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Pillar III Disclosures
For the year ended December 31st, 2021

July 2022

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1. Introduction

1.1. About Capital Com SV Investments Ltd

Capital Com SV Investments Ltd (the “Company”) is an investment firm regulated by the Cyprus Securities and Exchange Commission (the “CySEC”) under license number 319/17 and which has a LEI Code of 2138001R35G3IZJZC68. The license permits the Company to operate as a Cyprus Investment Firm (“CIF”) and to provide investment and ancillary services with regards to specific financial instruments as these are defined in the Company’s operating license and stated below:

Investment Services and Activities:

- I. Reception and transmission of orders in relation to one or more Financial Instruments
- II. Execution of orders on behalf of clients
- III. Dealing on own Account

Ancillary Services:

- I. Safekeeping and administration of Financial Instruments, including custodianship and related services
- II. Granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction
- III. Foreign exchange services where these are connected to the provision of investment services

The financial instruments that are offered are mainly distinguished in two categories:

- I. Contracts For Difference (CFDs) across a range of underlying asset classes including, but not limited to, equities, commodities, FOREX, indices and cryptocurrencies
- II. Exchange-traded securities.
- III. Furthermore, it is noted that the Company does not hold any real crypto assets.

1.2. Group Information

The present Disclosures document is prepared on a consolidated basis and reflects information that relates to the Capital Com Group (hereinafter the “Group”), which for the purposes of this document comprises of the Company and its subsidiary entities. The Group is licensed to offer the Investment services of reception and transmission of orders in relation to one or more financial instruments, execution of orders on behalf of clients and dealing on own account. The Group also offers the Ancillary services of safekeeping and administration of financial instruments including custodianship and related services, granting services or loans to one or more financial instruments where the firm granting the credit or loan is involved in the transaction and foreign exchange services where these are connected to the provision of investment services.

The obligation for consolidated Pillar III reporting arises from the fact that the Group was subject to consolidated supervision at the level of the Company, as at 31st of December 2021.

The subsidiaries of the Company as at 31st of December 2021 and their country of registration are enlisted below:

Subsidiary	Country of Incorporation	Regulatory Authority	LEI
Capital LT (UAB Capital.com Services LT)	Lithuania	-	-
Capital Com IP Ltd (formerly Capital Com Wallet Ltd)	Cyprus	-	-
Capital Bulgaria EOOD	Bulgaria	-	-
CJSC "Capital Com Bel"	Belarus	NBRB (National Bank of the Republic of Belarus)	2138007KQUI6Y7MX7D21
Smart Forex Broker LLC	St. Vincent and Grenadines	-	-
EXP Capital Ltd	Belarus	-	-
Capital Com Asia Holdings Pte. Ltd	Singapore	-	-
Capital Com (UK) Ltd	UK	FCA (Financial Conduct Authority)	213800BVM T8DG3310519
Capital Com Canada Inc	Canada	-	-
Capital Com Australia Ltd	Australia	ASIC (Australian Intelligence Criminal Commission)	21380098NNR9UDPYTP23
Capital Com US Holding LLC	USA	-	-
Capital Com US LLC	USA	-	-
Capital Com Live Stock Investing Ltd	Seychelles	-	-

Table 1: Company's subsidiaries included in the consolidation

Notes:

- 1) Although these Disclosures include all entities in the Group, for prudential supervision purposes only these entities should be included:
 - Capital Com SV Investments Ltd
 - Capital Com (UK) Limited
 - Capital Com Australia Ltd
 - CJSC Capital Com Bel

- 2) For prudency reasons, the present Disclosures reflect information based on accounting figures that have been prepared in accordance with the International Financial Reporting Standards (“IFRSs”) and expressed in thousands of US Dollars (“USD”).
- 3) In the consolidated audited financial statements for the financial year 2021, the Capital Com US Holding LLC (USA) includes at figures of its subsidiary, Capital Com US LLC (USA).
- 4) The Company has operations through a branch in Gibraltar
- 5) On 11 January 2022, a wholly owned subsidiary Capital Com Online Forex Markets Trading Ltd was incorporated with an issued share capital of US\$1. On 31 March 2022, the Company disposed its 100% shareholding in EXP Capital LLC. On 28 April 2022, the Company disposed its 100% of Capital Com Belarus CJSC

1.3. Regulatory Framework

The capital adequacy and overall risk management requirements that applied until recently to the Group under the EU Capital Requirements Directive 2013/36/EU (“CRD IV”) and EU Regulation No. 575/2013 (the “Regulation” or the “CRR”), have been replaced by amended prudential rules. In particular, the Regulation (EU) 2019/2033 (the “Investment Firm Regulation” or “IFR”) and Directive (EU) 2019/2034 (the “Investment Firm Directive” or “IFD”), where the latter has been harmonized into Cyprus legislation through the issuance of the Cyprus Law on the Prudential Supervision of CIFs of 2021 (165(I)/2021).

The new rules introduce several changes to the methodologies that investment firms are required to apply for quantifying their exposure to risk and deriving their Capital Adequacy ratio, as well as to their required level of initial capital, their Internal Capital Adequacy Assessment Process (“ICAAP”) which is replaced by the Internal Capital Adequacy & Risk Assessment (“ICARA”) Process, and a newly introduced Liquidity Requirement according to which they are required to maintain liquidity levels equal to at least one third of their Fixed Overhead Requirement, among others.

It is further noted that, in view of the fact that the Group includes at least one (1) Class 2 investment firm, namely the Company, the Group considers that it is subject to all the Class 2 prudential requirements at the consolidated level as well.

The IFR/IFD framework consists of three (3) Pillars that are used to regulate, supervise and improve the risk management of firms in the financial services industry. The three (3) Pillars and their applicability to the Group, are summarised below:

- Pillar I - Minimum Capital Requirements - ensures that the Company and the Group maintain at all times a sufficient amount of capital above the minimum requirement in relation to certain key risks, as calculated using prescribed methods.
- Pillar II - ICARA and Supervisory Review and Evaluation Process (“SREP”) - ensures that the Company and the Group and its supervisor, CySEC, actively assess, control and mitigate the various risks that the Group faces.
- Pillar III - Market Discipline - ensures the promotion of market discipline through the disclosure of the Group's regulatory requirements, risk management and risk governance policies and procedures, allowing market participants to view and compare meaningful information relating to the Group and its peers.

The Group’s Pillar III disclosures have been prepared in compliance with Part Six of the IFR and relate to the financial year ending on 31st of December 2021.

