



**BOSON ALFA LTD**  
**Disclosure of Information (Pillar III)**  
**For the year ended December 31<sup>st</sup>, 2023**

## TABLE OF CONTENTS

<b>1.</b>	<b>INTRODUCTION</b>	<b>3</b>
<b>1.1.</b>	<b>Disclosure Policy</b>	<b>3</b>
<b>2.</b>	<b>CORPORATE GOVERNANCE</b>	<b>6</b>
<b>2.1.</b>	<b>Board of Directors</b>	<b>6</b>
<b>2.2.</b>	<b>Suitability Policy for Board Members</b>	<b>6</b>
<b>2.3.</b>	<b>Diversity Policy</b>	<b>8</b>
<b>2.4.</b>	<b>Number of Directorships Held by the Board Members</b>	<b>8</b>
<b>2.5.</b>	<b>Governance Committees</b>	<b>9</b>
<b>2.6.</b>	<b>Organizational Structure of the Company and Governance Functions Description within the Risk Management Framework</b>	<b>9</b>
<b>2.7.</b>	<b>Information Risk Flow</b>	<b>10</b>
<b>3.</b>	<b>RISK MANAGEMENT FRAMEWORK</b>	<b>12</b>
<b>3.1.</b>	<b>Risk Appetite Statement</b>	<b>17</b>
<b>3.2.</b>	<b>Risk Culture</b>	<b>23</b>
<b>3.3.</b>	<b>Internal Capital Adequacy and Risk Assessment Process (ICARA)</b>	<b>23</b>
<b>3.4.</b>	<b>Reporting requirements</b>	<b>24</b>
<b>4.</b>	<b>OWN FUNDS REQUIREMENT AND COMPOSITION</b>	<b>25</b>
<b>4.1.</b>	<b>Initial capital requirement</b>	<b>25</b>
<b>4.2.</b>	<b>Fixed Overhead requirement</b>	<b>25</b>
<b>4.3.</b>	<b>K-Factors Requirement</b>	<b>26</b>
<b>4.3.1.</b>	<b>Risk to Client</b>	<b>27</b>
<b>4.4.</b>	<b>Own Funds Composition &amp; Capital Ratios</b>	<b>29</b>
<b>5.</b>	<b>ADDITIONAL RISKS</b>	<b>36</b>

<b>5.1.</b>	<b>Operational Risk</b>	<b>36</b>
<b>5.2.</b>	<b>Concentration Risk</b>	<b>38</b>
<b>5.3.</b>	<b>Liquidity Risk</b>	<b>39</b>
<b>5.4.</b>	<b>Money Laundering and Terrorist Financing Risk</b>	<b>39</b>
<b>5.5.</b>	<b>Compliance Risk</b>	<b>40</b>
<b>5.6.</b>	<b>Reputation Risk</b>	<b>40</b>
<b>5.7.</b>	<b>Information Technology Risk</b>	<b>41</b>
<b>5.8.</b>	<b>Strategic Risk</b>	<b>41</b>
<b>5.9.</b>	<b>Business Risk</b>	<b>41</b>
<b>6.</b>	<b>REMUNERATION POLICY</b>	<b>42</b>

## 1. INTRODUCTION

BOSON ALFA LTD (the “Company”) is a Cypriot Investment Firm (“CIF”) regulated by the Cyprus Securities and Exchange Commission (the “Commission” or the “CySEC”) with license number 314/16.

Following the implementation of the Investment Firm Regulation, Regulation (EU) 2019/2033 (“IFR”) and the Law 165(I)/2021 - The Prudential Supervisions for Investment Firms Law of 2021, (the “Law”), the Company is required to disclose information relating to its capital as well as the risks that the Company is exposed to. These disclosures are for the year ended 31 December 2023. The Company’s policy is to meet all required Pillar III disclosure requirements as detailed in the regulations mentioned above.

### 1.1. Disclosure Policy

The Company discloses information in relation to its capital requirements on an annual basis in compliance with applicable legislation, regulatory and accounting risk disclosure standards. The 2023 Pillar III disclosures report of the Company sets out both quantitative and qualitative information required in accordance with Part 6 of the IFR.

#### Reporting Frequency and Details

The Company’s policy is to publish the disclosures required on an annual basis. Should there be a material change in approach used for the calculation of capital, business structure or regulatory requirements, the frequency of disclosure will be reviewed. The Company reports on a Solo basis and the reporting currency is EUR.

#### Verification and Publication

The Company’s Pillar III disclosures are subject to internal review and validation prior to being submitted to the Board of Directors (“Board”) for approval. This includes approval by the CEO and the Risk Manager.

The Company’s Pillar III disclosures have been reviewed and approved by the Board. In addition, the Remuneration disclosures, as detailed in Section 6 of this document, have been reviewed by the Board, which has responsibility of the Remuneration Policy in the absence of a Remuneration Committee.

The disclosures are published on the website of the Company [www.bosonalfa.com](http://www.bosonalfa.com) and the external auditors’ audit opinion with regards to Pillar III Disclosures is submitted to CySEC the latest by 31 May 2024.

#### Implementation of IFR

Following the implementation of the new prudential regulatory framework, the Company should prepare the Pillar III Report in accordance with the Part Six of the IFR and as the Class 2 CIF, the Company is requested to publicly disclose the following items on an annual basis:

- Risk management
- Governance
- Own funds

- Own Funds requirements
- Remuneration

Moreover, since the Company does not meet the conditions to be categorised as a significant CIF, it is not required to comply with the Investment Policy and ESG risks disclosures requirement as per the IFR.

## 2. CORPORATE GOVERNANCE

### 2.1. Board of Directors

The Board has overall responsibility for the business. It sets the strategic aims for the business, in line with delegated authority from the shareholder and in some circumstances subject to shareholder approval, within a control framework, which is designed to enable risk to be assessed and managed. The Board satisfies itself that financial controls and systems of risk management are robust. The Board comprises of 3 executive directors and 2 non-executive/independent directors.

Full name of Director	Position/Title / Capacity	Country
Alexander Royce	Chief Executive Officer, Executive Director, "4 eyes"	Cyprus
Elena Christodoulou	General Manager, Executive Director, "4 eyes"	Cyprus
Yan Chandra	Executive Director	Cyprus
Constantinos Constantinides	Non-executive Director, Independent	Cyprus
Raluca G. Petre	Non-executive Director, Independent	Cyprus

### 2.2. Suitability Policy for Board Members

The Company has the primary responsibility for ensuring that the members of the management body are individually suitable at all times and should assess or re-assess the suitability, in particular:

- when applying for authorisation to take up the business;
- when material changes to the composition of the management body occur, including:
  - when appointing new members of the management body, including as a result of a direct or indirect acquisition or increase of a qualifying holding in the Company. This assessment should be limited to newly appointed members;
  - when re-appointing members of the management body, if the requirements of the position have changed or if the member is appointed to a different position within the management body. This assessment should be limited to the members whose position has changed and to the analysis of the relevant aspects, taking into account any additional requirements for the position;
- on an ongoing basis.

The initial and ongoing assessment of the individual suitability of the members of the management body is the responsibility of the Company, without prejudice to the assessment carried out by competent authorities for supervisory purposes.

The Company should assess, in particular, whether or not the members:

- are of sufficiently good repute;
- possess sufficient knowledge, skills and experience to perform their duties;
- are able to act with honesty, integrity and independence of mind to effectively assess and challenge the decisions of the management body in its management function and other relevant management decisions where necessary and to effectively oversee and monitor management decision-making;
- are able to commit sufficient time to performing their functions in the institution and, where the institution is significant, whether or not the limitation of directorships under Article 91(3) of Directive 2013/36/EU is being complied with.

Where an assessment is made for a specific position, the assessment of sufficient knowledge, skills, experience and time commitment should take into account the role of the specific position concerned. The level and nature of the sufficient knowledge, skills and experience required from a member of the management body in its management function may differ from that required from a member of the management body in its supervisory function, in particular if these functions are assigned to different bodies.

All areas of knowledge required for the Company's business activities should be covered by the management body collectively with sufficient expertise among members of the management body. There should be a sufficient number of members with knowledge in each area to allow a discussion of decisions to be made. The members of the management body should collectively have the skills to present their views and to influence the decision-making process within the management body.

The composition of the management body should reflect the knowledge, skills and experience necessary to fulfil its responsibilities. This includes that the management body collectively has an appropriate understanding of those areas for which the members are collectively accountable, and the skills to effectively manage and oversee the Company, including the following aspects:

- the business of the Company and main risks related to it;
- each of the material activities of the Company;
- relevant areas of sectoral/financial competence, including financial and capital markets, solvency and models, environmental, governance and social risks and risk factors;
- financial accounting and reporting;
- risk management, compliance and internal audit;
- information technology and security;
- local, regional and global markets, where applicable;
- the legal and regulatory environment;
- managerial skills and experience;
- the ability to plan strategically;
- the management of (inter)national groups and risks related to group structures, where applicable.

While the management body in its management function should collectively have a high level of managerial skills, the management body in its supervisory function should collectively have sufficient management skills to organise its tasks effectively and to be able to understand and challenge the management practices applied and decisions taken by the management body in its management function.

