

Plum Money CY Limited

*Regulated by the Cyprus Securities and Exchange Commission License no.
407/21*

DISCLOSURE AND MARKET DISCIPLINE REPORT FOR 2021

April 2022

DISCLOSURE

*The Disclosure and Market Discipline Report for the year 2021 has been prepared by **Plum Money CY Limited** as per the requirements of [Regulation \(EU\) 2019/2033](#) (the “Investment Firms Regulation”, “IFR”) issued by the European Commission and the [Law 165\(I\)/2021 on the prudential supervision of investment firms](#) (“L.165(I)/2021”) issued by the Cyprus Securities and Exchange Commission(the “CySEC”).*

***Plum Money CY Limited** states that any information that was not included in this report was either not applicable to the Company’s business and activities -OR- such information is considered as proprietary to the Company and sharing this information with the public and/or competitors would undermine our competitive position.*

***Plum Money CY Limited** is regulated by the Cyprus Securities and Exchange Commission under License number **407/21**.*

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

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

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1. Introduction

1.1. Investment Firm

Plum Money CY Limited is established as a Cyprus Investment firm (“CIF”), licensed and supervised by CySEC. The **Plum Money CY Limited** was granted its licence on **02 November 2021**.

Plum Money CY Limited offers Investment and Ancillary services to retail clients. Its current activities were concentrated in the provision of investment service reception, transmission of orders.

Table 1: Company information

Company name	Plum Money CY Limited
CIF Authorization date	02 November 2021
CIF License number	407/21
Company Registration Date	29 October 2020
Company Registration Number	HE 414587
Investment Services	
Reception & Transmission of orders in relation to one or more financial instruments	
Execution of Orders on Behalf of Clients	
Ancillary Services	
Safekeeping and administration of financial instruments, including custodianship and related services	

1.2. Purpose

The present report is prepared by **Plum Money CY Limited** (the “Company”), a CIF authorized and regulated by the CySEC under the license number **407/21** and operates in harmonisation with the Markets in Financial Instruments Directive (“MiFID II”).

In accordance with Part Six of [IFR](#) and the Paragraph 37 of [L.165\(I\)/2021](#), the Company is required to disclose information relating to its risk exposure and management, capital structure, capital adequacy as well as the most important characteristics of the Company’s corporate governance including its remuneration system. The scope of this report is to promote market discipline and to improve transparency of market participants.

These Pillar III Disclosures are made on a solo basis and are updated and published annually; it will, however, be published more frequently if there are significant changes to the business (such as changes to the scale of operations, range of activities, etc.). CySEC is responsible for implementing and enforcing the [Directive \(EU\) 2019/2034](#) (the “Investment Firms Directive”, “IFD”) issued by the European Commission, a capital adequacy framework consisting of three (3) ‘Pillars’:

- **Pillar I:** sets minimum capital requirements comprising of base capital resources requirements; Risk to Client, Risk to Market and Risk to Firm risk capital requirements; and the Fixed Overheads requirement.
- **Pillar II:** requires firms to undertake an overall internal assessment of their capital adequacy and their liquid assets, taking into account all the risks which the firm is exposed to and whether additional capital should be held to cover risks not adequately covered by Pillar I requirements. This is achieved through the Internal Capital Adequacy Assessment Process (“ICAAP”)/ Internal Capital Adequacy Assessment Process and Internal Risk- Assessment Process (“ICARAP”).
- **Pillar III:** complements Pillars I and II and improves market discipline by requiring firms to disclose information on their capital resources and Pillar I capital requirements, risk exposures and their risk management framework.

The Pillar III Disclosures Report for 2021 sets out both quantitative and qualitative information required in accordance with Part Six of the [IFR](#) and in particular articles 46 to 53, which set the requirements of the disclosures.

The information contained in the Pillar III Market Discipline and Disclosure Report is audited by the Firm’s external auditors and published on the Company’s website.

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

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

As with all investment firms, the Company is exposed to a variety of risks and in particular to Risk to Client and Operational risk. More information can be found in the sections below.

The Company is not preparing consolidated financial statements and is making the disclosures on an individual basis.

1.3. The Company

The Company is offering Investment and Ancillary Services. As at 31st December 2021 the Company had **6** employees in Cyprus.

The products of the Company targeted are individual clients which will mainly be classified as retail clients.

The Company had a stable business model and this is reflected in:

- A well-balanced capital allocation between the Company's operations
- A geographically balanced model.

The Company's growth strategy focused on its existing areas of expertise and the quality of its customer base. The Company strived for sustainable profitability consistent with its cost of capital and a balanced business model. To this end, the Company:

- Seek to contain the volatility of its results.
- Calibrated its capital ratio to ensure a significant safety margin relative to the minimum regulatory requirements.
- Monitored the stability and diversification of its funding sources.
- Ensured sufficient resilience in scenarios of liquidity shortages.
- Tightly controlled its foreign-exchange risks.

The Company ensured that compliance rules are rigorously respected, especially in the area of anti-money laundering and counterterrorism financing. The Company monitored the loyalty of the behaviour of its employees with regard to customers and all its stakeholders, as well as the integrity of its investment and financial practices.

The Company considered its reputation to be an asset of great value that must be protected to ensure its sustainable development. The prevention and detection of the risk of harm to its reputation are integrated within all the Company's operating practices. The Company's reputation was protected by making its employees aware of the values of responsibility, ethical behaviour and commitment.

