DISCLOSURE AND MARKET DISCIPLINE REPORT FOR 2022

Name of Investment Firm	: **Vstar & Soho Markets Ltd**
CySEC Licence Number	: **CIF 409/22**
CIF Address	: **Spyrou Kyprianou 41 Avenue, Steratzias Court 2, 1st Floor, Office 101, 4003, Mesa Geitonia, Limassol, Cyprus**
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Submitted: **April 2023**

The Disclosure and Market Discipline Report for the year 2022 has been prepared as per the requirements of Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 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.

Any information that was not included in this report was either not applicable on the Company's business and activities -OR- such information is considered as proprietary to the Company and sharing this information with the public and/or competitors would undermine our competitive position.

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1. Introduction

The present report is prepared by Vstar& Soho Markets Limited (hereinafter "the Company"), a Cyprus Investment Firm authorized and regulated by the Cyprus Securities and Exchange Commission ("CySEC") under License Number 409/22.

Company name	Vstar& Soho Markets Limited
CIF Authorization date	31/01/2022
CIF License number	409/22
Company Registration Date	13/04/2020
Company Registration Number	408588
Investment Services	
Reception and transmission of orders in relation to one or more financial instruments	
Execution of Orders on Behalf of Clients	
Ancillary Services	
Safekeeping and administration of financial instruments, including custodianship and related services	
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	

1.1. Scope

The scope of this report is to promote market discipline and to improve transparency of market participants. In accordance with Regulation (EU) 2019/2033 on prudential requirements of investment firms (the Investment Firm Regulation, "IFR") and Directive 2019/2034 on prudential supervision of investment firms (the Investment Firm Directive "IFD"), the Company is required to disclose information relating to its risk management, capital structure and capital adequacy as well as the most important characteristics of the Company's corporate governance. This document is updated and published annually.

The information contained in this report is audited by the Firm's external auditors and published on the Company's website on an annual basis. The Company is making the disclosures on a solo basis. This document is based on and published along the Audited Financial Statements on an annual basis.

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1.2. The Company

The Company operates in Europe, offering MiFID II regulated financial instruments with a particular focus on Contracts for Difference ("CFDs"). The Company employed nine (9) people at the end of 2022, all of which were located at its Head offices in Limassol, Cyprus. This number excludes the outsourced employees and the non-executive members of the board of directors.

The Company pursues a stable and dynamic business model, trying to maintain a well-balanced capital allocation in its operations and geographically balanced strategy with a diversified customer base. Furthermore, it ensures that compliance rules are strictly respected, especially in the area of anti-money laundering and counterterrorism financing.

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

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

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

As with all Investment Firms, the Company is exposed to a variety of risks and with main categories being credit, market and operational risk. More information can be found in the sections below.

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2. Risk Governance

Implementing an efficient risk management structure is a critical undertaking for the Company, in all businesses, markets and regions in which it operates. The Company's risk management is supervised at the highest level to be compliant with the regulations enforced by CySEC and the European regulatory framework.

The Company operates in the financial services industry and considers the below risks as the most important, hence are continuously monitored in order to be mitigated the soonest possible:

IFR-related Risks

- Risk-to-Client (RtC)
- Risk-to-Market (RtM)
- Risk-to-Firm (RtF)
- Capital Adequacy Risk
- Fixed Overheads Requirements
- ILAAP - Liquidity requirements

Additional and Pillar 2 Risks

- Compliance risk, Reputational and Legal Risks
- Business risk
- Credit risk
- Market risk
- Other Operational risks

Although the risks mentioned in the lists above are interconnected, for the purposes of these disclosures we will separate them in order to be able to capture all the different components both from a regulatory as well as a general risk perspective.

2.1. IFR Risks and related requirements

The introduction of IFR, brought significant changes in the way investment firms calculate their capital requirements. As such our Firm has created a separate policy in avoid mixing risks arising from the Company's operations (i.e. main risks as these are presented in the section above) with risks arising from the revised capital requirements framework, presented below alongside, the rest of the "non-risk" capital requirements.

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In line this this, the risks under IFR are collectively refer to as K-Factors. K-Factor requirements (KFR), is a methodology recommended by the European Banking Authority, in order to capture the range of risks which an investment firm is exposed to.

The K-factors essentially replace the CRR credit, market and operational risk approach in order to better calibrate the capital needed to meet the risks of the investment firm.

Broadly speaking, K-factors are quantitative indicators or factors which represent the risks that an investment firm can pose to customers, market/liquidity and the firm itself. There are three K-factor groups:

Risk-to-Client (RtC)

The K-factors under RtC capture client assets under management and ongoing advice (K-AUM), client money held (K-CMH), assets safeguarded and administered (K-ASA), and client orders handled (K-COH). Overall, under ICARA report for 2022 the Risk to client firm is categorized as low.

As at 31/12/2022, our firm was exposed to:

	K-factor Requirement
K-AUM	0
K-CMH	0
K-ASA	0
K-COH	0

Risk-to-Market (RtM)

The K-factor under RtM captures net position risk (K-NPR) in accordance with the market risk provisions of CRR or, where permitted by the competent authority for specific types of investment firms which deal on own account through clearing members, based on the total margins required by an investment firm's clearing member (K-CMG). Overall, under ICARA report for 2022 the Risk to Market is categorized as low as the company is not exposed to this risk.

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As at 31/12/2022, our firm was exposed to:

	K-factor Requirement
K-NPR	0
K-CMG	0

Market risk capital requirements based on NPR

	K-factor Requirement
Position risk	0
Foreign exchange risk	0
Commodity risk	0
Total (NPR)	0

Risk-to-Firm (RtF)

The K-factors under RtF capture an investment firm's exposure to the default of their trading counterparties (K-TCD) in accordance with simplified provisions for counterparty credit risk based on CRR, concentration risk in an investment firm's large exposures to specific counterparties based on the provisions of CRR that apply to large exposures in the trading book (K-CON), and operational risks from an investment firm's daily trading flow (K-DTF). Overall, under ICARA report for 2022 the Risk to Firm is categorized as low as the company is not exposed to this risk.

