




**AC Markets (Europe) Limited  
DISCLOSURE AND MARKET DISCIPLINE REPORT  
FOR 2023**

**Regulated by the Cyprus Securities and Exchange Commission License no. 350/17**

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*The Disclosure and Market Discipline Report for the year 2023 has been prepared as per the requirements of 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.*

*AC 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 to the Company and sharing this information with the public and/or competitors would undermine our competitive position.*

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## 1. Introduction

The present report is prepared by AC Markets (Europe) Limited (hereinafter "the Company"), a Cyprus Investment Firm authorized and regulated by the Cyprus Securities and Exchange Commission ("CySEC") under License Number 350/17.

### 1.1. Investment Firm

*Table 1: Company information*

<b>Company name</b>	AC Markets (Europe) Limited
<b>CIF Authorization date</b>	11/12/2017
<b>CIF License number</b>	350/17
<b>Company Registration Date</b>	26/10/2015
<b>Company Registration Number</b>	348274
<b>Investment Services</b>	
Reception and transmission of orders in relation to one or more financial instruments	
Execution of Orders on Behalf of Clients	
Dealing on own account	
<b>Ancillary Services</b>	
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	
Foreign exchange services where these are connected to the provision of investment services	

### 1.2. Scope

The scope of this report is to promote market discipline and to improve the transparency of market participants. The present report is prepared by AC Markets (Europe) Ltd (the "Company"), a Cyprus Investment Firm ("CIF") authorized and regulated by the Cyprus Securities and Exchange Commission (the "CySEC", the "Commission") which operates in harmonization with the Markets in Financial Instruments Regulation and Directive ("MiFIR" & "MiFID II" respectively).

In accordance with Regulation (EU) 2019/2033 (the Investment Firm Regulation, "IFR"), the Company is required to disclose information relating to its risk management, capital structure and capital adequacy as well as the most important characteristics of the Company's corporate governance. This document is 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.).

The information contained in this report is audited by the Firm's external auditors and published on the Company's website on an annual basis. The Company is making the disclosures on a solo basis.

This document is based on and published along the Audited Financial Statements on an annual basis.

### **1.3. The Company**

AC Markets (Europe) Limited operates in Europe, offering MiFID II regulated financial instruments with a particular focus on Contracts for Difference (“CFDs”). The Company employed five (5) people at the end of 2023, all of which were located at its Head offices in Limassol, Cyprus.

The above number excludes the outsourced employees and the non-executive members of the board of directors.

The Company pursues a stable and dynamic business model, trying to maintain a well-balanced capital allocation in its operations and geographically balanced strategy with a diversified customer base. Furthermore, it ensures that compliance rules are strictly respected, especially in the area of anti-money laundering and counterterrorism financing.

The Company considers its reputation to be an asset of great value that must be protected to ensure its sustainable development. The prevention and detection of the risk of harm to its reputation are integrated within all the Company’s operating practices. The Company’s reputation is protected by making its employees aware of the values of responsibility, ethical behavior and commitment.

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

Furthermore, the Board of Directors and the Senior Management have the overall responsibility for the internal control systems 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 minimize adverse outcomes.

As with all Investment Firms, the Company is exposed to a variety of risks and with main categories being credit, market and operational risk. More information can be found in the sections below.

## **2. Risk Governance**

Implementing an efficient risk management structure is a critical undertaking for the Company, in all businesses, markets and regions in which it operates. The Company’s risk management is supervised at the highest level to be compliant with the regulations enforced by CySEC and the European regulatory framework.

The Company operates in the financial services industry and considers the below risks as the most important, hence are continuously monitored in order to be mitigated the soonest possible:

### **Main Risks**

- Credit risk
- Market risk
- Operational risk
- Compliance risk
- Reputational risk
- Strategic risk

### **IFR-related Risks**

- Risk-to-Client (RtC)
- Risk-to-Market (RtM)
- Risk-to-Firm (RtF)
- Concentration Risk

Although the risks mentioned in the lists above are interconnected, for the purposes of these disclosures we will separate them in order to be able to capture all the different components both from a regulatory as well as a general risk perspective.

## **2.1 IFR Risks and related requirements**

The introduction of IFR brought significant changes in the way investment firms calculate their capital requirements. As such our Firm has created a separate policy in avoid mixing risks arising from the Company's operations (i.e., main risks as these are presented in the section above) with risks arising from the revised capital requirements framework, presented below alongside, the rest of the "non-risk" capital requirements.

In line with this, the risks under IFR are collectively referred to as K-Factors. K-Factor requirements (KFR) is a methodology recommended by the European Banking Authority, in order to capture the range of risks which an investment firm is exposed to.

The K-factors essentially replace the CRR credit, market and operational risk approach in order to better calibrate the capital needed to meet the risks of the investment firm.

Broadly speaking, K-factors are quantitative indicators or factors which represent the risks that an investment firm can pose to customers, market/liquidity and the firm itself. There are three K-factor groups:

### Risk-to-Client (RtC)

The K-factors under RtC capture 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). Overall, under ICARA report for 2023 the Risk to client firm is categorized as low.

As at 31/12/2023, our firm was exposed to:

	<b>K-factor Requirement €000</b>
K-AUM	0
K-CMH	0.775
K-ASA	0
K-COH	0

### Risk-to-Market (RtM)

The K-factor under RtM captures net position risk (K-NPR) in accordance with the market risk provisions of 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). Overall, under ICARA report for 2023 the Risk to Market is categorized as low as the company is not exposed to this risk.

