (Part Five of IFR)
- Governance; and.
- Remuneration policy and practices

The 2021 Pillar 3 Disclosures report sets out both quantitative and qualitative information required in accordance with the above listed regulatory requirements. The Report includes, to a large extent, tables prepared in line with the EBA guidelines published on 5 March 2021, which are now in force for the purposes of this Report.

A number of significant differences exist between accounting disclosures published in accordance with IFRS and Pillar 3 disclosures published in accordance with prudential requirements, which prevent direct comparison in a number of areas. Of particular note are the differences surrounding the scope of consolidation (Section 3).

1.4 Level of application

The data included in this Report may be different than the respective data of the Financial Statements of the Company for 2021, which are prepared in line with IFRS, as adopted by the EU, mainly due to differences between the prudential consolidation basis and the accounting consolidation basis and/or differences in the definitions used. The reconciliation between the balance sheet presented in the Consolidated Financial Statements of the Company for 2021 and the balance sheet prepared for prudential purposes is disclosed in **Appendix IV**.

The Company meets the definition of a Union Parent Investment Holding Company. Together with the CIF and the FSP form a prudential consolidation group or a consolidated situation. The remaining subsidiary companies of the Company do not fall under the definition of consolidated situation in line with the IFR and therefore are excluded from the level of application of this Report. **The Company together with the CIF and FSP comprise the Eurotrade group for the purposes of prudential consolidation and this Report (the “Group”). Since the prudential consolidating entity – the Company – is incorporated in Cyprus, the consolidating supervisor is CySEC.** The Basis of Consolidation of Group entities is detailed in **Appendix II**.

The Group meets the criteria of specified in Article 12 of the IFR and therefore it is not a small and non-interconnected firm. Therefore, it is necessary to consider the calculated K-Factor capital requirement in the overall minimum regulatory capital assessment.

The permanent minimum capital requirement equals to the initial capital requirements as per Article 9 of the IFD and in line with the transposed Cyprus Prudential Supervision Law, this is €750,000 since the CIF is authorized to perform the investment activity of dealing on own account (point 3 of Section A of Annex I to MiFID II). Consequently, the PMR will always be the minimum capital requirement if FOR and KFR are lower.

It is highlighted that the all the financial disclosures made within this Report are based on audited solo financial statements and corresponding trial balance for the year ending 31 December 2021 for the CIF and the FSP. Under the Cyprus legal framework, the Company does not have the obligation to audit its financial statements before 30 June 2021 and therefore for purposes of prudential consolidation and disclosures in this Report, management account figures are utilized. In addition, the Group does not have a legal requirement to prepare consolidated financial statements and therefore for purposes of prudential consolidation and disclosures in this Report, consolidated management account figures are utilized

In addition, the Group benefits from a derogation laid down in Article 32(4) of IFD since it meets both of the below criteria:

- (a) an investment firm, where the value of its on and off-balance sheet assets is on average equal to or less than €100 million over the four-year period immediately preceding the given financial year;
- (b) an individual whose annual variable remuneration does not exceed €50,000 and does not represent more than one fourth of that individual's total annual remuneration.

Consequently, the Group is exempted from the reporting requirements of its investment policy in line with Article 52 of the IFR.

The Group's reporting currency is the Euro. The Company implements the International Financial Reporting Standards as accounting standard.

1.5 Reporting Frequency

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

This report is published and will be available on the CIF's website at <https://www.eurotrader.eu/company/legal-documents/>.

1.6 Verification

The Group's Pillar III disclosures are subject to internal review and validation prior to being submitted to the Board of Directors (the "Board") for approval.

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

According to IFR, the risk management disclosures should be included in either the financial statements of the investment firms if these are published, or on their website. In addition, these disclosures must be verified by the external auditors of the investment firm. The investment firm will be responsible to submit its external auditors' verification report to CySEC. The Company has included its risk management disclosures as per the IFR on its website as it does not publish its financial statements. Verification of these disclosures will be conducted by the external auditors and submitted to CySEC by the end of 30th June 2022 in line with the submission deadline for audited financial statements as per Circular C114 (extension of one month was granted by CySEC to the five month requirement stipulated by IFR).

2 Risk Governance – Board and Committees

This section applies to the CIF since the legal and regulatory framework dictating its governance abides the Cyprus regulated entity. The Group that is subject to prudential consolidation as per IFR has set up a proper organisational structure and appropriate internal control mechanisms in order to ensure that the data required for consolidation are duly processed and forwarded. In particular, the parent undertaking shall ensure that subsidiaries that are not subject to this Regulation implement arrangements, processes and mechanisms to ensure proper consolidation.

2.1 Board of Directors

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

2.1.1 Board of Directors responsibilities

The Board shall be responsible for ensuring that the Company complies with its obligations under the Law. The Board assesses and periodically reviews the effectiveness of the policies, arrangements and procedures put in place to comply with the obligations under the Law and takes appropriate measures to address any deficiencies. In general, the Board shall:

- a) act within their powers;
- b) exercise independent judgment;
- c) exercise reasonable care, skill and diligence;
- d) avoid conflicts of interest;
- e) review and evaluate the work carried out by the Internal Auditor;
- f) discuss internal audit issues and adopt strategies to improve the operation of the internal audit mechanism;
- g) determine the remuneration of staff, senior management and Directors of the Company;
- h) approve the terms of reference of the company's committees;
- i) approve the annual budget and monitor the quarterly and yearly performance of the company;
- j) determines, record and approve the general policy principles in relation to the prevention of money laundering and terrorist financing and communicate them to the compliance officer;
- k) appoint a compliance officer and, where is necessary, assistant compliance officers and determine their duties and responsibilities;
- l) approve the risk management and procedures manual; and
- m) Initiate, design and approve the Company's Internal Capital Adequacy Assessment Process (the "ICAAP").

In addition to the general functions, the Company's Directors have the following responsibilities, particular to its investment business and strategy:

Determination of the Company's strategy: The BoD is responsible to determine and explicitly state the Company's strategic goals and monitor the progress towards their achievement. The BoD shall meet to discuss strategic issues and to reformulate strategy where this is necessary on account of changes and developments, whether internal to the Company or external in its market environment.

Determination of the Company's structure and hierarchy: The BoD is responsible for determining the internal structure of the Company, by creating the appropriate departments and officers, each assigned with specific duties and responsibilities and endowed with the powers necessary for effectively carrying them out.

The BoD shall also determine the hierarchy within which departments will be placed, the lines of communication and accountability between departments and within departments and the tasks which each department and each employee is to perform.

Company's policy and internal operations manual: Having set the Company's strategic goals and structure, the BoD is responsible for leading the Company towards their achievement through the creation of appropriate policies, procedures and rules for the Company's internal operations. These are described in detail in this Manual, instructing the Company's employees on how each is expected to perform his or her duties. The suitability of the policies, rules and procedures described in this Manual is reviewed by the BoD at least once a year.

Supervision of the Company's policies and procedures and their effectiveness: The BoD shall review and evaluate the effectiveness and efficiency of the general policy principles and controls implemented.

