



# 3D Global Financial Services Ltd

Pillar III Disclosure Report

For the year ended December 31<sup>st</sup>, 2021

March 2022

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## 1. Introduction

3D Global Financial Services Ltd (the “Company”) is a Cyprus Investment Firm (“CIF”) regulated by the Cyprus Securities and Exchange Commission (the Commission” or the “CySEC”) with license number 063/06 in accordance with the law L. 87(I)/2017 which provides for the provision of Investment Services, the exercise of Investment Activities, the operation of Regulated Markets and other related matters (the “Law”), specifically:

The Company is regulated for following investment services:

- Investment Advice
- Receipt & Transmission of Orders

There has been no change during 2021.

These services are provided with respect to the following financial instruments:

- Units in Collective Investment Undertakings
- Transferable Securities

There has been no change during 2021.

On 26 June 2021, most investment firms became subject to a new prudential framework, composed of [Regulation \(EU\) 2019/2033, also known as the Investment Firms Regulation \(IFR\)](#), and [Directive \(EU\) 2019/2034, also known as the Investment Firms Directive \(IFD\)](#).

Pursuant to Article 14 of the Regulation (EU) 2019/2033 (the “Regulation” or “IFR”) and Article 9 of the Directive (EU) 2019/2034 (the “Directive” or “IFD”) the Company is categorised as “Limited Scope” CIF with minimum/initial capital requirement of €75,000. According to Article 12 of the IFR the Company is deemed to be small and non-interconnected Investment Firm and pursuant to Article 46 of the IFR is required to proceed to limited disclosures (Pillar III disclosures).

The above resulted in the amendments to the Investment Services and Activities and Regulated Markets Law (Law 144(1)/2007) and the implementation of the Regulations and the release of Law L.165(I)/2021, for the purpose of harmonization with the actions of the European Directive (IFD) and Regulation (IFR).

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Following implementation of the above, the Company is required to disclose information relating to its capital, the risks that the Company is exposed to, its own funds, its remuneration policies and practices as well as its investment policy. The Company's policy is to meet all required Pillar III disclosure requirements as detailed in the Prudential framework for Investment Firms Capital Requirements Regulations (IFR & IFD).

This report is published and will be available on the Company's website at [www.3dglobal.com](http://www.3dglobal.com)

### **1.1. Reporting Frequency**

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.

### **1.2. Verification**

The Company's Pillar III disclosures are subject to internal review and validation prior to being submitted to the Board for approval. This includes approval by the CEO, the Compliance Officer and External Auditor.

### **1.3. Reporting Details**

The Company reports on a Solo basis and the reporting currency is EUR.

### **1.4. Non Material, Proprietary or Confidential Information**

This document has been prepared to satisfy the Pillar III disclosure requirements set out in the IFR. The Company does not seek any exemption from disclosure based materiality or on the basis of proprietary or confidential information.

## **2. Risk Management Objectives and Policies**

There is a formal structure for monitoring and managing risks across the Company as set out in the Company's Operations Manual & Risk Manual (including policies and supporting documentation) and independent governance and oversight of risk.

To ensure effective risk management the Company has adopted the "three lines of defense"

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model of governance with clearly defined roles and responsibilities

First line of defense:

Managers are responsible for establishing an effective control framework within their area of operations and identifying and controlling all risks so that they are operating within the organizational risk appetite and are fully compliant with Company policies and where appropriate defined thresholds.

Second line of defense:

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 policies necessary to control the business including the overarching framework and for independently monitoring the risk profile, providing additional assurance where required. The Risk Management function will leverage their expertise by providing frameworks, tools and techniques to assist management in meeting their responsibilities, as well as acting as a central coordinator to identify enterprise wide risks and make recommendations to address them.

Third line of defense:

This comprises the Internal Audit Function which is responsible for providing assurance to the Board and senior management on the adequacy of design and operational effectiveness of the systems of internal controls.

## **2.1. Risk Appetite**

Risk Appetite limits the risks which the business can accept in pursuit of its strategic objectives. Risk Appetite is formally reviewed annually and is monitored on an ongoing basis for adherence. The Company's strategy, business plan and capital and liquidity plans are set with reference to Risk Appetite.

Overall, The Company's appetite for risk may be considered as low: the very nature of its business - medium to long- term financial and investment planning - lends itself to careful and systematic client relationships. This involves analysing a client's financial situation, investment objectives and knowledge & experience to produce a financial/ investment plan for the future. This will usually imply the use of collective investment schemes (pooled investments for risk reduction through diversification). It will mean 'buy-and-hold' rather than a trading investment style.

