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Pillar III Disclosures
For the year ended December 31st, 2022

May 2022

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1. Introduction

1.1. Introduction

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.

It is noted that the Company does not hold any real crypto assets.

1.2. Regulatory Framework

The capital adequacy and overall risk management requirements that applied until recently to the Company 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Requirements Directive 2013/36/EU (“CRD IV”) and EU Regulation No. 575/2013 (the “Regulation” or the “CRR”), have been replaced by amended prudential rules.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 noted that the Company is a Class 2 CIF and is required to hold €750K (\$800K) as at 31st of December 2022 of initial capital, set in accordance with Article 14 of the IFR and Article 9 of the IFD.

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 Company, are summarised below:

- Pillar I - Minimum Capital Requirements - ensures that the Company maintains 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 its supervisor, CySEC, actively assess, control and mitigate the various risks that the Company faces.
- Pillar III - Market Discipline - ensures the promotion of market discipline through the disclosure of the Company's regulatory requirements, risk management and risk governance policies and procedures, allowing market participants to view and compare meaningful information relating to the Company and its peers.

The Company'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 2022.

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 Company's Pillar III disclosures are subject to internal review and validation. This includes approval by the Chief Executive Officer (CEO), the Risk Manager and the Chief Financial Officer (CFO) of the Company. The Company's Pillar III disclosures have been also verified by the External Auditors.

This Company'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.

1.3. 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 Company 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 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 Company and approve and oversee the implementation of the Company’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 CySEC.

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 2022, the Board is comprised of two (3) executive and three (2) non-executive directors.

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

Full name of Director	Position/Capacity	Number of Executive Directorships	Number of Non-Executive Directorships
Valentina Rzhetskaya	Executive Director	1	-
Christoforos Soutzis	Executive Director	-	-
Kypros Zoumidou	Executive Director	2	-
Raffi Mahdessian	Non-Executive Director, Independent	1	-

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

Table 1: 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 Company 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 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 Company is committed to encouraging and promoting diversity, equity and inclusion in all aspects of its work and business. The Company 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 Company 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 Company recognises the value that diversity, equity and inclusion make good business sense.

As a diverse and inclusive business, the Company 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 Company 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 Company's operations. Thereafter, for the consideration of a management body member, the Company 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 Company 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 Company will ensure that the candidates have adequate knowledge, experience, qualifications and skills necessary to safeguard the proper and prudent management of the Company.

The Company 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 Company'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 Company to continually align its business objectives against a background of changing risks and uncertainty.

The risk management framework:

- Enables the Company 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 Company and
- Ensures that risk management is an integral part of the Company's decision-making process.

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

Risk Area	Metrics	Comment
Capital Adequacy	Core Equity Tier1 ratio (CET1),	The Company's objective is to maintain regulatory ratios well above the minimum thresholds set by the IFR/IFD
	Own Funds Internal Capital Requirement	The Company's objective is to maintain Own Funds well above the total regulatory and any Internal Capital requirement based on the latest ICARA results.
Liquidity	Liquid Assets	The company's objective is to maintain liquid assets well above both regulatory and internal liquidity limits based on the latest ICARA results

Table 2: Key measures used to monitor the Company's risk profile

3.1 Risk Management Governance

The overall responsibility for approving and monitoring the Company's risk strategy lies with the BoD. The Risk Management Committee (RMC) plays a central role in ensuring compliance with the Company's risk management strategy and policies. The ability of the RMC to carry out its responsibilities effectively and in an unbiased manner rests on its independence. Structurally, risk management is a separate unit independent of the business, with the RMC reporting directly to the BoD. Members of the risk committee have appropriate knowledge, skills, and expertise to fully understand and monitor the risk strategy and the risk appetite of the Group.

The Risk Committee advises the Board regarding the entities' overall current and future risk appetite and strategy and assists the Board in overseeing the implementation of that strategy by the Risk Management Function.

The Risk Committee bears the responsibility for monitoring the adequacy and effectiveness of the ICARA and of the risk management policies and procedures that are in place, the level of compliance by the Company and its relevant persons with the policies and procedures adopted, and the adequacy and effectiveness of measures taken to address any control deficiencies.

Furthermore, prior to expanding its operations to any new products or markets, the Committee needs to be satisfied that appropriate product governance is followed, and the products proposed are suitably risk assessed and in line with the firm's strategy.

Risk Management Committee minutes including agenda, committee approvals and action items are circulated to the Board, who have the authority to enforce changes to risk management policies and strategy.