The BoD shall receive at least annually written reports on the policies and procedures designed to detect any risks associated with:

- Failure of the Company to comply with the Law;
- Deficiencies in the Company's activities, processes and systems;
- Effectiveness of the Company's internal control mechanisms; and
- Measures that address any deficiencies in these policies and measures.

The BoD shall take into consideration the recommendations of the Internal Auditor and the Compliance Officer for improvements in the Company's audit and compliance risks and procedures and, where appropriate, accept these suggestions and amend these policies and procedures and the appropriate sections of this Manual.

The Company will submit to the Commission the abovementioned written reports along with a copy of the minutes of the Board's discussion and approval, within 20 days from the day on which the meeting took place.

Particularly, the Board shall ensure that it receives on a frequent basis, and at least annually, written reports regarding Internal Audit, Compliance, Anti-Money Laundering & Terrorist Financing and Risk Management issues, indicating, in particular, whether the appropriate remedial measures have been taken in the event of any deficiencies.

The executive directors take part in the operation of the Company and, as appropriate, in the provision of investment or ancillary services. The Non-Executive (Independent) Directors monitor the operations of the Company through their participation in the various meetings of the Board, and will also request and be granted access to, as necessary, information and reports from the management of the Company.

2.1.2 Board of Directors meetings and quorum

The CIF's BoD meet periodically to determine the CIF's business strategy and at least once a year to discuss issues relating to internal audit, risk and compliance. The BoD will meet quarterly to review the Company's performance and to review financial results. The BoD may also meet at any other time on an ad-hoc basis as needed to discuss and approve any other issues that may require its review and approval.

The agenda must be prepared by the executive members and distributed to the Board no less than five (5) working days prior to each meeting. The agenda must include last quarter's business developments and last quarter's management accounts as well as any item that needs to be discussed by the Board. The Secretary shall keep minutes, which shall be distributed to Board members not later than three (3) working days after each meeting.

All matters brought to the attention of the Board shall be resolved by a simple majority of votes. In the event of equality of votes, the decision shall be deemed taken if the Chairman approves such a decision. It is always agreed that the quorum for a BoD Meeting shall be three (3) directors.

2.1.3 Number of Directorships held by the Board members

The table below provides the number of directorships that each member of the management body of the Company holds at the same time in other entities, including the one in Eurotrade Investments RGB Ltd. Directorships in organizations which do not pursue predominantly commercial objectives, such as non-profit making or charitable organizations, are not taken into account for the purposes of the below.

Table 2: Directorships of Board Members of the CIF

Full name of Director	Position/Title	Executive	Non-Executive
Mr. Christopher Eracleous	Chief Executive Officer	1	-
Mr. Serguei Grigoriev	General Manager	1	-
Mr. Evgenios Bagiazidis	Non-executive Director	2	1
Mrs. Inessa Levinskaya	Non-executive Director	-	1
Mr Ozan Ozerk	Non-executive Director	-	1

2.2 Board recruitment policy

Recruitment of Board members combines an assessment of both technical capability and competency skills referenced against the Group's regulatory and operational framework.

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

The persons proposed for appointment to the Board should commit the necessary time and effort to fulfill their obligations. Prior to their appointment, the proposed persons should obtain the approval of the Commission.

Main factors influencing the decision to propose the appointment of potential Directors include:

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

2.3 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 Group does business and imperative to commercial success.

The Group 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 Group 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 Group is in the process of establishing a dedicated diversity policy in relation to the Management body.

2.4 Governance Committees

The Group has formed the below governance committees based on its current scale and complexity of its operations and the necessary level of elaborate governance oversight to adequately monitor its operational effectiveness and its potential risks.

2.4.1 Risk Management Committee

The Risk Management Committee's core function is to support the Risk Manager in their shared roles and responsibilities as listed in Section 4.3.

- discuss, evaluate, and identify country or corporate default, operational, systemic, systematic, unsystematic, credit, interest rate, currency and market risks in general;
- establish procedures for assessing investment risk tolerance for clients; and
- after taking all the risks into consideration, and combining this with appropriate research from reputable and well-established and trust-worthy institutions identify the general direction of markets and issue basic guidelines of investment parameters for the Own account department

2.5 Reporting and Control

In line with the requirements set out in the Cyprus Investment Firms Law and subsequent Directives, the Group has been able to maintain a good information flow to the Management Bodies, as it can be seen below. It is noted that the below apply only for the CIF:

Table 1: Information flow on risk to Board

Report Name	Report Description	Owner	Recipient	Frequency	Due Date
Annual AML Report	To inform the Senior Management & the BoD of the Company regarding the Performance of AML function during the year	AML Compliance Officer	Senior Management , BoD, CySEC	Annual	31/03/2022
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 (Market Discipline and Disclosure) based on the Audited figures	To disclose information regarding Company's risk management, capital structure, capital adequacy and risk exposures	Senior Management	BoD, CySEC, Public	Annual	30/06/2022

Financial Reporting	It is a formal record of the financial activities of the CIF	External Auditor	BoD, CySEC	Annual	31/05/2022
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.	External Auditor	BoD, CySEC	Annual	31/05/2022
Audited 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.	External Auditor	BoD, CySEC	Annual	31/05/2022
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/ Financial Department	Senior Management, CySEC	Quarterly plus Audited	11/05/2021 11/08/2021 11/11/2021 11/02/2022 30/06/2022

3 Remuneration Policy and Practices

The Remuneration Policy is an integral part of the CIF's Internal Operations Manual and as an internal document it is approved by the BoD of the CIF and its provisions are applicable to each Director, Officer and Employee. The remuneration varies for different positions/roles depending on each position's actual functional requirements, and it is set at levels, which reflect the knowledge level, experience, accountability, and responsibility needed for an employee to perform each position/role.

The CIF when establishing and applying the total remuneration policies, inclusive of salaries and discretionary pension benefits, for categories of staff including senior management, risk takers, staff engaged in control functions and any employee receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers, whose professional activities have a material impact on their risk profile, must comply with the following principles in a manner and to the extent that is appropriate to their size, internal organization and the nature, scope and complexity of their activities:

1. The Remuneration Policy is consistent with and promotes sound and effective risk management and does not encourage risk-taking that exceeds the level of tolerated risk of the CIF;
2. The Remuneration Policy is in line with the business strategy, objectives, values and long-term interests of the CIF, and incorporates measures to avoid conflicts of interest;
3. The CIF's BoD adopts and periodically reviews the general principles of the Remuneration Policy and is responsible for overseeing its implementation;

4. The implementation of the Remuneration Policy is, at least annually, subject to central and independent internal review for compliance with policies and procedures for remuneration adopted by the BoD;
5. Staff engaged in control functions are independent from the business units they oversee, have appropriate authority, and are remunerated in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control;
6. The remuneration of the senior officers in the risk management and compliance functions is directly overseen by the BoD;
7. The Remuneration Policy, taking into account national criteria on wage setting, makes a clear distinction between criteria for setting:
 - a. Basic fixed remuneration, which should primarily reflect relevant professional experience and organizational responsibility as set out in an employee's job description as part of the terms of employment; and
 - b. Variable remuneration which should reflect a sustainable and risk adjusted performance as well as performance in excess of that required to fulfil the employee's job description as part of the terms of employment. Separate principles are specified in the Remuneration Policy which apply in addition to, and under the same conditions as, those set out in the paragraphs above.

