TRADE | CAPITAL MARKETS

# DISCLOSURE AND MARKET DISCIPLINE REPORT FOR FINANCIAL YEAR 2022

The Disclosure and Market Discipline Report has been prepared by Trade Capital Markets (TCM) Ltd as per the requirements of Regulation (EU) No. 2019/2033 and Directive (EU) 2019/2034 issued by the European Parliament and the European Council. Trade Capital Markets (TCM) Ltd 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 its competitive position. Trade Capital Markets (TCM) Ltd is regulated by the Cyprus Securities and Exchange Commission under License number 227/14.

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## 1 INTRODUCTION, SCOPE AND PURPOSE OF THIS DOCUMENT

Trade Capital Markets (TCM) Ltd ("**TCM**" or the "**Company**") is an investment firm, incorporated in Cyprus as a private limited liability Company under the provisions of the Cyprus Companies Law, Cap. 113. The Company is authorized and regulated by the Cyprus Securities and Exchange Commission ("**CySEC**" or the "**Commission**") under license number 227/14, for the conduct of designated investment business in the Republic of Cyprus and other jurisdictions, as well as by the Financial Sector Conduct Authority ("**FSCA**") in South Africa as a foreign Financial Services Provider under license number 47857. The LEI Code of the Company is 549300REMV7VLGS16J07. The Company's head office is located at 148, Strovolos Avenue, first floor, CY 2048, Nicosia, Cyprus.

In accordance with the operating license granted by CySEC, the Company is permitted to undertake the following regulated investment and ancillary services:

- Reception and transmission of orders in relation to one or more financial instruments;
- Execution of orders on behalf of clients;
- Dealing on own account;
- Portfolio management;
- Provision of investment advice;
- Safekeeping and administration of financial instruments, including custodianship and related services;
- Granting credits or loans to 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;
- Investment research and financial analysis or other forms of general recommendation relating to transactions in financial instruments.

TCM is focused on offering investment services to retail, professional and eligible counterparties through its "Business-to-Consumer" (**"B2C"**) business segment representing online trading by retail clients via the website www.trade.com and www.finexo.com.

In particular, TCM's core operations entail offering to clients, through online trading platforms, complex financial instruments (**"Contracts for Difference"** or **"CFDs"**), in a number of underlying products such as Currencies, Commodities, Indices, Equities, ETFs, Bonds and Cryptocurrencies. The Company acts as principal (i.e. Matched Principal) to its transactions with clients and provides its service on a cross-border basis.

In addition to CFDs, TCM offers customers a variety of products aimed to satisfy multiple diversification strategies, including real shares and exchange traded instruments via Direct Market Access (**"DMA"**) services, IPO offerings and Asset Management solutions, which include Copy Trading functionalities. It must be noted that the offered products other than the CFDs are currently insignificant in terms of risk and volume towards the Company.

When the Company is executing client orders for CFDs, it is acting on a Matched Principal basis, also known as Back-to-Back trading, with the Company being the sole counterparty to clients. Such activities are regarded as acting as principal in relation to execution of orders on behalf of clients. In regards to DMA trading, when the Company receives client orders, those orders are transmitted to the respective executing broker. In the case of DMA trading, clients are contracting with the Company, however orders are transmitted to another execution venue.

### 1.1 Regulatory Context

This Disclosure and Market Discipline Report ("Pillar III Report" or the **"Report"**) has been prepared in adherence to the EU prudential framework which has been enforced since the 26th of June 2021 and which comprises of the following:

- Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27th of November 2019 on the 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 (**"IFR"**);

- Directive (EU) 2019/2034 of the European Parliament and of the Council of 27th of November 2019 on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU (**"IFD"**), as this has been transposed into Cyprus legislation through the issuance of Law 165(I)/2021 for the Prudential Supervision of Investment Firms.

The IFR & IFD rules focus on specific methodologies that investment firms are required to apply for quantifying their exposure to risk and deriving their Capital Adequacy ratio, as well as to their required level of initial capital, their Internal Capital Adequacy & Risk Assessment Process, and the Liquidity Requirement, among others.

Disclosures cover the areas defined in Part Six of the IFR which include the contents depicted within Articles 46 to 53, to the extent applicable to the Company, and which are being presented within this Report.

It should be noted that the Company meets the criteria referred to in Article 32(4)(a) of the IFD. Therefore, this Pillar III Report does not include details regarding the Investment Policy, nor ESG risks outlined in Articles 52 and 53 of the IFR respectively. Furthermore, following consideration of its size, internal organisation and the nature, scope and complexity of its activities, the Company does not deem necessary the establishment of a Nomination or a Remuneration Committee.

The present Report has been prepared on a solo basis and is updated and published annually (note: the Company also prepares and publishes its Market Discipline Disclosures on a consolidated basis since it is subject to consolidated supervision based on the relevant provisions of the IFR, for the financial year ending on 31st December 2022). This Report must be read in tandem with the Company's audited financial statements for the year ended 31st December 2022, whereby the said date is to be known as the "reference date". The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (IFRS-EU) and the requirements of the Cyprus Companies Law, Cap. 113, as amended from time to time.

Furthermore, under the IFR/IFD framework, investment firms must self-classify themselves in accordance with specified conditions, in order to be able to calculate their own funds requirements. For the period under review, the Company has determined that it falls under the "Class 2" category of "all other investment firms".

### 1.2 Disclosure Policy

The below information provides a summary in regards to important aspects of this Report.

**Information Disclosed**
All disclosure requirements relating to this Report as denoted in Part Six of the IFR, including both quantitative and qualitative information, are met to a standard befitting to the Company's particular characteristics and take into account its nature, the size, scope and complexity of its operations, as well as its internal organization.

**Disclosure Currency**
Unless stated otherwise, all amounts are in thousands of Euro (**"€"** or **"EUR"**).

**Publication Frequency**
All required disclosures within the Report are made on an annual basis in adherence to the Company's obligations towards Part Six of the IFR and Article 44 of the IFD.

**Publication Location**
The Report is published on the Company's websites www.tradecapitalmarkets.com and www.trade.com.

**Publication Verification**
The Company's External Auditors are tasked with verifying the contents of this Report and in addition to the Company being obliged to publish the said document on an annual basis, the Company must provide to CySEC within five months from the end of its financial year, a copy of the External Auditors report. For Cyprus Investment Firms (**"CIFs"**) with financial year ending on 31st of December 2022, the deadline provided by CySEC for the submission of the External Auditor's verification report in relation to Pillar III Disclosures, is the 31st of May 2023.

### 1.3 Operating Environment of the Company

The existence of COVID-19 as confirmed in early 2021 and the pandemic which has spread across most of the world is no longer a significant factor affecting the Company's activities.

The United Kingdom left the European Union on 31 January 2021 through a Withdrawal Agreement for a transition period which operated until 31 December 2021. The Company which has a UK / EU passporting license, had registered under the Financial Conduct Authority (**"FCA"**) for the Temporary Passporting Regime (**"TPR"**), enabling it to continue to offer services in the UK beyond the transition period. However, since the Company's affiliate Trade Capital UK (TCUK) Ltd is also fully licensed by the FCA, the Company decided in July 2022 to cancel the temporary permission and enter supervised run-off (**"SRO"**) under the Financial Services Contracts Regime (**"FSCR"**). The process was finalized in January 2023 and the Company is awaiting official confirmation from the FCA of the cancellation of its status.