As at 31/12/2022, our firm was exposed to:

	K-factor Requirement
K-TCD	0
K-DTF	0
K-CON	0

Liquidity Requirement

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Liquidity requirement corresponds to the risk of the Company not being able to meet its cash or collateral requirements as they arise. The Company's primary objective is to ensure the funding of its activities in the most cost-effective way by managing liquidity risk and adhering to regulatory constraints (such as the requirement of always holding a minimum of one third of their fixed overheads requirement in liquid assets). As per ICARA report for 2022 the Liquidity Risk is categorized as medium.

IFR Liquidity Requirement, as at 31/12/2022

	Amount
Item	**0010**
Liquidity Requirement	15
Client guarantees	-
Total liquid assets	30
Unencumbered short term deposits	30
Total eligible receivables due within 30 days	-
Level 1 assets	0
Coins and banknotes	0
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	-
Multilateral development bank and international organisations assets	-
Extremely high quality covered bonds	-
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)	-

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Restricted-use central bank committed liquidity facilities	-
High quality covered bonds (RW35 %)	-
Qualifying CIU shares/units	-
Total other eligible financial instruments	-

Fixed Overhead Requirement (FOR)

Under IFR, the Firm is required to report its Fixed Overhead requirement, essentially substituting the CRR operational risk, calculated as a quarter of the fixed overheads of the preceding year. As per ICARA report for 2022 the FOR Risk is categorized as medium.

Fixed Overhead Requirement, as at 31/12/2022

	Amount
Item	**0010**
Fixed Overhead Requirement	46
Annual Fixed Overheads of the previous year after distribution of profits	185
Total expenses of the previous year after distribution of profits	185
Of which: Fixed expenses incurred on behalf of the investment firms by third parties	-
(-)Total deductions	-
(-)Staff bonuses and other remuneration	-
(-)Employees', directors' and partners' shares in net profits	-
(-)Other discretionary payments of profits and variable remuneration	-
(-)Shared commission and fees payable	-
(-)Fees, brokerage and other charges paid to CCPs that are charged to customers	-
(-)Fees to tied agents	-
(-)Interest paid to customers on client money where this is at the firm's discretion	-
(-)Non-recurring expenses from non-ordinary activities	-
(-)Expenditures from taxes	-
(-)Losses from trading on own account in financial instruments	-
(-)Contract based profit and loss transfer agreements	-
(-)Expenditure on raw materials	-
(-)Payments into a fund for general banking risk	-
(-)Expenses related to items that have already been deducted from own funds	-
Projected fixed overheads of the current year	211

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Variation of fixed overheads (%)	14.11%

Permanent Minimum Capital Requirement (PMC)

The Permanent Minimum Capital Requirement is the initial capital required for authorization to conduct the relevant investment services set in accordance with the Investment Firm Directive (IFD).
As at 31/12/2022, the Firm's PMC was EUR150,000 for offering the services refer to in the Scope section of this report. In relation to our most recent reported figures under IFR, please refer to section **Capital Adequacy.** As per ICARA report for 2022 the PMC Risk is categorized as medium. The table below indicates the calculations used for our reporting

2.2. Additional and Pillar 2 Risks

Compliance, Reputational and Legal Risks

Compliance risk corresponds to the risk of legal, administrative or disciplinary sanctions or material financial losses, arising from failure to comply with the provisions governing the Company's activities. Compliance means acting in accordance with applicable regulatory rules, as well as professional, ethical and internal principles and standards. Fair treatment of customers, with integrity, contributes decisively to the reputation of the Company therefore this risk is categorized as medium.

By ensuring that these rules are observed, the Company works to protect its customers and, in general, all its counterparties, employees, and shareholders.

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

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

Business Risk / losses during unfavorable market conditions

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

The Company has in place risk management policies and procedures, as these are briefly demonstrated within the Risk Register, which identify the operational risks relating to the Company's activities, processes and systems, and where appropriate, set the level of risks tolerated by the Company. Specific policies have also been documented as regards backup procedures, software maintenance, hardware maintenance, use of the internet and anti-virus procedures and therefore this risk is categorized as medium low. as a Medium Low risk. The Risk Manager implements an Internal Risk Assessment to quantify the Credit requirements that correspond to the additional business risk the Company faces, while the ICARA risk management methodology is used for comparisons.

Credit Risk

Credit risk corresponds to the risk of losses arising from the inability of the Company's customers, issuers or other counterparties to meet their financial commitments. It mainly arises by the Company's deposits in credit and financial institutions and by assets held from debtors or prepayments made.

Although the capital requirement of Credit Risk has been essentially removed from the own funds requirement reporting under IFR, the company continues to consider Credit Risk as a key risk category under its broader risk management approach under the low category and it follows various credit risk mitigation strategies in order to minimize the possibility of occurrence of this risk, such as:

- All Client funds are held in segregated accounts, separated from Company's funds.

- The Company maintains regular credit review of counterparties, identifying the key risks faced and reports them to the Board of Directors, which then determines the firm's risk appetite and ensures that an appropriate amount of capital is maintained.

- In order to maintain its Credit risk to the minimum, the Company is using EU credit institutions for safekeeping of funds and always ensures that the banks it cooperates with have high ratings based on top credit rating agencies (Moody's, S&P or Fitch), it frequently monitors their compliance with the EU regulatory framework and diversifies the funds over several credit institutions thus mitigating the risk exposure efficiently.

Further to the above, the Company has policies to diversify credit risk and to limit the amount of credit exposure (concentration risk) to any counterparty, at all times.

