

EXCLUSIVE CHANGE CAPITAL LTD

DISCLOSURE AND MARKET DISCIPLINE REPORT FOR 2021

*Based on Audited Financial Statements of the year ended 31
December 2021*

[PUBLIC DOCUMENT]

June 2022

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1 Definitions

BoD	: Shall mean the Company's Board of Directors
CIF	: Shall mean a Cyprus Investment Firm, licensed by the Commission following the provisions of the Investment Law.
Company	: Shall mean Exclusive Change Capital Ltd, is a limited liability company with share capital, incorporated in accordance with the Laws of the Republic (registration number HE337858). As a CIF, the Company is regulated in the conduct of its business by the Commission with license number 330/17.
ICARA	: Shall mean the Company's Internal Capital Adequacy and Risk Assessment Process, following the provisions of the Chapter 2 of the Law.
IFD	: Means the Investment Firm Directive (Directive (EU) 2019/2034) on the prudential supervision of investment firms which amends the provisions of the CRD IV. Specifically, the IFD and IFR enter into force in June 2021 amending the provisions of the CRD IV and CRR relating to rules for calculating capital requirements reporting and general obligations for liquidity requirements.
IFR	: Shall mean the Investment Firm Regulation (Regulation (EU) 2019/2033).
Investment Law	: Shall mean the Investment Services and Activities and Regulated Markets Law of 2017 – L.87(I)/2017.
IOM	: Shall mean the Company's Internal Operations Manual.
Law	: Shall Prudential Supervision of Investment Firms Law of 2021 – Law 165(I)2021.
RMC	: Shall mean the Company's Risk Management Committee.
Commission	: Shall mean the Cyprus Securities and Exchange Commission (CySEC) –the independent public supervisory Authority responsible for the supervision of the investment services market, transactions in transferable securities carried out in the Republic of Cyprus and the collective investment and asset management sector.
SREP	: Shall mean the Supervisory review and evaluation process, following the provisions of Part C of the Law

2 Overview

2.1 Introduction

The Disclosure and Market Discipline Report or Pillar 3 Disclosures Report for the year ended 31st December 2021 has been prepared by the Company based on the Audited Financial Statements of 2021; as per the requirements of the IFR issued by the European Commission and the Law. The Company states that any information that was not included in this report was either not applicable on the Company's business and activities or such information is considered as proprietary to the Company and sharing this information with the public and/or competitors would undermine our competitive position.

The BoD 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 BoD 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.

2.2 Company Information

The Company is incorporated in the Republic of Cyprus on November 13th, 2014, as a limited liability company with registration number HE337858.

The Company is a Cyprus Investment Firm (hereafter the "**CIF**") and provides the following services to its clientele:

1. act as an agent and principal/market maker to its customers in Contracts for Difference ("**CFDs**") on Currency Pairs, Futures, Commodities, Bonds, Indices, Exchange Traded Funds, Equities and Virtual Assets; and
2. act as intermediary for the Reception and Transmission of Real Stock orders.

On April 26th, 2018, the Company proceeded with a license extension so as to include the investment service of "Individual Portfolio Management". In addition, on April 14th, 2020, the Company proceeded with a license extension so as to include the investment service of "Investment Advice";

During the period under review, and specifically on July 06th, 2021, the Company proceeded with a license extension so as to include the investment service of "Dealing on Own Account";

The Company as at the end of the period under review, was authorised by Commission to offer the Investment / Ancillary services and Financial Instruments presented in **Table 1**, pursuant to the provisions of the Investment Services Law.

Table 1: Investment, Ancillary Services and Financial Instruments

		Investment Services and activities									Ancillary services						
		A1	A2	A3	A4	A5	A6	A7	A8	A9	B1	B2	B3	B4	B5	B6	B7
Financial Instruments	C1	√	√	√	√	√					√	√		√	√		
	C2	√	√	√	√	√					√	√		√	√		
	C3	√	√	√	√	√					√	√		√	√		
	C4	√	√	√	√	√					√	√		√	√		
	C5	√	√	√	√	√					√	√		√	√		

C6	√	√	√	√	√					√	√		√	√		
C7	√	√	√	√	√					√	√		√	√		
C8	√	√	√	√	√					√	√		√	√		
C9	√	√	√	√	√					√	√		√	√		
C10	√	√	√	√	√					√	√		√	√		
C11	√	√	√	√	√					√	√		√	√		

(A). Investment Services and Activities:

1. Reception and transmission of orders in relation to one or more financial instruments;
2. Execution of orders on behalf of clients;
3. Dealing on Own Account;
4. Portfolio Management;
5. Provision of Investment Advice.

(B). Ancillary Services:

1. Safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash/collateral management and excluding maintaining securities accounts at the top tier level ("central maintenance service"), as referred to in point 2 of Section A of the Annex to Regulation (EU) No 909/2014;
2. Granting credits or loans to an investor to allow him to carry out a transaction in one or more financial instruments, where the firm granting the credit or loan is involved in the transaction;
4. Foreign exchange services where these are connected to the provision of investment services;
5. Investment research and financial analysis or other forms of general recommendation relating to transactions in financial instruments;

(C). Financial Instruments:

1. Transferable securities;
2. Money-market instruments;
3. Units in collective investment undertakings;
4. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, emission allowances or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash;
5. Options, futures, swaps, forwards 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 other than by reason of default or other termination event;
6. 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, a MTF, or an OTF, except for wholesale energy products traded on an OTF that must be physically settled;
7. Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in point 6) of this Part and not being for commercial purposes, which have the characteristics of other derivative financial instruments;
8. Derivative instruments for the transfer of credit risk;
9. Financial contracts for differences; and
10. Options, futures, swaps, forward-rate agreements and any other derivative contracts relating to climatic variables, freight rates 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 other than by reason of default or other termination event, as well as any other derivative contracts 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, OTF, or an MTF.