If the Company's assessment or re-assessment concludes that a person is not suitable to be appointed as a member of the management body, that person should not be appointed or, if the member has already been appointed, the Company should replace that member. With the exception of criteria relevant to the assessment of reputation, honesty and integrity, if the Company's assessment or re-assessment identifies easily remediable shortcomings in the member's knowledge, skills or experience the institution should take appropriate corrective measures to overcome those shortcomings in a timely manner.

### 2.3. Diversity Policy

#### Objectives:

The Company aims to engage a broad set of qualities and competences when recruiting members of the management body, to achieve a variety of views and experiences and to facilitate independent opinions and sound decision-making within the management body.

#### Educational and Professional Background:

The educational background of directors should include university or postgraduate degree or other equivalent qualification in a field related to law, economics or finance, including but not limited to banking, management, accounting, business administration and/or professional experience for at least 5 (five) years in full-time occupation in the financial sector. The Company may also take into account other important factors not mentioned above when assessing educational and professional criteria for the members of management body. Naturally, educational and professional background are relevant for the fit and properness of the members of the management body, and it is required that the management body collectively understands all relevant economic, legal, managerial and procedural aspects of the Company's activities.

#### Gender:

Gender diversity is a key aspect of diversity, as different attitudes and behaviors can be observed in persons of different gender. The Company supports equal opportunities for different genders. However, the quantitative target for the representation of the underrepresented gender in the management body is not obligatory due to the Company's size.

#### Age:

A diverse management body should consist of members of different ages to ensure an appropriate mix of very experienced members and members who have up-to-date work experience.

#### Geographical provenance:

It is important that some directors understand the cultural values, market specificities and legal frameworks present in the main business hubs the Company is active in, in order to facilitate well-informed decision-making regarding the business strategy within those countries and areas.

### 2.4. Number of Directorships Held by the Board Members

Full name of Director	Position/Title	Executive	Non-Executive
Alexander Royce	Executive Director (CEO)	1	1
Elena Christodoulou	Executive Director, General Manager	2	0
Yan Chandra	Executive Director	1	0
Constantinos Constantinides	Non-executive Director	1	3
Raluca G. Petre	Non-executive Director	1	4

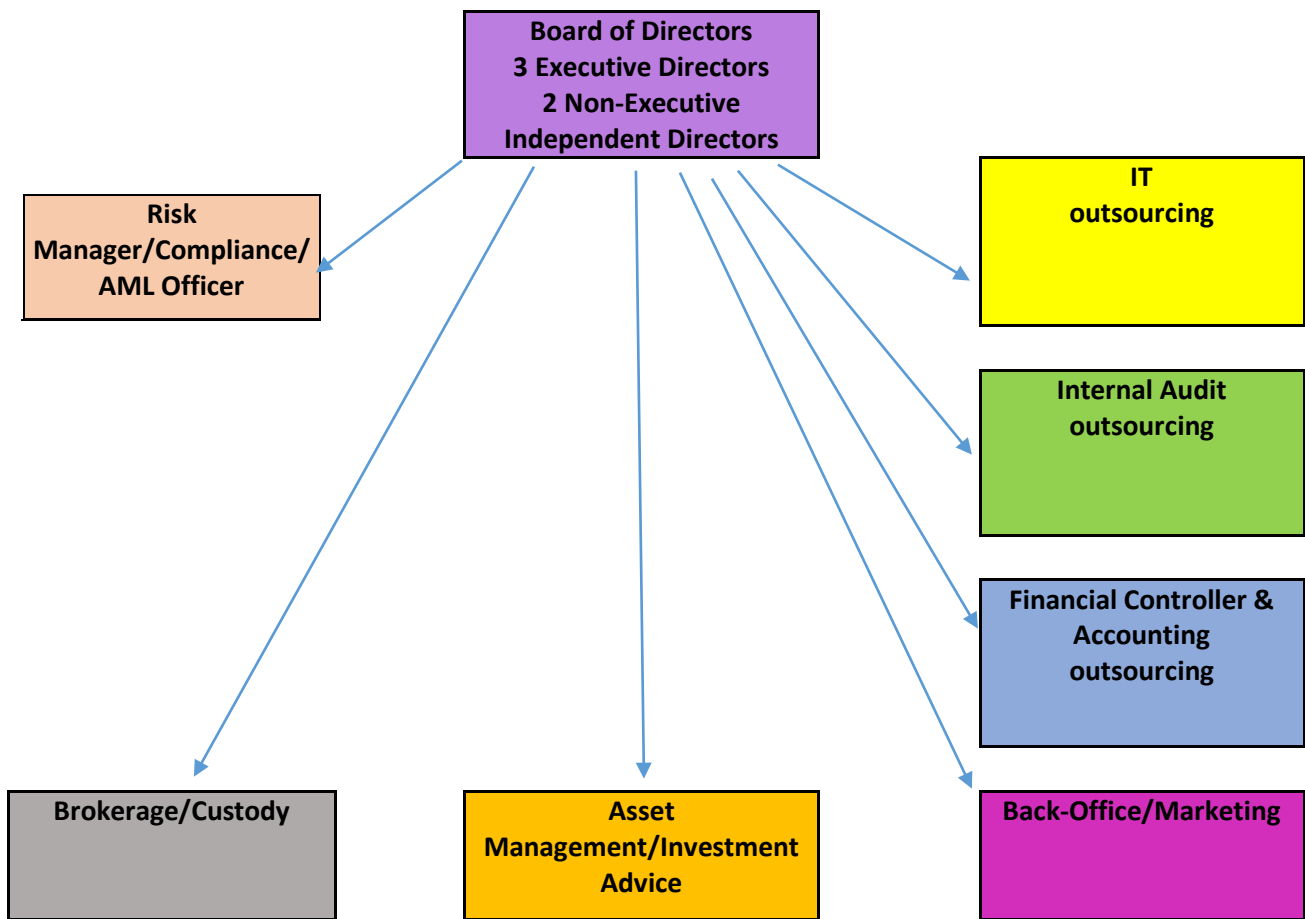


## 2.5. Governance Committees

The Company has not formed any governance committees, except for Investment Committee, since the current scale and complexity of its operations does not require such level of elaborate governance oversight to adequately monitor its operational effectiveness and its potential risks.

The Investment Committee has been formed to ensure the implementation of a prudent investment policy and monitoring of the provision of adequate investment services to Clients. The Investment Committee decisions shall relate to general and overall decisions as far as the investments are concerned which correspond to the Client's risk profile categories or the Company's risk profile, as applicable. These general and overall decisions relate to various sectors of the economy across multiple regions and countries, general macroeconomic indicators, types of Financial Instruments, types of financial markets and market segments. Further, these decisions are notified to the relevant Heads of the Departments of the Company, as necessary, to enable discharging of their duties in an effective manner. As far as investments are concerned and when related to specific investment strategies, these decisions are of a prescribed content.

## 2.6. Organizational Structure of the Company and Governance Functions Description within the Risk Management Framework



The Company is committed to good risk management and prioritizes risk management through its functional structure, governance processes, monitoring and reporting activities and its emphasis on the Company's vision and values.

The Company's risk management framework aims to establish, implement and maintain adequate policies and procedures designed to manage any type of risks relating to Company's activities and where appropriate, to set the level of risk tolerated by the Company. The current risk management framework sets the process applied in the activities of and across the Company, designed to identify potential events that may affect its business, to manage risks to be within its risk appetite, and to provide reasonable assurance regarding the achievement of its mission and its objectives.

The Board in its duty to oversee the Company's operations is responsible for reviewing the effectiveness of the Company's risk management arrangements, systems and controls, which are designed to manage risks.

Within the Company's risk management framework there are structures that provide for the validation role of risk management, compliance and internal audit functions. Even though these are distinct functions in the Company's structure and they perform very specific duties in the overall risk management framework, there is a considerable degree of overlap and intersect present.

The Accountant, the Internal Auditor, Risk management and Compliance and AML Functions work in concert taking into account the nature, scale and complexity of the business of the Company, and the nature and range of investment services and activities undertaken in the course of business. The integrated objective of these distinct functions is to enhance the accuracy and overall effectiveness of the Company's risk management and monitoring structure.

The accountant is responsible for the day-to-day recording of all financial information, control of all receipts and payments, internal management reporting and external financial reporting. He is also responsible for the management accounts which are feeding into the capital adequacy requirements monitoring.

The internal auditor is responsible for conducting independent appraisals of the Company's activities, functions and operations to ensure that an adequate framework of internal controls has been established and is operating effectively.

The Compliance and AML officer has the responsibility for ensuring that structures and procedures are in place to ensure compliance with laws and regulations, which relate to minimizing the risk of complying by the setup of internal policies and procedures as well as fostering standards of behavior to protect and enhance the compliance of the Company towards the Investment Services and Activities and Regulated Markets Law and relevant regulations and directives.

The Risk Management Function is represented by the Risk Manager who reports directly to the Board and provides analysis, challenge, understanding and oversight of each of the principal risks faced by the Company.

## **2.7. Information Risk Flow**

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, Anti-Money Laundering and Terrorist Financing and Risk Management issues and approves the Company's ICAAP/ICARA report as shown in the table below:

	<b>Report Name</b>	<b>Owner of Report</b>	<b>Recipient</b>	<b>Frequency</b>
1	Risk Management Report	Risk Manager	CySEC, Board	Annual or more frequent upon management request
2	ICAAP/ICARA	Risk Manager	CySEC, Board	Annual
3	Compliance Report	Compliance Officer	CySEC, Board	Annual or more frequent upon management request
4	Internal Audit Report	Internal Auditor	CySEC, Board	Annual or more frequent upon management request
5	Anti-money laundering report	Anti-money laundering Compliance Officer	CySEC, Board	Annual or more frequent upon management request
6	Investment Committee decisions	Risk Manager	Board	Quarterly

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

### 3. RISK MANAGEMENT FRAMEWORK

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.

