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T.C.R. INTERNATIONAL 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 2022

May 2023

Contents

1. Overview.....	4
1.1 CIF Information.....	4
1.2 Organisational Structure	5
1.3 Classification and prudential requirements	5
1.4 Reporting requirements	6
1.5 Pillar III Regulatory framework.....	6
1.6 Risk Management objectives and policies.....	7
1.6.1 Risk Management Framework.....	8
1.6.2 Risk Appetite.....	8
1.6.3 Risk Culture.....	9
1.7 Declaration of the Management Body	9
2. Corporate Governance	9
2.1 The Board of Directors.....	10
2.2 Number of Directorships held by members of the Board	10
2.3. Policy on Recruitment	10
2.4. Policy on Diversity	11
2.5. Governance Committees.....	11
2.6 Other Governance Functions.....	12
2.7. Information flow on risk to the management body.....	13
3. Own Funds.....	14
3.1 Tier 1 & Tier 2 Regulatory Capital.....	14
3.2. Main features of Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments	14
3.3. Balance Sheet Reconciliation.....	15
4. Own Funds Requirements	16
4.1 Permanent minimum capital requirement.....	16
4.2 Fixed overhead requirements	16
4.3 K-Factors requirement.....	17
4.3.1 Risk to Client	18
4.3.2 Risk to Market (RtM)	20
4.3.3 Risk-to-Firm (RtF).....	20
4.3.4 K-Factors Requirement Results	21
5. Own Funds Composition & Capital Ratios.....	22
5.1 Concentration Risk Requirements.....	23
5.2 Liquidity Requirement	24
6 Other Risks.....	26

6.1	Operational Risk	26
6.2	Reputation Risk.....	27
6.3	Strategic Risk	27
6.4	Business Risk.....	27
6.5	Regulatory Risk	27
6.6	Legal and Compliance Risk	27
6.7	IT Risk.....	28
6.8	Conduct Risk	28
7	Internal Capital Adequacy and Risk Assessment Process.....	28
8	Remuneration policy	28
8.1	Remuneration System	29
8.2	Performance Appraisal	29
8.3	Remuneration of Senior Management Personnel and Directors.....	30
9	Investment Policy	30
10	Environmental, Social, and Governmental Risks.....	31
11	Appendix I - Information flow on risk to management body	32

1. Overview

1.1 CIF Information

T.C.R. International Ltd (hereinafter “the Company” or “CIF”) was incorporated in the Republic of Cyprus on 31 October 2013 as a private limited liability company with registration number HE 326383 and it is a Cyprus Investment Firm. The Company was licensed by the Cyprus Securities and Exchange Commission (hereinafter “CySEC” or “Commission” with number CIF 237/14 to provide investment and ancillary services.

Table 1 below illustrates the investment and ancillary services the Company was authorized to provide during the year 2022:

Table 1 - Company License Information (based on the First Appendix of the Investment Services and Activities and Regulated Markets Law of 2017)

		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	√	√	-	√	√	-	-	-	√	-			-		-

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:

1. Reception and transmission of orders in relation to one or more financial instruments
2. Execution of orders on behalf of clients
3. Portfolio Management
4. Investment advice

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

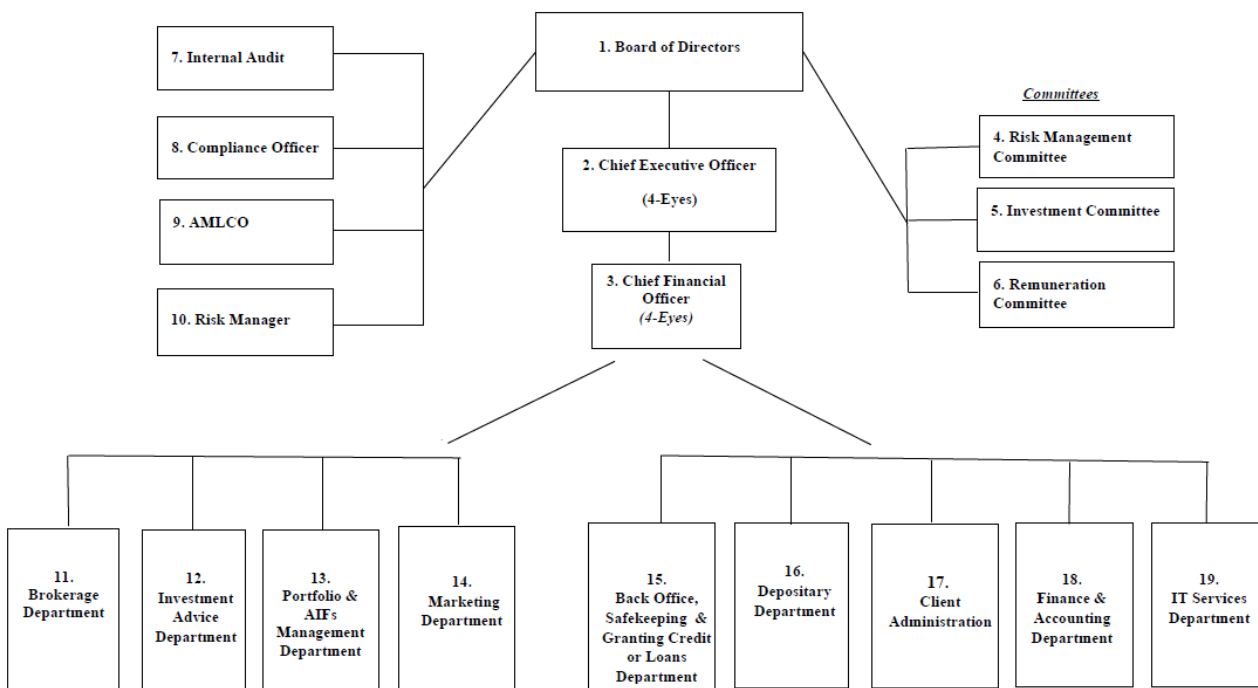
1. Safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash/collateral management.
2. Foreign exchange services where these are connected to the provision of investment services.
3. Granting credits or loans to an investor 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

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:

1. Transferable Securities
2. Money Market Instruments
3. Units in Collective Investment Undertakings

4. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash.
5. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event).
6. Options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market or/and an MTF
7. Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in point 6 of Part III and not being for commercial purposes, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are cleared and settled through recognised clearing houses or are subject to regular margin calls
8. Derivative instruments for the transfer of credit risk
9. Financial contracts for differences
10. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates, emission allowances or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event), as well as any other derivative contract relating to assets, rights, obligations, indices and measures not otherwise mentioned in this Part, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market or an MTF, are cleared and settled through recognised clearing houses or are subject to regular margin calls.