Market Risk

Market risk corresponds to the risk of a loss of value on financial instruments arising from changes in market parameters, the volatility of these parameters and correlations between them. These parameters include but are not limited to exchange rates, interest rates, and the price of securities (equity, bonds), commodities, derivatives and other assets. Market risk mainly arises from:

- Position Risk: It refers to the probability of loss associated with a particular trading (long or short) position due to price changes

- Interest rate risk: The risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

- Commodities Risk: It refers to the uncertainties of future market values and of the size of the future income, caused by the fluctuation in the prices of commodities. These commodities may be oil, metals, gas, electricity etc.

- Foreign Exchange Risk: It is a financial risk that exists when a transaction is denominated in a currency other than the base currency of the company. The foreign exchange risk in the Company is effectively managed by the establishment and control of foreign exchange limits, such as through the establishment of maximum value of exposure to a currency pair as well as through the utilization of sensitivity analysis.

The Company monitors its market risk exposures regularly and additionally reports them on a quarterly basis to CySEC, as per the Net Position Risk (NPR) method of the K-Factor Requirement of IFR (see the next section for more information) therefore the categorisation of this risk is low.

Other Operational Risks

Operational risk corresponds to the risk of losses/failure arising from inadequacies or failures in

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internal procedures, systems or staff, or from external events, including low-probability events that entail a high risk of loss, all leading to an overall low categorisation:

- Strategic Risk,
- Group Risk,
- AML Risk/ weakness in KYC,
- Conflicts of Interest Risks,
- Political Risks
- Insurance Risks
- Interest Rate Risks
- Credit concentration risk
- Foreign Exchange Risk
- Commodity Risk
- Residual Risk
- Securitization Risk
- Settlement Risk
- Counterparty Risk,
- Mergers & Acquisitions
- Terrorism Risk,
- Policy Violation Risk,
- Documentation Risk,
- Outsourcing Risk,
- Information Technology
- Loss of data Risk,
- Systems failure Risk
- Third Party dependency Risk

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

In extend, the management of operational risk is geared towards:

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

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The Company implements the below mitigation strategies in order to minimize its operational risk and develop risk awareness:

- Provide of adequate information to the Company's management, in all levels, in order to facilitate decision making for risk control activities
- Implement a strong system of internal controls to ensure that operational losses do not cause material damage to the Company and have a minimal impact on profitability and objectives
- Implement improvements on productivity, efficiency and cost effectiveness, with an objective to improve customer service and protect shareholder value
- Establish a "four-eye" structure and board oversight
- Implement improvements on its methods of detecting fraudulent activities
- Updating its business contingency and disaster recovery plan

Finally, the Senior Management employs specialized tools and methodologies to identify, assess, mitigate and monitor operational risk. To this effect, the following are implemented:

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

For the calculation of operational risk in relation to the new capital adequacy reporting under IFR the Company uses the Fixed Overhead Requirement (further information can be found in the next section).

3. Risk Appetite

The Company defines Risk Appetite as the level of risk, by type and by business that the Company is prepared to incur given its strategic targets. and is one of the strategic oversight tools available to the Management body.

Key Risk Appetite metrics

For 2022, the Company's risk appetite is defined as follows: Combining the below Risk Assessment and taking into account the Probability/Impact Matrix, the Company stands willing to accept risks rated A and B, whilst it does not tolerate risks falling within categories C and D (i.e.

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having a score of more than, or equal to 10), which are deemed material. Having defined the materiality threshold of the risks, and having identified those breaching it, the Company attempts to lower the risk category of any material risk identified (at least to a risk rated B).

Throughout the year, the Company's risk profile has remained within normal/acceptable levels despite effects of recent macroeconomic factors, including the COVID pandemic.

Probability of Risk Occurring:

Score Level	Description	Frequency
6	Certain to occur	Occurs Monthly
5	Expected/likely to occur	At the once Quarterly
4	Frequent	Quarterly to Annually
3	Occasionally	Every 1-5 years
2	Unlikely	Every 5-20 years
1	Rare	Every 20 years or more

Impact of Risk:

Score Level	Risk Scale	Financial Impact (yearly in EUR)
1	Minor/Low/ Insignificant	0-10.000
2	Moderate/Medium	10.001-50.000
3	High	50.001-100.000
4	Major	100.001-150.000
5	Critical	150.001-200.000
6	Catastrophic	>200.001

Probability/ Impact Matrix:

Probability of Risk	Impact of Risk					
	1	2	3	4	5	6
6	B	C2	C3	D1	D2	D3
5	B	C1	C2	C3	D1	D2
4	B	B	C1	C2	C3	D1
3	B	B	B	C1	C2	C3
2	A	B	B	B	C1	C2
1	A	A	B	B	B	C1

Levels for performing capital allocation:

Risk Category	Capital Requirement as a % of the potential financial impact (yearly) of the Risk
C1	15%
C2	30%
C3	45%
D1	60%
D2	75%
D3	90%

Furthermore, the positioning of the business in terms of risk/return ratio as well as the Company's risk profile by type of risk are analyzed and approved by the BoD. The Company's risk appetite strategy is implemented by the Senior Management in collaboration with the BoD and

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applied by all divisions through an appropriate operational steering system for risks, covering the whole Governance, Risk and Compliance (“GRC”) spectrum.

Essential indicators for determining the Risk Appetite are regularly monitored over the year to detect any events that may result in unfavorable developments on the Company’s risk profile. Such events may give rise to remedial action, up to the deployment of a recovery plan in the most severe cases.

According to Financial Stability Board (FSB) an appropriate risk appetite framework (RAF) should enable risk capacity, risk appetite, risk limits, and risk profile to be considered for business lines and legal entities as relevant, and within the group context. The Risk appetite framework is defined as the overall approach, including policies, processes, controls, and systems through which risk appetite is established, communicated, and monitored. It includes a risk appetite statement, risk limits, and an outline of the roles and responsibilities of those overseeing the implementation and monitoring of the RAF. The RAF should consider material risks to the financial institution, as well as to the institution’s reputation vis-à-vis policyholders, depositors, investors and customers. The RAF aligns with the institution's strategy.