On 24 February 2022, Russian troops invaded Ukraine. The attack has led to significant casualties, dislocation of the population, damage to infrastructure and disruption to economic activity in Ukraine. In response, multiple jurisdictions, including the EU, Switzerland, the UK, the US, Canada, Japan and Australia have imposed economic sanctions on Russia (and in certain cases Belarus). In addition to the imposition of sanctions, a growing number of large public and private companies have stopped or minimised business activities with Russia and Belarus. Further, a number of Russian publicly listed entities have had their listings suspended on certain stock exchanges and have been excluded from market indices. The Russian central bank temporarily suspended stocks and derivatives trading. The war in Ukraine and related events take place at a time of economic uncertainty and volatility, and the effects are likely to exacerbate the effects of current market conditions. Many sectors/jurisdictions are already facing the impacts of rising commodity prices and increased raw materials costs, as a result of surging consumer demand as the COVID-19 pandemic eases. Supply-chain bottlenecks, arising from the effects of the pandemic, are heightened by labour shortages and trade restrictions. These conditions may be significantly aggravated by a possible new counter offensive by Ukraine, increasing inflationary pressures and limiting the post-pandemic recovery. The Company's exposure to Russia, Belarus and the resulting sanctions is non-existent and the war has not had any impact on the Company's operations.

The Company operates across highly regulated environments which are continually evolving, and faces the risk of governments or regulators introducing legislation or new regulations and requirements in any of the jurisdictions in which it operates. This could result in an adverse effect on the Company's business or operations, through reduction in revenue, increases in costs or increases in capital and liquidity requirements. The Company monitors closely statements from regulators in its largest markets to ensure it keeps abreast of, contributes to and correctly implements regulatory changes. Currently there are new proposed laws from the Spanish regulator to further limit marketing to retail clients, among other proposals. The Company is closely monitoring the situation and has made alternative plans to ensure it mitigates any impact. There is no official timeline for the new laws, if approved, however the industry expectation is that they are unlikely to be applied earlier than Q4 2023 or in 2024.

## 2 GOVERNANCE AND RISK MANAGEMENT OBJECTIVES AND POLICIES

### 2.1 The Board of Directors

The Company's Board of Directors (the **"BoD"** or the **"Board"**) along with the Senior Management is required, under Article 17(2) of the Investment Services and Activities and Regulated Markets Law of the Republic of Cyprus (the **"Law 87(I)/2017"**), as well as Article 25(1) of European Commission Delegated Regulation (EU) 2017/565 regarding organisational requirements and operating conditions for investment firms (**"Regulation 2017/565"**), to:

- Establish, implement and maintain adequate Risk Management policies and procedures which identify the risks relating to the Company's activities, processes and systems and set the level of risk tolerated by the Company;
- Adopt effective arrangements, processes and mechanisms to manage the risks relating to the Company's activities, processes and systems, based on the acceptable level of risk tolerance; and
- Monitor the adequacy and effectiveness of such arrangements and take necessary measures to address any deficiencies identified.

Furthermore, Paragraph 22 of Law 165(I)/2021 and CySEC Circular CI144-2014-23 with respect to the Supervisory Function, Governance Arrangements and Risk Management of CIFs, sets out the governance, control, reporting procedures and requirements that CIFs are required to implement with respect to the treatment of risks. Most notably, Paragraph 22 of Law 165(I)/2021 stipulates that CIFs must ensure that the Board:

- Approves and periodically reviews the strategies and policies on the risk appetite of the CIF;
- Manages, monitors and mitigates the risks the CIF is or might be exposed to, taking into account the macroeconomic environment and the business cycle of the CIF; and
- Devotes sufficient time to the consideration of risk issues.

As at 31st of December 2022, the Company's Board of Directors comprised of two Executive Directors and four Non-Executive Directors, two of which were also Independent.

### 2.2 Diversity Policy for the Selection of Members of the Management Body

The Company acknowledges the importance of diversity in all levels of the corporate structure and the subsequent integral part it has in achieving commercial success. A balance of the plethora of factors including but not limited to age, skills, experience, background, race and gender are all instrumental in achieving any of the Company's strategic plans and as such, TCM is no exception by considering all abovementioned factors and striving to find an optimum composition.

In addition to seeking diversification through an individualistic approach, the Company is comprehensively committed to creating and maintaining an inclusive and collaborative workplace culture that will in turn provide sustainability for future endeavors.

### 2.3 Number of Directorships held by Board Members

The following table depicts the amount of directorships held by each member of the Company's Board, including the position held in the Company, as at the time of preparation of the present Report.

***Table 1: Position and number of directorships of the Board Members***

| Name | Position in the Company | No. of Executive Directorships | No. of Non-Executive Directorships |
|---|---|---|---|
| Roei Gavish | Executive Director | 1 | - |
| George William Rodger | Executive Director | 1 | - |
| Athos Demetriou | Non-Executive Director, Independent | 1 | 3 |
| Michalis Philippou | Non-Executive Director, Independent | 1 | 10 |
| George Psomas | Non-Executive Director | - | 1 |
| Mark Lauterstein | Non-Executive Director | 7 | 1 |

*Notes:*

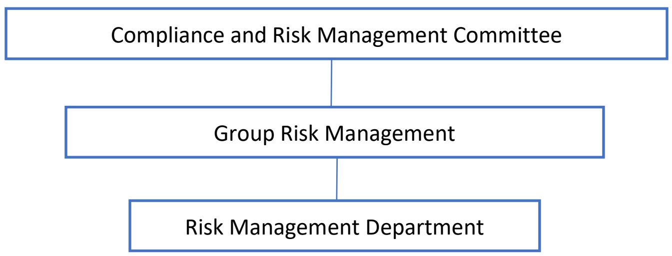
a. *The information in this table is based only on representations made by the directors of the Company.*
b. *Executive or non-executive directorships held within the same group shall count as a single directorship, as per the provisions of Section 9(5) of Law 87(I)/2017. Also, as per Section 9(6) of Law 87(I)/2017, directorships in organizations which do not pursue predominantly commercial objectives, such as non-profit-making or charitable organizations, are not taken into account for the purposes of the above table.*
c. *Mr. Marios Hadjiyiannakis resigned from the position of Independent, Non-Executive Director and Chairman of the Board on 30/06/2022, and Mr. Athos Demetriou was appointed to this role on 19/08/2022.*
d. *Mrs. Christiana Vasiadou resigned from the position of Non-Executive Director on 31/01/2022, and Mr. George Psomas was recruited to this role on 06/04/2022.*

**2.4 Risk Management Policy**

Functional Risk Management takes place on a consolidated Group-wide basis, with the legal entity ensuring compliance with local regulatory requirements for Risk Management. Risk organization and governance within the Group comprises of three main elements:

- Organizational Structure for effective Risk Management;
- Risk Standards which include policies, procedures and methodologies; and
- Risk Reporting.

Risk Management at Group level is therefore depicted as follows:




Risk is prevalent and arises due to the Company's business activities. Subsequently as a response to the risk posed, a risk strategy has been implemented that aims to ensure substantial growth of the Company in combination with a moderate risk profile, through the establishment of an effective Risk Management framework.

The Company has proceeded to establish, implement and maintain an Internal Procedures Manual (hereafter **"IPM"**), which includes all policies, procedures, regulations and mechanisms that the Company maintains in compliance with Law 87(I)/2017.

