



A.J.K. Wealth Management Ltd
Disclosure and Market Discipline Report for 2022

*According to Part Six of Regulation (EU) 2019/2033 of the
European Parliament and of the Council of the prudential
requirements of investment firms.*

FOR THE YEAR ENDED 31 DECEMBER 2022

MAY 2023

**DISCLOSURE**

The Disclosure and Market Discipline Report for the year 2022 has been prepared by A.J.K. Wealth Management Limited as per the requirements of Regulation (EU) 2019/2033 (the “IFR”) issued on 27 November 2019 by the European Commission and the Directive EU 2019-2034 (the “IFD”) and Law 165(I)/2021 on the prudential supervision of investment firms (the “Prudential Law”) issued by the Cyprus Securities and Exchange Commission (the “CySEC”).

A.J.K. Wealth Management Limited states that any information that was not included in this report was either not applicable on the Company’s business and activities -OR- such information is considered as proprietary to the Company and sharing this information with the public and/or competitors would undermine the Company’s competitive position.

A.J.K. Wealth Management Limited is regulated by the Cyprus Securities and Exchange Commission under License number 139/11.

The Legal Entity Identifier of A.J.K. Wealth Management Limited is 529900IWOTE6JQGD7056

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

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



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1. Introduction

1.1 Investment Firm

A.J.K. Wealth Management Limited (the “**Company**”) is a Cyprus Investment Firm (the “**CIF**”) authorized by the Cyprus and Exchange Commission (the “**CySEC**” or the “**Commission**”).

Table 1: Company Information

Company Name	A.J.K. Wealth Management Limited
License Number	139/11
License Date	19/04/2011
Registration Date	24/11/2010
Registration Number	HE 277477
Investment Services	<ul style="list-style-type: none"> ▪ Reception and transmission of orders in relation to one or more financial instruments ▪ Portfolio management ▪ Investment advice
Ancillary Services	<ul style="list-style-type: none"> ▪ Safekeeping and administration of financial instruments, including custodianship and related services ▪ Foreign exchange services where these are connected to the provision of investment services
Cross Border Services to Member States	Provision of investment advice services: Austria, Belgium, Bulgaria, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Iceland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden.

The Company is authorized to provide the aforementioned investment and ancillary services as applicable for each service, for the following financial instruments, as these are indicated in the First Appendix, Part III of the Investment Services and Activities and Regulated Markets Law 87(I)/2017 (the “**CIF Law**”):

- (1) Transferable securities;
- (2) Money-market instruments;
- (3) Units in collective investment undertakings.

The Company is also a member of the Investor Compensation Fund pursuant to the Investor Compensation Fund Directive DI87-07 (the “**ICF Directive**”) of 2019, as amended in 2020.

1.2 Scope of Application

The Disclosures and Market Discipline Report (the “**Disclosures**” or the “**Report**”) is prepared for the period from 1st January 2022 until 31st December 2022, on an individual (solo) basis in accordance with the disclosure requirements laid out in Part Six of the IFR and Paragraph 37 of the Prudential Law. As per the IFR and the Prudential Law, the Company is required to disclose information relating to its risk exposure, management, objectives and policies, as well as the most important

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characteristics of the Company's corporate governance, capital structure and capital adequacy, and remuneration policy and practices. The scope of this report is to promote market discipline and to improve transparency of market participants.

The Company reviewed its Group structure in accordance with the relevant provisions of Article 4 (1)(11) and 7 of IFR. The Company does not fall under the consolidated supervision by CySEC since A.J.K. Wealth Management Group Limited (formerly known as A.J.K. Group Limited) and A.J.K. Strategic Alliance, do not meet the definitions of either "Financial Institution" or "Financial Holding Company" as defined in the Capital Requirements Regulation (EU) No 575/2013 (the "CRR" or "Regulation 575/2013"). Therefore, the information presented in the Disclosures, is on an individual (solo) basis. The Disclosures are based on the audited financial statements of the Company for the year ended 31 December 2022; which are prepared in accordance with International Financial Reporting Standards (the "IFRS") as adopted by the European Union (the "EU") and the requirements of the Cyprus Companies Law, Cap.113.

Materiality is based on the criterion that the omission or misstatement of information would be likely to change or influence the decision of a reader relying on that information for the purpose of making economic decisions. Where the Company has considered a disclosure to be immaterial, this was not included in the document.

1.3 Regulatory Framework

The Disclosures have been prepared in accordance with the regulatory regime for IFs adopted by the European Parliament, the IFR and the Investment Firms Directive (EU) 2019/2034 (the "IFD"), as well as the relevant provisions of "The Prudential Supervisions for Investment Firms Law of 2021", Law 165(I)/2021 (the "Law"), and "The Capital Adequacy Investment Firms Law of 2021", Law 164(I)/2021, amending Law 97(I)/2021 (the "Capital Adequacy Law").

The IFR on the prudential requirements of IFs amends the CRR, Markets in Financial Instruments Regulation (the "MiFIR" or "Regulation 600/2014"), Single Resolution Mechanisms Regulations (the "SRMR" or "Regulation 806/2014"), and Regulation 1093/2010. This regulation lays down uniform prudential requirements that apply to investment firms authorized and supervised under MiFID II and supervised for compliance with prudential requirements under IFD. The prudential requirements include the following:

- ✓ Own funds requirements relating to quantifiable, uniform, and standardized elements of risk-to-firm, risk-to-client, and risk-to-market (Part Two and Three of IFR);
- ✓ Requirements limiting concentration risk (Part Four of IFR);
- ✓ Liquidity requirements relating to quantifiable, uniform, and standardized elements of liquidity risk (Part Five of IFR);
- ✓ Reporting requirements related to above mentioned points;
- ✓ Public disclosure requirements.

The IFD lays down rules on the initial capital of investment firms and on the supervisory powers and tools for prudential supervision of IFs by competent authorities. IFD amends Capital Requirements Directives (the "CRD IV" or "Directive 2013/36/EU"), Bank Recovery & Resolution Directive (the "BRRD" or "Directive 2014/59/EU"), Markets in Financial Instruments Directive (the "MiFID II" or "Directive 2014/65/EU"), Financial Conglomerates Directive (2002/87/EC), and Alternative Investment Fund Managers Directive (the "AIFMD" or "Directive 2011/61/EU").

Even though the IFR/IFD does not explicitly refer to Pillars, it adopts the same three Pillar approach used in the Basel standards and implemented in CRD IV:

- **Pillar I – Capital Requirements:** Covers minimum regulatory capital requirement, liquidity buffer and concentration risk limited (Part Three of IFR);
- **Pillar II – Internal Capital Adequacy and Risk Assessment Process (the “ICARA”):** Risk-based assessment of risks not fully captured under Pillar I. The ICARA includes a complete risk assessment and analysis of financial impact to determine any additional capital requirements, and include capital adequacy calculations, stress testing and scenario analysis, as well as all the relevant information on liquidity adequacy. The ICARA might be subject to regulatory review through the SREP which may trigger a ‘Pillar 2R’ (the “P2P”) capital add-on, “Pillar 2g” (the “P2G”) capital buffer or a liquidity buffer (Chapter 2 of Title IV of IFD); and
- **Pillar III- Public Disclosure:** Based on the requirements of Part Six of the IFR, an obligation to publish information on risk management objectives and policies, governance, own funds requirements, remuneration policy and practices, investment policy, which may also extend to environmental, social and governance risks (ESG).

The Disclosures sets out both quantitative and qualitative information required in accordance with Part Six of the IFR and in particular articles 46 to 53, which set the requirements of the disclosures.

1.4 Frequency

The Company has an obligation to publish information relating to risks and risk management on an annual basis at a minimum. The frequency of disclosure will be reviewed should there be a material change in the approach used for the calculation of capital or the business structure of regulatory requirements.

1.5 Location

According to the IFR, the Disclosures should be included in either the financial statements of the IF, if these are published or on their website. The external auditors of the Company issue a Limited Assurance Report on the information contained in the Report and this report is published on the Company’s website at: <http://ajkwealth.com/footer/mifid-disclosures/>.

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

1.6 Classification and prudential requirements

The IFD and IFR entered into force on 26 July 2021, introducing a new classification system for Investment Firms (the “**IFs**”), based on their activities, systemic importance, size and interconnectedness.

The aim of the new framework is to introduce more proportionate and risk sensitive rules for IFs. Under the new framework, the vast majority of IFs in the EU will no longer be subject to rules that were originally designed for banks. All IFs are classified as Class 1, 2 or 3 Investment Firms. The largest and most systemic investment firms are classified as Class 1, and have an equivalent treatment as

credit institutions in the sense of a level playing field accordingly and they will fall entirely under the Regulation (EU) No 575/2013 (the “**CRR**”).

IFs categorized as Class 2 will be most impacted and to a lesser extend Class 3 from the new prudential framework as, the capital requirements, reporting requirements and internal governance policies are subject to the provisions of IFR/IFD.

An investment firm is categorized as Class 3 if it meets **all of** the criteria below and thus qualifies as a small and non-interconnected investment firm. When the firm exceeds any of the following specific size thresholds, the company is categorized as Class 2 IF.

Table 2: Threshold Criteria

Criteria	Threshold
Assets Under Management (AUM)	< €1.2 billion
Client Orders Handled (COH)	< €100 million/day cash trades; or < €1 billion/day for derivatives
Assets safeguarded and administered (ASA)	0
Client Money Held (CMH)	0
Daily Trading Flow (DTF)	0
Net Position Risk (NPR)	0
Clearing Margin Given (CMG)	0
Trading Counterparty Default (TCD)	0
On - and off - balance sheet total of investment firm	< €100 million
Total annual gross revenue from investment services and activities of the investment firm	< €30 million

Further to the above thresholds, the Company is categorized as **Class 2 IF** since it exceeds certain thresholds, and more specifically, Clients Money Held (COH), and, as such, it should maintain own funds at least the higher between:

1.6.1 Permanent minimum capital requirement

The permanent minimum capital requirement of Class 2 IFs has been set to €150,000, since it is not authorized to provide the investment service of “dealing on own account” but it is permitted to hold clients’ money and assets.