Consequently, the Risk Appetite Statement is defined as the articulation in written form of the aggregate level and types of risk that a financial institution is willing to accept, or to avoid, in order to achieve its business objectives. It includes qualitative statements as well as quantitative measures expressed relative to earnings, capital, risk measures, liquidity and other relevant measures as appropriate. It should also address more difficult to quantify risks, such as reputation and conduct risks as well as money laundering and unethical practices.

Furthermore, the risk capacity is defined as the maximum level of risk the financial institution can assume given its current level of resources before breaching constraints determined by regulatory capital and liquidity needs, the operational environment (e.g. technical infrastructure, risk management capabilities, expertise) and obligations, also from a conduct perspective, to depositors, policyholders, shareholders, fixed income investors, as well as other customers and stakeholders.

Specifically, the Company’s risk tolerance is the maximum allowable large exposure that the Company is able to be exposed to and maintain the respective additional capital and still be compliant with the relevant requirements.

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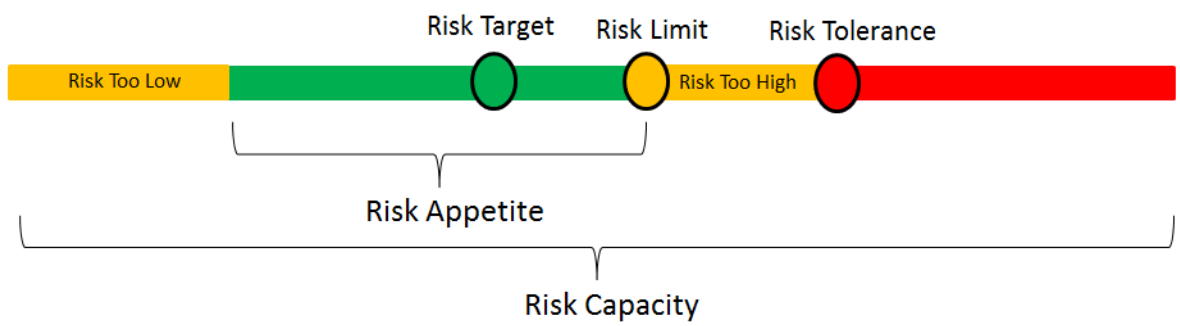
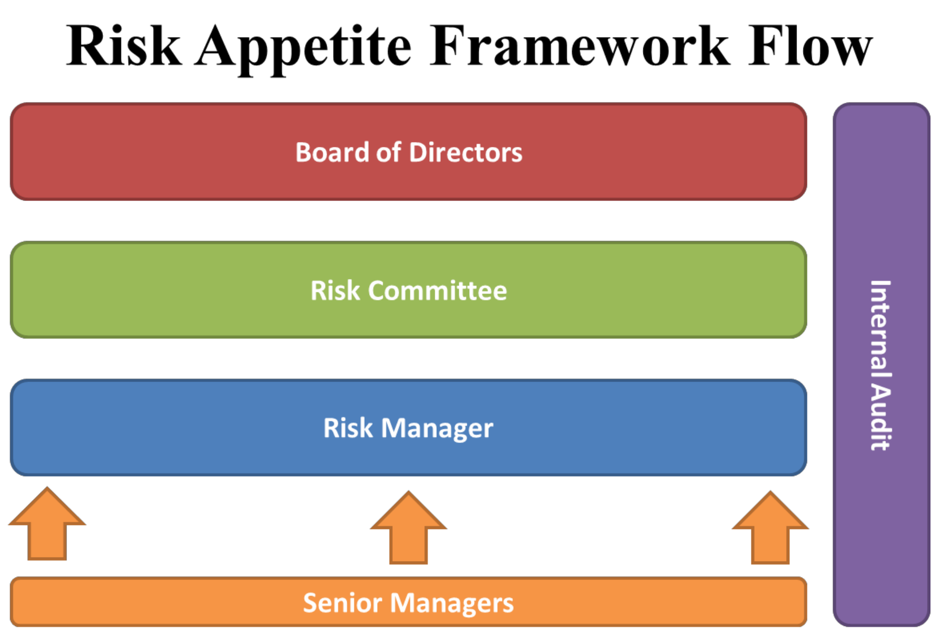


For the formulation of the Risk Appetite, the following approach is followed by the Company in order to ensure that the different stakeholders' perspectives and risk types are considered:



Below is a summary of the risk appetite for most of the risks that the company is exposed or could be exposed in the future

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Risk category		Risk description	Risk Appetite	Justification of the risk appetite
Pillar 1 Risks	Risk-to-Client k-factors - RtC	Client assets under management and ongoing advice (K-AUM)	Low	The company doesn't hold the PM license therefore is not exposed to this risk
		Client assets safeguarded and administered (K-ASA)	Low	The Company doesn't have assets under custody therefore is not exposed to this risk
		Client money held (K-CMH)	Medium	Clients money are segregated from the company's own funds in regulated EU credit institutions.
		Client orders handled (K-COH)	Medium	The company mitigate this risks by transmitting clients orders directly to the liquidity provider.
	Risk-to-Market Kfactors - RtM	Net position risk (K-NPR)	Low	Risk-to-Market (RtM) K-factors only apply to firms with a trading book that deals on their own account therefore the company is not exposed to this risk
		Clearing margin given (K-CMG)	Low	The company provides OTC CFDs which are not subject to clearing therefore is not exposed to this risk
	Risk-to-Firm K-factors	Trading Counterparty Default (K-TCD)	Low	The company does not have any trading book exposure with any other counterparties.
		Daily Trading Flow (K-DTF)	Medium	The company is not exposed to this risk due to the fact it does not hold the DOA license
		Concentration risk (K-CON)	Medium	The company does not have large exposures to specific counterparties based on the provisions of the CRR
		Capital Adequacy Risk	Medium	This is the risk that the Company is not in compliance with capital adequacy requirements or is not able to continue as a going concern
		Fixed overheads	Medium	The own funds requirements are set out in Articles 9 and 10 of the IFR. The increase of the fixed overheads results in an increase of the liquidity requirements and overall an increase in the minimum own funds requirement
		ILAAP - Liquidity Risk	Medium	As per above