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

The Group's Pillar III disclosures are subject to internal review and validation. This includes approval by the Chief Executive Officer (CEO), the Chief Risk Officer (CRO) and the Chief Financial Officer (CFO) of the Company, which acts as the reporting entity to the consolidating supervisor, CySEC, for prudential reports prepared on a consolidated basis. The Group's Pillar III disclosures have been also verified by the External Auditors.

This Group's Pillar III disclosures can be found on the Company's website at <https://www.capital.com/regulations>.

We note that the Company is not considered significant CIF since its on and off-balance sheet assets are not on average greater than EUR 100 million over the four-year period immediately preceding the given financial year covered by these Disclosures.

1.4. Implications of COVID-19

With the recent and rapid development of the Coronavirus disease (COVID-19) pandemic the world economy entered a period of unprecedented health care crisis that has caused considerable global disruption in business activities and everyday life.

Many countries have adopted extraordinary and economically costly containment measures. Certain countries have required companies to limit or even suspend normal business operations. Governments have implemented restrictions on travelling as well as strict quarantine measures throughout the year. The objective of these public policy measures was to contain the spread of COVID-19 outbreak and have resulted in minor operational inconvenience for the Group.

In parallel, governments, including the Republic of Cyprus, introduced various financial support schemes in response to the economic impacts of the COVID-19 coronavirus pandemic. The Group has not applied for such government assistance.

The impacts of COVID-19 are reflected in the recognition and measurement of the assets and liabilities in the financial statements as at 31 December 2021. The Group's management has assessed whether any impairment allowances are deemed necessary for the Group's financial assets by considering the economic situation and outlook at the end of the reporting period.

The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty though, due to the pace at which the outbreak expands and the high level of uncertainties arising from the inability to reliably predict the outcome. Management's current expectations and estimates could differ from actual results. Management has considered the unique circumstances and the risk exposures of the Group and has concluded that there is no significant impact in the Group's financial position. COVID-19 did not have an immediate material impact on the business operations.

The team of the Company has been working partly remotely during the year and no problems with operating under such circumstances have arisen. The Group's counterparties (Liquidity and Price Providers) continued being

operational. There were no major interruptions on the services offered to the clients. In contrast, the effectiveness of the Group in acquiring clients, the readiness with respect to product accompanied by the effects of Covid-19 and the overall volatility in the markets contributed to significant growth of the Group in 2021.

1.5. Implication of Russian Invasion to Ukraine

The geopolitical situation in Eastern Europe intensified on February 24, 2022, between Russia and Ukraine. The crisis between the two countries continues to evolve as military activity proceeds and additional sanctions are imposed. The crisis is increasingly affecting economic and global financial markets and exacerbating ongoing economic challenges, including issues such as rising inflation and global supply-chain disruption. Because of its broader impact on these macroeconomic conditions, many companies globally and locally may need to consider the crisis effect on both operational and financial reporting matters. The degree to which entities are or will be affected by them largely depends on their operations, the nature and duration of uncertain and unpredictable events, such as further military action, additional sanctions, and reactions to ongoing developments by global financial markets. The management is continuously monitoring the situation and it is performing all the relevant actions. As of today, the Group has not experienced any disruption in their operations and has evaluated contingency plans to avoid any disruptions in the foreseeable future. However, there is currently a wide range of uncertainty associated with the crisis's possible outcomes and the economic impact depends on variables that are difficult to predict. On 11 January 2022, a wholly owned subsidiary Capital Com Online Forex Markets Trading Ltd was incorporated with an issued share capital of US\$1. On 31 March 2022, the Company disposed its 100% shareholding in EXP Capital LLC for a total consideration in amount of US\$2.000.000. On 28 April 2022, the Company disposed its 100% of Capital Com Belarus CJSC for a total consideration in amount of US\$8.000.000.

2. Corporate Governance – Board and Committees

2.1. Board of Directors (BoD)

The Board of Directors (“BoD”) defines, oversees and is responsible for the implementation of the governance arrangements that ensure effective and prudent management of the Company, including, for the regulated entities of the Group, the segregation of duties within the entity and the prevention of conflict of interest, and in a manner, that promotes the integrity of the market and the interest of the client pursuant to the provisions of the regulatory framework.

In particular, the BoD shall:

- have the overall responsibility of the Group and approve and oversee the implementation of the Group’s strategic objectives, risk prevention strategy and internal governance;
- must ensure the integrity of the accounting and financial reporting systems, including financial and operational controls and compliance with the legislation and relevant standard;
- must oversee the process of disclosure and announcement;
- must be responsible for providing effective supervision of senior management;
- the chairman of the BoD shall not exercise simultaneously, within the same Company, the functions of a CEO, unless justified by the Company and approved by the Commission.

Members of the BoD, must, in particular, fulfil the following requirements:

- all members of the BoD commit sufficient time to perform their duties
- 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 entities’ activities. The Company, specifically, shall also consider the limitations in the number of directorships in cases where the Company becomes significant in terms of size, nature, scope and complexity of its activities;
- The BoD shall collectively possess adequate knowledge, skills and experience to be able to understand the entities’ activities, including principal risks;
- Each member of the BoD must act with honesty, integrity and independence of mind to effectively assess and challenge the decisions of the senior management where necessary and to effectively oversee and monitor management’s decision-making.

In relation to other directorships, on 31st of December 2021, the Board is comprised of two (2) executive and three (3) non-executive directors.

The below indicates the number of directorships held by the Company’s directors excluding the directorship held in the Group.

Full name of Director	Position/Capacity	Number of Executive Directorships	Number of Non-Executive Directorships
Jonathan Squires	Executive Director, “4 eyes”	1	-
Konstantin Prokopenya	Executive Director, “4 eyes”	-	-
Viktor Prokopenya	Non-Executive Director	1	-

Full name of Director	Position/Capacity	Number of Executive Directorships	Number of Non-Executive Directorships
Raffi Mahdessian	Non-Executive Director, Independent	1	-
Marios Vourgos	Non-Executive Director, Independent	1	2

Table 2: Number of directorships held by the Company's Board members

2.2. Governance Committees

The Company has formed several governance committees to achieve a level of elaborate governance oversight to adequately monitor its operational effectiveness and its potential risks. With growth in scale and complexity, the Group will form additional governance committees.

Investment and Pricing committee takes responsibility for the investment and pricing of products. Members include the CFO and members that come from different departments of the Company such as Risk, Reception and Transmission, Dealing, Compliance etc. This Committee is also being attended by employees of other entities within the Group

Risk Management Committee (RMC) advises the BoD on the overall current and future risk appetite and strategy. More information on risk governance can be found in part 3.1.