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The Board approves the Risk Appetite, which defines the level of risk that the Company is prepared to accept to achieve its strategic objectives and is translated into specific risk measures that are tracked, monitored and reported to the Board. The Risk Appetite framework has been designed to create clear links to the strategic long-term plan, capital planning, stress testing and the Company's risk management framework. The review and approval process is undertaken at least annually. The Company's Risk Appetite covers the core areas of, Risk to the Clients of the firm, Risk the firm poses to the Market, Risk to the Firm, Concentration risk and Liquidity risk.

The Board approves the Company's business plans, budget, Internal Capital Adequacy Assessment Process (the "ICAAP") and also monitor's the Company's risk profile, capital adequacy, liquidity and concentration position.

#### 2.1.1. Risk Identification

The Risk Identification process provides guidance on the sources to investigate and research in order to identify new and emerging risks and sets out consistent principles, which should be applied.

#### 2.1.2. Risk Assessment

The Risk Assessment process is the means through which the Company understands and estimates the effect of risk on the business and the processes, systems and controls that mitigate those risks to an acceptable level. This is achieved through the documentation and regular update of a Risk Register where all financial and non-financial risks the Company faces are identified and recorded by the Risk Manager as well as the relevant risk management controls. The Risk Register is discussed and finalised during the Risk Management Committee's meetings.

#### 2.1.3. Risk Management Function

The Risk Management Function (the "RMF") operates under the leadership of the Risk Manager who reports directly to the Senior Management and the Board. The Risk Management function comprises by individuals with specific expertise and is structured to provide analysis, challenge, understanding and oversight of each of the principal risks faced

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by the Company

#### 2.1.4. Stress Testing

Stress Testing is the process by which the Company's business plans are subjected to severe stress scenarios in order to assess the impact of those potential stresses on the Company's business including the projected capital and liquidity positions.

The Company is required to prepare and make available upon request periodic ICAAP reports which set out future plans, their impact on capital availability and requirements and the risks to capital adequacy under potential stress scenarios.

#### 2.1.5. ICAAP and Approach to assessing adequacy of Internal Capital

The Company, in accordance with EU regulation 2019/2033 (IFR), is not required to document an ICAAP as a Class 3 Firm however has procedures in order to evaluate the risks to clients, risks to market and risks to the firm as well as any additional risks that are not covered by the IFR/IFD framework and the calculation of K-Factors. The Company process considers all of the risks faced by the Company, the likely impact of them if they were to occur, how these risks can be mitigated and the amount of capital that it is prudent to hold against them both currently and in the future.

These measures allow the Management to evaluate and as required, create an Action Plan to monitor and mitigate the consequences of the risks in order to make the Board of Directors to be aware of the requirements.

#### 2.1.6. Control Functions

##### 2.1.6.1. Internal Audit

The Company, taking into account the nature, scale and complexity of its business activities, as well as the nature and the range of its investment services and activities, establishes and maintains an internal audit function through the appointment of a qualified and experienced Internal Auditor.

The Internal Auditor is appointed and reports to the Senior Management and the Board of the Company. The Internal Auditor is separated and independent of the other functions and activities of the Company. The Internal Auditor bears the responsibility to:

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

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

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

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

#### 2.6.6.2. Compliance Officer

Pursuant to the regulatory obligations of the Company and with the view to complement the Internal Governance framework of the Company, the Board has appointed a Compliance Officer (CO), to head the Compliance Function of the Company in order to establish, implement and maintain adequate policies and procedures designed to detect any risk of failure by the Company to comply with its obligations, to put in place adequate measures and procedures designed to minimize such risks and to enable the competent authorities to exercise their powers effectively.

The CO reports directly to the Senior Management of the Company, having at the same time the necessary authority, resources, expertise and access to all relevant information.

The CO is responsible, inter alia, to:

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- a) liaising with all relevant business and support areas within the Company
- b) monitor on a permanent basis and to assess, on a regular basis, the adequacy and effectiveness of the measures, policies and procedures put in place, and the actions taken to address any deficiencies in the firm's compliance with its obligations;
- c) monitor and assess the level of compliance risk that the Company faces, taking into account the investment and ancillary services provided, as well as the scope of financial instruments traded and distributed
- d) monitor the adequacy and effectiveness of the measures and procedures of the Company
- e) advise and assist the relevant persons responsible for carrying out the investment services to be in compliance with the Law.

(It is noted that the Compliance Officer is due to take the relevant CySEC examination this year.)

