KLEIS EU LIMITED

LICENSE No. 436/23

UNAUDITED
PILLAR III
DISCLOSURE AND MARKET DISCIPLINE REPORT
FOR 2023

The Disclosure and Market Discipline Report for the year 2022 has been prepared as per the requirements of Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms and amending Regulations (EU) No 1093/2010, (EU) No 575/2013, (EU) No 600/2014 and (EU) No 806/2014.

Any information that was not included in this report was either not applicable on the Company's business and activities -OR- such information is considered as proprietary to the Company and sharing this information with the public and/or competitors would undermine our competitive position.

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1. DECLARATION OF THE MANAGEMENT BODY

The Board of Directors is ultimately responsible for the risk management framework of the Company. The Risk Management framework is the sum of systems, policies, processes, and people within the Company that identify, assess, mitigate and monitor all sources of risk that could have a material impact on the Company's operations.

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

This report has been prepared using the Unaudited Financial Statements.

This declaration has been signed by the Board on 26th April 2024

2. REGULATORY SUPERVISION

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

- Law 87(I)/2017 regarding the provision of investment services, the exercise of investment activities and the operation of regulated markets (hereafter "the Law")
- Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012
- Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (Capital Requirements Regulation - CRR)
- Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (Capital Requirements Directive IV – CRD IV)
- Directive (EU) 2019/878 – amending the Capital Requirements Directive IV as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures (CRD V)
- Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms and amending Regulations (EU) No 1093/2010, (EU) No 575/2013, (EU) No 600/2014 and (EU) No 806/2014 (Investment Firms Regulation - IFR)
- Directive (EU) 2019/2034 of the European Parliament and of the Council of 27 November 2019 on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU (Investment Firms Directive - IFD)

In this Document, we collectively refer to all the above legislations, regulations and guidelines as "Regulations".

3. INTRODUCTION

3.1. Company Information

KLEIS EU LTD (the "Company", "we" "Keytotrading"), is an Investment Firm incorporated and registered under the laws of the Republic of Cyprus, with registration no. HE433552, authorised and regulated by the Cyprus Securities and Exchange Commission (CySEC) with License No 436/23. We have our business address at 254 Archiepiskopou Leontiou I, Maximos Court A, 7th Floor, 3020 Limassol, Cyprus. Keytotrading is the trading name of the Company.

CIF NAME	KLEIS EU LIMITED
CIF AUTHORIZATION	04/09/2023
CIF LICENSE NUMBER	CIF436
COMPANY REGISTRATION DATE	21/04/2022
COMPANY REGISTRATION NUMBER	HE433552

Table 1 Company's Information

Authorised Investment Services:

- Reception and transmission of orders in relation to one or more financial instruments
- Execution of orders on behalf of clients

Authorised Ancillary Services:

- Safekeeping and administration of financial instruments, including custodianship and related services.
- Granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction.
- Foreign exchange services where these are connected to the provision of investment services.
- Investment Research (obtained in 2024)

3.2. The Company

Kleis EU Ltd operates in Cyprus, offering investment and ancillary services in relation to Forex/CFDs and has at 31st December 2023, seven [7] employees located in Cyprus.

We pursue a stable business model, and this is reflected in a well-balanced capital allocation in our operations, a geographically diversified strategy and always ensure that compliance rules are strictly respected, especially in the area of anti-money laundering and counterterrorism financing.

We consider our reputation to be an asset of great value that must be protected in order to ensure our business development. The prevention and detection of reputation risks is integrated within all the Company’s operating practices and further protected by making our employees aware of the values of responsibility, ethical behaviour and commitment.

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

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

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

3.3. Classification and Prudential Requirements

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

Class 1 Investment Firms are the largest and most interconnected investment firms, with risk profiles similar to those of significant credit institutions, have equal treatment with credit institutions in the sense of a level playing field accordingly and they will fall entirely under the Regulation EU) No 575/2013 ("CRR"). Investment Firms categorized as Class 2 and Class 3 will have the most impact from the new prudential framework as, the capital requirements, reporting requirements and internal governance policies are subject to the provisions of IFR/IFD.