Additional levels of assurance for the Company, as the regulated CIF, are provided by control functions, which are independent of the business operations – namely Risk, Compliance, AML, Data Protection and Internal Audit. The control functions provide periodic reporting to the BoD and Executive Committees as appropriate.

2.3. Statement on diversity

The Group is committed to encouraging and promoting diversity, equity and inclusion in all aspects of its work and business. The Group is committed to ensuring that all their Team Members feel included and respected therefore able to give their best. The purpose of the Diversity Policy is to promote this aim.

The Group recognises that promoting an internal culture that values difference and recognises that people from different backgrounds and experiences can bring valuable insights to the workplace is vital to the integrity and wellbeing of the global organisation. Furthermore, the Group recognises the value that diversity, equity and inclusion make good business sense.

As a diverse and inclusive business, the Group is well equipped to:

- Reach out to a global customer base
- Attract and retain top talent
- Encourage different perspectives, and foster a culture of innovation

The Group is committed to promote a diverse and inclusive workspace at all levels. It approaches diversity in the broadest sense, recognizing that successful businesses flourish through embracing diversity into their business

strategy. This also helps to promote good governance and challenges “group think” mentality. Diverse boards act as a powerful driver for innovation and creativity. The aim of the policy is to engage a broad set of qualities and competences when recruiting members of the management body, to achieve a variety of views and experiences and to facilitate independent opinions and sound decision-making within the management body.

The Policy established takes into consideration the nature, scale, complexity of the Group’s operations. Thereafter, for the consideration of a management body member, the Group takes into consideration the following diversity aspects:

- Educational and professional background
- Gender
- Age
- Geographical provenance

Candidates shortlisted for becoming members of the management body of the Group shall at least cover one (1) of the areas of diversity listed above which is not currently present on the management body.

Despite the aforementioned, when appointing members of the management body, the Group will ensure that the candidates have adequate knowledge, experience, qualifications and skills necessary to safeguard the proper and prudent management of the Group.

The Group will ensure that it adequately sets out and describes the role and capabilities required for any given appointment to the management body. The aforementioned principles will be exercised and manifested through transparent and open recruitment procedures.

3. Risk Management Objectives and Policies

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

The risk management framework:

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

The following table sets out a number of key measures used to monitor the Group's risk profile:

Risk Area	Metrics	Comment	Measure as at 31/12/2021
Capital Adequacy	Core Equity Tier1 (CET1), Tier 1 and Total capital ratio	The Group's objective is to maintain regulatory ratios well above the minimum thresholds set by the IFR/IFD.	CET1: 333% Tier1: 333% Total capital ratio: 333%

3.1 Risk Management Governance

The regulated entities of the Group, have established an independent Risk Management Function staffed with full-time employees. In general, the Head of Risk Management is responsible to monitor the said entities risk exposure and report directly to each BoD, to raise concerns and warn where appropriate when risks can affect the entities.

The ultimate responsibility on the adequacy, effectiveness and monitoring of the risk management procedures lies with the BoD. The BoD of each entity is also responsible to ensure that while the respective entity is pursuing its strategic targets, the risks taken are within the predefined limits and not outside the entities' overall risk appetite. In the rare occasion that the entities' risk exposure is expected to fall outside the overall risk appetite, the BoD acts in prospective and secures additional capital.

The Company has also established a Group Risk Management Committee composed of members of the BoD who do not perform any executive functions and members of Senior Management of the Company. Members of the risk committee have appropriate knowledge, skills and expertise to fully understand and monitor the risk strategy and the risk appetite of each entity. The Risk Management Committee advises the BoD on the entities' overall current and future risk appetite and strategy and assists the BoD in overseeing the implementation of that strategy by Risk Management Function.

The Group's Risk Management Committee has met once in the financial year 2021.

3.2 Risk Appetite

Risk appetite is the amount and type of risk that the regulated entities of the Group, are able and willing to accept during their operations. This shall be expressed along multiple scenarios, including normal circumstances and stressed periods. Determining the regulated entities' risk appetite is a fundamental role played by the BoD.

Since the regulated entities' business model is of a market maker, risk taking is assumed in the daily operations. The relevant BoD has decided to limit the risk they are willing to accept, so as the entities' Capital Adequacy Ratio is always well above the suggested Minimum Capital Adequacy Ratio, as described in the relevant regulatory framework, namely the IFR/IFD. To that consent, risks affecting the entities of the Group are reviewed constantly and mitigation measures are taken for the effective management of these risks.

3.3 Stress Testing

This is an important risk management tool used by the Risk Management function to test the Group's response in various scenarios. Stress tests are used for both internal as well as regulatory purposes and assist in developing the risk profile of the Group. Also, stress testing allows the BoD and Senior Management to determine if the Group's exposure is within the accepted risk limits.

The Group is required to prepare and make available upon request periodic Internal Capital and Risk Assessment Process (ICARA) reports which set out future plans, their impact on capital availability and requirements and the risks to capital adequacy under potential stress scenarios.

3.4 Internal Capital and Risk Assessment Process

The new framework, and specifically, the IFD, introduces the concept of the ICARA process, which is similar in some respects to the former ICAAP, with some key differences, to determine the Pillar II capital requirements. Much like the ICAAP process, the ICARA will need to demonstrate that adequate risk management has been undertaken by the firm. As part of the ICAAP, firms were expected to conduct an assessment against a specific list of risk categories. However, under the ICARA process, the focus has shifted more onto the Firm's business model and its activities. From there it should identify, assess and estimate the potential harm to clients, to markets, and to the firm itself, as opposed to simply risks to the firm.

