DISCLOSURES & MARKET DISCIPLINE REPORT

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

FOR THE YEAR ENDED 31 DECEMBER 2023

April 2024

TABLE OF CONTENTS

1. Introduction ... 4
1.1 CIF Information ... 4
1.2 Scope of application ... 5
1.3 Classification and prudential requirements ... 5
1.4 Regulatory framework ... 6
1.5 Risk management objectives and policies ... 8
1.6. Declaration of the Board ... 11
2. Corporate Governance ... 12
2.1. Organisational Structure ... 12
2.2. Policy on Recruitment ... 16
2.3. Number of Directorships held by members of the Board ... 17
2.4. Suitability and Diversity Policy ... 17
2.5. Information flow on risk to the board ... 19
3. Own Funds ... 20
3.1. Composition of regulatory own funds ... 20
3.2. Main features of capital instruments ... 22
3.3. Balance Sheet Reconciliation ... 23
4. Prudential Requirements ... 25
4.1. Own Funds Requirement ... 25
4.2. Capital Ratios ... 35
4.3. Liquidity Requirement ... 36
4.4. Reporting requirements ... 37
4.5. Other Material Risks ... 39
5. Internal Capital Adequacy and Risk Assessment Process ... 43
6. Remuneration policy and practices ... 44
7. Investment Policy ... 47
8. Environmental, social and governance risks ... 48
9. Appendix – Specific References to the IFR ... 51

LIST OF TABLES

Table 1: Company License Information (based on the First Appendix of the Law 87(I)/2017).. 5
Table 2: Threshold Criteria.... 6
Table 3: Risk Appetite areas.... 11
Table 4: Number of Directorships of the members of the Board of Directors*.... 17
Table 5: Information flow on risk to board 19
Table 6: IF CC1.01 - Composition of regulatory own funds as at 31 December 2023 20
Table 7: EU IF CCA - Main features of own instruments issued by the firm.... 22
Table 8: EU IFCC2 - Reconciliation of regulatory own funds to balance sheet in the audited financial statements 24
Table 9: Fixed Overheads Requirement 25
Table 10: Total CMH (average amounts).... 27
Table 11: Total ASA (average amounts).... 28
Table 12: Total COH (average amounts) 28
Table 13:K-NPR capital requirement 29
Table 14: Foreign Exchange Risk capital requirements.... 30
Table 15: Position risks in equities.... 30
Table 16: Position Risks in Traded Debt Instruments for EUR currency 31
Table 17: Position Risks in Traded Debt Instruments for USD currency 31
Table 18: Position Risks in Traded Debt Instruments for RUB currency 32
Table 19: K-TCD Exposures 33
Table 20: Total DTF (average amounts) 34
Table 21: K-Factors Results 35
Table 22: Capital Adequacy Analysis 36
Table 23: Liquidity Requirements.... 36
Table 24: Large Exposure Limits 38
Table 25: Remuneration split of staff whose activities have a material impact on the risk profile of the Company. 45
Table 26: Remuneration split by business area 46

1. INTRODUCTION

1.1 CIF Information

Omega Funds Investment Ltd (hereinafter, the 'Company') was incorporated in the Republic of Cyprus as a private limited liability company with registration number HE 230096. The Company obtained a Cyprus Investment Firm ("CIF") licence from the Cyprus Securities and Exchange Commission ("CySEC"), CIF licence No. 102/09 on 06 August 2009 to provide the following Investment and Ancillary Services in trading with the Financial Instruments listed below, in accordance with Part I, II and III of the Law 87(I)/2017:

Investment Services:

- Reception and transmission of orders in relation to one or more financial instruments (1)
- Execution of orders on behalf of clients (2)
- Dealing on own account (3)

Note: In brackets (...) is the number of the investment service as referred in the Law 87(I)/2017.

Ancillary Services:

- Safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash/collateral management (1)
- Granting credit and loans to one of more financial instruments, where the firm granting the credit or loan is involved in the transaction (2)
- Foreign exchange services where these are connected to the provision of investment services (4).

Note: In brackets (...) is the number of the ancillary service as referred in the Law 87(I)/2017.

Financial Instruments:

- Transferable Securities (1)
- Money Market Instruments (2)
- Units in Collective Investment Undertakings (3)
- 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 (4)
- 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) (5)
- Options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market or/and an MTF (6)
- Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in point 6 of Part III and not being for commercial purposes, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are cleared and settled through recognised clearing houses or are subject to regular margin calls (7)

- Derivative instruments for the transfer of credit risk (8)
- Financial contracts for differences (9)
- Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates, emission allowances or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event), as well as any other derivative contract relating to assets, rights, obligations, indices and measures not otherwise mentioned in this Part, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market or an MTF, are cleared and settled through recognised clearing houses or are subject to regular margin calls (10).

Note: In brackets (...) is the number of the financial instrument as referred in the Law 87(I)/2017.

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

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

		Investment Services and Activities								Ancillary Services						
		1	2	3	4	5	6	7	8	1	2	3	4	5	6	7
Financial Instruments	1	✓	✓	✓	-	-	-	-	-	✓	✓			✓		-
	2	✓	✓	✓	-	-	-	-	-	✓	✓			✓		-
	3	✓	✓	✓	-	-	-	-	-	✓	✓			✓		-
	4	✓	✓	✓	-	-	-	-	-	✓	✓			✓		-
	5	✓	✓	✓	-	-	-	-	-	✓	✓			✓		-
	6	✓	✓	✓	-	-	-	-	-	✓	✓	-	✓	✓	-	-
	7	✓	✓	✓	-	-	-	-	-	✓	✓			✓		-
	8	✓	✓	✓	-	-	-	-	-	✓	✓			✓		-
	9	✓	✓	✓	-	-	-	-	-	✓	✓			✓		-
	10	✓	✓	✓	-	-	-	-	-	✓	✓			✓		-
	11	-	-	-	-	-	-	-	-	-	-			-		-

1.2 Scope of application

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

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

1.3 Classification and prudential requirements

Under current prudential regulatory framework, Investment Firms Directive (EU) 2019/2034 ("IFD") and Investment Firm Regulation, Regulation (EU) 2019/2033 ("IFR"), all investment

firms are classified as Class 1, 2 or 3 Investment Firms, based on their activities, systemic importance, size and interconnectedness. Class 1 Investment Firms are the largest and most interconnected investment firms, with risk profiles similar to those of significant credit institutions, have equal treatment with credit institutions in the sense of a level playing field accordingly and they fall entirely under the CRR.

Investment Firms categorized as Class 2 and Class 3 must comply with the provisions of the IFR/IFD prudential regulatory regime for investment firms introduced back in June 2021. CIFs that meet all of the below criteria are categorised as Class 3 Investment Firms, while when they exceed any of the following specific size thresholds, are categorised as Class 2 Investment Firms.

Table 2: Threshold Criteria

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

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

A. Permanent minimum capital requirement

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

B. Fixed overhead requirements

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

C. K-Factors requirement

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

1.4 Regulatory framework

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

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

The Regulatory framework consists of:

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

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

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

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

Frequency

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

Location of publication

The Disclosures & Market Discipline Report is published on the Company's official website, www.omegainvest.com.cy

Verification

The Company's Disclosures & Market Discipline Report is subject to internal review and validation prior to being submitted to the Board for approval. The Report has been reviewed and

approved by the Board. In addition, the Remuneration disclosures have been reviewed by the Risk Manager.

