



OVAL MONEY (EUROPE) LTD

PILLAR III DISCLOSURES

**According to Part Six of Regulation (EU) 2019/2033
of the European Parliament and of the Council on the
prudential requirements of investment firms**

YEAR ENDED 31 DECEMBER 2021

MAY 2022

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1. INTRODUCTION

1.1. CIF Information

Oval Money (Europe) Ltd (hereinafter, the ‘Company’) is a Cyprus Investment Firm (“CIF”), which was incorporated in the Republic of Cyprus on 13 September 2000 as a private limited liability company with registration number HE 114460. On 09 December 2008, the Company was licensed by the Cyprus Security Exchange Commission (hereinafter, the “CySEC”) with CIF licence No. 096/08 to provide financial services. OvalX and Oval are the trading names of Oval Money (Europe) Ltd.

In 2021 the Company was authorised to provide the following services:

Table 1: Company Licence Information

		Investment Services and Activities								Ancillary Services						
		1	2	3	4	5	6	7	8	1	2	3	4	5	6	7
Financial Instruments	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	3	-	-	-	-	✓	-	-	-	-	-	-	-	-	-	-
	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	6	-	-	-	-	-	-	-	-	-	-	-	✓	-	-	-
	7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	9	✓	✓	-	-	✓	-	-	-	✓	✓	-	-	-	-	-
	10	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	11	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

The Company is authorised to provide the following Investment Services, in accordance with Part I of the First Appendix of the Law 87(I)/2017:

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

The Company is authorised to provide the following Ancillary Services, in accordance with Part II of the First Appendix of the Law 87(I)/2017:

- Safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash/collateral management.
- Granting credits or loans to an investor to allow him to carry out a transaction in one or more financial instruments, where the firm granting the credit or loan is involved in the transaction.
- Foreign exchange services where these are connected to the provision of investment services.

The Company is authorised to provide the aforementioned investment and ancillary services, as applicable for each service, for the following Financial Instruments, in accordance with Part III of the First Appendix of the Law 87(I)/2017:

- Units in Collective Investment Undertakings
- Financial contracts for differences

Further to the above, the Company has submitted a licence extension application to CySEC in August 2021, in order to be authorised for the investment service of 'Dealing on Own Account'. As at the time of this report, the CySEC approval on the application is pending.

1.2. Classification and prudential requirements

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

Class 1 Investment Firms are the largest and most interconnected investment firms, with risk profiles similar to those of significant credit institutions, and they fall under the scope of CRR.

Investment Firms categorised as Class 2 and Class 3 will be impacted the most from the new prudential framework, as the capital requirements, reporting requirements and internal governance policies are subject to the provisions of IFR/IFD.

CIFs that meet all the below criteria are categorised as Class 3 Investment Firms. CIFs that exceed any of the following thresholds, are categorised as Class 2 Investment Firms.

Table 2: Threshold Criteria

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

According to the above, the Company is categorised as a Class 2 Investment Firm, since it does not meet all of the above criteria and as such, it should maintain own funds which amount to at least the higher between:

A. Permanent minimum capital requirement

The permanent minimum capital requirement of the Company is currently €150k. However, and following the licence extension application approval, the Company's permanent minimum capital requirement will increase to €750k.

B. Fixed overheads requirements

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

C. K-Factors requirement

The new K-Factors are quantitative indicators that reflect the risks that the new prudential regime intends to address. Specifically, the capital requirement from applying the K-factors formula (pursuant to Article 15 of the IFR) is the sum of Risk to Client ('RtC'), Risk to Market ('RtM') and Risk to Firm ('RtF') proxies.

1.3. Scope of application

The Pillar III Disclosures Report (the 'Report') is prepared on a solo basis in accordance with the disclosure requirements as laid out in Part Six of the IFR. Investment firms are required to disclose their capital resources, capital requirements, remuneration policies, and practices and governance standards.

The Report has, as a starting point, the financial information used in the Company's Financial Statements which are prepared in accordance with the International Financial Reporting Standards ("IFRS"). As the two documents serve different purposes, the reported figures illustrate differences which arise from the fundamentally different concepts between the IFR and the IFRS.

1.4. Pillar III Regulatory framework

The Report has been prepared in accordance with the new regulatory regime for investment firms that the European Parliament has adopted, the IFR and the IFD, as well as the relevant provisions of the Law 165(I)/2021 "*The Prudential Supervisions for Investment Firms Law of 2021*" (the "Law") and the Law 164(I)/2021, amending Law 97(I)/2021, "*The Capital Adequacy Investment Firms Law of 2021*".

The IFR establishes the prudential requirements in terms of own funds, levels of minimum capital, concentration risk, liquidity requirements and level of activity in respect to small and non-interconnected investment firms. Furthermore, the IFR has introduced significant changes in the prudential regulatory regime applicable to Investment Firms including new classification system, amended minimum initial capital and minimum capital ratios, changes to the calculation of the capital requirements, the reporting requirements and the internal governance policies, the introduction of the K-Factors methodology and new measures relating to liquidity requirements, large exposures and consolidation requirements.

The Regulatory framework consists of a three "Pillar" approach:

- Pillar I - Covers minimum capital and liquidity requirements.
- Pillar II – Regulates the investment firm's accountability to the regulator for capital and liquidity adequacy. If the regulator deems the capital to be insufficient, a corrective requirement can be imposed on the company in the form of what is known as a 'SREP decision'.
- Pillar III - Market Discipline requires the disclosure of information regarding the prudential requirements, risk management and principles of the remuneration policy.

The Company has a formal policy, approved by the Board, which details its approach in complying fully with the Pillar 3 disclosure requirements as laid out in Part Six of the IFR.

The provisions on disclosure requirements are described in Articles 46 to 53 of the IFR. In addition, these disclosures must be verified by the external auditors of the CIF. The CIF will be responsible to submit its external auditors' verification report to CySEC. The Company has included its risk management disclosures on its website.

Materiality is based on the criterion that the omission or misstatement of information would be likely to change or influence the decision of a reader relying on that information for the purpose of making economic decisions. Where the Company has considered a disclosure to be immaterial, this was not included in the document.

Frequency

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

Location of publication

The Company's Pillar III disclosures Report is published on the Company's website:

- www.ovalx.com/en-cy/

Verification

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

1.5. Declaration of the Management Body

The Management Body is required to proceed with an annual declaration on the adequacy of the Company's risk management framework and ensure that the risk management arrangements and systems of financial and internal control in place are in line with the Company's risk profile.

The Company's risk management framework is designed to identify, assess, mitigate and monitor all sources of risk that could have a material impact on the Company's operations. The Board considers that it has in place adequate systems and controls with regards to the Company's size, risk profile and strategy and an appropriate array of assurance mechanisms, properly resourced and skilled, to avoid or minimise loss.