1.2 Organisational Structure



1.3 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, introducing a new classification system for investment

firms, based on their activities, systemic importance, size and interconnectedness. All investment firms are classified 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, have equal treatment with credit institutions in the sense of a level playing field accordingly and they will fall entirely under the Regulation (EU) No 575/2013 (“CRR”).

Investment Firms categorized as Class 2 and Class 3 will have the most impact 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 of the below criteria are categorised as Class 3 Investment Firms while when they exceed any of the following specific size thresholds, they are categorised as Class 2 Investment Firms.

Table 2: Threshold Criteria

Metric	Thresholds
Assets Under Management	< €1.2 billion
Assets safeguarded and administered	zero
Client money held	zero
On- and off-balance sheet total	< €100 million
Total annual gross revenue from investment services and activities	< €30 million
Client orders handled – cash trades	< €100 million per day
Client orders handled – derivative trades	< €1 billion per day

Further to the above, the CIF is categorized as a **Class 2 Investment Firm** since it does not meet all of the above criteria.

1.4 Reporting requirements

The Company as a Class 2 investment firm 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) Concentration risk
- e) Liquidity requirements

The above information shall be reported to CySEC using the Form 165-01 “Reporting for Class 2” on a quarterly basis. The Senior Management as well as the Risk Manager is monitoring the 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.

1.5 Pillar III Regulatory framework

The Report has been prepared in accordance with the new regulatory regime for investment firms 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, level of minimum capital, concentration risk, liquidity requirements and level of activity with respect to small and noninterconnected investment firms. Furthermore, IFR introduced significant changes in the prudential regulatory regime applicable to Investment Firms including a new classification system, an amended minimum initial capital and minimum capital ratios, changes to the calculation of the capital requirements, the reporting requirements and the internal governance policies and 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 2022 Pillar III Disclosures Report sets out both quantitative and qualitative information required in accordance with part six of the IFR and in particular articles 46 to 53, which set the requirements of the disclosures.

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

The Company is making the disclosures on a solo basis.

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.

Medium and location of publication

The Company’s Pillar III disclosures are published on the Company’s website www.tcr-int.com.

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 Management Committee.

1.6 Risk Management objectives and policies

To ensure effective risk management, the Company has adopted three levels of control, with clearly defined roles and responsibilities.

First Level Control: Managers are responsible for establishing an effective control framework within their area of operation and identifying and controlling all risks so that they are operating within the organisational risk appetite and are fully compliant with Company policies and where appropriate defined thresholds. First Level controls act as an early warning mechanism for identifying (or remedying) risks or failures.

Second Level Control: The Risk Management Function is responsible for proposing to the Board appropriate objectives and measures to define the Company’s risk appetite and for devising the suite of policies necessary to control the business including the overarching framework and for independently monitoring the risk profile, providing additional assurance where required. The Risk Management Function will leverage their expertise by

providing frameworks, tools and techniques to assist management in meeting their responsibilities, as well as acting as a central coordinator to identify enterprise wide risks and make recommendations to address them. Integral to the mission of Second Level Controls is identifying risk areas, detecting situations/activities, in need of monitoring and developing policies to formalise risk assessment, mitigation and monitoring.

Third Level Control: Comprised by the Internal Audit Function which is responsible for providing assurance to the Board on the adequacy of design and operational effectiveness of the systems of internal controls. Internal Audit undertakes on-site inspections/visits to ensure that the responsibilities of each Function are discharged properly (i.e. soundly, honestly and professionally) as well as reviews the Company’s relevant policies and procedures. Internal Audit works closely with both the First and Second Level of Controls to ensure that its findings and recommendations are taken into consideration and followed, as applicable.

1.6.1 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 of Directors 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 three all- encompassing main types of risk: credit risk, market risk and operational risk.

1.6.2 Risk Appetite

Risk Appetite is the amount and type of risk that the Company is able and willing to accept in pursuing its business objectives. Risk appetite is expressed in both quantitative and qualitative terms and covers all risks, both on-balance sheet and off-balance sheet. In addition, risk appetite should reflect potential impact on earnings, capital and funding/liquidity. The company has a **low-risk appetite** in respect to investing and to managing business and operational activities.

An effective risk appetite statement is empowering in that it enables the decisive accumulation of risk in line with the strategic objectives of the Company while giving the board and management confidence to avoid risks that are not in line with the strategic objectives.

The Company has established a robust Risk Appetite Framework. The Board approves the Risk Appetite which defines the type and amount of risk that the Company is prepared to accept to achieve its objectives. Risk Appetite covers three primary areas:

Table 2 - Risk Appetite areas

Indicator	Normal ¹	Warning ²	Limit ³
Minimum Own Funds Requirement	≥ \$884k	< \$884k	\$737k
Liquid Assets	≥ \$241k	< \$241k	\$201k
Common Equity Tier 1 Ratio ⁴	>100%	<75%	56%
AT1 Capital Ratio	>125%	<100%	75%

Total Capital Ratio ⁴	>150%	<125%	100%
Return on Assets	≥5.00%	<5.00%	0.00%
Retained Earnings / Total Equity	≥10.00%	<10.00%	5.00%

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.
4. Additional own funds requirement + 1.50% as per the paragraph 18 of the Law 20(I)/2016 have been taken into consideration for Normal and Warning thresholds.

The Risk Appetite framework has been designed to create links to the strategic long-term plan, capital planning and the Company's risk management framework.

The Board approves the Company's corporate strategy, business plans, budget, long term plan and ICARA. The Company employs mitigation techniques defined within the policies, to ensure risks are managed within its Risk Appetite.

1.6.3 Risk Culture

Risk culture is a critical element in the Company's risk management framework and procedures. Management considers risk awareness and risk culture within the Company as an important part of the effective risk management process. Ethical behavior is a key component of the strong risk culture and its importance is also continuously emphasized by the 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 of the business areas is encouraged to take risk-based decisions, while knowing when to escalate or seek advice.

1.7 Declaration of the Management Body

The Board is responsible for reviewing the effectiveness of the Company's risk management arrangements and systems of financial and internal control. These are designed to manage rather than eliminate the risks of not achieving business objectives, and - as such - offer reasonable but not absolute assurance against fraud, material misstatement and loss. The Board considers that it has in place adequate systems and controls with regard to the Company's profile and strategy and an appropriate array of assurance mechanisms, properly resourced and skilled, to avoid or minimize loss.