The Risk Management Policy is present within the IPM and it highlights the procedures and mechanisms that have been established in order to ensure that internal controls are set within the Company in relation to appropriate measures in place, in adherence to the notion of establishing an effective framework to manage risk. Moreover, the Risk Management Policy includes the roles and duties of the Risk Manager and the Compliance and Risk Management Committee, as well as reporting and internal control procedures in place.

The Company aims to follow a continuous, active and systematic Risk Management process of well-defined steps in order to understand, manage and communicate risks from a firm-wide perspective. This is achieved through the effective identification, assessment, treatment and reporting of internal and external risks.

**2.5 Compliance and Risk Management Committee**

The Company has established a Compliance and Risk Management Committee (the **"Committee"**) that includes two members of the Board, an Executive and a Non-Executive Director, and acts independently. The Committee was established with the overall aim to have in place a Risk Management and Governance Function which is:

- Appropriate to the nature, scale and complexity of the Company's business and organizational structure;
- Adequate to promote the sound and prudent management of the Company's business; and
- Aimed at protecting the interests of clients and stakeholders.

The members of the Committee must have sufficient knowledge, skills and experience in order to fully understand and monitor the Risk Strategy, the Risk Appetite and the Risk Management policies and practices of the Company. The Committee in its entirety has the following duties and responsibilities:

- To continuously promote Risk Management ideals and appropriate Risk Management approaches to all departments of the Company;
- To review the Company's current and future Risk Appetite;
- To oversee the implementation of appropriate risk limits to effectively manage the different kinds of risks;
- To provide an overview of the Company's current Risk Management arrangements and identify any deficiencies with the purpose of establishing remedial procedures;
- To assess reports prepared by the Risk Management Function and recommend remedial procedures; and
- To collaborate in a harmonious fashion with all relevant departments with the sole purpose of managing risk and ensuring capital and liquidity levels are at satisfactory standings.

The topics regarding risk management were integrated in the Board of Directors meetings held within 2022 (4 in total).

**2.6 Risk Management Function**

The Company has established a Risk Management Function and to this effect, it has appointed a dedicated Risk Manager to implement the Risk Management Policy, as set by the Board and by the Compliance and Risk Management Committee. Furthermore, the Committee must conduct duly and continuous supervision of the activities relating to the proper operation of the Risk Management Function and ensure that the said function identifies, measures, and reports all risks faced by the Company. The Risk Management Function has the following duties and responsibilities:

- To adopt prudent policies on Risk Management and internal control;
- To identify and evaluate all the fundamental risks faced by the Company;
- To implement remediation measures to the fundamental risks faced that arise from the Company's operations in respect of the levels of risk tolerance;
- To provide adequate information in a timely and proper manner to the Committee on the status of risks and controls in place;
- To compile all required risk-related reports and ensure distribution of the said reports to CySEC; and
- To conduct effectiveness reviews on the existing Risk Management Policies and internal control mechanisms and provide a report to the Committee.

The Risk Manager has direct access to the Board.

### 2.7 Compliance and Money Laundering Compliance Functions

The Compliance Function of the Company designs an annual risk-based plan that takes into consideration areas of acute importance, such as material business activity or areas giving rise to Business and Regulatory risk, with the reasoning behind this being for the Company to be consistently compliant with its regulatory obligations. The Compliance Function covers the areas of:

- Anti-Money Laundering and Financial Crime;
- Monitoring and Surveillance;
- Governance, Code of Conduct and Regulatory Compliance; and
- Regulatory Counselling.

The Chief Compliance Officer (**"CCO"**) and the Money Laundering Reporting Officer (**"MLRO"**) both have direct access to the Board.

### 2.8 Internal Audit Function

The main objectives of the Internal Audit Function include the continuous monitoring and evaluation of the Company by taking into consideration the nature, scale and complexity of the business operations, as well as the provision of judicious advice, knowledge and recommendations to ensure compliance with the relevant legal and regulatory framework. The Internal Audit Function operates independently from other functions of the Company, it has direct access to the Board and has the following duties and responsibilities:

- To establish, implement and maintain an audit plan which aims at examining and evaluating whether the Company's systems, internal control mechanisms and agreements are adequate and effective;
- To issue recommendations based on the evaluation of the audit plan's examinations and to subsequently assist the Board on the effectiveness of existing control arrangements;
- To verify compliance with any potential recommendations on matters including corporate governance and management;
- To provide an impartial and independent appraisal on all Company activities;
- To compile and distribute, in a timely and accurate manner, the Annual Internal Audit Report to the Board; and
- To ensure that relevant records are kept with respect to all Internal Audit activity conducted.

### 2.9 Risk Management Strategies and Objectives

The Company implements a plethora of Risk Management strategies in order to mitigate different types of risks, including metrics such as Key Risk Indicators ("**KRIs**") and maximum tolerable exposure limits. A focal part of the Company's capital management strategy lies in the continuous monitoring of the Capital Adequacy Ratio and the assurance that the said ratio will be in exceedance of the regulatory minimum benchmark.

Management of the Company's capital structure and any adjustments made are performed in accordance with the following objectives:

- To maintain financial solidity while respecting predetermined risk appetite targets;

- To preserve existing levels of financial flexibility, capital and liquidity to cultivate organic growth;
- To adequately allocate capital among the various business lines according to strategic objectives;
- To ensure the Company's resilience in stress scenario events, whilst managing concentration to counterparties; and
- To meet the expectations of stakeholders including but not limited to debt and equity investors, External Credit Assessment Institutions ("**ECAIs**") and shareholders.

### 2.10 Internal Capital Adequacy and Risk Assessment ("ICARA") Process

The ICARA Process is decomposed into the Internal Capital Adequacy Assessment Process (**"ICAAP"**) and the Internal Liquidity Adequacy Assessment Process (**"ILAAP"**), with the former focusing on the Company having sufficient capital in terms of the risks it faces and the latter focusing on the Liquidity risks applicable to the Company. Both components simulate conditions in the present, as well as on a forward-looking basis for the next three years.

The Company runs its ICARA Process on a solo basis and updates it annually, using the latest audited financial statements. If deemed necessary as a result of a change in the Company's business profile or in its operating environment, the ICARA is to be duly updated, as it is the Company's objective to maintain high standards of internal governance, as well as a sound system of internal control processes and procedures on a ongoing basis.

The purpose of the ICARA is for the Risk Manager, who ultimately has the responsibility to generate, maintain and review the ICARA Report, to inform the Board of Directors on the assessment and quantification of the Company's required internal capital and liquid assets, the employed methodologies to mitigate and manage identified risks, and the current and future required capital and liquid resources that are necessary to cover the risks the Company is exposed to or may potentially be exposed to in the future, in accordance with its risk profile and in line with the defined Risk Appetite Statement.

### 2.11 Board Risk Appetite Statement

The Risk Appetite Statement indicates the level of risk that the Company is prepared to incur, in consideration of its strategic and business objectives. The Risk Appetite Statement is defined using both qualitative and quantitative parameters and highlights the conditions by which the Company can operate under varying levels of singular or aggregated risks, by taking into consideration extreme conditions, events and outcomes. Moreover, risk appetite should reflect potential impact on earnings, capital and funding/liquidity.