CIFs that meet all of the below criteria are categorized as Class 3 Investment Firms while when they exceed any of the following specific size thresholds, they are categorized as Class 2 Investment Firms.

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

Table 2: Threshold Citeria

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:

Permanent minimum capital requirement - The permanent minimum capital requirement of the Company is €150k since is authorized to "hold client money" and the balance of Client money held at the date of reference was zero. The company plans to activate the license for the investment service of "dealing on own account" in Q1 2023.

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

K-Factors requirement - The new K-Factors are quantitative indicators that reflect the risk that the new 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 Risk to Client ('RtC'), Risk to Market ('RtM') and Risk to Firm ('RtF') proxies.

3.4. Scope of Application

In accordance with Regulation (EU) No. 2019/2033 (the Investment Firm Regulation, "IFR"), which was introduced in June 2021, the Company is required to disclose information relating to its risk exposure and management, capital structure, capital adequacy as well as the most important characteristics of the Company's corporate governance including its remuneration system. The scope of this report is to promote market discipline and to improve transparency of market participants.

This document is updated and published annually; it will, however, be published more frequently if there are significant changes to the business (such as changes to the scale of operations, range of activities, etc.). CySEC is responsible for implementing and enforcing the European Capital Requirements legal framework, a capital adequacy framework consisting of three 'pillars':

– **Pillar I** sets minimum capital requirements comprising of base capital resources requirements
– **Pillar II** requires firms to undertake an overall internal assessment of their capital adequacy, taking into account all the which the firm is exposed to and whether additional capital should be held to cover risks not adequately covered by Pillar I requirements. This is achieved through the Internal Capital Adequacy Assessment Process ("ICAAP")
– **Pillar III** complements Pillars I and II and improves market discipline by requiring firms to disclose information on their capital resources and Pillar I capital requirements, risk exposures and their risk management framework

The 2023 Pillar III Disclosures Report sets out both quantitative and qualitative information required in accordance with part six of the IFR and in particular articles 46 to 53, which set the requirements of the disclosures.

The information contained in the Pillar III Market Discipline and Disclosure Report is audited by the Firm's external auditors and published on the Company's website at [LINK] on an annual basis.

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

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

4. Governance and Risk Management

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

4.1. 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 – Risk Ownership:** It includes any business and supporting functions of an entity that generate exposure to a risk. It actively deals and manages risks as part of the daily business operations and putting the necessary controls in place so that these remain within the approved appetite risk. Risk owners are full responsible and accountable for the ongoing management of such risks that arise.
- **Second line of defence – Risk Function & Compliance:** Introduces best practise and ensure compliance as part of the second line of defence, while the risk function is responsible to ensure that all risks are under control, independent opinions on the risks that the Company is exposed and on the way that they are mitigated and challenge the risk management activities performed in the first line of defence. In general, these functions are responsible for ensuring that all the risks are managed in accordance with the risk appetite defined by the Senior Management and approved by the BoD. They must also provide guidance, advice, and independent opinion in all key risk-related matters.
- **Third line of defence – Internal Audi**t: It regularly assesses policies, methods and procedures and provide assurances to the BoD that the overall internal control environment is effective and that all policies, methods and procedures are consistently applied throughout the Company.