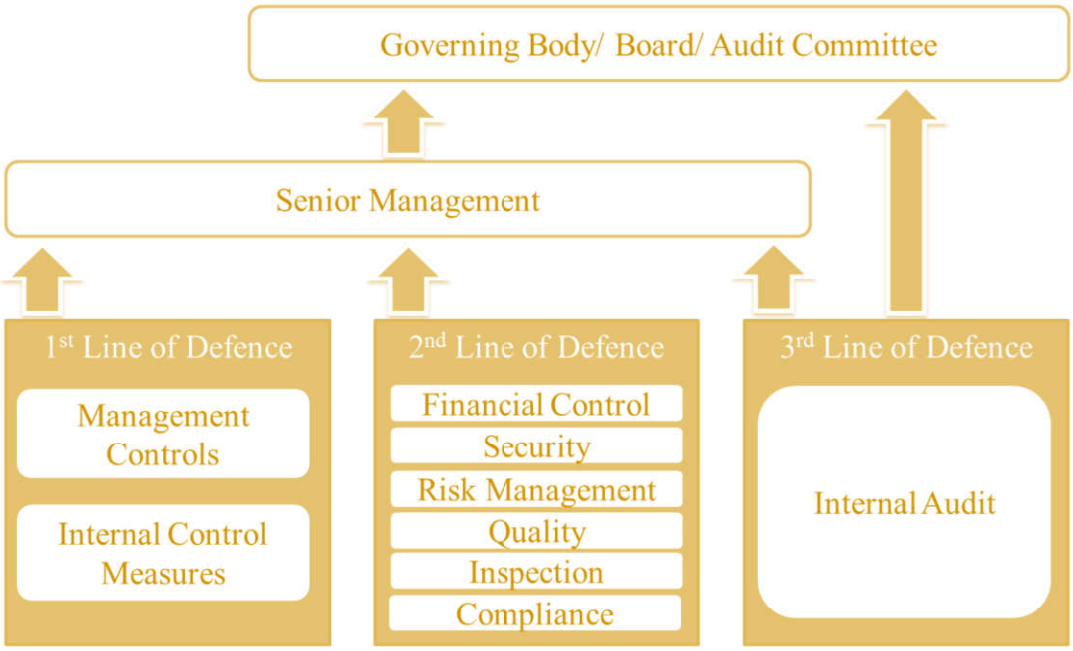
1.5 Risk management objectives and policies

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

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

Second Line of Defence: The Risk Management Function is responsible for proposing to the Board appropriate objectives and measures to define the Company's risk appetite, devising the suite of policies necessary to control the business including the overarching framework, independently monitoring the Company's risk profile and providing additional assurance where required. The Risk Management Function will leverage their expertise by providing frameworks, tools and techniques to assist management in meeting their responsibilities, as well as acting as a central coordinator to identify enterprise-wide risks and make recommendations to address them. Integral to the mission of the Second Line of Defence is identifying risk areas, detecting situations/activities in need of monitoring, and developing policies to formalise risk assessment, mitigation and monitoring.

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



1.5.1 Risk Management Framework

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

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

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

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

1.5.2 Risk Statement

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

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

Risk Strategy

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

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

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

Risk Appetite

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

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

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

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

Moreover, it includes a risk appetite statement, risk limits, and an outline of the roles and responsibilities of those overseeing the implementation and monitoring the RAF. The RAF should consider material risks to the financial institution, as well as to the institution's reputation vis-à-vis policyholders, depositors, investors and customers. The RAF aligns with the institution's strategy. The Company is assessing its risk appetite with respect to investing and managing business and operational activities while the Company's Risk Appetite Statement is prepared by the Risk Manager and approved by the Board of Directors.

Table 3: Risk Appetite areas

Indicator	Normal [1]	Warning [2]	Limit [3]
Minimum Own Fund Requirement	>€1,500k	<€1,500k	€1,496k
Common Equity Tier 1 Ratio[4]	>100%	<75%	56%
AT1 Capital Ratio[4]	>125%	<100%	75%
Total Capital Ratio[4]	>150%	<125%	100%
Liquid Assets	>€120k	<€120k	€97k
Return on Assets	≥5.00%	<5.00%	0.00%
Retained Earnings / Total Equity	≥10.00%	<10.00%	5.00%

Notes:

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

The Risk Appetite framework has been designed to create links to the strategic long-term plan, capital planning and the Company's risk management framework. The Board approves the Company's corporate strategy, business plans, budget, long term plan and ICARA. The Company employs mitigation techniques defined within the Company's policies, to ensure risks are managed within its Risk Appetite.

1.5.3 Risk Culture

Risk culture is a critical element in the Company's risk management framework and procedures. Management considers risk awareness and risk culture within the Company as an important part of the effective risk management process. Ethical behaviour is a key component of the strong risk culture, and its importance is also continuously emphasised by the management. The Company is committed to embedding a strong risk culture throughout the business where everyone understands the risks they personally manage and are empowered and qualified to take accountability for them. The Company embraces a culture where each of the business areas are encouraged to take risk–based decisions, while knowing when to escalate or seek for advice.

1.6. Declaration of the Board

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

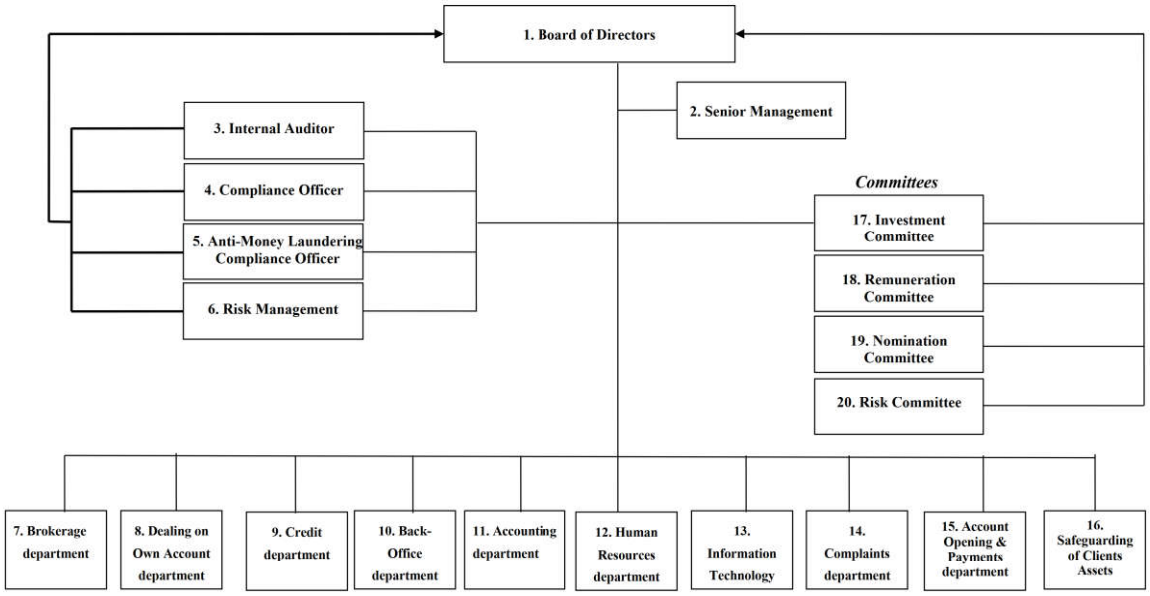
2. CORPORATE GOVERNANCE

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

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

2.1. Organisational Structure

The Company's latest organizational structure is as follows:



Through the said structure, the Company incorporates a strict Internal Governance framework. Furthermore, the Organisational Structure incorporates the various organisational and functional reporting lines, as well as the different roles and responsibilities therein, while it also facilitates the compliance of the Company with the principle of segregation of duties and helps in the avoidance and control of possible conflict of interest situations within the Company.