The following risks have been highlighted by the Board as being of paramount importance and to this effect the Company has established internal controls to manage them:

- Operational Risk
- Concentration Risk
- Liquidity Risk
- Compliance/Regulatory Risk
- Reputational Risk
- Credit Risk

The Company has put in place controls and mitigation strategies for the aforementioned main risk types, should an adverse situation take place. The overall risk appetite of the Company, being described as medium-low risk, is reflected in the attempts to engage in low-risk activities, with risks being mitigated wherever possible in conjunction with comparing the actual mitigation costs, which should not exceed the actual or potential risk being taken. All risks of any significance are identified, assessed and controlled on an ongoing basis.

The overall risk profile of the Company can be described as medium-low risk, as a plethora of risk management procedures have been incorporated within TCM to mitigate potential threats that could cause detrimental effects. Moreover, the Company has introduced a Recovery Plan as well as a Business Continuity Plan (**"BCP"**) in an effort to anticipate potential stress scenarios and set effective procedures to remediate adverse effects emanating from the stress scenarios examined.

### 2.12 Levels of Defense

The Company's overall governance, system and control framework is deployed on the basis of the three levels of defense model, which distinguishes among the following:

- **First Level:** Functions that own and manage risks – Business Management and Operational Functions.
- **Second Level:** Functions that oversee risks – Compliance and Risk Management Functions.
- **Third Level:** Functions that provide independent assurance – Internal and External Audit Functions.

## 3 CAPITAL & LIQUIDITY ADEQUACY MANAGEMENT

### 3.1 Capital Adequacy

The Company, according to the capital and liquidity thresholds defined by the IFR & IFD Framework, must have in place systems, procedures and controls to:

- Identify, monitor and if possible, reduce risks that may result from ongoing operations, or from winding-down the Company; and
- Assess whether there is a need to hold additional own funds and/or liquid assets as a result of prevailing risks.

As a response to the capital thresholds and in compliance with the IFR & IFD, the Company has set its Own Funds Threshold Requirement (**"OFTR"**) to be the higher of the following:

- Permanent Minimum Capital Requirement (**"PMCR"**).
- Own funds necessary to mitigate the risk of harm from ongoing operations, whilst taking into consideration periods of financial stress.
- Own funds necessary to ensure that the Company can be wound down in an orderly manner.

The Capital Adequacy Ratio ("**CAR**") that the Company is subject to and must pertain at all times should be in excess of 100%, which is decomposed as follows:

*Table 2: Minimum required capital ratio thresholds*

| Type of Capital | Minimum Required Threshold |
|---|---|
| Common Equity Tier 1 Ratio | 56% |
| Tier 1 Ratio | 75% |
| Total Own Funds Ratio (CAR) | 100% |

As at 31st of December 2022, the composition of the Company's Own Funds on a solo basis is depicted in the following table:

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

| 31 December 2022 | | (a) | (b) |
|---|---|---|---|
| | | **Amounts (EUR'000)** | **Source based on reference numbers/letters of the Balance Sheet in the audited Financial Statements (cross reference to EU IF CC2)** |
| **Reference** | **Common Equity Tier 1 (CET 1) capital: instruments and reserves** | | |
| 1 | **OWN FUNDS** | **5.597** | |
| 2 | **TIER 1 CAPITAL** | **5.597** | |
| 3 | **COMMON EQUITY TIER 1 CAPITAL** | **5.597** | |
| 4 | Fully paid up capital instruments | 7 | Reference 1 (Shareholder's Equity) |
| 5 | Share premium | 3.243 | Reference 2 (Shareholder's Equity) |
| 6 | Retained earnings | 2.453 | Reference 3 (Shareholder's Equity) |
| 10 | Adjustments to CET1 due to prudential filters | (6) | |
| 27 | CET1: Other capital elements, deductions and adjustments | (100) | Reference 1 & 2 (Assets) |
| 28 | **ADDITIONAL TIER 1 CAPITAL** | - | |
| 40 | **TIER 2 CAPITAL** | - | |

***Note:*** *On 25th of October 2022, by Court decision the number of shares was reduced from 8.000 to 7.000. At the same date share premium was reduced by the amount of €1.999.000. As a result, an amount of €2.000.000 was paid to Trade Capital Holding (TCH) Ltd.*

The following table presents a reconciliation between the Company's Own Funds and its Audited Balance Sheet, as at 31st of December 2022:

***Table 4: Template EU IF CC2 - Own Funds: Reconciliation of Regulatory Own Funds to Balance Sheet in the Audited Financial Statements***

| **Balance Sheet as in audited Financial Statements** | | **(a)**<br>**31 December 2022 Amounts (EUR'000)** | **(c)**<br>**Cross reference to EU IF CC1** |
|---|---|---|---|
| **Reference** | **Assets - Breakdown by asset classes according to Balance Sheet in audited Financial Statements** | | |
| 1 | Trade and other receivables (non-current assets) (Investors Compensation Fund Contribution) | 41 | Reference 27 |
| 2 | Cash and cash receivables (ICF Buffer) | 59 | Reference 27 |
| 3 | Non-current assets (other) | 339 | |
| 4 | Current assets (other) | 6.670 | |
| | **Total Assets** | **7.109** | |
| **Reference** | **Liabilities - Breakdown by liability classes according to Balance Sheet in audited Financial Statements** | | |
| 1 | Non-current liabilities | 43 | |
| 2 | Current liabilities | 1.363 | |
| | **Total Liabilities** | **1.406** | |
| **Reference** | **Shareholder's Equity - Breakdown by equity classes according to Balance Sheet in audited Financial Statements** | | |
| 1 | Share capital | 7 | Reference 4 |
| 2 | Share premium | 3.243 | Reference 5 |
| 3 | Retained earnings | 2.453 | Reference 6 |
| | **Total Shareholders' Equity** | **5.703** | |

As indicated in the following table, as at 31 December 2022 the Company recorded a Capital Adequacy Ratio of 243,05% which is in excess of the regulatory minimum of 100%.

***Table 5: Capital Excess/Ratio, in EUR'000***

| | **Fully-phased in** | **Reference** |
|---|---|---|
| **Capital** | | |
| Common Equity Tier 1 | 5.597 | |
| Additional Tier 1 | - | |
| Tier 2 | - | |
| **Total Own Funds** | **5.597** | ***a*** |

| **Own Funds Requirement** | | |
|---|---|---|
| K-factor Requirement | 608 | *b* |
| Fixed Overhead Requirement ("FOR") | 2.303 | *c* |
| Permanent Minimum Capital Requirement | 750 | *d* |
| **Minimum Own Funds Requirement** | **2.303** | ***e = (higher of b, c, d)*** |

| Capital Excess/Ratio | | |
|---|---|---|
| Capital Excess | 3.294 | ***a-e*** |
| **Capital Adequacy Ratio** | **243,05%** | ***a/e*** |

### 3.2 Liquidity Adequacy

The Company has set its Liquid Assets Threshold Requirement (**"LATR"**) to be the sum of the Basic Liquid Assets Requirement (**"BLAR"**) and the higher of the following:

- Additional liquid assets necessary to fund ongoing operations, whilst taking into consideration periods of financial stress.
- Additional liquid assets necessary to ensure that the Company can begin an orderly wind-down, taking into consideration liquid asset inflows that can be reasonably expected to occur during the wind-down period.

In addition, the Company's Liquid Assets must exceed at all times the BLAR, ensuring that sufficient resources are in place should an adverse situation occur.

The Company must always ensure adequate liquidity set out in the specific liquidity requirements, in accordance with Article 43 of the IFR.