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

3.1 Design and Structure of Remuneration

To ensure compliance with Article 27 of the Delegated Regulation (EU) 2017/565 the following will be implemented:

1. The CIF's BoD shall approve, after taking advice from the compliance function, its remuneration policy. The CIF's senior management shall be responsible for the day-to-day implementation of the remuneration policy and the monitoring of compliance risks related to the policy;
2. None of the CIF's employees and/or Directors can be remunerated based on the successful promotion of certain products or financial instruments over others as it may create a conflict of interest in promoting what is best or most suitable for the client; and
3. Where variable remuneration (i.e., performance related bonuses) is adopted, the CIF will endeavor to maintain a balance between the fixed and the variable component with the variable not exceeding the fixed. In circumstances where the CIF's overall performance allows for the variable remuneration to potentially exceed the fixed component, the BoD may extraordinarily approve such excesses. Before confirming the amount, each recipient is entitled to on the merits of their qualitative and quantitative performance, the BoD will:

- a. ascertain whether the recipient was a direct contributor to the CIF's performance (i.e., performance fee income);
- b. assess whether in exercising his/her role deviated from the client's prescribed risk tolerance levels; and
- c. adjust the performance related bonus either lower if the risk level was exceeded, or higher if the risk level was maintained below eligible levels. The adjustment should be reflective of the extend of the deviation from the client prescribed risk appetite limits.

Executive/Managing Directors and Senior Management Personnel:

Fixed remuneration: Executive Directors and Senior Management shall be eligible for an annual remuneration paid in 12 installments as may approved by the BoD always taking into consideration the scale and complexity of the CIF's operations, prevailing market conditions and geographical area of operation. The BoD may recommend increments to the existing remuneration structure and approve them with the shareholder(s)' consent. Executive Directors may receive part of their remuneration in the form of fixed Director's emoluments and may invoice the CIF separately for the said fee. Such emoluments should not exceed the remuneration that the Executive Director receives as salary.

Non-Executive/Independent Director:

The Non-Executive/Independent Director may receive a fixed monthly or annual remuneration by way of Director's fees invoiced to the CIF. All non-executive members will be required to attend regular BoD meetings at least once a month and when extraordinarily required to approve regulatory induced changes to the CIF's structure and/or operations. Attendance via teleconference is accepted in cases where the director cannot appear in person due to overseas travel.

Employees/other staff:

Employees are entitled to both fixed and variable remuneration. For the fixed remuneration, the employees will be entitled to an annual remuneration paid in 12 installments as may be approved by the BoD. The fixed remuneration will include any statutory contributions (such as social insurance) by the employee. The variable remuneration will be based on the individual performance of each employee and the CIF's performance. Formal performance appraisals take place annually (between January and March) to evaluate the performance of each employee. The head of each department or any one of the senior management will perform the role of the appraiser.

Performance-based remuneration:

It is intended to motivate and reward high performers who strengthen long-term customer relations and generate income and shareholder value. Performance will be assessed using a set of both qualitative and quantitative criteria that differ according to the position and responsibilities of the employee concerned. For example, sales staff will be evaluated based on the number of clients introduced and the quality of customer service, among others.

Other individual benefits: May be awarded to individuals on a case by case basis in accordance with local market practice.

Provident Fund Contributions: The CIF has not instituted a Provident Fund Scheme, nor has it applied to participate in one at the moment. The CIF reserves the right to amend its current status and either develop its own Provident Fund or participate in an existing Pension Scheme.

Outsourcing Arrangements: The CIF's Remuneration Policy and procedures shall apply to any outsourcing arrangements that may be undertaken for functions that can be outsourced. Therefore, where the function requires fixed remuneration that will also be the form of remuneration to the outsourcing third party. The same will apply in cases of variable remuneration components. As a matter of principal, the CIF will endeavor to enter into outsourcing arrangements that entail only fixed remuneration arrangements.

3.2 Link between Pay and Performance

Remuneration policies and practices implemented by the CIF were intentionally simplified to the basic requirements of recruiting and maintaining high level professional personnel. The BoD considers such approach as the most practical at this stage as it corresponds to the scale and complexity of the CIF's operations. To this respect, the CIF has decided to follow fixed remuneration scales for all employees including top Management. More complex stimulating remuneration schemes are expected to be introduced in the future depending on the CIF's results and growth.

The total staff costs for the CIF for 2021 amounted to €2,321,872 (2020: €159,480). It should be noted that the Internal Audit, Accounting and Legal are outsourced. Total staff costs are inclusive of statutory social security and cohesion fund contributions made by the CIF under its capacity as employer.

The table below provides aggregate quantitative information on remuneration, broken down by senior management and members of staff (heads of departments) whose actions have a material impact on the risk profile of the CIF. Note that during the year 2021, two (2) executive directors also had a Head of Department role.

Table 12: Quantitative information on remuneration

EUR	No. of beneficiaries	Fixed Rem.	No. of beneficiaries	Variable Rem.	Of which in cash	Of which in shares	Of which in share-linked instr.	Of which other type of instr.	Total Rem.
Senior Management – Executive Directors	2	99,931	-	-	-	-	-	-	99,931

EUR	No. of beneficiaries	Fixed Rem.	No. of beneficiaries	Variable Rem.	Of which in cash	Of which in shares	Of which in share-linked instr.	Of which other type of instr.	Total Rem.
Non-executive directors	3	9,600	-	-	-	-	-	-	9,600
Heads of departments ¹	2	121,814	-	-	-	-	-	-	121,814

Note 1: All 3 executive directors are also heads of departments. The remuneration figures disclosed under 'Heads of departments' are for the remaining additional members of staff who are head of departments.

It is noted that for the reporting period and in respect of the members of the BoD and other key management personnel whose professional activities have a material impact on the risk profile of the Company there were zero amounts of:

- deferred remuneration awarded for previous performance periods of neither amounts due to vest in the current reporting period nor due to vest in subsequent years
- deferred remuneration due to vest and paid out in the current reporting period and that is reduced through performance adjustments
- amounts of guaranteed variable remuneration awards during the reporting period
- amounts of severance payments awarded and paid out during the reporting period

4 Risk Management Objectives and Policies

4.1 Approach to Risk Management

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

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

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

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

4.2 Risk Appetite

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

The Board approves the Risk Appetite, which defines the level of risk that the Group is prepared to accept to achieve its strategic objectives and is translated into specific risk measures that are tracked, monitored, and reported to the Board. The Risk Appetite framework has been designed to create clear links to the strategic long-term plan, capital planning, stress testing and the Group's risk management framework. The review and approval process are undertaken at least annually.