2. Corporate Governance

The Company's systems of risk management and internal control include risk assessment, management or mitigation of risks, including the use of control processes, information and communication systems and 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 they arise from factors within the Company or from changes in the business environment.

As per CySEC Circular C 487 issued on 10/02/2022 redefined the threshold criteria that determines 'Significant CIF' for the purposes of the Investment Services and Activities and Regulated Markets Law of 2017, as amended, ('The Investment Services Law') in light of a new prudential framework for investment firms

(IFR/IFD), the Company is falling under the redefined criteria and is considered as Significant CIF, as of February 10, 2022.

In light of the change of the status of the Company to Significant CIF, the following limitations have been introduced:

1. Limitations on directorships

As per section 9(4) of the Investment Services Law, members of the board of directors of the Significant CIF shall not hold more than one of the following combinations of directorships at the same time:

- (a) one executive directorship with two non-executive directorships;
- (b) four non-executive directorships

2. Establishment of nominations committee

As per section 10(2)(a) of the Investment Services Law, the Significant CIF shall establish a nomination committee composed of members of the board of directors that do not perform any executive function in the Company.

2.1 The Board of Directors

The Board of Directors (hereinafter “the Board”) has the overall responsibility for the establishment and oversight of the Company’s Risk Management Framework. The Board satisfies itself that financial controls and systems of risk management are robust. The Board comprises of 2 executive directors and 3 non-executive directors (2 of the non-executive directors are independent)

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 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.

2.2 Number of Directorships held by members of the Board

The table below discloses the number of directorships held by members of the management body. Directorships in organizations which do not pursue predominantly commercial objectives, such as non-profit or charitable organisations, are not taken into account.

Table 3 - Number of Directorships of the members of the Board of Directors

Director	Function	Number of Directorships
Mr. Demetris Vasiliou	Chief Financial Officer	1 executive
Mr. Peter James Rodger	Chief Executive Officer	1 executive
Mr. George Pavlides	Independent Non-Executive Director	2 non-executive
Mr. Charalambos Paschalides	Independent Non-Executive Director	2 non-executive
Mr. Panagiotis Panagos	Non-Executive Director	1 executive 1 non-executive

2.3. Policy on Recruitment

Recruitment into the Board combines an assessment of both technical capability and competency skills referenced against the Company’s leadership framework.

Members of the Board possess sufficient knowledge, skills and experience to perform their duties. The overall composition of the Board reflects an adequately broad range of experiences to be able to understand the Cyprus investment firm's activities, including the main risks to ensure the sound and prudent management of the Company as well as sufficient knowledge, of the legal framework governing the operations a Cyprus investment firm.

2.4. Policy on Diversity

The Company is committed to promote a diverse and inclusive workplace at all levels, reflective of the communities in which it does business. It approaches diversity in the broadest sense, recognizing that successful businesses flourish through embracing diversity into their business strategy and developing talent at every level in the organisation.

2.5. Governance Committees

Risk Management Committee

In order to support effective governance and management of the wide range of responsibilities the Board has established the Risk Management Committee. The role of the Committee is to provide oversight, review and challenge of the material risks both current and future affecting the business whilst ensuring that there is effective management and control of all key risks and issues facing the Company. The members of the Risk Management Committee are shown in the table below:

Table 4 - Risk Management Committee

Member Name	Function
Mr. Panagiotis Panagos	Non-Executive Director
Mr. Demetris Vasiliou	Chief Financial Officer
Mr. Charalambos Paschalides	Independent, Non-Executive Director
Risk Manager	ex officio and without any voting rights

The Risk Management Committee, inter alia, scrutinizes, and decides on various risks inherent with the operation of the Company with the view to formulate internal policies and measure the performance of the said policies in dealing with the risks associated with the operation of the Company. Moreover, the Risk Management Committee reviews the risk management procedures in place (monitors and controls the Risk Manager in the performance of his duties and the effectiveness of the Risk Management Department).

The Risk Management function operates independently and monitors the adequacy and effectiveness of policies and procedures, the level of compliance to those policies and procedures, in order to identify deficiencies and rectify. The Investment Committee is responsible for monitoring and controlling the Risk Manager in the performance of his/her duties.

The Risk Management Committee meets at least annually, 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.

Investment Committee

An Investment Committee has been formed to ensure the implementation of a prudent investment policy and the monitoring of the provision of adequate investment services to Clients. The Investment Committee reports directly to the Senior Management and its members are shown in the table below:

Table 5 - Investment Committee

Member Name	Function
Mr. Peter James Rodger	Chief Executive Officer
Mr. Andreas Michail	Head of Investment Advice
Mr. George Pavlides	Independent, Non-Executive Director

The Investment Committee is responsible, inter alia:

- a) to supervise the proper choice of investments (framework for investment decisions)
- b) to analyze the investment potential and contribute to the elaboration of the investment policy, as applicable
- c) to determine the Company's pricing policy
- d) to decide upon the markets and types of Financial Instruments in which the Company shall be active
- e) to determine the mode, content and frequency of the Client's briefing. Also, to monitor that Retail Clients are informed about their right to request different time frequency of the provision of their periodic statement by the Company, about their investment transactions
- f) to brief the Internal Auditor, as applicable
- g) to establish, approve, adjust and monitor the Company Investment Policy in relation to the Investment Advice Department by using the recommendations of the Head of the Department through the Investment Reports, as applicable
- h) to review the Company Investment Policy whenever a material change occurs
- i) to establish risk profile categories for each Client (e.g. cautious, balance, growth, aggressive)
- j) to analyze the economic conditions and the investment alternatives based on a thorough examination of third-party reports
- k) to select appropriate benchmarks for different type of portfolios, where applicable
- l) to examine the returns and the associated risks of the Client portfolios, as applicable
- m) to monitor the collection of the Client information through the filling of the Investment Questionnaire, or information obtained through interviews

Nomination Committee

The Company, which is a significant CIF shall establish a nomination committee composed of members of the board of directors who do not perform any executive function in the CIF.

The Company and the respective nomination committee must ensure that there is a broad set of qualities and competences exists when recruiting members for the board of directors.