2. INTERNAL GOVERNANCE

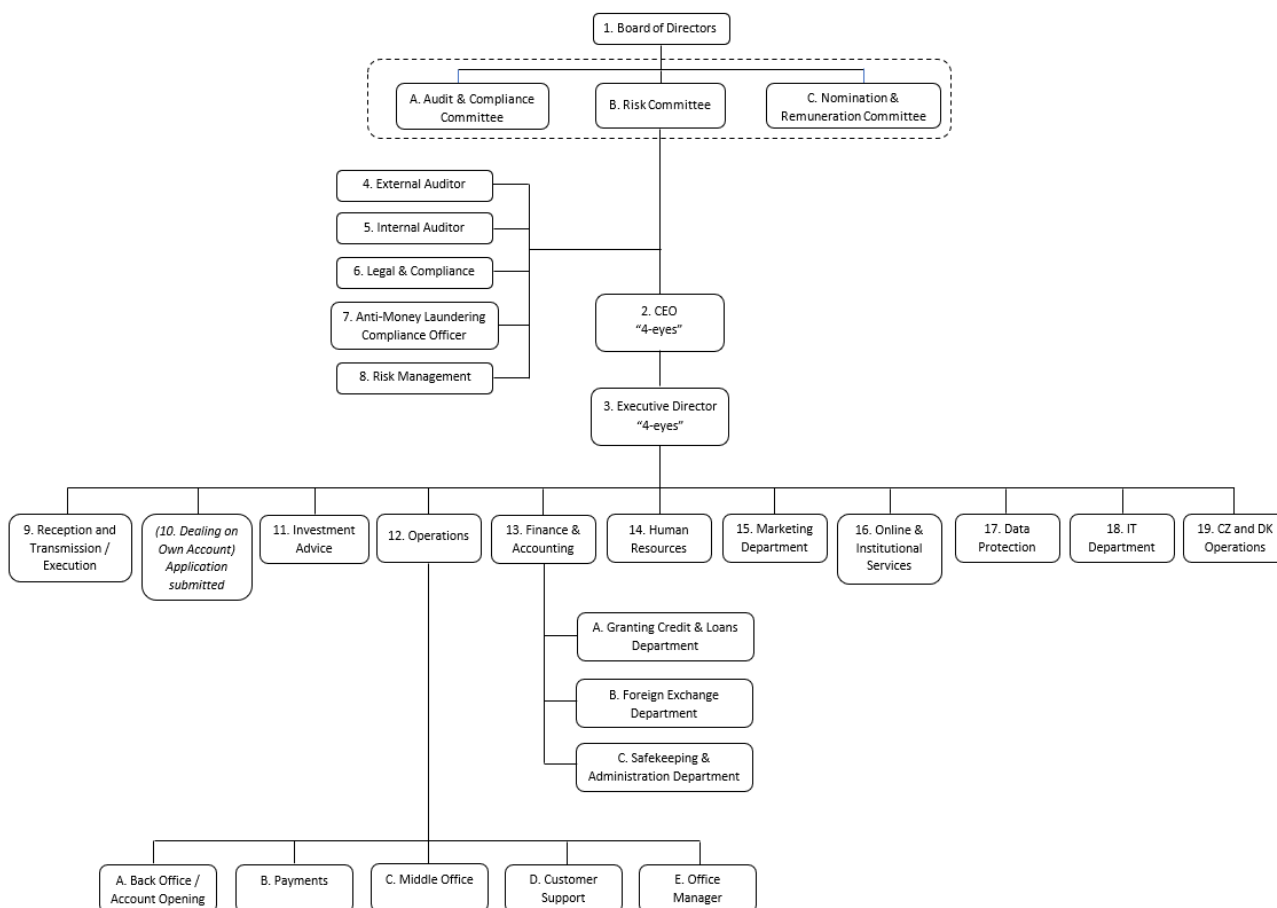
The Company's systems for risk management and internal control include risk assessment, management or mitigation of risks, and the use of control processes, information and communication systems, as well as processes for monitoring and reviewing their continuing effectiveness.

The risk management and internal control systems are embedded in the operations of the Company and are capable of responding quickly to evolving business risks, whether these arise from factors within the Company or from changes in the business environment.

2.1. Organisational Structure

The Company's latest organisational structure is as follows:

Figure 1: Organisational Structure



Through said structure, the Company incorporates a strict Internal Governance framework. Furthermore, the Organisational Structure incorporates the various organisational and functional reporting lines, as well as the different roles and responsibilities therein, while it also facilitates the compliance of the Company with the principle of segregation of duties and helps in the avoidance and control of possible conflicts of interest within the Company.

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

Moreover, the Company implements and maintains adequate risk management policies and procedures, which identify the risks relating to the Company's activities, processes and systems, and where appropriate, set the level of risk tolerated by the Company. The Company adopts effective arrangements, processes and systems, in light of that level of risk tolerance, where applicable.

2.1.1. Board of Directors (“BoD”)

The management body has the ultimate and overall responsibility for the investment firm and defines, oversees and is accountable for the implementation of the governance arrangements.

The Board is responsible for ensuring that the Company complies at all times with its obligations under the Law. In doing so, the Board approves and periodically reviews the effectiveness of the policies, arrangements and procedures put in place, whilst if needed, takes appropriate measures to address any deficiencies.

The Company has in place the Internal Operations Manual which lays down the activities, processes, duties and responsibilities of the Board, Committees, Senior Management and staff of the Company. The Company also implements and maintains adequate risk management policies and procedures which identify the risks relating to its activities, processes and systems, and where appropriate, sets the level of risk tolerated by the Company. The Company adopts effective arrangements, processes and systems, in light of that level of risk tolerance, where applicable.

The Board has the overall responsibility for the establishment and oversight of the Company's Risk Management Framework and ensures that financial controls and systems of risk management are robust. The Board comprises of two executive directors and four non-executive directors.

2.1.1.1. Number of Directorships held by members of the Board

All members of the Board commit sufficient time to perform their functions in the Company. The number of directorships which may be held by a member of the Board at the same time shall take into account individual circumstances and the nature, scale and complexity of the Company's activities. Unless representing the Republic, members of the Board of a CIF that is significant in terms of its size, internal organisation and the nature, the scope and the complexity of its activities, shall not hold more than one of the following combinations of directorships at the same time:

- one executive directorship with two non-executive directorships;
- four non-executive directorships.

Furthermore, directorships in organisations which do not pursue predominantly commercial objectives, such as non-profit or charitable organisations, shall not count for the purposes of the above guidelines.

The table below discloses the number of directorships held by members of the management body in entities of the Company as at 31 December 2021.

Table 3: Number of Directorships of the members of the Board of Directors¹

Director	Function	Number of Executive Directorships	Number of Non-Executive Directorships
Ioannis Menelaou ²	Executive Director	1	-
Agathoclis Agathocleous	Executive Director	1	2
Christos Drakos ³	Non-Executive Director	1	1
Ryan Joshua Nettles ⁴	Non-Executive Director	-	2
Luca Merolla ⁴	Non-Executive Director	-	2
William Joseph DiSomma ⁵	Non-Executive Director	-	1
Nicolaos Kelepeniotis	Non-Executive Director	-	5

¹ The information in this table is based only on representations made by the directors of the Company.

² On 2 August 2021 resigned from the position of Independent Non-Executive Director and was appointed as Executive Director on 13 August 2021.

³ On 13 August 2021 resigned from the position of the Executive Director and was appointed as Non-Executive Director

⁴ Appointed on 16 March 2021 in replacement of Mr. Jeremy Michael Isaacs who resigned from the position of non-executive director

⁵ Appointed on 24 May 2021.

For the purpose of the above, Executive or Non-Executive directorships held within the same group shall count as a single directorship.

2.1.2. Committees

Establishing committees helps management bodies in their supervisory function. Committees draw on the specific knowledge and areas of expertise of individual management body members. While committees should prepare decisions and make recommendations to the management body in its supervisory function, the management body has the overall responsibility.

In September 2021, the Company established a *Risk Management Committee, Audit & Compliance Committee and Nomination & Remuneration Committee* in order to ensure the effectiveness of the policies and procedures.