2.3 Scope

In accordance with Part Six of IFR and the Paragraph 37 of Law, 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.

The Company is publishing the Disclosure and Market Discipline Report on an **individual (solo) basis**. The Disclosure and Market Discipline Report are updated and published annually; it will, however, be published more frequently if there are significant changes to the business, such as changes to the scale of operations and the range of activities.

Annual Reports and Financial Statements are prepared in accordance with **International Financial Reporting Standards** ("IFRS") and the provisions of the Cyprus Company Law, Cap. 113.

2.4 Regulatory framework overview

This report has been prepared in accordance with the provisions Article 46 and 49 of IFR.

The Commission is responsible for implementing and enforcing the IFD and the transposing Law, a capital adequacy framework consisting of three (3) 'Pillars':

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

During 2021, the IFR and IFD were enacted and implemented to set out the specific prudential regime required for CIFs which are not systemic by virtue of their size and interconnectedness with other financial and economic actors. Part Six of the IFR specifies the disclosure requirements for investment firms under the scope of application of the same regulation. In particular, article 47 of the IFR specifies the disclosure requirements on:

1. Own Funds (Part Two of IFR);
2. Capital and Own Funds Requirements (Part Three of IFR);
3. Concentration risk (Part Four of IFR);
4. Liquidity (Part Five of IFR);
5. Governance; and
6. Remuneration policy and practices.

Furthermore, introduces a new capital requirements methodology quantitative indicators ("**K-Factors**") based on risks to clients, markets access and the Company itself.

IFR and the IFD are transposed into national laws and published on the Commission

website on November 10th, 2021.

The aim of the K-factors approach is to provide a tailored and more appropriate method for setting a risk based minimum own funds requirement and investment firms only need to apply the K-factors that are relevant to their business model. The KFR is the sum of the following:

2.4.1 Risk-to-Client ("RtC")

The RtC are proxies covering the business areas of investment firms from which harm to clients can conceivably be generated in case of problems.:

- a) **Assets Under Management (K-AUM):** 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;
- b) **Client Money Held (K-CMH):** 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 provide that client money is safeguarded in the event of bankruptcy, insolvency, or entry into resolution or administration of the investment firm. K-CMH 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 the client money via a third-party mandate;
- c) **Assets Safeguarded and Administered (K-ASA):** 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; and
- d) **Client Orders Handled (K-COH):** 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.

2.4.2 Risk-to-Market ("RtM")

The RtM captures the risk that an investment firm can pose to market access. The RtM for investment firm that deals on own account is based on the rules for market risk for positions in financial instruments in foreign exchange and in commodities in accordance with the Capital Requirements Regulation (CRR).

The RtM is the calculation of:

- a) **Net Position Risk (K-NPR):** NPR means the value of transactions recorded in the trading book of an investment firm. K-NPR captures the potential risk of an investment firm Dealing on Own Account or executing for clients in the name of the investment firm. For the calculation of K-NPR, investment firms shall use the CRR market risk framework and choose between the following:
 - a) standardised approach;
 - b) alternative standardised approach; or
 - c) alternative internal model approach.

The Company uses the Standardised Approach for the calculation of K-NPR.

- b) **Clearing Margin Given (K-CMG):** CMG means the amount of total margin required by a clearing member or a qualifying central counterparty, where the execution and settlement of transactions of an investment firm dealing on own account take place under the responsibility of a clearing member or a qualifying central counterparty. K-CMG provides an alternative to K-NPR for calculating the market risk, that builds upon

the systemic resilience created by EMIR and use of a clearing member. The use of the CMG methodology is subject to specific conditions and approval by the competent authorities.

2.4.3 Risk-to-Firm ("RtF")

The RtF is the sum of the following K-factors:

- a) **Trading Counterparty Default (K-TCD):** TCD means the exposures in the trading book of an investment firm in specific instruments and transactions giving rise to the risk of trading counterparty default. K-TCD captures an investment firm's exposure to the default of their trading counterparties in accordance with simplified provisions for counterparty credit risk based on CRR;
- b) **Daily Trading Flow (K-DTF):** 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 on its own name. 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; and
- c) **Concentration (K-CON):** K-CON captures concentration risk in relation to individual or highly connected 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.

2.4.4 Concentration Risk

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

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

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

- a) Any exposure by counterparty which is not an institution or an investment firm which is above 25% of own funds; and /or

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

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

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

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

2.4.5 Fixed Overheads

Following the provisions of Article 13 of the IFR, Fixed Overheads Requirement shall amount to at least one quarter of the fixed overheads of the preceding year. Investment firms shall use figures resulting from the applicable accounting framework.

the International Financial Reporting Standards as accounting standard.