The members of the Nomination Committee are shown in the table below:

Table 6 - Nomination Committee

Member Name	Function
Mr George Pavlides	Non-Executive Director
Mr Panagiotis Panagos	Non-Executive Director
Mr Charalambos Paschalides	Non-Executive Director

2.6 Other Governance Functions

Internal Audit

The Company, taking into account the nature, scale and complexity of its business activities, as well as the nature and the range of its investment services and activities, shall establish and maintain an internal audit

function through the appointment of a qualified and experienced Internal Auditor. The Internal Auditor shall be appointed and shall report to the Senior Management and the Board of Directors of the Company.

The Internal Auditor shall be separated and independent of the other functions and activities of the Company. The Internal Auditor shall bear the responsibility to:

- a) establish, implement and maintain an audit plan to examine and evaluate the adequacy and effectiveness of the Company's systems, internal control mechanisms and arrangements
- b) issue recommendations based on the result carried out in accordance with point (a)
- c) verify compliance with the recommendations of point (b)
- d) provide timely, accurate and relevant reporting in relation to internal audit matters to the Board of Directors and the Senior Management of the Company, at least annually.

The Internal Auditor shall be responsible for applying the Internal Control System (hereinafter, the "ICS"), which shall confirm the accuracy of the reported data and information. Furthermore, the role of the Internal Auditor shall be the programming, on an at least annual basis (as applicable), of checks on the degree of application of the required ICS.

The Internal Auditor shall have clear access to the Company's personnel and books. Likewise, the Company's employees shall have access to the Internal Auditor for the reporting of any significant deviations from the guidelines provided.

The Board shall ensure that internal audit issues are considered when presented to it by the Internal Auditor and appropriate actions shall be taken. The Board shall ensure all issues are dealt with and prioritized according to the Board's assessment.

Compliance Officer

The Board shall ensure regulatory compliance through a comprehensive and pro-active compliance strategy. To this end, the Board shall appoint a Compliance Officer in order to establish, implement and maintain adequate and effective policies and procedures, as well as appropriate systems and controls designed to detect any risk of failure by the Company to comply with its obligations. Further to this, the Compliance Officer will be responsible to, put in place adequate measures and procedures designed to minimize such risk and to enable the competent authorities to exercise their powers effectively. The Compliance Officer shall report to the Senior Management and the Board of Directors of the Company.

The Compliance Officer shall be independent and shall have the necessary authority, resources, expertise and access to all relevant information.

Money Laundering Compliance Officer

The Board shall retain a person to the position of the Company's Money Laundering Compliance Officer (hereinafter the "MLCO") to whom the Company's employees should report their knowledge or suspicion of transactions involving money laundering and terrorist financing. The MLCO shall belong to the higher hierarchical levels/layers of the Company so as to command the necessary authority. The MLCO shall lead the Company's Money Laundering Compliance procedures and processes and report to the Senior Management and the Board of Directors of the Company. In cases where it shall be deemed necessary and following recommendations by the MLCO, assistants to the MLCO shall also be appointed.

2.7. 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 ICARA report as shown in the table below (please refer to Appendix I for more details).

3. 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 and that the Company maintained healthy capital ratios in order to support its business.

Further to the above, the CIF as a **Class 2 investment firm** shall at all times have own funds at least the highest of the following:

- Initial Capital Requirement
- Fixed Overheads Requirements
- K-Factors Requirement

3.1 Tier 1 & Tier 2 Regulatory Capital

Institutions shall disclose information to own funds of the institution. Furthermore, institutions shall disclose a description of the main features of the Common Equity Tier 1 and Additional Tier 1 instruments and Tier 2 instruments issued by the institution. In this respect, the Company's Tier 1 capital is wholly comprised of Core Tier 1 Own Funds.

The composition of the capital base and capital ratios of the company is shown in the following table:

Table 6 - Composition of capital resources, as at 31 December 2022

	\$000
Common Equity Tier 1 (CET1) capital: instruments and reserves	
Capital instruments and the related share premium accounts	712
Retained earnings	3,869
Additional deductions of CET1 Capital due to Article 3 CRR	(85)
Adjustments to CET 1 due to prudential filters	(8)
Common Equity Tier 1 (CET1) capital	4,488
Additional Tier 1 (AT1) capital	-
Tier 1 capital (T1 = CET1 + AT1)	4,488
Tier 2 (T2) capital	-
Total capital	4,488

3.2. 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	T.C.R. International Ltd
Regulatory Treatment	
Eligible at Solo/(sub-)consolidated/solo	Solo

Instrument type	Common Equity	
Amount recognized in regulatory capital	€580.006	
Nominal amount of instrument	1.000	
Issue Price	€1	
Accounting classification	Shareholders' Equity	
Original date of issuance	€1.000	31/10/2013
	€99.000	24/09/2014
	€100.000	09/03/2015
	€200.000	30/09/2015
	€200.000	11/05/2016
	€66.250	19/09/2016
	€250.000	07/11/2016
	€463.754	09/11/2016
	€180.000	12/06/2017
	€120.000	12/12/2017
	Share Capital Reduction:	
	-€629.995	19/02/2020
	-€420.003	21/02/2020
	-€50.000	27/02/2020
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	

The Company's capital resources consist of CET1 Capital. No additional Tier 1 or Tier 2 available.

3.3. Balance Sheet Reconciliation

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

Table 8 - Balance Sheet Reconciliation

		Balance sheet as in audited financial statements
		\$000
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements		
1	Cash and cash equivalents	3,621
2	Loans receivable	75
3	Trade and other receivables	282

4	Financial asset at amortised cost	426
5	Financial assets at F.V. through PL	199
6	Intangible assets	8
7	Right-of-use assets	61
8	Property, plant and equipment	495
9	Refundable tax	22
10	Investors Compensation Fund	85
	Total Assets	5,274
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements		
1	Trade and other payables	636
2	Lease liabilities	57
3	Current tax liabilities	-
	Total Liabilities	693
Shareholders' Equity		
1	Share capital	1
2	Share premium	711
3	Retained earnings	3,869
	Total Shareholders' equity	4,581

4. Own Funds Requirements

The Company as a Class 2 investment firm shall at all times have own funds at least the highest of the following:

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

4.1 Permanent minimum capital requirement

As per the Title III of the Law, the initial capital of a CIF which is authorised to provide any of the investment services or perform any of the investment activities listed in points (3) and (6) of Part I of Annex I to the Investment Services and Activities and Regulated Markets Law, shall be €750k while for a CIF which is authorised to provide any of the investment activities listed in points (1), (2), (4), (5) and (7) and which is not permitted to hold client money or securities belonging to its clients, the initial capital shall be €75k. For all other CIFs, the initial capital shall be €150k.