1.6.2 Fixed Overhead Requirement

In accordance with Article 13 of the IFR, the Fixed Overheads Requirement (the “**FOR**”) is calculated as 25% (1/4) of the preceding year’s fixed expenses based on the audited financial statements.

1.6.3 K-Factor Requirement

The K-Factors are a series of risk parameters/indicators representing the specific risks IFs face and the risks they pose to customers/markets. Specifically, pursuant to Article 15 of the IFR capital requirements from applying the K-Factors formula is the sum of the Risk-to-Customer (the “**RtC**”) K-Factors, Risk-to-Market (the “**RtM**”), Risk to Client (“**RtC**”) and Risk-to-Firm (the “**RtF**”) proxies.

1.7 Verification

The Company's Disclosures are subject to internal review and validation prior to being submitted to the Board for approval. The Company's Disclosures have been reviewed and approved by the Board. In addition, the Remuneration disclosures as detailed in Section 3.7 of this document have been reviewed by the Board which have the responsibility of the Remuneration Policy.

In accordance with the IFR, the Disclosures must be verified by the external auditors of the IF. The Company is responsible to submit its external auditor's verification report to CySEC the latest within five months from the end of each financial year, the latest by the 31st May 2023.

In addition the external auditor has performed certain procedures in accordance with International Standard on Assurance Engagements 3000 " Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" in order to obtain limited assurance as to whether certain matters have come to the independent auditors attention that cause the auditor to believe that the disclosures are not fairly presented in all material respects in accordance with the requirement of Directive. The limited assurance report issued by the external auditor is submitted to CySEC.

2. Risk Management Objective and Policies

2.1 Risk Management Framework

The Company's Risk Management Framework (the "RMF") is an integral part of our business processes, supported by a uniform policy which has been developed to manage these risks. One of the Company's major priorities is the development of a forward-looking risk management strategy, through a sound control environment. This has enabled the Company to deal appropriately with changes in the economic, social and regulatory context in which it operates, contributing to the progress of people and businesses.

The development of a consistent risk culture throughout the Company is considered as one of the most important elements of the Company's RMF and procedures. Risk culture is the heart of the human decisions that govern the day-to-day activities of every organization. In view of this, management considers that risk awareness and risk culture within the Company is an important part of the effective risk management process. The Company ensures that all employees are educated on the various risks that could impact their day-to-day work and are able to quickly notify management, executives, Board, and any other individual impacted, so that action can be taken swiftly to mitigate or respond to the risk.

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

The Accounts Department, the Operations Department, the Internal Auditor, Risk Management and Compliance Functions work in concert considering 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 the Company's 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.

2.2 Risk Statement

The Company is exposed to a variety of risks, taking into account the macroeconomic environment and the business cycle, of the Company. More specifically, the Company is exposed to credit risk, market risk, operational risk, compliance risk, regulatory risk, reputational risk, strategic risk, liquidity risk, conduct risk etc. In addition to the above, during the year, the Company had significant risks which arose due to the geopolitical and social situation in Europe due to Russia's invasion in Ukraine on the 24th February 2022 which is ongoing, and the uncertainty that exists as to its termination. The severe sanctions imposed on Russia and Belarus from the EU, the USA, the UK and many other countries have brought about direct and indirect effects in the economy. These effects combined with disruptions in supply chains, have led to a significant increase in inflation and a consequent increase in interest rates with effects on the borrowing costs leading to the shrinking of the economy in general. As a result, the key area of continues focus for the Company is to manage the risks emanating from the Russia's war in Ukraine and the economic consequences to the global economy following the sanctions imposed to Russia.

The Company's Compliance Function is striving to stay alert on any sanction updates to ensure AJK remains compliant, by following all national and international guidelines, enhancing its onboarding procedures and closely monitoring its capital and liquidity position. In addition, the Compliance Function monitors all business transactions, informs and assists the relevant persons. Finally, the Company has updated its Sanctions Policy which is embedded in the AML Manual and ensures that all staff has read and understood it. The Compliance Function has also provided specific training on sanctions to all relevant employees during the year.

2.3 Risk Strategy

Within the overall RMF, the Company aligns the risk management strategies with its business strategies, processes and capabilities. In its organizational structure, the Company defines specific tasks and reporting relationships as well as clearly designating risk owners as these are defined by the nature of the business/operation and the risks inherent (i.e. specialization and risk ownership as per type of risk). The Company then specifies permissible and desirable actions.

The specific policies and strategies aiming at managing each specific risk are determined by the Company's Board which has the oversight role. In addition, the Investment Committee may coordinate decision-making and provides oversight in relation to the relevant RMF. The Board develops company-wide and specific risk policies, assigns owners of significant risks and evaluates the effectiveness of the policies in place for managing specific risks.

The Company's risk and compliance management system for the control of company risks is based on the three lines of defence model.

Signed for identification:
Deloitte Limited

By CM
Abdelhakim C. J. J.

The Three Lines of Defense Model



First line of defence: The business management which has day-to-day ownership, responsibility and accountability for assessing, controlling and managing risk. The business function and all support functions (managers and employees) that generate exposure to a risk make up the first line of defence. All employees are required to ensure the effective management of risks within the scope of their direct organisational responsibilities. The senior management takes the lead role with respect to implementing and maintaining appropriate controls across the business to ensure the quality standards expected by clients and regulators.

Second line of defence: The second line of defence is performed by the independent risk functions (including compliance), working with the business to provide support and challenge on risk management, and helping to set risk appetite and strategy, define risk reporting and ensure the adequacy of risk mitigation. It consists of activities covered by several components of internal governance such as compliance, risk management, legal functions, IT and other control departments. The role of these functions is to provide independent oversight and challenge the risk management activities performed by the first line of defence. These functions are responsible for ensuring that the risks are managed in accordance with the risk appetite defined by senior management and to foster a strong risk culture across the Company. They must also provide guidance, advice and expert opinion in all key risk-related matters.

Third line of defence: The third line of defence is provided by internal audit. As the last layer of control, regularly assesses policies, methods and procedures to ensure they are adequate and are being implemented effectively in the management and control of all risks. It provides independent assurance on the first and second lines, and the appropriateness and effectiveness of policy implementation and internal controls.

2.4 Risk Appetite Statement

The Company's risk appetite is aligned with the financial and strategic planning processes for the purpose of ensuring that both risks and opportunities are considered during the strategic decision-making process. The Board is responsible for setting the direction of the Company's risk taking and reviews and approves the risk appetite statement at least annually.

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Nicosia - Cyprus

The Company's low-risk appetite is embedded in the Company's investment philosophy when rendering investment services to its customers, who are primarily aiming at wealth preservation.

The Company's risk appetite is set by taking into consideration its current risk profile and business environment. The following are the main risk appetite statements which are applicable across all of the Company's activities:

- a) Pillar 1 and 2 eligible own funds are targeted to be equal or greater to €200,000;
- b) The Company has zero tolerance towards internal fraud and non-compliance with regulatory requirements;
- c) The Company has low tolerance towards operational risks / losses.

The Company will only take reasonable risks that:

- d) Fit the Company's strategy and capability
- e) Can be understood and managed
- f) Do not expose the Company to:
 - Material financial loss impacting financial viability and strategy execution of the Company.
 - Breach of external regulations/laws leading to loss of critical operational/business license, sanctions and/or substantial fine.
 - Damage of the Company's reputation and brand name.

In order to determine the risk appetite and capacity, the Risk Officer recommends various thresholds to be set on a forward-looking basis and define the escalation of requirements for further actions. The Company then assigns risk metrics that are sensitive to material risks, as key indicators of the Company's financial health.

Table 3: Risk Appetite Areas

Risk Appetite Thresholds :	CET1 ratio	Total Capital Ratio	Own Funds
Normal	>75%	>133%	>€200,000
Critical	56% - 75%	100%-133%	€150,000- €200,000
Crisis	<56%	<100%	<€150,000

Throughout the year 2022, the Company has remained within the normal thresholds with regards to the CET1 Ratio and Total Ratio, as well as the amount of Own Funds as defined in the table above. In the event that the desired risk appetite is breached under either normal or stressed scenarios, Senior Management and the Board are informed and immediate actions will be taken.

2.5 Business Continuity Planning Management

The Business Continuity Plan (the "BCP") deals with the premises and people aspects (where will staff work if their main site is out of action). The Company's BCP is designed to prevent, manage and resolve crisis situations and it aims to prevent the risk of forcing the Company to suspend its operations, and possible effect of temporary suspension of the Company's activities hence letting the Company recover its normal course of business, which may slow down in a crisis situation.

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As per Article 17(4) of the CIF Law, “a CIF must take all reasonable steps to ensure continuity and regularity in the performance of investment services and activities. To that end, the CIF must employ appropriate and proportionate systems, resources and procedures.”

The Company’s BCP is thorough, detailed and is an adequate back up for the Company to continue its operations in the event of an incident/disaster. The BCP has been communicated to all staff through electronic and hard copies and relevant personnel have been appointed according to the BCP. The Company developed a health and safety management system, compliant to the stipulations of the national legislation. All hazards and risks related to the operations, buildings, facilities and contracted services were assessed during site visits and audits performed by an external consultant. In accordance with the BCP the Company has the technical and operational means to resume operations in the occasion an unforeseen event occurs.

2.6 Board of Directors - Risk Management Declaration

The Board is required to proceed with an annual declaration on the adequacy of the Company’s RMF and ensure that the risk management arrangements and systems of financial and internal control in place are in line with the Company’s risk profile. 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 concerning the Company’s risk profile and strategy and appropriate mechanisms in order to avoid or minimise loss.