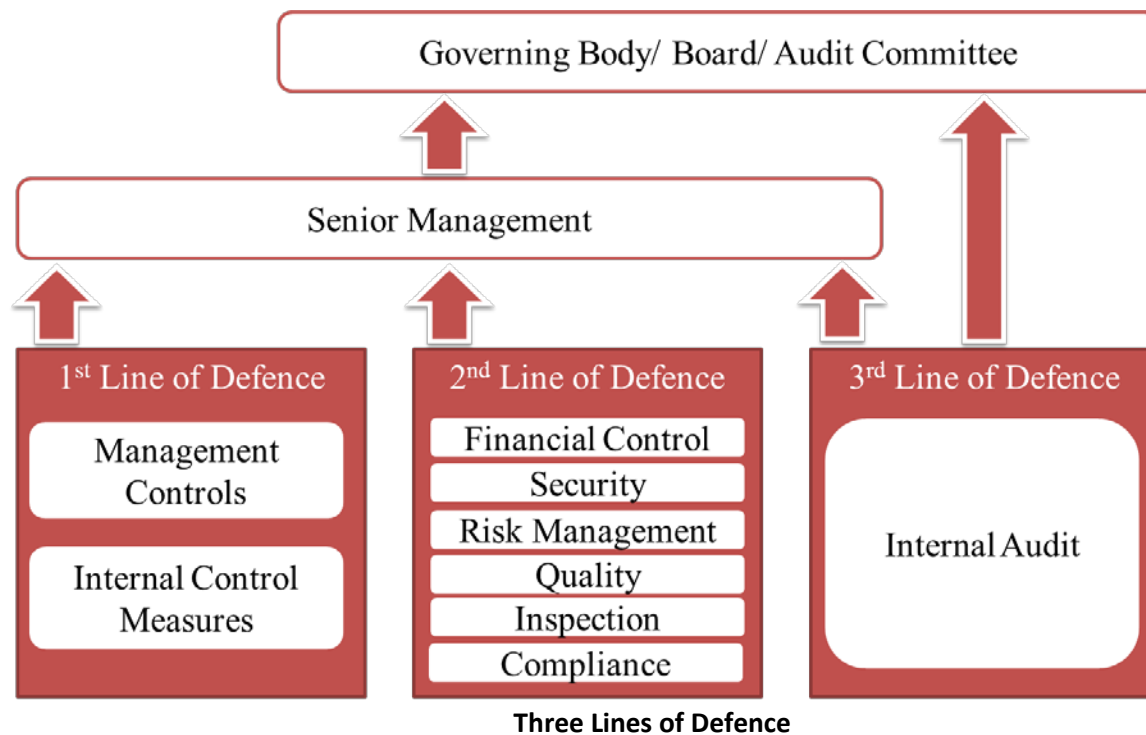
The risk management and internal control systems are embedded in the operations of the Company and are capable of responding quickly to evolving business risks, whether they arise from factors within the Company or from changes in the business environment.

The Company applies the 'three lines of defense' strategy. The three lines of defense are a clear and consistent to organisational and operational structure, including decision-making powers, reporting and functional links and segregation of duties which are clearly defined, transparent, consistent, complete, and free from conflicts of interest.

At the **first level**, 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.

At the **second level**, 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 its 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.

Finally, at the **third level** of control, the Internal Audit function 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.



The risk management framework according to ISO31000 guidelines refers to the arrangements (including practices, processes, systems, resources and culture) within the organisation’s system of management that enables risks to be managed. The framework includes clear statements from top management on the organisation’s intent regarding risk management and the necessary capacity to achieve this intent. Risk management is an integral component of management and as such it is fully integrated into the Company’s management system and processes.

The Company has taken into consideration Risk Based Supervision-Framework (issued on December 2017) which is affected on all entities regulated by CySEC. The RBS-F sets out what regulated entities can expect from the risk assessment process and during their on-going supervisory cycle. The RBS-F aims to assist CySEC control the risk of failing to meet its statutory obligations, while at the same time taking into consideration any reputational risk arising from its duties and its role within the international financial markets and that of the European Union (EU) specifically.

The most important benefit of the RBS-F document is that the Management persons involved in the regulated entities’ Controls, Functions and other relevant persons and stakeholders of regulated entities may want to have an understanding of the approach to be followed during CySEC’s supervisory activities. The components of the RBS-F were designed to capture and assess these two indicators (i.e. impact and probability) in a manner that is comparable amongst all regulated entities.

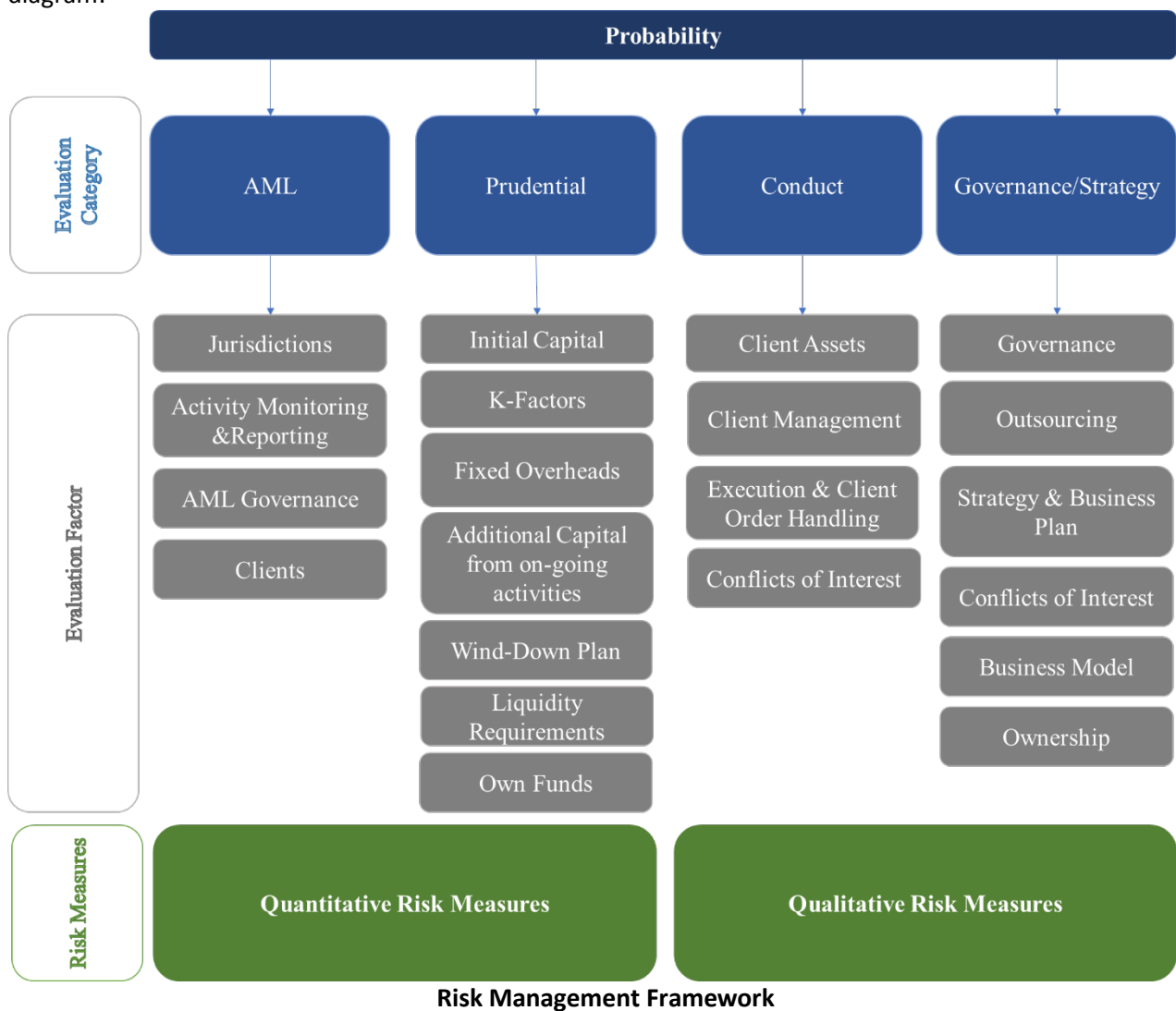
**Impact** mainly captures the size of the Company. It is measured using quantitative risk measures and is calculated using numerical data extracted mostly from regulatory returns.

**Probability** assesses the likelihood for a certain risk / event to occur for the Company and is measured using both quantitative and qualitative risk measures.