1.4. Regulatory Supervision

The minimum capital requirements as at 31st December 2021 for the [IFD](#) were calculated in accordance with the 'Pillar I' rules as set out by the Laws and Regulations, published by the CySEC. All CIFs under CySEC's authority must meet the requirements with respect to capital adequacy and market discipline, which are comprised by the following:

- Law [L.165\(I\)/2021](#): Prudential supervision of investment firms (hereafter "the Law on prudential supervision of investment firms").
- [Regulation \(EU\) 2019/2033](#) – Prudential requirements of investment firms and amending Regulations (EU) No 1093/2010, (EU) No 575/2013, (EU) No 600/2014 and (EU) No 806/2014 – (hereafter "Investment Firms Regulation", or "IFR").
- [Regulation \(EU\) No. 648/2012](#) – European Markets Infrastructure Regulation.
- [Directive \(EU\) 2019/2034](#) on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU and 2014/65/EU – (hereafter "Investment Firms Directive", or "IFD").
- Law [L.87\(I\)/2017](#) regarding the provision of investment services, the exercise of investment activities and the operation of regulated markets.
- [Regulation \(EU\) No. 575/2013](#) – Prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 (hereafter "CRR").
- [Directive \(EU\) 2013/36 EU](#) - on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (hereafter "CRD IV").
- [Law L.97\(I\)/2021](#) on the capital adequacy of investment firms
- [Directive DI-97-01](#) regarding the discretions provided by Regulation (EU) 575/2013.

1.5. Major developments during 2021

New prudential regime was introduced on 5th December 2019 for the investment firms, and it is into force from 26th June 2021. The new prudential regime comprises of the [IFR](#) and [IFD](#) and it takes into consideration the investment firms' size and interconnectedness based on financial and economic factors.

The new prudential regime for investment firms introduced new classifications for investment firms based on their size, activities, systemic importance and interconnectedness. Under the new

prudential regime, the Company is classified as **Class 2** investment firm and is subject to the new capital requirements set out in the [IFD](#) and [IFR](#).

A new permanent capital has been introduced by the new prudential regime for the Company. In this respect, the Company proceeded by taking all the necessary actions to ensure compliance with the new permanent capital requirement. In particular, from 26th June 2021 onwards the minimum permanent capital that the Company shall maintain at all times amounts to **EUR150,000**, in accordance with Article 9 of [IFD](#).

Based on the new prudential regime, the Company is subject to a new capital requirement which equals to the highest of:

- Permanent minimum capital (**EUR150,000**).
- K-factor requirement.
- Fixed Overheads requirement.

The new K – factor requirement introduced by the [IFR](#) aims to capture the potential harm that the Company can do to its clients, the markets in which it operates and to itself and it is equivalent at least to the sum of:

- Risk-to-client (“RtC”).
- Risk-to-market (“RtM”).
- Risk-to-firm (“RtF”).

The K-factor requirement is tailored to the investment firms based on the type and scale of their activities. In this respect, the Company is exposed to capital requirement arising from the K-factor components that are relevant to the services and activities that it is authorised to provide.

Additionally, the Company is also subject to the Fixed Overheads requirement calculated in accordance with Article 13 of the [IFR](#). It is measured on the basis of the Company’s activity of the preceding year and shall amount to at least **one quarter** of the fixed overheads of the previous financial year.

Further to the above, the Company is subject to the new liquidity requirement introduced by the new prudential regime which intends to ensure that the Company has some resilience to unexpected liquidity shocks. It is measured in accordance with Article 45 of the [IFR](#) and shall amount to at least **one third** of the fixed overheads requirement and the **1.6%** of the total amount of the guarantees provided by the Company.

Following the new challenges arising from the new prudential regime, the Company assesses the impact of the new requirements introduced from the [IFR](#) and [IFD](#) on its Own Funds in order to take all the appropriate measures to ensure compliance with the new Own Funds requirements.

1.6. Major challenges during 2021

COVID-19 challenges

During 2021, the Company faced material challenges in relation to its operations due to the spread of the coronavirus (“COVID-19”). In response to the need to address negative consequences of COVID-19 pandemic, the Company introduced a wide range of mitigating measures to ensure that the business operations of the Company will continue normally. In particular, due to the social distancing measures introduced to restrict the COVID-19 virus the Company should take all necessary following measures and actions:

- Identify all the key operation risks implement a plan to minimize the possible business disruptions.
- Arrange for all staff members to have access to a laptop and ensure that everyone will be able to perform their duties from home in case of need.
- Implement alternative communication channels for all Company’s employees.
- Establish measures and procedures in order to contribute to the slow of the spread of the illness. The Company has established the following measures in order to ensure that the virus is spread slowly:
 - a) Cancel all of the social and public gatherings, such as seminars and meetings.
 - b) Follow the instructions issued by the Ministry of Health, and required from its staff tested positive, employees with symptoms, employees who are contacts with confirmed COVID-19 cases, or travelled recently to get quarantine.

Further to the above, CySEC extended the deadline for submission of the following reports, in an effort to ensure operational continuity:

- Annual Compliance Report.
- Annual Risk Management Report.
- Annual Internal Audit Report.
- Annual Audited Financial statements.
- Annual Auditors’ Suitability Report.
- COREP forms based on the audited financial statements.
- Disclosures made in Form 144-14-11 on prudential supervision information.

New prudential framework for investment firms and CySEC's data collection exercise

In response to the need to identify the new categorisation of the investment firms under the new prudential framework ([IFR/IFD](#)) as well as the new capital requirements arising from the new regulatory framework, CySEC launched a Data Collection exercise on 21st April 2021 (Circular [C442](#)). Based on the abovementioned Circular, the Company should perform an assessment based on the [IFR/IFD](#) and submit the Data Collection Template. The relevant reporting should be performed by the 31st of May 2021.

Implementation of the new prudential framework of investment firms and new reporting forms

CySEC published on 4th of August 2021, guidelines on the implementation of the new prudential framework of investment firms ([IFR/IFD](#)), publication and testing submission of the new reporting forms under [IFR/IFD](#). The form ("Form165-01 Reporting for Class 2 CIFs") cover the new reporting prudential requirements under [IFR/IFD](#), as follows:

- Level and composition of own funds.
- Own funds requirements.
- Own funds requirements calculations.
- The level of activity in respect of the conditions set out in Article 12(1) of the [IFR](#), including the balance sheet and revenue breakdown by investment service and applicable K-factor.
- Concentration risk.
- Liquidity risk.

The Form165-01 Reporting for Class 2 CIFs shall be reported on a quarterly basis to CySEC, with the first official reference date 30th of September 2021.