As at 31/12/2023, our firm was exposed to:

	<b>K-factor Requirement €000</b>
K-NPR	42
K-CMG	-

*Market risk capital requirements based on NPR.*

	<b>K-factor Requirement €000</b>
Position risk	0
Foreign exchange risk	42
Commodity risk	0
<b>Total (NPR)</b>	<b>42</b>

### Risk-to-Firm (RtF)

The K-factors under RtF capture an investment firm's exposure to the default of their trading counterparties (K-TCD) in accordance with simplified provisions for counterparty credit risk based on CRR, concentration risk in an investment firm's large exposures to specific counterparties

based on the provisions of CRR that apply to large exposures in the trading book (K-CON), and operational risks from an investment firm's daily trading flow (K-DTF). Overall, under ICARA report for 2023 the Risk to Firm is categorized as low as the company is not exposed to this risk.

As at 31/12/2023, our firm was exposed to:

	<b>K-factor Requirement €000</b>
K-TCD	0
K-DTF	0.299
K-CON	0

## Liquidity Requirement

Liquidity requirement corresponds to the risk of the Company not being able to meet its cash or collateral requirements as they arise. 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 (such as the requirement of always holding a minimum of one third of their fixed overheads requirement in liquid assets). As per ICARA report for 2023 the Liquidity Risk is categorized as medium low.

*IFR Liquidity Requirement, as at 31/12/2023*

<b>Item</b>	<b>Amount 0010</b>
<b>Liquidity Requirement</b>	49
<b>Client guarantees</b>	-
<b>Total liquid assets</b>	459
<b>Unencumbered short-term deposits</b>	459
<b>Total eligible receivables due within 30 days</b>	-
<b>Level 1 assets</b>	0.248
Coins and banknotes	0.248
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	-
<b>Level 2A assets</b>	-
Regional government/local authorities or Public Sector Entities assets (Member State, RW20 %)	-
Central bank or central/regional government or local authorities or Public Sector Entities assets (Third Country, RW20 %)	-
High quality covered bonds (CQS2)	-
High quality covered bonds (Third Country, CQS1)	-
Corporate debt securities (CQS1)	-
<b>Level 2B assets</b>	-
Asset-backed securities	-
Corporate debt securities	-
Shares (major stock index)	-
Restricted-use central bank committed liquidity facilities	-
High quality covered bonds (RW35 %)	-
<b>Qualifying CIU shares/units</b>	-
<b>Total other eligible financial instruments</b>	-

### Fixed Overhead Requirement (FOR)

Under IFR, the Firm is required to report its Fixed Overhead requirement, essentially substituting the CRR operational risk, calculated as a quarter of the fixed overheads of the preceding year. As per ICARA report for 2023 the FOR Risk is categorized as medium.

Fixed Overhead Requirement, as at 31/12/2023

Item	Amount 0010
<b>Fixed Overhead Requirement</b>	148
<b>Annual Fixed Overheads of the previous year after distribution of profits</b>	592
<b>Total expenses of the previous year after distribution of profits</b>	622
Of which: Fixed expenses incurred on behalf of the investment firms by third parties	-
<b>(-)Total deductions</b>	-30
(-) 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	-30
(-)Fees to tied agents	-
(-)Interest paid to customers on client money where this is at the firm's discretion	-
(-)Non-recurring expenses from non-ordinary activities	-
(-)Expenditures from taxes	-
(-)Losses from trading on own account in financial instruments	-
(-)Contract based profit and loss transfer agreements	-
(-)Expenditure on raw materials	-
(-)Payments into a fund for general banking risk	-
(-)Expenses related to items that have already been deducted from own funds	-
<b>Projected fixed overheads of the current year</b>	<b>882</b>
<b>Variation of fixed overheads (%)</b>	<b>49.15%</b>

## Permanent Minimum Capital Requirement (PMC)

The Permanent Minimum Capital Requirement is the initial capital required for authorization to conduct the relevant investment services set in accordance with the Investment Firm Directive (IFD).

As at 31/12/2023, the Firm's PMC was EUR750,000 for offering the services refer to in the Scope section of this report. In relation to our most recent reported figures under IFR, please refer to section **Capital Adequacy**. As per the ICARA report for 2023 the PMC Risk is categorized as medium low.

## 2.2 Additional and Pillar 2 Risks

### 2.2.1 IT Risk - Information Technology

The compliance function has in place a risk-based monitoring program, considering all areas of the services and activities offered by the Company so that all additional risks are identified. Due to the fact the company has not implemented the EBA Guidelines regarding ICT requirements by December 2023, the company is exposed to cyber security risks.

The 3 levels of control monitor the aspects of such risks and the company has closed an agreement with a service provider to implement the requirements by June 2024.

## **Business Risk / losses during unfavourable market conditions**

Business Risk arises due to probable losses that might be incurred by the Company during unfavorable market conditions, thus having a current and/or future possible impact on earnings or capital from adverse business decisions and/or lack of responses to industry changes by the Company.

The company implements robust risk management methodologies to mitigate the risk. Additional capital is held for the Company to continue its operations when unfavorable market conditions appear. The company has established a business development department and has onboarded more clients during the year under review.

## **Credit Risk**

Credit risk corresponds to the risk of losses arising from the inability of the Company's customers, issuers or other counterparties to meet their financial commitments. It mainly arises by the Company's deposits in credit and financial institutions and by assets held from debtors or prepayments made.