The following table provides an overview of the Liquid Assets held by the Company as at 31 December 2022, in relation to the Liquidity Requirement. As shown, the Company maintained Liquid Assets in excess of the Liquidity Requirement as at year-end.

***Table 6: Liquid Assets, in EUR'000***

| Liquidity | Amount |
|---|---|
| Liquid Assets | 1.166 |
| **Liquidity Requirement** | **768** |

### 3.3 Own Funds Threshold Requirement

As mentioned above, the Company has determined that it falls under the "Class 2" category of "all other investment firms", and as such it is obliged to calculate its OFTR as the highest of its PMCR, Fixed Overheads Requirement (**"FOR"**) and K-Factor Requirement (**"KFR"**):

#### 3.3.1 Permanent Minimum Capital Requirement

The Company, being subject to the IFR/IFD framework, and owing to it being permitted to undertake the regulated investment service of Dealing on Own Account, is obliged to have an initial capital of EUR 750.000 on a solo basis, which corresponds to the amount of its PMCR.

### 3.3.2 Fixed Overheads Requirement

The Company has to also derive its FOR amount, which is calculated annually based on the latest audited financial statements, as the one quarter of its annual fixed overhead expenses. The relevant figures for reporting date 31 December 2022 are presented in the table that follows:

***Table 7: FOR in EUR'000***

| Metric | Amount |
|---|---|
| Gross Fixed Overhead Expenses | 21.552 |
| (-) Total Deductions | (12.341) |
| **Fixed Overhead Expenses based on most recent audited annual figures** | 9.211 |
| **Fixed Overheads Requirement** | **2.303** |

### 3.3.3 K-Factors Requirement

The K-Factors Requirement reflects the total capital requirement emanating from the K-Factors prescribed by the IFR, as the sum of the Risk to Client ("RtC"), Risk to Market ("RtM") and Risk to Firm ("RtF") metrics.

The following table outlines the Company's KFR on a solo basis, as at 31 December 2022, decomposed into the various K-Factors that apply for the Company:

***Table 8: KFR in EUR'000***

| | Metric | 31 December 2022 | |
|---|---|---|---|
| | | Factor Amount | K-Factor Requirement |
| RtC | AUM | 134.952 | 27 |
| | CMH | 14.482 | 58 |
| | ASA | - | - |
| | COH | - | - |
| | **Total RtC** | **-** | **85** |
| RtM | NPR | - | 66 |
| | **Total RtM** | **-** | **66** |
| RtF | TCD | - | 441 |
| | DTF (derivative trades) | 158.515 | 16 |
| | CON | - | - |
| | **Total RtF** | **-** | **457** |
| | **Total K-Factors** | **-** | **608** |

#### 3.3.3.1 Risk-to-Client (RtC)

RtC metrics aim to capture the risk arising from key MiFID services that may be offered to clients by investment firms, and which if not provided properly may cause potential harm to such clients. RtC is defined as the sum of client Assets Under Management (**"AUM"**), Client Money Held (**"CMH"**), Assets Safeguarded and Administered (**"ASA"**) and Client Orders Handled (**"COH"**), multiplied by relevant coefficients per K-Factor. More specifically:

- **AUM:** Captures the risk of harm to clients from mis-management of client portfolios or poor execution and provides reassurance to clients in terms of the continuity of the service of portfolio management and ongoing investment advice. During 2022, the Company provided the service of discretionary portfolio management for clients and thus, was subject to this risk.

- **CMH:** Captures the risk of harm to client money safeguarded by the investment firm, taking into account the legal arrangements in relation to asset segregation. Risk to client in relation to CMH may arise in the event of bankruptcy, insolvency, or entry into resolution or administration of the investment firm, or of a third party with which the investment firm holds client money. Based on the year ending on 31st December 2022, as part of its business, the Company received from its customers, cash deposits to enable them to perform transactions in financial instruments and to this end, it was subject to the risk captured by this K-factor.

- **ASA:** Captures the risk of harm to client financial instruments or assets safeguarded by the investment firm and ensures that investment firms hold capital in proportion to such balances, regardless of whether they are on their own balance sheet or in third-party accounts. Due to the nature of CFD products, ASA does not apply to the Company and the safeguarding of clients' positions in CFD products is captured under K-CMH.

- **COH:** Captures the risk of harm to clients of the investment firm which executes orders as part of execution-only services to clients, or when an investment firm is part of a chain for client orders. Due to the Company executing clients orders in its own name whilst acting as principal to client trades, COH does not apply to the Company and such a risk is captured under K-DTF.

The Rolling Average Approach is used for calculating capital requirements regarding AUM, CMH, ASA and COH as presented within the IFR.

*Risk Policy and Management Tools*

Policies and procedures are in place by the Company to ensure that K-Factor data are accessible and available at all times. In addition, data pertinent to RtC is collected on a daily and monthly basis, depending on the applicable proxy, for monitoring purposes. Should it be deemed that the Company's capital adequacy position is threatened, appropriate actions will be taken.

The Company's overall RtC position is at an acceptable level, with the capital charges associated with the proxies being at low levels, and with the following risk mitigation practices being employed:

In regards to AUM, the Company ensures that the Portfolio Management department is adequately staffed with competent personnel that satisfy all of the Commission's requirements in terms of skill, knowledge and experience. Moreover, all strategies are back-tested, clients are allowed to enter their own stop loss values and are duly notified if drawdown percentages exceed the 10% benchmark.

In regards to CMH, the Company holds client funds in segregated accounts, separate from TCM's funds. In addition, the Company cooperates with credit institutions that are of sound reputation and that are accredited by ECAIs. Moreover, funds are diversified amongst these institutions to mitigate Concentration Risk, and daily reconciliations are performed and recorded in an adequate fashion.

In regards to the RtC metric as a whole, the Company offers Negative Balance Protection ("**NBP**") to its clients, meaning that they are protected in exceptional market conditions where there is a price change in the underlying that is sufficiently large and sudden, and which results in clients having a negative account value. This means that client losses are limited to the total funds that are in the clients' trading account.

#### 3.3.3.2 Risk-to-Market (RtM)

RtM metrics apply to all Trading Book positions, which include in particular positions in debt instruments, equity instruments, collective investment undertakings, foreign exchange and gold, and commodities. RtM is comprised of Net Position Risk (**"NPR"**) and Clearing Margin Given (**"CMG"**). Non-Trading Book positions must also be included, where these give rise to Foreign Exchange Risk or Commodity Risk. During 2022, this was only applicable to the Company in relation to its Market FX risk exposure arising from its Balance Sheet assets and liabilities that were denominated and funded in a currency other than its reporting currency (i.e., EUR). As at the reporting date the currencies to which the Company has the highest exposure due to its reporting currency, are the USD and GBP. The foreign exchange risk is considered as low.

The default methodology to calculate RtM is using NPR, with NPR capturing the risk that is attributed to a change in value of financial instruments that arise from factors including market fluctuations and instrument-specific parameters such as volatility and correlations. The Company applies the Standardized Approach in calculating the NPR, as this is specified within EU Regulation 575/2013 (the "Capital Requirements Regulation" or "CRR") for Market Risk exposures.

The alternative RtM methodology of CMG does not apply to the Company as, based on its business model, the execution and settlement of its own transactions does not take place through a clearing member or a qualifying central counterparty.

*Risk Policy and Management Tools*

The Company has in place policies and procedures to ensure that K-Factor data are accessible and available at all times. In addition, data pertinent to RtM is collected on monthly basis, from the Company's generated financial statements in respect to non-Trading Book NPR.