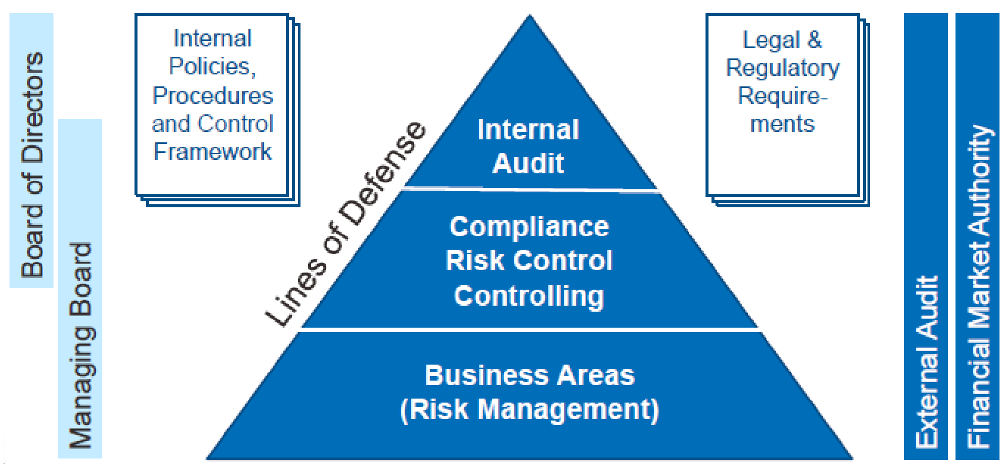

Figure 3 Three Lines of Defence

4.2. Types of Risks

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

Enterprise Risks

- Credit risk
- Market risk
- Operational risk
- Liquidity Risk
- Compliance / Reputational / Legal risk
- Anti-Money Laundering and Terrorist Financing Risk
- IT Risk

IFR-related Risks

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

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

4.3. Enterprise Risks

4.3.1. Credit Risk

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

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

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

monitors their compliance with the EU regulatory framework and diversifies the funds over several credit institutions thus mitigating the risk exposure efficiently.

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

4.3.2. Market Risk

Market risk corresponds to the risk of a loss of value on financial instruments arising from changes in market parameters, the volatility of these parameters and correlations between them. These parameters include but are not limited to exchange rates, interest rates, and the price of shares, commodities, derivatives and other assets. Market risk mainly arises from:

- Position Risk: It refers to the probability of loss associated with a particular trading (long or short) position due to price changes.
- Interest rate risk: The risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
- Commodities Risk: It refers to the uncertainties of future market values and of the size of the future income, caused by the fluctuation in the prices of commodities. These commodities may be oil, metals, gas, electricity etc.
- Foreign Exchange Risk: It is a financial risk that exists when a transaction is denominated in a currency other than the base currency of the company. The foreign exchange risk in the Company is effectively managed by the establishment and control of foreign exchange limits, such as through the establishment of maximum value of exposure to a currency pair as well as through the utilization of sensitivity analysis.

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

4.3.3. Operational Risk

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

The Company has in place processes, management tools and a control infrastructure to enhance the Company-wide control and management of its operational risk that are inherent in its various activities. These include, among others, general and specific procedures, permanent supervision, business continuity plans, and functions dedicated to the oversight and management of specific types of operational risks, such as fraud, risks related to external service providers, legal risks, information system security risks and compliance risks.
The Company recognises that the control of operational risk is highly dependent on the effective and efficient management practices and high standards of corporate governance.

In extend, the management of operational risk is geared towards:

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

The Company implements the below mitigation strategies in order to minimize its operational risk and develop risk awareness:

- Provide of adequate information to the Company's management, in all levels, in order to facilitate decision making for risk control activities
- Implement a strong system of internal controls to ensure that operational losses do not cause material damage to the Company and have a minimal impact on profitability and objectives
- Implement improvements on productivity, efficiency and cost effectiveness, with an objective to improve customer service and protect shareholder value
- Establish a "four-eye" structure and board oversight. This structure ensures the separation of power regarding vital functions of the Company namely through the existence of a Senior Management. The Board further reviews any decisions made by the Management while monitoring their activities
- Implement improvements on its methods of detecting fraudulent activities
- Updating its business contingency and disaster recovery plan

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

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

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

4.3.4. Liquidity risk

Liquidity risk corresponds to the risk of the Company not being able to meet its cash or collateral requirements as they arise and at a reasonable cost.

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

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

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

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

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

- Regular reporting to the Board of Directors on the funding needs of the Company
- Monitoring of the Company's exposures and diversification to avoid rise of concentration risk as per the internal policies
- Cash Management

The Company has undertaken a specific review of its liquidity risks and believes that it is able to meet its upcoming maturities. As at 31/12/2023, the Company held enough capital in its bank accounts, to meet its short-term obligations.