Risk Management Committee

The Risk Management Committee of the Company is formed with the view to ensure the efficient monitoring of the risks inherent in the provision of the investment and ancillary services to Clients, as well as the overall risks underlying the operations of the Company. To this effect, the Company has adopted and maintains an applied risk management framework/policy, which identifies the risks relating to the Company's activities, processes and systems and sets the risk tolerance levels of the Company.

The Risk Management Committee bears the responsibility to monitor the adequacy and effectiveness of the said risk management framework/policy and procedures that are in place, the level of compliance by the Company and its relevant persons with the policies and procedures adopted, as well as the adequacy and effectiveness of measures taken to address any deficiencies with respect to those policies and procedures, including failures by the Company's relevant persons to comply with those policies and procedures.

Furthermore, the risk committee advises the management body on the investment firm's overall current and future risk appetite and strategy and assists the management body in overseeing the implementation of that strategy by senior management.

The Risk Management Committee meets at least quarterly, unless the circumstances require extraordinary meetings. Extraordinary meetings can be called by any member of the Risk Management Committee, as well as by the Risk Manager. During 2021, the Risk Management Committee held two meetings.

Audit & Compliance Committee

The Audit and Compliance Committee is formed to provide for the efficient oversight of the Compliance and Internal Audit functions with the aim to minimise financial, operational and compliance risks and enhance the quality of the financial reporting.

Additionally, the Committee assists the Board of Directors in the oversight of the integrity of the financial reporting, the independence, qualifications and performance of the Company's external auditors and the performance of the internal auditors and, lastly, the Company's compliance with legal and regulatory requirements regarding financial reporting practices.

Nomination & Remuneration Committee

A Nomination & Remuneration Committee has been formed, in order to evaluate the Board's performance and to ensure the Company's compliance with the Corporate Governance regulations, guidelines and principles. Moreover, the Company has established the Committee in such way so as to enable it to exercise competent and independent judgment on remuneration policies and practices and the incentives created for managing risk, capital and liquidity.

The Committee is responsible to develop and maintain a formal, rigorous and transparent procedure for making recommendations on appointments and reappointments to the Board. The Committee is also responsible for the preparation of decisions regarding remuneration, including those decisions which have implications for the risk and risk management of the CIF concerned and which are to be taken by the board of directors. During 2021, the Nomination & Remuneration Committee held one meeting.

2.1.3. Risk Manager

Further to the formation of the overall Internal Governance Framework, it should be noted that the Board has appointed a Risk Manager to ensure that all the different types of 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 procedures relating to risk management are in place and are functional on an operational level on a day-to-day basis. The Risk Manager reports directly to the Senior Management and the Board of Directors of the Company, while as previously discussed, the Risk Management Committee is responsible to control and overview the Risk Manager's actions/ performance at work.

2.1.4. Other Control Functions

Internal Audit Function

The Internal Auditor reports to the Senior Management and the Board of the Company and is separated and independent from the other functions and activities of the Company. The Internal Auditor has access to the Company's premises, systems, information, personnel and financials. The Board ensures that internal audit issues are considered when presented to it by the Internal Auditor and appropriate actions are taken according

to the Board's assessment and prioritisation. Moreover, the qualifications of the committee members should entail sufficient academic background, extensive knowledge of and exposure to the capital markets and financial services industry, and high level of knowledge and understanding of the legal framework under which the Company is regulated.

Compliance Function

Pursuant to the regulatory obligations of the Company and with the view to complement the Internal Governance framework of the Company, the Board has established a compliance function to manage compliance risk. Furthermore, the Board has appointed the Compliance Officer (the "CO") who is to be responsible for this function across the entire investment firm. More specifically, the CO is responsible to establish, implement and maintain adequate policies and procedures designed to detect any risk of failure by the Company to comply with its obligations, to put in place adequate measures and procedures designed to minimise such risks and to enable the competent authorities to exercise their powers effectively. The compliance function, policies and procedures should also be compliant with Article 22 of Commission Delegated Regulation (EU) 2017/565 and ESMA guidelines on the compliance function.

The Compliance Officer is independent and reports directly to the Senior Management and the Board of Directors of the Company, having at the same time the necessary authority, resources, expertise and access to all relevant information. The staff within the compliance function possesses sufficient knowledge, skills and experience in relation to compliance and relevant procedures and has access to regular training.

Anti-Money Laundering Compliance Officer

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

2.2. Policy on 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 BoD 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.

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;
- Risk management experience.

The Company has established a dedicated recruitment policy in relation to the BoD.

2.3. Policy on Diversity

Diversity is increasingly seen as an asset to organisations and it is linked to better economic performance. It is an integral part of how the Company does business and it is imperative to commercial success. The Company recognises the value of a diverse and skilled workforce and management body, which includes and makes use of differences in age, skills, experience, background, race and gender. A balance of these parameters is 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 organisation into the future. This is also documented as best practises in the Corporate Governance Code of many EU countries.

In line with the changes in the regulatory reporting framework, the Company is in the process of establishing a dedicated diversity policy in relation to the Management body.

2.4. Information flow on risk to the management body

Risk information flows up to the Board directly from the business departments and control functions. The Board ensures that it receives on a frequent basis, at least annually, written reports regarding Internal Audit, Compliance, Money Laundering and Terrorist Financing and Risk Management issues and approves the Company's ICARA report as shown in the table below:

Table 4: Information flow on risk to management body

	Report Name	Owner of Report	Recipient	Frequency
1	Risk Manager's Report	Risk Manager	Senior Management, Board, CySEC	Annually
2	Form 165-01	Risk Manager	Senior Management, Board, CySEC	Quarterly
3	ICARA Report	Risk Manager	Senior Management, Board	Annually
4	Pillar 3 Disclosures	Risk Manager	Senior Management, Board, Public	Annually
5	Risk Register	Risk Manager	Senior Management, Board	Biannually
6	Compliance Report	Compliance Officer	Senior Management, Board, CySEC	Annually
7	Internal Audit Report	Internal Auditor	Senior Management, Board, CySEC	Annually
8	Anti-money laundering (AMLCO) Report	Anti-money laundering Compliance Officer	Senior Management, Board, CySEC	Annually
9	Audited Financial Statements	External Auditor	Senior Management, Board, CySEC	Annually
10	Form 144-14-11 'Prudential Supervision Information'	Risk Manager	Senior Management, Board, CySEC	Annually
11	Recovery Plan	Risk Manager	Senior Management, Board	Annually

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Furthermore, the Company believes that the risk governance processes and policies are of utmost importance for its effective and efficient operation. The processes are reviewed and updated on an annual basis, or when deemed necessary.

3. RISK GOVERNANCE

Risk Governance is a hierarchical structure that governs decision-making in the area of Risk Management. It includes the organisational structure of Risk Management, as well as the set of rules, instructions, policies and procedures.

Risk Governance within the Company comprises of the following elements:

- Organisational structure that ensures independence and direct access to the BoD, as shown in Figure 1;
- Well defined roles and responsibilities;
- Risk Culture;
- Sound system of risk management and internal controls.

3.1. Roles and Responsibilities

The Company's Risk Governance is formed with a view to ensure the efficient implementation of the Risk Management Framework. The risk strategy is executed through clearly defined roles and responsibilities. Each employee is responsible to manage the risks that are directly linked to their responsibilities. However, the responsibility to develop a proper risk management system lies with the following bodies.