Therefore, since the CIF is authorised to hold clients' money or securities, the Company's initial capital is €150k.

4.2 Fixed overhead requirements

The fixed overheads requirement (FOR) applies to all CIFs. The FOR is intended to calculate a 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 (or business plan where the audited financial statements are not available) in accordance with the provision of Article 13 of IFR.

Further to the above and in accordance with RTS issued by EBA, the following variable expenses can be excluded from the calculation of the fixed overheads:

Table 9: Deductible variable expenses from Fixed Overheads

No	Details
1	Staff bonuses and other remuneration, to the extent that they depend on the net profit of the investment firm in the respective year
2	Employees', directors' and partners' shares in profits
3	Other appropriations of profits and other variable remuneration, to the extent that they are fully discretionary
4	Shared commission and fees payable which are directly related to commission and fees receivable, which are included within total revenue, and where the payment of the commission and fees payable is contingent on the actual receipt of the commission and fees receivable
5	Fees to tied agents
6	Non-recurring expenses from non-ordinary activities
7	Fees, brokerage and other charges paid to central counterparties, exchanges and other trading venues and intermediate brokers for the purposes of executing, registering or clearing transactions, only where they are directly passed on and charged to customers
8	Interest paid to customers on client money, where there is no obligation of any kind to pay such interest
9	Expenditures from taxes where they fall due in relation to the annual profits of the investment firm
10	Losses from trading on own account in financial instruments
11	Payments related to contract-based profit and loss transfer agreements according to which the investment firm is obliged to transfer, following the preparation of its annual financial statements, its annual result to the parent undertaking
12	Payments into a fund for general banking risk in accordance with Article 26(1)(f) of Regulation (EU) 2013/575
13	Expenses related to items that have already been deducted from own funds in accordance with Article 36(1) of Regulation (EU) 2013/575

Further to the above, the Company's fixed overheads requirement based on the latest audited financial statements is \$421 as per table below:

Table 10: Fixed Overheads Requirements

Item	\$000
Total Expenses	14,900
Variable Expenses	-13,217
Annual Fixed Overheads	1,683
Fixed Overheads requirement	421

4.3 K-Factors requirement

The new K-Factors are quantitative indicators that reflect the risk that the new prudential regime intends to address. Specifically, capital requirement from applying 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').

Further to the above and since the CIF is Class 2 IF which is not authorized to provide the investment service of Dealing on Own Account, only RtC and RtF proxies are applicable.

4.3.1 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 are measured as a percentage 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 requirements as part of the RtC:

K-AUM: Assets Under Management

K-AUM captures the risk of harm to clients from an incorrect discretionary management of client portfolios or poor execution and provides reassurance and client benefits in terms of the continuity of service of ongoing portfolio management and investment advice.

AUM is the value of assets investment firm manages for its clients under both discretionary portfolio management and non-discretionary arrangements constituting investment advice of an ongoing nature.

Calculation: AUM shall be the rolling average of the value of the total monthly assets under management, measured on the last business day of each of the previous 15 months, excluding the 3 most recent monthly values.

AUM=average of the 12 months K-AUM = AUM*0.02%

The table below shows the Total AUM values for the 4th quarter of 2022 in accordance with the Article 17 of IFR:

Table 11: Total AUM (average amounts)

	Factor amount
	December 2022 \$000
Total AUM	7,608
Of which: AUM - Discretionary portfolio management	493
Of which: AUM formally delegated to another entity	-
AUM - Ongoing non-discretionary advice	7,115

K-CMH: Clients Money Held

K-CMH captures the risk of potential for harm where an investment firm holds the money of its clients, taking into account whether they are on its own balance sheet or in third-party accounts and arrangements under applicable national law 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 nonsegregated basis).

Calculation: CMH shall be the rolling average of the value of total daily client money held, measured at the end of each business day for the previous 9 months, excluding the 3 most recent months.

CMH = average of the 6 months

- For segregated accounts: $K\text{-CMH} = \text{CMH} \times 0.4\%$
- For non- segregated accounts: $K\text{-CMH} = \text{CMH} \times 0.5\%$

The table below shows the Total CMH values in segregated accounts and non-segregated accounts for the 4th quarter of 2022 in accordance with the Article 18 of IFR:

Table 12: Total CMH (average amount)

	Factor amount
	December 2022 \$000
CMH - Segregated (average amounts)	116,460
CMH - Non-segregated (average amounts)	-

K-ASA: Assets Safeguarded and Administered

K-ASA captures the risk of safeguarding and administering client assets, and ensures that investment firms hold capital in proportion to such balances, regardless of whether they are on its own balance sheet or in third-party accounts.

ASA means the value of assets that an investment firm safeguards and administers for clients – ensures that investment firms hold capital in proportion to such balances, regardless of whether they are on its own balance sheet or in third-party accounts.

Calculation: It is calculated as the rolling average of the daily total value of assets under safekeeping and administration, measured at the end of each business day for the previous 9 months, excluding the 3 most recent months.

ASA=average of the 6 months

$K\text{-ASA} = \text{ASA} \times 0.04\%$

The table below shows the Total ASA values for the 4th quarter of 2022, in accordance with the Article 19 of IFR:

Table 13: Total ASA (average amount)

	December 2022 \$000
Total ASA	365,357
Of which: Fair value of financial instruments (Level 2)	64,630
Of which: Fair value of financial instruments (Level 3)	300,727
Of which: assets formally delegated to another financial entity	-
Of which: assets of another financial entity that has formally delegated to the investment firm	-

K-COH: Client Orders Handled

K-COH captures the potential risk to clients of an investment firm which executes orders (in the name of the client, and not in the name of the investment firm itself), for example as part of execution-only services to clients or when an investment firm is part of a chain for client orders.

COH captures the potential risk to clients of an investment firm which executes its orders (in the name of the client). This is the value of orders that an investment firm handles for clients, through the reception and transmission of client orders and execution of orders on behalf of clients.

Calculation: COH shall be the rolling average of the value of the total client orders handled, measured throughout each business day for the previous 3 months.

COH= sum of [ABS(Buys) + Abs (Sells)] for both cash trades and derivatives

➤ For Cash Trades

- The value is the amount paid or received on each trade
- COH=average of the 3 months
- K-COH = COH*0.1%

➤ For Derivative Trades

- The value is the notional amount of the contract
- COH=average of the 3 months
- K-COH = COH*0.01%

Since all the client orders are executed in the name of the Company, as at 31 December 2022, the COH Factor is **zero**.