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

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

2.1.1. Board of Directors

As at 31 December 2023, the Board comprises of three executive directors and two non-executive directors.

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

The main responsibilities of the Board of Directors are:

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

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

2.1.2. Risk Manager

Further to the formation of the overall Internal Governance Framework, it should be noted that the Board has appointed a Risk Manager to ensure that all the different types of risks taken by the Company are in compliance with the Law and the obligations of the Company under the Law, and that all necessary procedures, relating to risk management are in place and are functional on an operational level from a day-to-day basis. The Risk Manager reports directly to the Senior Management of the Company while as previously discussed, the Risk Management Committee is responsible to control and overview the Risk Manager's actions/ performance at work.

The Risk Manager, has the following responsibilities:

- Design the overall risk management system of the Company;
- Comply and implement the relevant provisions of the Law;
- Prepare the Risk Management policies and procedures;

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

2.1.3. Committees

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

According to Circular C487, if the Company meets the definition of 'significant CIF' as set out in Section 26(8)(a) of the Law, it is obligated to establish a Risk, Remuneration and Nomination Committee. The Company falls under the definition of 'significant CIF' since its average on and off-balance sheet items during the four preceding years were less than €100m. Therefore, it is required to comply with the additional regulatory requirements indicated above. The Company established an *Investment Committee*, *Risk Management Committee*, *Remuneration Committee* and *Nomination Committee* following the Company's classification as a "Significant CIF".

Investment Committee

An Investment Committee has been formed to ensure the implementation of a prudent investment policy and monitoring of the provision of adequate investment services to Clients. The Investment Committee decisions shall relate to general and overall decisions as far as the investments are concerned which correspond to the Client's risk profile categories or the Company's risk profile, as applicable. These general and overall decisions relate to various sectors of the economy across multiple regions and countries, general macroeconomic indicators, types of Financial Instruments, types of financial markets and market segments. Further, these decisions are notified to the relevant Heads of the Departments of the Company, as necessary, to enable discharging of their duties in an effective manner. As far as investments are concerned and when related to specific investment strategies, these decisions are of a prescribed content.

Risk Management Committee

The Risk Management Committee of the Company is formed with the view to ensure the efficient monitoring of risks inherent in the provision of the investment and ancillary services to Clients, as well as the overall risks underlying the operations of the Company. To this effect, the Company has adopted and maintains an applied risk management framework/policy, which identifies the risks relating to the Company's activities, processes and systems and sets the risk tolerance levels of the Company. The Risk Management Committee bears the responsibility of monitoring the adequacy and effectiveness of the risk management framework/policies and procedures that are in place, the level of compliance by the Company and its relevant persons within the course of the policies and procedures adopted, as well as the adequacy and effectiveness of measures taken to address any deficiencies with respect to those policies and procedures that are in place and including failures by the Company's relevant persons to comply with the established policies and procedures.

Remuneration Committee

The Remuneration Committee should be gender balanced and shall exercise competent and independent judgment on remuneration policies and practices and the incentives created for managing risk, capital and liquidity.
The remuneration committee of the Company is responsible for the preparation of decisions regarding remuneration, including decisions which have implications for the risk and risk management of the Company concerned and which are to be taken by the board of directors.

Nomination Committee

The Nomination Committee should be gender balanced and shall evaluates the Company's Board members and examines the skills and characteristics required of board candidates.

The Committee is responsible to develop and maintain a formal, rigorous and transparent procedure for making recommendations on appointments and reappointments to the Board.

2.1.4. Other Governance Functions

Internal Audit Function

The Internal Auditor reports to the Senior Management and the Board of the Company and is separated and independent from the other functions and activities of the Company. The Internal Auditor has access to the Company's premises, systems, information, personnel and financials. The Board ensures that internal audit issues are considered when presented to it by the Internal Auditor and appropriate actions are taken according to the Board's assessment and prioritization. Moreover, the qualifications of the committee members should entail sufficient academic background, extensive knowledge of and exposure to the capital markets and financial services industry, and high level of knowledge and understanding of the legal framework under which the Company is regulated.

Compliance Function

Pursuant to the regulatory obligations of the Company and with the view to complement the Internal Governance framework of the Company, the Board has established a compliance

function to manage compliance risk. Furthermore, the Board has appointed the Compliance Officer (the "CO") who is to be responsible for this function across the entire investment firm. More specifically, the CO is responsible to establish, implement and maintain adequate policies and procedures designed to detect any risk of failure by the Company to comply with its obligations, to put in place adequate measures and procedures designed to minimize such risks and to enable the competent authorities to exercise their powers effectively. The compliance function, policies and procedures should also be compliant with Article 22 of Commission Delegated Regulation (EU) 2017/565 and ESMA guidelines on the compliance function. The Compliance Officer is independent and reports directly to the Senior Management of the Company, having at the same time the necessary authority, resources, expertise and access to all relevant information. The staff within the compliance function possess sufficient knowledge, skills and experience in relation to compliance and relevant procedures and have access to regular training.

Anti-Money Laundering Compliance Officer

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

2.2. Policy on Recruitment

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

Board of Directors Recruitment

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

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

nature, the scope and the complexity of its activities shall not hold more than one of the following combinations of directorships at the same time:
  - one executive directorship with two non-executive directorships;
  - four non-executive directorships.
- For the purposes of subsection above, the following shall count as a single directorship:
  - Executive or non-executive directorships held within the same group;
  - Executive or non-executive directorships held within:
    - institutions which are members of the same institutional protection scheme provided that the conditions set out in Article 113, paragraph (7) of CRR are fulfilled; or
    - undertakings (including non-financial entities) in which the CIF holds a qualifying holding.
- Directorships in organisations which do not pursue predominantly commercial objectives shall not count for the purposes of the previous subsection;
- The Commission may allow members of the Board of Directors to hold additional non-executive directorships;
- The Board of Directors shall collectively possess adequate knowledge, skills experience to be able to understand the Company's activities, including the principal risks; and

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

2.3. Number of Directorships held by members of the Board

The table below discloses the number of directorships held by members of the management body of the Company, including Omega Funds Investment Ltd and any other companies belonging to the same group, as at 31 December 2023. Directorships in organisations which do not pursue predominantly commercial objectives such as non-profit or charitable organisations, are not taken into account for the purposes of the below.

Table 4: Number of Directorships of the members of the Board of Directors*

Name of Director	Position	Number of Executive Directorships	Number of Non-Executive Directorships
Pavel Vashchenko	Executive Director	1	-
Valery Zyukin	Executive Director	1	-
Konstantin Kalyagin	Executive Director	1	-
Ioanna Solomou	Non-Executive Director	2	1
Irina Borovina Papadimitriou	Non-Executive Director	-	1

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

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

2.4. Suitability and Diversity Policy

The Company established an internal policy for the *Suitability and Diversity* of the Management body and key-function holders of the Company. The policy takes into account the proportionality principle and the characteristics, the nature, scale and size of the Company. In addition, the

Company through the implementation of this Policy assesses whether or not, the members and key function holders:

- are able to commit sufficient time to perform their functions in the institution and, where the institution is significant, whether or not the limitation of directorships under Article 91(3) of Directive 2013/36/EU is being complied with;
- possess sufficient knowledge, skills and experience to perform their duties;
- are of sufficiently good repute;
- are able to act with honesty, integrity and independence of mind to effectively assess and challenge the decisions of the management body in its management function and other relevant management decisions where necessary and to effectively oversee and monitor management decision-making;

Suitability Requirements

The management body in its supervisory function should ensure that the individual and collective suitability assessments of the members of the management body are carried out preferably before they are appointed.