Board of Directors (“BoD”)

The BoD has the ultimate responsibility for the risk appetite of the Company and retains the overall responsibility for risks. It is responsible for setting and updating the risk appetite, in consultation with the RC, at least annually. The Board must approve and periodically review the strategies and policies for taking up, managing, monitoring and mitigating the risks the Company is or might be exposed to.

Risk Committee (“RC”)

The main role of the RC is to advise the BoD on the Company's overall current and future risk appetite and strategy and assist the BoD in overseeing the implementation of that strategy by senior management. The Committee shall review and, if appropriate, challenge the process undertaken by the business in setting its Risk Appetite.

Risk Management Function (“RMF”) and the Risk Manager

The RMF is responsible to ensure that the risk strategy set by the Board is implemented. It also ensures that the risk policies, controls and mechanisms are followed and that exposures are maintained within the Company's risk appetite.

3.2. The Three Lines of Defence (“3LoD”)

To create a robust control environment to manage risks, the Company deploys the Three Lines of Defence Model (3LoD). This model describes management accountabilities and responsibilities for risk management and the control environment. It underpins the Company's approach to risk management by clarifying responsibilities and encouraging collaboration, as well as enabling efficient coordination of risk management and control activities.

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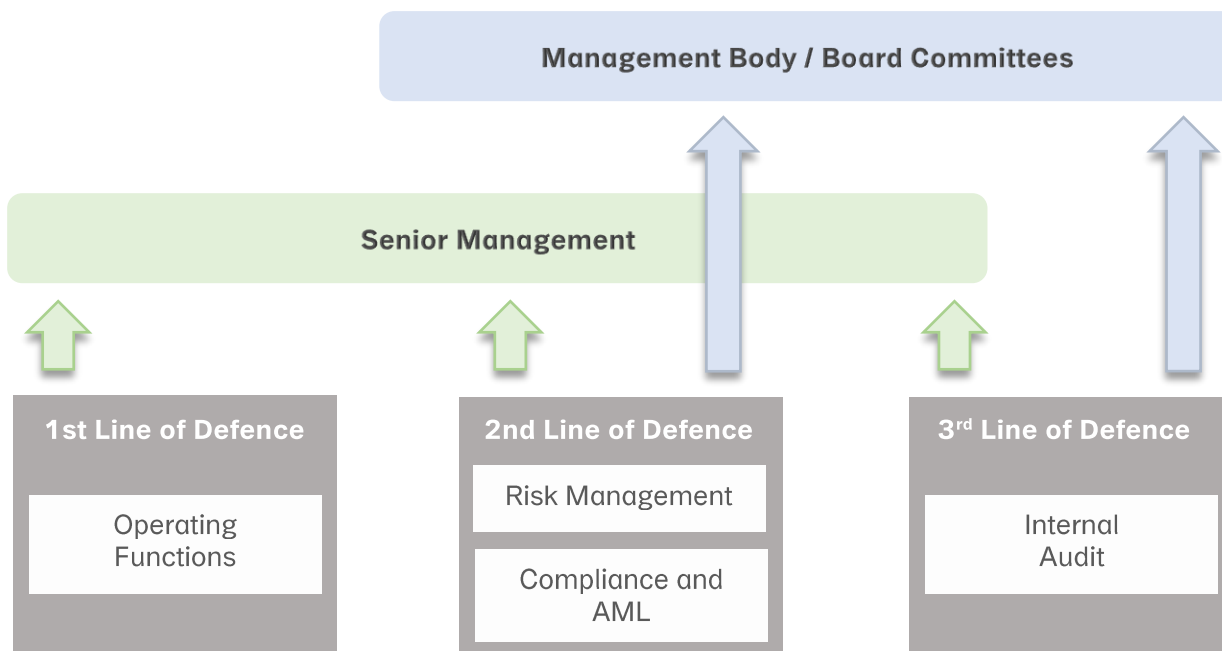


Day-to-day responsibility for risk management is delegated to senior managers with individual accountability for decision making. All of the Company’s employees have a role to play in risk management. These roles are defined using the 3LoD model, which takes into account the Company’s business and functional structures, as described below.

Each of the three “lines” plays a distinct role within the organisation’s wider governance framework:

- 1st Line: Functions that own and manage risks – the operational functions, those mostly focused on providing service to the client, including the administrative functions.
- 2nd Line: Functions that oversee risks and provide additional challenge, expertise, oversight and scrutiny – primarily the Compliance and Risk Management functions.
- 3rd Line: Functions that provide independent assurance and advice – primarily the Internal Audit function.

Figure 2: The Three Lines of Defence



3.3. Risk Culture

Risk culture refers to the Company's norms, attitudes and behaviours related to risk awareness, risk-taking and risk management, and the controls that shape decision on risks. Risk culture influences the decisions of management and employees during the day-to-day activities and has an impact on the risks they assume.

A sound and consistent risk culture is a key element of the Company's risk governance. The risk culture is developed through policies, communication and staff training regarding the Company's activities, strategy and risk profile, but it is also related to the staff's responsibilities regarding risk taking and risk management.

The Company is committed to embedding a strong risk culture throughout the business, where everyone understands the risks they personally manage and are empowered and qualified to take accountability for them. The Company embraces a culture where each business area is encouraged to take risk-based decisions, while knowing when to escalate or seek advice.

3.4. Risk Systems, mechanisms and internal controls

The Company has established robust and effective arrangements, processes and systems for the identification, measurements, management and monitoring of the following:

- a) Material sources and effects of risk to clients and any material impact on own funds;
- b) Material resources and effects of risk to market and any material impact on own funds;
- c) Material sources and effects of risk to the Company, particularly those that can materially affect own funds;
- d) Liquidity risk over an appropriate set of time horizons, including intra-day, so as to ensure that the investment firm maintains adequate levels of liquid resources.

Additionally, the Company has designed and maintains adequate and effective risk policies that govern how risk management is applied. The policies and related mechanisms and systems shall be proportionate to the complexity, risk profile and scope of operation of the Company. The policies shall reflect the risk appetite and tolerance set by the Board.

The Company has developed the following policies and procedures that aim to enhance consistency across operations and alignment with legislative requirements:

- **Risk Management Framework:** Through this policy, the Company sets a framework for identifying, assessing, controlling, monitoring and reporting all risks the Company is exposed to.
- **Risk Appetite Statement:** The purpose of the policy is to define the Company's risk appetite and set the risk appetite framework through which the Company defines its Risk Profile, Risk Appetite and Risk strategy and sets tolerance and risk limits.
- **Business Continuity Plan:** The objective of the Business Continuity Plan ("BCP") is to coordinate the recovery of critical business functions in managing and supporting the business recovery in the event of a facility (office building) disruption or disaster.
- **Remuneration Policy:** The policy aims to ensure that the Company has risk-focused remuneration controls and procedures which are consistent with and promote effective risk management.

- **Leverage Policy:** The policy explains the key aspects of leverage trading with margin and what leverage levels are offered by the Company based on the knowledge and experience of the client as defined by regulatory standards.

The policies should be reviewed at least on an annual basis, adhering to internal guidelines for continued pertinence of the business documentation, to ensure that the policies and procedures reflect the latest regulatory requirements and any changed business processes and circumstances.

Policy exemptions should be rare and fully disclosed to the Risk Manager who will then be responsible for informing the Senior Management. All policy exemptions should be approved by the Risk Manager and/or the Senior Management depending on their materiality.