3.2 Risk Management Framework

The Risk function is responsible for the implementation and on-going maintenance of a comprehensive Risk Management Framework that identifies, measures, and mitigates risk across the firm. While input is obtained from all relevant areas, approval of the Risk Management Framework is the primary responsibility of the Risk Committee, with formal oversight and sign-off provided by the Board. The Company's Risk Management Framework identifies the key drivers, mitigating factors and the progress made in further mitigating those risks.

Primary Level responsibility for monitoring and controlling risk is assumed at the operating level by the staff in each department. Each of these teams, though separately managed in their respective areas of the business, contributes to the holistic view of the organisation's risk profile through their reporting responsibilities via the Group Head of Risk as the senior risk officer of the Firm.

The Secondary Level of responsibility is the activity of the second line Risk Management function which reports directly to the Risk Committee, summaries of its matters and reports are provided to the Board. Executive Committees receive operational risk, capital requirement, and other risk reports produced by the Group Risk Team and Compliance reports from the Compliance Function. The Compliance report covers key regulatory areas such as the appropriateness process for clients, breaches and incidents, complaints, market abuse alerts, financial promotions reviews e.t.c. The Risk Committee also reviews periodic reports and proposals submitted by other business stakeholders as first line owners of the various key risks on the risk register.

The Risk Committee also has the authority to commission external advisors to address any weaknesses it perceives in the structure or operation both of the primary monitoring or controls and of the entirety of the integrated Risk Management Framework.

3.3 Three lines of defence Overview

In order to ensure effective risk management, the Company has adopted the "three lines of defense model", with clearly defines roles and responsibilities.

First line of defense: 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.

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 including the overarching framework and for independently monitoring the risk profile, providing additional assurance where required. Members of the Risk Management Function leverage their expertise by providing frameworks, tools and techniques and assist management and BoD 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 Board and senior management on the adequacy of design and operational effectiveness of the systems of internal controls.

The RMC has met once in the financial year 2022.

3.4 Internal Control Functions

The Company, taking into consideration the nature, scale, and complexity of its operations, as well as the investment services and activities provides, has established adequate internal control functions to ensure decisions are made in compliance with regulations, and internal policies and procedures.

Additional levels of assurance for the Company, as the regulated CIF, are provided by control functions, which are independent of the first line of defence business operations – namely Risk, Compliance, Anti-Money Laundering, Data Protection, and Internal Audit. The control function teams provide periodic and regular reporting to the Board and Executive Committees as appropriate.

3.4.1 Compliance Function

A Head of Compliance has been appointed to establish, implement, and maintain adequate and effective policies and procedures and ensure appropriate systems and controls are in place to detect any risk of failure by the Company to comply with its obligations.

Further to this, the Head of Compliance was made responsible for putting in place adequate measures and procedures designed to minimise associated risks and to enable the competent authorities to exercise their powers effectively.

The Head of Compliance was made responsible for establishing a second line of defence function, fully independent to the first line of defence, and has the necessary authority, resources, expertise, and access to all relevant information. Furthermore, it was necessary they were duly certified and registered in accordance with article 5(6) of the Consolidated Directive on the Certification of Persons, RAD 44/2019, as amended.

3.4.2 Anti-Money Laundering Compliance Function

The Board retains a person to the position of the Company's Anti-Money Laundering Compliance Officer (AMLCO) to whom the Company's employees report their knowledge or suspicion of transactions involving money laundering and terrorist financing.

Each entity has an AMLCO or equivalent who leads the Anti-Money Laundering Compliance procedures and processes for that entity and reports to the Senior Management of the Company. In cases where it is deemed necessary assistants to the money laundering officer are also appointed.

3.4.3 Risk Management Function

A Group level second line of defence risk management team was established with a new Group Head of Risk Management appointed in November 2022.

The Company's Risk Officer in collaboration with the Group's Head of Risk are responsible for maintaining oversight and monitoring the ongoing adequacy of own funds and liquidity to ensure that they remain appropriate, ensuring the methodologies and assumptions made in its ICARA remain relevant and responsible for ensuring accuracy and timeliness of quarterly submissions to CySEC relating to the Group's own funds and liquidity requirements.

The Risk Officer is also responsible for ensuring that all risks taken by the Company are in compliance with the Law and the obligations of the Company under the Law, and that all the necessary policies, documentation and procedures relating to risk management are in place.

The Risk team drafts written reports to the Senior Management via relevant committees and to the Board including recommendations where remedial measures are required to address material deficiencies. Production of a risk management report is also performed annually as required. These reports are presented to the Board and discussed during its meetings, which are held at least annually. The Company submits the reports to CySEC alongside the minutes of the meetings of the Board of Directors, during which the risk management report has been discussed.