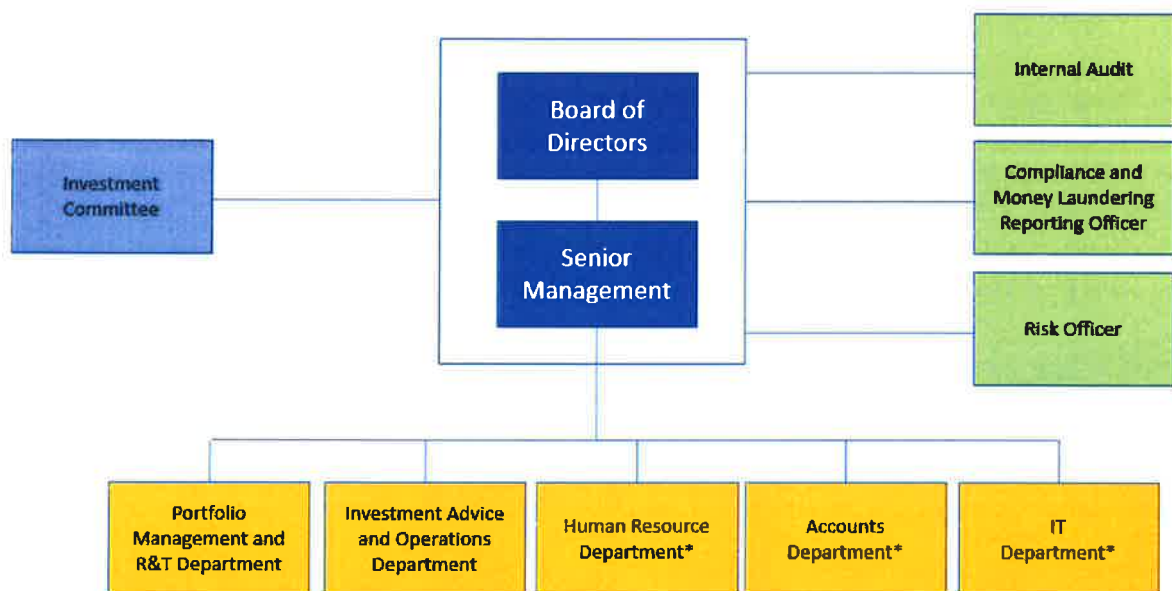
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3. Corporate Governance

3.1 Organizational Structure

The organizational structure is designed to safeguard that the provisions of the relevant laws and regulations are met, and that managerial and other personnel resources are focused and dedicated towards achieving the Company’s strategic goals. The Company’s Organizational Structure is shown below:



*Outsourced to AJKBOC

The above organizational structure clearly specifies the reporting lines, communication of information and allocates functions and responsibilities. The Company takes the necessary steps in order to ensure that personnel and relevant persons have the skills, knowledge, expertise; and are aware of the procedures which are followed for the proper discharge of their responsibilities. Compliance training is the key priority of AJK as it helps the Company to meet its legal obligations and standards. It serves the purpose of educating employees on the applicable laws and regulations pertaining to their industry or specific job function. All Company personnel attend industry and role-specific seminars and trainings so as to be aware of the latest developments in the Financial Markets and any new laws and regulations.

The Company makes the necessary arrangements to ensure that the performance of multiple functions by Company’s relevant persons does not and is not likely to prevent those persons from discharging any particular function without bias, fairly, and professionally.

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By*CM*.....
Nicosia - Cyprus



For fulfilling its compliance requirements, the Company takes 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 that business.

Each department of the Company is assigned with the responsibility of achieving all tasks relevant to its function and its head is accountable to the Company's senior management. The Investment Committee, the Internal Auditor, the Compliance and Money Laundering Reporting Officer and the Risk Officer are directly accountable to the Board and are directly accessible by all the Company's employees. Lines of communication run along the lines of hierarchy within the Company's structure.

3.2 Board of Directors

The Board of Directors (the "**Board**") has the overall responsibility for the Company and approves and oversees the implementation of the Company's strategic objectives, risk prevention strategy and internal governance. The Board ensures the integrity of the accounting and financial reporting systems, including financial and operational controls and compliance with the laws and relevant standards, and oversees the process of disclosure and announcements. The Board is responsible for providing effective supervision of senior management, and monitors and periodically assesses the effectiveness of the Company's governance arrangements and takes appropriate steps to address any deficiencies.

The Board is responsible for the approval of the policies and procedures in relation to the Risk Management Function and for ensuring that the Company manages all its risk exposures adequately and as per the requirements of CySEC. The Board approves the Group's business plans, budget, ICARA and also monitors the Group's risk profile and capital adequacy position.

The Board meets periodically to determine the Company's business strategy and at least once a year to discuss issues relating to internal audit, risk and compliance. The Board meets on a quarterly basis to review the Company's performance and financial results. The Board may also meet at any other time on an ad-hoc basis as needed to discuss and approve and other issues that may require its review and approval.

The responsibilities and duties of the Board are described in the Company's Policy and Operations Manual and approved by the Board.

3.2.1 Composition of Board of Directors

All members of the Board commit sufficient time to perform their duties in the Company. The number of directorships which may be held by a member of the Board take into account individual circumstances and the nature, scale and complexity of the Company's activities. Unless representing the Republic, members of the Board of a CIF that is significant in terms of its size, internal organization and the nature, the scope and the complexity of its activities shall not hold more than one of the following combinations of directorships at the same time:

- One executive directorship with two non-executive directorships;
- Four non-executive directorships.

Furthermore, directorships in organizations which do not pursue predominantly commercial objectives such as non-profit or charitable organizations shall not count for the purposes of the above guidelines.

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By CM
Director - Compliance

As per the new prudential requirements the Company is not considered as “significant CIF” and therefore the application of the above restriction is not applicable. However, the Company’s Board makes an effort to ensure that none of its Board members hold directorships that would not allow them to devote sufficient time to the Company. During the period under review the Board is comprised of three executive directors, two non-executive directors and two non-executive independent directors.

A CIF shall be considered as a “significant CIF”, where its on and off-balance sheet assets are on average greater than EUR 100 million over the four-year period immediately preceding the given financial year. In accordance with Circular C487 dated 10th February 2022, CIFs should, within four months from the end of each of their financial year, assess whether they meet the threshold defined above.

The assessment is done internally and is communicated to the Board and Senior Management in a form of a Memo. The Company has examined whether its on and off-balance sheet assets are on average greater than EUR 100 million over the four-year period immediately preceding the given financial year. It should be noted that off-balance sheet assets is a term of assets that do not appear on the Company’s balance sheet. The Company’s average on and off-balance sheet assets over the four-year period were less than the EUR 100 million threshold. As a result, the company shall not be considered as “significant CIF”.

In addition to the above, the Company is not required and does not have a risk management committee, a nomination committee or a remuneration committee. However, all the risk management responsibilities are undertaken by the Board. The table below discloses the number of directorships held by members of the Board of Directors as of 31 December 2022.

Table 4: Number of Directorships of the Members of the Board

Name of Directors	Position/Title	Country	Executive Directorships	Non-executive Directorships
Dr Andreas Karapatakis	Chairman - Non-Executive Director	Cyprus	0	2
Marios Vardas	Non-executive Director	Cyprus	0	1
Socrates Philippou	Managing Director - Executive Director	Cyprus	1	0
Pavlos Vavlitis	Head of Investment Advisory and Operations - Executive Director	Cyprus	1	0
Dositheos Demetriou	Head of Portfolio Management and R&T - Executive Director	Cyprus	1	0
Philippos Charalambides	Independent Non - Executive Director	Cyprus	1	1
Julius Markides	Independent Non - Executive Director	Cyprus	0	1

For the purpose of the above, Executive or Non-Executive directorships held within the same group shall count as a single directorship.

3.2.2 Board Recruitment Policy

Recruitment into the Board combines and assessment of both technical capability and competency skills referenced against the Company's regulatory and operational framework. The Company does not have a written recruitment policy for the selection and appointment of the Board members.

Without prejudice to the shareholders' right to appoint members when recruiting members of the Board, one of the Board's responsibilities is to identify, evaluate and select candidates for the Board and ensure appropriate succession planning.

The Board, should actively contribute to the selection of candidates for vacant Board positions and should:

- a) Prepare a description of the roles and capabilities for a particular appointment;
- b) Evaluate the adequate balance of knowledge, skills and experience of the Board member(s);
- c) Assess the time commitment expected; and
- d) Consider the objectives of the diversity policy.

The MLRO is assigned the responsibility to review the qualifications of potential Board candidates and make recommendations to the Board.

The persons proposed for the appointment should have shall at all times be of sufficiently good repute and possess sufficient knowledge, skills and experience to effectively perform their duties. All members of the Board shall commit sufficient time to perform their duties. Prior to their appointment the proposed persons should obtain the approval of CySEC. The following factors should be considered in the review of potential candidates:

- a) Specialized skills and/or knowledge in accounting, finance, banking, law, business administration or related subject;
- b) Knowledge of and experience with financial institutions ("fit-and-proper");
- c) Integrity, honesty and the ability to generate public confidence;
- d) Knowledge of financial matters including understanding financial statements and financial ratios;
- e) Demonstrated sound business judgment;
- f) Clean criminal record.

In line with the recent changes in the regulatory reporting framework (in accordance with ESMA & EBA Joint Guidelines on the assessment of the suitability of members of the management body and key function holders), the Company is in the process of establishing a written Board Recruitment Policy which will be approved by the Board in order to be able to offer diversity and the expertise required to oversee its operations.

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ByCH.....
Nicosia - Cyprus

3.2.3 Policy on Diversity

The notion of diversity for the selection of the members of the Board is increasingly seen as a benefit to the firms and linked to better economic performance.