#### 2.1.6.4. Anti-Money Laundering Compliance Officer

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

- a) The improvement of mechanisms used by the Company for counteraction of legalization (laundering) of criminally earned income
  - b) To decrease the probability of appearance among the Customers of the Company of any persons/organizations engaged in illegal activity and/or related with such persons/organizations
  - c) To minimize the risk of involvement of the Company in any unintended holding and realization of operations with any funds received from any illegal activity or used for its financing
  - d) To ensure compliance with anti-money laundering laws and directives issued by
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CySEC as well as the identification and proper reporting of any money laundering activity to the relevant authorities.

#### 2.1.7. Information flow on risk to the management body

Risk information flows up to the Board directly from the business departments and control functions. The Board ensures that it receives on a frequent basis, at least annually written reports regarding Internal Audit, Compliance, Anti-Money Laundering and Terrorist Financing and Risk Management, Risk and Investment Committees (where applicable) and approves the Company's ICAAP report.

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.

### 2.2. Board Declaration - Adequacy of the Risk Management Arrangements

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

The Board is responsible for reviewing the effectiveness of the Company's risk management arrangements and systems of financial and internal control. These are designed to manage rather than eliminate the risks of not achieving business objectives, and, as such, offer reasonable but not absolute assurance against fraud, material misstatement and loss.

The Board considers that it has in place adequate systems and controls regarding the Company's profile and strategy and an appropriate array of assurance mechanisms, properly resourced and skilled, to avoid or minimize loss.

### 2.3. Board Risk Statement

Considering its current nature, scale and complexity of operations, the Company has developed a policy that establishes and applies processes and mechanisms that are most

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appropriate and effective in monitoring activities.

The operations of the Company expose it to the economies and financial markets and more specifically to a variety of risks, the most material of which are credit risk, market risk, operational risk, compliance risk, regulatory risk, reputational risk and liquidity risk.

Covid-19 created a major challenge to the global economy, but the Company was able to ensure business continuity and staff welfare with a change of procedures & a move to work from home.

The Company has taken all necessary steps and adapted its business model to ensure that its employees have access to its technology necessary for the completion of their tasks.

The aim is to promptly identify, measure, manage, report and monitor risks that interfere with the achievement of the Company's strategic, operational and financial objectives. The policy includes adjusting the risk profile in line with the Company's stated risk tolerance to respond to new threats and opportunities in order to minimize risks and optimize returns. Risk appetite measures are integrated into decision making, monitoring and reporting processes, with early warning trigger levels set to drive any required corrective action before overall tolerance levels are reached. Risks are assessed systematically and evaluated as to the probability of a risk scenario occurring, as well as the severity of the consequences should they occur.

The following table sets out a number of key measures used to monitor the Company's risk profile:

Risk Area	Metrics	Comment	Measured as at 31/12/2021
Capital	Common Equity Tier1 (CET1) ratio, Tier 1 ratio and Total Own Funds ratio	The Company's objective is to maintain regulatory ratios well above the minimum thresholds set by CySEC. (the regulator's current minimum requirements are 56% for CET1, 75% for Tier 1 and 100% for Total Own Funds ratio).	CET1 ratio: 528% Tier1 ratio: 528% Total own funds ratio: 528%

Liquidity	Liquid assets	Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.	Liquid Assets as percentage of minimum requirement: 410%
Credit Risk	Exposure to single financial institution	Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation. Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost and at fair value through profit or loss (FVTPL)	There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

### 3. REMUNERATION POLICY

In accordance with Article 450 of the EU regulation EC 575/2013, The Company sets out its policy with respect to remuneration:

The Company has designed and implemented a remuneration policy in accordance with the guidelines issued by the European Securities and Markets Authority (ESMA) as endorsed by the Cyprus Securities & Exchange Commission.

The policy applies to all relevant persons as defined in the ESMA guidelines namely *“all persons who can have a material impact on the services provided and/or corporate behaviour of the firm, including persons who are client-facing from-office staff, sales force staff and/or other staff indirectly involved in the provision of investment and/or ancillary services whose remuneration may create inappropriate incentives to act against the best interests of their clients.”*

The purpose of the Company’s remuneration policy is to ensure consistent implementation of the MiFID conflicts of interest and conduct of business requirements, ensuring that client interests are not impaired by this policy in the short, medium or long term.

The Company’s remuneration policy is reviewed annually by the Board of Directors and is designed to set remuneration of directors and relevant staff members that is sufficient to

attract, retain and motivate them to improve personal and corporate performance, being market competitive, but not excessive to the detriment of the clients.

Due to the size, nature, scope and complexity of the activities of The Company and, taking into account the principle of proportionality, the board of directors have not appointed a remuneration committee and are happy that the policies in place are appropriate.