Further to the above, a testing submission on a solo basis with reference date 30th of June 2021, was introduced by CySEC through the Circular [C464](#) dated on 4th of August 2021. The scope of this testing submission was to ensure that the investment firms familiarize themselves with the new prudential requirements and reporting obligations and take at an early stage the measures necessary to comply with the new prudential requirements.

Exposures to shareholders and directors

CySEC issued the [Practical guide for the implementation of IFR/IFD](#) on 4th of August 2021 in order to provide to the CIFs important information in regards to the implementation of the new prudential framework for investment firms.

Based on the [Practical guide for the implementation of IFR/IFD](#), the limits on exposures to the Company's shareholders and directors which arise from the Directive DI144-2014-14 for the prudential supervision of investment firms issued by CySEC are no longer applicable since the abovementioned directive has been repealed.

Nevertheless, according to the [Practical guide for the implementation of IFR/IFD](#), the Company shall assess its banking book concentration risk it is exposed to during the assessment of the amount, type and distribution of internal capital and liquid assets that the Company consider adequate to cover the nature and level of risks which it may pose to others and to which the Company itself is or might be exposed.

2. Governance and Risk Management

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

The implementation of a high-performance and efficient risk management system is a critical undertaking for the Company, as well as the balance between strong risk culture and the development of its activities.

The BoD ensures the adequacy of the Company's risk management infrastructure, monitoring changes in the cost of risk and approves the risk limits for market risks.

The Company operates a separate Risk Management function, which is responsible for the implementation of the Risk Management Policy, set by the BoD. The Risk Management Function is also responsible for the Risk Appetite of the Company and the monitoring of the risks on a regular basis. The procedures set by the Company ensure that all risks are effectively managed and measured against the set level of risk tolerance.

The Risk Management Function consists of the Risk Manager, which operates independently to the rest of the Company's functions. The Risk Manager reports to the Managing Director of the Company. The Risk Manager shall also submit reports to the Senior Management and BoD on a frequent basis, and at least annually, indicating whether the appropriate remedial measures have been taken in the event of any deficiencies.

The Risk Management function can report directly to the BoD, independently from Senior Management, in order to raise concerns and warn where appropriate, if risks identified can affect the Company.

The Company has established separate control functions which work independently from its operations and include the Compliance, Risk Management and Internal Audit functions. The head of each control function report directly to the Managing Director and have direct access to the BoD to raise concerns and warn in relation to any matter that may affect the Company.

The BoD ensures that each control function has adequate recourses to perform their responsibilities in accordance to the size and the complex of the Company.

2.1. Types of Risks

Given the diversity and evolution of the Company's activities, risk management involves the following main categories:

- **Risk to Client:** risks carried by an investment firm during its services, actions or responsibilities, that could negatively impact its clients. RtC captures the risks arising from the clients assets under management and ongoing advice, client money held, assets safeguarded and administered and client orders handled.
- **Concentration risk (including Country risk):** risk of losses arising from the inability of the Company's customers, issuers or other counterparties to meet their financial commitments. Credit risk includes Counterparty risk linked to market transactions (Replacement risk) and securitisation activities. In addition, Credit risk may be further amplified by Concentration risk, which arises from a large exposure to a given risk, to one or more counterparties, or to one or more homogeneous groups of counterparties; Country risk arises when an exposure (loan, security, guarantee or derivative) becomes liable to negative impact from changing political, economic, social and financial conditions in the country of exposure.
- **Operational risks (including Accounting and Environmental risks):** risk of losses arising from inadequacies or failures in internal procedures, systems or staff, or from external events, including low-probability events that entail a high risk of loss.
- **Liquidity risk:** risk of the Company not being able to meet its cash or collateral requirements as they arise and at a reasonable cost.
- **Compliance risk (including Legal and Tax risks):** risk of legal, administrative or disciplinary sanction, or of material financial losses, arising from failure to comply with the provisions governing the Company's activities.
- **Reputational risk:** risk arising from a negative perception on the part of customers, counterparties, shareholders, investors or regulators that could negatively impact the Company's ability to maintain or engage in business relationships and to sustain access to sources of financing.
- **Strategic risk:** risks inherent in the choice of a given business strategy or resulting from the Company's inability to execute its strategy.
- **Business risk:** risk of lower than anticipated profits or experiencing losses rather than a profit.

2.2. Risk Appetite

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

The Risk Appetite Framework takes into account earnings sensitivities to business cycles and credit, market and operational events. The Risk Appetite is one of the strategic oversight tools available to the Management bodies.

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

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

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

The BoD of the Company has the ultimate responsibility for the Company's risk appetite at all times.

The Company is considering the time and requirements in order to initiate the establishment of a Risk Appetite Statement.

2.3. Internal Capital Adequacy Assessment Process/ Internal Capital Adequacy Assessment Process and Internal Risk Assessment Process

The ICAAP/ICARAP requires institutions to identify and assess risks not adequately covered in Pillar I, maintain sufficient capital to face these risks and apply appropriate risk-management techniques to maintain adequate capitalization on an ongoing and forward looking basis, i.e., internal capital supply to exceed internal capital demand.

On 10th July 2019, CySEC issued Circular [C326](#) regarding the Prudential Supervision Information which will be required to be submitted ("Form 144-14-11") by all the Investment Firms by the 30th

of June each year. Specifically, this particular form was addressed by CySEC in order to collect relevant information by the CIFs regarding the following areas:

- The assessment of ICAAP/ICARAP.
- The assessment of annual audited financial statements.
- The safeguarding of clients' money.

The regular deadline of the submission of the Form-144-14-11 for 2021 was extended by one month due to COVID-19 issues as per CySEC's Circular [C445](#).

The Company has not commenced its operation during the year under review, therefore ICAAP/ICARAP was required.

2.4. Stress Tests

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

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

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

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

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

2.5. Diversity Policy

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

The Company recognizes the value of a diverse and skilled workforce and management body, which includes and makes use of differences in the age, skills, experience, background, race and

gender between them. A balance of these differences will be considered when determining the optimum composition.