The Company recognizes and embraces the benefits of having a diverse Board as a means of enhancing and securing the quality of its performance. The Company is committed to engage a broad set of qualities and competences when recruiting members of the Board, in order to achieve a variety of views and experiences and to facilitate independent opinions and sound decision-making within the Board. The Company is committed to promote a diverse and inclusive workplace at all levels. The Company aims to set out the approach for achieving diversity of the Company's Board, considering the limitations the Company faces due to its small size, nature and complexity of its activities.

For this purpose, the Company recognizes and takes into consideration the following characteristics such as age, gender, and educational and professional background, for the Board appointments.

In line with the recent changes in the regulatory framework (in accordance with ESMA & EBA Joint Guidelines on the assessment of the suitability of members of the management body and key function holders), the Company is in the process of establishing a written Diversity Policy which will be approved by the Board.

3.2.4 Information Flow on Risk to the Management Body

Risk information flows up to the Board directly from the business department and control functions. The Board ensures that it receives on a frequent basis, at least annually written reports regarding Internal Audit, Compliance, Money Laundering and Terrorist Financing and Risk Management issues and approves the ICARA report. The information on risk to the management body is achieved, through the following reports that are prepared on a regular basis:

Table 5: Information Flow

No.	Report Name	Owner	Recipient	Frequency
1	Anti-Money Laundering Report	Money Laundering Reporting Officer (MLRO)	Senior Management, Board, CySEC	Annually
2	Annual Compliance Report	Money Laundering Reporting Officer (MLRO)	Board, CySEC	Annually
3	Annual Internal Audit Report	Internal Auditor	Board, CySEC	Annually
4	Risk Management Report	Risk Officer	Board, CySEC	Annually
5	Disclosure and Market Discipline Report	Risk Officer	Board, CySEC, Public	Annually
6	Audited Financial Statements	External Auditor	Board, CySEC, CBC	Annually
7	Form 165-01 "Capital Adequacy Reporting"	Risk Officer/CFO	Board, CySEC	Quarterly
8	Form 165-03 "Prudential Supervision Information"	Risk Officer/CFO	Board, CySEC	Annually



8	Monthly Prevention Statement	Money Laundering Reporting Officer (MLRO)	CySEC	Monthly
10	Suitability Report	External Auditor	Board, CySEC	Annually
11	Complaints Report	Money Laundering Reporting Officer (MLRO)	CySEC	Monthly
12	Quarterly Statistics	Money Laundering Reporting Officer (MLRO)	CySEC	Quarterly
13	Shareholder Statement	Money Laundering Reporting Officer (MLRO)	CySEC	Annually
14	ICARA Report	Risk Officer/CFO	Board, CySEC (upon request)	Annually

3.3 Risk Management Function

The Risk Management Function is charged with the responsibility of monitoring the adequacy and effectiveness of the Company's risk management policies and procedures. The Risk Management Function is independent from business line management, is part of the second line of defense and independently assesses all material risks.

The Company's Risk Management Function is outsourced to A.J.K. Bureau of Consultants Limited (the "AJK BOC"), an affiliated company which is also licensed by CySEC as Administrative Service Provider. The remuneration for this function fixed and set annually as per the outsourcing agreement and does not depend on any variable conditions other than the additional time spent for the performance of duties and expenses incurred. The Risk Officer reports to the senior management and the Board and monitors the implementation of the Company's agreed policy as defined by the Board and the various CySEC regulations. Risk management aims to continuously develop and improve risk measuring and monitoring mechanisms. In addition, the Risk Management Function is responsible for reviewing and updating the Company's risk management policies and procedures.

The Company considers that the risk management systems put in place are adequate with regard to the Company's profile and strategy.

3.4 Compliance Function

In accordance with the regulatory requirements of the Company, the Board has established a Compliance Function to manage compliance risk. The compliance and anti-money laundering functions of the Company are performed by the same person, the Money-laundering Reporting Officer (the "MLRO").

The Board has appointed the MLRO who is responsible for the Anti-Money Laundering and Compliance Function. The main duty of the MLRO is to monitor compliance with legal and regulatory obligations, internal procedures and/or industry practice. The MLRO is responsible for monitoring the day-to-day operations of the company and the actions of its personnel to ensure that such actions conform to the internal control procedures and the laws governing the financial services industry and any other applicable law or regulations. In addition, the MLRO is also responsible to ensure that the

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operations and activities of the Company are in compliance with The Prevention and Suppression of Money Laundering and Terrorist Financing Law of 2007-2018 - N188 (I)/2007 updated to 2021 (the “**AML Law**”) and relevant AML directives. The policies and procedures for preventing Money Laundering and Terrorist Financing (the “**ML&TF**”), and the duties and responsibilities of the MLRO relating to ML&TF are described in the Company’s AML Manual.

The MLRO and any relevant persons must not be involved in the provision of services or activities they monitor, and their remuneration should not compromise their objectivity. The Compliance Function is outsourced to the affiliated company A.J.K. Bureau of Consultants Limited. The remuneration for the Compliance Function is set annually and fixed as per the outsourcing agreement and does not depend on any variable conditions other than the additional time spent for the performance of duties and expenses occurred. In order to ensure the independent and unhindered access of the MLRO to information necessary to fulfil its function he/she:

- a) Reports directly to the Board and Senior Management of the Company;
- b) Has access to the Board through frequent reports;
- c) Has wide access to the Company’s Information Technology infrastructure and in particular to all transaction processing modules, client and employee information/ transaction logs.

3.5 Internal Audit Function

The Internal Auditor is responsible for ensuring that the Company’s business is conducted according to rules, policies and procedures, which comply with the requirements imposed on the Company by the Law and the regulations published by the Commission from time to time. In addition, the Internal Auditor is responsible for implementing the Company’s risk management policy, to ensure that anything which might adversely affect the Company’s business is promptly detected and effectively dealt with.

As a third line of defence, the Company appointed an outsourced Internal Auditor, that reports directly to both the Board and Senior Management. The Internal Auditor is accessible to all Company’s employees who are in doubt as to how they should perform their duties or wish to bring any issue to his attention. The Internal Auditor Function is a completely separate and independent from the other functions and activities of the Company.

3.6 Investment Committee

The Company has established an Investment Committee, the main responsibility of whom is to set the investment policy of the Company according to the market environment at the time and formulate the framework in which the asset management and client investment advisory functions of the Company should operate. The purpose of the Investment Committee is to establish and oversee the best possible practice for the investment services provided by the Company.

The Investment Committee:

- Establishes the discretionary investment manager selection process and reviews it as necessary from time to time in order to ensure its integrity.
- Monitors the performance of the approved discretionary investment managers.
- Decides which discretionary investment managers should be added or removed from the approved list.

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- Following appropriate research, provides to the discretionary investment managers and investment advisors guidelines on investment products and financial instruments for the clients.
- Establishes procedures for assessing investment risk tolerance for clients.
- Decides the fee schedule to be charged to the clients for the services provided

The scope of the Investment Committee's activities covers the following:

- Examination of the macroeconomic environment.
- Assess and recommend the appointment and termination of investment managers and monitor their performance.
- Provide financial and investment recommendations.
- Develop investment strategies to meet annual objectives.
- Review the monthly statements of account and investment performance.
- Review compliance with investment mandates on a regular basis.
- Review performance and portfolio risk profiles.
- Review compliance with investment mandates on a regular basis.
- Review the domestic and global economic and, as appropriate, political background and consider the implications on the financial markets.
- Review the current asset profile for each investment, with reference to the current and expected liability positions and other parameters as applicable.
- Review and advice on any actuarial advice.
- Investigate and provide advice on any other proposal or topic referred to it.

The members of the Investment Committee consist of the Chairman, three executive directors, one non-executive director, and any member(s) appointed by the Board. The Investment Committee may invite members of management and other persons to its meetings as it may deem desirable or appropriate. The Investment Committee shall report regularly to the Board summarizing its actions and any significant issues considered by it.

During the year 2022, the Investment Committee held ten (10) meetings.

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Nicola C. ...

4. Own Funds & Minimum Capital Requirements

4.1 Capital Base

Own Funds is the type and level of regulatory capital that must be held to be able to absorb losses in a going or in a gone concern situation. In accordance with the new prudential regime, the Company is classified as a Class 2 IF and therefore, it shall at all times have own funds at least the highest of:

- Fixed overhead requirement (FOR);
- Initial Capital (minimum capital requirement);
- K-Factors requirement.

The Company throughout the year 2022, ensured that it complied with the regulatory capital requirements with respect to its Own Funds and that the Company maintained healthy capital ratios in order to support its business and protect its customers.

4.2 Own Funds Regulatory Capital

According to Article 9 of the IFR, the total Own Funds consists of the sum of the Company's Common Equity Tier 1 capital (the "CET1"), Additional Tier 1 capital (the "AT1") and Tier 2 Capital (the "T2"). The Company's regulatory capital comprises fully of CET1 capital while it has not issued any AT1 or T2 capital.

- CET1 is comprised of ordinary share capital issued and fully paid, share premium and other reserves, less goodwill, intangible assets and certain other deductions;
- AT1 is comprised of fully paid up directly issued capital instruments that qualify as T1 instruments plus share premium on those instruments less certain deductions, plus other capital elements, deductions and adjustments;
- T2 is comprised of fully paid up directly issued capital instruments that qualify as T2 instruments plus share premium on those instruments less certain deductions, plus other capital elements, deductions and adjustments.