In accordance with the ESMA guidelines, the remuneration policy addresses the relevant person's skills and performance and covers both fixed and variable components:

· **Fixed component:** The fixed component is determined on the basis of the role and position of the individual employee, including professional experience, responsibility, job complexity and local market conditions.

· **Variable component:** This component includes fees and commissions payable to sales staff which are linear in their nature and do not favour any one product or service over another.

In addition, at The Company's discretion, it may reward high performers who significantly contribute to sustainable results in accordance with their contribution. This may take the form of a profit sharing bonus or equity participation in The Company. The board of directors will agree on any variable remuneration in this category.

The Company paid the following during 2021:

Position	No. of staff	Fixed €	Variable €	Total
Executive Directors	2	54,794	2,336	57,130
Independent Non-Executive Directors	2	€3,170		3,170
Administration	1	18,600	-	18,600
Grand total		76,564	2,336	78,900

#### **4. Directorships held by Members of the Management Body**

The Company's members of the Management Body, and in particular of the non-Executive positions, are often experienced professionals and businessmen that are invited to participate in other corporate boards. In line with this, the Company is responsible to approve and monitor such individuals in terms of conflicts of interest. In 2021, the following table summarizes the number of positions that each member holds:

<b>Name</b>	<b>Position in the Firm</b>	<b>Executive Directorships</b>	<b>Non-Executive Directorships</b>
Mark Christopher Nowell	Executive Director	3	0
Barbara Ferguson	Executive Director	2	0
Geoffrey Robert Cousins	Independent non-Executive Director	0	1
Levon Matossian	Independent non-Executive Director	0	1

## **5. Own Fund**

Own Funds is the type and level of regulatory capital that must be held to enable the Company to absorb losses. Own funds consist of the sum of Common Equity Tier 1 capital, Additional Tier 1 Capital and Tier 2 Capital and the Company is required to hold own funds in sufficient quantity and quality in accordance with IFR which sets out the characteristics and conditions for own funds.

The Company throughout the year under review managed its capital structure and made adjustments to it in light of the changes in the economic and business conditions and the risk characteristics of its activities. During the year under review, the Company complied fully with its initial capital requirement (i.e. €75,000) and fulfilled its obligations by successfully submitting, on a quarterly basis, the CRD IV CoRep Forms and the IFR/IFD Forms once the new regulatory framework came into force on 26<sup>th</sup> June 2021.

### **Tier 1 & Tier 2 Regulatory Capital**

Investment Firms shall disclose information relating to their own funds. Furthermore, Investment Firms shall disclose a description of the main features of the Common Equity Tier 1 and Additional Tier 1 instruments and Tier 2 instruments issued by the Investment Firm. In this respect, the Company's Tier 1 capital is wholly comprised of Common Equity Tier 1 Capital and other reserves.

At 31<sup>st</sup> of December 2021 the Capital base of the Company was as follows:

	€000's
<b>OWN FUNDS</b>	
COMMON EQUITY TIER 1 CAPITAL (CET1)	332
Fully paid up capital instruments	75
Retained earnings	355
Other reserves	(34)
Minority interest given recognition in CET1 capital	-
Adjustments to CET1 due to prudential filters	-
Other capital elements, deductions and adjustments	(64)
Other funds	-
(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	-
(-) Losses for the current financial year	-
ADDITIONAL TIER 1 CAPITAL (T1)	-
TIER 2 CAPITAL (T2)	-

Under the Law, Own Funds consists mainly of paid up share capital, retained earnings less any proposed dividends, translation differences, investor compensation fund and unaudited current year losses. Current year profits are not added to own funds unless these are audited.

## 6. Own Funds requirements

The primary objective of the Company's capital management is to ensure that the Company complies with externally imposed capital requirements and that the Company maintains healthy capital ratios in order to support its business and maximize shareholders' value.

Based on the Company's classification, annual Capital Adequacy Reports are prepared and submitted to the CySEC. The Capital Adequacy Reports is prepared on a solo basis and the reporting currency is Euro.

It should be noted that the Company does not have any material Crypto-asset holdings and the risks emanating from trading in crypto assets, and/or in financial instruments relating



to crypto assets for its clients is immaterial. Therefore, no information is included in this report on:

- the exposure amounts of different crypto-asset exposures,
- the capital requirement for such exposures and
- the accounting treatment of such exposures.