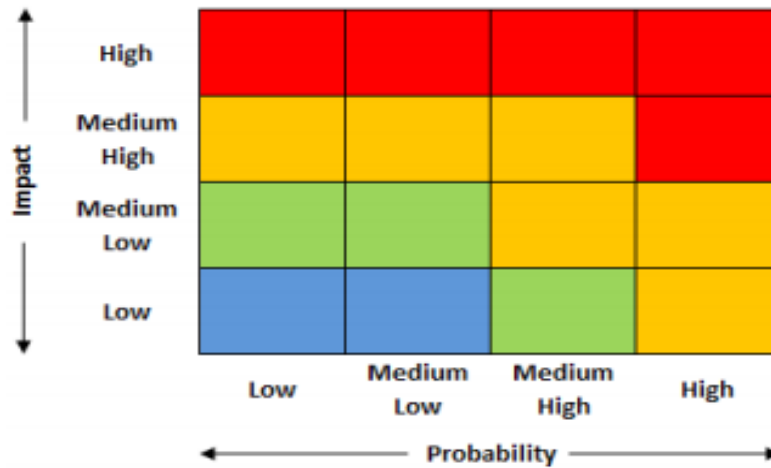
For the evaluation of the qualitative risk measures, according to RBS-Framework they are derived as a relationship amongst the following components evaluation categories:

1. **Anti-Money Laundering**, that ensures the minimization of the possibility that the Company may be used for financial crime.
2. **Prudential**, that is used for the assessment of the safety and soundness of the Company and ensures that the threat entities pose to the stability of the financial system in providing critical financial services is reduced.
3. **Governance & Strategy** that is used to assess whether the processes and decisions granted by the Management of the entity are adequate.
4. **Conduct**, that ensures that clients get a fair treatment and that markets are resilient and fair.

Assessment of the evaluation categories listed above are based on the evaluation factors as per the below diagram:



Further to the above, the entity’s overall score is calculated as a combination of its impact and probability. There are four (4) categories (the supervisory stances) which can be assigned. These are Low (L), Medium-Low (ML), Medium-High (MH), High (H) as depicted below:



**RBS-F Handbook: Probability & Impact Diagram**

The Company’s Overall Score indicates the importance of the Company to CySEC and defines the CySEC’s approach to supervision. Each category is subject to a different level of supervision enabling CySEC to use its resources efficiently and supervise CIFS on a risk-based approach.

Supervisory Stance / Entity Overall Score	Approach	Description / Approach to supervision
H	Relationship managed	Establishment of a supervisory programme that is designed to enable each of the Probability Ratings to be assessed through regular meetings, targeted reviews and tailored remediation plans.
MH	Relationship managed	A regulatory approach consistent with the one followed for H risk entities will be applied. However, in order to ensure appropriate application of the RBS-F principles, the supervisory programme for MH risk entities will be less frequent / rigorous than the one for H risk entities.
ML	Thematic reviews	Subject to desk-top data analysis and potential selection for thematic review. ML risk entities will be prioritized for thematic reviews where probability scores show they are relevant to individual entities.
L	De minimis	Limited interaction beyond administrative supervisory processes/ supervision through reporting. Random selections for desk-top data analysis that could potentially result to thematic reviews.

**RBS-F Handbook: Overall Risk Score**

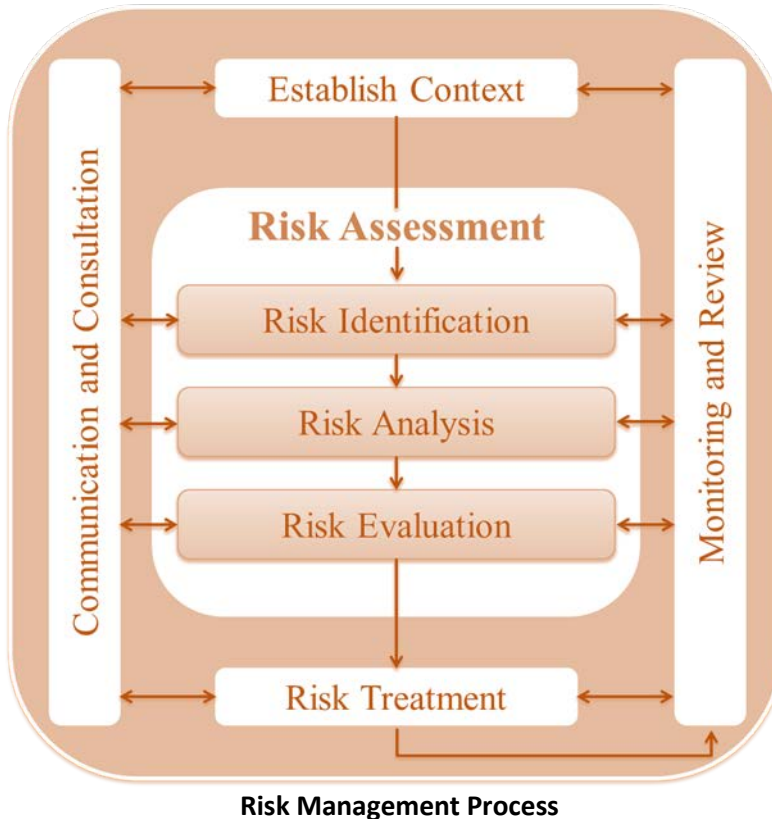
**Risk Management process (based on ISO 31000 methodology)**

The risk assessment process, based on ISO 31000 guidelines, is defined as the procedure in which the exposure of the organisation to risk and uncertainty is identified. The risk identification process requires an

intimate knowledge of the organisation, the market in which the Company operates, the legal, and political environment in which it exists, but also the knowledge of its strategic and operational objectives. The evaluation of the Company's environment is critical to define all the risks following from the business activities.

Following the risk analysis process, the Company is able to understand the sources and causes of the identified risks while it studies the probabilities and consequences given the existing controls and mitigation techniques. All the risks of any significance are identified, assessed and controlled on an on-going basis. The result of the risk analysis is used to produce a risk profile that is presented in the Company risk register, describing the type of threats the Company faces and also the Company's current mitigation techniques. This process allows the risks to be mapped to the business area affected, describes the primary control mechanisms in place and indicates where the level of investment in controls might be increased, decreased or reapportioned.

The risk analysis activity assists the effective and efficient operation of the organisation by identifying those risks that require attention by management. This will facilitate the ability to prioritise risk control actions in terms of their potential to benefit the organisation. The range of available risk response treatments include tolerate, treat, transfer and terminate.



Risk management must be integrated into the culture of the organisation and this will include mandate, leadership and commitment from the Board. It must translate risk strategy into tactical and operational objectives and assign risk management responsibilities throughout the organisation. It should support accountability, performance measurement and reward, thus promoting operational efficiency at all levels. Achieving a good risk awareness culture is to ensure by establishing an appropriate risk architecture, strategy and protocols.



The risk management process outlined in the ISO 31000 standard includes the following activities:

- **Risk identification:** identifying what could prevent us from achieving our objectives.
- **Risk analysis:** understanding the sources and causes of the identified risks; studying probabilities and consequences given the existing controls, to identify the level of residual risk.
- **Risk evaluation:** comparing risk analysis results with risk criteria to determine whether the residual risk is tolerable.
- **Risk treatment:** changing the magnitude and likelihood of consequences, both positive and negative, to achieve a net increase in benefit.
- **Establishing the context:** this activity, which was not included in earlier risk management process descriptions, consists of defining the scope for the risk management process, defining the organization's objectives, and establishing the risk evaluation criteria. The context comprises both external elements (regulatory environment, market conditions, stakeholder expectations) and internal elements (the organization's governance, culture, standards and rules, capabilities, existing contracts, worker expectations, information systems, etc.).
- **Monitoring and review:** this task consists of measuring risk management performance against indicators, which are periodically reviewed for appropriateness. It involves checking for deviations from the risk management plan, checking whether the risk management framework, policy and plan are still appropriate, given organizations' external and internal context, reporting on risk, progress with the risk management plan and how well the risk management policy is being followed, and reviewing the effectiveness of the risk management framework.
- **Communication and consultation.** This task helps understand stakeholders' interests and concerns, to check that the risk management process is focusing on the right elements, and also helps explain the rationale for decisions and for particular risk treatment options.

### 3.1. Risk Appetite Statement

Risk appetite is the level and type of risk a firm is able and willing to assume in its exposures and business activities, given its business objectives and obligations to stakeholders. Risk appetite is generally expressed through both quantitative and qualitative means and should consider extreme conditions, events and outcomes. In addition, the 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.

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 is aligned with the institution's strategy.

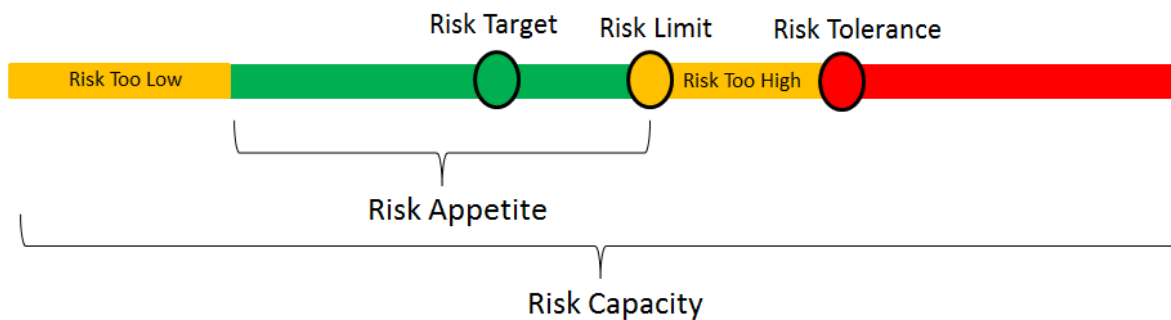
Consequently, the Risk Appetite Statement is defined as the articulation in written form of the aggregate level and types of risk that a financial institution is willing to accept, or to avoid, in order to achieve its business objectives. It includes qualitative statements as well as quantitative measures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

Moreover, Risk Target is the Company's optimal positioning within the risk appetite. Every strategic and tactical objective has a certain return and a certain level of risk. The target is where the Company is aiming for both. Once the Risk Target is reached, this is the threshold where the Company starts to take steps to bring risk back within the Risk Appetite. This could mean selling off risk, hedging, increasing monitoring, adding capital, increasing reserves or any other credit mitigation controls. Risk Limit is the Company's maximum risk of the risk appetite area.