Although the capital requirement of Credit Risk has been essentially removed from the own funds requirement reporting under IFR, the company continues to consider Credit Risk as a key risk category under its broader risk management approach under the low category and it follows various credit risk mitigation strategies in order to minimize the possibility of occurrence of this risk, such as:

- All Client funds are held in segregated accounts, separated from the Company's funds.
- The Company maintains regular credit review of counterparties, identifying the key risks faced and reports them to the Board of Directors, which then determines the firm's risk appetite and ensures that an appropriate amount of capital is maintained.
- In order to maintain its Credit risk to the minimum, the Company is using EU credit institutions for safekeeping of funds and always ensures that the banks it cooperates with have high ratings based on top credit rating agencies (Moody's, S&P or Fitch), it frequently monitors their compliance with the EU regulatory framework and diversifies the funds over several credit institutions thus mitigating the risk exposure efficiently.

Further to the above, the Company has policies to diversify credit risk and to limit the amount of credit exposure (concentration risk) to any counterparty, at all times.

## Market Risk

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. Market risk mainly arises from:

- **Position Risk:** It refers to the probability of loss associated with a particular trading (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.
- **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 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 currency pair as well as through the utilization of sensitivity analysis.

The Company monitors its market risk exposures regularly and additionally reports them on a quarterly basis to CySEC, as per the Net Position Risk (NPR) method of the K-Factor Requirement of IFR (see the next section for more information) therefore the categorisation of this risk is low.

## Other Operational Risks

Operational risk corresponds to the risk of losses/failure 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, all leading to an overall low categorization:

- Strategic Risk,
- Group Risk,
- AML Risk/ weakness in KYC,
- Conflicts of Interest Risks,
- Political Risks
- Insurance Risks
- Interest Rate Risks
- Credit concentration risk.
- Foreign Exchange Risk
- Commodity Risk
- Residual Risk

- Securitization Risk
- Settlement Risk
- Counterparty Risk,
- Mergers & Acquisitions
- Terrorism Risk,
- Policy Violation Risk,
- Documentation Risk,
- Outsourcing Risk,
- Information Technology
- Loss of data Risk,
- Systems failure Risk
- Third Party dependency Risk

The Company has in place processes, management tools and a control infrastructure to enhance the Company-wide control of its operational risk. These include, among others, 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 extend, 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 mitigation strategies in order to minimize its operational risk and develop risk awareness:

- Provide adequate information to the Company's management, in all levels, in order to facilitate decision making for risk control activities.
- Implement 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.
- Implement improvements on productivity, efficiency, and cost effectiveness, with an objective to improve customer service and protect shareholder value.
- Establish a "four-eye" structure and board oversight.
- Implement improvements on its methods of detecting fraudulent activities.
- Updating its business contingency and disaster recovery plan

Finally, the Senior Management employs specialized tools and methodologies to identify, assess, mitigate, and monitor operational risk. To this effect, the following are implemented:

- Incident collection
- Key Risk Indicators
- Business Continuity Management

- Training and awareness

For the calculation of operational risk in relation to the new capital adequacy reporting under IFR the Company uses the Fixed Overhead Requirement (further information can be found in the next section).

### 3. 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. The Risk Appetite Framework weights earning sensitivities to business cycles versus credit, market and operational events. The Risk Appetite is one of the strategic oversight tools available to the Management bodies. It underpins the budgeting process and draws on the ICARA, which is also used to ensure capital adequacy under stressed economic scenarios.

#### Key Risk Appetite metrics

For 2023, the Company's risk appetite is defined as follows: Combining the below Risk Assessment and taking into account the Probability/Impact Matrix, the Company stands willing to accept risks rated A and B, whilst it does not tolerate risks falling within categories C and D (i.e. having a score of more than, or equal to 10), which are deemed material. Having defined the materiality threshold of the risks, and having identified those breaching it, the Company attempts to lower the risk category of any material risk identified (at least to a risk rated B).

Throughout the year, the Company's risk profile has remained within normal/acceptable levels.

Probability of Risk Occurring:		
Score Level	Description	Frequency
6	Certain to occur	Occurs Monthly
5	Expected/likely to occur	At the once Quarterly
4	Frequent	Quarterly to Annually
3	Occasionally	Every 1-5 years
2	Unlikely	Every 5-20 years
1	Rare	Every 20 years or more
Impact of Risk:		
Score Level	Risk Scale	Financial Impact (yearly in USD)
1	Minor/Low/Insignificant	0-10.000
2	Moderate/Medium	10.001-50.000
3	High	50.001-100.000
4	Major	100.001-150.000

5	Critical	150.001-200.000
6	Catastrophic	>200.001

**Probability/ Impact Matrix:**

Probability of Risk	Impact of Risk					
	1	2	3	4	5	6
6	B	C2	C3	D1	D2	D3
5	B	C1	C2	C3	D1	D2
4	B	B	C1	C2	C3	D1
3	B	B	B	C1	C2	C3
2	A	B	B	B	C1	C2
1	A	A	B	B	B	C1

**Levels for performing capital allocation:**

Risk Category	Capital Requirement as a % of the potential financial impact (yearly) of the Risk
<b>C1</b>	15%
<b>C2</b>	30%
<b>C3</b>	45%
<b>D1</b>	60%
<b>D2</b>	75%
<b>D3</b>	90%

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 analyzed 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 the whole Governance, Risk and Compliance (“GRC”) spectrum.