4.3.2 Risk to Market (RtM)

The RtM K-factor requirement for the trading book positions of an investment firm dealing on own account, whether for itself or on behalf of a client shall be either K-NPR calculated in accordance with Article 22 or K-CMG calculated in accordance with Article 23 of IFR.

Since the Company is not authorised to deal on own account, RtM K-factor is **zero**.

4.3.3 Risk-to-Firm (RtF)

The RtF K-factor requirement is determined by the following formula:

$$K-TCD + K-DTF + K-CON$$

where:

K-TCD is equal to the amount calculated in accordance with Article 26 of IFR;

K-DTF is equal to DTF measured in accordance with Article 33, multiplied by the corresponding coefficient established in Article 15(2) and K-CON is equal to the amount calculated in accordance with Article 39 of IFR.

K-TCD and K-CON shall be based on the transactions recorded in the trading book of an investment firm dealing on own account, whether for itself or on behalf of a client.

K-DTF shall be based on the transactions recorded in the trading book of an investment firm dealing on own account, whether for itself or on behalf of a client, and the transactions that an investment firm enters into through the execution of orders on behalf of clients in its own name.

For investment firms which deal on own account, the K-factors for K-TCD and K-CON under RtF constitute a simplified application of the rules laid down in Regulation (EU) No 575/2013 on counterparty credit risk and

large exposure risk, respectively. Since the Company is not authorised to deal on own account, K-TCD and K-CON is **zero**.

K-DTF: Daily Trading Flow

K-DTF captures the operational risks to an investment firm in large volumes of trades concluded for its own account or for clients in its own name in one day which could result from inadequate or failed internal processes, people and systems or from external events, based on the notional value of daily trades, 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 means the daily value of transactions that an investment firm enters through dealing on own account or the execution of orders on behalf of clients in its own name, excluding the value of orders that an investment firm handles for clients which are already taken into account in the scope of client orders handled.

Calculation: DTF shall be the rolling average of the value of the total daily trading flow, measured throughout each business day for the previous 9 months, excluding 3 recent months.

DTF= sum of [ABS(Buys) + Abs (Sells)] for both cash trades and derivatives

➤ For Cash Trades

- The value is the amount paid or received on each trade
- DTF =average of the 6 months
- K- DTF = DTF*0.1%

➤ For Derivative Trades

- The value is the notional amount of the contract
- DTF =average of the 6 months
- K- DTF = DTF*0.01%

The table below shows the arithmetic mean amount of DTF in cash trades and derivatives for the 4th quarter of 2022, in accordance with the Article 33 of IFR:

Table 14: Total DTF (average amount)

	Factor amount
	December 2022 \$000
Total DTF - cash trades	123,441
Total DTF - derivative trades	3

4.3.4 K-Factors Requirement Results

As at 31 December 2022, the Company’s K-Factors Requirement is €737k as shown in the table below

Table 15: K-Factors Results

Item	Factor Amount \$000	K-Factor Requirement \$000
TOTAL K-FACTOR REQUIREMENT		737

Risk To clients		614
K-AUM	7,608	2
K-CMH (Segregated)	116,460	466
K-CMH (non-Segregated)	-	-
K-ASA	365,357	146
K-COH (Cash Trades)	-	-
K-COH (Derivative Trades)	-	-
Risk to Market		-
K-Net positions risk requirement		-
Clearing margin given	-	-
Risk to Firm		123
K-TCD		-
K-DTF (Cash Trades)	123,441	123
K-DTF (Derivative Trades)	3	0
K-CON		-

5. 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:

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

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

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

The Company's own funds, own funds requirement and capital ratio reported as at 31 December 2022, were the following:

Table 16: Own Funds

	\$000
Own Funds Composition	
Share capital and premium	712
Retained earnings	3,869
Regulatory Adjustments	(85)

CET1 capital	4,488
Additional Tier 1	-
Tier 1 capital	4,488
Tier 2 capital	-
Own Funds	4,488
Own Funds Requirements	
Permanent minimum capital requirement	160
Fixed overhead requirement	421
Total K-Factor Requirement	737
Total own funds requirement	737
Capital ratios	
CET 1 Ratio (min 56%)	608.97%
Surplus(+)/Deficit(-) of CET 1 Capital	4,075
Tier 1 Ratio (min 75%)	608.97%
Surplus(+)/Deficit(-) of Tier 1 Capital	3,935
Own Funds Ratio (min 100%)	608.97%
Surplus(+)/Deficit(-) of Total capital	3,751

As per the above results, the Company as at 31 December 2022 maintains adequate own funds to cover its capital requirements. The Company's Capital Adequacy Ratio as at 31 December 2022 was **608.97%**.

As per the above results, the Company as at 31 December 2022 maintains adequate own funds to cover its capital requirements. However, the Company should monitor the above ratios in order to ensure compliance with the capital adequacy requirements at all times.

5.1 Concentration Risk Requirements

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

The CIFs that are categorized 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 limit of 25% of eligible capital for non-institutions, as per Article 37 of IFR.

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 is reporting 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 shall report the level of concentration risk with respect to the credit institutions where its own cash is deposited as per Article 54(2) of IFR.

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.

5.2 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 is to ensure that the investment firms have an adequate stock of unencumbered high-quality liquid assets that can be converted easily and immediately in private markets in cash 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
- Shares or units in CIUs

In this respect and as per the Company's latest audited financial statements, the Company has the following liquid assets which is well above the 1/3 of the total fixed overheads requirement.

	Amount
Item	\$000
Liquidity Requirement	140
Client guarantees	-

Total liquid assets	4,624
Unencumbered short term deposits	-
Total eligible receivables due within 30 days	578
Level 1 assets	4,047
Coins and banknotes	-
Withdrawable central bank reserves	-
Central bank assets	-
Central government assets	-
Regional government/local authorities assets	-
Public Sector Entity assets	-
Recognisable domestic and foreign currency central government and central bank assets	-
Credit institution (protected by Member State government, promotional lender) assets	3,621
Multilateral development bank and international organisations assets	-
Extremely high quality covered bonds	426
Level 2A assets	-
Regional government/local authorities or Public Sector Entities assets (Member State, RW20 %)	-
Central bank or central/regional government or local authorities or Public Sector Entities assets (Third Country, RW20 %)	-
High quality covered bonds (CQS2)	-
High quality covered bonds (Third Country, CQS1)	-
Corporate debt securities (CQS1)	-
Level 2B assets	-
Asset-backed securities	-
Corporate debt securities	-
Shares (major stock index)	-
Restricted-use central bank committed liquidity facilities	-
High quality covered bonds (RW35 %)	-
Qualifying CIU shares/units	-
Total other eligible financial instruments	-

Surplus	4,423
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Further to the above, the Company maintains adequate liquid assets to cover the one third fixed overheads requirement.