3 Disclosure Policy: Basis and Frequency of Disclosure / Location and verification

The Company has a formal policy, approved by the Board of Directors (hereafter as the “**BoD**”), which details its approach in complying fully with the Pillar III disclosure requirements as laid out in Part Six of the IFR.

3.1 Information to be disclosed.

Further to the provisions of Part Six of the IFR, the Company, on an annual basis, shall proceed with the following disclosures:

- a) Relating to risk management objectives and policies for each separate category of risk;
- b) Relating to internal governance arrangements, and specifically:
 - i. the number of directorships held by members of the management body;
 - ii. 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; and
 - iii. whether or not the investment firm has set up a separate risk committee and the number of times the risk committee has met annually.
- c) Full reconciliation of the Company's Own Funds and Common Equity Tier 1 and Additional Tier 1 instruments;
- d) A Summary of the Company's approach to assessing the adequacy of Internal Capital to support its current and future re activities; and
- e) A Summary of its Remuneration Policy and practices.

3.2 Level of Application

In accordance with the provisions of IFR and IFD, the Company implements an individual (solo) basis of application because it has neither a parent undertaking nor a subsidiary which is an investment firm or a financial institution.

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

The permanent minimum capital requirement equals to the initial capital requirements as per Article 9 of the IFD and in line with the Law, this is €750,000 since the CIF is authorized to perform the investment activity of Dealing on Own Account.

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

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

Consequently, the Company is exempted from the reporting requirements of its investment policy in line with Article 52 of the IFR. The Company's reporting currency is the Euro. The Company's implements

3.3 Frequency

3.3.1 Medium and location of publication

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

The report is published and will be available on the Company's website at <https://exclusivecapital.com/legal-documents/>.

3.3.2 Verification

The Company's Pillar III disclosures are subject to internal review and validation prior to being submitted to the BoD for approval. In addition, the Remuneration disclosures have been reviewed by the Risk Management Committee.

The Pillar III Disclosures are verified by the external auditors and the verification report is submitted to CySEC by the end of May. However, CySEC extended the deadline for the publication of the Pillar III disclosures, by the end of June 2021.

4 Risk Management Framework

4.1 Risk Governance, Policies and Procedures

4.1.1 Risk Management Procedure

Managing risk effectively in an organization, operating in a continuously changing risk environment, requires strong risk management principles. As a result, the Company has established an effective risk oversight structure and the necessary internal organizational controls to ensure that the Company identifies and manages its risks adequately, establishes the necessary policies and procedures, sets and monitors relevant limits and complies with the applicable legislation.

4.1.2 Risk Management policy

Risks in the Company are adequately managed through the risk management framework.

The Company shall adopt effective arrangements, processes and mechanisms to manage the risks relating to the Company's activities, processes and systems, in light of the level of risk tolerance implemented. The Risk Management function shall operate independently.

The Company has appointed a Risk Manager who controls and monitors Company's risks on a regular basis.

The Risk Management Policy is reviewed and approved at least annually by the BoD. In addition, the ICARA and Annual Risk Management Report are reviewed and approved by the BoD as well as the Risk Management Committee.

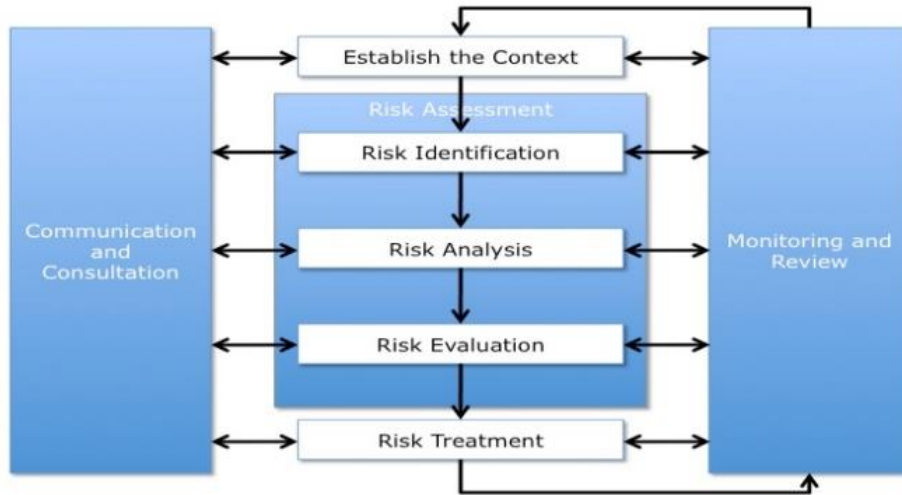
Any material risk related issues are discussed during the Risk Management Committee meetings and the relevant minutes are kept by the Company.

Risk Management

Risk management is a responsibility of all, with specific risk responsibilities being allocated to different groups and levels within the Company. Risk management is not a stand-alone discipline but requires integration with existing business processes such as business planning and Internal Audit, in order to provide the Company with the greatest benefits. Risk Management is the culture, processes and structures that are directed towards realizing potential opportunities whilst managing adverse effects. Risk management is a continual process that involves the following key steps, as indicated in **Figure 1**:

- a) Communicate and consult;
- b) Establish the context;
- c) Identify risks;
- d) Analyze risks;
- e) Evaluate risks;
- f) Treat risks; and
- g) Monitor and review.