Essential indicators for determining the Risk Appetite are regularly monitored over the year to detect any events that may result in unfavorable developments on the Company’s risk profile. Such events may give rise to remedial action, up to the deployment of a recovery plan in the most severe cases.

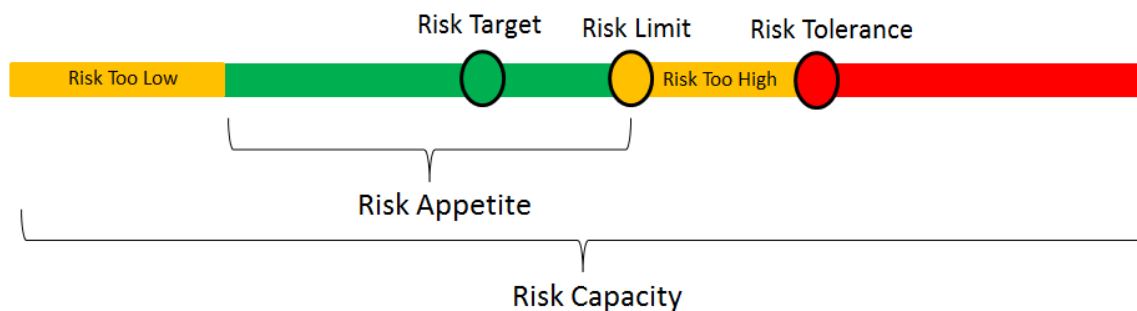
According to Financial Stability Board (FSB) an appropriate risk appetite framework (RAF) should enable risk capacity, risk appetite, risk limits, and risk profile to be considered for business lines and legal entities as relevant, and within the group context. The Risk appetite framework is defined as the overall approach, including policies, processes, controls, and systems through which risk appetite is established, communicated, and monitored. It includes a risk appetite statement, risk limits, and an outline of the roles and responsibilities of those overseeing the implementation and

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

Consequently, the Risk Appetite Statement is defined as the articulation in written form of the aggregate level and types of risk that a financial institution is willing to accept, or to avoid, in order to achieve its business objectives. It includes qualitative statements as well as quantitative measures expressed relative to earnings, capital, risk measures, liquidity and other relevant measures as appropriate. It should also address more difficult to quantify risks, such as reputation and conduct risks as well as money laundering and unethical practices.

Furthermore, the risk capacity is defined as the maximum level of risk the financial institution can assume given its current level of resources before breaching constraints determined by regulatory capital and liquidity needs, the operational environment (e.g. technical infrastructure, risk management capabilities, expertise) and obligations, also from a conduct perspective, to depositors, policyholders, shareholders, fixed income investors, as well as other customers and stakeholders.

Specifically, the Company's risk tolerance is the maximum allowable large exposure that the Company is able to be exposed to and maintain the respective additional capital and still be compliant with the relevant requirements.



For the formulation of the Risk Appetite, the following approach is followed by the Company in order to ensure that the different stakeholders' perspectives and risk types are considered:



## Risk Appetite Framework Flow



### 4. Risk Management Committee

The Risk Management Committee (“RMC”) advises the Board of Directors on the overall strategy and the appetite to all kinds of risks and helps the Board to verify that this strategy is implemented. It is responsible.

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

The committee held two (2) meetings in 2023.

### 5. Diversity Policy

The Company recognizes the value of a diverse and skilled workforce and management body, as diversity is an asset to organizations and linked to better economic performance.

We are committed to creating and maintaining an inclusive and collaborative workplace culture that will provide sustainability for the organization into the future. The Company considers itself diverse in regard to its main workforce and has in place a diversity policy in relation to its management body and all employees.

The Company while assessing diversity should consider the following aspects:

- Educational and professional background: The management body should consist of members from different backgrounds in the financial services sector.
- Gender: The management body should ensure gender balance in order to ensure adequate representation of the population.
- Age: The management body should consist of members of different ages, so as to ensure adequate representation of the population and target market.
- Geographical provenance: The management body should be consistent of members of different jurisdictions to ensure that is collectively has sufficient knowledge and views on the culture, market specificities and legal frameworks of the areas the Company is active in.

In order to facilitate an appropriately diverse pool of candidate for the management body and Key Holders, the Company should ensure that all diversity aspects are taken into consideration in the selection process and equal treatment and opportunities are provided for all staff of different genders, age, etc.

## **6. Board Recruitment**

The Company and its shareholder rely on a strong Board of Directors; hence they carefully evaluate the recruitment of all Directors and ensure appropriate succession planning. The persons proposed for the appointment need to have specialised skills and/or knowledge to enhance the collective knowledge of the BoD and most importantly emphasis is given on their commitment in terms of time and effort. The Senior Management is assigned the responsibility to review the qualifications of potential director candidates and make recommendations to the existing BoD to ensure selecting the most appropriate candidate.

The Company considers the following factors (which also form the basis of its BoD recruitment policy):

- Integrity, honesty, and the ability to generate public confidence.
- Knowledge of and experience with financial institutions (“fit-and-proper”)
- Knowledge of financial matters including understanding financial statements and financial ratios.
- Demonstrated sound business judgment.

- Specialized skills and/or knowledge in accounting, finance, banking, law, business administration or related subjects.