Trading Book NPR is not present, as aforementioned, as the Company employs the Matched Principal execution model where both sides of financial instrument transactions are being executed simultaneously, thus mitigating Trading Book NPR emanating from clients' open positions. Should it be deemed that the Company's capital adequacy position is threatened then appropriate actions will be taken.

#### 3.3.3.3 Risk-to-Firm (RtF)

RtF metrics capture the risk of Trading Counterparty Default (**"TCD"**), Concentration Risk for Trading Book exposures to counterparties (**"CON"**) and Operational risks from Daily Trading Flow (**"DTF"**). RtF is defined as the sum of TCD, CON and DTF.

The Company is required to calculate the following applicable K-Factors pertinent to RtF:

- **TCD:** Captures the risk of harm to the investment firm by counterparties to over-the-counter derivatives, repurchase transactions, securities and commodities lending or borrowing transactions, long settlement transactions, margin lending transactions or any other securities financing transactions. In addition, TCD captures the additional risk posed by recipients of loans granted by the investment firm on an ancillary basis as part of an investment service. As at 31 December 2022, the Company was subject to this risk through its transactions in Trading Book derivatives with clients and selected counterparties.

- **CON:** Captures the risk of harm to the investment firm by counterparties, including issuers of instruments in which the firm maintains positions, where the exposure values are derived from the summation of TCD and NPR on a counterparty / group of connected counterparties level, with a capital charge being enforced only when the maximum allowable limit as determined in relation to the investment firm's own funds, is exceeded. Due to the Company applying the Matched Principal execution model, the NPR exposures, which are calculated on a net notional amount basis per issuer of instrument, as relevant, do not affect the CON calculations. As at 31 December 2022, the Company's TCD exposures towards its clients, affiliate and issuers of equity and interest-rate instruments in the trading book did not exceed the Company's capital thresholds, as these are prescribed in Article 37 of IFR.

- **DTF:** Captures the risk of harm to the investment firm in the form of Operational risk due to large volumes of trades concluded for its own account or for clients in its own name which could result from inadequate or failed internal processes, people and systems or from external events. This applies to the Company, since through its Dealing on Own Account license, the Company executes trades on a principal basis.

The Company calculates TCD by multiplying the value of the exposures, based on replacement cost and an add-on for potential future exposure, by risk factors, accounting for mitigating effects of effective netting and the exchange of collateral.

CON is calculated by taking into consideration the exposure value, the own funds requirement of the total exposure, the exposure value excess, the maximum allowable limit, the duration of the excess and the counterparty type. A capital charge shall be applied only upon a breach by a counterparty of the maximum allowable limit, with the capital charge defined as the Own Funds Requirement for the Excess (**"OFRE"**).

The Company applies the Rolling Average Approach for calculating capital requirements regarding DTF as presented within the IFR.

*Risk Policy and Management Tools*

Policies and procedures are in place by the Company to ensure that K-Factor data are accessible and available at all times. In addition, data pertinent to RtF is collected on a daily and monthly basis, depending on the applicable proxy, for monitoring purposes. Should it be deemed that the Company's capital adequacy position is threatened then appropriate actions will be taken.

The Company's overall RtF position is at an acceptable level, with the capital charges associated with the proxies being at relatively high levels in comparison with the metrics of RtC and RtM, mainly due to the influence of the Company's Trading Book, and with the following risk mitigation practices being used:

In regards to TCD, the Company utilises client used margin as collateral in order to counteract the exposure value and ensure that the TCD metric is adequately managed.

In regards to CON, the Company monitors on a daily basis exposures that arise from its clients' trades in order to take action against the maximum allowable limit being breached.

In regards to DTF, the Company performs best execution monitoring to determine if client orders have suffered due to poor execution, with metrics taken into consideration including but not limited to likelihood of execution, slippage and speed of execution. Such monitoring is documented in monthly reports to the Company's Senior Management and remediation actions take place to improve execution metrics if deemed necessary.

### 3.4 Other Material Risks

#### 3.4.1 Operational Risk other than DTF

Operational risk is the risk of loss resulting from inadequacies or failures in internal procedures and external events, system failures or delays and people. In addition, Operational risk arises from Accounting, Environmental, Legal, Fraud and Physical risks. The Company is partially dependent on third parties for the provision of key technological systems, infrastructure and data.

*Risk Policy and Management Tools*

The Company has developed processes, management tools and a control infrastructure in order to enhance and mitigate Operational risks that are inherent in the conducted activities. Technology and the dependence of the Company on it plays a paramount role in the establishment and maintenance of the appropriate governance framework. Where possible the Company has the technology and expertise to mitigate the risk should a technology counterparty experience a failure and multiple providers are utilized in a failover scheme.

Several Operational risk reporting, monitoring and mitigating actions have been established by the Company and include:

- KRIs being used to quantify potential operational risks, where such said KRIs are constantly being refined to adhere to the adaptive nature that risks pose;
- Using systems to automate processes and controls to eliminate risk from human error;

- Offering ongoing training to employees to reduce the likelihood of human error arising from lack of expertise;
- Maintaining an incidence and risk report portal whereby all operational risk-oriented events are catalogued and evaluated;
- Maintaining a Risk Register; and
- Maintaining a complaints handling registry to monitor arising complaints.

Moreover the Company has developed a BCP, with the purpose to provide guidance to all staff on how all critical processes operate in order to ensure continuity of operations in the event of an incident, adverse event or business interruption.

A major component of Operational risk is Technology risk. Technology risk is the risk of loss, disruption or damage to the reputation of an organization resulting from the failure of its information technology systems. The Company's effective operation is dependent on technology and advanced information systems, and its ability to provide clients with reliable, real-time access to its systems is fundamental to the success of the business. This dependency on technology exposes the Company to a major risk in the unlikely, but possible, event that the systems are disabled for a short period of time and possibly for an even longer period of time.

The Company's systems are designed in such a way to mitigate the risk of such failures. This is achieved through the use of multiple service providers for a single service, including, but are not limited to, data, market information, telephone and internet connectivity.

### 3.4.2 Concentration Risk

Concentration risk is defined as having any exposure to a single client or group of clients, which may result in losses that are sizeable enough to threaten the Company's ability to maintain its core operations. Credit Concentration risk, refers to disproportionally large risk exposure to specific Credit risks emanating from counterparties, with Credit risk being defined as the risk of loss that is attributed to a counterparty's default or the inability of a counterparty to fulfill in full its financial obligations towards the Company.

*Risk Policy and Management Tools*

The Company's Credit Concentration risk mainly arises from counterparties such as financial institutions where the Company holds its assets and funds, from debtors and also from its clients. Prior to commencing with trading, client accounts must hold enough equity in order to maintain the necessary margin requirements due to the leveraged trading facility offered. Moreover, any profits and losses amassed by clients are either credited or debited to their account instantaneously.

The Company enforces Credit Risk Mitigation ("**CRM**") Strategies in order to minimize the probability of loss arising from Credit risk. Examples of CRM Strategies include:

- Holding all client funds in segregated accounts, separate from the Company's funds;
- Cooperating with EU credit institutions that are highly rated by accredited ECAIs for the purpose of safekeeping of both Company and client funds;
- Diversification of funds among several credit institutions to mitigate Concentration risk;
- Monitoring the Company's exposure to a single counterparty by managing the large exposure in the Banking Book metric;

- Exercising margin calls and liquidation of open positions when the market moves against the clients to prevent accounts from going into deficit; and
- Setting limits at client level to ensure that clients can reach a pre-determined portfolio size.