The individual and collective suitability assessments may be performed after the appointment of the member in any of the following cases for which the institution has provided a duly justification:

- shareholders, owners or members of the institution nominate and appoint members of the management body at the shareholder's or equivalent meeting that have not been proposed by the Company or by the management body, e.g. slate system;
- a complete suitability assessment prior to the appointment of a member would disrupt the sound functioning of the management body, including as a result of the following situations:
    - where the need to replace members arises suddenly or unexpectedly, e.g. death of a member; and
    - where a member is removed because he or she is not any longer suitable.

The suitability assessments should take into account all matters relevant to and available for the assessments. The Company should consider the risks, including the reputational risk, arising in the event that any weaknesses are identified affecting the individual or collective suitability of the members of the management body. If the subsequent assessment by the Company resulted in a member being considered not suitable for his or her position, the member and the competent authority should be informed without delay. Any additional information necessary for the individual or collective suitability assessment of the members of the management body should be provided to the CySEC upon request. In the case of re-appointment, this information may be limited to relevant changes.

Diversity Requirements

The Company should promote diversity on the management body, in order to promote a diverse pool of members. It should aim to engage a broad set of qualities and competences when recruiting members of the management body, to achieve a variety of views and experiences and to facilitate independent opinions and sound decision-making within the management body. The

Company while assessing diversity should consider the educational and professional background, gender, age, geographical provenance of the management body.

2.5. Information flow on risk to the board

Risk information flows up to the Board directly from the business departments and control functions. The Board ensures that it receives on a frequent basis, at least annually written reports regarding Internal Audit, Compliance, Money Laundering and Terrorist Financing and Risk Management issues and approves the Company's ICARA report as shown in the table below:

Table 5: Information flow on risk to board

No.	Report Name	Owner of Report	Recipient	Frequency
1	Risk Manager's Report	Risk Manager	Senior Management, Board, CySEC	Annually
2	IF CLASS2 Ind Form	Risk Manager	Senior Management, Board, CySEC	Quarterly
3	ICARA Report	Risk Manager	Senior Management, Board	Annually
4	Disclosures & Market Discipline	Risk Manager	Senior Management, Board	Annually
5	Risk Register	Risk Manager	Senior Management, Board	Annually
6	Compliance Report	Compliance Officer	Senior Management, Board, CySEC	Annually
7	Internal Audit Report	Internal Auditor	Senior Management, Board, CySEC	Annually
8	Anti-money laundering Report	Anti-money laundering Officer	Senior Management, Board, CySEC	Annually
9	Audited Financial Statements	External Auditor	Senior Management, Board, CySEC	Annually
10	Form 165-03 'Prudential Supervision Information'	Risk Manager	Senior Management, Board, CySEC	Annually
11	Form 20-01 (Recovery Plan)*	Risk Manager	Senior Management, Board, CySEC	Every Two Years
12	Resolution Templates (XBRL)	Risk Manager	Senior Management, Board, Resolution Authority (CBC)	Annually
13	Remuneration Reporting	Finance Department & Risk Manager	Senior Management, Board, CySEC	Annually

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

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

3. OWN FUNDS

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

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

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

The Company throughout the year under review, managed its capital structure and made adjustments to it in light of the changes in the economic and business conditions and the risk characteristics of its activities.

3.1. Composition of regulatory own funds

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

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

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

Table 6: IF CC1.01 - Composition of regulatory own funds as at 31 December 2023

Common Equity Tier 1 (CET1) capital: instruments and reserves		€'000	Source based on reference numbers of the balance sheet in the audited financial statements (EU IF CC2)
1	**OWN FUNDS**	**16,685**	
2	**TIER 1 CAPITAL**	**16,685**	
3	**COMMON EQUITY TIER 1 CAPITAL**	**16,685**	
4	Fully paid up capital instruments	1,000	1 (Shareholder's equity)
5	Share premium	-	N/A
6	Retained earnings	17,561	2 (Shareholder's equity)
7	Accumulated other comprehensive income	-	N/A

8	Other reserves	(690)	4 (Shareholder's equity)
9	Minority interest given recognition in CET1 capital	-	N/A
10	Adjustments to CET1 due to prudential filters	-	N/A
11	Other funds	-	N/A
12	**(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1**	**(1,115)**	
13	(-) Own CET1 instruments	-	N/A
14	(-) Direct holdings of CET1 instruments	-	N/A
15	(-) Indirect holdings of CET1 instruments	-	N/A
16	(-) Synthetic holdings of CET1 instruments	-	N/A
17	(-) Losses for the current financial year	(1,115)	3 (Shareholder's equity)
18	(-) Goodwill	-	N/A
19	(-) Other intangible assets	-	N/A
20	(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	-	N/A
21	(-) Qualifying holding outside the financial sector which exceeds 15% of own funds	-	N/A
22	(-) Total qualifying holdings in undertaking other than financial sector entities which exceeds 60% of its own funds	-	N/A
23	(-) CET1 instruments of financial sector entities where the institution does not have a significant investment	-	N/A
24	(-) CET1 instruments of financial sector entities where the institution has a significant investment	-	N/A
25	(-)Defined benefit pension fund assets	-	N/A
26	(-) Other deductions	-	N/A
27	CET1: Other capital elements, deductions and adjustments	(71)	3 (Assets)
28	**ADDITIONAL TIER 1 CAPITAL**	-	
29	Fully paid up, directly issued capital instruments	-	N/A
30	Share premium	-	N/A
31	**(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1**	-	
32	(-) Own AT1 instruments	-	N/A
33	(-) Direct holdings of AT1 instruments	-	N/A
34	(-) Indirect holdings of AT1 instruments	-	N/A
35	(-) Synthetic holdings of AT1 instruments	-	N/A
36	(-) AT1 instruments of financial sector entities where the institution does not have a significant investment	-	N/A
37	(-) AT1 instruments of financial sector entities where the institution has a significant investment	-	N/A
38	(-) Other deductions	-	N/A

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

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

3.2. Main features of capital instruments

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

Table 7: EU IF CCA - Main features of own instruments issued by the firm

No	Item	CET1 Capital
1	Issuer	Omega Funds Investment Ltd
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	5493008DFOLNJ0YC6U22
3	Public or private placement	Private
4	Governing law(s) of the instrument	Cyprus Companies Law
5	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares
6	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	€1
7	Nominal amount of instrument	€1,000k
8	Issue price	€1
9	Redemption price	N/A
10	Accounting classification	Shareholder's Equity
11	Original date of issuance	08 November 2013
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	N/A

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

3.3. Balance Sheet Reconciliation

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

As at the 31 December 2023, the reconciliation of Company's assets and liabilities and regulatory Own Funds is shown in the following table:

Table 8: EU IFCC2 - Reconciliation of regulatory own funds to balance sheet in the audited financial statements

No.	Item	Balance sheet as in audited financial statements €'000	Cross reference to EU IF CC1
Assets - *Breakdown by asset classes according to the balance sheet in the published/audited financial statements*			
1	Tangible Assets	2,640	N/A
2	Financial assets at fair value through other comprehensive income	7,652	N/A
3	Investors compensation fund	71	Ref. 27
4	Receivables from reverse repurchase agreements	60	N/A
5	Trade and other receivables	1,186	N/A
6	Financial assets at fair value through profit or loss	490	N/A
7	Refundable taxes	57	N/A
8	Cash at bank and in hand	4,484	N/A
	Total Assets	**16,870**	
Liabilities - *Breakdown by liability classes according to the balance sheet in the published/audited financial statements*			
1	Trade and other payables	114	N/A
	Total Liabilities	**114**	
Shareholders' Equity			
1	Share capital	1,000	Ref. 4
2	Retained Earnings	17,561	Ref. 6
3	Loss for the year	(1,115)	Ref. 17
4	Other Reserves	(690)	Ref. 8
xxx	**Total Shareholders' equity**	**16,756**	