The Composition of the Company's Own Funds as of 31 December 2022 are presented in the below table:

Table 6: Composition of Regulatory Own Funds

As of 31 December 2022	Amounts in EUR (€'000)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
Common Equity Tier 1 (CET1) capital: instruments and reserves		
OWN FUNDS	594	
TIER 1 CAPITAL	594	
COMMON EQUITY TIER 1 CAPITAL	594	
Fully paid up capital instruments	200	Share capital
Share premium	-	
Retained earnings	456	Retained earnings
Previous years retained earnings	411	

Profit eligible	45	
(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(62)	Financial assets at fair value through profit or loss
ADDITIONAL TIER 1 CAPITAL	-	
TIER 2 CAPITAL	-	

4.3 Balance Sheet Reconciliation with Audited Financial Statements

As per Article 49(1) (a) of the IFR, IFs must disclose a full reconciliation of CET1 items, AT1 items and T2 items and applicable filters and deductions applied to own funds of the IFs and the balance sheet in the audited financial statements of the IF. The table below displays the reconciliation between the balance sheet presented in the financial statements of the Company with the balance sheet prepared for regulatory purposes for the year ended 31 December 2022:

Table 7: Reconciliation of Regulatory Own Funds to Balance Sheet in the Audited Financial Statements

	a	b	c
	Balance sheet as in published/audited financial statements in	Under regulatory scope of consolidation	Cross reference to EU IF CC1
	As at period end 31 December 2022 in €'000s	As at period end 31 December 2022 in €'000s	
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements			
1 Non-current assets	62	N/A	27
2 Trade and other receivables	368	N/A	N/A
3 Cash and cash equivalents	352	N/A	N/A
Total Assets	782		
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements			
1 Trade and other payables	77	N/A	N/A
2 Current tax liabilities	49	N/A	N/A
Total Liabilities	126		
Shareholders' Equity			
1 Share capital	200	N/A	4
2 Retained Earnings	456	N/A	6
Total Shareholders' Equity	656		

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Delors Limited

By  CH
Nicola Caputo

4.4 Own Funds Main Features

As per Articles 49 (1) (b) of the IFR, the Company is required to describe the main features of CET1, AT1 and T2 instruments issued by the Company. The table below presents the Company's main features of the ordinary shares.

Table 8: Own Funds Main Features of Own Instruments Issued by the Company

Capital Instruments Main Feature		2022
1	Issuer	A.J.K. Wealth Management Limited
2	Unique identifier (i.e. CUSIP, ISIN or Bloomberg identifier for Public or private placement)	529900IWOTE6JQGD7O56
3	Public or private placement	Private
4	Governing Law(s) of the instrument	Cyprus Law
5	Instrument type	Ordinary shares
6	Amount recognized in regulatory capital	€200,000
7	Nominal amount of instrument	€1
8	Issue Price	€1
9	Redemption price	N/A
10	Accounting classification	Common Equity
11	Original date of issuance	24/11/2010
12	Perpetual or dated	N/A
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	N/A
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
21	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
22	Existence of step up or other incentive to redeem	No
23	Noncumulative or cumulative	Non-cumulative
24	Convertible or non-convertible	Non-convertible
25	If convertible, conversion trigger(s)	N/A
26	If convertible, fully or partially	N/A
27	If convertible, conversion rate	N/A
28	If convertible, mandatory or optional conversion	N/A
29	If convertible, specify instrument type convertible into	N/A
30	If convertible, specify issuer of instrument it converts into	N/A
31	Write-down features	N/A
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



4.5 Capital Requirements and Capital Adequacy

The Company's objectives when managing capital are:

- To comply with the capital requirements as required by CySEC;
- To hold financial resources that are adequate for the business it undertakes; and
- To safeguard its ability to continue as a going concern.

The Company's policy on capital management is focuses on maintaining the capital base sufficient to secure the future development of the Company. Capital adequacy and the use of the regulatory capital are monitored by the Company's management and Board through its ICARA process.

The Company is further required to report on its capital adequacy to CySEC on a quarterly basis. Management monitors such reporting and has policies and procedures in place to help meet the specific regulatory requirements. All reports are submitted to CySEC within the deadlines set out.

According to Article 9 (1) of the IFR, IFs shall have own funds consisting of the sum of their CET1 capital, AT1 capital and T2 capital, and shall meet all the following conditions at all times:

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

D

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

D

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

D

Where D is the Company's total capital requirement.

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By CM
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The Company's Own Funds, Own Funds requirement and capital ratio are described in the below table:

Table 9: Capital Adequacy Analysis

OWN FUNDS REQUIREMENTS	€'000
Own Funds requirement	150
Permanent minimum capital requirement	150
Fixed overhead requirement	100
Total K-Factor requirement	75
Transitional own funds requirements	
Memorandum items	
Additional own funds requirement	-
Additional own funds guidance	-
Total own funds requirement	150
CAPITAL RATIOS	
CET 1 Ratio ($\geq 56\%$)	396%
Surplus of CET 1 Capital	510
Tier 1 Ratio ($\geq 75\%$)	396%
Surplus of Tier 1 Capital	482
Own Funds Ratio ($\geq 100\%$)	396%
Surplus of Total Capital	444

As of 31 December 2022, the Company maintained adequate own funds to cover its capital requirements. However, the Company monitors the above to ensure compliance with the capital adequacy requirements at all times. In addition, the Company has implemented a capital adequacy monthly monitoring program in order to ensure compliance with the IFR requirements at all times by calculating the capital requirement on a monthly basis.

4.6 Initial Capital Requirement

The initial capital requirement acts as a floor for all levels of capital required under the new prudential regime. The initial capital requirement is set out in Article 9 of the IFD and is based on the MiFID II services and Annex I to the CIF Law that an IF is authorized or plans to offer its services.

In accordance with Article 9 of the IFD and Article 9 of the Law, the initial capital of the Company shall be €150,000, pursuant to Article 15 of MiFID II by having the authorization to provide investment services other than those referred in paragraphs 1, 2 and 4 (i.e. Ancillary Services such- safekeeping and administration of financial instruments, including custodianship and related services and foreign exchange services where these are connected to the provision of investment services).

4.7 Fixed Overheads Requirement (FOR)

As per Article 13 of the IFR, the fixed overheads requirement shall amount to at least one quarter of the fixed overheads of the preceding year. The Company's fixed overheads requirement based on the audited financial statements dated 31 December 2022, is €100,197.

Table 10: Fixed Overheads Requirement

Item	€
Fixed Overhead Requirement	100
Annual Fixed Overheads of the previous year after distribution of profits	401
Total expenses of the previous year after distribution of profits	655
Of which: Fixed expenses incurred on behalf of the investment firms by third parties	-
(-) Total deductions	(38)
(-) Staff bonuses and other remuneration	-
(-) Employees', directors' and partners' shares in net profits	-
(-) Other discretionary payments of profits and variable remuneration	-
(-) Shared commission and fees payable	-
(-) Fees, brokerage and other charges paid to CCPs that are charged to customers	(38)
(-) Fees to tied agents	-
(-) Interest paid to customers on client money where this is at the firm's discretion	-
(-) Non-recurring expenses from non-ordinary activities	-
(-) Expenditures from taxes	-
(-) Losses from trading on own account in financial instruments	(216)
(-) Contract based profit and loss transfer agreements	-
(-) Expenditure on raw materials	-
(-) Payments into a fund for general banking risk	-
(-) Expenses related to items that have already been deducted from own funds	-
Projected fixed overheads of the current year	410
Variation of fixed overheads (%)	2.24%

4.8 K-Factor Requirement

K-Factors are used by Class 2 IFs to determine their capital requirements. The requirements are tailored to the respective activities of an IF, with a view to create a capital requirement that is more directly proportional to the risk profile of the IF than was achievable under the previous CRR/CRD IV framework.

K-Factors are divided into three groups that aim to capture the risk the IF can pose to its clients, market or the IF itself. The general principles concerning the calculation of the three groups of K-factors, Risk-to-Client (RtC), Risk-to-Market (RtM) and Risk-to-Firm (RtF), can be found in Article 15 of the IFR.

In the sub-sections below details of the methodology and assumptions for the quantification for each relevant K-Factor are provided. The below table demonstrates the summary of the quantified capital requirements for each K-Factor and the total K-Factor Requirement as of 31 December 2022:

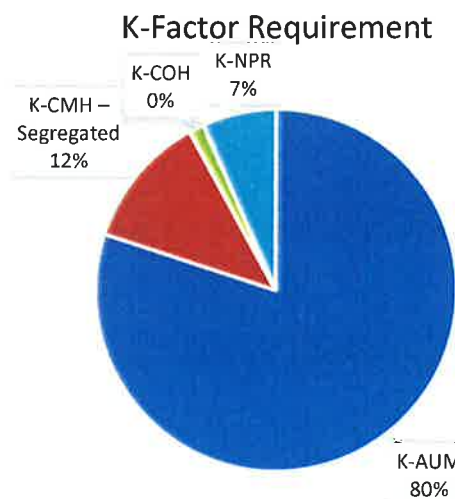
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By CM
Nicola - Cyprus

Table 11: K-Factors Results

As of 31 December 2022 EUR (€'000)	Factor amount	K-Factor Requirement
TOTAL K-FACTOR REQUIREMENT		75
Risk to client		70
Assets under management (K-AUM)	299,976	60
Client money held – Segregated (K-CMH)	2,249	9
Client money held – Non-segregated (K-CMH)	-	-
Assets safeguarded and administered (K-ASA)	1,348	1
Client orders handled – Cash trades (K-COH)	274	0
Client orders handled – Derivatives Trades (K-COH)	-	-
Risk to market		5
K-Net positions risk requirement (K-NPR)		5
Clearing margin given (K-CMG)	-	-
Risk to firm		
Trading counterparty default (K-TCD)	-	-
Daily trading flow – Cash trades (K-DTF)	-	-
Daily trading flow – Derivative trades (K-DTF)	-	-
K-Concentration risk requirement (K-CON)		-

The below graph shows the breakdown of the K-Factor requirement as of 31 December 2022:



4.8.1 Risk-to-Client (RtC)

For the vast majority of IFs, one the most important elements of risk, is the potential harm they may pose to their clients. RtC are proxies covering the business areas of IFs from which harm to clients can conceivably be generated if risks arise. RtC is the sum of client assets under management (K-AUM), client money held (K-CMH), assets safeguarded and administered (K-ASA), and client orders handled (K-COH), multiplied by a corresponding coefficient.