3.5. Risk Appetite

Risk appetite represents the amount of risk an organisation is willing to accept in pursuit of its strategy or of a desired financial performance (return). The BoD, following the recommendations of the Risk Committee, is responsible for annually setting and updating the risk appetite and monitoring the Company's risk profile. Risk appetite is expressed in both quantitative and qualitative terms and covers both on-balance sheet and off-balance sheet threats.

The company will not accept any high risks, post mitigation and controls, aiming for a balanced risk profile. However, it allows for higher risks when justified by the risk/reward profile.

The Risk Appetite Framework ("RAF") is defined as the overall approach, including policies, processes, controls, and systems, through which the risk appetite is established, communicated, and monitored. Moreover, it includes a risk appetite statement, risk limits, and an outline of the roles and responsibilities of those overseeing the implementation and monitoring of the RAF. The RAF should consider material risks to the financial institution, as well as to the institution's reputation vis-à-vis policyholders, depositors, investors and customers. The RAF aligns with the institution's strategy.

The Company is assessing its risk appetite in respect to investing and to managing business and operational activities. The Company's Risk Appetite Statement is prepared by the Risk Manager and approved by the Board of Directors.

Table 5: Risk Appetite areas

Indicator	Normal ¹	Warning ²	Limit ³
Excess Own Funds	≥ €500k	< €500k	€300k
Common Equity Tier 1 Ratio	> 100%	< 75%	65%
Tier 1 Capital Ratio	> 120%	< 100%	85%
Total Capital Ratio	> 130%	< 130%	110%
Liquid Assets	> €600k	< €600k	€150k

Notes

1. The level of the indicator is within the acceptable limits as per the Company's risk appetite.
2. The Company should take proactive actions in order to ensure that the level of the indicator will remain above the acceptable limits.
3. The level of the indicator falls below the acceptable limits and as such, the Company should proceed with the required actions in order to restore the level of the said indicator to the normal predefined levels.

3.6. Risk Management Framework

Managing risk effectively in a Company operating in a continuously changing risk environment requires a strong risk management culture. As a result, the Company has established an effective risk oversight structure and the necessary internal organisational controls to ensure that the Company undertakes the following:

- The adequate risk identification and management,
- The establishment of the necessary policies and procedures,
- The setting and monitoring of the relevant limits and
- Compliance with the applicable legislation.

The Board meets on a regular basis and receives updates on risk and regulatory capital matters from management. The Board reviews regularly, at least annually, written reports concerning compliance, risk management and internal audit, policies, procedures and work, as well as the Company's risk management policies and procedures as implemented by Management.

As part of its business activities, the Company faces a variety of risks, the most significant of which are described further below. The Company holds regulatory capital against risks to clients, risks to market and risks to firm.

3.7. Risk Strategy

The risk strategy of the Company is the responsibility of the Board, which formulates it and is responsible for monitoring its implementation. This is achieved through the development of risk management processes and procedures, as well as through an assessment of the risks undertaken, and the effectiveness of the risk management framework, given the Company's business model. One important characteristic of the Company's risk strategy is the alignment with the strategic and operational targets that are set by the Board.

The risks that arise from the implementation of the Company's strategic and business plans are regularly analysed in order to ensure the adequacy of the relevant policies, procedures and systems. The risk strategy of the Company aims to provide to both Senior Management and employees a general risk framework for the management of the different types of risk, in line with the overall risk management and risk bearing capacity of the Company. The Company recognises the importance of risk management to its business success and therefore, the overall objective is to establish effective risk management policies that are able to mitigate the Company's exposure to the various risks.

Risk Statement

The Company's activities expose it to a variety of risks, as outlined in Section 3.7.1. below.

With regard to the management of the risks arising from the COVID-19 outbreak, the Company follows the local government guidelines in its response to the virus, testing its business continuity and disaster recovery plan and supporting the work from home whenever is possible. During the year 2021, the Company concentrated its efforts on monitoring and assessing the impact of the COVID-19, as well as ensuring business continuity. In this respect, the Company has taken the required measures to ensure that its employees have access to the technology infrastructure necessary for the completion of their tasks.

3.7.1. Enterprise Risks

Credit Risk

Credit risk is the risk of default on a debt, arising from a debtor's/counterparty's inability to meet its financial obligations. Credit risk primarily arises from deposits with credit institutions, margin accounts maintained with liquidity providers and payment service providers. Prepayments and receivables also contribute to credit exposures.

Credit risk from the Banking Book does no longer contribute to own fund requirements under IFR, though the Company considers Credit Risk of great importance for its business activities. Therefore, it implements numerous risk mitigation strategies to minimise such risks.

Operational Risk

Operational risk means the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes legal risk but excludes strategic and reputational risk.

The Company manages operational risk through a control-based environment in which processes are documented and transactions are reconciled and monitored. This is supported by continuous monitoring of operational risk incidents to ensure that past failures are not repeated.

Furthermore, the Company has in place policies and processes whose implementation assists with the evaluation and management of any exposures to operational risk.

Following the outbreak of COVID-19 in Cyprus, the Company has taken the required measures to ensure that its employees have access to its technology infrastructure necessary for the completion of their tasks and that additional systems for critical functions are being provided. In this respect, the Business Continuity Plan has been amended accordingly.

Banking Book Interest Rate Risk

Interest rate risk is the risk that the value of financial instruments (including currencies) will fluctuate due to changes in the market interest rates. The Company's income is substantially independent of changes in interest rates as it has no significant interest-bearing assets or liabilities.

Reputation Risk

Reputation risk is the current or prospective risk to earnings and capital, arising from an adverse perception of the Company by customers, counterparties, shareholders, investors or regulators. Reputation risk could be triggered by poor performance, the loss of one or more of the Company's key directors, the loss of large customers, poor customer service, fraud or theft, customer claims, legal action, and regulatory fines.

The Company has transparent policies and procedures in place when dealing with possible customer complaints, in order to provide the best possible assistance and service in such cases. The possibility of having to deal with customer claims is very low as the Company provides high quality services to customers.

Strategic Risk

Strategic Risk could occur as a result of adverse business decisions and improper implementation of decisions or lack of responsiveness to changes in the business environment. The Company manages this risk by taking data driven decisions. Through strong governance, the Company follows a deliberate decision-making process that utilises the knowledge and experience of its management team, as well as available data and facts.

Business Risk

Business Risk includes the current or prospective risk to earnings and capital arising from changes in the business environment, including the effects of deterioration in economic conditions. Research on economic and market forecasts is conducted with a view to minimise the Company's exposure to business risk. Said forecasts are analysed and taken into consideration when implementing the Company's strategy.

Regulatory Risk

Regulatory risk is the risk the Company faces from changes in the legislations that govern its operational activities, which may adversely affect its performance and financial position. If materialised, regulatory risk could trigger the effects of reputation and strategic risk. The Company's control functions keep abreast of regulatory developments and provide advice to the Senior Management and BoD on an ongoing basis. The control functions also assist the business by providing relevant advice and training to the staff.

Legal and Compliance Risk

Legal & Compliance risks arise from violations of, or non-conformance with, the Law, Directives and Circulars issued thereof, regulations, prescribed practices, internal policies, and procedures, or ethical standards. This risk exposes the Company mainly to financial losses due to imposed fines from the Regulators. Compliance incidents may also lead to diminished reputation, reduced Company value, limited business opportunities, reduced expansion potential, and possible inability to enforce contracts.

The Company implements detailed internal procedures and policies, which are regularly reviewed by the Internal Auditors. The structure of the Company promotes clear coordination of duties. In addition, the management consists of individuals of suitable professional experience, ethos and integrity, who have accepted the responsibility of setting and achieving the Company's strategic targets and goals. Moreover, the Board meets at least quarterly to discuss such issues and any suggestions to enhance compliance are implemented by management.