Counterparties that are present in the course of the Company's general trading business, include regulated investment firms. Such counterparties are classified as the Company's liquidity providers or execution venues, which are the second leg of execution in the Matched Principal execution model, where the Company transmits order for execution. Policies and procedures are in place to constantly monitor the execution quality as well as the financial position of such counterparties.

Concentration of clients in various jurisdictions is also mitigated from the use of advertising and marketing in order to diversify clients based on their country of residence.

### 3.4.3 Liquidity Risk

Liquidity risk is the risk of loss corresponding to the Company's inability to meet its cash or collateral requirements as they arise, at a reasonable cost. The primary objective in managing Liquidity risk is to ensure that the funding of activities is performed in the most cost-effective way while adhering to regulatory constraints. Funding Liquidity risk is when there are insufficient liquid assets to repay liabilities under normal and stressed market conditions.

*Risk Policy and Management Tools*

The principles and standards applicable to the management of Liquidity risk are defined by the established liquidity tolerance level as part of the Company's risk appetite. Furthermore, regular analysis and reporting of Liquidity risk is conducted, along with diversification practices to reduce Concentration risk and prudent cash management is implemented.

Subject to the provisions of Directive DI87-01 of CySEC for the safeguarding of financial instruments and funds belonging to clients, the Company is exposed to Liquidity risk with respect to the accounts that client funds are kept. Extreme market conditions may lead to multiple counterparties failing. Client funds are held in segregated accounts, clearly separated from the Company's funds.

Daily reconciliations are conducted to review Company equity versus clients' equity and day-to-day cashflow is assessed under different scenarios. In addition, under the IFR/IFD framework the Company must hold liquid assets that exceed one third of the FOR at all times.

### 3.4.4 Compliance/Regulatory Risk

Compliance/Regulatory risk is the risk of loss corresponding from legal, administrative or disciplinary sanctions, or from the failure to comply with the provisions governing the Company's activities. Compliance/Regulatory risk emanates from legal or regulatory changes that may be imposed by regulatory or supervisory bodies that could potentially have an adverse effect on the Company's financial position.

*Risk Policy and Management Tools*

The Company, being a licensed CIF, entails that it is regulated and supervised in the conduct of its business by CySEC and is further required to comply with the requirements of the Cyprus legislation, as well as with the regulatory framework of the Commission, in addition to EU regulatory frameworks. Furthermore, the Company ensures that it acts in the highest levels of compliance at all times in accordance with all applicable regulatory stipulations and strives to operate in a professional, ethical and honest manner to ensure that its reputation is intact as well as that all counterparties, employees and clients are protected.

The Company employs several risk mitigating strategies in order to manage Compliance/Regulatory risk, including keeping abreast with regulatory developments, participating in material regulatory consultations, aiming to anticipate regulatory issues and providing necessary and relevant advice to the Company's Board of Directors on an ongoing basis. The Risk Management and Compliance Departments continuously monitor issued notifications by regulatory authorities and report these to Senior Management and to the Compliance and Risk Management Committee.

The Company has internal procedures and policies implemented, and regular reviews are being conducted by the Internal Auditors. The Company's structure promotes clear coordination of duties, and the Senior Management consists of individuals who have suitable professional experience, ethos and integrity.

Compliance issues may occur due to the existence of AML risk, particularly due to the cooperation of the Company with clients from third countries, albeit the said amount of clients being relatively small as a result of the Company's policy to not accept clients who are domiciled outside of the EU and who are not residents in jurisdictions of third countries where the Company is permitted to offer its services. Stringent Know Your Customer (**"KYC"**) policies and procedures are in place to ensure that high ethical and professional standards are promoted to ensure that the Company is not being used intentionally or unintentionally by criminal elements. Key elements of the Company's KYC program include customer identification and ongoing monitoring of high-risk accounts.

### 3.4.5 Reputational Risk

Reputational risk is the risk of loss should an incident urge the Company's counterparties, investors, regulators or clients to adopt an adverse perception about the Company and its image. It may also occur as an effect of poor customer service or from potential fines or sanctions imposed by a regulator, due to the loss of a key director, the loss of a large pool of clients, fraud or theft, client complaints which result in claims, legal actions against the Company and from negative publicity relating to the overall Company's operations.

*Risk Policy and Management Tools*

Potential adverse situations which may give rise to Reputational risk may be inadequate arrangements for negative balance protection to clients which may lead to the Company having to sustain losses. Such outcomes are mitigated by constant monitoring of clients who have negative balance in order for the Company to promptly proceed to balance their accounts to zero, thus ensuring that clients do not lose more than what they have deposited with the Company.

In regards to public disclosures, the Company ensures that all policies that need to be disclosed are done in a timely and compliant manner, abiding by all applicable regulatory frameworks. All public disclosures including but not limited to the “Disclosure and Market Discipline Report”, the “Order Execution Policy” and the best execution disclosures such as the “Execution Quality Summary Statement”, as well as the “Key Information Documents” are written in an as easily understandable way as possible so each client can clearly understand the content of each document, in an attempt of the Company to be as transparent as possible and to be beyond reproach against any disputes towards its reputation.

Policies and procedures are in place within the Company to create a strong internal control system to minimize Reputational risk. All of the Company’s employees are trained and equipped with the necessary knowledge and skills to fulfill their duties.

### 3.4.6 Business/Strategic Risk

Business risk arises from probable losses that might be incurred by the Company during unfavorable market conditions, thus having a current and potential future impact on earnings or capital from adverse business decisions, or lack of responses to industry changes by the Company in its conduct of business.

Strategic risk is the result of adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment. The Board of Directors is responsible for setting the strategy the Company is to abide by, while the Senior Management is responsible for the implementation of the aforementioned strategy. Most importantly, there should be no discrepancy between the Board’s and the Senior Management’s interests.

*Risk Policy and Management Tools*

Business/Strategic risk may cause a deterioration of the Company’s business and may affect the economic conditions in the markets in which it operates. Prudent and adequate business planning is effectuated to allow the Company to expand its client base and grow its revenue and profitability. Such risks have been taken into consideration when preparing the financial projections and when conducting the stress tests.

A continuous evaluation of the business plans is being undertaken to avoid potential damage to the Company’s financial position due to the everchanging economic conditions.

Policies and procedures are in place to deal with potential client complaints, with such procedures being documented in the Company’s IPM, and are disclosed to clients and potential clients via the Company’s website. Due to the nature of services offered, the probability of having client complaints is high, which results in Legal risk being present, despite the Company doing its best to offer high quality services to its clients.

### 3.4.7 Conduct Risk

Conduct risk is the risk of loss due to an action by an individual, a financial institution or the industry as a whole, which may lead to client detriment or undermining of market integrity. Consequently, Conduct risk can be understood as the current or prospective losses to an entity arising from inappropriate supply of financial services, including cases of willful or negligent misconduct.

*Risk Policy and Management Tools*

The Company has established adequate negative balance arrangements to protect its clients from realizing heavy losses should the market move against them. Moreover, policies and procedures are in place by the Company to diversify its liquidity providers and monitor their financial soundness on an ongoing basis.