Furthermore, the Company is taking due care in safeguarding the client assets held in fiduciary capacity (in segregated accounts) and will perform the following mitigation strategies:

- These assets will be held by the Company in a fiduciary capacity and are not included in the Company's funds nor its financial statements
- The funds will be held in client segregated bank accounts
- Frequent reconciliations will be performed internally

4.3.5. Compliance, Reputational and Legal Risks

Compliance risk (including legal and tax risks) corresponds to the risk of legal, administrative or disciplinary sanctions or material financial losses, arising from failure to comply with the provisions governing the Company's activities. Compliance means acting in accordance with applicable regulatory rules, as well as professional, ethical and internal principles and standards. Fair treatment of customers, with integrity, contributes decisively to the reputation of the Company.

By ensuring that these rules are observed, the Company works to protect its customers and, in general, all its counterparties, employees, shareholders and the various regulatory authorities to which it reports.

The Compliance Officer verifies that all compliance laws, regulations and principles applicable to the Company's services are observed, and that all staff respect the codes of good conduct and individual compliance. The Compliance Officer also monitors the prevention of reputational damage, performs compliance controls at the highest level and assists with the day-to-day operations.

Independent compliance policies have been set up within the Company's different business lines to identify and prevent any risks of non-compliance.

4.3.6. Anti-Money Laundering and Terrorist Financing Risk

Money laundering and terrorist financing risk mainly refers to the risk where the Company may be used as a vehicle to launder money and/or assist/involved in financing terrorism. The Company has in place policies, procedures and controls in order to mitigate the money laundering and terrorist financing risks. Among others, these policies, procedures and controls include the following:

- A risk-based approach that involves specific measures and procedures in assessing, identifying and managing the Money Laundering and Terrorist Financing risks faced by the Company
- Adequate Client due diligence and identification procedures in line with the Clients' assessed Money Laundering and Terrorist Financing risk
- Minimum standards of quality of the required identification data for each type of Client (e.g. documents from independent and reliable sources, third party information)
- Obtaining additional data and information from Clients, where this is appropriate and relevant, for the proper and complete understanding of their activities and source of wealth and for the effective management of any increased risk emanating from a particular Business Relationship or an Occasional Transaction
- Monitoring and reviewing the business relationship or an occasional transaction with clients and potential clients of high-risk countries
- Ensuring that the Company's personnel receive the appropriate training and assistance

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

4.3.7. IT Risk

IT risk could occur as a result of inadequate information technology and processing or arise from an inadequate IT strategy and policy or an inadequate use of the Company's information technology. Specifically, an ICT and security Manual and relevant policies have been implemented regarding back-up procedures, software maintenance, hardware maintenance, use of the internet and anti-virus procedures as well as access rights and IT Risk prevention. Materialization of this risk has been minimized to the lowest possible level.

4.4. IFR Risks and related requirements

The introduction of IFR, brought significant changes in the way investment firms calculate their capital requirements. As such our Firm presented below the risks arising from the capital requirements framework, alongside, the rest of the "non-risk" capital requirements.

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

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

In accordance with the Investment firm regulation, the Capital requirement for the company is equal to the highest of the following:

- K-Factor Requirement
- Permanent Minimum Capital Requirement
- Fixed Overheads Requirement

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

4.4.1. Risk-to-Client (RtC)

The K-factors under RtC capture client assets under management and ongoing advice (K-AUM), client money held (K-CMH), assets safeguarded and administered (K-ASA), and client orders handled (K-COH).

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

	K-factor Requirement
K-AUM	0
K-CMH	391.83
K-ASA	0
K-COH	125,967.67

Table 4 RTC K-Factors

4.4.2. Risk-to-Market (RtM)

The K-factor under RtM captures net position risk (K-NPR) in accordance with the market risk provisions of CRR or, where permitted by the competent authority for specific types of investment firms which deal on own account through clearing members, based on the total margins required by an investment firm's clearing member (K-CMG).