## 7. Remuneration

Remuneration refers to payments or compensations received for services or employment. The Company's remuneration system includes the base salary and occasionally bonuses or other economic benefits that an employee or executive may receive during employment. These benefits are frequently reviewed in order to always be appropriate to the CIF's size, internal organization and the nature, scope and complexity of its activities.

The Company's remuneration system is designed to regulate the benefits of all employees with particular focus on those categories of staff whose professional activities have a material impact on its risk profile, such as the Senior Management, Heads of the Departments, and the members of the Board of Directors. In the case of the latter, the remuneration policy is designed in such a way as to provide the right incentives to achieve the key business aims of the Company.

The Company's remuneration, consists of fixed and variable components which are appropriately balanced so that 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.

Aggregate Remuneration for 2023 broken down by business area.

€ thousands	No. of staff	Fixed	Variable	Non-cash	Total
Board of Directors	7	150211.36	1908.8	0	152120.16
Heads of Departments (Excluding Board or Senior Members)	5	107076.46	0	0	107076.46
Grand Total	13	257287.82	1908.8	0	259196.62

## 8. Directorships held by Members of the Management Body

The Company's members of the Management Body, and of the non-Executive positions, are often experienced professionals and businessmen that are invited to participate in other corporate boards. In line with this, the Company is responsible for approving and monitoring such individuals in terms of conflicts of interest. In 2023, the following table summarizes the number of positions that each member holds in entities whose services and activities are related to the provision of financial services:

*Directorships held by Members of the Management Body*

Name	Position in the Company	Executive Directorships	Non-Executive Directorships
Mrs. Maria Adamou	Executive Director	1	0
Mr. Nicholas Intzeyiannis	Executive Director	1	0
Mrs. Lingmei Dimitriou	Dependent non-executive	1	1
Mr. Marios Vourgos	Independent non-executive	1	2
Mr. Ioannis Gerousis	Independent non-executive	1	2
Mr. Gavriel Styllas	Independent non-executive	1	2
Mr. Ching Kong Lo	Non-Executive	3	1

## 9. Capital Adequacy

Capital management and adequacy of liquid funds is a paramount priority for the Company. The Company continuously monitors its capital reserves and risk exposures. This is currently performed in accordance with the Investment Firms Regulation (IFR).

### 9.1 Regulatory Capital

In line with the International Financial Reporting Standards (IFRS) and IFR, the Company's regulatory capital mainly consists of Common Equity Tier 1 Capital, composed primarily of ordinary shares and related share premium accounts, and retained earnings.

In some cases, additional capital tiers can come into force such as the Tier 2 Capital which could introduce the use of loans to support the business and operational capital. Such loans are highly regulated and are always subordinated to other claims.

### 9.2 Capital Ratio

The capital (adequacy) ratio is a key metric for a financial institution and is calculated by comparing the institutions' own funds with the highest of the three Capital Requirements (K-Factor Requirement, Fixed Overhead Requirement and Permanent Minimum Capital Requirement) as mentioned in **IFR Risks and related requirements** section. The calculations always follow a strict set of rules as defined by IFR. The minimum Total Capital Ratio that must be maintained **AT ALL** times is 100%.

As at 31/12/2023, the Company had a Total Capital Ratio of 105.55%.

### 9.3 Capital 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

- 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 the regulator and shareholders

The Company determines its internal capital adequacy thresholds in accordance with the above and the Senior Management is tasked to monitor the capital on a constant basis.

Further to the above, the Company is obligated to calculate and report its capital adequacy on a quarterly basis to the Cyprus Securities and Exchange Commission (the "CySEC").

Below you may find the latest results reported for 2023:

#### *Capital Adequacy/Own Funds Requirements*

<b>\$ thousands</b>	<b>Dec 31, 2023 (Audited)</b>
<b>CET1 Capital</b>	791.65
<b>Tier 1 Capital</b>	791.65
<b>Total Capital</b>	
<b>Permanent Minimum Capital (PMC)</b>	750,000
<b>Fixed Overhead Requirement (FOR)</b>	148,000
<b>K-Factor Requirement (KFR)</b>	43,000
<b>Requirement Used</b>	PMC
<b>Total Own Fund Requirement</b>	750,000
<b>Total Ratio</b>	105%
<b>CET1 Ratio</b>	105%

#### **10 EU IF CC1.02 - Composition of regulatory own funds (Small and non-interconnected investment firms)**

##### **Common Equity Tier 1 (CET1) capital: instruments and reserves**

	Amounts (€000')	Source based on reference numbers/letters of the balance sheet in the audited financial statements
<b>OWN FUNDS</b>	<b>791.65</b>	
<b>TIER 1 CAPITAL</b>	<b>791.65</b>	
<b>COMMON EQUITY TIER 1 CAPITAL</b>	<b>791.65</b>	
Fully paid-up capital instruments	634	Ordinary share capital