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

In line with the recent changes in the regulatory reporting framework, the Company maintains a dedicated diversity policy in relation to the Management body.

2.6. Board Recruitment

One of the BoD's main responsibilities is to identify, evaluate and select candidates for the Board and ensure appropriate succession planning. The Senior Management is assigned the responsibility to review the qualifications of potential director candidates and make recommendations to the BoD.

The persons proposed for the appointment should have specialised skills and/or knowledge to enhance the collective knowledge of the BoD and must be able to commit the necessary time and effort to fulfil their responsibilities. The final approval of a member of the Management Body is given by CySEC.

Factors considered in the review of potential candidates include:

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

In line with the recent changes in the regulatory reporting framework, the Company maintains a dedicated recruitment policy in relation to the BoD.

The Company's BoD is chosen to be specialists in various fields in order to be able to offer diversity and the expertise required to oversee its smooth operations.

2.7. Remuneration

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

During 2021, the Company's remuneration system is concerned with practices of the Company for those categories of staff whose professional activities have a material impact on its risk profile, i.e. the Senior Management, members of the Board of Directors or risk takers, whose professional activities have a material impact on the risk profile of the Company; the said practices are established to ensure that the rewards for the 'Executive Management' provide the right incentives to achieve the key business aims.

Based on the requirements arising from the [IFD](#) in relation to the remuneration policies, the Company shall update its Remuneration Policy and set appropriate ratios between the variable and fixed components of the total remuneration taking into account the business activities of the Company and associated risks, as well as the impact that different categories of staff, including senior management, risk takers, staff engaged in control functions and any employees receiving overall remuneration equal to at least the lowest remuneration received by senior management or risk takers, whose professional activities have a material impact on the risk profile of the investment firm or of the assets that it manages, have on the risk profile of the Company.

2.8. Directorships held by Members of the Management Body

As at 31st December 2021, the members of the Management body of the Company, given their industry experience, have been taking seats in other Company boards. In line with this, the following table indicates the number of positions that each member holds (including the one in the Company). Positions held by a member of the Management body in the same group are considered as one position.

Table 2: Directorships held by Members of the Management Body

Name	Position in the CIF	Directorships (Executive)	Directorships (Non-Executive)
Mr. Victor Trokoudes	Executive Director	1	-
Mr. Charalampos Chatzitheodosiou	Executive Director	1	-
Mr. Ioannis Foradaris	Non-Executive Director	-	1
Mr. Sanjin Beloberk	Non-Executive Director	-	1

2.9. Board Risk Management Declaration

The Company's Risk Management Function is entitled to review and appropriately assess the effectiveness of the risk management strategies and procedures adopted by the Company.

The abovementioned procedures are designed in order to manage and mitigate any deficiencies that the Company might face during its operations.

The Company's Management Body ensures that the Company has adequate measures and procedures in place so as to prevent and mitigate any risk arising from its operations.

2.10. Risk Profile

The Company's management body is appropriately informed and acknowledge the necessity of taking all the appropriate actions for complying with the Company's minimum requirements for its Own Funds Ratio and its Own Funds, which are **100.00%** and **EUR150,000**.

The Company applies adequate mechanisms and systems in order to detect the risks is exposed, arising from its operations.

The Company's material risks are assessed on quarterly basis via the use of a Risk Register and the results are communicated to the Company's BoD in order to decide which mitigating actions the Company should take.

The table below summarises the main risks identified and the controls the Company has already taken in order to manage and mitigate those risks.

Table 3: Material Risks

Risk Type	Controls in place
Regulatory Risk	The Company monitors its Total Own Funds Ratio and Own Funds on a quarterly basis in order to ensure that the Company complies with the relevant requirements (100.00% and EUR150,000 , respectively).
Risk to Client	<p>The Company monitors its K-factor requirements in relation to the RtC and reports the relevant factor amount and capital requirements on a quarterly basis.</p> <p>As at 31st December 2021 the Company's RtC requirement mainly emanated from K-K-CMH, K-ASA and K-COH in accordance to the Company's business and activities.</p>
Operational Risk	The Company is exposed to Operational Risk associated with inadequate personnel, processes, systems, infrastructure or external events of the Company. The Company assesses, monitors and mitigates its Operational risk exposure by having in place adequate measures, procedures and controls to be followed by its personnel. Additionally, the Company performs periodic checks on its IT infrastructure and ensures that security systems are in place and upgraded.

2.11. Reporting and Control

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

Table 4: Periodic Reporting Summary

Report Name	Report Description	Owner	Recipient	Frequency	Original Deadlines
Annual Compliance Report	To inform the Senior Management & the BoD of the Company regarding the Performance of Compliance function during the year	Compliance Officer	Senior Management, BoD, CySEC	Annual	30/04/2022
Annual Internal Audit Report	To inform the Senior Management & the BoD of the Company regarding the Internal Auditor during the year	Internal Auditor	Senior Management, BoD, CySEC	Annual	30/04/2022
Annual Risk Management Report	To present the work undertaken by the Risk Manager during the year	Risk Manager	Senior Management, BoD, CySEC	Annual	30/04/2022
Pillar III Disclosures (Market Discipline and Disclosure)	To disclose information regarding Company's risk management, capital structure, capital adequacy and risk exposures	Senior Management	BoD, CySEC, Public	Annual	30/04/2022
Financial Reporting	It is a formal record of the financial activities of the CIF	External Auditor	BoD, CySEC	Annual	30/04/2022

Suitability Report	It's a formal report, which is required to be provided to the retail clients of the CIF in order to make a personal recommendation to the client.	External Auditor	BoD, CySEC	Annual	30/04/2022
Audited Statement of Eligible Funds	A measure of the CIF's ICF. It is expressed based on a risk based approach taking into account the reliability of the statement of eligible funds and financial instruments.	External Auditor	BoD, CySEC	Annual	10/05/2022
Pillar III Disclosures (Market Discipline and Disclosure) based on the Audited figures	To disclose information regarding Company's risk management, capital structure, capital adequacy and risk exposures based on its Audited figures.	Senior Management	BoD, CySEC, Public	Annual	31/05/2022
Capital Adequacy Reporting	A measure of the CIF's capital. It is expressed as a percentage and is used to protect depositors and promote the stability and efficiency of financial systems all over the world	Risk Management Function/ Financial Department	Senior Management, CySEC	Quarterly plus Audited	11/05/2021 11/10/2021 11/11/2021 11/02/2022