Technology Risk

Technology risk could occur as a result of inadequate information technology and processing or could arise from an inadequate IT strategy and policy or inadequate use of the Company's information technology. Specifically, policies have been implemented regarding back-up procedures, software maintenance, hardware maintenance, use of the internet and anti-virus procedures.

Conduct Risk

Conduct risk is defined as the risk of an action by an individual, financial institution or the industry as a whole, which leads to customer detriment or undermines market integrity. This can bring sanctions and negative publicity. Moreover, EBA has defined conduct risk as the current or prospective risk of losses to an institution, arising from inappropriate supply of financial services including cases of wilful or negligent misconduct.

The Company takes into consideration the following parameters when assessing its conduct risk:

- How employees interact with customers,
- The product governance,
- How the Company addresses regulatory requirements,
- The Internal and Risk governance.

4. OWN FUNDS

Own Funds (also referred to as capital resources) is the type and level of regulatory capital that must be held to enable the Company to absorb losses.

During the year under review, the primary objective of the Company, with respect to capital management, was to ensure that it complied with the imposed capital requirements with respect to its own funds. The Company also ensured that it maintained healthy capital ratios in order to support its business.

Throughout the year under review, the Company managed its capital structure and made adjustments to it, in light of the changes in the economic and business conditions and the risk characteristics of its activities.

4.1. Regulatory Capital

Institutions shall disclose information relating to their own funds. Furthermore, institutions shall disclose a description of the main features of the Common Equity Tier 1 (CET1) and Additional Tier 1 (AT1) instruments and Tier 2 (T2) instruments issued by the institution. The Company's regulatory capital comprises fully of CET1 capital and it has not issued any AT1 or T2 capital. The composition of the capital base and capital ratios of the Company is shown in the following table:

Table 6: Own Funds Composition as at 31 December 2021

Own Funds Composition	€000
CET1 capital before regulatory adjustments	
Capital instruments and the related share premium accounts	2,517
Other Reserves	772
Accumulates losses	(754)
CET1 capital: regulatory adjustments	
Additional deductions of CET1 Capital (ICF Contribution) *	(33)
Deferred tax assets	(125)
CET1 capital	2,377
AT1 capital	-
Tier 1 capital (T1 = CET1 + AT1)	2,377
Tier 2 (T2) capital	-
Total capital	2,377

4.2. Main features of Common Equity Tier 1, Additional Tier 1, and Tier 2 instruments

In order to meet the requirements for disclosure of the main features of Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments, the Company discloses the capital instruments' main features as outlined below:

Table 7: Main features of capital instruments

Capital Instruments Main Feature	CET1	
Issuer	Oval Money (Europe) Ltd	
Regulatory Treatment		
Eligible at Solo/(sub-)consolidated/solo	Solo	
Instrument type	Common Equity	
Amount recognized in regulatory capital	€2,517k	
Nominal amount of instrument	€1,472k	
Issue Price (per share)	€1.71	
Accounting classification	Shareholders' Equity	
Original date of issuance	<i>Share Capital Increase</i>	<i>Effective Date</i>
	€17k	13/09/2000
	€1,017k	11/06/2021
	€1,483k	12/11/2021
Perpetual or dated	Perpetual	
Original maturity date	No maturity	
Issuer call subject to prior supervisory approval	No	
Coupons / Dividends		
Fixed or floating dividend/coupon	Floating	
Coupon rate and any related index	N/A	

4.3. Balance Sheet Reconciliation

In the audited financial statements, institutions shall disclose a full reconciliation of Common Equity Tier 1 items, Additional Tier 1 items, Tier 2 items, filters and deductions, as well as the balance sheet, as follows:

Table 8: Balance Sheet Reconciliation

Equity	€000
Share capital	2,517
Other Reserves	772
Accumulated losses	(754)
Total Equity as per Audited Financial Statements	2,535
Common Equity Tier 1 (CET1) capital: regulatory adjustments	
Deferred tax assets	(125)
Additional deductions of CET1 Capital	(33)
Total Own funds	2,377

5. OWN FUNDS REQUIREMENTS

As a Class 2 investment firm, the Company shall at all times have own funds which amount to at least the highest of the following:

- Initial Capital Requirement,
- Fixed Overhead Requirements and
- K-Factors Requirement.

5.1. Initial Capital Requirement

The permanent minimum capital requirement of the Company is currently €150k. However, and following the licence extension application approval, the Company's permanent minimum capital requirement will increase, since it will be authorised to provide the investment service of dealing on own account.

5.2. Fixed Overheads requirement

The fixed overheads requirement (FOR) applies to all CIFs. The FOR is intended to calculate the minimum amount of capital that a CIF would need available to absorb losses if it has cause to wind-down or exit the market.

It is calculated as the one quarter of the fixed overheads of the preceding year, in accordance with the provision of Article 13 of IFR.

Further to the above, the Company's fixed overheads requirement based on the latest audited financial statements is €67k as per the table below:

Table 9: Fixed Overheads Requirement

Item	€'000
Total Expenses	268
Variable Expenses	-
Annual Fixed Overheads	268
Fixed Overheads requirement	67

5.3. K-Factors Requirement

The K-factor capital requirements are essentially a mixture of activity- and exposure-based requirements. The K-factors applicable to an individual investment firm will depend on the MiFID investment services and the activities it undertakes.

The Capital requirement from applying the K-factors formula is the sum of Risk to Client ('RtC'), Risk to Market ('RtM') and Risk to Firm ('RtF').

5.3.1. Risk to Client

The risk to Client proxy captures the risk that may be inflicted onto the clients. RtC exists in the activities/services of the firm which are related to the client and is measured as the sum of Clients Money Held (CMH), Assets Under Management (AUM), Assets Safeguarded & Administered (ASA) and Clients' Orders Handled (COH).

The Company is required to calculate the following K-Factors as part of the RtC:

5.3.1.1. *K-CMH: Client Money Held*

K-CMH captures the risk 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 also any arrangements under applicable national law, provided that client money is safeguarded in the event of bankruptcy, insolvency, or entry into resolution or administration of the investment firm.

CMH is the amount of client money that an investment firm holds or controls. It 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 these client funds via a third-party mandate (on segregated or non-segregated basis).

The total CMH amount is €17,941 thousands, as calculated in accordance with the Article 18(1) of IFR.

5.3.2. Risk to Market

The Risk to market proxy captures the risk an investment firm can pose to market access. The K-factor for RtM is based on the rules for market risk for positions in financial instruments in foreign exchange and in commodities, in accordance with the CRR.

5.3.2.1. *K-NPR: Net Position Risk*

A Class 2 investment firm must calculate its K-NPR requirement by referencing to trading book positions and positions other than trading book positions, where the positions give rise to foreign exchange ("FX") risk or commodity risk. The K-NPR requirement is calculated in accordance with Title IV of Part Three of the CRR.

The Company is exposed to market risk resulting from FX exposures.

Foreign Exchange Risk

Foreign exchange risk is the effect of unanticipated exchange rate changes on the Company's financial position.

In the ordinary course of business, the Company is exposed to foreign exchange risk, which is monitored through various control mechanisms.

The foreign exchange risk in the Company is effectively managed by setting and controlling foreign exchange risk limits, such as through the establishment of maximum value of exposure to a particular currency pair, as well as through the utilisation of sensitivity analysis.