Share premium	2,552	Share Premium
Retained earnings	-2.274	Retained earnings
Accumulated other comprehensive income	0	
Other reserves	-1	Other reserves
Adjustments to CET1 due to prudential filters	0	
Other funds	0	
<b>(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1</b>	<b>-92</b>	
(-) Losses for the current financial year	-92	Retained earnings
(-) Goodwill	0	
(-) Other intangible assets	0	
(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	0	
(-) Qualifying holding outside the financial sector which exceeds 15% of own funds	0	
(-) Total qualifying holdings in undertaking other than financial sector entities which exceeds 60% of its own funds	0	
(-) Other deductions	0	
CET1: Other capital elements, deductions and adjustments	-28	Investor Compensation Fund
<b>ADDITIONAL TIER 1 CAPITAL</b>	<b>-</b>	
Fully paid up, directly issued capital instruments	0	
Share premium	0	
<b>(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1</b>	<b>-</b>	
Additional Tier 1: Other capital elements, deductions and adjustments	0	
<b>TIER 2 CAPITAL</b>	<b>-</b>	
Fully paid up, directly issued capital instruments	0	
Share premium	0	
<b>(-) TOTAL DEDUCTIONS FROM TIER 2</b>	<b>-</b>	
Tier 2: Other capital elements, deductions and adjustments	0	

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

	Balance sheet as in published/audited financial statements	Under regulatory scope of consolidation	Cross reference to EU IF CC1
	As at period end	As at period end	
Tangible Assets	32.094	N/A	
Cash, cash balances at central banks and other demand deposits	933.495	N/A	
Other assets	117.971	N/A	
Investor Compensation Fund	28.259	N/A	CET1: Other capital elements, deductions and adjustments
<b>Total Assets</b>	<b>1.111.819</b>	N/A	
Other liabilities	292.906	N/A	
<b>Total Liabilities</b>	292.906	N/A	
Ordinary share capital	634.000	N/A	Fully paid-up capital instruments
Share Premium	2.552.511	N/A	Share premium
Retained earnings	-2.366.850	N/A	Retained earnings
Other reserves	-748	N/A	Other reserves
<b>Total Shareholders' equity</b>	818.913	N/A	

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

Issuer	Company
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
Public or private placement	Private
Governing law(s) of the instrument	Cyprus Companies Law
Instrument type (types to be specified by each jurisdiction)	Ordinary shares
Amount recognized in regulatory capital (Currency in million, as of most recent reporting date)	EUR0,634
Nominal amount of instrument	EUR1
Issue price	EUR1
Redemption price	N/A
Accounting classification	Ordinary share capital
Original date of issuance	26/10/2015
Perpetual or dated	N/A
Original maturity date	N/A
Issuer call subject to prior supervisory approval	N/A
Optional call date, contingent call dates and redemption amount	N/A
Subsequent call dates, if applicable	N/A
<i>Coupons / dividends</i>	N/A
Fixed or floating dividend/coupon	N/A
Coupon rate and any related index	N/A
Existence of a dividend stopper	N/A
Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
Existence of step up or other incentive to redeem	N/A
Noncumulative or cumulative	N/A
Convertible or non-convertible	N/A
If convertible, conversion trigger(s)	N/A
If convertible, fully or partially	N/A
If convertible, conversion rate	N/A
If convertible, mandatory or optional conversion	N/A
If convertible, specify instrument type convertible into	N/A
If convertible, specify issuer of instrument it converts into	N/A
Write-down features	N/A
If write-down, write-down trigger(s)	N/A



If write-down, full or partial	N/A
If write-down, permanent or temporary	N/A
If temporary write-down, description of write-up mechanism	N/A
Non-compliant transitioned features	N/A
If yes, specify non-compliant features	N/A
Link to the full term and conditions of the instrument (signposting)	N/A

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

Issuer	Company
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
Public or private placement	Private
Governing law(s) of the instrument	Cyprus Companies Law
Instrument type (types to be specified by each jurisdiction)	Ordinary shares issued at a premium
Amount recognized in regulatory capital (Currency in million, as of most recent reporting date)	EUR2.553
Nominal amount of instrument	EUR1
Issue price	EUR1
Redemption price	N/A
Accounting classification	Share premium
Original date of issuance	26/10/2015
Perpetual or dated	N/A
Original maturity date	N/A
Issuer call subject to prior supervisory approval	N/A
Optional call date, contingent call dates and redemption amount	N/A
Subsequent call dates, if applicable	N/A
<i>Coupons / dividends</i>	N/A
Fixed or floating dividend/coupon	N/A
Coupon rate and any related index	N/A
Existence of a dividend stopper	N/A
Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
Existence of step up or other incentive to redeem	N/A
Noncumulative or cumulative	N/A
Convertible or non-convertible	N/A
If convertible, conversion trigger(s)	N/A

If convertible, fully or partially	N/A
If convertible, conversion rate	N/A
If convertible, mandatory or optional conversion	N/A
If convertible, specify instrument type convertible into	N/A
If convertible, specify issuer of instrument it converts into	N/A
Write-down features	N/A
If write-down, write-down trigger(s)	N/A
If write-down, full or partial	N/A
If write-down, permanent or temporary	N/A
If temporary write-down, description of write-up mechanism	N/A
Non-compliant transitioned features	N/A
If yes, specify non-compliant features	N/A
Link to the full term and conditions of the instrument (signposting)	N/A

#### 14 Internal Capital Adequacy Assessment Process

The Internal Capital Adequacy Assessment Process (“ICARA”) requires institutions to identify and assess risks, maintain enough capital to face these risks and apply appropriate risk-management techniques to maintain adequate capitalization on an ongoing and forward-looking basis, i.e., internal capital supply to exceed internal capital demand.

The Company maintains compliance with the ICARA as required under CRR and will transition to the revised ICARA requirements under IFR within the current year.