3. Capital Management and Adequacy

3.1. The Regulatory Framework

The new prudential framework for investment firms takes into consideration specific business practises of different types of investment firms. In particular, the new prudential regime takes into account the investment firms' size and interconnectedness based on financial and economic factors. The new regulatory requirements are calibrated in a proportionate manner to the investment firms' type, the best interests of their clients and the promotion of the smooth and orderly functioning of their operating markets. The new prudential regime was published on 5th of December 2019. They were translated into European law by a directive ([IFD](#)) and a regulation ([IFR](#)) which entered into force on 26th of June 2021 onwards.

The general framework defined by the [IFD](#) is structured around three (3) pillars:

- **Pillar I:** sets the minimum solvency requirements and defines the rules that investment firms, that are required to comply with the regulation, must use to measure risks and calculate associated capital requirements, according to standard or more advanced methods.
- **Pillar II:** relates to the discretionary supervision implemented by the competent authority, which allows them to assess the adequacy of capital requirements as calculated under Pillar I and their liquid assets, and to calibrate additional capital requirements with regard to risks.
- **Pillar III:** encourages market discipline by developing a set of qualitative or quantitative disclosure requirements which will allow market participants to make a better assessment of a given institution's capital, risk exposure, risk assessment processes and, accordingly, capital adequacy.

In terms of capital, the main new measures introduced or were due for implementation in 2021 to strengthen investment firms' solvency were as follows:

- New initial capital.
- New K-factor capital requirements.
- Introduce of liquidity requirement.
- Application of fixed overheads requirement to Class 2 and Class 3 investment firms.

3.2. Regulatory Capital

According to the International Financial Reporting Standards ("IFRS"), the Company's regulatory capital consists of Common Equity Tier 1 and Tier 2 Capital.

Common Equity Tier 1 Capital (“CET1 Capital”)

According to [CRR/CRDIV](#) regulations, CET1 capital is made up primarily of the following:

- Ordinary shares (net of repurchased shares and treasury shares) and related share premium accounts.
- Retained earnings.
- Other reserves.
- Minority interest limited by [CRR/CRDIV](#).

Deductions from Common Equity Tier 1 capital essentially involve the following:

- Goodwill.
- Other Intangible assets.
- Losses for the current financial year
- Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities.
- Qualifying holding outside the financial sector which exceeds **15.00%** of own funds.
- Total qualifying holdings in undertaking other than financial sector entities which exceeds **60.00%** of its own funds.
- CET1 instruments in financial sector entities where the investment firms does not have significant investment.
- CET1 instruments in financial sector entities where the investment firms has a significant investment.
- Defined benefit pension fund assets on the balance sheet of the institution.
- The amount of direct, indirect and synthetic holdings of own CET 1 instruments, including own CET1 instruments that an investment firm is under an actual or contingent obligation to purchase by virtue of an existing contractual obligation.
- Value adjustments to CET1 resulting from the requirements of prudent filters.
- The Investors Compensation Fund (“ICF”) contributions as per Circular [C162](#) issued by CySEC on 10th October 2016.
- According to paragraph 11(6) of the [Directive DI87-07](#), the members of ICF are required to keep a minimum cash buffer of 3 per thousand of the eligible funds and financial instruments of their clients as at the previous year in a separate bank account in case there is need for an extraordinary contribution and this should not be used for any other purpose. Therefore, CIFs should deduct the additional cash buffer of 3 per thousand of the eligible funds and financial instruments of their clients from the Common Equity Tier 1 capital. CIFs are expected to reflect the above in their submissions of the Form ZZ-01 (calculation of own funds and capital adequacy ratio).

Inclusion of Interim Profits:

CySEC issued Circular [C305](#) to provide further guidance to the CIFs regarding the inclusion of interim profits in CET1 Capital.

According to Article 26(2) of the [CRR](#), CIFs may include interim profits in CET1 Capital, before the CIF has taken a formal decision confirming its final profits for the year, only if they get the prior permission of CySEC.

CIFs should apply for a permission from CySEC in order to include interim profits in CET1 Capital. In their application, CIFs are required to demonstrate that the conditions, as set out in Article 26(2) of [CRR](#), are met.

The verification of interim financial information by the external auditor of the CIF for the purpose of Article 26(2) of [CRR](#) shall be at least the ‘Independent auditors’ report on review of interim financial statements’ based on the international standard “International Standard on Review Engagements 2410, ‘Review of interim financial information performed by the independent auditor of the Entity’.

CIFs that apply to CySEC for a permission to include their interim profits in CET1 Capital should submit to CySEC, via portal and under the section “Application for permission as per Article 26(2) of [CRR](#) for interim profits”, the following:

- A confirmation letter from the CIF stating the below information:
 - The reporting period for which the CIF wishes to recognise as CET1 capital the verified profits.
 - Profits as verified.
 - Foreseeable charges/deductions (e.g. dividends).
 - The total CET1 prior and after the inclusion of verified profits
 - The independent auditor’s verification report with regards to the interim profits that the permission is requested.

It was clarified that interim profits, for which the permission of CySEC has not been granted, will not be eligible to be included in CET1 Capital.

It should be noted that CySEC’s permission is not needed for losses, whether interim or final. Losses must be deducted in full, from own funds as soon as they are incurred.

Tier 2 Capital

Tier 2 capital includes:

- Dated subordinated notes.