Fundamental to the ICARA process is identifying risks and potential harms and considering what could go wrong to the point of failure of the firm. Investment firms need to consider 'what-if' scenarios for the activities they undertake, the harm that can be caused and the events that led to that. The assessment will need to factor in the likelihood of the events materialising, and that different events might occur at the same time. Investment firms will also need to consider and account for other risks that can reduce the level of their own funds. This may require a more conceptual approach to assessing the risk than that which those familiar with the current ICAAP may be used to, as well as more time and input from senior management and those charged with a firm's governance. Finally, the ICARA considers business model planning and forecasting, recovery and wind-down planning as well as assessing the adequacy of financial resources throughout the economic cycle (i.e., including under stressed conditions)

The key stages of a firm's ICARA process should be as follows:

- Identify and monitor harms: Operate systems and controls to identify and monitor all material potential harm.
- Undertake harm mitigation: Consider and put in place appropriate financial and non-financial mitigants to minimise the likelihood of crystallisation and/or impact of the material harm.
- Undertake business model assessment, planning and forecasting: Forecasting capital and liquidity needs, both on an ongoing basis and were they to have to wind-down. This must include expected and stressed scenarios.
- Undertake recovery planning: Determine appropriate and credible recovery actions to restore own funds or liquid resources where there is a risk of breaching threshold requirements tied to specific intervention points.
- Undertake wind-down planning: Set out entity-level credible wind-down plans, including timelines for when and how to execute these plans.
- Assess the adequacy of own funds and liquidity requirements: Where, in the absence of adequately mitigating risks through systems and controls, the firm assesses that additional own funds and liquid assets are required to cover the risk.

The Company is in the process of updating its existing ICAAP in order to prepare its first ICARA process, through which it will ensure full alignment with the IFR & IFD framework.

4. Principal Business Risks

The below are applicable only for the regulated entities of the Group:

4.1 Risk to Client

Risk to Client (“RtC”) reflects the risk covering the business areas of an investment firm from which harm to clients can conceivably be generated in case of problems. The K-factors through aspects of RtC are being captured and measured are the following:

- **K-AUM (Assets Under Management)**

K-AUM captures the risk of harm to clients from an incorrect discretionary management of client portfolios or poor execution and provides reassurance and client benefits in terms of the continuity of service of ongoing portfolio management and investment advice. Based on the year ending on 31st of December 2021, the Group was not subject to the risk relating to this K-factor since neither of the Group entities is licensed for the investment services of “Portfolio management” and/or “Investment Advice”.

- **K-CMH (Client Money Held)**

K-CMH captures the risk of potential for harm where an investment firm holds the money of its clients, taking into account whether they are on its own balance sheet or in third-party accounts and arrangements under applicable national law 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. Based on the year ending on 31st of December 2021, as part of its business, the Group receives from its customers, deposits to enable them to perform transactions in financial instruments and to this end, it is subject to the risk captured by this K-factor.

Risk Mitigating Measures: The regulated entities of the Group have adopted a policy to deposit client funds (as well as own funds) in highly credible financial institutions in various jurisdictions. Factors such as credit rating from reputed agencies, years of operations, jurisdiction established and framework under supervision, reputation and market presence are taken into consideration when choosing financial institutions. This diversification amongst institutions will mitigate this risk to acceptable levels. Furthermore, the capital requirements for CMH, are calculated and monitored on an ongoing basis and capital adequacy reports that monitor in detail K-CMH under RtC, are being reported by the Risk Department on a quarterly basis to the BoD and the relevant regulatory authority.

- **K-ASA (Assets Safeguarded and Administered)**

K-ASA captures the risk of safeguarding and administering client assets and ensures that investment firms hold capital in proportion to such balances, regardless of whether they are on its own balance sheet or in third-party accounts. Therefore, the Group during the year ending 31st of December 2021 was subject to the risk relating to this K-factor since the relevant regulated entities safeguard real equities for clients.

It is noted that the safeguarding of clients’ positions in CFD products is captured under K-CMH in consideration of the nature of CFD products.

Risk Mitigating Measures: The Group has selected a reputable sub-custodian, and neither it nor its general creditors have any right to sell, attach, or create a security interest in any financial instruments held, neither in case of sub-custodians insolvency nor otherwise. Furthermore, the Group safeguards the real equity positions of its clients in accordance with the safeguarding rules prescribed by relevant regulatory framework applicable to each regulated entity within the Group. Additionally and similarly to CMH, the capital requirements for ASA, are calculated and monitored on an ongoing basis and capital adequacy reports that calculate and monitor this K-factor, are being reported by the Risk Department on a quarterly basis to the BoD and the relevant regulatory authority.

- **K-COH (Client Orders Handled)**

K-COH captures the potential risk to clients of an investment firm which executes orders (in the name of the client, and not in the name of the investment firm itself), for example as part of execution-only services to clients or when an investment firm is part of a chain for client orders. The Group executes its clients' orders to real equities by acting as agent to their trades, therefore the risk reflected by this K-factor was applied for the year ending 31st of December 2021.

Risk Mitigating Measures: The Group has arrangements and processes in place by which it assesses the liquidity providers and execution venues on which it relies upon to execute its client orders and that it monitors the credit standing and overall position of these parties so as to ensure that the risk of losses arising for the client as a result of the failure of such a party to execute a transaction, is minimised to the greatest extent possible. Furthermore, the Company and the UK entity of the Group follow the best execution rules obliged by the respective regulatory frameworks which are designed to ensure and always achieve the best interest of the client when executing their orders. Furthermore, similarly to the aforementioned K-factors, relevant capital requirements are calculated and monitored on an ongoing basis and capital adequacy reports that calculate and monitor this K-factor, are being reported by the Risk Department on a quarterly basis to the BoD and the relevant regulatory authority.

4.2 Risk to Market

Risk to Market ("RtM") is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as equity prices, interest rates, foreign exchange rates and commodity prices. Market risk arises from the Group's exposures to financial instruments and to changes in the market prices of these financial instruments. Market risk of the Group comprises of equity risk, foreign exchange risk and commodity risk. There are two K-factors that capture the principal risks under RtM:

- **K-NPR (Net Position Risk)**

This K-factor is based on the rules for Market Risk for positions in equities, interest rate financial instruments, foreign exchange and commodities in accordance with CRR (as prescribed by the IFR, the methodology for calculating capital requirements for this K-factor remain the same with the CRR, as amended). Therefore, K-NPR captures the Market Risk, which is defined as the risk that the Group's income or the value of its holdings of financial instruments will change due to the change in market risk factors (market prices, foreign exchange rates). Exposure to market risk at any point in time depends primarily on short term market conditions and the levels of client activity. Based on the year ending 31st of December 2021, this K-factor was applicable to the Group as a result of its trading activities where it acts as a counterparty to its clients' CFD transactions.

As at the reference date, the Group was exposure to the following types of Market Risk:

Currency Risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Group's measurement currency. The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Euro, the United States Dollar, the British Pound and the Polish Zloty. The Group's Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

Market Price Risk

Market price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices. The Group is exposed to fluctuations in market prices on open positions on CFDs. The Group's exposure to price risk mainly depends on market conditions and client activities during the trading day. The exposure is constantly monitored by the Risk Management department. If there is a significant exposure, then immediate actions are taken by the Risk Management department to mitigate it. As there is a broad client base, with its different trading strategies, there is a significant level of "natural hedging".