The Group's Risk Appetite covers three core areas, financial risk, reputational risk, and operational risk. The risk appetite measures are integrated into decision making, monitoring, and reporting processes, with early warning trigger levels set to drive any required corrective action before overall tolerance levels are reached.

4.3 Risk Management Function

The Risk Management function is independent from other operational functions, possesses the necessary authority for the fulfilment of relevant duties and responsibilities, as well as direct access to the Group's BoD.

The Risk Management Function operates under the leadership of the Risk Manager who reports directly to the Senior Management and the Board. The Risk Management function has been outsourced to a professional with specific expertise and structured to provide analysis, challenge, understanding and oversight of each of the principal risks faced by the Group.

The Risk Manager is responsible for the following tasks:

- a) to establish, implement and maintain adequate risk management policies and procedures which identify the risks relating to the Group's activities, processes and systems, and where appropriate, set the level of risk tolerated by the Group;
- b) to adopt effective arrangements, processes and mechanisms to manage the risks relating to the Group's activities, processes and systems, in light of that level of risk tolerance;
- c) to monitor the following:
 - i. the adequacy and effectiveness of the Group's risk management policies and procedures;
 - ii. the level of compliance by the Group and its relevant persons with the arrangements, processes and mechanisms adopted in for managing relevant risks; and
 - iii. the adequacy and effectiveness of measures taken to address any deficiencies in those policies, procedures, arrangements, processes and mechanisms, including failures by the

relevant persons of the Group to comply with such arrangements, processes and mechanisms or follow such policies and procedures.

- d) to provide reports and advice to the BoD at least annually, on the adequacy of risk management policies and procedures designed to identify and manage risks relating to the Group's activities, indicating in particular whether the appropriate remedial measures have been taken in the event of any deficiencies; and
- e) Provision of ICAAP training to relevant employees and senior management.

4.4 Risk Management Framework

The Group' aim is to embed explicit and robust risk management practices across its entire business operations, in order to ensure that the level of risk it faces is consistent with its corporate objectives and its level of risk tolerance. This is achieved through the implementation of a comprehensive risk management framework for the identification, assessment, monitoring and control of all relevant risks. The framework also enables the Group to continually align its business objectives against a background of changing risks and uncertainty.

The risk management framework:

- Enables the Group to proactively manage its risks in a systematic manner;
- Ensures that appropriate measures are in place to mitigate risks;
- Creates a culture of risk awareness within the Group; and
- Ensures that risk management is an integral part of the Group's decision-making process.

4.4.1 Risk Identification

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

4.4.2 Risk Assessment

The Risk Assessment process is the means through which the Group understands and estimates the effect of risk on the business and the processes, systems and controls that mitigate those risks to an acceptable level.

4.4.3 Risk monitoring and control

Based on the Risk Assessment findings and having the Risk Appetite as a benchmark the Group decides to eliminate, mitigate, or tolerate the risks faced and accordingly takes appropriate actions and measures to achieve the decision being made. The actions and measures are monitored for performance and change achievement.

4.4.4 Stress Testing

Stress testing is a key risk management tool used by the Company to rehearse the business response to a range of scenarios, based on variations of market, economic and other operating environment

conditions. Stress tests are performed for both internal and regulatory purposes and serve an important role in:

- Understanding the risk profile of the Company.
- The evaluation of the Company's capital adequacy in absorbing potential losses under stressed conditions: This takes place in the context of the Company's 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.

4.5 Internal Capital & Liquidity Adequacy Assessment Process

The Group has established an ICAAP which is documented in an annual ICAAP Report in accordance with Article 34 of the Law 97(I)/2021, Section 104(2) of the Law and Section 68 of the revoked Investment Services Law. Upon CySEC's request the ICAAP Report shall be submitted to CySEC.

The ICAAP report describes how the Group has implemented and embedded the management of the various risks to which it is exposed to the capital planning and capital allocation process. The ICAAP also describes the Group's Risk Management framework, which includes, inter alia, its risk profile and risk appetite, the risk management limits, the measures that need to be taken and, where necessary, the Pillar II capital to be held for the most material risks faced by the Group.

In performing its ICAAP, the Group has adopted the "Pillar I" approach. In particular, the Group uses simple methods to quantify the capital requirements, over and above the Pillar I minimum requirement, as more advanced approaches are considered unsuitable for the size and complexity of the Group and require extensive use of resources and time to produce.

In particular, the Group will focus its assessment on the identification of key risks, quantification of these risks and the mechanisms used for allocating capital for these risks. The ICAAP will be structured around the following elements:

- Pillar 1 capital (i.e., capturing the capital requirements in line with IFR ;
- Risks covered by Pillar 2 (e.g., capturing additional requirements on capital – self-imposed by the Group or imposed by the Commission);
- The forward-looking capital planning, i.e., the credibility of the assumptions used and the evolution of capital adequacy in the planning horizon; and
- The stress testing, i.e., the breadth and depth of the stress and reverse stress scenarios as well as the outcome of the stress testing.

Based on the assessment of risks and all internal and risk external factors, the main deficiencies and weaknesses found by the application of the ICAAP should be summarized and, if found to be significant, an action plan should be put together and presented as part of the ICAAP report by the RM. This action plan may include, inter alia, the following measures:

- Modification of the Group's risk profile, i.e., reduction of a certain activity or activities, application of new risk mitigation techniques, revision of limits, etc.;
- Improvements in internal governance and internal organization as well as improvements in risk management and internal control; and
- Modification of the own funds target, stating the related adaptation period, if appropriate.

4.6 Board Declaration - Adequacy of the Risk Management arrangements

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

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

The Board considers that it has in place adequate systems and controls with regard to the Group's profile and strategy and an appropriate array of assurance mechanisms, properly resourced and skilled, to avoid or minimize loss. The Risk Manager is responsible to prepare a Risk Management report at least annually which is submitted to the BoD for review and approval. The members of the BoD are responsible to review the issues identified and see that the senior management take mitigating actions where necessary by taking into account the principle of proportionality.

4.7 Board Risk Statement

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

The aim is to promptly identify, measure, manage, report and monitor risks that interfere with the achievement of the Group's strategic, operational and financial objectives. The policy includes

adjusting the risk profile in line with the Group's stated risk tolerance to respond to new threats and opportunities in order to minimize risks and optimize returns.

Risk appetite measures are integrated into decision making, monitoring and reporting processes, with early warning trigger levels set to drive any required corrective action before overall tolerance levels are reached. Risks are assessed systematically and evaluated as to the probability of a risk scenario occurring, as well as the severity of the consequences should they occur. The following table sets out a number of key measures used to monitor the Group's risk profile:

Table 2: Key Risk Measures

Risk Type	Metrics	Comment	Measure as at 31/12/21
Capital adequacy risk	Core Equity Tier1 (CET1), Tier 1 (T1), Own Funds ratio (OFR)	The Company's objective is to maintain regulatory ratios well above the minimum thresholds set by CySEC. It therefore aims to maintain its capital ratios at least 200 basis points above the required level (56% CET1, 75% T1, 100% OFR).	CET1: 72.39% Tier 1: 72.39% Own Funds ratio: 78.09%
Liquidity risk	Headroom to Liquidity Requirement	The Company aims to keep its Liquid assets higher than the liquidity requirement as defined by IFR	Liquidity requirement headroom: €714k

5 Own Funds & Minimum Capital Requirements

5.1 Capital Base

Own Funds consists of paid-up ordinary share capital, share premium, non-refundable shareholder contributions and retained earnings. Deductions include current year losses, holdings in the non-consolidated entities (with distinct treatment for financial and non-financial sector entities), book value of intangible assets and receivable balances of Cyprus Investor Compensation Fund.