The Company's foreign exchange risk capital requirement is €33k emanating from a net foreign exchange exposure of €408k based on the latest relevant calculations of the Company's capital requirements, as at 31st of December 2021.

The Company continues to regularly monitor the impact of foreign exchange rate risks and, if deemed necessary, corrective actions will be taken to minimise their effect.

5.3.3. Risk to Firm

The Risk to Firm captures the risk that could be inflicted on the Company, itself. The K-factors under RtF capture an investment firm's exposure to its trading counterparties, the concentration risk in the investment firm's large exposures and the operational risk from an investment firm's daily trading flow.

K-factors for K-TCD and K-CON under RtF constitute a simplified application of the rules laid down in the CRR on counterparty credit risk and large exposure risk, respectively.

The Company is required to calculate the following K-Factors requirements as part of the RtF:

5.3.3.1. K-TCD: Trading Counterparty Default

K-TCD captures the risk to an investment firm by counterparties, from over-the-counter ("OTC") derivatives, repurchase transactions, securities and commodities, lending or borrowing transactions, long settlement transactions, margin lending transactions, or any other securities financing transactions, as well as by recipients of loans granted by the investment firm on an ancillary basis, as part of an investment service, who fail to fulfil their obligations. K-TCD considers the replacement cost and an add-on for potential future exposure for each contract, and accounting for the mitigating effects of effective netting and the exchange of collateral.

5.3.3.2. K-CON: Concentration Risk on Large Exposures

K-CON captures concentration risk from the trading book in relation to individual or highly connected private sector counterparties, with whom firms have exposures above certain thresholds of their own funds, imposing a capital requirement add-on.

Limits

Where the client is a credit institution or an investment firm, the limit with regard to concentration risk will be the higher of 25% of the investment firm's capital or €150m. If the amount of €150m is higher than 25% of the firm's own funds, the limit with regard to concentration risk should not exceed 100% of the firm's capital.

Where the client is not a credit institution or investment firm, the limit with regard to concentration risk remains at 25% of the investment firm's own funds.

As at 31 December 2021, the Company has large exposures to its primary liquidity provider. These exposures create concentration risk requirement of €122k. Moreover, and further to the above, the Company's additional concentration capital requirements are €538k, according to the provisions of the Article 39. The Company has sufficient capital to meet the additional capital requirements.

5.3.3.3. **K-DTF: Daily Trading Flow**

K-DTF captures the operational risks to an investment firm from the notional value of daily trades concluded for its own account or for clients in its own name, which could encounter inadequate or failed internal processes, people and systems or external events. The notional value of daily trades is adjusted for the time to maturity of interest rate derivatives, in order to limit increases in own funds requirements, in particular for short-term contracts where perceived operational risks are lower.

DTF is the daily value of transactions that an investment firm enters through dealing on own account or through the execution of orders on behalf of clients in its own name, excluding the value of orders that an investment firm handles for clients, as these are already considered in the calculation of client orders handled.

5.3.4. **K-Factors Requirement Results**

As at 31 December 2021, the Company's K-Factors Requirement is €749k, as shown in the table below:

Table 10: K-Factors Results

Item	Factor Amount €'000	K-Factor Requirement €'000
TOTAL K-FACTOR REQUIREMENT		749
Risk To clients		79
<i>K-AUM</i>	-	-
<i>K-ASA</i>	-	-
<i>K-CMH (Segregated)</i>	10,220	40
<i>K-CMH (non-Segregated)</i>	7,721	39
<i>K-COH (Cash Trades)</i>	-	-
<i>K-COH (Derivative Trades)</i>	-	-
Risk to Market		33
<i>K-NPR</i>		33
Risk to Firm		637
<i>K-TCD</i>		502
<i>K-DTF (Cash Trades)</i>	-	-
<i>K-DTF (Derivative Trades)</i>	133,003	13
<i>K-CON</i>		122

5.4. **Own Funds Composition & Capital Ratios**

According to the provision 9 of the IFR, investment firms shall have own funds consisting of the sum of their Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital, and shall meet all the following conditions at all times:

$$\frac{\text{Common Equity Tier 1 Capital}}{D} \geq 56\%$$

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

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

where D is the Company's own funds requirement calculated in accordance with Article 11.

The Company's own funds, own funds requirement and capital ratio reported as at 31 December 2021, were the following:

Table 11: Own Funds

OWN FUNDS COMPOSITION		€'000
Share Capital		2,517
Other Reserves		772
Retained Earnings		(421)
Losses for the year		(333)
Investors Compensation Fund		(33)
Deferred tax assets		(125)
CET 1 Capital		2,377
Additional Tier 1		-
T1 Capital		2,377
Tier 2 Capital		-
Own Funds		2,377
OWN FUNDS REQUIREMENTS		€'000
Initial Capital		150
Fixed Overheads Requirement		67
K-Factors Requirement		749
Own funds Requirement		749
CAPITAL RATIOS		€'000
CET 1 (min. 56%)		317.38%
T1 (min. 75%)		317.38%
Total (min. 100%)		317.38%
Surplus/(Deficit)		1,628

As per the above results, the Company as at 31 December 2021 maintains adequate own funds to cover its capital requirements.

The Company has implemented daily capital adequacy monitoring in order to ensure compliance with the IFR requirements at all times. In this respect, the Company calculates the capital requirement on a daily basis in order to assess its capital adequacy.

5.5. Reporting requirements

As a Class 2 investment firm, the Company is required by the Law to report on a quarterly basis the following items:

- a) Level and composition of own funds
- b) Own funds requirements
- c) Own funds requirement calculations
- d) Where the firm is a Class 3 firm – the level of activity, including the balance sheet
- e) and revenue breakdown by investment service and applicable K-factor
- f) Concentration risk
- g) Liquidity requirements

The above information shall be reported to CySEC using the Form165-01 “Reporting for Class 2”, on a quarterly basis.

The Senior Management as well as the Risk Manager monitor such reporting and have policies and procedures in place to help meet the specific regulatory requirements. This is achieved through the preparation of accounts to monitor the financial and capital position of the Company.

During the year under review, the Company’s own funds never dropped below its own funds requirement and the Company fulfilled its obligations by successfully submitting, on a quarterly basis, the Capital Adequacy Reports.

5.6. Concentration risk requirements

The concentration risk arises from exposures to each counterparty, including central counterparties, groups of connected counterparties, and counterparties in the same economic sector, geographic region or from the same activity or commodity. The concentration risk, as well as the application of credit risk mitigation techniques, and including in particular risks associated with large indirect credit exposures such as a single collateral issuer, must be addressed and controlled including by means of written policies and procedures.

Exposure is any asset or off-balance sheet item without applying the risk weights or degrees of risk. Large Exposure is the exposures to a client or a group of connected clients in the trading book/banking book of an investment firm, the value of which exceeds the limits set.

The CIFs that are categorised as Class 2 IFs should continue to monitor and control their concentration risk with regards to their trading book exposures to a client or a group of connected clients, in accordance with Part four of IFR.

In particular, CIFs shall monitor and control their concentration risk so as not to exceed the following limits as per Article 37 of IFR.

Table 12: Large Exposure Limits

Type	Limit
Credit Institution & Investment firm	Min {up to 100% of eligible capital, Max (25% of eligible capital, €150m)}
Other Corporate	25% of eligible capital

Where any trading book exposure exceeds the limits mentioned above, a CIF shall calculate additional capital requirement as part of the K-CON requirement.