4. PRUDENTIAL REQUIREMENTS

4.1.Own Funds Requirement

4.1.1. Initial Capital Requirement

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

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

4.1.2. Fixed Overheads requirement

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

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

Further to the above, the Company's fixed overheads requirement based on the latest audited financial statements is €292k as per the table below:

Table 9: Fixed Overheads Requirement

Item	€'000
Total expenses of the previous year after distribution of profits	**4,019**
Total deductions	**(185)**
(-)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	(129)
(-)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	(29)
(-)Losses from trading on own account in financial instruments	(26)
(-)Contract based profit and loss transfer agreements	-
(-)Expenditure on raw materials	-
(-)Payments into a fund for general banking risk	-
(-)Expenses related to items that have already been deducted from own funds	-
Annual Fixed Overheads	**3,835**
Fixed Overheads requirement	**959**

4.1.3. K-Factors Requirement

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

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

Risk to Client

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

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

K-AUM: Assets Under Management

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

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

Calculation

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

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

Since the Company did not provide any portfolio management or investment advice services during the year ending 31 December 2023, the Company was not subject to the risk relating to this K-factor.

K-CMH: Clients Money Held

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

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

Calculation

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

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

As at 31 December 2023, the K-CMH was €44k. The table below shows the average CMH values in segregated accounts and non-segregated accounts for the 4th quarter of 2023 in accordance with the Article 18(1) of IFR:

Table 10: Total CMH (average amounts)

	Factor amount		
	December 2023 €'000	November 2023 €'000	October 2023 €'000
CMH - Segregated (average amounts)	10,944	15,160	20,222
CMH - Non-segregated (average amounts)	-	-	-

K-ASA: Assets Safeguarded and Administered

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

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

Calculation

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

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

During the year under review, the Company offered safeguarding services in relation to the real equity positions of its clients and was therefore subject to the risk relating to K-ASA for these client trades.

As at 31 December 2023, the K-ASA €58k. The table below shows the Total ASA amounts as an arithmetic mean for the 4th quarter of 2023 in accordance with the Article 19(1) of IFR:

Table 11: Total ASA (average amounts)

	Factor amount		
	December 2023 €'000	November 2023 €'000	October 2023 €'000
Total ASA (average amounts)	145,467	149,046	153,997

K-COH: Client Orders Handled

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

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

Calculation

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

K-COH shall be the arithmetic mean of the daily values from the remaining 3 months multiplied by the relevant coefficient (0.1% and for cash trades and 0.01% for derivative trades).

As at 31 December 2023, the K-COH was €<1k. The table below shows the arithmetic mean amount of COH in cash trades and derivatives for the 4th quarter of 2023, in accordance with the Article 20(1) of IFR:

Table 12: Total COH (average amounts)

	Factor amount		
	December 2023 €'000	November 2023 €'000	October 2023 €'000
COH - Cash trades (average amounts)	**85**	**73**	**75**
Of which: Execution of client orders	*48*	*42*	*44*
Of which: Reception and transmission of client orders	*37*	*31*	*30*

<u>Risk to Market</u>

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

K-NPR: Net Position Risk

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

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

- FX Risk;
- Equity Risk; and
- Traded Debt Instrument Risk.

As at 31 December 2023, the K-NPR capital requirements amounted to €2,080k as shown in the table below:

Table 13:K-NPR capital requirement

K-NPR	€'000
Foreign Exchange Risk	668
Position risk in equities	105
Position risk in traded debt instruments	617
K-NPR	**1,390**

Foreign Exchange Risk

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

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

The Company's foreign exchange risk capital requirement is €668k emanating from a net foreign exchange exposure of €8,351k based on the latest relevant calculations of the Company's capital requirements, as at 31st of December 2023.

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

Closely Correlated Currencies

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

The Company's matched positions in closely correlated currencies for the period up to 31 December 2023 were zero. In this respect, please find below the analysis of the Company's exposure to Foreign Exchange Risk as at 31 December 2023:

Table 14: Foreign Exchange Risk capital requirements

	Positions Subject to Capital			Capital Requirement
	Long	Short	Matched	
Closely Correlated Currencies	-	-	-	
Of which EUR	-	-	-	
All Other Currencies	8,351	-	-	
Gold Positions	-	-	-	
Total	**8,351**	**-**	**-**	**668**

Position Risk

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

Equities

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

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

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

As at 31 December 2023, the market risk capital requirements, due to position risk in equities amounted to **€105k.**

Table 15: Position risks in equities

	Total Exposure €000	Capital Requirements €000
General Risk	653	52
Specific Risk	653	52
Total	**1,306**	**105**

Traded Debt Instruments

Position Risks in Traded Debt Instruments arising from the investments on Fixed Income instruments such as bonds. The position risk on a traded debt instrument shall be divided into two components in order to calculate the capital required against it:

a. Specific risk— this is the risk of a price change in the instrument concerned due to factors related to its issuer; and
b. General risk — this is the risk of a price change in the instrument due to a change in the level of interest rates.

Net positions shall be classified according to the currency in which they are denominated and shall calculate the capital requirement for general and specific risk in each individual currency separately. The capital requirement for general market risk for traded debt instruments is calculated under the maturity-based approach. The instruments' net positions shall be grouped into the three zones (maturity bands) according to the residual time to maturity and whether their coupon is above/below 3%. The Company's trading book exposure is presented in the table below. As at 31 December 2023, the market risk capital requirements, due to position risk in traded debt instruments, amounted to **€617k.**

Table 16: Position Risks in Traded Debt Instruments for EUR currency

Currency: EUR	Net Positions	Weighting factor	Positions subject to capital charge	Own Funds Requirements
	€000	%	€000	€000
TDI in Trading Book				**236**
General Risk - Maturity based approach				
Zone 1	1,747	0.20%	3	38
	922	0.70%	6	
Zone 2	144	1.25%	2	
	1,096	1.75%	19	
	310	2.25%	7	
Specific Risk				
Debt securities	2,472	8%	198	198

Table 17: Position Risks in Traded Debt Instruments for USD currency

Currency: USD	Net Positions	Weighting factor	Positions subject to capital charge	Own Funds Requirements
	€000	%	€000	€000
TDI in Trading Book				**316**
General Risk - Maturity based approach				
Zone 1	1,556	0.20%	3	39
Zone 2	899	1.25%	11	
	424	1.75%	7	
	546	2.25%	12	
Zone 3	41	2.75%	1	
	103	3.25%	3	
Specific Risk				
Debt securities	3,466	8%	277	277

Table 18: Position Risks in Traded Debt Instruments for RUB currency

Currency: RUB	Net Positions	Weighting factor	Positions subject to capital charge	Own Funds Requirements
	€000	%	€000	€000
TDI in Trading Book				**66**
General Risk - Maturity based approach				
Zone 2	709	1.25%	9	
Specific Risk				
Debt securities	709	8%	57	57

Risk to Firm

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

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

K-TCD: Trading Counterparty Default

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

Calculation

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

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

Where:

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

The K-TCD as at 31 December 2023 was calculated based on the provisions of Articles 25 to 32 of the IFR, as shown below:

Table 19: K-TCD Exposures

Type of contract	Exposure (before collateral)	Collateral	Final Exposure Amount	Capital Requirements
	€'000	€'000	€'000	€'000
Repurchase Agreements	90	49	41	4
Total	**90**	**49**	**41**	**4**

K-CON: Concentration Risk on Large Exposures

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

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

Limits

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

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

Calculation

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

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

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

Where:

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

The K-CON own funds requirement shall be the aggregate amount of the own fund requirement calculated for each client or group of connected clients.