The Composition of the Group's Own Funds as of 31 December 2021 are presented in **Table 3** below, supplemented by

As of 31 December 2021 (audited)	EUR thousand
Liquidity Requirement	292
Client guarantees	-
Total liquid assets	1,006
Unencumbered short term deposits	1,006
Total eligible receivables due within 30 days	-
Level 1 assets	0
Coins and banknotes	0
Withdrawable central bank reserves	-
Central bank assets	-
Central government assets	-
Regional government/local authorities assets	-
Public Sector Entity assets	-
Recognisable domestic and foreign currency central government and central bank assets	-
Credit institution (protected by Member State government, promotional lender) assets	-
Multilateral development bank and international organisations assets	-
Extremely high quality covered bonds	-
Level 2A assets	-
Level 2B assets	-
Qualifying CIU shares/units	-
Total other eligible financial instruments	-

Appendix I – Own funds: main features of own instruments issued by the firm, **Appendix III: Composition of regulatory own funds (EU IF CC1.01)** and **Appendix IV: Reconciliation between the Balance Sheet presented in Financial Statements of the Group with the Balance Sheet prepared for Regulatory Purposes (EU IF CC2).**

Table 3: Own Funds Composition (IF1)

As of 31 December 2021 (audited)	EUR thousand
OWN FUNDS	685
TIER 1 CAPITAL	635
COMMON EQUITY TIER 1 CAPITAL	635
Fully paid up capital instruments	4
Share premium	6,698
Other reserves	41
Retained earnings	(2,194)
Previous years retained earnings	(2,194)
Profit eligible	-
(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(3,871)
(-) Losses for the current financial year	(3,561)
(-) Other intangible assets	(86)
(-) Qualifying holding outside the financial sector which exceeds 15% of own funds	-
(-) CET1 instruments of financial sector entities where the investment firm has a significant investment	(224)
CET1: Other capital elements, deductions and adjustments (<i>ICF</i>)	(43)
ADDITIONAL TIER 1 CAPITAL	-
TIER 2 CAPITAL	50
Fully paid up, directly issued capital instruments	50

5.2 Capital Requirements and Capital Adequacy

The Group's objectives when managing capital are:

- to comply with the capital requirements set by the IFR;
- to safeguard its ability to continue as a going concern; and
- to maintain a strong capital base to support the development of its business.

The primary objective of the Group's capital management is to ensure that the Group complies with externally imposed capital requirements and that the Group maintains capital ratios with a reasonable headroom in order to support its business strategy.

The Group's policy on capital management is focuses on maintaining the capital base sufficient in order to keep the stakeholder confidence and to secure the future development of the Group. Capital adequacy and the use of the regulatory capital are monitored by the Group's management through its Internal Capital & Liquidity Adequacy Assessment Process. The Group is further required to report on its capital adequacy quarterly to CySEC. Management monitors such reporting and has policies and procedures in place to help meet the specific regulatory requirements. All reports are submitted to the Regulator within the deadlines set out.

Since the CIF is a Class 2 investment firm, it shall at all times have own funds in accordance with Article 9 of the IFR which amount to at least D, where D is defined as the highest of the following:

- a) the fixed overheads requirement (“FOR”) calculated in accordance with Article 13 of the IFR;
- b) the permanent minimum capital requirement (“PMR”) in accordance with Article 14 of the IFR;
- c) their K-factor requirement (“KFR”) calculated in accordance with Article 15 of the IFR.

Investment firms shall have own funds consisting of the sum of their Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital, and shall meet all the following conditions at all times:

$$(a) \quad \frac{\text{Common Equity Tier 1 capital}}{D} \geq 56 \%$$

$$(b) \quad \frac{\text{Common Equity Tier 1 capital} + \text{Additional Tier 1 capital}}{D} \geq 75 \%$$

$$(c) \quad \frac{\text{Common Equity Tier 1 capital} + \text{Additional Tier 1 capital} + \text{Tier 2 capital}}{D} \geq 100 \%$$

The IFR provides for transitional provisions to facilitate the gradual phase-in of the new capital requirements. By way of derogation from points (a) and (c) of Article 11(1) – i.e., *if D is defined either by FOR or by KFR*, the Group may apply lower own funds requirements for a period of five years from 26 June 2021, *equal to twice* the relevant own funds requirement pursuant to Chapter 1 of Title I of Part Three of CRR, with reference to levels of initial capital set by Title IV of MIFID II, that would have applied if the investment firm had continued to be subject to the own funds requirements of that Regulation as amended by Regulation (EU) 2019/630.

The Group’s D as of 31 December 2021 is €750k as defined by the PMR since it continues to be larger than FOR and KFR calculated as of the same date. Conclusively, the transitional arrangements availed by IFR are not applied and the below reported capital adequacy ratios and capital headroom are valid for on a fully loaded and transitional basis.

Table 4: Own Funds Requirements (IF2.1)

As of 31 December 2021 (audited)	EUR thousand
Own Funds requirement	877
Permanent minimum capital requirement	750

Fixed overhead requirement	877
Total K-Factor Requirement	21
Transitional own funds requirements	
Transitional requirement <i>based on CRR own funds requirements</i>	750
Transitional requirement <i>based on fixed overhead requirements</i>	-
Transitional requirement <i>for investment firms previously subject only to an initial capital requirement</i>	-
Transitional requirement <i>based on initial capital requirement at authorisation</i>	-
Transitional requirement for investment firms that are not authorised to provide certain services	-
Transitional requirement of at least 250 000 EUR	-

Table 5: Capital Ratios – fully loaded (IF2.2)

As of 31 December 2021 (audited)	Regulatory requirement	EUR thousand
CET 1 Ratio	≥56.00%	72.39%
Surplus(+)/Deficit(-) of CET 1 Capital		144
Tier 1 Ratio	≥75.00%	72.39%
Surplus(+)/Deficit(-) of Tier 1 Capital		(23)
Own Funds Ratio	≥100.00%	78.09%
Surplus(+)/Deficit(-) of Total capital		(192)

5.3 PMR

In accordance with Article 9 of the IFD and Article 9 of the Cyprus Prudential Supervision Law, the initial capital of an investment firm required pursuant to Article 15 of Directive 2014/65/EU for the authorization to provide any of the investment services or perform any of the investment activities listed in points (3) and (6) (dealing on own account and Underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis) of Section A of Annex I to Directive 2014/65/EU shall be €750,000. This represents the Permanent Minimum Capital Requirement of the Group which is the absolute minimum capital requirement should FOR or KFR are no greater.