At 31<sup>st</sup> of December 2021 the composition of the Company's Capital base and its capital ratios were as follows:

Item	€000's
Own Funds	
Common Equity Tier 1 Capital	332
Additional Tier 1 Capital	
Tier 1 Capital	332
Tier 2 Capital	
Own Funds requirement	75
Permanent minimum capital requirement	75
Fixed overhead requirement	54
Total K-Factor Requirement	N/A
Total own funds requirement	75

According to the Regulation and the Law, the minimum CET1, Tier 1 and Own Funds ratios of the Company should be 56%, 75% and 100% respectively. As at 31 December, 2021, the Company's ratios are presented below and they are higher than the minimum requirements.

Capital Ratios	
CET 1 Ratio	443%
Tier 1 Ratio	443%

Own Funds Ratio	443%
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The Company is classified as Class 3 and is therefore required to calculate its Own Funds requirements as the highest of:

- a) its Permanent Minimum Capital (PMC)
- b) Fixed Overheads Requirements (FOR)

where the permanent minimum capital (PMC) of the Company is €75,000 and a summary of the Company's K-Factor and Fixed overheads requirements is provided in the following sections.

### 6.1. Fixed Overheads Requirement

The fixed overheads requirement shall amount to at least one quarter of the fixed overheads of the preceding year. Investment firms shall use figures resulting from the applicable accounting framework and where an investment firm has not been in business for one year from the date on which it started providing investment services or performing investment activities, it shall use the projected fixed overheads included in its projections for the first 12 months' trading.

At 31<sup>st</sup> of December 2021 the Company's Capital fixed overhead requirement was as follows:

	€000
Fixed Overheads	214
Fixed Overheads requirement	54

### 6.2. Liquidity Requirement

An additional requirement for Investment firms is the Liquidity requirement. According to it the company must hold an amount of liquid assets equivalent to at least one third of its fixed overhead requirement.

Liquidity risk is the risk that the Company may not have sufficient liquid financial resources to meet its obligations when they fall due or would have to incur excessive costs

to do so. The Company's policy is to maintain adequate liquidity and contingent liquidity to meet its liquidity needs under both normal and stressed conditions. To achieve this, the Company monitors and manages its liquidity needs on an ongoing basis. The Company also ensures that it has sufficient cash on demand to meet expected operational expenses. It also monitors the Company's exposures and diversification avoiding high concentration risk. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. Currently the Company is not subject to any liquidity risk as it maintains Liquid assets above its Liquidity requirement as indicated in the table below.

	€000
Liquidity Requirement	71
Client guarantees	-
Total liquid assets	291
Unencumbered short term deposits	227
Total eligible receivables due within 30 days	-
Level 1 assets	-
Qualifying CIU shares/units	64
Liquidity Ratio (assets/requirements)	410%

## 7. Publication of disclosures

According to the IFR/IFD Framework adopted by CySEC, the risk management disclosures should be included in either the financial statements of the investment firms if these are published, or on their websites. In addition, these disclosures must be verified by the external auditors of the investment firm. The investment firm will be responsible to submit its external auditors' verification report to CySEC. The Company has included its risk management disclosures as per the Directive on its website as it does not publish its financial statements.

## **8. Reporting Requirements**

In accordance with Article 54 of the IFR the Company reports to the competent authority (CySEC) on an annual basis the following information:

- a) level and composition of own funds;
  - b) own funds requirements;
  - c) own funds requirement calculations;
  - d) the level of activity in respect of the conditions set out in Article 12(1), including the balance sheet and revenue breakdown by investment service and applicable K-factor;
  - e) concentration risk;
  - f) liquidity requirements.
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## IFR Reference Table

IFR Article	Compliance Ref.
<b>PART ONE: GENERAL PROVISIONS</b>	
TITLE I: SUBJECT MATTER, SCOPE AND DEFINITIONS	
Article 1: Subject matter and scope	N/A
Article 2: Supervisory powers	N/A
Article 3: Application of stricter requirements by investment firms	N/A
Article 4: Definitions	N/A
TITLE II: LEVEL OF APPLICATION OF REQUIREMENTS	
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Article 18: Measuring CMH for the purpose of calculating K-CMH	N/A
Article 19: Measuring ASA for the purpose of calculating K-ASA	N/A
Article 20: Measuring COH for the purpose of calculating K-COH	N/A
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Article 29: Potential future exposure	N/A
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Article 34: Prudential treatment of assets exposed to activities associated with environmental or social objectives	N/A
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Article 36: Calculation of the exposure value	N/A
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Article 39: Calculating K-CON	N/A
Article 40: Procedures to prevent investment firms from avoiding the K-CON own funds requirement	N/A
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Article 53: Environmental, social and governance risks	N/A
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