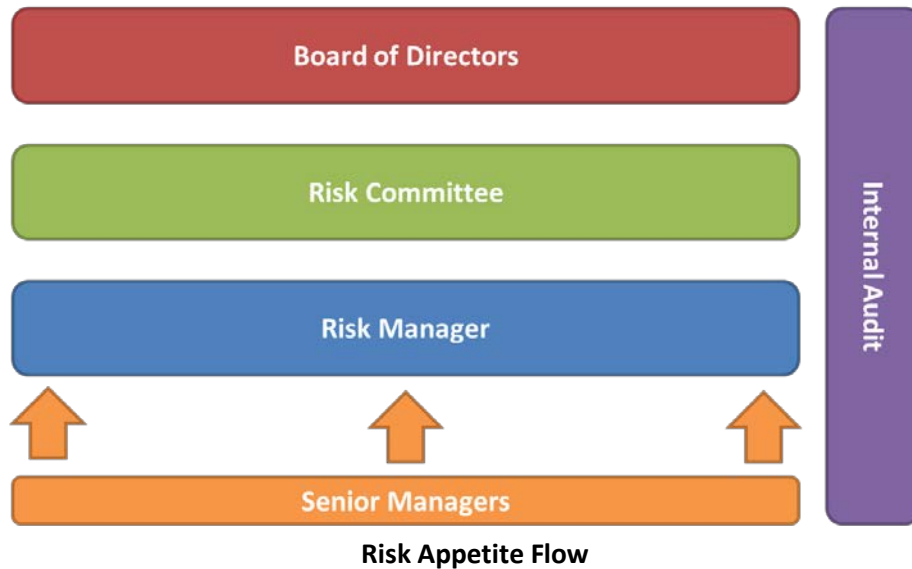
Additionally, the risk tolerance is the level of risk to which an organization is willing and able to be exposed, taking into account the Company's financial strength, its nature, scale and complexity, liquidity, and the physical resources needed to adequately manage the risk.

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 (i.e. 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 capital requirements.



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:



The roles and responsibilities of the main stakeholders are presented below.

#### Board of Directors

The BoD has the overall responsibility for setting, approving and overseeing the implementation of the RAF, whilst ensuring that it remains consistent with the Company's short- and long-term strategy, business and capital plans. The BoD's responsibilities with regards to the RAF are set out below:

- Establish the risk appetite of the Company through the articulation in a written form of a risk appetite statement. It has the overall responsibility of approving the risk limits taking into account the competitive and regulatory landscape and the Company's business objectives;
- Ensure that strategic decisions as well as annual business plans are in line with the approved risk appetite;
- Ensure that adequate resources and expertise are dedicated to risk management and internal audit in order to provide independent assurances to the Board and senior management that these departments are operating within the approved RAF;
- Ensure that the remuneration policy and practices are in line with the Company's risk appetite;
- Discuss with regulators decisions regarding the establishment and ongoing monitoring of risk appetite as well as any material changes in the current risk appetite levels, or regulatory expectations regarding risk appetite.

#### Risk Manager

The Risk Manager has an active role in the development of the risk appetite framework in the following:

- developing an appropriate risk appetite which meets the requirements of the Company and aligns with supervisory expectations;
- actively monitoring the Company's risk profile relative to its risk appetite, strategy, business and capital plans;
- regularly reporting to the Board on the Company's risk profile in relation to risk appetite;
- identifying the material risks of the Company and defining the risk limits applicable,

- ensuring the effective and timely management, and where necessary mitigation, of material risk exposures, especially those that are close to or exceed the approved risk limits;

### Senior Management

The Senior Management contributes to the establishment of the risk limits of the RAS. The Senior Management is also responsible for the effective management of the risks within their own business area. Moreover, the head of each department must ensure that the activities within their business area is in line with the risk limits set by the BoD and to report any breaches of limits to the risk manager. In case of violations, senior managers need to propose appropriate action plans and implement appropriate controls and processes to ensure the effective and timely management of material risk exposures to restore the breach.

### Internal Audit

The Internal Auditor provides independent assurance to the BoD, Senior Management and Risk Manager on the quality and effectiveness of the Company’s internal control, risk management and governance systems and processes.

Specifically, as regards the assessment of the Company’s overall Risk Framework, the Internal Auditor should:

- provide periodic assessments of the RAF of the Company;
- identify whether breaches in risk limits are appropriately identified, escalated and reported;
- independently assess the design and effectiveness of the RAF and its alignment with supervisory expectations;
- assess the effectiveness of the implementation of the RAF, including linkage to the strategic, capital, business planning and decision-making processes;
- Report any material deficiencies regarding the alignment of risk appetite and risk profile with risk culture to the Board of Directors, Senior Management and Risk Manager.

The Company is assessing its risk appetite in respect to investing and to managing business and operational activities.

<b>Risk Appetite Statement</b>				
<b>Quantitative Indicators</b>		<b>Normal</b>	<b>Warning</b>	<b>Limit</b>
Regulatory Requirements	Common Equity Tier 1 Ratio	>100%	<75%	56%
	Tier 1 Capital Ratio	>125%	<100%	75%
	Total Capital Ratio	>150%	<125%	100%
	Own Funds Requirement	>€200k	<€200k	€150k
	Liquid Assets	>€100k	<€100k	€33k
Profitability	Return on Assets	≥5.00%	<5.00%	≤0.00%
	Return on Equity	≥5.00%	<5.00%	≤0.00%
Concentration Risk	Exposures with Institutions	≤60.00%	>60.00%	≥100.00%
	Exposures with non-Institutions	≤10.00%	>10.00%	≥25.00%

Operational Risk	Internal Fraud (single incident)	≤€0	>€0	≥€10k
	External Fraud (single incident)	≤€0	>€0	≥€10k
	Damage to Physical Assets	≤€0	>€0	≥€2k
Conduct Risk – Customer Complaints (per year)		≤0 complaints	>0 complaints	≥10 complaints
Legal Risk – Loss on single legal case (potential losing in court greater than 50%)		≤€0	>€0	≥€50k
<b>Qualitative Indicators</b>				
Strategic Risks	The Company has a low appetite for threats to the effective and efficient delivery of strategic initiatives. It recognises that the actual or perceived inability to deliver strategic initiatives could have a significant impact on its ability to achieve its objectives as well as its reputation.			
Financial Risks	The Company holds domestic and foreign currency-denominated cash instruments to support its operations. As a result, the Company has a very low appetite for credit risk.			
Operational Risk	<i>Internal Fraud:</i> The Company has a low appetite for any fraud or corruption perpetrated by its staff.			
	<i>External Fraud:</i> The Company has a low appetite for losses due to acts of a type intended to defraud, misappropriate property or circumvent the law by a third party which is not related with the staff.			
	<i>Employment practices and workplace safety:</i> The Company has a low appetite for losses arising from acts inconsistent with employment, health or safety laws or agreements, from payments of personal injury claims or from diversity and discrimination events.			
	<i>Clients, products and business practices:</i> The Company has a low appetite for losses arising from an unintentional or negligent failure to meet a professional obligation to specific clients.			
	<i>Damage to physical assets:</i> The Company has a low appetite for losses arising from damage to physical assets from natural disaster or other events.			
	<i>Business disruption and systems failures:</i> The Company has a low appetite for losses arising from disruption of business or system failures (Business Continuity Plan).			
	<i>Execution, delivery, and process management:</i> The Company has a low appetite for losses from failed transaction processing or process management.			
Market Risk	The Company has a low appetite for exceeding the defined currency limits per day. The Company has a low appetite for not implementing stop loss-controls for counterparty transactions that exceed a defined threshold.			
Credit Risk	The Company has a medium-low appetite for Credit Risk. The Company addresses credit risk by depositing own funds and clients funds by highly rated bank institutions.			
Conduct Risk	The Company has low appetite with respect to Conduct Risk. The Company holds clients' money in accounts with entities that are in accordance with par. 6(1) of the Directive DI087-01.			
AML Risk	The Company has zero tolerance with respect to AML risk.			
Reputational Risk	The Company has zero tolerance for reputational risk. The Company ensures that all reasonable steps to minimise the probability of adverse reputational impact arising from adverse media exposure, regulatory / supervisory investigations or regulatory / supervisory non-compliance.			
Cyber Security risk	The Company has a low tolerance for damages due to cyber-attacks or internally malicious actions on its information technology. In this respect, The Company is closely			

	monitoring the developments on the new regulatory regime (DORA), and it is aware that it will have to take the actions needed in accordance to its size, nature and complexity in order to comply with these new regulatory requirements.
Regulatory Risk	<i>Financial Crime:</i> The Company has zero tolerance and appetite regarding the financial crime.
	<i>Product Governance Requirements:</i> The Company has in place measures in order to remain compliant with the Product Governance Requirements under MiFID II.
	<i>Investment and Ancillary Services and Investment Activities in third country:</i> The Company has adequate documentation and is fully compliant with the regulatory requirements.
	<i>Mifid II, AML Directive and GDPR:</i> The Company has zero tolerance with respect to regulatory risk.