5.4 FOR

The Group's fixed overhead expenditure are limited to the extent of its current scale and complexity. The Group has a diligent accounting and cost control framework to identify, assess, monitor, and control costs or overlays. Overall planning, coordination, and monitoring is centralized; with most fixed overheads are managed by senior management which undertakes a prudent approach in optimizing the benefit-service to client and cost basis of the Group.

The Group calculates the Fixed Overhead Requirement based on Article 13 of the IFR. As such the FOR is defined as at least one quarter of the fixed overheads of the preceding year. Investment

firms shall use figures resulting from the applicable accounting framework which is further interpreted as figures of the investment firm's most recent audited annual financial statements after distribution of profits.

Therefore, the calculation shown in **Table 6** below is based on the fixed overheads as derived from the audited financial statements of the Group for the year ending 31 December 2021.

Table 6: Fixed Overheads Requirement Calculation (IF3):

As of 31 December 2021 (audited)	EUR thousand
Fixed Overhead Requirement	877
Annual Fixed Overheads of the previous year after distribution of profits	3,509
Total expenses of the previous year after distribution of profits	3,704
Of which: Fixed expenses incurred on behalf of the investment firms by third parties	-
(-)Total deductions	(195)
(-)Staff bonuses and other remuneration	-
(-)Employees', directors' and partners' shares in net profits	-
(-)Other discretionary payments of profits and variable remuneration	-
(-)Shared commission and fees payable	-
(-)Fees, brokerage and other charges paid to CCPs that are charged to customers	-
(-)Fees to tied agents	-
(-)Interest paid to customers on client money where this is at the firm's discretion	-
(-)Non-recurring expenses from non-ordinary activities	(181)
(-)Expenditures from taxes	(14)
(-)Losses from trading on own account in financial instruments	-
(-)Contract based profit and loss transfer agreements	-
(-)Expenditure on raw materials	-
(-)Payments into a fund for general banking risk	-
(-)Expenses related to items that have already been deducted from own funds	-

5.5 KFR

The quantification of the capital requirements is split by factor (the “K-Factors”) based on the applicable activity of the CIF and is classified to risks derived from client (“RtC”), risks derived from market (“RtM”) and risks derived from the firm (“RtF”). A factor amount is measured based on this activity at a reference date and based on historical information and then multiplied by a factor-coefficient provided by Article 15 of the IFR.

The CIF does not provide investment services that would trigger the Assets under Management K-Factor and has not made a derogation to utilize the Clearing Margin Given K-factor as opposed to quantifying the Net Position Risk and Trading Counterparty Default. The Group has not placed any trades on its own account during the year and did not hold any positions during the year; therefore, Daily Trading Flow and Trading Counterparty Default are not applicable and calculated as nil.

In the sub-sections below details of the methodology and assumptions for the quantification of each relevant K-Factor are provided. **Table 7** below demonstrates the summary of the quantified capital requirements for each K-Factor and the total KFR as of 31 December 2021:

Table 7: Total K-Factor Requirement Calculations (IF4)

As of 31 December 2021 (audited) EUR thousand	Factor amount	K-factor requirement
TOTAL K-FACTOR REQUIREMENT		21
Risk to client		8
Assets under management	-	-
Client money held - Segregated	1,274	5
Client money held - Non - segregated	-	-
Assets safeguarded and administered	3,877	2
Client orders handled - Cash trades	-	-
Client orders handled - Derivatives Trades	17,710	2
Risk to market		11
K-Net positions risk requirement		11
Clearing margin given	-	-
Risk to firm		1
Trading counterparty default		-
Daily trading flow - Cash trades	-	-
Daily trading flow - Derivative trades	14,602	1
K-Concentration risk requirement		-

5.5.1 Client Money Held (K-CMH)

CMH means the amount of client money that an investment firm holds, taking into account the legal arrangements in relation to asset segregation and irrespective of the national accounting regime applicable to client money held by the investment firm.

The K-CMH is split into segregated and non-segregated accounts. Segregated accounts, for the purpose of the K-CMH, means accounts with entities where client money held by an investment firm is deposited in accordance with Article 4 of Commission Delegated Directive (EU) 2017/593 and, where applicable, where national law provides that, in the event of insolvency or entry into resolution or administration of the investment firm, the client money cannot be used to satisfy claims in relation to the investment firm other than claims by the client. The Group only uses segregated client accounts.

For the purpose of calculating K-CMH, CMH is the rolling average of the value of total daily client money held, measured at the end of each business day for the previous nine months, excluding the three most recent months. CMH is the arithmetic mean of the daily values from the remaining six months. The average amount is shown in Factor amount column in **Table 7** which is then multiplied by the coefficient 0.04%.

5.5.2 Assets Safeguarded and Administered (K-ASA)

ASA means the value of assets that an investment firm safeguards and administers for clients, irrespective of whether assets appear on the investment firm's own balance sheet or are in third-party accounts.

For the purpose of calculating K-ASA, ASA is the rolling average of the value of total daily assets safeguarded and administered, measured at the end of each business day for the previous nine months, excluding the three most recent months. ASA is the arithmetic mean of the daily values from the remaining six months. The average amount is shown in Factor amount column in **Table 7** which is then multiplied by the coefficient 0.4%.

5.5.3 Client Orders Handled (K-COH)

COH means the value of orders that an investment firm handles for clients, through the reception and transmission of client orders and through the execution of orders on behalf of clients.

For the purpose of calculating K-COH, COH is the rolling average of the value of the total daily client orders handled, measured throughout each business day over the previous six months, excluding the three most recent months. COH is the arithmetic mean of the daily values from the remaining three months.

The COH is measured as the sum of the absolute value of buys and the absolute value of sells for both cash trades (the value is the amount paid or received on each trade) and derivatives (the value of the trade is the notional amount of the contract). The average amount is shown in Factor amount column in **Table 7** which is then multiplied by the coefficient 0.01% for derivative instruments and 0.1% for fully funded/cash trades.

5.5.4 Net Position Risk (K-NPR)

The K-NPR requirement applies to all trading book positions, which include in particular positions in debt instruments (including securitization instruments), equity instruments, collective

investment undertakings (CIUs), foreign exchange and gold, and commodities (including emission allowances). In addition, the K-NPR of an investment firm includes positions other than trading book positions where those give rise to foreign exchange risk or commodity risk.

For the purpose of calculating K-NPR, the own funds requirement for the trading book positions of an investment firm dealing on own account, whether for itself or on behalf of a client, is calculated using the approaches available under Title IV, Part three of the CRR. Due to the size and complexity, the Group utilizes the standardized approach as set out in Chapters 2, 3 and 4 of Title IV of Part Three of the CRR.

The CIF is authorized to deal on its own account which means that it can have an own trading book which can be both speculative as well as acting as a market maker on the trading positions of its clients. As at year end, the Group did hold any trading book nor non-trading book positions and therefore there is no K-NPR arising from market risk calculation for equities, commodities or foreign exchange.