The Company is required to calculate the following K-Factors requirements as part of the RtC:

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

For the purpose of calculating K-AUM, 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 converted into the entities’ functional currency at that time, excluding the three most recent monthly values.

AUM= average of the 12 months

K-AUM= AUM*0.02%

The table below shows the total AUM values as of 31 December 2022 as per Article 17 of the IFR:

Table 12: Total AUM (average amounts)

	Factor Amount		
	December 2022 (€'000)	November 2022 (€'000)	October 2022 (€'000)
Total AUM (average amounts)	299,976	292,470	283,713
Of Which: AUM-Discretionary portfolio management	199,610	195,579	190,853
Of Which: AUM formally delegated to another entity	-	-	-
AUM – Ongoing non-discretionary advice	100,366	96,891	92,860

4.8.1.2 K-CMH: Client Money Held

K-CMH captures the risk of harm where an investment firm holds its clients’ money, whether on its own balance sheet or in third-party accounts. In other words, this is the amount of client money that an investment firm holds, taking into account the legal arrangements in relation to asset segregation and irrespective of the national accounting regime applicable to client money held by the IF.

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 nine months, excluding the three most recent months. The table below shows the total CMH values in segregated accounts and non-segregated accounts as of 31 December 2022 as per Article 18(1) of the IFR.

Table 13: Total CMH (average amounts)

	Factor Amount		
	December 2022 (€'000)	November 2022 (€'000)	October 2022 (€'000)
CMH- Segregated (average amounts)	2,249	2,317	2,320
CMH – Non segregated (average amounts)	-	-	-

4.8.1.3 K-ASA: Assets Safeguarded and Administered

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

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 three most recent months. The table below shows the total ASA values as of 31 December 2022 as per Article 19(1) of the IFR:

Table 14: Total ASA (average amounts)

	Factor Amount		
	December 2022 (€'000)	November 2022 (€'000)	October 2022 (€'000)
Total ASA (average amounts)	1,348	1,292	1,346
Of which: assets formally delegated to another financial entity	1,348	1,292	1,346
Of which: assets of another financial entity that has formally delegated to the investment firm	-	-	-

4.8.1.4 K-COH: Client Orders Handled

COH captures the risk to clients of an investment firm that executes orders in the names of clients, and not in the firm's name, say in providing execution- only services or when a firm is part of a chain of client orders. This is the value of orders that an IF handles for clients, through the reception and transmission of client orders and through the execution of orders on behalf of clients.

COH shall be the rolling average of the value of the total client orders handled, measured throughout each business day for the previous six months, excluding the three most recent months. COH shall be measured as the sum of the absolute value of buys and the absolute value of sells for both cash trades and derivatives.

The table below shows the arithmetic mean amount of COH in cash trades and derivatives as of 31 December 2022, as per Article 20(1) of the IFR:

Table 15: Total COH (average amounts)

	Factor Amount		
	December 2022 (€'000)	November 2022 (€'000)	October 2022 (€'000)
COH – Cash trades (average amounts)	274	161	161
Of which: Execution of client orders	-	-	-
Of which: Reception and transmission of client orders	274	161	161
COH – Derivative (average amounts)	-	-	-

4.8.2 Risk to Market (RtM)

The Risk-to-Market captures the risk an IF can pose to market access. The RtM K-factors only apply to firms with a trading book that deals on their own account or on behalf of their clients, i.e. they deal on a matched principal basis or as a market maker.

4.8.2.1 K-NPR: Net Position Risk

The own fund requirement for market risk for trading book positions of an IF shall be calculated using the standardized approach set out in Chapters 2, 3 and 4 of Title IV of Part Three of Regulation (EU) No 575/2013 (the “CRR”). This is in addition to the alternative standardized approach or alternative internal model approach which can also be used to calculate the K-NPR.

The Company’s sole exposure to market risk arises from foreign exchange risk. The table below presents the Company’s K-NPR net position as of 31 December 2022:

Table 16: K-NPR Net Position

	K-Factor Requirement/amount
Total standardized approach	5
Position risk	-
Equity instruments	-
Debt instruments	-
Of which: securitizations	-
Particular approach for positions risk in CIUs	
Foreign exchange risk	5
Commodities risk	-
Internal model approach	

Foreign Exchange Risk

Foreign Exchange Risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not in Euro, which is the Company's measurement currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar and the British Pound. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

The Company does not have a policy of hedging foreign exchange risk exposure arising from transactions from future commercial transactions and recognized assets. As of 31 December 2022, the Company had no significant balances in foreign currencies. The Company’s foreign exchange risk capital requirement is €5,000 while the net foreign exchange exposure was €59,000 based on the latest relevant calculations.

The Company’s standardized approach for Foreign Exchange Risk (MKR SA FX) for the period as of 31 December 2022 is depicted in the below table:

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Table 17: Foreign Exchange Risk (MKR SA FX)

	Net Positions		2% Total own funds	Positions Subject to Capital Charge		Own Funds Requirements	Total Risk Exposure Amount
	Long €'000	Short €'000		Long €'000	Short €'000		
Total Positions	59	-	12	59	-	5	59
All other currencies (including CIUs treated as different currencies)	59	-		59	-	5	
Memorandum items:							
CURRENCY POSITIONS							
Euro	595	-					
Australian Dollar	3						
Pound Sterling	1	-					
US Dollar	55	-					

4.8.3 Risk to Firm (RtF)

The K-factors under the RtF cover an IF's exposure to the default of their trading counterparties (K-TCD) in accordance with simplified provisions for counterparty credit risk based on the CRR, concentration risk in an IF's large exposures to specific counterparties based on the CRR that apply to large exposures in the trading book (K-CON), and operational risks from an IF's daily trading flow (K-DTF).

The RTF-factor requirement is the sum of K-TCD, K-DTF and K-CON calculated in accordance with the IFR requirements and in relation to K-DTF multiplied with the respective coefficient. **The Company is not exposed to any RtF exposures.**

4.8.3.1 K-TCD: Trading Counterparty Default

K-TCD captures the risk of default of trading counterparties when dealing on own account. Calculation based on CRR counterparty credit risk refers to exposure value, credit valuation, replacement cost, potential future exposure and collateral. The Company is not exposed to any trading counterparty default risk since it does not deal on its own account.

4.8.3.2 K-CON: Concentration Risk on Large Exposure

K-CON captures concentration risk in relation to individual or highly connected private sector counterparties with whom firms have exposures above 25% of their Own Funds, or specific alternative threshold in relation to credit institutions or other IFs, by imposing a capital add-on in line with CRR for excess exposures above those limits.

This includes large individual exposures and significant exposures to companies whose likelihood of default is driven by common underlying factors such as the economy, geographical location, instrument type etc. Large exposure means the exposures in the trading book of an IF to a client or a group of connected clients, the value of which exceeds the 25% limit of its own funds.

In case that individual client is a credit institution or an investment firm, or where a group of connected clients includes one or more credit institutions or investment firms, the limit with regard to concentration risk shall be the higher of 25% of the IF's own funds or €150 million provided that for the sum of exposure values with regard to all connected clients that are not credit institutions or investment firms, the limit with regards to concentration risk remains at 25% of the IF's own funds. Where the amount of €150 million is higher than 25% of the IF's own funds, the limit with regard to concentration risk shall not exceed 100% of the IF's own funds.

Only IFs which are subject to a minimum Own Funds requirement under the K-factors should report to competent authorities on their concentration risks. It is noted that the Company is not authorized to deal on own account and therefore does not hold any positions in financial instruments with trading intent that would trigger the calculation of K-CON. However, senior management and the Investment Committee have established relevant monitoring procedures to detect any breaches of the exposure limits to each counterparty. The Company carries out regular analyses of the exposures, including estimates of the trends, in order to be able to verify the adequacy of the processes, parameters which are put in place in order to manage the risk of concentration.

The Company shall monitor and control its concentration risk in line with Part Four of the IFR, by means of sound administrative and accounting procedures and robust internal control mechanisms, including:

- Exposures associated with the default of counterparties and trading book positions;
- Where client money is held;
- Where securities are deposited;
- Where own cash is deposited;
- Sources of its earnings;
- Off-Balance sheet items

In addition, the Company is reporting to CySEC on a quarterly basis the level of concentration risk with respect to the credit institutions, investment firms and other entities where clients' money are held and where client securities are deposited while it shall report the level of concentration risk with respect to the credit institutions where its own cash is deposited in accordance with Article 54(2) of the IFR. In addition, the Company is required under MiFID requirements to report the top five clients from whom the largest amounts of Company's earnings are derived, the top five, if available, largest trading book exposures and largest exposures not recorded in the trading book. Furthermore, the clients' money held during the year 2022 were well diversified.

4.8.3.3 K-DTF: Daily Trading Flow

DTF means the daily value of transactions that an IF enters through dealing on own account or the execution of orders on behalf of clients in its own name, excluding the value of orders that an IF handles for clients through the Reception & Transmission of client orders and through the execution of orders on behalf of client which are already taken into account in the scope of COH. DTF also excludes transactions executed by an IF for the purpose of providing portfolio management services on behalf of investment funds. The Company does not deal on its own account or execute orders on behalf of clients in its own name, therefore, the K-DTF factor is not calculated.