The Company has taken all reasonable steps to identify conditions which might lead to conflicts of interest between the Company itself and its employees, or between the Company and its clients during the course of the provision of investment and ancillary services. The Compliance Officer is responsible for maintaining Chinese Walls by means of regular checks, which are monitored by the Internal Auditor. In addition, the Company maintains a Conflicts of Interest policy which sets out the Company's approach in identifying, managing and reporting conflicts of interest.

Furthermore, the Company's Dealing Department is being constantly monitored and the said department is physically segregated from the Portfolio Management Department, both in terms of location and personnel.

## 4 REMUNERATION

The remuneration system that is implemented by the Company incorporates elements such as fixed remuneration, variable remuneration and other benefits, taking into consideration the provisions stipulated in Law 87(I)/2017 as amended. Where applicable, severance payment also constitutes remuneration as well.

The Company has established a Remuneration Policy which applies to all employees, service providers and affiliates, with the Board of Directors having the overall responsibility to implement, monitor and review the said policy and with Senior Management ensuring that all persons remunerated by the Company have knowledge of and understand the Remuneration Policy. The said policy's philosophy is to promote sound and effective Risk Management, as well as long-term perspective by discouraging excessive risk-taking by employees and external business partners, as well as providing sufficient incentives for personnel to achieve the Company's business targets. Furthermore, the Remuneration Policy has been constructed in a way that promotes a code of conduct that ensures avoidance of potential conflicts of interest that may negatively impact the Company and its clients.

The Company is committed to base its remuneration practices on a gender-neutral approach, thus mitigating any potential for there to be a gender pay gap. This notion is prevalent on a Company-wide basis and does not only include Senior Management, Executive and Non-Executive Directors and Other Staff.

The two main remuneration structures incorporated by the Company within the established remuneration system, are the fixed and variable remuneration types.

**Fixed Remuneration**
Fixed remuneration is structured on the basis of employee compensation being attributed to metrics such as skills, experience and competencies that are commensurate with the requirements, size and scope of the position. Remuneration is aimed to be competitive to attract and retain employees as well as give the

Company the capability to achieve its strategic objectives. Fixed remuneration is payable to employees in fixed monthly instalments.

**Variable Remuneration**
Variable remuneration is predicated on the industry objective of retaining cost flexibility while attracting and retaining employees. It has the advantage of being able to differentiate performance outcomes and drive behaviours through appropriate incentive systems that can also positively influence culture.

The Company's variable remuneration is made available to:

- All employees by means of a performance-related bonus.
- Employees of certain departments via commissions on client deposits and/or spreads.

This remuneration system reflects sustainable and risk-adjusted performance, as well as performance in excess of what is required to fulfil the employee's job description as part of the terms of employment, and does not exceed 100% of the fixed component of the total compensation for each individual.

**Aggregated Quantitative Information**
The existing remuneration system utilised is concerned with practices relating to categories of members of staff whose professional activities have a material impact on the Company's risk profile, such as the Senior Management including Executive & Non-Executive Directors and Other Staff..

The following table serves to disclose the remuneration of the aforementioned parties within 2022, whilst segregating the remuneration figures into fixed and variable, with a clear indication of the number of individuals constituting each classification category.

In adherence to Article 30(2) of the IFD, the Company ensures that appropriate ratios are in place between Fixed and Variable remuneration per classification type, taking into consideration the existing business activities and present risks.

***Table 9: Accumulated Remuneration per Classification Type, in EUR'000***

| Classification | Number of Persons | Fixed | Variable* | Total Remuneration | Ratio between Fixed and Variable Remuneration |
|---|---|---|---|---|---|
| Senior Management | 8 | 291 | - | 291 | 1:0 |
| Other Staff | 12 | 639 | 207 | 846 | 3:1 |
| **Overall** | **20** | **930** | **207** | **1.137** | **4:1** |

***Notes on Remuneration:***
** The entirety of variable remuneration consisted of cash payments.*
*** The Senior Management category includes the Executive and Non-Executive Directors.*
**** The Other Staff category includes the Heads of the Risk Management, Compliance/Anti-Money Laundering, Portfolio Management, Investment Advice, Partner Operations, Business2Business Operations, Business Development, Back Office, Chief Revenue Officer, Chief Financial Officer, and Chief Dealer.*

Further to the above, the Company discloses the following in regards to its remuneration practices:

- No amounts of deferred remuneration have been awarded for previous performance periods that are due to vest in the 2022 financial year, or due to vest in subsequent years.
- No amounts of deferred remuneration is due to vest in the 2022 financial year that is paid during the financial year and that is reduced through performance adjustments.

- There is no guaranteed variable remuneration of any form.
- No severance payments have been awarded in previous years that have been paid out during the 2022 financial year.
- No severance payments have been awarded during the 2022 financial year.

## 5 APPENDIX A –MAIN FEATURES OF OWN FUNDS INSTRUMENTS

***Table 10: Template EU IF CCA: Own Funds: Main Features of Own Instruments issued by the Company***

| Description of Main Features of Own Funds instruments | | (a) Common Equity Tier 1 Capital |
|---|---|---|
| **Reference** | | |
| 1 | Issuer | Trade Capital Markets (TCM) Ltd |
| 2 | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | N/A |
| 3 | Public or private placement | Private |
| 4 | Governing law(s) of the instrument | Cyprus Law |
| 5 | Instrument type (types to be specified by each jurisdiction) | Ordinary Shares |
| 6 | Amount recognised in regulatory capital (as of most recent reporting date) | EUR 7.000 |
| 7 | Nominal amount of instrument | 7.000 |
| 8 | Issue price | EUR 1 each |
| 9 | Redemption price | N/A |
| 10 | Accounting classification | Shareholder's Equity |
| 11 | Original date of issuance | 05/08/2013 – 19/12/2022 |
| 12 | Perpetual or dated | Perpetual |
| 13 | Original maturity date | No maturity |
| 14 | Issuer call subject to prior supervisory approval | N/A |
| 15 | Optional call date, contingent call dates and redemption amount | N/A |
| 16 | Subsequent call dates, if applicable | N/A |
| | *Coupons / dividends* | |
| 17 | Fixed or floating dividend/coupon | Floating |
| 18 | Coupon rate and any related index | N/A |
| 19 | Existence of a dividend stopper | No |
| 20 | Fully discretionary, partially discretionary or mandatory (in terms of timing) | N/A |
| 21 | Fully discretionary, partially discretionary or mandatory (in terms of amount) | N/A |
| 22 | Existence of step up or other incentive to redeem | No |
| 23 | Noncumulative or cumulative | Non-cumulative |
| 24 | Convertible or non-convertible | Non-convertible |
| 25 | If convertible, conversion trigger(s) | N/A |
| 26 | If convertible, fully or partially | N/A |
| 27 | If convertible, conversion rate | N/A |
| 28 | If convertible, mandatory or optional conversion | N/A |
| 29 | If convertible, specify instrument type convertible into | N/A |
| 30 | If convertible, specify issuer of instrument it converts into | N/A |
| 31 | Write-down features | No |
| 32 | If write-down, write-down trigger(s) | N/A |
| 33 | If write-down, full or partial | N/A |
| 34 | If write-down, permanent or temporary | N/A |
| 35 | If temporary write-down, description of write-up mechanism | N/A |

| | | |
|---|---|---|
| 36 | Non-compliant transitioned features | No |
| 37 | If yes, specify non-compliant features | N/A |
| 38 | Link to the full term and conditions of the instrument (signposting) | N/A |