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

K-factor Requirement	
Position risk	0
Foreign exchange risk	0
Commodity risk	0
Total (NPR)	0

Table 5 Market risk capital requirements based on NPR

4.4.3. Risk-to-Firm (RtF)

The K-factors under RtF capture an investment firm's exposure to the default of their trading counterparties (K-TCD) in accordance with simplified provisions for counterparty credit risk based on CRR, concentration risk in an investment firm's large exposures to specific counterparties based on the provisions of CRR that apply to large exposures in the trading book (K-CON), and operational risks from an investment firm's daily trading flow (K-DTF).

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

K-factor Requirement	
K-TCD	0
K-DTF	0
K-CON	0

Table 6 RTF K-Factors

4.4.4. Liquidity Requirement

Liquidity requirement corresponds to the risk of the Company not being able to meet its cash or collateral requirements as they arise. The Company's primary objective is to ensure the funding of its activities in the most cost-effective way by managing liquidity risk and adhering to regulatory constraints (such as the requirement of always holding a minimum of one third of their fixed overheads requirement in liquid assets). The table below shows the Firm's liquidity requirement as at 31/12/2023.

	Amount ('000)
Liquidity Requirement	1.7
Client guarantees	0
Total liquid assets	5

Unencumbered short-term deposits	5
Total eligible receivables due within 30 days	0
Level 1 assets	0
Level 2A assets	0
Level 2B assets	0
Qualifying CIU shares/units	0
Total other eligible financial instruments	0

Table 7 IFR 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 Unaudited financial statements, the Company has the above liquid assets which is well above the 1/3 of the total fixed overheads requirement.

4.4.5. Fixed Overhead Requirement (FOR)

Under IFR, the Firm is required to report its Fixed Overhead requirement, essentially substituting the CRR operational risk, calculated as a quarter of the fixed overheads of the preceding year. The table below indicates the calculations used for our reporting:

	Amount ('000)
Fixed Overhead Requirement	5
Annual Fixed Overheads of the previous year after distribution of profits	22
Total expenses of the previous year after distribution of profits	22
(-) Total deductions	0

Table 8 Fixed Overhead Requirement

The risks and uncertainties faced by the company are those inherent to the industry. The Board seeks to mitigate this risk by constant review and strict control of fixed overhead costs by optimising resources and reducing unnecessary expenses.

4.4.6. Permanent Minimum Capital Requirement (PMC)

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

As at 31/12/2023, the Firm's PMC was EUR 150,000 for offering the services refer to in the Scope section of this report.

4.5. 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 analysed 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 risk in line with the overall risk management and risk bearing capacity of the Company. The Company recognises 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 the various risks.

4.6. Risk Appetite

The Company defines Risk Appetite as the level of risk, by type and by business that the Company is prepared to incur given its strategic targets and is one of the strategic oversight tools available to the Management body. Risk Appetite is defined using both quantitative and qualitative criteria.

The Risk Appetite Framework takes into account earnings sensitivities to business cycles and credit, market and operational events. The Risk Appetite is one of the strategic oversight tools available to the Management bodies. It underpins the budgeting process and draws on the ICAAP, which is also used to ensure capital and liquidity adequacy under stressed economic scenarios.

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

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

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

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

Throughout the year, the Company's risk profile has remained within normal/acceptable levels despite effects of recent macroeconomic factors.

Finally, our regulatory appetite levels are as per the below tables:

Total Capital Ratio		Own Funds	
● **Well Above the limit**	> 150%	● **Well Above the limit**	> 180,000
● **At the limit**	100% - 150%	● **At the limit**	150,000 – 180,000
● **Below the limit**	< 100%	● **Below the limit**	< 150,000

Table 9 Our regulatory Appetite Levels

4.7. Diversity Policy

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

The Company recognizes the value of a diverse and skilled workforce and management body, which includes and makes use of differences in the age, educational and professional background, skills, experience, background, race, culture and gender between them.

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

4.8. Board Recruitment

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

The persons proposed for the appointment should have specialised skills and/or knowledge to enhance the collective knowledge of the BoD and must be able to commit the necessary time and effort to fulfil their responsibilities.