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Pillar 2 Risks		Credit Risk	Low	The Company also implements the Standardised Approach to quantify the Credit Requirements, which correspond to the credit risks that it faces
		Market Risk	Medium	The company is exposed to Foreign exchange risk due to the nature of its business
	Operational Risks	Business Continuity Risk/ System Failure Risk	Low	Dependency on third parties in regards to backup procedures, software maintenance, hardware maintenance, use of the internet and anti-virus procedures. For this purpose the company has in place a proper business continuity Policy in order to be operational in case of catastrophic events.
		Control Failure Risk	Low	Posibility for data entry errors, accounting errors, failed mandatory reporting, negligent loss of Client assets, product defects diminished by the business continuity plan.
		Internal and External Fraud	Low	Posibility for misappropriation of assets, account churning, tax evasion, intentional mismarking of positions, bribery, theft of information, hacking damage, third-party theft and forgery fiduciary breaches cause by its staff or any person external to the firm.
		External events	Low	Posibility for Power-cuts Catastrophe of building plants due to fire or other natural disasters, pandemic. For this purpose the company has in place a proper business continuity Policy in order to be operational in case of catastrophic events.
		Personnel issues/ loss of key employees	Low	Potential loss of key employees and for this purpose the company has in place proper procedures regarding replacement of staff.
		Other Risks: • Credit, Market and Operational Risk • Strategic Risk, • Group Risk, • AML Risk/ weakness in KYC, • Conflicts of Interest Risks, • Political Risks • Insurance Risks • Interest Rate Risks • Credit concentration risk • Foreign Exchange Risk	Low	A large risk in relation to the Company's dependency on third parties and low income, though the Company does strengthen and document internal policies and procedures

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		• Commodity Risk • Residual Risk • Securitization Risk • Settlement Risk • Counterparty Risk, • Mergers & Acquisitions • Terrorism Risk, • Policy Violation Risk, • Documentation Risk, • Outsourcing Risk, • Information Technology • Loss of data Risk, • Systems failure Risk • Third Party dependency Risk		
		Business Risk /losses during unfavorable market conditions	Medium	Probable losses that might be incurred by the Company during unfavorable market conditions, thus having a current and/or future possible impact on earnings or capital from adverse business decisions and/or lack of responses to industry changes by the Company.
		Compliance risk/ Regulatory breaches leading to fines.	Medium	Potential violations of, or non-conformance with, the Law, Directives and Circulars issued thereof, regulations, prescribed practices, internal policies, and procedures, or ethical standards
		Reputational Risk	Low	An incident urges the Company's clients, counterparties, investors or regulators to adopt an adverse perception about the Company
		Litigation/ expenses due to Client complaints	Low	The Company did not have any complaints during the year under review.

4. Risk Management Committee

The Risk Management Committee ("RMC") advises the Board of Directors on the overall strategy and the appetite to all kinds of risks and helps the Board to verify that this strategy is implemented. The committee held three (3) meetings in 2022. It is responsible for:

- Reviewing the risk control procedures and is consulted about setting overall risk limits
- Reviewing on a regular basis the strategies, policies, procedures, and systems used to detect, manage and monitor the liquidity risk and submitting its conclusions to the Board of Directors
- Reviewing the policies in place and the reports prepared to comply with the regulations on internal control
- Reviewing the policy concerning risk management and the monitoring of off-balance sheet commitments, especially considering the memoranda drafted to this end by the without prejudice to the Compensation Committee's missions, reviewing whether the incentives provided by the compensation policy and practices are compatible with the Company's situation with regard to the risks it is exposed to, its share capital, its liquidity and the probability and timing of expected benefits

5. Diversity Policy

The Company recognizes the value of a diverse and skilled workforce and management body, as diversity is an asset to organizations and linked to better economic performance.

We are committed on creating and maintaining an inclusive and collaborative workplace culture that will provide sustainability for the organization into the future. The Company considers itself diverse in regards to its main workforce and has in place a diversity policy in relation to its management body and all employees.

The Company while assessing diversity should consider the following aspects:

- Educational and professional background: The management body should consist of members of different backgrounds to the financial services sector.

- Gender: The management body should ensure gender balance in order to ensure adequate representation of population.

- Age: The management body should consist of members of different age, so as to ensure adequate representation of population and target market.

- Geographical provenance: The management body should be consistent of members of different jurisdictions to ensure that is collectively has sufficient knowledge and views on

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the culture, market specificities and legal frameworks of the areas the Company is active in.

In order to facilitate an appropriately diverse pool of candidate for the management body and Key Holders, the Company should ensure that all diversity aspects are taken into consideration in the selection process and equal treatment and opportunities are provided for all staff of different genders, age, etc.

6. Board Recruitment

The Company and its shareholder rely on a strong Board of Directors; hence they carefully evaluate the recruitment of all Directors and ensure appropriate succession planning. The persons proposed for the appointment need to have specialised skills and/or knowledge to enhance the collective knowledge of the BoD and most importantly emphasis is given on their commitment in terms of time and effort. The Senior Management is assigned the responsibility to review the qualifications of potential director candidates and make recommendations to the existing BoD to ensure selecting the most appropriate candidate.

The Company considers the following factors (which also form the basis of its BoD recruitment policy):

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

7. Remuneration

Remuneration refers to payments or compensations received for services or employment. The

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Company’s remuneration system includes the base salary and occasionally bonuses or other economic benefits that an employee or executive may receive during employment. These benefits are frequently reviewed in order to always be appropriate to the CIF’s size, internal organization and the nature, scope and complexity of its activities.