K-NPR is only calculated based on the standardized approach for position risk for foreign exchange risk arising from cash deposits or other trade receivables held in currencies other than Euro by the Group to facilitate its operations.

5.5.5 Concentration risk (K-CON)

Part Four of the IFR specifies the limits, monitoring obligations and calculation methodology for concentration risk capital requirement for CIFs. The exposure value with regard to a client or group of connected clients for the purposes of concentration risk is the sum of:

- a) the positive excess of the investment firm's long positions over its short positions in *all the trading book financial instruments* issued by the client in question, the net position for each instrument calculated in accordance with the provisions referred to in points (a), (b) and (c) of Article 22;
- b) the exposure value of contracts and transactions referred to in Article 25(1) with the client in question, calculated in the manner laid down in Article 27.

An investment firm's limit with regard to the concentration risk of an exposure value with regard to an individual client or group of connected clients shall be 25 % of its own funds. Where that individual 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 % of the investment firm's own funds or EUR 150 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 concentration risk remains at 25 % of the investment firms' own funds. Where the amount of EUR 150 million is higher than 25 % of the investment firm's own funds, the limit with regard to concentration risk shall not exceed 100 % of the investment firm's own funds. Based on the Group's profile the below are deemed large exposures for which a K-CON should be calculated:

- i. Any exposure by counterparty which is not an institution or an investment firm which is above 25% of own funds

- ii. Any exposure by counterparty which is an institution or an investment which is above 100% of own funds.

The Group carries out regular analyses of the exposures, including estimates of the trends, and takes into account the results of these analyses in setting and verifying the adequacy of the processes and limits, thresholds or similar concepts for concentration risk management. Examples of elements of such analysis, although not exhaustive are:

- undertaking a more detailed review of the risk environment in particular sector(s);
- reviewing with greater intensity the economic performance of borrowers;
- reviewing approval levels for business;
- reviewing risk mitigation techniques, their value and their legal enforceability;
- reviewing outsourced activities and contracts signed with third parties (vendors);
- reviewing the funding strategy, so as to ensure the maintenance of an effective diversification in the sources and tenor of funding; and
- reviewing the business strategy.

No significant concentration of credit risk towards trade debtors was identified as the Group has established procedures to collect fees and commissions within the predetermined payment period.

Management have established relevant monitoring procedures to early-detect any breaches of the exposure limits to each counterparty. Management will ensure that such limits are not breached and based on its operating model and nature of the business, this is well within its discretion to allow and control or disallow.

As at year end, the Group did hold any trading book nor non-trading book positions and therefore there is no K-NPR arising from market risk calculation for equities, commodities or foreign exchange.

6 Liquidity Requirements

Article 43 of the IFR specifies the minimum liquidity requirement for investment firms which is an amount of liquid assets equivalent to at least one third of the fixed overhead requirement calculated in accordance with Article 13(1). As shown in **Table 8** below, the Group is well above this minimum regulatory requirement as of the year-end 31 December 2021.

The Group's liquidity base is currently comprised only of level 1 liquid assets which are mainly derived from corporate funds held in credit institutions within unencumbered short-term deposits and by lesser extend in term deposit accounts in EU credit institutions.

Management takes a prudent approach in the liquidity management of the Group with ongoing cost and overhead control and liquidity micro-management. It is emphasized that this style of liquidity management is enabled due to the size and complexity of the Group.

Table 8: Liquidity Requirements (IF9)

As of 31 December 2021 (audited)	EUR thousand
Liquidity Requirement	292
Client guarantees	-
Total liquid assets	1,006
Unencumbered short term deposits	1,006
Total eligible receivables due within 30 days	-
Level 1 assets	0
Coins and banknotes	0
Withdrawable central bank reserves	-
Central bank assets	-
Central government assets	-
Regional government/local authorities assets	-
Public Sector Entity assets	-
Recognisable domestic and foreign currency central government and central bank assets	-
Credit institution (protected by Member State government, promotional lender) assets	-
Multilateral development bank and international organisations assets	-
Extremely high quality covered bonds	-
Level 2A assets	-
Level 2B assets	-
Qualifying CIU shares/units	-
Total other eligible financial instruments	-

7 Appendix I – Own funds: main features of own instruments issued by the firm (EU CCA)

Main features of the ordinary shares of the Group

		2021
1	Issuer	Eurotrade RGB Holdings
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for	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	€ 691,126
7	Nominal amount of instrument	€ 1
8	Issue price	€ 1
9	Redemption price	N/A
10	Accounting classification	Shareholders' Equity
11	Original date of issuance	14 March 2017
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	N/A
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory (in terms	Fully discretionary
21	Fully discretionary, partially discretionary or mandatory (in terms	Fully discretionary
22	Existence of step up or other incentive to redeem	No
23	Noncumulative or cumulative	Non-cumulative
24	Convertible or non-convertible	N/A
25	If convertible, conversion trigger(s)	N/A
26	If convertible, fully or partially	N/A
27	If convertible, conversion rate	N/A
28	If convertible, mandatory or optional conversion	N/A
29	If convertible, specify instrument type convertible into	N/A
30	If convertible, specify issuer of instrument it converts into	N/A
31	Write-down features	N/A
32	If write-down, write-down trigger(s)	N/A
33	If write-down, full or partial	N/A
34	If write-down, permanent or temporary	N/A
35	If temporary write-down, description of write-up mechanism	N/A
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
38	Link to the full term and conditions of the instrument (signposting)	N/A

Main features of the subordinated loan instruments of the Group

		2021
1	Issuer	Eurotrade RGB Investments Ltd
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for	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)	Subordinated Loan Notes
6	Amount recognised in regulatory capital	€ 50,000
7	Nominal amount of instrument	€ 50,000
8	Issue price	€ 50,000
9	Redemption price	€ 50,000
10	Accounting classification	Long Term Liabilities
11	Original date of issuance	2017
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	N/A
17	Fixed or floating dividend/coupon	N/A
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory (in	Fully discretionary
21	Fully discretionary, partially discretionary or mandatory (in	Fully discretionary
22	Existence of step up or other incentive to redeem	No
23	Noncumulative or cumulative	Non-cumulative
24	Convertible or non-convertible	Non-convertible
25	If convertible, conversion trigger(s)	N/A
26	If convertible, fully or partially	N/A
27	If convertible, conversion rate	N/A
28	If convertible, mandatory or optional conversion	N/A
29	If convertible, specify instrument type convertible into	N/A
30	If convertible, specify issuer of instrument it converts into	N/A
31	Write-down features	N/A
32	If write-down, write-down trigger(s)	N/A
33	If write-down, full or partial	N/A
34	If write-down, permanent or temporary	N/A
35	If temporary write-down, description of write-up mechanism	N/A
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
38	Link to the full term and conditions of the instrument (signposting)	N/A