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

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

4.9. Remuneration

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

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

	No. of staff	**Fixed**	**Variable**	**Non-cash**	**Total**
Board of Directors	4	90,531.00€	N/A	N/A	90,531.00€
Senior Management (Excluding Board Members)	0	0	N/A	N/A	0
Heads of Departments (Excluding Board or Senior Members)	7	172,391.17€	N/A	N/A	172,391.17€
Members of staff whose actions have a material impact on the risk profile of the institution and other staff	0	0	N/A	N/A	0
Grand Total	11	262,922.17€	N/A	N/A	262,922.17€

Table 10 Aggregate Remuneration for 2023 broken down by business area in '000 Euro.

4.10. Directorships held by Members of the Management Body

In 2023, the members of the Management body of the Company, given their industry experience, have been taking seats in other Company boards. In line with this, the following table indicates the number of positions that each member holds excluding those in Key to Trading:

No.	Position in the Company	Directorships (Executive)	Directorships (Non-Executive)
1.	Executive Director	0	1
2.	Executive Director	0	0
3.	Non-Executive Director	1	1
4.	Non-Executive Director	1	1

Table 11 Directorships held by Members of the Management Body

4.11. 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 must ensure that internal audit issues are considered when presented by the Internal Auditor and appropriate actions must be taken according to the Board's assessment and prioritization. Moreover, the qualifications of the Internal Audit Function 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. The Company is currently outsourcing this function.

Compliance Function

Pursuant to the regulatory obligations of the Company, the Board has formed a compliance function to manage compliance risk. Furthermore, the Board has an appointed Compliance Officer who is responsible for this function across the entire company. 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 possesses sufficient knowledge, skills and experience in relation to compliance and relevant procedures and has access to regular training.

Anti-Money Laundering Compliance Officer

The Board appoints a person to the position of the Company's Anti-Money Laundering Compliance Officer (hereinafter the "AMLCO") to whom the Company's employees report incidents that came to their attention and/or suspicion of transactions involving money laundering and/or terrorist financing. The AMLCO comes from to the higher hierarchical 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.

5. Capital Management and Adequacy

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

5.1. Regulatory Capital

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

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

5.2. Capital (Adequacy) Ratio

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

As at 31/12/2023, the Company had a Total Capital Ratio of 154.67%.

5.3. Capital Management

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

- Maintaining its financial solidity and respecting the Risk Appetite targets
- Adequate allocation of capital among the various business lines according to the Company's strategic objectives
- Maintaining the Company's resilience in the event of stress scenarios

- Meeting the expectations of the regulator and shareholders

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

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

Below you may find the latest results reported for 2023:

	Amount
CET1 Capital	232,000
Tier 1 Capital	232,000
Total Capital	232,000
Permanent Minimum Capital (PMC)	150,000
Fixed Overhead Requirement (FOR)	5,000
K-Factor Requirement (KFR)	23,230
Requirement Used	PMC
Total Own Fund Requirement	150,000
Total Ratio	154.67%
CET1 Ratio	154.67%

Table 12 Capital Adequacy

Table 13 EU IF CC1.01 - Composition of regulatory own funds

	Amounts ('000)
OWN FUNDS	232
TIER 1 CAPITAL	232
COMMON EQUITY TIER 1 CAPITAL	232
Fully paid-up capital instruments	500
Share premium	0
Retained earnings	-23
Accumulated other comprehensive income	0
Other reserves	300
Minority interest given recognition in CET1 capital	0
Adjustments to CET1 due to prudential filters	0
Other funds	0
(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	-545
(-) Own CET1 instruments	0
(-) Direct holdings of CET1 instruments	0
(-) Indirect holdings of CET1 instruments	0