Interest Rate Risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets. The Group is exposed to interest rate risk in relation to its non-current borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Company's Management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

Risk Mitigating Measures: The regulated entities of the Group employs a Risk Manager and highly skilled Dealing on Own Account and Trading Departments are established, who are continuously monitoring the market movements and act accordingly to hedge the excessive exposure and maintain risk within accepted limits. The said entities have accounts with various regulated companies (Liquidity Providers) to open proprietary positions and hedge the excessive risk. Furthermore, custom made tools are developed to help identifying the aggregate risk in real time. To this end, a detailed Investment Policy is established. It is worth mentioning that the relevant group entities have procedures in place for every trade to be recorded, so that assessing the effectiveness of the risk management procedures can be undertaken by the BoD. Key performance indicators critical for timely risk detection are continuously monitored and reviewed. Furthermore, the leverage offered to clients will be closely monitored on an ongoing basis and adjusted upwards or downwards, depending, inter alia, on market conditions, risk profile and/or trading profile of the relevant client. Finally, similarly to the aforementioned K-factors, relevant capital requirements are calculated and monitored on an ongoing basis and capital adequacy reports that calculate and monitor this K-factor, are being reported by the Risk Department on a quarterly basis to the BoD and the relevant competent authorities.

- **K-CMG (Clearing Margin Given)**

This is an alternative to K-NPR to provide for market risk for trades that are subject to clearing or on a portfolio basis, where the whole portfolio is subject to clearing or margining as set out in Article 23 of IFR. K-CMG means the amount of total margin required by a clearing member or 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 qualifying central counterparty. Based on the reference year, this K-factor was not applicable to the Group considering the size of relevant operations during 2021.

4.3 Risk to Firm

Risk to Firm (“RtF”) captures an investment firm’s exposure to the Risk of Default of its Trading Counterparties (K-TCD), the Concentration Risk arising from its exposures to counterparties and their connected persons (K-CON) and Operational Risks from its Daily Trading Flow of transactions (K-DTF).

- **K-TCD (Trading Counterparty Default)**

K-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. This methodology replaces the old Counterparty Credit Risk methodology that used to be applicable under the old framework, CRR. This includes both clients and liquidity providers. The Group, throughout the year under review, was exposed to TCD due to its over-the-counter (“OTC”) derivative transactions (i.e. CFDs).

Risk Mitigating Measures: With regards to K-TCD, the Group mitigates its exposure towards TCD risk by applying negative balance protection, recognising the margin used to secure clients positions as cash collaterals and carefully selecting its hedging counterparties. Specifically, credit ratings of all counterparties are subject to periodic reviews. Furthermore, relevant capital requirements are calculated and monitored on an ongoing basis and the respective capital adequacy reports are being reported by the Risk Department on a quarterly basis to the BoD and the relevant competent authorities.

- **K-DTF (Daily Trading Flow)**

K-DTF means the daily value of transactions that a CIF enters through dealing on own account or the execution of orders on behalf of clients in its own name, excluding the value of orders that a CIF handles for clients through reception and transmission of client orders as well as through the execution of orders on behalf of clients which are already considered in the scope of K-COH. No similar risk was captured under the previously applicable regime, CRR. DTF aims to capture the operational risks from an CIF’s daily trading flow. K-DTF captures the operational risks to an investment firm in large volumes of trades concluded for its own account or for clients in its own name in one day which could result from inadequate or failed internal processes, people and systems or from external events, based on the notional value of daily trades. The Group was exposed to DTF due to the fact that it executes its trades on a principal basis (i.e. dealing on own account).

Risk Mitigating Measures: In general, the regulated entities of the Group have a comprehensive framework with a common approach to identify, assess, quantify, mitigate, monitor and report operational risk. Overall planning, coordination, and monitoring is centralized however, most operational risks are managed within the departments in which they arise. Furthermore, the Group manages operational risk through a control-based environment in which important processes are thoroughly documented in the Internal Procedures Manual and are continuously monitored. The regulated entities of the Group follows a strict implementation of the 4-eye principal at all levels of hierarchy, which adheres to a "need to know" rule that segregates important information and tasks. Deep scrutiny in the recruitment process provides a satisfactory guarantee of the professional qualifications as well as ethos and dignity of the employees. Senior management ensure that there is a risk-based approval process for all new products,

activities, processes and systems. The Group calculates and monitors its capital requirements for DTF on a quarterly basis and reports to the competent authorities, as applicable.

- **K-CON (Concentration Risk)**

K-CON means the exposures in the trading book of an investment firm to a client or a group of connected clients the value of which exceeds the limits specified in IFR. The concentration risk regime applies to all investment firms with exposure limits applicable to all investment firms that deal as principal, even where this is for clients. It is closely based on the CRR's large exposures regime (Large Exposures in the Trading Book Risk), with derogations for non-trading book exposures. As at 31st of December 2021, the Group had no significant concentration of TCD risk to any single client or hedging counterparty, or of Issuer risk to issuers of its Trading Book bonds or equities (relating either to real equities or equity CFDs), that is, the relevant exposures did not exceed any of the applicable limits and to this end, it had a K-CON of zero.

Risk Mitigating Measures: The Group limits the amount of credit exposure to any financial institution in accordance with European Laws. Relevant capital requirements are calculated through the capital adequacy reports submitted quarterly to the relevant competent authorities.

4.4 Other Risks

4.4.1 Liquidity Risk

Liquidity risk is the risk that the Group may not have sufficient liquid financial resources to meet its obligations when they fall due or would have to incur excessive costs to do so.

The Group's policy is to maintain adequate liquidity and contingent liquidity to meet its liquidity needs under both normal and stressed conditions. To achieve this, the Group monitors and manages its liquidity needs on an ongoing basis. The Group also ensures that it has sufficient cash on demand to meet expected operational expenses. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. A detailed Business Plan is created by the Finance department of each regulated entity including projections for revenue, expenses, cash flows and capital adequacy ratios for the foreseeable future.

Also, the Group follows the Liquidity requirement set by the new IFR/IFD framework. As at 31st of December 2021 the Group satisfied the Liquidity Requirement.

4.4.2 Strategic Risk

Strategic risk corresponds to the unintended risk that can result as a by-product of planning or executing the strategy. A strategy is a long-term plan of action designed to allow the Group to achieve its goals and aspirations. Strategic risks can arise from:

- Inadequate assessment of strategic plans
- Improper implementation of strategic plans and
- Unexpected changes to assumptions underlying strategic plans.