However, the Company should monitor the above in order to ensure compliance at all times.

6 Other Risks

6.1 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 following list presents some event-type categories, included in operational risk, with some examples for each category:

Internal Fraud	<ul style="list-style-type: none"> • misappropriation of assets; • tax evasion; • intentional mismarking of positions; • bribery
External Fraud	<ul style="list-style-type: none"> • theft of information; • hacking damage; • third-party theft; • forgery
Employment Practices and Workplace Safety	<ul style="list-style-type: none"> • discrimination; • workers compensation; • employee health; • safety
Clients, Products, & Business Practice	<ul style="list-style-type: none"> • market manipulation; • antitrust; • improper trade
Damage to physical assets	<ul style="list-style-type: none"> • damage to physical assets from a natural disaster, e.g. earthquake
Business Disruption & Systems Failures	<ul style="list-style-type: none"> • utility disruptions; • software failures; • hardware failures
Execution, Delivery, & Process Management	<ul style="list-style-type: none"> • data entry errors; • accounting errors; • failed mandatory reporting; • negligent loss of Client assets

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.

The Company has implemented an operational risk management framework designed to ensure that operational risks are assessed, mitigated and reported in a consistent manner consisting of, inter alia, the following components:

- Maintaining a four-eye structure and implementing board oversight over the strategic decisions made by the heads of departments;

- Disaster Recovery Plan has been designed in order to be used in the event of a force majeure affecting the Company's internal systems and databases; and
- Maintenance of Operational Risk Registers in the Context of the ICARA;
- Business Continuity Plan has been implemented which helps protect all of the Company's information databases including data, records and facilities.
- The majority of actions occurring in the Company's systems are automated and therefore it is less likely that a human error will occur;
- Regular review and updating of the Company's policies;
- Review of risks and controls as part of the Internal Audit function.

6.2 Reputation Risk

Reputation risk is the current or prospective risk to earnings and capital arising from an adverse perception of the image of the Company on the part of 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 clients, poor customer service, fraud or theft, customer claims and legal action, 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 under such circumstances. The possibility of having to deal with customer claims is very low as the Company provides high quality services to clients.

6.3 Strategic Risk

Strategic Risk could occur as a result of adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment. The Company's exposure to strategic risk is moderate as policies and procedures to minimize this type of risk are implemented in the overall strategy of the Company.

6.4 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 are conducted with a view to minimize the Company's exposure to business risk. These are analyzed and taken into consideration when implementing the Company's strategy.

6.5 Regulatory Risk

Regulatory risk is the risk the Company faces by not complying with relevant Laws and Directives issued by its supervisory body. If materialized, regulatory risk could trigger the effects of reputation and strategic risk. The Company has documented procedures and policies based on the requirements of relevant Laws and Directives issued by the Commission; these can be found in the Procedures Manual. Compliance with these procedures and policies are further assessed and reviewed by the Company's Internal Auditors and suggestions for improvement are implemented by management. The Internal Auditors evaluate and test the effectiveness of the Company's control framework at least annually. Therefore the risk of non-compliance is very low.

6.6 Legal and Compliance Risk

Legal and Compliance Risk could arise as a result of breaches or non-compliance with legislation, regulations, agreements or ethical standards and have an effect on earnings and capital. The probability of such risks occurring is relatively low due to the detailed internal procedures and policies implemented by the Company and regular reviews by the Internal Auditors. The structure of the Company is such to promote clear coordination of duties and the management consists of individuals of suitable professional experience, ethos and integrity, who have accepted responsibility for setting and achieving the Company's strategic targets and goals. In

addition, the board meets at least annually to discuss such issues and any suggestions to enhance compliance are implemented by management.

6.7 IT Risk

IT risk could occur as a result of inadequate information technology and processing or 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. Materialization of this risk has been minimized to the lowest possible level.

6.8 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. Consequently, conduct risk arises from failures of designated liquidity providers.

Since the Company does not use liquidity providers, the risk is not detected.

7 Internal Capital Adequacy and Risk Assessment Process

The purpose of capital is to provide sufficient resources to absorb unexpected losses over and above the ones that are expected in the normal course of business. The Company aims to maintain a minimum risk asset ratio which will ensure there is sufficient capital to support the Company during stressed conditions.

Pursuant to Chapter 2 and Paragraph 18 of the Law, the Company should establish 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 they consider adequate to cover the nature and level of risks which they may pose to others and to which the investment firms themselves are 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.

ICARA presents 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.

The Company established new assessments 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 the report which reflects all provisions under IFR. The methodologies of K-Factors and Liquidity Stress tests is incorporated into the ICARA process, as well as the updated risk register which focuses on a harm-pose approach, identifying different potential risk events that may affect the Company's overall capital adequacy position.

8 Remuneration policy

The Company has established a remuneration policy, which its purpose is to set out the remuneration practices of the Company taking into consideration the salaries and benefits of the employees, in accordance with the provisions of Directive as well as the Circular 031, Circular 138 and Circular 145 (Circular 031, 138, 145 has been issued in place of Guidelines GD-IF-07 for the correct filing purposes) on remuneration policies and practices, where these comply with specific principles in a way and to the extent that is appropriate to the Company's size, internal organization and the nature, scope and complexity of its activities.

The design of the Policy is approved by the people who effectively direct the business of the Company, after taking advice from the compliance function, and implemented by appropriate functions to promote effective corporate governance. The people who effectively direct the business should be 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 should also benefit 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.

Finally, the Policy should also adopt and maintain measures enabling them to effectively identify where the relevant person fails to act in the best interest of the client and to take remedial action.

8.1 Remuneration System

The Company's remuneration system and policy is concerned with practices of the Company for those categories of staff whose professional activities have a material impact on its risk profile, i.e. the Senior Management and members of the Board of Directors; the said practices are established to ensure that the rewards for the 'executive management' are linked to the Company's performance, to provide an incentive to achieve the key business aims and deliver an appropriate link between reward and performance whilst ensuring base salary levels are not set at artificially low levels. The Company uses remuneration as a significant method of attracting and retaining key employees whose talent can contribute to the Company's short- and long-term success.