- Any positive difference between (i) the sum of value adjustments and collective impairment losses on customer loans and receivables exposures, risk-weighted using the standardised approach and (ii) expected losses, up to **0.60%** of the total credit risk-weighted assets using the Internal Ratings Based approach.
- Value adjustments for general credit risk related to collective impairment losses on customer loans and receivables exposures, risk-weighted using the standardised approach, up to **1.25%** of the total credit risk-weighted assets.

Tier 2 capital shall be less or equal to **one third** of Tier 1 Capital.

Deductions of Tier 2 capital essentially apply to the following:

- The amount of direct, indirect and synthetic holdings of own Tier 2 instruments, including own Tier 2 instruments that an investment firm could be obliged to purchase as a result of existing and contractual obligations.
- Tier 2 instruments of financial sector entities where the investment firm does not have a significant investment.
- Tier 2 instruments of financial sector entities where the investment firm has a significant investment.

3.3. Solvency Ratio (Capital Ratio or Total Own Funds Ratio)

The solvency ratio is set by comparing the investment firms' equity with the highest between the permanent minimum capital, the K-factor requirement or the fixed overhead requirement.

In accordance with the new regulatory framework, the Company shall comply with the following minimum requirements at all times:

- CET1 Ratio of **56.00%**.
- Tier 1 Ratio of **75.00%** (including CET1 and Additional Tier 1).
- Total Own Funds Ratio of **100.00%** (including CET1 and Additional Tier 1 Tier 2).

3.4. Capital Management

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

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

- Meeting the expectations of its various stakeholders: supervisors, debt and equity investors, rating agencies, and shareholders.

The Company determines its internal solvency targets in accordance with these.

In line with the above, the Company is obligated to calculate and report on a quarterly basis, under [IFD](#), its Permanent minimum capital requirement (**EUR150,000**), K-factor requirement (Risk to Client) and the fixed overheads requirements the result of which, i.e. solvency/total own funds ratio, needs to be above **100.00%** at all times.

At 31st December 2021, the Total Capital ratio of the Company stood at **-115.84%** and Own Funds were EUR 50,000. The Own Funds did not meet the regulatory requirements as the company has not commenced its operations.

The Parent Company initiated a capital contribution to the Company's bank account of EUR 593,739 on the 22nd of December 2021. Due to the lengthy due diligence and KYC checks of the Company's bank, the funds were cleared on the 18th of February 2022.

As such the Company currently meets its regulatory requirements and is in a position to cover its obligation towards CySEC.

IF 01.00 - OWN FUNDS COMPOSITION (IF1)

Rows	Item	Amount
		0010
0010	OWN FUNDS	421,032
0020	TIER 1 CAPITAL	421,032
0030	COMMON EQUITY TIER 1 CAPITAL	421,032
0040	Fully paid up capital instruments	50,000
0050	Share premium	-
0060	Retained earnings	223,762
0070	Previous years retained earnings	-
0080	Profit eligible	223,762
0090	Accumulated other comprehensive income	-
0100	Other reserves	594,794
0110	Minority interest given recognition in CET1 capital	-
0120	Adjustments to CET1 due to prudential filters	-

0130	Other funds	
0140	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	-
0150	(-) Own CET1 instruments	
0160	(-) Direct holdings of CET1 instruments	
0170	(-) Indirect holdings of CET1 instruments	
0180	(-) Synthetic holdings of CET1 instruments	
0190	(-) Losses for the current financial year	
0200	(-) Goodwill	
0210	(-) Other intangible assets	
0220	(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	
0230	(-) Qualifying holding outside the financial sector which exceeds 15% of own funds	
0240	(-) Total qualifying holdings in undertaking other than financial sector entities which exceeds 60% of its own funds	
0250	(-) CET1 instruments of financial sector entities where the investment firm does not have a significant investment	
0260	(-) CET1 instruments of financial sector entities where the investment firm has a significant investment	
0270	(-) Defined benefit pension fund assets	
0280	(-) Other deductions	
0290	CET1: Other capital elements, deductions and adjustments (<i>Note 1</i>)	
0300	ADDITIONAL TIER 1 CAPITAL	-
0310	Fully paid up, directly issued capital instruments	
0320	Share premium	
0330	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	-
0340	(-) Own AT1 instruments	
0350	(-) Direct holdings of AT1 instruments	
0360	(-) Indirect holdings of AT1 instruments	
0370	(-) Synthetic holdings of AT1 instruments	
0380	(-) AT1 instruments of financial sector entities where the investment firm does not have a significant investment	
0390	(-) AT1 instruments of financial sector entities where the investment firm has a significant investment	
0400	(-) Other deductions	
0410	Additional Tier 1: Other capital elements, deductions and adjustments	
0420	TIER 2 CAPITAL	-
0430	Fully paid up, directly issued capital instruments	

0440	Share premium	
0450	(-) TOTAL DEDUCTIONS FROM TIER 2	-
0460	(-) Own T2 instruments	
0470	(-) Direct holdings of T2 instruments	
0480	(-) Indirect holdings of T2 instruments	
0490	(-) Synthetic holdings of T2 instruments	
0500	(-) T2 instruments of financial sector entities where the investment firm does not have a significant investment	
0510	(-) T2 instruments of financial sector entities where the investment firm has a significant investment	
0520	Tier 2: Other capital elements, deductions and adjustments	

4. K-Factor Requirement

The [IFR](#) introduces a new approach of accounting the potential harm that an investment firm can do to its clients, the markets in which it operates and to itself.

The K-factor requirement captures the Risk-to-Client, Risk-to-Market and Risk-to-Firm. As per the Article 15 of the [IFR](#), an investment firm's capital requirement equals to the sum of the following K-factor requirements:

- **Risk-to-Client:** Risk-to-Client covers risks carried by an investment firm during its services, actions or responsibilities, which could negatively impact its clients.
- **Risk-to-Market:** Risk-to-Market captures the net position risk (“**K-NPR**”) from the trading book in accordance with the market risk provisions of the [CRR](#) or, where permitted by the competent authority for specific types of investment firms which deal on own account through clearing members, based on the total margins required by an investment firm's clearing member (“**K-CMG**”).
- **Risk-to-Firm:** Risk-to-Firm captures an investment firm's exposure to the default of its trading counterparties (“**K-TC**”), concentration risk (“**K-CON**”) in an investment firm's large trading book exposures to specific counterparties and operational risks from an investment firm's daily trading flow (“**K-DTF**”).