The Company's remuneration system is designed to regulate the benefits of all employees with particular focus on those categories of staff whose professional activities have a material impact on its risk profile, such as the Senior Management, Heads of the Departments and the members of the Board of Directors. In the case of the latter, the remuneration policy is designed in such a way as to provide the right incentives to achieve the key business aims of the Company.

Aggregate Remuneration for 2022 broken down by business area

€ thousands	No. of staff	Fixed	Variable	Non-cash	Total
Board of Directors	4	188,280	0	0	188,280
Heads of Departments (Excluding Board or Senior Members)	6	81,393	0	0	81,393
Grand Total	10	269,673	0	0	269,673

8. Directorships held by Members of the Management Body

The Company’s members of the Management Body, and in particular of the non-Executive positions, are often experienced professionals and businessmen that are invited to participate in other corporate boards. In line with this, the Company is responsible to approve and monitor such individuals in terms of conflicts of interest. In 2022, the following table summarizes the number of positions that each member holds in entities whose services and activities are related to the provision of financial services:

Directorships held by Members of the Management Body

Name	Position in the Company	Executive	Non-

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		Directorships	Executive Directorships
Ms. Lingmei Dimitriou	Executive Director	**1**	**2**
Ms. Daniela Maria Dughinel	Executive Director	**1**	**0**
Mr. Ioannis Anastasiou	Independent Non-Executive	**0**	**3**
Ms. Maria Markidou	Independent Non-Executive	**1**	**1**
Ms. Wong Yuk Wah, Margaret	Non-Executive	**0**	**1**

9. Capital Adequacy

Capital management and adequacy of liquid funds is a paramount priority for the Company. The Company continuously monitors its capital reserves and risk exposures. This is currently performed in accordance with the Investment Firms Regulation (IFR).

9.1. Regulatory Capital

In line with the International Financial Reporting Standards (IFRS) and IFR, the Company's regulatory capital mainly consists of Common Equity Tier 1 Capital, composed primarily of ordinary shares and related share premium accounts, and retained earnings.

In some cases, additional capital tiers can come into force such as the Tier 2 Capital which could introduce the use of loans to support the business and operational capital. Such loans are highly regulated and are always subordinated to other claims.

9.2. Capital Ratio

The capital (adequacy) ratio is a key metric for a financial institution and is calculated by comparing the institutions' own funds with the highest of the three Capital Requirements (K-Factor Requirement, Fixed Overhead Requirement and Permanent Minimum Capital Requirement) as mentioned in **IFR Risks and related requirements** section. The calculations always follow a strict set of rules as defined by IFR. The minimum Total Capital Ratio that must be maintained **AT ALL** times is 100%.

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9.3. Capital Management

As part of managing its capital, the Company ensures that its solvency level is always compatible with the following objectives:

- Maintaining its financial solidity and respecting the Risk Appetite targets
- Adequate allocation of capital among the various business lines according to the Company's strategic objectives
- Maintaining the Company's resilience in the event of stress scenarios
- Meeting the expectations of the regulator and shareholders

The Company determines its internal capital adequacy thresholds in accordance with the above and the Senior Management is tasked to monitor the capital on a constant basis.

Further to the above, the Company is obligated to calculate and report its capital adequacy on a quarterly basis to the Cyprus Securities and Exchange Commission (the "CySEC"). Below you may find the latest results reported for 2022:

Capital Adequacy/Own Funds Requirements

$ thousands	**Dec 31, 2022 (Audited)**
CET1 Capital	130
Tier 1 Capital	130
Total Capital	130
Permanent Minimum Capital (PMC)	150
Fixed Overhead Requirement (FOR)	46
K-Factor Requirement (KFR)	0
Requirement Used	Transitional
Total Own Fund Requirement	130
Total Ratio	100.02%
CET1 Ratio	100.02%

EU IF CC1.02 - Composition of regulatory own funds (Small and non-interconnected investment firms)

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Item	Amount (EUR)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
OWN FUNDS	130	N/A
TIER 1 CAPITAL	130	N/A
COMMON EQUITY TIER 1 CAPITAL	130	N/A
Fully paid up capital instruments	4	ISSCA
Share premium	563	SHPMN
Retained earnings	-89	P&L PLACPA PLOD
Previous years retained earnings	-89	N/A
Profit eligible		N/A
Accumulated other comprehensive income		N/A
Other reserves	309	N/A
Minority interest given recognition in CET1 capital		N/A
Adjustments to CET1 due to prudential filters		N/A
Other funds		N/A
(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	-657	N/A
(-) Own CET1 instruments		N/A
(-) Direct holdings of CET1 instruments		N/A
(-) Indirect holdings of CET1 instruments		N/A
(-) Synthetic holdings of CET1 instruments		N/A
(-) Losses for the current financial year	-656	N/A
(-) Goodwill		N/A
(-) Other intangible assets	-1	N/A
(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities		N/A
(-) Qualifying holding outside the financial sector which exceeds 15% of own funds		N/A

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(-) Total qualifying holdings in undertaking other than financial sector entities which exceeds 60% of its own funds		N/A
(-) CET1 instruments of financial sector entites where the investment firm does not have a significant investment		N/A
(-) CET1 instruments of financial sector entities where the investment firm has a significant investment		N/A
(-) Defined benefit pension fund assets		N/A
(-) Other deductions		N/A
CET1: Other capital elements, deductions and adjustments *(Note 1)*		ICF1 ICF2
ADDITIONAL TIER 1 CAPITAL	-	N/A
Fully paid up, directly issued capital instruments		N/A
Share premium		N/A
(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	-	N/A
(-) Own AT1 instruments		N/A
(-) Direct holdings of AT1 instruments		N/A
(-) Indirect holdings of AT1 instruments		N/A
(-) Synthetic holdings of AT1 instruments		N/A
(-) AT1 instruments of financial sector entities where the investment firm does not have a significant investment		N/A
(-) AT1 instruments of financial sector entities where the investment firm has a significant investment		N/A
(-) Other deductions		N/A
Additional Tier 1: Other capital elements, deductions and adjustments		N/A
TIER 2 CAPITAL	-	N/A
Fully paid up, directly issued capital instruments		N/A
Share premium		N/A
(-) TOTAL DEDUCTIONS FROM TIER 2	-	N/A
(-) Own T2 instruments		N/A
(-) Direct holdings of T2 instruments		N/A