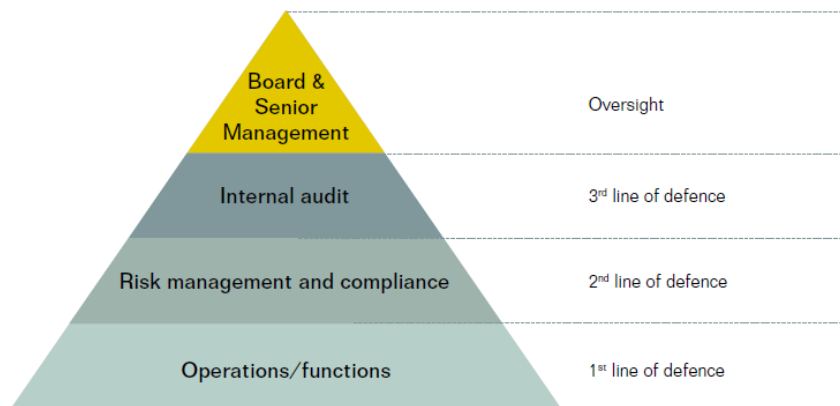
Figure 1: Risk Management Framework



Although this process is conducted across the entire organization on an annual basis, risk management is not solely an annual process. It should be occurring at all times and in relation to all business activities. Therefore, everyone has a responsibility to continually apply this process when making business decisions and when conducting day-to-day management.

In order to ensure effective risk management, the Company has adopted the “three lines of defence model”, which defines the roles and responsibilities towards effective risk management. The segregation of these roles defines the relationship between Risk Management and the other control functions of the Company as illustrated in **Figure 2** below. Moreover, the segregation between the risk management area of intervention and the rest of the organization ensures that undue influence may not be exercised over the persons involved with the risk management activities.

Figure 2: Risk Management Governance structure



First line of defence: Operations and functional level managers are responsible for establishing an effective control framework within their area of operations and identifying and controlling all risks so that they are operating within the organizational risk appetite and are fully compliant with Company policies and where appropriate defined thresholds. This is achieved through the establishment of an effective control system of preventative, controlling, detective and mitigating nature; enforced by both systems, processes and people.

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

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

4.1.3 Evaluate risks

The purpose of risk evaluation is to assist in making decisions, based on the outcomes of risk analysis, about which risks need treatment and the priority for treatment implementation.

4.1.4 Treat risks

Risk treatment involves examining possible treatment options to determine the most appropriate action for managing a risk. Possible risk treatment options include:

- a) Avoid the risk: decide not to start or continue with the activity that gives rise to the risk;
- b) Change the likelihood: undertake actions aimed at reducing the cause of the risk;
- c) Change the consequence: undertake actions aimed at reducing the impact of the risk;
- d) Share/transfer the risk: transfer ownership and liability to a third party; and
- e) Retain the risk: accept the impact of the risk.

4.1.5 Monitor and review

This step is an integral part of the risk management process involving regular checking. In this step, the company should ensure that controls are effective and efficient. The results of this step will be fed back into the context and other functions so that new risks can be identified, changes to existing risks discovered, and the execution status of the framework recorded for improvement.

4.1.6 Risk Governance

The BoD has the overall responsibility for the Company; and as such approves and periodically reviews the strategies and policies for taking up, managing, monitoring and mitigating the risks the Company is currently or will be prospectively exposed to, including those posed by the macroeconomic environment in which it operates and in relation to the status of the business cycle.

4.1.7 Risk Management Strategy and Culture

The Company seeks to promote a strong risk culture throughout the organization. The aim is to reinforce the Company's resilience by encouraging a holistic approach to the management of risk throughout the organization as well as the effective management of the risk, capital and reputational profile. The Company actively takes risks in connection with its business and the industry/environment it operates in and as such the following principles underpin the risk culture within the organisation:

- a) Risk is taken within a defined risk appetite;
- b) Every risk suffered needs to be identified and filtered through the Risk Management Framework;
- c) Risk taken needs to be adequately compensated with a level of benefit; and

- d) Risk should be continuously monitored, appraised and managed.

Employees at all levels are responsible for the management and escalation of risks. The Company expects employees to exhibit behaviours that support a strong risk culture. To promote this, the policies require that risk behaviour assessment and reaction is incorporated into the performance assessment processes. The Company has communicated the following risk culture behaviours via its various vehicles towards all employees and management staff:

- a) Being fully responsible for the risks arising from their operational duties and responsibilities;
- b) Being rigorous, forward looking and comprehensive in the assessment of risk;
- c) Being informed and updated with relevant regulatory framework and business current affairs;
- d) Inviting, providing and respecting challenges;
- e) Collective trouble shooting via shared knowledge; and
- f) Placing the Company and its reputation at the heart of all decisions.

4.1.8 Risk Appetite

Risk appetite expresses the amount and type of risks considered reasonable to undertake in order to:

- a) implement the Company's business strategy;
- b) maintain its ordinary activity in the event of unexpected events that could have a negative impact on its level of capital;
- c) maintain acceptable level of profitability and return; and
- d) ensure its long-term viability and going concern.

Risk capacity is defined as the maximum level of risk the Company can assume in both normal and distressed situations before breaching regulatory constraints and its obligations to stakeholders.