Risk considerations are a key element in the strategic decision-making process. The Group assesses the implications of strategic decisions on risk-based return measures and risk-based capital to optimize the risk-return profile and to take advantage of economically profitable growth opportunities as they arise.

4.4.4 Reputational Risk

Reputational risk can arise from direct Group actions or from actions of third parties that it may or may not have a relationship with. Such Group actions may include internal security breaches, employee fraud, client misinformation, mistakes in handling client requests and any other actions that can lead to significant negative public opinion and subsequently loss of business and income. Third party actions can include problems with the provision of the outsourced services that can lead to operational interruptions, database hosting and security, spreading of rumors and unsubstantiated information.

The Group strives to preserve its reputation by adhering to applicable laws and regulations, and by following the core values and principles of the Group, which include integrity and good business practice. The Group centrally manages certain aspects of reputation risk, for example communications, through functions with the appropriate expertise. It also places great emphasis on the information technology security which is one of the main causes of such reputational risk manifestation.

4.4.5 Business Risk

Business risk is the risk of financial loss due to business cycles and conditions fluctuations over time. Possible deterioration in business or economic conditions.

Business risk in the brokerage business is particularly significant due to the lack of predictability of financial markets in a reliable manner. The uncertainty surrounding events and factors which affect financial markets is substantial and due to the effect, these have on the behavior of brokerage clients, it makes business risk particularly significant and unpredictable.

The Group will project forward its financial position taking into account this risk. Adequate margin of safety will be employed at all times in order to address the lack of predictability of business cycles in the brokerage business.

4.4.6 Regulatory Risk

The Group may, from time to time, become exposed to this type of risks, which could manifest because of non-compliance with local or international regulations, contractual breaches or malpractice. The probability of such risks manifesting is relatively low due to the detailed internal procedures and policies implemented by the Group and regular reviews performed by the compliance and legal departments. Additionally, the management consists of individuals of suitable professional experience, ethos and integrity, who have accepted responsibility for setting and achieving the Group's strategic targets and goals. In addition, the BoD meets regularly to discuss such issues and any suggestions to enhance compliance are implemented by management. The Group, when necessary, is also seeking advice from reputable external Consultants and has outsourced the Internal Audit function to a provider with many years of experience in the industry. Any changes to local, EU and third country Regulations, Directives, and Circulars are being constantly monitored and acted upon ensuring that the Group is always compliant with them.

It is noted that on 6th of April 2022, due to non-compliance with Regulation (EU) 596/2014 on Market Abuse a fine was issued by CySEC to the Company amounting to €10.000. However, all appropriate measures are immediately taken to rectify the issue. Both the compliance officer and the internal auditor are qualified and well trained and remain abreast with any new regulatory developments.

4.4.7 Money-Laundering Risk

The risk may be triggered from the potential of non-compliance with the Prevention and Suppression of Money Laundering Activities and Terrorist Financing Law, regulations and directives. The Group keeps and maintains an adequate level of policies and procedures, on a risk-based approach, to effectively comply with its obligations towards the regulatory framework. The Money Laundering Compliance Officer is qualified and well trained. The potential of this risk arising is considered low.

4.4.8 Legal and Compliance risk

Compliance risk is the risk of financial loss, including fines and other penalties, which arises from non-compliance with laws and regulations of the state.

5. Risk related to crypto assets and financial instruments relating to crypto assets

The Group bears risk arising from crypto assets and financial instruments relating to crypto assets in the following ways:

- **Direct investment of Group's clients in financial instruments relating to crypto assets with the Group acting as the counterparty**

The Group offers to its clients CFDs in various Group assets. The Group is the sole execution venue of these transactions (as per the Dealing on Own Account license) and hence the counterparty to those transactions. The Group is treating exposure coming from CFDs in Crypto assets as market commodity risk and is calculated according to Articles 355 to 361 of the CRR.

- **Direct Investment in crypto assets on a speculative basis (trading book exposure)**

The Group, according to the internal risk policies, may purchase crypto assets from its Liquidity Providers, to cover the risk coming from point above. Therefore, such investments are considered as purely risk management trading.

As at 31st December 2021 , the Group did not hold any significant exposure in crypto assets.

The overall capital requirement for market risk exposure from crypto assets and CFDs in crypto assets as at 31st of December 2021 was \$923K.

6. Own Funds

The new prudential framework of the Union, IFR/IFD, has been developed to address the specific vulnerabilities and risks inherent to investment firms by means of proportionate and appropriate prudential arrangements and as such, aim to reflect the risks faced and posed by most investment firms.

While the calculation of Own Funds in IFR remains largely the same as in the CRR with only a few discrepancies on the items deducted, the new framework introduces a different approach for calculating the Minimum Capital Requirements to be described in further detail below. Firstly, in respect of Own Funds, investment firms are required to maintain Own Funds consisting of the sum of their Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital, and shall at all times meet all of the following conditions:

- a) Common Equity Tier 1 Capital of at least 56% of Own Funds Requirements.
- b) Common Equity Tier 1 Capital and Additional Tier 1 Capital of at least 75% of Own Funds Requirements.
- c) Common Equity Tier 1 Capital, Additional Tier 1 Capital and Tier 2 Capital of at least 100% of Own Funds Requirements.

The Group consolidated capital adequacy calculation and minimum ratios are submitted to CySEC (through the submission of the relevant Common Reporting Template, otherwise known as CoRep) on a quarterly basis.

Table 3 below presents the composition of the Group's Own Funds as at 31st of December 2021, while Table 4 additionally indicates the Own Funds based on the Group's audited Financial Statement as of the same date, and they have been prepared using the format set out in the Final Report on the Draft Implementing Standards issued by the EBA on reporting and disclosure requirements of investment firms under the IFR (EBA/ITS/2021/02).

As at 31st of December 2021, the Group's Own Funds fully comprised of Common Equity Tier 1 capital. As shown below, the Group's Own Funds as at 31st of December 2021 amounted to \$33.551K.