The remuneration mechanisms employed are well known management and human resources tools that take into account the staff's skills, experience and performance, whilst supporting at the same time the long-term business objectives.

The Company's remuneration system takes into account the highly competitive sector in which the Company operates, and the considerable amount of resources the Company invests in each member of the staff.

It is noted that the Company has taken into account its size, internal organisation and the nature, the scope and the complexity of its activities and it does not deem necessary the establishment of a specific remuneration committee. Decisions on these matters are taken on a Board of Directors level while the remuneration policy is periodically reviewed.

The total remuneration of staff currently consists of a fixed and a variable component (which shall not exceed 100% of the fixed component). The remuneration varies for different positions/roles depending on each position's actual functional requirements, and it is set at levels which reflect the educational level, experience, accountability, and responsibility needed for an employee to perform each position/role. The remuneration is also set in comparison with standard market practices employed by the other market participants/ competitors. Variable remuneration shall be paid in cash, either via wire transfer or by cheque issued on the employee's name and shall be based on the Employee contribution and the profits of the Company.

During the year under review, there was no variable remuneration component while no remuneration was payable under deferral arrangements (with vested or unvested portions). Finally, the Company did not pay any non-cash remuneration.

8.2 Performance Appraisal

The Company implements a performance appraisal method, which is based on a set of Key Performance Indicators developed for each business unit. These Indicators include quantitative as well as qualitative criteria. The appraisal is being performed as follows:

- a) Objectives are set in the beginning of each month, quarter and/or year (each department is being appraised on different periods) defining what the Company functions, departments and individuals are expected to achieve over an upcoming period of time.
- b) Performance checks and feedbacks: managers provide support and feedback to the concerned staff during the time periods decided, during the daily activities or during formal or informal performance reviews; the aim is to assist the staff to develop their skills and competencies.
- c) Annual performance evaluation takes place annually, usually at the end of each year.

8.3 Remuneration of Senior Management Personnel and Directors

The remuneration of the senior management personnel of the Company, including Board of Directors are shown in the following tables:

Table 17 - Remuneration analysis split by Senior Management and other risk takers / other staff

2022	Senior Management and Department Heads
Fixed reward	€461k
Executive directors	€188k
Non-executive directors	€20k
Other staff	€253k
Variable reward	€45k
Executive directors	€11k
Non-executive directors	-
Other staff	€34k
Total	€505k
Number of beneficiaries	11

Companies are required to disclose the number of natural persons that are remunerated Euro 1 million or more per financial year, in pay brackets of Euro 1 million, including their job responsibilities, the business area involved and the main elements of salary, bonus, long-term award and pension contribution. Nevertheless, currently there are no natural persons at the Company that are remunerated Euro 1 million or more per financial year and as such the above disclosure is not applicable to the Company. No sign-on payments have been awarded during 2022, while no severance payments were paid during the year.

The Company does not benefit from the derogation laid down in Article 32(4) of the IFD.

9 Investment Policy

Pursuant to Articles 46(1) and 46(2) IFR, the investment firms that do not meet the conditions for qualifying as small and non-interconnected investment firms set out in Article 12(1) IFR (Class 2 investment firms) have to disclose information about their investment policy.

IFR specifies two materiality thresholds for the application of the investment policy disclosure requirement. First, it applies only to investment firms that do not meet the criteria set out in Article 32(4), point (a) IFD, namely to investment firms with on and off-balance-sheet assets on average greater than EUR 100 million over the four-year period immediately preceding a given financial year. Second, only companies whose shares are admitted to trading on a regulated market and in which the proportion of voting rights exceeds 5 % of all voting rights issued by the company are considered relevant for this disclosure.

Investment Firms should disclose the following information in accordance with Article 46 of IFR:

- a) the proportion of voting rights attached to the shares held directly or indirectly by the investment firm, broken down by Member State and sector;
- b) a complete description of voting behaviour in the general meetings of companies the shares of which are held in accordance with paragraph 2 of Article 46, an explanation of the votes, and the ratio of proposals put forward by the administrative or management body of the company which the investment firm has approved; and
- c) an explanation of the use of proxy advisor firms;
- d) the voting guidelines regarding the companies the shares of which are held in accordance with paragraph 2 of Article 46.

The Company's average on and off-balance sheet assets for the preceding four-year period is more than €100m and as such it is required to disclose the investment policy, however during the year under the review the Company did not hold any shares which are admitted to trading on a regulated market and to which voting rights are attached, where the proportion of voting rights that the Company directly or indirectly holds exceeds the threshold of 5 % of all voting rights attached to the shares issued by the issuer of the shares.

10 Environmental, Social, and Governmental Risks

From 26 December 2022, investment firms which do not meet the criteria referred to in Article 32(4) of Directive (EU) 2019/2034 shall disclose information on environmental, social and governance risks, including physical risks and transition risks, as defined in the report referred to in Article 35 of Directive (EU) 2019/2034.

The information shall be disclosed once in the first year and biannually thereafter.

The Company's average on and off-balance sheet assets for the preceding four-year period is more than €100m and as such it is required to disclose the ESG.

Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR) lays down sustainability disclosure obligations for manufacturers of financial products and financial advisers towards end-investors. In the case of investment firms, it applies to those firms that provide portfolio management, as defined in in point (8) of Article 4(1) of Directive 2014/65/EU and investment advice services, in accordance with Article 24(4) of Directive 2014/65/EU.

The Company has not provided any of the above mentioned services to its clients during the year 2022.

11 Appendix I - Information flow on risk to management body

	Report Name	Owner of Report	Recipient	Frequency
1	Risk Management Report	Risk Manager	CySEC, Board	Annually
2	Form 165-01	Risk Manager	Board, CySEC	Quarterly
3	ICARA Report	Risk Manager	Board	Annually
4	Pillar 3 Disclosures	Risk Manager	Board	Annually
5	Compliance Function Report	Compliance Officer	Board, CySEC	Annually
6	Internal Audit Report	Internal Auditor	Board, CySEC	Annually or more frequent
7	AMLCO Officer report	AMLCO	Board, CySEC	Annually
8	Investment Committee Decisions	Investment Committee	Board	Upon request
9	Risk Management Committee Decisions	Risk Management Committee	Board	Upon Request
10	Form 144-14-11 'Prudential Supervision Information'	Risk Manager	Board, CySEC	Annually