The BoD is responsible for establishing the risk appetite, monitoring the risk profile and ensuring the consistency between both. Senior management is responsible for achieving the desired risk profile by managing risks during the **day-to-day** operations of the Company. The establishment of the risk appetite covers both the risks whose assumption constitutes the strategic objective and for which maximum exposure criteria are set - minimum objectives of return/risk - as well as those whose assumption is not desired, but which cannot be avoided in an integral way.

4.2 Stress Testing

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

1. Understanding the risk profile of the Company;
2. 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;
3. The evaluation of the Company's strategy, the Company's 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; and
4. The establishment or revision of limits: Stress test results, where applicable, are part of the risk management processes for the establishment or revision of limits across products, different market risk variables and portfolios.

The ultimate responsibility and ownership of the Company's stress testing policy rests with the BoD. If the stress testing scenarios reveal vulnerability to a given set of risks,

the management should make recommendations to the BoD for mitigation measures or actions. These may vary depending on the circumstances and include one or more of the following:

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

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

4.3 ICARA Report

Following the provisions of Paragraph 18(1) of the Law, the Company shall have in place 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 it considers adequate to cover the nature and level of risks which they may pose to any third party and to which the CIF itself is or might be exposed to, taking into consideration its scale, nature and complexity of its operations.

The outcome of the ICARA represents the view of the Company on the capital it should hold, given its risk profile and complexity of its business. It serves as input to the Company's Supervisory Review and Evaluation Process (SREP).

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

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

5 Governance – Board And Committees

5.1 The Board of Directors

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. The Board comprises of two executive directors and two non- executive directors.

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

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, set the level of risk tolerated by the Company. The Company adopts effective arrangements, processes and systems, in light of that level of risk tolerance, where applicable.

5.1.1 Number of Directorships held by members of the BoD

All members of the Board commit sufficient time to perform their functions in the Company. The number of directorships which may be held by a member of the BoD 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 organization 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:

- a) one executive directorship with two non-executive directorships; and/or
- b) two non-executive directorships.

For the purposes of the above, the following shall count as a single directorship:

- a) Executive or non-executive directorships held within the same group; and/or
- b) Directorships in organizations which do not pursue predominantly commercial objectives such as non-profit or charitable organizations shall not count for the purposes of the above guidelines.

Table 2 below discloses the number of directorships held by members of the management body.

Table 2: Number of Directorship of the member of the Board of Directors

Name	Directorships	Directorships Executive	Directorships Non-Executive
Viktor Madarasz	Executive	1	0
Lambros Lambrou	Executive	1	0
Constantinos Aristophanous	Independent Non-Executive	1	1
Yiannis Papamichael	Independent Non-Executive	1	1

5.1.2 Policy of Recruitment

Recruitment into the Board combines an assessment of both technical capability and competency skills referenced against the Company's leadership framework.

In identifying and engaging the members of its BoD, the Company has taken into consideration the matters outlined in Article 9 of Investment Services and Activities and Regulated Markets Law L.87(I)/2017, as subsequently amended and/or replaced from time to time.

Members of the Board shall possess sufficient knowledge, skills and experience to perform their duties. The overall composition of the Board shall reflect 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 a CIF.

5.1.3 Policy on Diversity

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

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

The Company is committed to creating and maintaining an inclusive and collaborative workplace culture that will provide sustainability for the organization into the future. This is also documented as best practises in the Corporate Governance Code of many EU countries. In line with the recent changes in the regulatory reporting framework, the Company is in the process of establishing a dedicated diversity policy in relation to the BoD.

5.2 Risk Management Committee

In order to support effective governance and management of the wide range of responsibilities the Board has established the Risk Management Committee. The role of the Risk Management Committee is to provide oversight, review and challenge of the material risks both current and future affecting the business whilst ensuring that there is effective management and control of all key risks and issues facing the Company. The members of the Risk Management Committee are shown in **Table 3** below.

Table 3: Members of the Risk Management Committee

Member Name	Function
Mr. Viktor Mark Madarasz	Executive Director- Chief Executive Officer (4-Eyes)
Mr. Lambros Lambrou	Executive Director- General Manager (4-Eyes) Responsible For AML
Mr. Constantinos Aristophanous	Independent, Non-Executive Director
Mr. Yiannis Papamichael	Independent, Non-Executive Director
Mr. George Georgiou	Risk Manager

The Risk Management Committee, inter alia, scrutinizes, and decides on various risks inherent with the operation of the Company with the view to formulate internal policies and measure the performance of the said policies in dealing with the risks associated with the operation of the Company. Moreover, the Risk Management Committee reviews the risk management procedures in place (monitors and controls the Risk Manager in the performance of his/her duties and the effectiveness of the Risk Management Department).

The Risk Management Committee is responsible for monitoring and controlling the Risk Manager in the performance of his/her duties.

The Risk Management Committee meets at least quarterly, unless the circumstances require extraordinary meetings. Extraordinary meetings can be called by any member of the Risk Management Committee, as well as by the Risk Manager.

5.3 Other Governance Functions

5.3.1 Internal Audit

The Company, taking into account the nature, scale and complexity of its business activities, as well as the nature and the range of its investment services and activities, establishes and maintains an internal audit function through the appointment of a qualified and experienced Internal Auditor. The Internal Auditor is appointed and reports to the Senior Management and the Board of the Company.