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(-) Indirect holdings of T2 instruments	N/A
(-) Synthetic holdings of T2 instruments	N/A
(-) T2 instruments of financial sector entities where the investment firm does not have a significant investment	N/A
(-) T2 instruments of financial sector entities where the investment firm has a significant investment	N/A
Tier 2: Other capital elements, deductions and adjustments	N/A

EU IFCC2: Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements

	Balance sheet as in published/audited financial statements	Under regulatory scope of consolidation	Cross reference to EU IF CC1
	As at period end 31.12.2022	As at period end	

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Tangible Assets	50,442.53	N/A	FURNIH FURNIA FURNIP COMPHH COMPHA COMPH COMPHP RENOVH RENOVP SIGNSH SIGNDP INSTAH INSTDP ELECTH ELECTA ELECTP TELSYA TELSYP
Intangible Assets	1,133.87	N/A	COMPSOFT
Cash, cash balances at central banks and other demand deposits	77,740.58	N/A	INVAST1 GBEBRO DIVISA VELO FXCM CFH LMAXD FINA LMAX2 ISP DPOP1 DHEL1 DHEL2 DHEL3 ASTRO1 ASTRO2 CASH1
Other assets	62,096.83	N/A	PRENT TENDER LRECEI

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Investor Compensation Fund	0	N/A	ICF1 ICF2
Total Assets	**191,413.81**	**N/A**	**N/A**
Other liabilities	61,173.03	N/A	INTERCOMA INTERCOMB TRADEC ASIF APAYE APROF AAUDIT TEMTAX ATAX21 ADEFEC ADEFPD VATIN VATINX VATOUT VATCON
Total Liabilities	61,173.03	**N/A**	**N/A**
Ordinary share capital	3,696	N/A	ISSCA
Share Premium	562,904	N/A	SHPMN
Other reserves(Non Refundable Funds)	309,178.50	N/A	Other reserves
Retained earnings	-745,537.72	N/A	P&L PLACPA PLOD
Total Shareholders' equity	130,241	**N/A**	**N/A**

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

Issuer	Company
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
Public or private placement	Private
Governing law(s) of the instrument	Cyprus Companies Law
Instrument type (types to be specified by each jurisdiction)	Ordinary shares

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Amount recognized in regulatory capital (Currency in million, as of most recent reporting date)	EUR 0.003696 (ordinary share capital) EUR 0.562904 (share premium)
Nominal amount of instrument	EUR1
Issue price	EUR1
Redemption price	N/A
Accounting classification	Ordinary share capital and share premium
Original date of issuance	13/04/2020
Perpetual or dated	N/A
Original maturity date	N/A
Issuer call subject to prior supervisory approval	N/A
Optional call date, contingent call dates and redemption amount	N/A
Subsequent call dates, if applicable	N/A
Coupons / dividends	N/A
Fixed or floating dividend/coupon	N/A
Coupon rate and any related index	N/A
Existence of a dividend stopper	N/A
Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
Existence of step up or other incentive to redeem	N/A
Noncumulative or cumulative	N/A
Convertible or non-convertible	N/A
If convertible, conversion trigger(s)	N/A
If convertible, fully or partially	N/A
If convertible, conversion rate	N/A
If convertible, mandatory or optional conversion	N/A
If convertible, specify instrument type convertible into	N/A
If convertible, specify issuer of instrument it converts into	N/A
Write-down features	N/A
If write-down, write-down trigger(s)	N/A

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If write-down, full or partial	N/A
If write-down, permanent or temporary	N/A
If temporary write-down, description of write-up mechanism	N/A
Non-compliant transitioned features	N/A
If yes, specify non-compliant features	N/A
Link to the full term and conditions of the intrument (signposting)	N/A

10. Internal Capital Adequacy Risk Assessment

The Internal Capital Adequacy Risk Assessment Process ("ICARA") requires institutions to identify and assess risks, maintain enough capital to face these risks and apply appropriate risk-management techniques to maintain adequate capitalization on an ongoing and forward-looking basis, i.e., internal capital supply to exceed internal capital demand.

The Company maintains compliance with the ICARA requirements under IFR within the current year.

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

- Understanding the risk profile of the Company
- The evaluation of the Company's capital adequacy in absorbing potential losses under stressed conditions (This takes place in the context of the Company's ICARA on an annual basis)
- The evaluation of the Company's strategy
- The establishment or revision of risk limits

In our ICARA report for 2022, several risk have been detected, however we remain diligent in order to mitigate any unexpected risks. The Company's ICARA, according to the new prudential requirement has revealed that the regulatory capital which is considered adequate for the risks that the company incurs within its business and organizational processes, as defined within the Pillar 1 Capital allocation is 150,000 EUR the minimum capital held for Pillar 1 purposes and for

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Pillar 2 the Company additional allocation is required for 71,250 EUR, due to the minimum capital, fixed overheads and liquidity requirements Risks. Therefore, the total capital allocation under Pillar 1 is 221,250 EUR.

Thus, the capital adequacy ratio of the Company as at 31/12/2022 (including transitional requirements), is 100.02%.