Ref.	Common Equity Tier 1 (CET1) capital: instruments and reserves	Amounts (\$'000)	Source based on reference numbers/letters of the balance sheet in the audited financial statements (Cross Reference to EU IF CC2)
1	OWN FUNDS	33.551	
2	TIER 1 CAPITAL	33.551	
3	COMMON EQUITY TIER 1 CAPITAL	33.551	
4	Fully paid up capital instruments	2	Ref. 1 (Shareholders' Equity)
5	Share premium	56.024	Ref. 2 (Shareholders' Equity)
6	Retained earnings	(9.360)	Ref. 3 (Shareholders' Equity)
8	Other reserves	(11.599)	Ref. 4 (Shareholders' Equity)
10	Adjustments to CET1 due to prudential filters	(110)	
19	(-) Other intangible assets	(920)	Ref.3 (Assets)

		Amounts (\$'000)	Source based on reference numbers/letters of the balance sheet in the audited financial statements (Cross Reference to EU IF CC2)
20	(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	(352)	Ref.1 (Assets)
27	CET1: Other capital elements, deductions and adjustments	(134)	Ref. 2 & 4 (Assets)
28	ADDITIONAL TIER 1 CAPITAL	-	
40	TIER 2 CAPITAL	-	

Table 3: Template EU IF CC1.01 – Composition of Regulatory Own Funds

	Balance sheet as in published/audited financial statements	Under regulatory scope of consolidation	Cross reference to EU IF CC1	
As at 31 Dec 2021 (\$'000)				
Ref.	Assets - Breakdown by asset classes according to the balance sheet in the published/audited financial statements			
1	Deferred tax assets	352	352	Ref. 20
2	Financial assets at FVTOCI (Investor's Compensation Fund)	62	62	Ref. 27
3	Intangible assets	920	920	Ref. 19
4	Trade and other receivables (Additional Cash Buffer)	73	73	Ref. 27
5	Non-current assets (other)	2.684	2.684	
6	Current assets (other)	43.318	43.318	
	Total Assets	47.409	47.409	
Ref.	Liabilities - Breakdown by liability classes according to the balance sheet in the published/audited financial statements			
1	Non-Current Liabilities	1.164	1.164	
2	Current Liabilities	11.177	11.177	
	Total Liabilities	12.341	12.341	
Ref.	Shareholders' Equity			
1	Share Capital	2	2	Ref. 4
2	Share Premium	56.024	56.024	Ref. 5

		Balance sheet as in published/audited financial statements	Under regulatory scope of consolidation	Cross reference to EU IF CC1
As at 31 Dec 2021 (\$'000)				
3	Retained Earnings/Accumulated losses	(9.360)	(9.360)	Ref. 6
4	Translation and other reserves	(11.588)	(11.588)	Ref. 8
5	Fair value reserves	(10)	(10)	Ref. 8
	Total Shareholders' equity	35.068	35.068	

Table 4: Template EU IFCC2 –Reconciliation of Regulatory Own Funds to Balance Sheet in the Audited Financial Statements

7. Minimum Capital Requirements

As previously mentioned, the new IFR & IFD framework introduces a different approach for calculating the Minimum Capital Requirements, which for Class 2 investment firms dictates that they are derived by taking the highest of the Fixed Overhead Requirement (“FOR”), the Permanent Minimum Capital Requirement (“PMCR”) and the K-factors that apply to each investment firm.

7.1 Fixed Overheads Requirement (FOR)

The Group reports its Fixed Overhead requirements to the BoD and the relevant regulatory authorities on a quarterly basis. The Group calculates its FOR by taking the one quarter of the fixed overhead expenses of the preceding year in accordance with the provisions of Article 13 of the IFR. The Fixed Overheads Requirement as at 31st of December 2021 amounted to \$10.069K.

7.2 Permanent Minimum Capital Requirement (PMCR)

The Group monitors its Own Funds on a continuous basis and ensures that they remain above the Permanent Minimum Capital Requirement of €1.200K. However, the Firm’s reporting currency is USD so, as at the reference date, this translates to \$2.039K, which corresponds to the initial capital that applies to the Group in accordance with Article 9 of the IFD.

7.3 “K-factor” Capital Requirement

The Group calculates its overall “K-factor” capital requirement on a continuous basis which is the sum of “K-factor requirements” grouped in three categories: Risk-to-Client (RtC), Risk-to-Market (RtM), Risk-to-Firm (RtF), in accordance with Articles 16 through to 33 of the IFR (and as described in further detail in Section 4).

Table 5 below breaks down the Pillar I minimum capital requirement that the Group was required to hold as of 31st of December 2021.

Minimum Capital Requirements		31 Dec 2021 (\$'000)
Risk-to-Client (RtC)	<i>K-AUM</i>	-
	<i>K-CMH</i>	573
	<i>K-ASA</i>	1
	<i>K-COH</i>	3
Risk-to-Market (RtM)	<i>K-NPR</i>	7.086
	<i>K-CMG</i>	-
Risk-to-Firm (RtF)	<i>K-TCD</i>	8
	<i>K-DTF</i>	161
	<i>K-CON</i>	-
Total K-Factor Requirement		7.829

Minimum Capital Requirements		31 Dec 2021 (\$'000)
Fixed Overhead Requirement ('FOR')		10.069
Permanent Minimum Capital Requirement ('PMCR')		2.039

Table 5: Minimum capital requirements

As indicated in Table 6 below, the CAD ratio of the Group as at 31st of December 2021 amounted to 333,18% which far exceeded the minimum required threshold of 100%, and a capital surplus of \$23.478K.

	31 Dec 2021 (\$'000)	Reference
Capital		
Common Equity Tier 1	33.551	
Additional Tier 1	-	
Tier 2	-	
Total Own Funds	33.551	a
Own Funds Requirement		
K-factor Requirement	7.829	b
Fixed Overhead Requirement	10.069	c
Permanent Minimum Capital Requirement	2.039	d
Minimum Own Funds Requirement	10.069	e = (higher of b, c, d)
Capital Excess/Ratio		
Capital Excess	23.483	a-e
Capital Ratio	333,23%	a/e

Table 6: Capital Excess/Ratio

8. Remuneration Policy

The Group is in the process of updating its existing Remuneration policy, through which it will ensure full alignment with the IFR & IFD framework.

The Group defines and implements remuneration policies and practices under appropriate internal procedures taking into account the interest of all the clients of the Group, with a view to ensuring that clients are treated fairly, and their interests are not impaired by the remuneration practices adopted by the Group in the short, medium or long term.

The Group shall ensure that the remuneration policy and practices apply to all relevant persons with an impact, directly or indirectly, on investment and ancillary services provided by the Group or on its corporate behaviour, regardless of the type of clients, to the extent that the remuneration of such persons and similar incentives may create a conflict of interest that encourage them to act against the interest of any of the firm's clients.