The K-factor requirement is tailored to the investment firms based on the type and scale of the investment firm's activities. The investment firms are required to calculate the K-factor requirement only for the K-factor components that are relevant to the services and activities that they are authorized to provide.

During the year under review, the Company based on its type and scale of activities and the services authorized to provide, was solely exposed to risks arising from the potential harm that an investment firm can do to its clients.

The Company monitors the value of its K-factors in order to detect any trend that could leave the Company with a materially different own funds requirement and reports these exposures on a quarterly basis.

4.2. Risk to Client

The K-factors under the RtC captures the client assets under management and ongoing advice (K- AUM), client money held (K-CMH), assets safeguarded and administered (K-ASA) and client orders handled (K-COH). The K-factors under RtC are proxies covering the business areas of the Company from which harm to clients can conceivably be generated in case of problems.

The components of the Risk to Client are the following as per the Article 16 of the [IFR](#):

- **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 continuity of service ongoing portfolio management and investment advice.
- **K-CMH**: captures the risk of potential for harm where an investment firm holds 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-ASA**: captures the risk of safeguarding and administering client financial instruments 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.
- **K-COH**: captures the potential risks from both execution of orders in the name of the client and the reception and transmission of client orders.

The Company calculates the RtC K-factor requirement based on the Article 16 of [IFR](#).

The Company monitors the value of its K-factors in order to detect any trend that could leave the Company with a materially different own funds requirement and reports these exposures on a quarterly basis.

IF 04.00 - TOTAL K-FACTOR REQUIREMENT CALCULATIONS (IF4)

		Factor amount	K-factor requirement
Rows	Item	0010	0020
0010	TOTAL K-FACTOR REQUIREMENT		-
0020	Risk to client		-
0030	Assets under management	-	-
0040	Client money held - Segregated	-	-
0050	Client money held - Non - segregated	-	-
0060	Assets safeguarded and administered	-	-
0070	Client orders handled - Cash trades	-	-
0080	Client orders handled - Derivatives Trades	-	-
0090	Risk to market		-
0100	K-Net positions risk requirement		-

0110	Clearing margin given	-	-
0120	Risk to firm		-
0130	Trading counterparty default		-
0140	Daily trading flow - Cash trades	-	-
0150	Daily trading flow - Derivative trades	-	-
0160	K-Concentration risk requirement		-

5. Fixed Overheads Requirement

The Fixed Overheads requirement is measured on the basis of the Company's activity of the preceding year and it is designed to capture the operational risks of the Company.

Operational risks (including accounting and environmental risks) correspond to the risk of losses arising from inadequacies or failures in internal procedures, systems or staff, or from external events, including low-probability events that entail a high risk of loss. This section describes the monitoring of the Company's operational risk, in addition to providing an analysis of the Company's operational risk profile and regulatory capital requirements.

The Company has developed processes, management tools and a control infrastructure to enhance the Company-wide control and management of the operational risks that are inherent in its various activities. These include, among others, general and specific procedures, permanent supervision, business continuity plans and functions dedicated to the oversight and management of specific types of operational risks, such as fraud, risks related to external service providers, legal risks, information system security risks and compliance risks.

In order to control the exposure to operational risks, the management has established two key objectives:

- To minimise the impact of losses suffered, both in the normal course of business (small losses) and from extreme events (large losses).
- To improve the effective management of the Company and strengthen its brand and external reputation.

The Company recognises that the control of operational risk is directly related to effective and efficient management practices and high standards of corporate governance.

To that effect, the management of operational risk is geared towards:

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

The Company implements the below Operational Risk Mitigation Strategies in order to minimize its Operational Risk Exposure:

- The development of operational risk awareness and culture.
- The provision of adequate information to the Company's management, at all levels, in order to facilitate decision making for risk control activities.

- The implementation of a strong system of internal controls to ensure that operational losses do not cause material damage to the Company and have a minimal impact on profitability and objectives.
- The improvement of productivity, efficiency and cost effectiveness, with an objective to improve customer service and protect shareholder value.
- Established a “four-eye” structure and board oversight. This structure ensures the separation of power regarding vital functions of the Company namely through the existence of a Senior Management. The Board further reviews any decisions made by the Management while monitoring their activities.
- Detection methods are in place in order to detect fraudulent activities.
- Comprehensive business contingency and disaster recovery plan.

The Senior Management employs specialized tools and methodologies to identify, assess, mitigate and monitor operational risk. These specialized tools and methodologies assist operational risk management to address any control gaps. To this effect, the following are implemented:

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

The Company calculates its Fixed overheads requirement in accordance with the Article 13 of [IFR](#).

IF 03.00 - FIXED OVERHEADS REQUIREMENT CALCULATION (IF3)

Rows	Item	Amount 0010
0010	Fixed Overhead Requirement	55,941
0020	Annual Fixed Overheads of the previous year after distribution of profits	223,762
0030	Total expenses of the previous year after distribution of profits	223,762
0040	Of which: Fixed expenses incurred on behalf of the investment firms by third parties	-
0050	(-)Total deductions	-
0060	(-)Staff bonuses and other remuneration	
0070	(-)Employees', directors' and partners' shares in net profits	
0080	(-)Other discretionary payments of profits and variable remuneration	
0090	(-)Shared commission and fees payable	

0100	(-)Fees, brokerage and other charges paid to CCPs that are charged to customers	
0110	(-)Fees to tied agents	
0120	(-)Interest paid to customers on client money where this is at the firm's discretion	
0130	(-)Non-recurring expenses from non-ordinary activities	
0140	(-)Expenditures from taxes	
0150	(-)Losses from trading on own account in financial instruments	
0160	(-)Contract based profit and loss transfer agreements	
0170	(-)Expenditure on raw materials	
0180	(-)Payments into a fund for general banking risk	
0190	(-)Expenses related to items that have already been deducted from own funds	
0200	Projected fixed overheads of the current year	
0210	Variation of fixed overheads (%)	-100.00%

6. Liquidity Requirement

Liquidity risk corresponds to the risk of the Company not being able to meet its cash or collateral requirements as they arise and at a reasonable cost. Liquidity requirement introduced by the [IFR](#) and intends to ensure that the Company has some resilience to unexpected liquidity shocks.