3.4.4 Internal Audit Function

A Global Head of Internal Audit has been appointed responsible for Internal Audit planning and roll out and for tracking the agreed management actions in relation to control improvements across the business.

Internal Audit's aim is to ensure compliance of the different units of the Company its policies and procedures to ensure a robust control environment and to ensure that appropriate decisions are made by the business stakeholders within a suitable governance framework. At the reporting date the Company was outsourcing the Internal Audit Function which was independent from the functions of the Company and was reporting directly to the Company's Board of Directors.

The Internal Audit Function is establishing a comprehensive audit plan which will aim to examine, evaluate, and issue findings with recommended management actions as to whether the Company and its subsidiaries have adequate internal controls in place and to ensure that all policies are effective and comply with the legal framework.

Internal Auditor has clear access to the Company's personnel and systems and access to External Internal Audit resources in order to ensure independent review of its own work.

The Internal Auditors report directly to the Group's senior management. On at least annual basis the Internal Auditor prepares and submit to the Company's Board of Directors reports. The report of the Internal Auditors is submitted to the Commission by the end of April each year along with the minutes including details of Board of Director approvals with regards to agreeing required management actions.

3.5 Risk Appetite

Risk appetite expresses the level of risk that the Company is willing to assume within its risk capacity in order to achieve its business objectives and strategies, so that it can maintain its ordinary activity in the event of unexpected events. Risk Tolerance is the level of risk to which the Company is willing and able to be exposed, taking into account its financial strength, nature, size and complexity and other factors that needed to adequately manage the risk. Risk capacity is defined as the maximum level of risk the Company is able to tolerate. Risk capacity should be set in the beginning of the risk management process. Risk appetite is considered as an integral element in the business planning, to promote the appropriate alignment of risk, capital and performance targets, while at the same time considering risk capacity and appetite constraints from both financial and non-financial risks. Top-down risk appetite serves as the limit for risk-taking for the bottom-up planning from the business functions.

The Company defines its risk appetite and capacity based on a description of the risks to which the Company is exposed and within the analysis performed, mitigation techniques are proposed. The analysis counts for quantitative factors of risk such as their positive and negative consequences, and the likelihood that those negative impact will occur. On the other side, qualitative factors such as the causes and sources of risk are taken into account. To this end, the BoD reviews and approves the risk appetite statement ("RAS") and capacity on an annual basis, with the

aim of ensuring that they are consistent with the Company's strategy, business and regulatory environment and stakeholders' requirements.

The Risk Appetite Statement ("RAS") contains a set of high-level principles that look to balance both the qualitative and quantitative measures that provide an indication of increasing or decreasing risk levels. These are designed to alert senior management that risk is approaching or has exceeded an acceptable level, thus triggering an appropriate response.

The Board has determined the Firm's appetite and tolerance for risk across a broad spectrum of risk areas. It has expressed its tolerance for each risk as a summary narrative and has where appropriate set metric limits for the control of that risk.

The Company's operation within its risk appetite is subject to ongoing monitoring by the Group and Company Risk Management Function and the management. If a breach of the risk appetite were identified, this would be escalated to the Risk Committee, Executive Committee and Board immediately and the appropriate corrective action would be taken.

3.6 Stress Testing

This is an important risk management tool used by the Risk Management function to test the Company'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 Company. Also, stress testing allows the BoD and Senior Management to determine if the Company's exposure is within the accepted risk limits.

The Company 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.

3.7 Internal Capital and Risk Assessment Process

The new framework, and specifically, the IFD, introduces the concept of the ICARA process, which is an evolution of 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 Company'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 ICARA document forms part of the Group's internal risk management governance framework.

The ICARA document details:

- How the Group has implemented and embedded the ICARA process within its business.
- The Group's risk profile and risk appetite, including its capital and liquidity risk profile and the approach applied to manage its various risks; and
- The capital and liquidity resources that Capital Com Group considers as adequate to be held against all the risks to which it is exposed, in accordance with its internal assessment, as well as its future plans to further mitigate and control these risks.

This ICARA Report has been prepared on a consolidated basis and reflects information that relates to the Capital Com Group, which for the purposes of this document comprises the Company and its subsidiary entities.