8 Appendix II: Basis of Consolidation of Group entities for regulatory purposes

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
Eurotrade RGB Holdings Limited	Exempt from consolidation	x	-	-	-	Union parent investment holding company
Eurotrade Investments RGB Limited	Exempt from consolidation	x	-	-	-	Cyprus Investment Firm
Eurotrade SA (Pty) Limited	Exempt from consolidation	x	-	-	-	Authorized financial services provider
Swiss Asset Global AG	Exempt from consolidation	-	-	-	x	Financial intermediary - self-regulatory organisation
Eurotrade RGB (Seychelles) Ltd	Exempt from consolidation	-	-	-	x	Dormant – corporate entity
EuroTrade Bulgaria EOOD	Exempt from consolidation	-	-	-	x	Dormant – corporate entity
Mulix Services Limited	Exempt from consolidation	-	-	-	x	Dormant – corporate entity

9 Appendix III: Composition of regulatory own funds (EU IF CC1.01)

		(a)	(b)
		As of 31 December 2021 (audited)	Source based on reference numbers of the audited trial balance sheet
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	OWN FUNDS	685	
2	TIER 1 CAPITAL	635	
3	COMMON EQUITY TIER 1 CAPITAL	635	
4	Fully paid up capital instruments	4	610000
5	Share premium	6,698	615000
6	Retained earnings	(2,194)	621000
7	Accumulated other comprehensive income	-	
8	Other reserves	41	615100
9	Minority interest given recognition in CET1 capital	-	
10	Adjustments to CET1 due to prudential filters	-	
11	Other funds	-	
12	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(3,871)	
13	(-) Own CET1 instruments	-	
14	(-) Direct holdings of CET1 instruments	-	
15	(-) Indirect holdings of CET1 instruments	-	
16	(-) Synthetic holdings of CET1 instruments	-	
17	(-) Losses for the current financial year	(3,561)	621000
18	(-) Goodwill	-	
19	(-) Other intangible assets	(86)	000030, 000031
20	(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	-	
21	(-) Qualifying holding outside the financial sector which exceeds 15% of own funds	-	

22	(-) Total qualifying holdings in undertaking other than financial sector entities which exceeds 60% of its own funds	-	
23	(-) CET1 instruments of financial sector entities where the institution does not have a significant investment	-	
24	(-) CET1 instruments of financial sector entities where the institution has a significant investment	(224)	20000
25	(-) Defined benefit pension fund assets	-	
26	(-) Other deductions	-	
27	CET1: Other capital elements, deductions and adjustments	(43)	300300-4
28	ADDITIONAL TIER 1 CAPITAL	-	
29	Fully paid up, directly issued capital instruments	-	
30	Share premium	-	
31	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	-	
32	(-) Own AT1 instruments		
33	(-) Direct holdings of AT1 instruments	-	
34	(-) Indirect holdings of AT1 instruments	-	
35	(-) Synthetic holdings of AT1 instruments	-	
36	(-) AT1 instruments of financial sector entities where the institution does not have a significant investment	-	
37	(-) AT1 instruments of financial sector entities where the institution has a significant investment	-	
38	(-) Other deductions	-	
39	Additional Tier 1: Other capital elements, deductions and adjustments	-	
40	TIER 2 CAPITAL	50	
41	Fully paid up, directly issued capital instruments	50	560822
42	Share premium	-	
43	(-) TOTAL DEDUCTIONS FROM TIER 2	-	
44	(-) Own T2 instruments	-	
45	(-) Direct holdings of T2 instruments	-	
46	(-) Indirect holdings of T2 instruments	-	

47	(-) Synthetic holdings of T2 instruments	-	
48	(-) T2 instruments of financial sector entities where the institution does not have a significant investment	-	
49	(-) T2 instruments of financial sector entities where the institution has a significant investment	-	
50	Tier 2: Other capital elements, deductions and adjustments	-	

10 Appendix IV: Reconciliation between the Balance Sheet presented in Financial Statements of the Group with the Balance Sheet prepared for Regulatory Purposes (EU IF CC2)

It is highlighted that the all the financial disclosures made within this Report are based on audited solo financial statements and corresponding trial balance for the year ending 31 December 2021 for the CIF and the FSP. Under the Cyprus legal framework, the Company does not have the obligation to audit its financial statements before 30 June 2021 and therefore for purposes of prudential consolidation and disclosures in this Report, management account figures are utilized. In addition, the Group does not have a legal requirement to prepare consolidated financial statements and therefore for purposes of prudential consolidation and disclosures in this Report, consolidated management account figures are utilized.

		a	b	c
		Balance sheet as in audited financial statements	Under regulatory scope of consolidation	Cross reference to EU IF CC1
		As at period end 31 December 2021 (Audited) in (000s)	As at period end 31 December 2021	
Assets - Breakdown by asset classes according to the audited trial balance				
1	Fixed assets	44	44	
2	Intangible assets	86	86	19
3	Investments	16,844	269	24
4	Other Current Assets	500	439	27
5	Cash and cash equivalents	1,006	1,006	
	Total Assets	18,480	1,844	
Liabilities - Breakdown by liability classes according to the audited trial balance				
6	Other payables	867	806	
7	Subordinated loans	50	50	41
	Total Liabilities	917	856	
Shareholders' Equity - Breakdown according to the audited trial balance				
8	Share capital	219	4	4
9	Share Premium	23,058	6,698	5
10	Retained earnings	(5,755)	(5,755)	6
11	Other reserves	41	41	8
	Total Shareholders' equity	17,563	988	

11 Glossary

Term	Description
BoD	Board of Directors of the Group
CIF	Cyprus Investment Firm
Commission Regulator or CySEC	or Cyprus Securities and Exchange Commission – the independent public supervisory Authority responsible for the supervision of the investment services market, transactions in transferable securities carried out in the Republic of Cyprus and the collective investment and asset management sector
CRR	Means the Capital Requirements Regulation 2013 - Regulation (EU) N° 575/2013
MiFID II	Directive 2014-65-EC on markets in financial instruments
EU Member	Member states of the European Union
FOR	Fixed Overhead Requirement as defined by Article 13 of IFR
ICAAP	Internal Capital Adequacy Assessment Process/ Internal Liquidity Adequacy Assessment Process
IOM	Internal Operations/Procedures Manual of the Company
IFR	Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the 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
IFD	Directive (EU) 2019/2034 of the European Parliament and of the Council of 27 November 2019 on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU
KFR	K-Factor Requirement calculated in accordance with Article 15 of the IFR
KRIs	Key Risk Indicators
Law	Investment Services and Activities and Regulated Markets Law of 2017 – L.87(I)/2017
LQR	Liquidity Requirement calculated in accordance with Article 43 of IFR
PMR	Permanent Minimum (Capital) Requirement as per IFD and the Prudential Supervision Law
Prudential Supervision Law	Cyprus Law 165(I)/2021 on the prudential supervision of investment firms
RAS	Means the Risk Appetite Statement
Republic	Means the Republic of Cyprus
SREP	Supervisory Review and Evaluation Process
SREP Guidelines	Guidelines GD-IF-03 of 2012 of the Commission on SREP