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

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

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

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

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

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

The Company calculates its Liquidity requirement in accordance with the Article 43 of [IFR](#).

IF 09.00 - LIQUIDITY REQUIREMENTS (IF9)

		Amount
Rows	Item	0010
0010	Liquidity Requirement	18,647
0020	Client guarantees	
0030	Total liquid assets	594,794
0040	Unencumbered short term deposits	
0050	Total eligible receivables due within 30 days	
0060	Level 1 assets	594,794
0070	Coins and banknotes	
0080	Withdrawable central bank reserves	
0090	Central bank assets	
0100	Central government assets	
0110	Regional government/local authorities assets	
0120	Public Sector Entity assets	
0130	Recognisable domestic and foreign currency central government and central bank assets	
0140	Credit institution (protected by Member State government, promotional lender) assets	594,794
0150	Multilateral development bank and international organisations assets	
0160	Extremely high quality covered bonds	
0170	Level 2A assets	-
0180	Regional government/local authorities or Public Sector Entities assets (Member State, RW20 %)	
0190	Central bank or central/regional government or local authorities or Public Sector Entities assets (Third Country, RW20 %)	
0200	High quality covered bonds (CQS2)	
0210	High quality covered bonds (Third Country, CQS1)	
0220	Corporate debt securities (CQS1)	
0230	Level 2B assets	-
0240	Asset-backed securities	
0250	Corporate debt securities	
0260	Shares (major stock index)	
0270	Restricted-use central bank committed liquidity facilities	
0280	High quality covered bonds (RW35 %)	
0290	Qualifying CIU shares/units	
0300	Total other eligible financial instruments	

7. Market Abuse

As per Article 16(2) of the [Regulation 596/2014](#) the Company is required to establish and maintain effective arrangements, systems and procedures in order to detect and report suspicious orders and transactions that may constitute insider dealing or market manipulation. The Company's measures and procedures shall be in line with the measures and procedures required to be established (as applicable) by the [Delegated Regulation 2016/957](#).

The Company has policies and procedures in place to minimise this risk. Additionally, the Company shall ensure that the compliance function has sufficient knowledge, understanding, skills and authority to assess such procedures as well as that the responsible staff for trading is capable for monitoring the clients' trading activity and identify potential suspicions of market abuse. Further to the above, the Company shall ensure that all employees who are involved in trading are adequately trained, in order to be able to identify orders, which may give rise to market abuse. The Company shall monitor the trading activities of its individuals/algorithms and its clients, and keep records of the submitted orders, the modified, the cancelled and the executed transactions in order to be able to perform efficient live monitoring. The Company shall have effective systems in place (i.e. automatic software), which will trigger alerts or flags depending on the parameters and indications of potential market abuse designed by the Company in order for these to be further investigated. Moreover, the Company shall have proper arrangements in place for reporting to CySEC identified suspicious transactions without any delay. The Company shall conduct periodic assessments on its procedures and arrangements to identify instances that potential market abuse may not be detected. Finally, the Company shall keep for at least 5 years detailed records of the followed arrangements and procedures, to identify conduct, that may involve market abuse, including how each alert of possible suspicious behaviour is dealt and whether or not a report to CySEC is made.

8. Compliance, Reputational and Legal Risks

Compliance risk (including legal and tax risks) corresponds to the risk of legal, administrative or disciplinary sanction, or of material financial losses, arising from failure to comply with the provisions governing the Company's activities.

Compliance means acting in accordance with applicable regulatory rules, as well as professional, ethical and internal principles and standards. Fair treatment of customers, with integrity, contributes decisively to the reputation of the Company.

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

Compliance System and Department

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

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

- The Company's financial security (prevention of money laundering and terrorism financing; know-your-customer obligations; embargoes and financial sanctions).
- Developing and updating consistent standards for the function, promoting a compliance culture, coordinating employee training and managing Company regulatory projects.
- Coordinating a compliance control mechanism within the Company (second-level controls), overseeing a normalised Compliance process, oversight of personnel operations and, finally, managing large IT projects for the function.
- Preventing and managing conflicts of interest.
- Proposing ethical rules to be followed by all Company employees.
- Training and advising employees and raise their awareness of compliance issues.
- Building and implementing steering and organisational tools for the function: Compliance and Reputational Risk dashboards, forums to share best practices, meetings of functional compliance officers.
- Generally monitoring subjects likely to be harmful to the Company's reputation.

8.1. Compliance Monitoring

In light with the new regulatory requirements introduced during 2021, the Company's compliance function has adopted the compliance monitoring plan for the reference year which was appropriate to the size of the Company as well as the nature, scale and complexity of its business so as to be able to detect any risk of failure by the Company to comply with its obligations under the relevant legislation, as well as the associated risks.

It targets the continued enhancement of priority functions, the central tools for monitoring regulatory application (including training, harmonisation, and regulatory oversight), financial security, constant oversight, customer protection, market integrity (including preventing conflicts of interest), and reporting quality.

The Company intends to uphold the strictest rules in order to ensure high ethical and professional standards.

8.2. Prevention of Money Laundering and Terrorism Financing

Money laundering and terrorist financing risk mainly refers to the risk where the Company may be used as a vehicle to launder money and/or assist/be involved in financing terrorism.

The Company has in place, and is updating as applicable, certain policies, procedures and controls in order to mitigate the money laundering and terrorist financing risks, based on the [*Prevention and Suppression of Money Laundering and Terrorist Financing Law of 2007-2021*](#) ("AML Law"). Among others, these policies, procedures and controls include the following:

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

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