4.9 Liquidity Requirement

Liquidity risk is defined as the risk of incurring losses resulting from the inability to meet payment obligations in a timely manner when they become due or from being unable to do so at a sustainable cost. The Company has procedures with the object of minimizing such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

In accordance with Article 43 of the IFR, IFs that qualify as Class 2, shall hold an amount of liquid assets equivalent to at least one third of the FOR. The purpose is to ensure that the IFs have an adequate stock of unencumbered high-quality liquidity assets that can be converted easily and immediately in cash to meet their liquidity need for a 30-calendar day liquidity stress scenario.

The Company’s liquidity requirements as of 31 December 2022 are described in the below table.

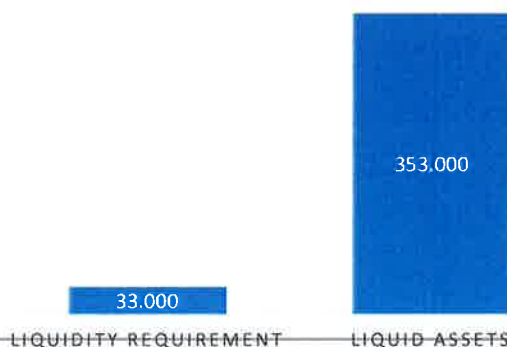
Table 18: Liquidity Requirements

As of 31 December 2022 (audited)	€'000
Liquidity Requirement	33
Client guarantees	-
Total liquid assets	353
Unencumbered short term deposits	353
Total eligible receivables	-
Level 1 assets	-
Level 2A assets	-
Level 2B assets	-
Qualifying CIU shares/units	-
Total other eligible financial instruments	-

As a result of the above, we confirm that the Company currently maintains a higher than required amount of liquid assets to cover the one third FOR. Nevertheless, the Company will continuously monitor its liquidity requirement to ensure compliance at all times.

The below figure illustrates the liquid assets from all the EEA Credit Institutions the Company held their money and minimum liquidity requirement that it needs to store in an emergency period.

LIQUIDITY REQUIREMENT AS AT 31 DECEMBER 2022



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5. Remuneration Policy

The Company's Remuneration Policy sets out the principles governing the Company's remuneration practices. The Remuneration Policy is reviewed and approved by the Company's Board, at least once a year, and the provisions are applicable to each Director, Officer and Employee of the Company. The principles employed within the Company's Remuneration Policy are appropriate to its size, internal organization and the nature, scope and complexity of its activities whilst adhering to the requirements of Section 51 of the IFR, the CIF Law, as well as with Circulars C031, C138 and C240 (the Guidelines GD-IF-07 on remuneration policies and practices).

During the year 2022, the Company's remuneration system is concerned with practices of the Company for those categories of staff whose professional activities have a material impact on its risk profile of the Company, i.e. Senior Management, members of the Board of Directors or risk takers. The said practices are established to ensure that the rewards for these staff provide the right incentives to achieve the key business aims.

The Company's Remuneration Policy promotes sound and effective risk management and does not encourage risk-taking; the remuneration policy is in line with the business strategy, objectives, values and long-term interests of the Company, and incorporates measures to avoid conflicts of interest. Employees in control functions are independent from the business units they control, and are rewarded for the achievement of specific goals related to their control functions. In addition, the Compliance, Risk Management and Internal Audit functions are outsourced. Their remuneration is set annually and is fixed as per the outsourcing agreement, and does not depend on any variable conditions other than the additional time spent for the performance of the duties and expenses incurred.

When designing or reviewing the remuneration policies and practices, the Company must consider the conduct of business and conflicts of interest risks that may arise and take reasonable measures to avoid or manage them appropriately and efficiently. The remuneration policy must, inter alia, be designed in such a way so as not to create incentives that may lead persons to favour their own interest, or the Company's interest, to the potential detriment of clients. In addition, the Remuneration Policy for all employees should be gender neutral, i.e. staff, independent of their gender, should be equally remunerated for equal work or work of equal value.

All employees of the Company should comply with the Remuneration Policy including any of the following Relevant Persons:

- a) Client-facing front-line staff;
- b) Sales force staff, and/or;
- c) Other staff indirectly involved in the provision of investment services whose remuneration may create inappropriate incentives to act against the best interest of the clients.

The following principles apply to the Company to the extent that is appropriate to the size, internal organization and the nature, the scope and the complexity of the Company's activities:

- a) The Compliance Function should be involved both in the design and review process of the remuneration policies and practices as well as in their periodic assessment;

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- b) The employment terms and the remuneration of staff are stated in the employee's respective employment contracts. Emoluments relate to fixed element remuneration in accordance with the relevant employment contracts entered into between each employee and the Company;
- c) For all employees, managers and Senior Managers, the remuneration is fixed and is not performance related;
- d) Staff engaged in control functions are independent from the business units they oversee, have appropriate authority, and are remunerated in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control;
- e) The senior managers/executive directors' fixed salary may be revised by the Board each year and shall be competitive and based on the individual's competence, responsibilities and commitment in the Company;
- f) The Remuneration Policy for the independent non-executive directors consists of a fixed annual salary or compensation for occupying a seat on the Board. The independent non-executive directors are not covered by incentive programs and do not receive performance-based remuneration. The basic salary or compensation of the independent non-executive directors is set at a level that reflects the qualifications and contribution required in view of the Company's complexity, the extent of the responsibilities and the number of the Board meetings. No pension contributions are payable on the independent non-executive directors' fees.
- g) Finally, no remuneration is paid to the two non-executive directors (non-independent).

5.1 Fixed Remuneration Policy

The Company's Fixed Remuneration Policy is approved by the Board for each Director, Officer and Employee of the Company. It is received regardless of the number of hours the employee works or the quality of their performance. It varies for different positions depending on each position's requirements. It is set at levels that reflect the educational level, experience, accountability, and responsibility needed for an employee to perform each position.

Benefits such as health and social insurance protections are not performance-related and are part of the employees' fixed remuneration. Additionally, all employees are eligible for holiday remuneration, subject to specified criteria.

5.2 Annual Bonus Policy

The Company's annual bonus policy is based on:

- a) The achievement of business and individual performance objectives of each employee, as set in their annual evaluation forms, according to the review and appraisal by the management;
- b) The business unit concerned;
- c) The overall results of the Company.

Article 32 of the IFD sets, among others, the conditions on variable remuneration paid to employees:

- At least 50% of the variable remuneration shall consist of shares/share-linked instruments/equivalent non-cash instruments that adequately reflect the credit quality of the IF as a going concern, or non-cash instruments which reflect the instrument of the portfolios managed;

- At least 40% of the variable remuneration is deferred over the three-to-five-year period.

Following the Article 32(4) of IFD, the above points do not apply to the Company since it does not fall under the definition of “significant CIF” (off-balance sheet assets is on average less than €100m over the preceding four-year period).

In addition to the above, the Company does not pay any transaction-based commissions or any other form of variable remuneration. The Company does not offer any incentives on sales of financial instruments or other investment services via increased remuneration, variable remuneration or performance-related remuneration and the employees’ salaries are not related to sales.

5.3 Performance Appraisal Process

The performance appraisal process is being performed as follows:

- a) Performance standards are established. Management determines what outputs, accomplishments and skills are to be evaluated. These standards evolve out of job analysis and job descriptions. These standards and objectives are set forth at the beginning of each year and assessed on an annual basis.
- b) Managers provide feedback and guidance to the employees on a daily basis, in an effort to assist the staff to improve their existing skills and develop new skills and competencies.
- c) The actual performance of each employee is measured on information available from various sources such as personal observation and oral and written reports, usually within the first three months of the year. This process aims at comparing the actual performance of the employee to the predetermined standards, enabling the evaluator to discuss the appraisal with the employee.

5.4 Link between pay the and performance

The Remuneration Policy and practices implemented by the Company are simplified to the basic requirements of recruiting and maintaining high level professional personnel. The Board considers such approach as the most practical as it corresponds to the scale and complexity of the Company’s operations. To this respect, the remuneration of the employees whose professional activities have a material impact on the Company’s risk profile (the “**Relevant Persons**”) i.e. the Senior Management, members of the Board and the Heads of the Departments; is mostly comprised of fixed salaries and is not performance related. The employees’ total remuneration consists of:

- a) A fixed component;
- b) Annual bonus, subject to specified criteria;
- c) Social insurance; and
- d) Health insurance.

Total staff cost for the year ending 2022 was €276,760 (compared to 2021 which was €256,843).

The table below presents the remuneration of Board members and other key management personnel whose professional activities have a material impact on the risk profile of the Company for the reporting period:

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Table 19: Aggregate Quantitative Information on Remuneration

	Number of Beneficiaries	Fixed Remuneration	Variable Remuneration	Total Remuneration
Non-Executive Directors-Independent	2	€8,000	-	€8,000
Non-Executive Directors	2	€0	-	€0
*Senior Management/Executive Directors	3	€121,220	-	€121,220
Total	7	€129,220	-	€129,220

**The three executive directors (senior management) consist of the Managing Director, the Head of Portfolio Management and R&T Department and the Head of Advisory and Operations Department.*

In addition to the above, it is noted that for the reporting period and in respect of the members of the Board and other key management personnel whose professional activities have a material impact on the risk profile of the Company there were zero amounts of:

- Amounts and forms of awarded variable remuneration of neither amounts into cash, shares, share-linked instruments and other types paid upfront and for the deferred part;
- Deferred remuneration awarded for previous performance periods, of neither amounts due to vest in the current reporting period nor due to vest in subsequent years;
- Deferred remuneration due to vest and paid out in the current reporting period and that is reduced through performance adjustments;
- Amounts of guaranteed variable remuneration awards during the reporting period;
- Amounts of severance payments awarded and paid out during the reporting period.

Moreover, companies are required to disclose the number of natural persons that are remunerated Euro 1 million or more per financial year, in pay brackets of Euro 1 million, including their job responsibilities, the business area involved and the main elements of salary, bonus, long-term award and pension contribution. Currently there are no natural persons at the Company that are remunerated Euro 1 million or more per financial year and as such the above disclosure is not applicable to the Company.