The Company calculates and keeps aside additional capital requirement for any amount that exceeds the applicable K-CON limit. Additionally, the Company reports to CySEC, on a quarterly basis, via the IF CLASS2 Ind Form, the amount of exposures exceeding the limits set in Article 37 of the IFR and the name of the relevant counterparty.

As at 31 December 2023, the Company's exposures were below the limit.

K-DTF: Daily Trading Flow

K-DTF captures the operational risks to an investment firm in large volumes of trades concluded for its own account or for clients in its own name in one day which could result from inadequate or failed internal processes, people and systems or from external events, based on the notional value of daily trades, adjusted for the time to maturity of interest rate derivatives in order to limit increases in own funds requirements, in particular for short-term contracts where perceived operational risks are lower.

DTF means the daily value of transactions that an investment firm enters through dealing on own account or the execution of orders on behalf of clients in its own name, excluding the value of orders that an investment firm handles for clients which are already taken into account within the scope of client orders handled.

Calculation

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

K-DTF shall be the arithmetic mean of the daily values from the remaining 6 months multiplied by the relevant coefficient (0.1% and for cash trades and 0.01% for derivative trades).

As at 31 December 2023, the K-DTF was €97. The table below shows the arithmetic mean amount of DTF in cash trades and derivatives for the 4th quarter of 2023, in accordance with the Article 20(1) of IFR:

Table 20: Total DTF (average amounts)

	Factor amount		
	December 2023 €'000	November 2023 €'000	October 2023 €'000
DTF - Cash trades (average amounts)	-	-	-
DTF - Derivatives (average amounts)	97	105	82

K-Factors Requirement Results

As at 31 December 2023, the Company's overall K-Factors Requirement is €2,187k as shown in the table below:

Table 21: K-Factors Results

Item	Factor Amount €'000	K-Factor Requirement €'000
TOTAL K-FACTOR REQUIREMENT		**1,496**
Risk To clients		**102**
K-AUM	-	-
K-CMH (Segregated)	10,944	44
K-CMH (non-Segregated)	-	-
K-ASA	145,467	58
K-COH (Cash Trades)	85	0
K-COH (Derivative Trades)	-	-
Risk to Market		**1,390**
K-NPR		1,390
K-CMG	-	-
Risk to Firm		**4**
K-TCD		4
K-DTF (Cash Trades)	97	0
K-DTF (Derivative Trades)	-	-
K-CON		-

4.2. Capital Ratios

According to Article 9 of the IFR, Investment firms shall have own funds consisting of the sum of their Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital, and shall meet all the following conditions at all times:

$$\frac{\textbf{Common Equity Tier 1 Capital}}{\textbf{D}} \geq \textbf{56\%}$$

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

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

where D is the Company's own funds requirement calculated in accordance with Article 11.

The Company's own funds, own funds requirement and capital ratio reported as at 31 December 2023, were the following:

Table 22: Capital Adequacy Analysis

OWN FUNDS COMPOSITION	€'000
Total Own Funds	**16,685**
OWN FUNDS REQUIREMENTS	**€'000**
Initial Capital	750
Fixed Overheads Requirement	959
K-Factors Requirement	1,496
Own funds Requirement	**1,496**
CAPITAL RATIOS	**€'000**
CET 1 (min. 56%)	**1115.52%**
Surplus of CET 1 Capital	*15,847*
T1 (min. 75%)	**1115.52%**
Surplus of Tier 1 Capital	*15,563*
Total (min. 100%)	**1115.52%**
Surplus of total Capital	*15,189*

As per the above results, the Company as at 31 December 2023 maintains adequate own funds to cover its capital requirements. However, the Company should monitor the above ratios in order to ensure compliance with the capital adequacy requirements at all times.

4.3.Liquidity Requirement

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

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

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

Table 23: Liquidity Requirements

Item	€'000
Total liquid assets	**1,764**
Liquidity Requirement	**320**
Surplus of total liquid assets	*1,444*

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

4.4.Reporting requirements

4.4.1. Quarterly Submissions

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

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

The information above shall be reported to CySEC using the prudential form *IF CLASS2 Ind* on a quarterly basis though CySEC's XBRL portal.

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

Moreover, the Company is required to submit immediately to CySEC the prudential Form under exceptional reporting, when:

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

During the year under review, the Company's own funds never dropped below its own funds requirement and the Company fulfilled its obligations by successfully submitting, on a quarterly basis, the Capital Adequacy Reports.

4.4.2. Concentration risk requirements

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

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

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

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

Table 24: Large Exposure Limits

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

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

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

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

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

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

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

The Company maintains proper accounting controls in order to identify, monitor and control all exposures including clients' balances and the value of the assets held as financial instruments under pledge.

4.5.Other Material Risks

Operational Risk

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

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

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

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

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

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

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

Reputation Risk

Reputational risk is the current or prospective risk to earnings and capital arising from an adverse perception of the image of the Company by Clients, counterparties, shareholders, investors or regulators. Reputational risk could be triggered by poor performance, the loss of one or more of the Company's key directors, the loss of large Clients, poor Client service, fraud or theft, Client claims, legal action, regulatory fines and from negative publicity relating to the Company's operations whether such a fact is true or false.

The Company is aware that, operating in a demanding industry, with many competitors, who may also act in unethical ways, could introduce risks of a reputational nature. The possibility of having to deal with serious incidents is limited as the Company exerts its best efforts in providing high quality services to its clients. In addition, the Company's Board members and Senior Management comprise of experienced professionals who are recognized in the industry for their integrity and ethos, and, as such, add value to the Company.

The Company aims to minimise reputational risk through the implementation of a strong internal control system and adequate policies and procedures (including in the area of client complaint handling). Furthermore, the Company aims to also mitigate this risk by ensuring that all employees are adequately trained and equipped with the required skills to fulfil their duties.

Business Risk

Business Risk arises due to probable losses that might be incurred by the Company during unfavourable market conditions, thus, having a current and/or future possible impact on earnings

or capital from adverse business decisions and/or the lack of responses to industry changes by the Company.

Furthermore, business risk may arise from the probability of inadequate profits or losses due to the unavailability of execution venues to execute transactions.

The Company may be exposed to business risk in case of a deterioration of business and economic conditions in the markets in which it operates. The Company's business plans involve an expansion of its clientele so as to grow its revenue base and increase its profitability. However, the Company has taken into consideration Business Risk when preparing its financial projections and when conducting its stress testing procedures.

In order to avoid any potential damage to the Company's financial position, the Company continuously evaluates (and redesigns if and when necessary) its business plans taking into account changing economic conditions.

The Company has policies and procedures in place when dealing with possible Client complaints in order to provide the best possible assistance and service under such circumstances.

Regulatory Risk

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

Legal and Compliance Risk

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

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

Information Technology Risk

Information Technology (hereinafter, "IT") risk could occur as a result of inadequate information technology and processing, or arise from an inadequate IT strategy and policy or inadequate use of the Company's IT.

The Internal Auditor, as part of the annual on-site inspections, evaluates and assesses whether the Company's systems and infrastructure are adequate.

The aim of the Company is for the materialisation of IT risk to be minimised to the lowest possible level and, as such, the Company shall take the respective rectifying measures, as and when deemed necessary.