The risk appetite is reflected in the Company's governance, controls and activities. There is an experienced management team of proven abilities to ensure that the business remains tightly controlled within the standards that the firm aspires to maintain.

A capital requirements plan is an integral part of the risk appetite which ensures compliance with regulatory requirements and maintenance of a strong capital and liquidity position.

The Table below presents the responsible function with respect to the reporting, monitoring and escalation of each risk:

Indicator/Risk	Function
Regulatory Capital Ratios and Own Funds	Risk Manager
Profitability	Risk Manager/Accounting
Concentration Risk	Risk Manager
Operational Risk	Risk Manager/ Compliance Officer
Conduct Risk	Risk Manager/ Compliance Officer
Legal Risk	Compliance Officer
Strategic Risks	Risk Manager
Financial Risks	Risk Manager/Accounting
Market Risk	Risk Manager
Credit Risk	Risk Manager
Reputational Risk	Risk Manager/Compliance Officer/ AML Officer
AML Risk	Anti-Money Laundering Officer
IT risk	IT Department
Regulatory Risk	Compliance Officer

In order for the Company to proceed to the initial assessment of risks, quantitative and qualitative measures are used. Once the assessment controls are set, the Company attempts to mitigate the significant risks identified and to monitor the progress on mitigation actions when defined. The above-mentioned process followed by the Company, could be described from the below cycle:



### 3.2. 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 behaviour is a key component of the strong risk culture, and its importance is also continuously emphasised 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. The Company embraces a culture where each of the business areas are encouraged to take risk-based decisions, while knowing when to escalate or seek advice.

### 3.3. Internal Capital Adequacy and Risk Assessment Process (ICARA)

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.

In light of the above, the new ICARA report will present the main business background aspects and developments of the Company, 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 recognises the importance of the ICARA and appreciates that it enables the firm to justify its business strategy and risk assessments in such a way to be more diligent in the inclusion of risk factors in

the business design process and also to hold less capital than the gross risks to which it is exposed. It is also acknowledged that the ICARA Report is a reasonably intense process, requiring information from many different departments and committees of the company and also it requires senior management time at the design phase, during the risk and financial data collection phase and for the sign-off phase. Therefore, the Board is committed to continuously update the ICARA at least annually to reflect the latest strategic plans and updates.

Following the implementation of the new prudential regulatory framework, the Company is in the process of replacing its existing ICAAP with the new ICARA by establishing new assessments with respect to the liquidity adequacy of the Company.

### **3.4. Reporting requirements**

The Company as a Class 2 investment firm is required by the IFR 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 Senior Management as well as the Risk Manager monitor such reporting and have policies and procedures in place to help meet the specific regulatory requirements. This is achieved through the preparation of accounts to monitor the financial and capital position of the Company.



#### 4. OWN FUNDS REQUIREMENTS AND COMPOSITION

IFR establishes the prudential requirements for capital and liquidity that entities need to abide by. Furthermore, IFR introduced significant changes in the prudential regulatory regime applicable to Investment Firms including a new classification system, amended minimum initial capital and minimum capital ratios, changes to the calculation of the capital requirements, the reporting requirements, internal governance policies, the introduction of the K-Factors methodology and new measures relating to liquidity requirements, large exposures and consolidation requirements.

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 and to maximize shareholders' value and optimise its debt and equity balance.

Further to the above, 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. Initial 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 €750,000 while for a CIF which is authorised to provide any of the investment activities listed in point (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 €75,000. For all other CIFs, the initial capital shall be €150,000.

Therefore, since the Company is not authorised to provide the investment service of “*dealing on own account*” but it is permitted to hold clients' money and assets, the applicable initial capital is €150k.

##### 4.2. Fixed Overheads requirement

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 the RTS issued by EBA, the following variable expenses can be excluded from the calculation of the fixed overheads:

##### 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

The Company should continue to monitor its expenses and calculate the projected fixed overheads requirement for the upcoming year. In case of a material change the Company should recalculate its fixed overheads requirement based on the projected figures and assess whether the appropriate capital resources are in place to comply with the provisions of the IFR.

Further to the above, the Company's fixed overheads requirement based on the latest audited financial statements is €98k as per the table below:

#### Fixed Overheads Requirement

Item	€'000
Total Expenses	439
Variable Expenses	(46)
<b>Annual Fixed Overheads</b>	<b>393</b>
<b>Fixed Overheads requirement</b>	<b>98</b>

#### 4.3. K- Factors Requirement

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

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

Further to the above and since the Company is Class 2 IF which is not authorized to provide the investment service of Dealing on Own Account, the RtF and RtM proxies are not applicable for the Company. In this

respect, the calculation of the K-Factors requirement will be based only on the RtC factor.

#### **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 an IF 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%

As at 31 December 2023 the Company's AUM factor was €30,971k and the respective capital requirement was €6k.

##### **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-ASA = ASA\*0.04%

As at 31 December 2023 the Company's ASA factor was €23,279k and the respective capital requirement was €9k.

### **K-CMH: Client 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. This provides 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 a segregated or non-segregated 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 segregate accounts:*  $K\text{-CMH} = \text{CMH} \times 0.4\%$
- *For non-segregate accounts:*  $K\text{-CMH} = \text{CMH} \times 0.5\%$

As at 31 December 2023 the Company's CMH factor (Segregated) was €6,644k and the respective capital requirement was €27k.

### **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 of 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 6 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
  - $K\text{-COH} = \text{COH} \times 0.1\%$

➤ *For Derivative Trades*

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

As at 31 December 2023 the Company's COH factor on cash trades and COH factor on derivatives were €260k and €2,115k respectively and the respective capital requirement was less than €1k in both cases.

K-Factors Requirement Results

As at 31 December 2023, the Company's K-Factors Requirement is €43k as shown in the table below:

**K-Factors Results**

Item	Factor Amount €'000	K-Factor Requirement €'000
<b>TOTAL K-FACTOR REQUIREMENT</b>		<b>43</b>
<b>Risk To clients</b>		<b>43</b>
K-AUM	30,971	6
K-CMH (Segregated)	6,644	27
K-CMH (non-Segregated)	-	-
K-ASA	23,279	9
K-COH (Cash Trades)	260	<1k
K-COH (Derivative Trades)	2,115	<1k

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

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

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

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

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

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

The Company's own funds, own funds requirement and capital ratio reported as at 31 December 2023, were the following:

## Own Funds: Summary

<b>OWN FUNDS COMPOSITION</b>	<b>€'000</b>
Share Capital	201
Share Premium	279
Retained Earnings	326
Profit for the year 2023	156
Investors Compensation Fund*	(68)
Intangible Assets	-
Dividends	-
<b>CET 1 Capital</b>	<b>894</b>
Additional Tier 1	-
<b>T1 Capital</b>	<b>894</b>
Tier 2 Capital	-
<b>Own Funds</b>	<b>894</b>
<b>OWN FUNDS REQUIREMENTS</b>	<b>€'000</b>
Initial Capital	150
Fixed Overheads Requirement	98
K-Factors Requirement	43
<b>Own funds Requirement</b>	<b>150</b>
<b>CAPITAL RATIOS</b>	<b>€'000</b>
<b>CET 1 Ratio</b>	<b>596.08%</b>
Surplus(+)/Deficit(-) of CET 1 Capital	810
<b>Tier 1 Ratio</b>	<b>596.08%</b>
Surplus(+)/Deficit(-) of Tier 1 Capital	781
<b>Own Funds Ratio</b>	<b>596.08%</b>
Surplus(+)/Deficit(-) of Total capital	744

\* The items reported in this row as deductions from CET1 capital include (a) the CIFs' contribution to the Investors Compensation Fund ("ICF"), as required by CySEC Circular C162 (as this may be subsequently amended or replaced), and (b) the additional cash buffer of 3 per thousand of the eligible funds and financial instruments of the CIFs' clients, as required by CySEC Circular C334 (as this may be subsequently amended or replaced).

As per the above results, the Company as at 31 December 2023 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.

Further to the above, the Company has implemented a capital adequacy monthly monitoring program in order to ensure compliance with the IFR requirements at all times. In this respect, the Company calculates the capital requirement on a monthly basis in order to assess the capital adequacy ratio for the respective month.

The detailed composition of regulatory own funds and reconciliation of regulatory own funds to balance

sheet are presented below. Both tables contain the cross-reference to each other as per requirements of COMMISSION IMPLEMENTING REGULATION (EU) 2021/2284.