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

- Understanding the risk profile of the Company
- The evaluation of the Company’s capital adequacy in absorbing potential losses under stressed conditions (This takes place in the context of the Company’s ICARA on an annual basis)
- The evaluation of the Company’s strategy
- The establishment or revision of risk limits

In our ICARA report for 2023, no significant risks have been detected, however we remain diligent in order to mitigate any unexpected risks.

Pillar 1 / IFR Risks - K Factors requirement	Risk		Pillar 1 Capital Allocation	Pillar 2 Capital Allocation
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	Risk to Client (RtC)	K-AUM	0	0
		K-ASA	0	0
		K-CMH	780	0
		K-COH	0	0
	Risk-to-Market K-factors	K-NPR	42,460	0
		K-CMG	0	0
	Risk -to-Firm K-factors	K-TCD	0	0
		K-DTF	300	0
		K-CON	0	0
	<b>Total K Factors</b>		<b>43,530</b>	<b>0</b>
Fix Overheads Requirements (FOR)		147,900	0	
Permanent Minimum Capital Requirement (PMC)		750,000	0	
<b>Total Own Funds Requirement</b>		<b>750,000</b>	<b>0</b>	
<b>ILAAP - Liquidity Requirement</b>	<b>Liquidity Requirement</b>	49,299	0	
<b>Pillar II Risks</b>	Business Risk /losses during unfavorable market conditions	0	18,750	
<b>Other Risks</b>	IT Risk	0	18,750	
<b>Total</b>		<b>750,000</b>	<b>€ 37,500</b>	
<b>Total Capital Allocation (Pillar I &amp; II)</b>		<b>€ 787,500</b>		
<b>Own Funds</b>		<b>€ 791,654</b>		
<b>Capital (deficit)/surplus</b>		<b>€ 4,154</b>		
<b>Capital Adequacy Ratio</b>		<b>105.55%</b>		
<b>Capital Adequacy Ratio (including transitional requirements)</b>		<b>106.98%</b>		
<b>Capital Adequacy Ratio with Pillar II</b>		<b>100.50%</b>		

## 15 Regulatory Reporting

In line with the regulatory requirements, the Company has been able to maintain a good reporting flow, as it can be seen below:

### Annual Reporting Summary for 2023

Report	Responsible Person	Recipients	Frequency	Due Date
Data collection template	Risk Manager / Accounting	BoD, CySEC	Annual	30/04/2024
Prudential Supervision Information	Risk Manager / Accounting	BoD, CySEC	Quarterly	12/05/2023 11/08/2023 11/11/2023 11/02/2024

Quarterly Statistics	Risk Manager / Accounting	BoD, CySEC	Quarterly	12/05/2023 04/08/2023 06/11/2023 05/02/2024
AML Monthly Prevention Statement Form 144-08-11	AML Compliance Officer	BoD, CySEC	Monthly	By 15th of each month for the previous month
Complaints Form COMP-CIF	Compliance Officer	BoD, CySEC	Quarterly	By 05th of each month for the previous month

*Reports that will be submitted for the first time in 2023.*

Report	Responsible Person	Recipients	Frequency	Due Date
Annual Compliance Report	Compliance Officer	BoD, CySEC	Annual	30/04/2024
Annual Internal Audit Report	Internal Auditor	BoD, CySEC	Annual	30/04/2024
Annual Risk Management Report	Risk Manager	BoD, CySEC	Annual	30/04/2024
Annual Anti-Money Laundering Compliance Report	AML Compliance Officer	BoD, CySEC	Annual	31/03/2024
Pillar III Disclosures (Market Discipline and Disclosure)	Risk Manager	BoD, CySEC, Public	Annual	30/04/2024
Audited financial statements	External Auditor	BoD, CySEC	Annual	30/04/2024
Notification of Shareholders (+shareholder structure) and Tied Agents	Compliance Officer	BoD, CySEC	Annual	31/01/2024
Annual Fees Form 87-03-01	Compliance Officer	BoD, CySEC	Annual	30/04/2024
Audited Statement of eligible funds and Financial Instruments to the CIF	External Auditor	BoD, CySEC	Annual	10/05/2024
Confirmation to ICF for comply with Paragraph 11(6)(b) of Directive 87-	Compliance Officer	BoD, CySEC	Annual	15 - 20/05/2024

07 (Form-87-07-05) regarding Liquidity Buffer				
Pillar III Disclosure to Cysec- external auditors verification	External Auditor	BoD, CySEC	Annual	31/05/2024
Audited Prudential Supervision Form 165-01	External Auditor	BoD, CySEC	Annual	31/05/2024
Risk Based Supervision Framework	Risk Manager / Accounting	BoD, CySEC	Annual	18/06/2024

## 16 Regulatory Supervision

All CIFs under CySEC's authority must meet the requirements with respect to capital adequacy and market discipline, as per the below legal framework:

- Law 87(I)/2017-2021 regarding the provision of investment services, the exercise of investment activities and the operation of regulated markets (hereafter "the Law")
- Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012
- 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 (Investment Firms Regulation - IFR)
- 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 (Investment Firms Directive – IFD)