The Internal Auditor is separated and independent of the other functions and activities of the Company. The Internal Auditor bears the responsibility to:

- a) establish, implement and maintain an audit plan to examine and evaluate the adequacy and effectiveness of the Company's systems, internal control mechanisms and arrangements;
- b) issue recommendations based on the result carried out in accordance with point (a);
- c) verify compliance with the recommendations of point (b); and
- d) provide timely, accurate and relevant reporting in relation to internal audit matters to the Board and the Senior Management of the Company, at least annually.

The Internal Auditor is responsible for applying the Internal Control System (hereinafter, the "ICS"), which confirms the accuracy of the reported data and information. Furthermore, the role of the Internal Auditor is the programming, on an at least annual basis (as applicable), of checks on the degree of application of the required ICS.

The Internal Auditor has clear access to the Company's personnel and books. Likewise, the Company's employees have access to the Internal Auditor for the reporting of any significant deviations from the guidelines provided.

The Board ensures that internal audit issues are considered when presented to it by the Internal Auditor and appropriate actions shall be taken. The Board ensures all issues are dealt with and prioritized according to the Board's assessment.

5.3.2 Compliance Officer

The BoD ensures regulatory compliance through a comprehensive and pro-active compliance strategy. To this end, the Board appoints a Compliance Officer in order to establish, implement and maintain adequate and effective policies and procedures, as well as appropriate systems and controls designed to detect any risk of failure by the Company to comply with its obligations. Further to this, the Compliance Officer is responsible to put in place adequate measures and procedures designed to minimize such risk and to enable the competent authorities to exercise their powers effectively. The Compliance Officer reports to the Senior Management and the BoD.

The Compliance Officer is independent from other functional responsibilities and has the necessary authority, resources, expertise and access to all relevant information. The objectives of the Compliance officer include but are not limited to, to prohibit the realization for the Customers of Company of any operations which may infringe the existing legislation and to ensure compliance with the current and any new laws, regulations and directives at times issued by CySEC.

5.3.3 Anti – Money Laundering Compliance Officer

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

Scope and objectives of the MLCO:

- a) The improvement of mechanisms used by the Company for counteraction of legalization (laundering) of criminally earned income;
- b) To decrease the probability of appearance among the Customers of the Company of any persons/organizations engaged in illegal activity and/or related with such persons/organizations;
- c) To minimize the risk of involvement of the Company in any unintended holding and realization of operations with any funds received from any illegal activity or used for its financing; and
- d) To ensure compliance with anti-money laundering laws and directives issued by CySEC as well as the identification and proper reporting of any money laundering activity to the relevant authorities.

5.4 Information flow on risk to the management body

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 as shown in the table below:

Table 4: Information flow on risk to management body

No	Report Name	Owner of Report	Recipient	Frequency	Due Date
1	Risk Management Report	Risk Manager	CySEC, Board	Annual	30/04/2022
2	Compliance Report	Compliance Officer	CySEC, Board	Annual	30/04/2022
3	Internal Audit Report	Internal Auditor	CySEC, Board	Annual or more frequent upon management request	30/04/2022
4	Anti-money laundering report	MLCO	CySEC, Board	Annual	31/03/2022
5	Investment Committee decisions	Investment Committee members	Board	Upon request	31/05/2022
6	Financial Statements	External Auditors	Board	Annual	
7	Suitability report	External Auditors	Board	Annual	31/06/2022
8.	Pillar III Disclosures (Market Discipline and Disclosure) based on the Audited figures	Senior Management	BoD, Commission, Public	Annual	30/06/2022
9.	Audited Statement of Eligible Fund	External Auditor	BoD, Commission	Annual	31/05/2022
10	Capital Adequacy Reporting	Risk Management Function/ Financial Department	Senior Management, Commission	Quarterly plus Audited	11/05/2021 11/08/2021 11/11/2021 11/02/2022 30/06/2022

6 Remuneration Policy

The Company has established a remuneration policy, which its purpose is to set out the remuneration practices of the Company taking into consideration the salaries and benefits of the staff, in accordance with the provisions of the IFR for the correct filing purposes) on remuneration policies and practices, where these comply with specific principles in a way and to the extent that is appropriate to the Company's size, internal organization and the nature, scope and complexity of its activities.

The design of the abovementioned policy is approved by the BoD of the Company and implemented by appropriate functions to promote effective corporate governance. The BoD are responsible for the implementation of remuneration policies and practices and for preventing and dealing with any relevant risks that remuneration policies and practices can create.

Furthermore, the abovementioned policy also benefits from the full support of senior management or, where appropriate, the supervisory function, so that necessary steps can be taken to ensure that relevant persons effectively comply with the conflicts of interest and conduct of business policies and procedures.

Finally, the Policy adopts and maintains measures enabling them to effectively identify where the relevant person fails to act in the best interest of the client and to take remedial action.

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; the said practices are established to ensure that the rewards for the person directing the Company and the key function holders are not 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 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.

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 BoD level while the Remuneration Policy is periodically reviewed.

The total remuneration of staff currently consists of a fixed component only. 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 a staff member to perform each position/role. The remuneration is also set in comparison with standard market practices employed by the other market participants/ competitors.

Furthermore, there is no remuneration is payable under deferral arrangements (with vested or unvested portions. Finally, the Company did not pay any non-cash remuneration for the year under review.