#### EU IF CC1.01 Composition of regulatory own funds

		(a)	(b)
		Amounts €'000	Source based on reference numbers/letters of the balance sheet in the audited financial statements
<b>Common Equity Tier 1 (CET1) capital: instruments and reserves</b>			
<b>1</b>	<b>OWN FUNDS</b>	<b>894</b>	
<b>2</b>	<b>TIER 1 CAPITAL</b>	<b>894</b>	
<b>3</b>	<b>COMMON EQUITY TIER 1 CAPITAL</b>	<b>894</b>	
4	Fully paid up capital instruments	201	Row 1 Share Capital Section Shareholder's equity Table EU IF CC2
5	Share premium	279	Row 2 Share Premium Section Shareholder's equity Table EU IF CC2
6	Retained earnings	483	Row 3 Retained earnings Section Shareholder's equity Table EU IF CC2
7	Accumulated other comprehensive income		
8	Other reserves		
9	Minority interest given recognition in CET1 capital		
10	Adjustments to CET1 due to prudential filters		
11	Other funds		
12	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1		
13	(-) Own CET1 instruments		
14	(-) Direct holdings of CET1 instruments		
15	(-) Indirect holdings of CET1 instruments		
16	(-) Synthetic holdings of CET1 instruments		
17	(-) Losses for the current financial year		
18	(-) Goodwill		
19	(-) Other intangible assets		
20	(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities		
21	(-) Qualifying holding outside the financial sector which exceeds 15% of own funds		

22	(-) Total qualifying holdings in undertaking other than financial sector entities which exceeds 60% of its own funds		
23	(-) CET1 instruments of financial sector entities where the institution does not have a significant investment		
24	(-) CET1 instruments of financial sector entities where the institution has a significant investment		
25	(-) Defined benefit pension fund assets		
26	(-) Other deductions		
27	CET1: Other capital elements, deductions and adjustments	(68)	Row 4 Investor Compensation Fund Section Assets Table EU IF CC2
28	<b>ADDITIONAL TIER 1 CAPITAL</b>		
29	Fully paid up, directly issued capital instruments		
30	Share premium		
31	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1		
32	(-) Own AT1 instruments		
33	(-) Direct holdings of AT1 instruments		
34	(-) Indirect holdings of AT1 instruments		
35	(-) Synthetic holdings of AT1 instruments		
36	(-) AT1 instruments of financial sector entities where the institution does not have a significant investment		
37	(-) AT1 instruments of financial sector entities where the institution has a significant investment		
38	(-) Other deductions		
39	Additional Tier 1: Other capital elements, deductions and adjustments		
40	<b>TIER 2 CAPITAL</b>		
41	Fully paid up, directly issued capital instruments		
42	Share premium		
43	(-) TOTAL DEDUCTIONS FROM TIER 2		
44	(-) Own T2 instruments		
45	(-) Direct holdings of T2 instruments		
46	(-) Indirect holdings of T2 instruments		
47	(-) Synthetic holdings of T2 instruments		
48	(-) T2 instruments of financial sector entities where the institution does not have a significant investment		



49	(-) T2 instruments of financial sector entities where the institution has a significant investment		
50	Tier 2: Other capital elements, deductions and adjustments		

**EU IF CC2 Reconciliation of regulatory own funds to balance sheet in the audited financial statements**

		a	b	c
		Balance sheet as in published/audited financial statements	Under regulatory scope of consolidation	Cross reference to EU IF CC1
		As at period end €'000	As at period end €'000	
<b>Assets - Breakdown by asset classes according to the balance sheet in the published/audited financial statements</b>				
1	Property plant and equipment	4	0	
2	Right-of-use assets	92	0	
3	Intangible assets	0	0	
4	Investors' compensation fund	68	68	Row 27 Table EU IF CC1
5	Trade and other receivables	81	0	
6	Refundable taxes	6	0	
7	Cash in bank and in hand	836	0	
xxx	<b>Total Assets</b>	<b>1 087</b>	<b>68</b>	
<b>Liabilities - Breakdown by liability classes according to the balance sheet in the published/audited financial statements</b>				
1	Trade and other payables	30	0	
2	Lease liabilities	95	0	
xxx	<b>Total Liabilities</b>	<b>124</b>	<b>0</b>	
<b>Shareholders' Equity</b>				
1	Share capital	201	201	Row 4 Table EU IF CC1
2	Share premium	279	279	Row 5 Table EU IF CC1
3	Retained earnings	483	483	Row 6 Table EU IF CC1
xxx	<b>Total Shareholders' equity</b>	<b>963</b>	<b>963</b>	

The below Table EU IF CCA shows the main features of own instruments issued by the Company.

**EU IF CCA Main features of own instruments issued by the firm**

		a
		Explanation
1	Issuer	Boson Alfa Ltd
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Public or private placement	Private
4	Governing law(s) of the instrument	Cyprus
5	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares
6	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	€0.21 million
7	Nominal amount of instrument	€1 per share
8	Issue price	€1 per share
9	Redemption price	N/A
10	Accounting classification	Shareholder's equity
11	Original date of issuance	04.12.2015
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	<i>Coupons / dividends</i>	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	Yes
20	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Partially discretionary

21	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Partially discretionary
22	Existence of step up or other incentive to redeem	No
23	Noncumulative or cumulative	Noncumulative
24	Convertible or non-convertible	Nonconvertible
25	If convertible, conversion trigger(s)	N/A
26	If convertible, fully or partially	N/A
27	If convertible, conversion rate	N/A
28	If convertible, mandatory or optional conversion	N/A
29	If convertible, specify instrument type convertible into	N/A
30	If convertible, specify issuer of instrument it converts into	N/A
31	Write-down features	No
32	If write-down, write-down trigger(s)	N/A
33	If write-down, full or partial	N/A
34	If write-down, permanent or temporary	N/A
35	If temporary write-down, description of write-up mechanism	N/A
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
38	Link to the full term and conditions of the instrument (signposting)	N/A
(1) Insert 'N/A' if the question is not applicable		

## 5. ADDITIONAL RISKS

### 5.1. Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk. It is inherent in every business organization and covers a wide range of issues. 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.



In addition, the Company has developed, implemented and maintained an Operational Risk Management Framework, congruent with the Policy and the principles of the Capital requirements framework. The Operational Risk Management Framework provides the strategic direction and guidelines on operational risk in order to ensure that an effective operational risk management and measurement process is adopted throughout the Company. The Framework also provides for the consistent and comprehensive capture of data elements needed to measure and verify the operational risk exposure, as well as to implement appropriate reporting systems and mitigation strategies.

Further to the above, the company has in place controls and procedures in order to reduce the operational risk as follows:

- Monitoring of the effectiveness of policies, procedures and controls;
- Use of systems to automate processes and controls to eliminate risk due to human error;
- Ongoing maintenance of procedures to prevent unauthorised actions and errors;
- Use of training to reduce the likelihood of human error arising from lack of expertise
- Maintaining risk registers in the context of ICARA; and
- Maintaining a four-eye structure and implementing board oversight over strategic decisions made by the heads of departments;

Furthermore, the Company has in place additional policies and processes whose implementation assists with the evaluation and management of any exposures to operational risk. Such policies and processes include the Business Continuity and Disaster Recovery Plan. The Company acknowledges that a significant

hazard exists to its ability to continue normal business procedures following unexpected incidents. Moreover, the Company has an important dependency with its automatic systems and processes. As a result, a recovery plan is needed in order to deal with the risk of potential disaster.

The objectives of this plan are to provide:

- a) continuing operations so that the Company can offer its services to the clients,
- b) business and records protection,
- c) a framework for risk and exposure controlling,
- d) measures against risks.

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

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

**Operational Risk Event Register**

### Data Retention Policy

The Company pays particular attention to its data retention. The Company conducts backups on a frequent basis with respect to all the Company's IT systems for all types of data and information and stores these backups at safe remote locations. Where IT systems are used by the Company but maintained and hosted by third parties, the Company has appropriate arrangements with the third parties to back-up the necessary information accordingly, as applicable.

### Business Continuity Policy

The Business Continuity and Disaster Recovery Plan (BCP) is produced by the firm, detailing the various arrangements the firm has in place to deal with envisaged internal and external events along with business impact analysis, covering the firm's responses should these events happen in practice. The plan defines the emergency response team and the methods to be used for both crisis management and business resumption and determines the key people/roles that are priority in a crisis.

The Company assesses the underlying risks and the potential impact for each scenario. The plan is maintained, regularly reviewed, tested and kept up to date so that the firm will be able to continue business effectively.

Further to the above and in light of the outbreak of coronavirus (COVID-19), the Company reviewed and updated its BCP as per the recommendations of Circular C358, Circular C362 and ESMA's Public Statement. Specifically, the Business Continuity and Disaster Recovery plan was revised in order to ensure contingency plans are in place to deal with major events. Moreover, the Company's operational risk is increased during times of significant change to its organisation, infrastructure and business operating environment.

## **5.2. Concentration Risk**

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 predetermined limits set. 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:

- 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

However, there are no limits on the above exposures.

Further to the above with respect to the concentration risk, the Company reports to CySEC on a quarterly basis the level of concentration risk with respect to the credit institutions, investment firms and other entities where client 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.

Moreover, the Company shall report the top five clients from which the largest amounts of the Company's earnings are derived as well as the top five, if available, largest trading book exposures and largest exposures not recorded in the trading book.

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

### 5.3. Liquidity Risk

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.

#### Liquidity Requirements

Item	€'000
Liquid Assets	836
<b>Total</b>	<b>836</b>
Requirement (1/3 of Fixed Overheads Requirement)	33
<b>Surplus</b>	<b>803</b>

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.