Moreover, harm can arise from more than just a concentrated trading book exposure to a client. To mitigate the potential for harm that can arise from different types of concentrated exposures or relationships, the Company should monitor and control all their sources of concentration risk, including:

- exposures in a trading book
- assets (for example, trade debts) not recorded in a trading book
- off-balance sheet items
- the location of client money
- the location of client assets
- the location of its own cash deposits
- the sources of its earnings

The Company reports to CySEC, on a quarterly, basis the level of concentration risk with respect to the credit institutions, investment firms and other entities where clients' money are held and where client securities are deposited, while it also reports the level of concentration risk with respect to the credit institutions where its own cash is deposited as per Article 54(2) of IFR. Moreover, the Company reports the top five clients from whom the largest amounts of the Company's earnings are derived, the top five largest trading book exposures and the top five largest exposures not recorded in the trading book.

The Company maintains proper accounting controls in order to identify, monitor and control all exposures including clients' balances and the value of the assets held as financial instruments under pledge.

Finally, the Company will further assess its exposure to concentration risk from its ongoing activities as part of the ICARA process.

5.7. Liquidity Requirement

As a Class 2 investment firm, the Company is required to hold an amount of liquid assets equivalent to at least one third of the fixed overheads requirement. The purpose of this is to ensure that the investment firms have an adequate stock of unencumbered high-quality liquid assets that can be converted in cash easily and immediately in private markets to meet their liquidity needs for a 30-calendar day liquidity stress scenario.

The IFR specifies the instruments that are eligible to be qualified as liquid assets to be included in the calculation of the said ratio:

- Coins and banknotes
- Claims on ECB or other Central Banks
- High Quality Covered Bonds

Pillar III Disclosures



- Shares or units in CIUs

In this respect and as per the Company's latest audited financial statements, the Company maintains adequate liquid assets to cover the liquidity requirement.

6. INTERNAL CAPITAL ADEQUACY AND RISK ASSESSMENT PROCESS

Following the implementation of the new prudential regulatory framework, the Company should replace its existing ICAAP with the new ICARA. This involves establishing new assessment with respect to the liquidity adequacy of the Company, designing new financial projections and stress tests to reflect the new K-Factors requirement and drafting a new report which reflects all provisions under the new regulation. The new methodologies of K-Factors and Liquidity Stress tests will be incorporated into the new ICARA process, as well as the updated risk register, which will focus on a harm-pose approach, identifying different potential risk events that may affect the Company's overall capital adequacy position.

Pursuant to Chapter 2 and Paragraph 18 of the Law, the Company has established sound, effective and comprehensive arrangements, strategies and processes to assess and maintain on an ongoing basis the amounts, types and distribution of internal capital and liquid assets that it considers adequate to cover the nature and level of risks which it may pose to others and to which the investment firm itself is or might be exposed. These arrangements, strategies and processes shall be appropriate and proportionate to the nature, scale and complexity of the activities of the Company and they shall be subject to regular internal review.

ICARA includes a Liquidity Adequacy Assessment and Contingent Funding Plan. Internal Liquidity Adequacy Assessment Process (ILAAP) and all its components, including risk elaboration on liquidity risks that are applicable to the firm and a Liquidity stress testing will be incorporated within ICARA.

In light of the above, the new ICARA report will present the main business background aspects and developments of the Company, a summary of the Company's business economic environment, the Company's financial summary for the previous and upcoming years, the business and strategic goals, organisational structure and the risk management framework, the overall assessment of the material risks as well as a forward-looking capital and liquidity planning.

7. REMUNERATION POLICY

The Company has established a remuneration policy to set out its remuneration practices taking into consideration the salaries and benefits of the staff, in accordance with the provisions of the Law on remuneration policies and practices. The practices set out in the remuneration policy shall comply with specific principles in a way and to the extent that is appropriate to the Company's size, internal organisation and the nature, scope and complexity of its activities. Furthermore, the Company's remuneration strategy is designed to reward and motivate the people who are committed to maintaining a long-term career within the Company and who perform their role in the interests of the Company.

The Policy is approved by the Board, after taking advice from the compliance function, and is implemented by appropriate functions to promote effective corporate governance. The Senior Management is responsible for the implementation of remuneration policies and practices and for preventing and dealing with any relevant risks that remuneration policies and practices can create. The Board discusses remuneration policy matters at least annually. Furthermore, the Policy also benefits from the full support of senior management or, where appropriate, the supervisory function, so that necessary steps can be taken to ensure that relevant persons effectively comply with the conflicts of interest and conduct of business policies and procedures.

The Policy adopts and maintains measures enabling effective identification of people who fail to act in the best interest of the client, and remedial action-taking.

Finally, the Policy aims to (i) provide for sufficient incentives so as the relevant persons achieve the business targets, (ii) deliver an appropriate link between reward and performance. At the same time, the Policy should act as a comprehensive, consistent and effective risk management tool that prevents excessive risk taking and /or mis-selling practices in light of financial incentives schemes, which could lead to compliance risks for the Company in the long-run.

The total remuneration of staff consists of fixed and variable components. These components are appropriately balanced, with the fixed component representing a sufficiently high proportion of the total remuneration to allow for a fully flexible policy on variable remuneration components, including the possibility to pay no variable remuneration component.

7.1. Link between the pay and performance

The Company recognises the responsibility that the Staff has in driving its future success and delivering value for the Company and that remuneration is a key component in motivating and compensating its employees. Furthermore, the overall remuneration policy incorporates an annual variable incentive compensation reflecting individual performance and the Company's overall performance.

The individual performance is assessed during the annual appraisal process, which establishes objectives for all staff covering both financial and non-financial factors, and reviews specific behavioral competencies including compliance and risk management behaviors with regards to the Company's procedures.

The Company ensures that where remuneration is linked with performance, the total amount of remuneration is based on a combination of the performance assessment of:

- a) the individual (quantitative as well as qualitative criteria are taken into account, except for those who perform their duties on Control Functions where only qualitative criteria apply; annual performance evaluation and performance rating are taken into account),

- b) the business unit concerned, and
- c) the overall results of the Company and if conflicts of interest are mitigated, as described in this Policy.

The quantitative remuneration criteria mostly rely on numeric and financial data such as the Company's performance and the performance evaluation and ratings of each member of the staff whose professional activities affect the risk profile of the firm. In addition to the quantitative criteria, the Company has put in place qualitative criteria which include compliance with regulatory requirements and internal procedures, fair treatment of clients and client satisfaction.

The Company implements a performance appraisal program, mainly to foster talent and promote healthy competition amongst personnel, which is based on a set of Key Performance Indicators and Targets, developed for each department.

The remuneration Committee ensures that any forms of performance-related pay schemes do not give rise to any potential conflict of interest between the firm and the employees or the firm and the clients.

Table 13: Remuneration of members of staff whose professional activities have a material impact on the Company's risk profile

	Executive Directors	Key Management personnel	Non-Executive Directors
Fixed reward	110,412	94,657	26,779
Variable reward	20,000	18,250	-
Total	130,412	112,907	26,779
Number of beneficiaries	3	4	7

There are no natural persons at the Company that are remunerated €1mln or more per financial year. Moreover, no sign-on payments have been awarded during 2021, while no severance payments were paid during the year.

Aggregate remuneration analysed by business area is presented below:

Table 14: Aggregate remuneration analysis by business area

Business Area	Aggregate Remuneration €
Control Functions	224,649
Other Departments	18,670
Total	243,319

*Control functions include the Executive Directors, Compliance Function and Risk Management Function.