Specifically, policies have been implemented and measures have been taken regarding backup procedures, software maintenance, hardware maintenance, internet use, data protection procedures, and disaster recovery, as applicable.

Conduct Risk

Conduct risk is defined as the risk of an action, by an individual, financial institution or the industry as a whole, which leads to customer detriment or undermines market integrity. This can bring sanctions and negative publicity to the Company. Moreover, EBA has defined conduct risk as the current or prospective risk of losses to an institution arising from inappropriate supply of financial services including cases of wilful or negligent misconduct. Consequently, conduct risk arises from failures of designated execution venues located in third countries associated with the Company. Furthermore, the Company can be exposed to conduct risks arising from inadequate agreements with the third parties that hold clients' funds.

The Company will continue to monitor the financial soundness of the execution venues and make sure that it can justify the trading risks it undertakes, ensuring that it is in such a cash flow position that it can undertake the settlement of all trades introduced or executed or hedged by its clients. Moreover, the Company recognises the importance to ensure its clients' protection, thus, the Company has in place arrangements such as stop out limits and maintains adequate agreements with its execution venues.

5. INTERNAL CAPITAL ADEQUACY AND RISK ASSESSMENT PROCESS

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

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

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

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

The ICARA Report and capital planning for the year 2022 has been prepared and approved by the Board in the third quarter of 2023. The report is being reviewed and updated annually, while it is submitted to CySEC upon its request as laid down at Article 50(b) of the IFR.

6. REMUNERATION POLICY AND PRACTICES

The Company's remuneration system and policy is concerned with practices of the Company for those categories of staff whose professional activities have a material impact on its risk profile, i.e. the Senior Management and members of the Board of Directors; the said practices are established to ensure that the rewards for the 'executive management' are linked to the Company's performance, to provide an incentive to achieve the key business aims and deliver an appropriate link between reward and performance whilst ensuring base salary levels are not set at artificially low levels.

The Company ensures that the principle of gender neutrality is satisfied at all operational levels applying a bottom-up approach and following the principles of equal pay for male and female workers for equal work of equal value. Specifically, the Company is in the process of improving its recruitment process, pay-out principle, senior management representation and committee representation in order to adhere to the gender inclusivity principles set out in the EBA's Final Report and the provisions of IFD on remuneration. Furthermore, the gender pay gap of the Company is recorded and monitored and the assessed ratio is readily available to be communicated to the regulator for conducting the benchmarking exercise on remuneration practices set out in the EBA Consultation Paper on the Pay Gap. In addition to ensuring equal pay for the same position, the Company is committed to improving the representation of the underrepresented gender in the management body in order to establish equal career perspectives. Furthermore, the Company is in the process of diversifying its Board of Directors in order to reflect the gender-balanced approach to which it is committed to establish.

The Company uses remuneration as a significant method of attracting and retaining key employees whose talent can contribute to the Company's short and long term success.

The remuneration mechanisms employed are well known management and human resources tools that take into account the staff's skills, experience and performance, whilst supporting at the same time the long-term business objectives.

The Company's remuneration system takes into account the highly competitive sector in which the Company operates, and the considerable amount of resources the Company invests in each member of the staff.

It is noted that the Company has taken into account its size, internal organization and the nature, the scope and the complexity of its activities and it does not deem necessary the establishment of a specific remuneration committee. Decisions on these matters are taken on a Board of Directors level while the remuneration policy is periodically reviewed.

The various remuneration components are combined to ensure an appropriate and balanced remuneration package that reflects the business unit, the employee's rank in the Company and professional activity as well as market practice.

The two remuneration components are:

- fixed remuneration (including fixed supplements)
- other benefits

The remuneration varies for different positions/roles depending on each position's actual

functional requirements, and it is set at levels which reflect the educational level, experience, accountability, and responsibility needed for an employee to perform each position/role. The remuneration is also set in comparison with standard market practices employed by the other market participants/ competitors.

With respect to the link between pay and performance, it goes without saying that the two variables are positively correlated. Depending on the nature of the work of each department and each employee, departmental and individual qualitative and/or quantitative performance measures and targets (relevant to the nature of the work) are pre-agreed and set at the beginning of each year. The basis for such preagreement is a feedback loop between officers (i.e. individual employees) and relevant heads/managers. Performance appraisal and evaluation takes place at the end of each year based on aforementioned qualitative and/or quantitative benchmarks. Such appraisal and performance evaluation guides future salary adjustments decided by the - senior management.

The table below provides information on the remuneration of Executive Directors, Senior Management and other staff whose activities have a material impact on the risk profile of the Company, broken down by fixed and variable remuneration.

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

Annual Remuneration as at 31 December 2023				
Position	**No. of Beneficiaries**	**Fixed Remuneration €**	**Variable Remuneration €**	**Aggregated Remuneration €**
Executive Directors	3	298,528	160,995	**459,523**
Senior Management *(excl. directors)*	7	298,649	116,400	**415,049**
Non-Executive Directors	2	28,800	20,000	**48,800**
Total	**12**	**625,977**	**297,395**	**923,372**

The variable to fixed remuneration ratio as at 31 December 2023 was 47.51%.

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

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

Following the Article 32(4)(a) of the IFD, these points apply to the Company since the Company falls under the definition of '*significant CIF'* (off-balance sheet assets is on average less than €100m over the preceding four-year period).

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

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

The aggregate remuneration of the Company's personnel for the year ended 31 December 2023, broken down by business area, is presented in the following table:

Table 26: Remuneration split by business area

Annual Remuneration as at 31 December 2023			
Business Area	**Fixed €**	**Variable €**	**Total €**
Control functions*	364,637	195,940	**560,577**
Brokerage Department	74,269	-	**74,269**
Finance & Accounting department	95,561	23,445	**119,006**
Administration/Back Office Department	113,393	49,490	**162,883**
IT Services Department	65,533	16,780	**82,313**
Dealing Department	64,019	36,885	**100,904**
Account opening & Payments Department	68,184	49,320	**117,504**
Total	**480,958**	**175,920**	**656,878**

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

7. INVESTMENT POLICY

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

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

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

The Company's average on and off-balance sheet assets for the preceding four-year period are more than €100m and as such it does meets the criteria of the paragraph 26(8) of the Law. Therefore, the Company is not exempted from the disclosure requirement regarding investment policy.

However, and as per the provisions of the Article 52(2), investment firms should only disclose information only for companies whose shares are admitted to trading on a regulated market and in which the proportion of voting rights exceeds 5% of all voting rights issued by the company are considered relevant for this disclosure.

In this respect and given that the Company is not holding investment in shares exceeding the 5% of the total voting rights, it is not required to comply with the Article 52(1) disclosures requirement.

8. ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISKS

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

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

The Company's average on and off-balance sheet assets for the preceding four-year period are more than €100m and as such it meets the criteria of the paragraph 26(8) of the Law. Therefore, the Company is not exempted from the disclosure requirement regarding ESG.

Types of ESG Risks

ESG relates to factors with regards to environmental, social or governance issues which may have a positive or negative impact on the financial performance of an entity, part or individual. Within the context of ESG risks, the Company has assessed, integrated and developed a qualitative approach in order to manage and mitigate the effects of these risks.

The nature of risks accounted for are the following:

- Environmental risks which are the risks of any negative financial impact on the institution arising from current or prospective impacts of environmental factors on its counterparties or invested assets.
- Social risks which are the risks of any negative financial impact on the institution arising from the current or prospective impacts of social factors on its counterparties or invested assets.
- Governance risks which are the risks of any negative financial impact on the institution arising from the current or prospective impacts of governance factors on its counterparties or invested assets.
- Physical risks which are the risks of any negative financial impact on the institution arising from the current or prospective impacts of the physical effects of environmental factors on its counterparties or invested assets.
- Transition risks which are the risks of any negative financial impact on the institution arising from the current or prospective impacts of the transition to an environmentally sustainable economy on its counterparties or invested assets.