### 5.4. Money Laundering and Terrorist Financing Risk

Money Laundering and Terrorist Financing risk mainly refers to the risk that the Company may be used as a

vehicle to launder money and/or finance terrorism. The Company has policies, procedures and controls in place in order to mitigate the Money Laundering and Terrorist Financing risk. Among others, these policies, procedures and controls include the following:

- (a) the adoption of a risk-based approach that involves specific measures and procedures in assessing the most cost effective and appropriate way to identify and manage the Money Laundering and Terrorist Financing risk faced by the Company,
- (b) the adoption of adequate Client Due Diligence and Identification Procedures in line with the Clients' assessed Money Laundering and Terrorist Financing risk,
- (c) setting certain minimum standards of quality and extent of the required identification data for each type of Client (i.e. documents from independent and reliable sources, third party information, documentary evidence),
- (d) obtaining additional data and information from Clients, where this is appropriate and relevant, for the proper and complete understanding of their activities and source of wealth and for the effective management of any increased risk emanating from a particular Business Relationship or an Occasional Transaction,
- (e) on-going monitoring of high risk Clients' transactions and activities, as applicable,
- (f) ensuring that the Company's personnel receive the appropriate training and assistance.

## **5.5. Compliance Risk**

Compliance risk is the current and prospective risk to earnings or capital arising from violations of, or non-conformance with, laws, bylaws, regulations, prescribed practices, internal policies, and procedures, or ethical standards. This risk exposes the Company to financial loss, fines, civil money penalties, payment of damages, and the voiding of contracts. Compliance risk can lead to diminished reputation, reduced Company value, limited business opportunities, reduced expansion potential, and an inability to enforce contracts.

The Company's aim is for the materialisation of the Compliance risk to be minimised to the lowest possible level and, as such, the the Company's Compliance Officer initiated a program to examine in detail the level of compliance of certain areas of the Company with the relevant legislation in light of any weaknesses identified during the year under review, propose remedy measures/actions, and provide the relevant training to the Company's personnel, as and when required.

## **5.6. 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 by Clients, 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 Client service, fraud or theft, Client claims, legal action, regulatory fines and from negative publicity relating to the Company's operations whether such fact is true or false.

The Company has policies and procedures in place when dealing with possible Client complaints in order to provide the best possible assistance and service under such circumstances.

In addition, it should be noted that the Company's Board members and Senior Management comprise experienced professionals who are recognised in the industry for their integrity and ethos, and, as such, add



value to the Company.

### **5.7. Information Technology Risk**

Information Technology (hereinafter, "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 IT.

The Internal Auditor, as part of the annual on-site inspections, evaluates and assesses whether the Company's systems and infrastructure are generally adequate. The results of this assessment are shown in the annual report.

The aim of the Company is for the materialisation of the IT risk to be minimised to the lowest possible level and, as such, the Company shall take the respective rectifying measures, as and when deemed necessary.

Specifically, policies have been implemented and measures have been taken regarding backup procedures, software maintenance, hardware maintenance, internet use, data protection procedures, and disaster recovery, as applicable.

The abovementioned policies are documented in the Company's Business Continuity Policy and Information Security Policy.

### **5.8. Strategic Risk**

Strategic risk corresponds to the unintended risk that can result as a by-product of planning or executing the strategy. A strategy is a long term plan of action designed to allow the Company to achieve its goals and aspirations. Strategic risks can arise from:

- Inadequate assessment of strategic plans;
- Improper implementation of strategic plans; or
- Unexpected changes to assumptions underlying strategic plans.

Risk considerations are a key element in the strategic decision-making process. The Company assesses the implications of strategic decisions on risk-based return measures and risk-based capital in order to optimize the risk-return profile and to take advantage of economically profitable growth opportunities as they arise.

### **5.9. Business Risk**

This 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. REMUNERATION POLICY

The Remuneration Policy and practice applies to all board members, senior management, risk takers, control functions and any employee receiving total remuneration that falls within the remuneration bracket of senior management and risk takers whose professional activities have a material impact on the risk profiles of the Company or of the Clients' portfolios that they manage. Taking into account the size and the organizational structure of the Company the Policy is applicable to all personnel.

The purpose of the Policy is to describe the remuneration principles and practices within the Company which in line with its values manage these processes according to fairness, correctness and prudent risk management, with the purpose of attracting and keeping in the Company individuals with professionalism and ability suitable for the needs of the Company. It is a primary objective to retain and to motivate highly qualified personnel and also to reward those who carry on corporate values with compensation linked to the creation of long-term value.

The Company's remuneration approach, in order to ensure the competitiveness and effectiveness of its policies, is based on the following principles:

- Integrity and ethical behavior
- Clear governance
- Full compliance with regulatory requirements
- Remuneration structure that address business results and doesn't provide incentives to employees to take risks that are not in line with Company's risk profile
- Alignment with individual performance
- Competitiveness towards external market
- Retention and motivation of personnel

### Identified staff

Employees/persons whose professional activities have a material impact on the Company's risk profile or of the assets that it manages are considered identified staff.

The Company assesses the matter the basis of:

- Qualitative criteria, linked to the role, decision-making power and managerial responsibility and aimed at identifying top management members, risk takers and personnel involved in control functions.
- Quantitative criteria, linked to the thresholds associated with the total gross remuneration level assigned to a member of staff, in absolute or relative terms, and the parameters that allow staff to be placed in the same salary range applicable to top management and risk takers.

The process for staff identification considering the Risk Appetite Framework and specific risks is performed and reviewed annually.

The roles of identified staff within the Company are represented in the below table:

Identification criteria	Job position
All members of the management body in	CEO, General manager, members of the Board of

management and supervisory functions and senior management	Directors
Staff members with managerial responsibility for the activities of control function: compliance, risk management, prevention of money laundering and terrorist financing	Compliance Officer, Risk Manager, AML Compliance Officer
Staff members - the heads of material business units	Head of Asset management, Head of Investment Advice, Head of Brokerage and Head of Custody

### Diversity and gender neutrality

The Company considers that diversity is a factor that enhances performance and attractiveness. Promoting gender diversity is about creating an open and responsible corporate culture that fosters internal cohesion and progress. Teams with diverse profiles and talents reflect the Company and enable to invent new models, better meet the expectations of the Clients and, as such, benefit everyone.

The Company is committed to implement the Remuneration Policy gender neutral. The Company ensures that the employees have an equal level of remuneration in terms and conditions for its award and payment.

The Company guarantees that the definition of remuneration and taking any decisions regarding remunerations are independent of gender (as well as of any other forms of diversity) and are based on merit and professional skills and are inspired by principles of fairness.

The gender neutrality is assessed annually and gender pay gap is also checked during this assessment and, when applicable, the reasons for gender pay gap are duly documented and corrective measures are taken.

### ESG criteria and Sustainability Risk

The Policy is aligned with Company's approach to responsible investment including the incorporation of environmental, social and governance (ESG) factors into investment decisions and active ownership, and seeks to ensure its remuneration structures do not encourage excessive risk-taking with respect to sustainability risks.

The fixed and variable components of total remuneration must be appropriately balanced.

The **fixed** element represents a sufficiently large proportion of the total remuneration and allows the Company to operate a completely flexible bonus policy, including the possibility to pay no variable remuneration component. In particular, the Company may retain all or part of a bonus where the performance criteria have not been fully met by the employee, the department or the Company in general.

Where remuneration includes a **variable** element or a bonus, awarded based on performance criteria, the remuneration policy is structured in such a way as to achieve a fair balance between the fixed and variable elements. This balance of the various elements of remuneration can vary according to the employee concerned, market conditions and the specific environment in which the Company operates. A maximum limit has been set by the Company for the variable element: it never exceeds the fixed remuneration.

- a) Where remuneration is performance related, the total amount of remuneration is based on a combination of the assessment of the performance of the individual and of the business unit concerned and of the overall results of the Company and when assessing individual performance, financial and non-financial criteria are taken into account;
- b) The assessment of the performance is set in a multi-year framework in order to ensure that the assessment process is based on long-term performance and that the actual payment of performance-based components of remuneration is spread over a period which takes account of the underlying business cycle of the Company and its business risks;
- c) The total variable remuneration does not limit the ability of the Company to strengthen its capital base;
- d) Guaranteed variable remuneration is not consistent with sound risk management or the pay for-performance principle and shall not be a part of prospective remuneration plans;
- e) Guaranteed variable remuneration is exceptional, occurs only when hiring new staff and where the Company has a sound and strong capital base and is limited to the first year of employment;
- f) Fixed and variable components of total remuneration are appropriately balanced and the fixed component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components, including the possibility to pay no variable remuneration component;
- g) The Company has set appropriate ratios between the fixed and the variable component of the total remuneration, whereby the following principle shall apply: the variable component shall not exceed 100% of the fixed component of the total remuneration for each individual.

The Company's annual remuneration to senior management and staff members for 2023 was as follows. The remuneration for 2023 included only fixed remuneration with no variable components.

<b>2023</b>	<b>Executive Directors, €'000</b>	<b>Key Management personnel, €'000</b>	<b>Non-Executive Directors, €'000</b>
<b>Fixed reward</b>	185	17	9
<b>Variable reward</b>	-	-	-
<b>Total</b>	<b>185</b>	<b>17</b>	<b>9</b>
<b>Fixed and Variable Remuneration Ratio</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Number of beneficiaries</b>	<b>3</b>	<b>1</b>	<b>2</b>

The variable to fixed remuneration ratio as at 31 December 2023 was zero.