## 17 IFR Reference Table

IFR Article	Compliance Ref.
<b>PART ONE: GENERAL PROVISIONS</b>	
TITLE I: SUBJECT MATTER, SCOPE AND DEFINITIONS	
Article 1: Subject matter and scope	N/A
Article 2: Supervisory powers	N/A
Article 3: Application of stricter requirements by investment firms	N/A
Article 4: Definitions	N/A
TITLE II: LEVEL OF APPLICATION OF REQUIREMENTS	
CHAPTER 1: Application of requirements on an individual basis	
Article 5: General principle	Pg.3
Article 6: Exemptions	N/A
CHAPTER 2: Prudential consolidation and exemptions for an investment firm group	
Article 7: Prudential consolidation	Pg.3
Article 8: The group capital test	N/A
<b>PART TWO: OWN FUNDS</b>	
Article 9: Own funds composition	Pg.19
Article 10: Qualifying holdings outside the financial sector	N/A
<b>PART THREE: CAPITAL REQUIREMENTS</b>	
TITLE I: GENERAL REQUIREMENTS	
Article 11: Own funds requirements	Pg.19
Article 12: Small and non-interconnected investment firms	N/A
Article 13: Fixed overheads requirement	Pg.13
Article 14: Permanent minimum capital requirement	Pg.13
TITLE II: K-FACTOR REQUIREMENT	
CHAPTER 1: General principles	
Article 15: K-factor requirement and applicable coefficients	N/A
CHAPTER 2: RtC K-factors	
Article 16: RtC K-factor requirement	Pg.10
Article 17: Measuring AUM for the purpose of calculating K-AUM	Pg.10
Article 18: Measuring CMH for the purpose of calculating K-CMH	Pg.10
Article 19: Measuring ASA for the purpose of calculating K-ASA	Pg.10
Article 20: Measuring COH for the purpose of calculating K-COH	Pg.10
CHAPTER 3: RtM K-Factors	
Article 21: RtM K-factor requirement	Pg.10
Article 22: Calculating K-NPR	Pg.10
Article 23: Calculating K-CMG	Pg.10
CHAPTER 4: RtF K-factors	
Article 24: RtF K-factor requirement	Pg.11
Section 1: Trading counterparty default	Pg.11
Article 25: Scope	N/A

Article 26: Calculating K-TCD	N/A
Article 27: Calculation of exposure value	N/A
Article 28: Replacement cost (RC)	N/A
Article 29: Potential future exposure	N/A
Article 30: Collateral	N/A
Article 31: Netting	N/A
Article 32: Credit valuation adjustment	N/A
Section 2: Daily trading flow	Pg.11
Article 33: Measuring DTF for the purpose of calculating K-DTF	N/A
<b>CHAPTER 5: Environmental and social objectives</b>	
Article 34: Prudential treatment of assets exposed to activities associated with environmental or social objectives	N/A
<b>PART FOUR: CONCENTRATION RISK</b>	
Article 35: Monitoring obligation	N/A
Article 36: Calculation of the exposure value	N/A
Article 37: Limits with regard to concentration risk and exposure value excess	N/A
Article 38: Obligation to notify	N/A
Article 39: Calculating K-CON	Pg.11
Article 40: Procedures to prevent investment firms from avoiding the K-CON own funds requirement	N/A
Article 41: Exclusions	N/A
Article 42: Exemption for commodity and emission allowance dealers	N/A
<b>PART FIVE: LIQUIDITY</b>	
Article 43: Liquidity requirement	Pg.12
Article 44: Temporary reduction of the liquidity requirement	N/A
Article 45: Client guarantees	N/A
<b>PART SIX: DISCLOSURE BY INVESTMENT FIRMS</b>	
Article 46: Scope	
Article 47: Risk management objectives and policies	Pg.5-17
Article 48: Governance	Pg.5-17
Article 49: Own funds	Pg.18
Article 50: Own funds requirements	Pg.18
Article 51: Remuneration policy and practices	Pg.16
Article 52: Investment policy	N/A
Article 53: Environmental, social and governance risks	N/A
<b>PART SEVEN: REPORTING BY INVESTMENT FIRMS</b>	
Article 54: Reporting requirements	N/A
Article 55: Reporting requirements for certain investment firms, including for the purposes of the thresholds referred to in Article 1(2) of this Regulation and in point (1)(b) of Article 4(1) of Regulation (EU) No 575/2013	N/A
<b>PART EIGHT: DELEGATED ACTS</b>	

Article 56: Exercise of the delegation	N/A
<b>PART NINE: TRANSITIONAL PROVISIONS, REPORTS, REVIEWS AND AMENDMENTS</b>	
TITLE I: TRANSITIONAL PROVISIONS	
Article 57: Transitional provisions	N/A
Article 58: Derogation for undertakings referred to in point (1)(b) of Article 4(1) of Regulation (EU) No 575/2013	N/A
Article 59: Derogation for investment firms referred to in Article 1(2)	N/A
TITLE II: REPORTS AND REVIEWS	
Article 60: Review clause	N/A
TITLE III: AMENDMENTS TO OTHER REGULATIONS	
Article 61: Amendment to Regulation (EU) No 1093/2010	N/A
Article 62: Amendments to Regulation (EU) No 575/2013	N/A
Article 63: Amendments to Regulation (EU) No 600/2014	N/A
Article 64: Amendment to Regulation (EU) No 806/2014	N/A
<b>PART TEN: FINAL PROVISIONS</b>	
Article 65: References to Regulation (EU) No 575/2013 in other Union legal acts	N/A
Article 66: Entry into force and date of application	N/A



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## **18. Declaration by the Board of Directors on the adequacy of risk management arrangements of the institution**

*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.*

**This declaration has been signed by the Board of Directors on 21/04/2023.**