Accounting for ESG risks

The Company shall be accounted for ESG risks via the following mechanisms:

- Introducing ESG factors within the risk appetite and risk management framework
- Introducing sustainability indicators within monitoring and assessment of key performance indicators

- Development of a corporate governance framework and the appropriate policies to account for a workplace that respects ESG factors.
- Development of an implementation plan with regards to ESG risks

ESG Risk Management Framework

The Company is in the process of incorporation of ESG risks within the firm's risk appetite framework (RAF) as part of the ICARA process. Developing a RAF which draws reference to the firm's material risk appetite statement (RAS) and potential harms that it is or may be exposed to is a key objective of efficient risk management techniques.

In light of the above, the Company has a dedicated plan set out to improve its procedures on ESG risks, which is at the centre of the Company's Risk Management Framework. Specifically, the Risk management Function shall add the applicable elements it has deemed appropriate in relation to ESG risks to the RAS including mitigating actions taken on each risk. Moreover, the Company shall establish a training programme whereby material risk-takers shall attend training sessions in relation to ESG.

Further to the approach above, the Company shall assess the impact of ESG risks within the context of the ICARA process. Specifically, through a quantitative approach, the Company shall determine the level of additional capital and/or liquid assets (i.e., financial resources) that it may need to maintain in order to account for exposures to ESG risks.

Through this consideration, the Company will be able to assess the adequacy of its mitigating actions applied, internal controls strength, and take additional measures in the form of maintaining additional capital or liquid assets to cover these risks as part of its assessment of resources on risks arising from ongoing operations to cover these risks.

Within the Company's ICARA process, ESG related risks shall all be categorised as material risks and shall be assessed and monitor upon the annual review of ICARA. Climate Risk as part of Environmental Risk shall be considered by assessing climate-related stress parameters in stress testing scenarios.

Furthermore, the Firm shall ensure that appropriate oversight of decision making, and the control mechanisms shall continue to be kept up to standards and management instructions as well as management of risks are effectively pursued.

With regards to Governance Risk and Social Risk, the Company's policies, arrangement and controls shall also be assessed in terms of adequacy of mitigation actions taken, applying stress test scenarios related to these factors and adjusting financial resources accordingly to ensure the adequate control of ESG risk exposures.

ESG Strategy

The Company is planning on developing further the nature of ESG risks included within its assessments through both a quantitative and qualitative approach. Specifically, Climate Risk, Physical and Transition risks as part of the Environmental Risks as well as Social and Governance Risks shall be included within the Company's risk management framework and an ESG Policy shall be established outlining the roles and responsibilities of each function and

operation of the Company ensuring a company-wide embedment of ESG risks within the Company's practices.

The Company is devoted to adhering to ESG standards and requirements as they develop within the industry, ensuring that adequate resources will be placed to advancing the Company's ESG Strategy.

Moreover, the Company shall ensure that its stance on ESG shall be communicated to clients, investors and counterparties in order to be able to provide the necessary information on risks and opportunities related to climate change and other environmental and social issues related to investment behaviour.

Further to the above, the Company is planning to conduct a materiality assessment in order to better understand firm-level exposures related to ESG risks in an effort to gradually develop a sustainability framework and contribute to enhancing targeted mitigating actions against ESG risks in the context of its ESG strategy.

9. APPENDIX – SPECIFIC REFERENCES TO THE IFR

IFR Reference	High Level Summary	Section
Scope of disclosure requirements		
46 (1)	Requirement to publish market disclosures, on the date of publication of the annual financial statements.	1.2
46 (2)	Requirement to publish market disclosures for small and non-interconnected IFs	N/A
46 (3)	Requirement to publish market disclosures for IFs which do not longer meet the criteria of small and non-interconnected IF	N/A
46 (4)	Market disclosures to be published in an appropriate medium, or provide clear cross-references to other media.	1.4
Risk management objectives and policies		
47	Disclosure of the risk management objectives and policies for each separate category of risk set out in Parts Three, Four and Five of the IFR, including a summary of the strategies and processes to manage those risks and a concise risk statement approved by the investment firm's management body succinctly describing the investment firm's overall risk profile associated with the business strategy	1.5, 4.1, 4.5
Governance		
48 (a)	Disclosure of the number of directorships held by members of the management body	2.3
48 (b)	The policy on diversity with regard to the selection of members of the management body, its objectives and any relevant targets set out in that policy, and the extent to which those objectives and targets have been achieved	2.2, 2.4
48 (c)	whether or not the investment firm has set up a separate risk committee and the number of times the risk committee has met annually	2.1.3
Own Funds		
49 (1) (a)	Full reconciliation of Common Equity Tier 1 items, Additional Tier 1 items, Tier 2 items and applicable filters and deductions applied to own funds of the investment firm and the balance sheet in the audited financial statements of the IF;	3.3
49 (1) (b)	Description of the main features of the Common Equity Tier 1 and Additional Tier 1 instruments and Tier 2 instruments issued by the IF	3.2
49 (1) (c)	Description of all restrictions applied to the calculation of own funds in accordance with the IFR and the instruments and deductions to which those restrictions apply	3.1
49 (2)	EBA shall develop implementation standards for points (a), (b), (c) above.	N/A
Own Funds Requirements		

50 (a)	Summary of IF's approach to assessing adequacy of its internal capital to support current and future activities.	4.2
50 (b)	Result of ICARA upon request of the competent authority.	5
50 (c)	K-factor requirements calculated in aggregate form for RtM, RtF, and RtC, based on the sum of the applicable K-factors	4.1.3
50 (d)	Fixed overheads requirement	4.1.2
Remuneration policy and practices		
51	Remuneration policy, including aspects related to gender neutrality and the gender pay gap, for those categories of staff whose professional activities have a material impact on the risk profile	6
51 (a)	Design characteristics of the remuneration system, including the level of variable remuneration and criteria for awarding variable remuneration, payout in instruments policy, deferral policy and vesting criteria	6
51 (b)	Ratios between fixed and variable remuneration	6
51 (c)	Aggregated quantitative information on remuneration, broken down by senior management and members of staff whose actions have a material impact on the risk profile of the investment firm	6
51 (c)(i)	The amounts of remuneration awarded in the financial year, split into fixed and variable remuneration, and the number of beneficiaries	6
51 (c)(ii)	The amounts and forms of awarded variable remuneration	6
51 (c)(iii)	The amounts of deferred remuneration awarded for previous performance periods	N/A
51 (c)(iv)	The amount of deferred remuneration due to vest in the financial year	N/A
51 (c)(v)	The guaranteed variable remuneration awards during the financial year and the number of beneficiaries of those awards	N/A
51 (c)(vi)	The severance payments awarded in previous periods, that have been paid out during the financial year	N/A
51 (c)(vii)	The amounts of severance payments awarded during the financial year, split into paid upfront and deferred, the number of beneficiaries of those payments and the highest payment that has been awarded to a single person	N/A
51 (d)	Whether the IF benefits from a derogation laid down in Article 32(4) of the IFD	6
Investment policy		
52	Not applicable due to criteria referred to in point (a) of Article 32 (4) of the IFD	7
Environmental, social and governance risks		
53	Not applicable due to criteria referred to in point (a) of Article 32 (4) of the IFD	8