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

4. Principal Business Risks

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 2022, the Company was not subject to the risk relating to this K-factor since the Company is not 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 2022, as part of its business, the Company 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 Company has 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. The Finance Department has maintained and regularly reviewed Client Money Procedures that govern how client monies are secured, safeguarded, and transferred. In addition, the Finance Department undertakes daily bank reconciliations which are subsequently reviewed and approved to minimise financial risk and ensure company and client funds are managed in line with regulation.

It is confirmed that the company's accounts utilised for operational and capital expenses are distinct and segregated from the client accounts.

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 CySEC.

- **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 Company during the year ending 31st of December 2022 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 Company 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 Company safeguards the real equity positions of its clients in accordance with the MiFID II safeguarding rules as well as CySEC's Directive DI87-01 for the Safeguarding of Client Assets, Product Governance Obligations and Inducements. 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 as well as the CySEC.

- **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 Company 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 2022.

Risk Mitigating Measures: The Company 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 follows the MiFID II best execution rules 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 CySEC.

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 Company's exposures to financial instruments and to changes in the market prices of these financial instruments. Market risk of the Company 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 Company'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 2022, this K-factor was applicable to the Company as a result of its trading activities where it acts as a counterparty to its clients' CFD transactions.

As at the reference date, the Company 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 Company's measurement currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Euro, the United States Dollar and the British Pound. The Company'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 Company is exposed to fluctuations in market prices on open positions on CFDs. The Company'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 Company's income and operating cash flows are substantially independent of changes in market interest rates as the Company has no significant interest-bearing assets. The Company is exposed to interest rate risk in relation to its non-current borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company 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 Company 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 Company has 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 Company has 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, depending 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 CySEC.

- **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 Company considering the size of relevant operations during 2022.

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 Company, 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 Company 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 CySEC.

- **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 Company 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: The Company has 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 Company 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 Company 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 Company 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 2022, the Company 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 Company limits the amount of credit exposure to any financial institution in accordance with the IFR. Relevant capital requirements are calculated through the capital adequacy reports submitted quarterly to the CySEC.

4.4 Other Risks

4.4.1 Liquidity Risk

Liquidity risk is the risk that the Company 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 Company'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 Company monitors and manages its liquidity needs on an ongoing basis. The Company 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 including projections for revenue, expenses, cash flows and capital adequacy ratios for the foreseeable future.

The Company follows the Liquidity requirement set by the new IFR/IFD framework. As at 31st of December 2022 the Company satisfied the Liquidity Requirement. The adequacy of the available liquid assets was further assessed via Stress Tests and Wind Down scenarios during the ICARA process.

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 Company 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 Company 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 Company actions or from actions of third parties that it may or may not have a relationship with. Such Company 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 Company strives to preserve its reputation by adhering to applicable laws and regulations, and by following the core values and principles of the Company, which include integrity and good business practice. The Company 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 Company 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 Company 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 Company 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 Company'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 Company, 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 Company 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 Company 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.

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

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

The Company offers to its clients CFDs in various Company assets. The Company is the sole execution venue of these transactions (as per the Dealing on Own Account license) and hence the counterparty to those transactions. The Company 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 Company, 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 2022 , the Company 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 2022 was \$3.278K.

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 Company's solo and 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 4 below presents the composition of the Company's Own Funds as at 31st of December 2022, while Table 5 additionally indicates the Own Funds based on the Company'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 2022, the Company's Own Funds fully comprised of Common Equity Tier 1 capital. As shown below, the Company's Own Funds as at 31st of December 2022 amounted to \$49.789K.

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	49.789	
2	TIER 1 CAPITAL	49.789	
3	COMMON EQUITY TIER 1 CAPITAL	49.789	
4	Fully paid up capital instruments	2	Ref. 1 (Shareholders' Equity)
5	Share premium	56.024	Ref. 2 (Shareholders' Equity)
6	Retained earnings	3.090	Ref. 3 & 4 (Shareholders' Equity)
10	Other Reserves	(14)	
12	Adjustments to CET1 due to prudential filters	(59)	
19	(-) Other intangible assets	(836)	Ref.1 (Assets)
20	(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	(299)	Ref.6 (Assets)

		Amounts (\$'000)	Source based on reference numbers/letters of the balance sheet in the audited financial statements (Cross Reference to EU IF CC2)
24	(-) CET1 instruments of financial sector entities where the institution has a significant investment	(7.792)	Ref.2 (Assets)
27	CET1: Other capital elements, deductions and adjustments	(327)	Ref. 3 & 5 (Assets)
28	ADDITIONAL TIER 1 CAPITAL	-	
40	TIER 2 CAPITAL	-	