The remuneration of the senior management personnel of the Company, including Board are shown in the following table.

Table 5: Remuneration Analysis Split

	Executive Directors €000	Non – Executive Directors €000	Staff whose actions have a material impact on the Company's Risk Profile €000
Fixed Remuneration	221	12	290.78
Variable Remuneration	0	0	0
Total	221	12	290.78

7 Own Funds

Own Funds (also referred to as capital resources) is the type and level of regulatory capital that must be held to enable the Company to absorb losses. The Company is required to hold own funds in sufficient quantity and quality in accordance with IFD which sets out the characteristics and conditions for own funds.

Table 6, **Table 7** and **Table 8** summarise the Company's capital base, taking into consideration its Audited Financial Statements for the financial year of 2021.

Table 6: Composition of capital base

No.		Amounts (€000)	Source based on reference numbers Audited balance sheet
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	OWN FUNDS	6,794	
2	TIER 1 CAPITAL	6,794	
3	COMMON EQUITY TIER 1 CAPITAL	6,794	
4	Fully paid-up capital instruments	14.17	2010005
5	Share premium	6,924.51	2011005
6	Retained earnings	-3,765.18	2012005
7	Accumulated other comprehensive income	0	
8	Other reserves	3,684.62	2011011 and 2011012
9	Minority interest given recognition in CET1 capital	0	
10	Adjustments to CET1 due to prudential filters	0	
11	Other funds	0	
12	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	0	
13	(-) Own CET1 instruments	0	
14	(-) Direct holdings of CET1 instruments	0	
15	(-) Indirect holdings of CET1 instruments	0	
16	(-) Synthetic holdings of CET1 instruments	0	
17	(-) Losses for the current financial year	0	
18	(-) Goodwill		
19	(-) Other intangible assets	-1.79	1011035, 1011040, 1011065 and 1011070
20	(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	0	
21	(-) Qualifying holding outside the financial sector which exceeds 15% of own funds	0	
22	(-) Total qualifying holdings in undertaking other than financial sector entities which exceeds 60% of its own funds	0	

No.		Amounts (€000)	Source based on reference numbers Audited balance sheet
23	(-) CETI instruments of financial sector entities where the institution does not have a significant investment	0	
24	(-) CETI instruments of financial sector entities where the institution has a significant investment	0	
25	(-) Defined benefit pension fund assets	0	
26	(-) Other deductions	0	
27	CETI: Other capital elements, deductions and adjustments	-62.44	1023040, 1026019
28	ADDITIONAL TIER 1 CAPITAL	0	
29	Fully paid up, directly issued capital instruments	0	
30	Share premium	0	
31	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	0	
32	(-) Own AT1 instruments	0	
33	(-) Direct holdings of AT1 instruments	0	
34	(-) Indirect holdings of AT1 instruments	0	
35	(-) Synthetic holdings of AT1 instruments	0	
36	(-) AT1 instruments of financial sector entities where the institution does not have a significant investment	0	
37	(-) AT1 instruments of financial sector entities where the institution has a significant investment	0	
38	(-) Other deductions	0	
39	Additional Tier 1: Other capital elements, deductions and adjustments	0	
40	TIER 2 CAPITAL		
41	Fully paid up, directly issued capital instruments	0	
42	Share premium		
43	(-) TOTAL DEDUCTIONS FROM TIER 2	0	
44	(-) Own T2 instruments	0	
45	(-) Direct holdings of T2 instruments	0	
46	(-) Indirect holdings of T2 instruments	0	
47	(-) Synthetic holdings of T2 instruments	0	
48	(-) T2 instruments of financial sector entities where the institution does not have a significant investment	0	
49	(-) T2 instruments of financial sector entities where the institution has a significant investment	0	
50	Tier 2: Other capital elements, deductions and adjustments	0	

Table 7: Own Funds Reconciliation of Audited Financial Statements

		Balance sheet as in Audited financial statements As at period end €000	Under regulatory scope of consolidation As at period end €000	Cross reference of Table 8 to €000
Assets - Breakdown by asset classes according to the balance sheet in the Audited financial statements				
1	Cash and cash equivalent	5,904.76	0	N/A
2	Property, Plant and Equipment	275.29	0	N/A
3	Right of Use Assets	70.51	0	N/A
4	Trade Receivables	300.73	0	N/A

		Balance sheet as in Audited financial statements As at period end €000	Under scope consolidation As at period end €000	regulatory of Cross reference to Table 8 €000
5	Financial Assets at fair value	450.6	0	N/A
6	Intangible Assets	1.79	0	19
	Total Assets	7,003.68	0	N/A
Liabilities - Breakdown by liability classes according to the balance sheet in the Audited financial statements				
1	Lease Liability	38.61	0	N/A
2	Trade Payables	106.95	0	N/A
	Total Liabilities	145.56	0	N/A
Shareholders' Equity				
1	Share Capital	14.17	0	4
2	Share Premium	6,924.51	0	5
3	Shareholders Reserves	3,684.62	0	8
4	Retained earnings	-3,765.18	0	6
	Total Shareholders' equity	6,858.12	0	