(-) Synthetic holdings of CET1 instruments	0
(-) Losses for the current financial year	-545
(-) Goodwill	0
(-) Other intangible assets	0
(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	0
(-) Qualifying holding outside the financial sector which exceeds 15% of own funds	0
(-) Total qualifying holdings in undertaking other than financial sector entities which exceeds 60% of its own funds	0
(-) CET1 instruments of financial sector entities where the institution does not have a significant investment	0
(-) CET1 instruments of financial sector entities where the institution has a significant investment	0
(-) Defined benefit pension fund assets	0
(-) Other deductions	0
CET1: Other capital elements, deductions and adjustments	0
ADDITIONAL TIER 1 CAPITAL	0
Fully paid up, directly issued capital instruments	0
Share premium	0
(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	0
(-) Own AT1 instruments	0
(-) Direct holdings of AT1 instruments	0
(-) Indirect holdings of AT1 instruments	0
(-) Synthetic holdings of AT1 instruments	0
(-) AT1 instruments of financial sector entities where the institution does not have a significant investment	0
(-) AT1 instruments of financial sector entities where the institution has a significant investment	0
(-) Other deductions	0
Additional Tier 1: Other capital elements, deductions and adjustments	0
TIER 2 CAPITAL	0
Fully paid up, directly issued capital instruments	0
Share premium	0
(-) TOTAL DEDUCTIONS FROM TIER 2	0
(-) Own T2 instruments	0
(-) Direct holdings of T2 instruments	0

(-) Indirect holdings of T2 instruments	0
(-) Synthetic holdings of T2 instruments	0
(-) T2 instruments of financial sector entities where the institution does not have a significant investment	0
(-) T2 instruments of financial sector entities where the institution has a significant investment	0
Tier 2: Other capital elements, deductions and adjustments	0

5.4. Internal Capital Adequacy and Risk Assessment Process

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

The ICAAP also serves as a stress testing tool used by the Company to rehearse the business response to a range of scenarios, based on variations of market, economic and other operating environment conditions.

The Risk Manager informed the Board that the ICARA report 2023 preparation has been already initiated and the capital planning is designed. It is expected that the new ICARA report will be available for review by the board in the 3rd quarter of 2024.

5.5. Stress Tests

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

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

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

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

The Company performs financial modelling and stress analysis on a frequent basis especially when yearend financial results are available or when it revises its business plan.

6. Regulatory Reporting

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

Report Name	Report Description	Responsible Person	Recipient	Frequency	Due Date
Annual AML Compliance Report	To inform the Senior Management & the BoD of the Company regarding the Performance of Company in regards to AML during the year	AMLCO	BoD, CySEC	Annual	**31/03/2024**
Annual Compliance Report	To inform the Senior Management & the BoD of the Company regarding the Performance of Compliance function during the year	Compliance Officer	BoD, CySEC	Annual	**30/04/2024**
Annual Internal Audit Report	To inform the Senior Management & the BoD of the Company regarding the Internal Auditor during the year	Internal Auditor	BoD, CySEC	Annual	**30/04/2024**
Annual Risk Management Report	Represents the work & activities undertaken by the Risk Manager during the year	Risk Manager	BoD, CySEC	Annual	**30/04/2024**
Pillar III Disclosures (Market Discipline and Disclosures)	The Company is required to disclose information regarding its risk management, capital structure, capital adequacy and risk exposures	Risk Manager	BoD, CySEC, Public	Annual	**30/04/2024**
Independent Auditors Verification on the Pillar III Report	The verification of the Pillar III Disclosures (Market Discipline and Disclosures) Report by the Independent Auditor	External Auditor	BoD, CySEC	Annual	**31/05/2024**
Financial Reporting	It is a formal record of the financial activities of the CIF	External Auditor	BoD, CySEC	Annual	**30/04/2024**
Capital Adequacy Reporting	A measure of the CIF's capital. It is expressed as a percentage and is used to protect depositors and promote the stability and efficiency of financial systems all over the world	Risk Manager / Accounting	Senior Management, CySEC	Quarterly	**11/02/2024** **12/05/2024** **11/08/2024** **11/11/2024** **31/05/2024**

Internal Capital Adequacy Risk Assessment (ICARA)	The Internal Capital Adequacy Risk Assessment Process, relating to the monitoring and assessment of the risks that are not fully covered by Pillar I	Risk Manager	BoD, CySEC	Annual	**20/05/2024**

Table 14 Periodic Reporting Summary