6. Other Risk Categories

The Company considers its operations to be prudent and risk averse, with the business objective of achieving client satisfaction and financial strength of the company. The Company is exposed to various risks arising from the provision of investment services and has risk management policies and practices in place for each category of risk it is exposed to. Some of the Company's inherent risks which have been identified are analysed below:

6.1 Interest Rate Risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company's income and operating cash flows are substantially independent of changes in market interest rates as the Company has no significant interest-bearing assets or



liabilities. The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

At the reporting date the interest rate profile of interest-bearing financial instruments was immaterial.

6.2 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. Operational risk covers legal risk, (fines, penalties and punitive damage resulting from regulatory actions, as well as private settlements), but excludes reputational and strategic risk and therefore, operational risk events can have a direct or indirect impact on the value/earnings of the company.

The Company manages operational risk through a control-based environment in which processes are documented and transactions are reconciled and monitored. The Company recognizes operational risk as a significant risk category, and strives to manage this within acceptable levels through strong governance arrangements, effective risk management processes and adequate internal control mechanisms appropriate to the Company's size, nature, scale and complexity. The Company calculates its operational risk using the basic indicator approach. The Company systems are evaluated, maintained and updated continuously, in an effort to minimize its operational risks throughout the organization. The Company uses a broader scope when defining operational risk (to include other important risks such as:

6.2.1 Regulatory, Compliance and Legal Risk

This is the risk the Company faces by not complying with relevant laws and regulations issued by its supervisory body. This risk is a significant factor in the overall risk framework of IFs. It is not limited to simple compliance with laws and regulations; it also encompasses sound fiduciary principles, prudent ethical standards, client documents, internal policies and procedures, and other contractual obligations. If materialized, the risk could trigger the effects of reputation and strategic risk. The risk is limited to a significant extent due to the supervision applied by the Compliance Function, as well as by the monitoring controls applied by the Company.

Regulatory, Compliance and Legal Risk is managed through internal policies and procedures, which include legal, regulatory and other technical requirements relevant to the business. The Compliance Function provides training to ensure that all employees are familiar with their regulatory obligations and advice on regulatory issues. The Compliance Function independently monitors the business units to ensure adherence to policies and procedures and other technical requirements.

6.2.2 Strategic Risk

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

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6.2.3 Investment Risk

Investment is the decision to forgo the use of current resources, in the belief that they can instead be used to create future benefits which are greater than their current value. Investment risk is the risk that these future benefits do not materialize or are less than required.

The Company follows the “Best Execution” policy and the employees are capable to understand and manage the best investment opportunities to create the returns expected by investors.

Furthermore, the selection of assets to be introduced to clients are based generally on the study and research of a minimum of historical or simulated data whenever available, which are approved by the IC.

The Company does not enter into any positions which carry investment risk.

6.2.4 Reputational Risk

The risk of loss of reputation arising from the negative publicity relating to the Company's operations (whether true or false) may result in a reduction of its clientele, reduction in revenue and open legal cases against the Company.

Safeguarding the Company's reputation is of paramount importance to its continued success and is the responsibility of every member of staff. The Company has various policies and practices to mitigate reputational risk, including strong values that are regularly and proactively reinforced. The Company is aware of the impact of practices that may result in a breakdown of trust and confidence in the organization. The Company's as well as the Group's policies and practices are regularly reinforced through transparent communication, accurate reporting, continuous group culture and values assessment, internal audit and regulatory compliance review, and risk management practices.

The Company has also policies and procedures in place when dealing with possible customer complaints in order to provide the best possible assistance and service under such circumstances. The Company's Board are made up of high calibre professionals who are recognised in the industry for their integrity and ethos; this adds value to the Company.

6.2.5 Emerging Risks

Emerging risks are newly developing or changing risks that are difficult to quantify and could have major impact on society and industry including systemic risk. Emerging risks have uncertain impact, probability and timeframe that could cause various risks to the Company. The Company proactively assesses the internal and external risk environment, as well as reviews the themes identified across our globe and if needed, develops and applies mitigation and management plans.

The first years of this decade have signaled a disruptive period in human history. The return to a “new normal” following the COVID-19 pandemic was quickly disrupted by the outbreak of war in Ukraine, accompanying a series of crises in food and energy.

As 2023 begins, the world is facing a set of risks that feel both new but also familiar. The most prominent risk drivers that might potentially threaten the execution of the Company's strategy or operations over the year 2023:

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- a) Geopolitical Risk
- b) Monetary Policy/Interest Rates
- c) Energy Crisis
- d) Sanctions Risk
- e) Cyber Security and Data Privacy
- f) Digital Disruption and New Technologies
- g) Vigilance and Operational Resilience

The Company's profitability could be adversely affected by the worsening of global economic conditions and could significantly disrupt the Company's customers' activity levels and financial position.

6.2.6 Capital Risk Management and Internal Capital Adequacy and Risk Assessment Process (ICARA)

The ICARA requires institutions to identify and assess risks not adequately covered in Pillar I, maintain sufficient capital to face these risks and apply appropriate risk-management techniques to maintain adequate capitalization on an ongoing and forward-looking basis, i.e., internal capital supply to exceed internal capital demand.

As per the new the new prudential regime, AJK has been classified as a "Class 2" IF and is subject to the new capital requirements set out in the IFD and IFR which were put into effect on the 26th June 2021 onwards. Class 2 IFs are required to have "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."

This requirement is conceptually the same as the internal capital adequacy assessment process (ICAAP) and internal liquidity adequacy assessment process (ILAAP) required under CRD. In view of the above requirements, there is the risk that the Company will not comply with capital adequacy requirements. The scope of the ICARA is to ensure that the Company has sufficient capital at all times to cover the risks associated with its activities. The Company has a regulatory obligation to monitor and implement policies and procedures for capital risk management. Specifically, the Company is required to test its capital against regulatory requirements and has to maintain a minimum level of capital. The regulatory minimum Tier 1 capital adequacy ratio for the eligible "Own Funds" of the Company is set at 100%. This ultimately ensures the going concern of the Company. Such procedures are explained in detail in the Company's Manual.

The Company's approach to capital management is focused on maintaining the Company's capital and leverage position in support of our clients, the business strategy and to meet regulatory requirements and future loss absorption requirements. In accordance with the new capital requirements set out in the IFD and IFR, the minimum capital requirement is €150,000, but management has decided to maintain this at the minimum level of €200,000 (133%). As at 31st December 2023 the total own funds were estimated to €594,000 which creates the capital adequacy ratio of 396%.

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As per CySEC's Circular C518 regarding the Prudential Supervision Information, all CIFs are required to complete Form 165-03 once a year and submit it to CySEC by the 30th of June each year. The prudential Form 165-03 is updated and replaced the Form 144-14-11 which has been introduced by CySEC's Circular C326. Specifically, the purpose of this particular form is to facilitate CySEC's supervisory role in the following areas:

- The assessment of ICARA and ILAAP;
- The assessment of annual audited financial statements;
- The safeguarding of clients' money.

The regular deadline of the submission of the Form 165-03 for the year 2021 was extended by one month due to the introduction of the new form. Therefore, the form, has been successfully submitted to CySEC on the 27th July 2022.

Senior management and the Group Financial Controller maintain compliance with the ICARA as required under Pillar II and its local implementation in Cyprus, through risk management and governance framework, methodologies, processes and infrastructure. This is achieved through the preparation on a quarterly basis of accounts to monitor the financial and capital position of the Company.

During the year, the Company's ICARA report for the year 2021 has been developed in accordance with Article 24 of IFD. In addition, the ICARA report is updated on a frequent basis, at least annually, in an effort to reflect the Company's true operational status.

The scope of the ICARA report is to drive the Company to focus on material harms, adopting a proportionate and risk-based approach to the Company's business and operating model, and therefore determine the adequate level of capital that is required to operate the Company. The ICARA report covers in depth analysis in the following areas:

- a) Business Model & Strategy
- b) Internal Governance
- c) Risk Management Objectives and Policies
- d) Scenario Analysis and Stress Testing
- e) Pillar II Calculation and Capital Planning

In accordance with the findings and analysis of last year's ICARA report, AJK has developed, implemented and maintains adequate risk management policies and procedures which enable the Company to identify the risks relating to its activities, processes and systems, and where appropriate, set the level of risk tolerated by the Company.

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7. Investment Policy

In accordance with of Article 52 (1) of the IFR, Member States shall ensure that IFs which do not meet the criteria referred to in point (a) of Article 32 (4) disclose the Company's Investment Policy. IFs which meet the criteria specified under the Law and Article 32(4) of the IFD, whose on-and-off balance sheet assets on average over the 4 year period are less than €100 million are exempted from the disclosure of information on Investment Policy.

The Company's average on-and off-balance sheet assets for the preceding four-year period are less than €100 million and therefore, the Company is exempted from the disclosures requirement relating to the disclosure of the Company's Investment Policy.

8. Environmental, Social and Governance Risk (ESG Risk)

Under the new prudential regime, the Environmental, Social and Governance Risk (the "ESG Risk") is introduced. As per Article 35 of the IFD and Article 53 of the IFR the majority of IFs must disclose information on ESG risks, including physical risks and transition risks (i.e. changes in politics, technology and the market environment). The above requirement has entered into force on the 26th December 2022 and it shall be disclosed once in the first year and biannually thereafter.

IFs which meet the criteria specified under the Law and Article 32(4) of the IFD, whose on-and-off balance sheet assets on average over the 4 year period are less than €100 million, are exempted from the disclosure of information on ESG Risk, including physical risks and transition risks as per Article 35 of the IFD.

The Company's average on-and off-balance sheet assets for the preceding four-year period are less than €100 million and therefore, the Company is exempted from the disclosures requirement relating to ESG Risk.

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