Table 8: Own Funds Main Features

No.	Free Text
1	Issuer Exclusive Change Capital Ltd
2	Unique identifier (e.g., CUSIP, ISIN or Bloomberg identifier for private placement) N/A
3	Public or private placement Private
4	Governing law(s) of the instrument Companies Law
5	Instrument type (types to be specified by each jurisdiction) Share Capital and Share Premium
6	Amount recognised in regulatory capital (EUR in million, as of most recent reporting date) €6,858.12
7	Nominal amount of instrument €1
8	Issue price €1
9	Redemption price N/A
10	Accounting classification Shareholders' equity
11	Original date of issuance 13/10/2014
12	Perpetual or dated Perpetual
13	Original maturity date No Maturity
14	Issuer call subject to prior supervisory approval No
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) Fully discretionary
21	Fully discretionary, partially discretionary or mandatory (in terms of amount) Fully discretionary
22	Existence of step up or other incentive to redeem No
23	Noncumulative or cumulative Noncumulative
24	Convertible or non-convertible Nonconvertible
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

No.	Free Text
30	If convertible, specify issuer of instrument it converts into N/A
31	Write-down features Yes
32	If write-down, write-down trigger(s) Following the liquidation Central Bank of Cyprus following the provisions of the Resolution Law.
33	If write-down, full or partial Always Fully
34	If write-down, permanent or temporary Permanent
35	If temporary write-down, description of write-up mechanism N/A
36	Non-compliant transitioned features No
37	If yes, specify non-compliant features N/A
38	Link to the full term and conditions of the instrument (signposting) N/A

8 Capital Requirements

The Company's objectives when managing capital are:

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

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

The Company's policy on capital management is focuses on maintaining the capital base sufficient in order to keep the stakeholder confidence and to secure the future development of the Company. Capital adequacy and the use of the regulatory capital are monitored by the Company's management through its ICARA and ILARA. The Company is further required to report on its capital adequacy quarterly to Commission. The Senior Managment monitors such reporting and has policies and procedures in place to help meet the specific regulatory requirements. All reports are submitted to the Regulator within the deadlines set out

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

- the Fixed Overheads Requirement ("FOR") calculated in accordance with Article 13 of the IFR;
- the Permanent Minimum Capital Requirement ("PMR") in accordance with Article 14 of the IFR; and
- their K-FACTOR REQUIREMENT ("KFR") calculated in accordance with Article 15 of the IFR.

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

- $\frac{\text{Common Equity Tier 1 Capital}}{D} \geq 56\%$
- $\frac{\text{Common Equity Tier 1 Capital} + \text{Additional Tier 1 Capital}}{D} \geq 75\%$
- $\frac{\text{Common Equity Tier 1 Capital} + \text{Additional Tier 1 Capital} + \text{Tier 2 Capital}}{D} \geq 100\%$

Table 9 and **Table 10** show the overall minimum capital requirement and risk exposure for the Company as at the end of the end of the period under review. Finally, **Table 11** presents the Company Capital Ratios taking into account the Risk Exposures and Own Funds presented in **Table 6**.

Table 9: Own Fund Requirements

Item	Amount €000
Own Funds requirement	1,577
Permanent minimum capital requirement (Note 1)	750
Fixed overhead requirement	730
Total K-Factor Requirement	1,577

Table 10: Total K- Factors Requirements

Item	Factor amount €000	Capital requirement €000
TOTAL K-FACTOR REQUIREMENT		1,577
Risk to client		47
Assets under management	416	0
Client money held - Segregated	1,309	5
Client money held - non-segregated	5,154	26
Assets safeguarded and administered	0	0
Client orders handled - Cash trades	0	0
Client orders handled - Derivatives Trades	163,270	16
Risk to market		1,313
K-Net positions risk requirement		1,313
Clearing margin given	-	-
Risk to firm		217
Trading counterparty default		216
Daily trading flow - Cash trades	-	-
Daily trading flow - Derivative trades	6,229	1
K-Concentration risk requirement		

Table 11: Capital Ratios

Item	Amount
Common Equity Tier 1 Ratio	430.71%
Surplus (+)/Deficit (-) of CET 1 Capital (€000)	5,911
Tier 1 Ratio	430.71%
Surplus (+)/Deficit (-) of Tier 1 Capital (€000)	5,611
Own Funds Ratio	430.71%
Surplus (+)/Deficit (-) of Total capital (€000)	5,217

9 Liquidity Requirements

Article 43 of the IFR specifies the minimum liquidity requirement for investment firms which is an amount of liquid assets equivalent to at least one third of the fixed overhead requirement calculated in accordance with Article 13(1).

The Company's liquidity base is currently comprised only of level 1 liquid assets which are mainly derived from corporate funds held in credit institutions within unencumbered short-term deposits and by lesser extend in term deposit accounts in EU credit institutions. Management takes a prudent approach in the liquidity management of the Company with ongoing cost and overhead control and liquidity micro-management. It is emphasized that this style of liquidity management is enabled due to the size and complexity of the Company.

The Company's Minimum Liquidity Requirements as at the end of the period under of review.

Item	Amount €000
Liquidity Requirement	243
Client guarantees	
Total liquid assets	4,515
Unencumbered short term deposits	4,515
Total eligible receivables due within 30 days	
Level 1 assets	-
Extremely high-quality covered bonds	
Level 2A assets	-
Level 2B assets	-
Qualifying CIU shares/units	
Total other eligible financial instruments	