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

As at 31 Dec 2022 (\$'000)	Balance sheet as in published/audited financial statements	Cross reference to EU IF CC1
Ref.	Assets - Breakdown by asset classes according to the balance sheet in the published/audited financial statements	
1	Intangible assets	836
2	Investments in subsidiaries	7.797
3	Financial assets at FVOTCI (Investor's Compensation Fund)	58
4	Non-current assets (other)	4.625
5	Trade and other receivables (Additional Cash Buffer)	269
6	Deferred tax asset	299
7	Current assets (other)	56.876
	Total Assets	70.760
Ref.	Liabilities - Breakdown by liability classes according to the balance sheet in the published/audited financial statements	
1	Non-current liabilities	351
2	Current liabilities	11.307
	Total Liabilities	11.658
Ref.	Shareholders' Equity	
1	Share capital	2
2	Share premium	56.024
3	Fair value reserves	(14)
4	Accumulated losses/Retained earnings	3.090
	Total Shareholders' equity	59.102

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 Company reports its Fixed Overhead requirements to the BoD and the CySEC on a quarterly basis. The Company 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 2022 amounted to \$13.911 K.

7.2 Permanent Minimum Capital Requirement (PMCR)

The Company monitors its Own Funds on a continuous basis and ensures that they remain above the Permanent Minimum Capital Requirement of €750K. However, the Firm’s reporting currency is USD so, as at the reference date, this translates to \$800K, which corresponds to the initial capital that applies to the Company in accordance with Article 9 of the IFD.

7.3 “K-factor” Capital Requirement

The Company 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 6 below breaks down the Pillar I minimum capital requirement that the Company was required to hold as of 31st of December 2022.

Minimum Capital Requirements		31 Dec 2022 (000's)
K-Factor Requirement		
Risk-to-Client (RtC)	<i>K-AUM</i>	-
	<i>K-CMH</i>	293
	<i>K-ASA</i>	1
	<i>K-COH</i>	3
Risk-to-Market (RtM)	<i>K-NPR</i>	18.710
	<i>K-CMG</i>	-
Risk-to-Firm (RtF)	<i>K-TCD</i>	7
	<i>K-DTF</i>	267
	<i>K-CON</i>	-

Minimum Capital Requirements		31 Dec 2022 (000's)
Total K-Factor Requirement		19.282
Fixed Overhead Requirement ('FOR')		13.911
Permanent Minimum Capital Requirement ('PMCR')		800

Table 5: Minimum Capital Requirements

As indicated in Table 7 below, the CAD ratio of the Company as at 31st of December 2022 amounted to 258,21% which far exceeded the minimum required threshold of 100%, and a capital surplus of \$ 30.506K.

	31 Dec 2022 (\$'000)	Reference
Capital		
Common Equity Tier 1	49.789	
Additional Tier 1	-	
Tier 2	-	
Total Own Funds	49.789	a
Own Funds Requirement		
K-factor Requirement	19.282	b
Fixed Overhead Requirement	13.911	c
Permanent Minimum Capital Requirement	800	d
Minimum Own Funds Requirement	19.282	e = (higher of b, c, d)
Capital Excess/Ratio		
Capital Excess	30.506	a-e
Capital Ratio	258,21%	a/e

Table 6: Capital Excess/Ratio

8. Remuneration Policy

The Company is in the process of updating its existing Remuneration policy, through which it will ensure full alignment with the IFR & IFD framework and the Cyprus Law 165(I)/2021 on the Prudential Supervision of CIFs.

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

The Company 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 Company 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 Company shall approve, after taking advice from the Compliance function, the Company'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 Company or its relevant persons against the interest of any client.

The Company'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 Company'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 Company 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 Company's Relevant Persons, are not employee performance-related and are considered part of the fixed Remuneration. All Company employees are eligible for salary payment when working from the Company's offices

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

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

The Company 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 Company'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 Company'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 Company's 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 Company, 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 Company 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 Company's procedures and legislative requirements
- Quality of cooperation with other departments
- Teamwork, creativity and motivation

The Company 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 Company has also established a series of measures for monitoring and mitigating such conflict of interest risks identified.

The Company's annual remuneration to senior management and staff members for 2022 was as follows:

	Number of beneficiaries	Fixed Remuneration for 2022 (\$'000)	Variable Remuneration for 2022 (\$'000)	Total Remuneration for 2022 (\$'000)
Directors	5	275	284	559
Senior Management	21	1.263	186	1.449
Total	26	1.538	470	2.008

Table 7: Company's annual remuneration for the year 2022

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

Table 8: Template EU IF CCA: Own funds: main features of own instruments issued by the firm