Pillar I & II Capital Requirements				
	Risk		**Pillar 1 Capital Allocation**	**Pillar 2 Capital Allocation**
Pillar I Risks	Risk to Client (RtC)	K-AUM	0	0
		K-ASA	0	0
		K-CMH	0	0
		K-COH	62,000	0
	Risk-to-Market K-factors	K-NPR	0	0
		K-CMG	0	0
	Risk -to-Firm K-factors	K-TCD	0	0
		K-DTF	0	0
		K-CON	0	0
	Total K Factors		**62,000**	**0**
	Fix Overheads Requirements (FOR)		46,000	11,250
	Permanent Minimum Capital Requirement (PMC)		150,000	37,500
	Total Own Funds Requirement		150,000	0
ILAAP - Liquidity requirements	**Liquidity requirements**		15,000	11,250
Pillar II Risks	Compliance Risk		0	11,250
Total			**€ 150,000**	**€ 71,250**
Total Capital Allocation (Pillar I & II)			**€ 221,250**	
Own Funds			**€ 130,030**	
Capital Adequacy Ratio			**86.69%**	
Capital Adequacy Ratio (including transitional requirements)			**100.02%**	
Capital Adequacy Ratio with Pillar II			**58.77%**	

11. Regulatory Reporting

In line with the regulatory requirements, the Company has been able to maintain a good reporting flow, as it can be seen below. Due to the fact the company has obtained the license in

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January 2022 several reports will be submitted first time in 2023

Annual Reporting Summary for 2022

Report	Responsible Person	Recipients	Frequency	Due Date
Data collection template	Risk Manager / Accounting	BoD, CySEC	Annual	21/04/2022
Prudential Supervision Information	Risk Manager / Accounting	BoD, CySEC	Quarterly	11/05/2022 11/08/2022 11/11/2022 10/02/2023
Quarterly Statistics	Risk Manager / Accounting	BoD, CySEC	Quarterly	30/04/2022 31/07/2022 30/10/2022 31/01/2023
CA-CIF ('Country Analysis' Form) – incorporated within the QST for 2023	Compliance Officer / Accounting	BoD, CySEC	Quarterly	11/05/2022 11/08/2022 11/11/2022 10/02/2023
AML Monthly Prevention Statement Form 144-08-11	AML Compliance Officer	BoD, CySEC	Monthly	By 15 of each month for the previous month
Complaints Form COMP-CIF	Compliance Officer	BoD, CySEC	Quarterly	By 15 of each month for the previous month

Reports that will be submitted first time in 2023

Report	Responsible Person	Recipients	Frequency	Due Date
Annual Compliance Report	Compliance Officer	BoD, CySEC	Annual	30/04/2023
Annual Internal Audit Report	Internal Auditor	BoD, CySEC	Annual	30/04/2023
Annual Risk Management Report	Risk Manager	BoD, CySEC	Annual	30/04/2023
Annual Anti-Money Laundering Compliance Report	AML Compliance Officer	BoD, CySEC	Annual	31/03/2023

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Pillar III Disclosures (Market Discipline and Disclosure)	Risk Manager	BoD, CySEC, Public	Annual	30/04/2023
Audited financial statements	External Auditor	BoD, CySEC	Annual	30/04/2023
Notification of Shareholders (+shareholder structure) and Tied Agents	Compliance Officer	BoD, CySEC	Annual	31/01/2023
Annual Fees Form 87-03-01	Compliance Officer	BoD, CySEC	Annual	30/04/2023
Audited Statement of eligible funds and Financial Instruments to the CIF	External Auditor	BoD, CySEC	Annual	10/05/2023
Confirmation to ICF for comply with Paragraph 11(6)(b) of Directive 87-07 (Form-87-07-05) regarding Liquidity Buffer	Compliance Officer	BoD, CySEC	Annual	15 - 20/05/2023
Pillar III Disclosure to Cysec-external auditors verification	External Auditor	BoD, CySEC	Annual	31/05/2023
Audited Prudential Supervision Form 165-01	External Auditor	BoD, CySEC	Annual	31/05/2023
Risk Based Supervision Framework	Risk Manager / Accounting	BoD, CySEC	Annual	26/05/2023

12. Regulatory Supervision

All CIFs under CySEC's authority must meet the requirements with respect to capital adequacy and market discipline, as per the below legal framework:

- Law 87(I)/2017-2021 regarding the provision of investment services, the exercise of investment activities and the operation of regulated markets (hereafter "the Law")
- Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012
- Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 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 (Investment Firms Regulation - IFR)

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- Directive (EU) 2019/2034 of the European Parliament and of the Council of 27 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 (Investment Firms Directive – IFD)

13. IFR Reference Table

IFR Article	Compliance Ref.
PART ONE: GENERAL PROVISIONS	
TITLE I: SUBJECT MATTER, SCOPE AND DEFINITIONS	
Article 1: Subject matter and scope	N/A
Article 2: Supervisory powers	N/A
Article 3: Application of stricter requirements by investment firms	N/A
Article 4: Definitions	N/A
TITLE II: LEVEL OF APPLICATION OF REQUIREMENTS	
CHAPTER 1: Application of requirements on an individual basis	
Article 5: General principle	Pg 4
Article 6: Exemptions	N/A
CHAPTER 2: Prudential consolidation and exemptions for an investment firm group	
Article 7: Prudential consolidation	N/A
Article 8: The group capital test	N/A
PART TWO: OWN FUNDS	
Article 9: Own funds composition	Pg 27
Article 10: Qualifying holdings outside the financial sector	N/A
PART THREE: CAPITAL REQUIREMENTS	
TITLE I: GENERAL REQUIREMENTS	
Article 11: Own funds requirements	Pg 27
Article 12: Small and non-interconnected investment firms	N/A
Article 13: Fixed overheads requirement	Pg. 10
Article 14: Permanent minimum capital requirement	Pg. 11
TITLE II: K-FACTOR REQUIREMENT	
CHAPTER 1: General principles	
Article 15: K-factor requirement and applicable coefficients	N/A
CHAPTER 2: RtC K-factors	
Article 16: RtC K-factor requirement	Pg 7

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14. Declaration by the Board of Directors on the adequacy of risk management arrangements of the institution

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

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

This declaration has been signed by the Board of Directors on 25/04/2023.

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