The management body of the each regulated group entity shall approve, after taking advice from the Compliance function, the Group's remuneration policy. The senior management shall be responsible for day-to day implementation of the remuneration policy and the monitoring of the compliance risks related to the policy.

Remuneration and similar incentives shall not be solely or predominantly based on quantitative commercial criteria and shall take fully into account appropriate qualitative criteria reflecting compliance with the applicable regulations, the fair treatment of clients and the quality of services provided to clients.

A balance between fixed and variable components of remuneration shall be maintained at all times, so that the remuneration structure does not favour the interests of the Group or its relevant persons against the interest of any client.

The Group's Remuneration includes financial Remuneration (i.e. salary) and/or non-financial Remuneration (i.e. career progression, health insurance, discounts or special allowances for car or mobile phone, seminars, etc., as may be decided from time to time by senior management).

The Policy aims to (i) provide for sufficient incentives so as for the Relevant Persons (as defined by the Group's Policy), to achieve their Key Performance Indicators, (ii) deliver an appropriate link between reward and performance whilst at the same time become a comprehensive, consistent and effective risk management tool that prevents excessive risk taking and /or miss-selling practices considering financial incentives schemes, which could lead to compliance risks for the Group in the long-run.

The Relevant Persons' total Remuneration can consist of a fixed as well as a variable component.

Fixed and variable remuneration is different for each position/role depending on the position's actual requirements, and it is determined in a way that reflects the educational level, professional experience and responsibility needed for the employee to perform the specific position/role. The Policy is also set in comparison with standard market practices employed by the other market participants/competitors. Non-financial Remuneration provided to the Group's Relevant Persons, are not employee performance-related and are considered part of the fixed Remuneration. All Group employees are eligible for salary payment when working from the Group offices during

bank holidays and weekends. Other factors considered for the Remuneration of the Group's employees are the following:

- a. The financial viability of the Group,
- b. The employee's personal objectives (professional development, compliance with the Group's policies and procedures, compliance with regulatory requirements, commitment and work ethics), performance evaluation and the assessment score they achieved on their performance.

The Group has set appropriate ratios between the fixed and the variable component of the total remuneration, whereby the following principles shall apply:

- a. The variable component shall not exceed 100% of the fixed component of the total remuneration for each individual.
- b. The Group's shareholders may approve a higher maximum level of the ratio between the fixed and variable components of remuneration provided the overall level of the variable component shall not exceed 200% of the fixed component of the total remuneration for each individual.

It should be noted that in accordance with EBA's latest consultation papers, the Group's remuneration policies ensure an alignment of fixed and variable remuneration between genders i.e. are gender neutral. In particular, the following aspects shall be taken into consideration:

- the place of employment and its costs of living;
- the hierarchical level of the staff and if staff has managerial responsibilities;
- the level of formal education of staff;
- the scarcity of staff available in the labour market for specialised positions;
- the nature of the employment contract, including if it is temporary or a contract with an indefinite period;
- the length of professional experience of staff;
- professional certifications of staff; and
- appropriate benefits, including the payment of additional household and child allowances to staff with spouses and dependent children.

In cases where the remuneration is performance related, the total amount of Remuneration is based on a combination of the performance of:

- the individual (quantitative and qualitative criteria, except those who perform their duties on Control Functions where only qualitative criteria apply, are taken into account; performance evaluation and assessment score are considered),
- the business unit concerned, and
- the overall results of the Group and as long as conflicts of interest are mitigated, as described in this Policy.

The variable remuneration of relevant persons is dependent on assessment of their performance based on quantitative and qualitative criteria.

Quantitative Criteria

Each member's work performance will be assessed on a monthly basis, starting from the date of commencing employment with the Group, by their respective managers, according to some Key Performance Indicators (KPIs) set. Depending on the department, some of the KPIs include:

- Response time to Client emails or chats
- Scoring of employees from the call monitoring results
- Time required for the execution of a withdrawal request
- Number of conversions per month

Qualitative Criteria:

For the determination of employees' variable remuneration, the Group takes also into consideration a list of qualitative criteria, for instance:

- Customer satisfaction rating for tickets and chats
- Number of Client complaints received
- Knowledge of the industry and Company's operations
- Compliance with Group's procedures and legislative requirements
- Quality of cooperation with other departments
- Teamwork, creativity and motivation

The Group has identified that the method used to determine the variable remuneration of some of its relevant persons may give rise to conflicts of interests between the relevant persons and Clients. In addition to evaluating employees in accordance to the KPIs, the Group has also established a series of measures for monitoring and mitigating such conflict of interest risks identified.

The Group's annual remuneration to senior management and staff members for 2021 was as follows:

	Number of beneficiaries	Fixed Remuneration for 2021 (\$'000)	Variable Remuneration for 2021 (\$'000)	Total Remuneration for 2021 (\$'000)
Directors	5	1.169	-	1.169
Senior Management	51	2.490	135	2.626
Total	58	3.659	135	3.795

Table 7: Group's annual remuneration for the year 2021

Finally, there were no severance payments or deferred remuneration awarded and paid out during the financial year.

The Company's Compliance Function performs annual reviews of the Policy in order to ensure that the Policy is in compliance with the relevant legislation and ensure that its applicability and alignment with the prescribed remuneration standards.

9. Further Information

Questions to this Report should be addressed to the Compliance Department.

Compliance department:

compliance@capital.com

Appendix – Own Funds

Own funds: main features of own instruments issued by the firm		
1	Issuer	Capital Com SV Investments 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	Cyprus Law
5	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares
6	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	2.310
7	Nominal amount of instrument	2.030
8	Issue price	EUR 1 each
9	Redemption price	N/A
10	Accounting classification	Shareholder's Equity
11	Original date of issuance	07/04/2016
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	<i>Coupons / dividends</i>	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
21	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
22	Existence of step up or other incentive to redeem	No

Own funds: main features of own instruments issued by the firm		
23	Noncumulative or cumulative	Non-cumulative
24	Convertible or non-convertible	Non-convertible
25	If convertible, conversion trigger(s)	N/A
26	If convertible, fully or partially	N/A
27	If convertible, conversion rate	N/A
28	If convertible, mandatory or optional conversion	N/A
29	If convertible, specify instrument type convertible into	N/A
30	If convertible, specify issuer of instrument it converts into	N/A
31	Write-down features	No
32	If write-down, write-down trigger(s)	N/A
33	If write-down, full or partial	N/A
34	If write-down, permanent or temporary	N/A
35	If temporary write-down, description of write-up mechanism	N/A
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
38	Link to the full term and conditions of the instrument (signposting)	N/A