



**Public Disclosures in accordance with Part Six of Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms and amending Regulations (EU) No 1093/2010, (EU) No 575/2013, (EU) No 600/2014 and (EU) No 806/2014 (“the Regulation”) for the Year ended 30 June 2023**

Pepperstone EU Limited

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# 1. Introduction

According to the requirements stated in Article 46(1) of Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms and amending Regulations (EU) No 1093/2010, (EU) No 575/2013, (EU) No 600/2014 and (EU) No 806/2014 (the “Investment Firm Regulation” or the “IFR”), Pepperstone EU Limited (the “Company”) has an obligation to publicly disclose on their website, information relating to its Risk management policies and objectives, Governance, Own funds, Own funds requirements and Remuneration policy and practices, at least on an annual basis.

The Company is a Class 2 CIF and is required to hold €750 thousand of initial capital set in accordance with Article 14 of IFR and Article 9 of the EU Directive 2019/2034 (“Investment Firm Directive” or “IFD”).

Given that the Company’s total on and off-balance sheet assets are on average less than EUR 100 million over the four-year period immediately preceding the given financial year, the Company has no obligation to disclose any information relating to Article 52 (Investment Policy) and Article 53 (Environmental, Social and Governance risks) of the IFR.

Moreover, these Disclosures must be subject to an independent verification process and the Company is responsible for submitting the verified Disclosures accompanied by the relevant Verification Report to the Cyprus Securities and Exchange Commission (“CySEC”), the latest within five months from the end of each financial year.

## **Corporate Information**

Pepperstone EU Limited is a limited liability company incorporated in Cyprus on 31 May 2019 under the Companies Law, Cap. 113. The Company is a wholly owned subsidiary of FX MidCo Pty Ltd (the “Parent”), a company incorporated in Australia, ACN: 610 799 865. The Company’s principal activity is to onboard retail and professional clients for the purpose of providing a platform for clients to buy and sell leveraged spot Foreign Exchange (“FX”) and Contract-For-Difference (“CFD”) products.

The Company is authorised and regulated by the CySEC based on a CIF license that was granted on 3 August 2020. The Company launched providing services to clients on 12 November 2020.

The Company’s CIF license includes the following investment services:

1. Reception and Transmission of orders in relation to one or more financial instruments
2. Execution of orders on behalf of clients
3. Dealing on own account.

Furthermore, the Company's CIF license includes the below ancillary services:

1. Safekeeping and administration of financial instruments, including custodianship and related services.
2. Foreign exchange services where these are connected to the provision of investment services.
3. Investment research and financial analysis or other forms.

The Company does not engage in direct investments in Crypto assets neither is acting as a market maker for its CFDs on Cryptos offering to clients. As such the Prudential treatment as described in CySEC Circular C462 is not applicable.

### **Frequency & Medium of Publication**

The Disclosures are prepared on an annual basis at a minimum and, where deemed necessary, more frequently and are published on its website and can be found at ["Legal documents" section](#) under **"Pillar 3 Disclosures"**. They are published in conjunction with the date of publication of the financial statements (or where no publication of financial statements is required, the Disclosures are published in conjunction with the date of submission of the audited financial statements to the CySEC).

### **Verification**

The Disclosures were reviewed and approved by the Board of Directors (the "Board" or "BoD"), verifying the adequacy of risk management arrangements of the Company and providing assurance that the risk management systems in place are adequate with regards to the Company's profile and strategy.

### **Scope of Disclosure**

This report presents the evaluation and management of the various risks faced by the Company during the year ended 30 June 2023. The Company adheres to the capital adequacy and overall risk management requirements that apply under the prudential rules established by the IFR and IFD.

This document is prepared in accordance with Part Six of IFR which sets the requirements for disclosures by investment firms (commonly known as Pillar III disclosures). Pepperstone EU Limited does not fall under the prudential consolidation requirements per Article 7 of the IFR and therefore prepares its disclosures on a solo basis. The Company's Financial Statements are also prepared on a stand-alone basis and in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") as adopted by the EU. Information in the Disclosures is presented in thousands of Euro, unless otherwise indicated.

**Economic Environment**

The latest international developments with the Covid-19 pandemic in the years 2020-2021, the following invasion of Russia to Ukraine in February 2022 and the ongoing war as well as the latest conflict in Israel in October 2023, has had far reaching impacts across the global economy, with inflationary pressures and cost of living rising being the most notable. Whilst many companies are experiencing hardships, the Company has been largely unimpacted. This is due to continued market volatility which leads to increased business and revenue for the Company, as usually increased volatility is positively correlated to the Company's revenue.

## 2. Risk Management Objectives and Policies

### 2.1 Risk Management Framework and Structure

The Company considers risk management as a core component of proper business management and sound corporate governance. The Company's ability to identify and address risks is central to achieving its corporate objectives, thus the process of risk management shall be ongoing.

The Company has in place a Risk Management Policy that sets out the high-level principles that the Company applies in order to manage its key risks. This Policy describes the Company's risk management system relating to its operations, defined as the systematic method of establishing the context, identifying, analysing, evaluating, managing, monitoring and communicating risks to minimise losses and maximise opportunities. The main risks covered are Credit risk, Market risk, Liquidity risk, Operational risk, and Compliance risk.

The overall risk management framework of the Company aims to embed risk management in a practical way into business processes and it is implemented through policies, limits, operational guidelines, as well as defined procedures and controls for risk monitoring, measuring and reporting. Risk identification is a continuous and developing process which runs throughout the Company's strategy and the implementation of that strategy. It addresses methodically all the risks surrounding the Company's activities past, present and especially future.

Risk Management refers to a coordinated set of activities and methods that is used to direct the Company and to control the many risks that can affect its ability to achieve objectives. The term "risk management" also refers to the program that is used to manage risk. This program includes risk management principles, a risk management framework and a risk management process of identifying, monitoring, assessing and controlling threats to the Company's capital and earnings.

Furthermore, also embedded to the core of the Company's operations is the Internal Capital and Risk Assessment process (ICARA), which serves as a valuable Risk Management tool that ensures that the Company's Risk Management framework receives the necessary attention from all the related functions and personnel of the Company.

The Board of Directors and the Senior Management ensure the appropriate design, adoption and implementation of this process, by performing their related duties and responsibilities. The terms of reference of the relevant roles involved in the overall risk management process within the Company are outlined below.

## **Risk Manager**

A Risk Manager is appointed by the Board who leads the Risk Management Function and is responsible to establish reporting lines to the Board of Directors that cover all material risks and risk management policies and changes thereof. The Company's Risk Management Function is performed by the Risk Manager with the support and overview of the Risk Committee (of which the Risk Manager is by default a member). The Risk Manager shall be independent from the operational functions and act as such. The Risk Manager must not be removed without prior approval of the Board of directors and must be able to have direct access to the Board, where necessary.

The Risk Manager:

- Is actively involved in elaborating the Company's risk strategy and in all material risk management decisions and he/she delivers a complete view of the whole range of risks of the Company.
- Ensures that all material risks are identified, measured and properly reported.
- Develops and implements effective policies, arrangements and procedures to manage all types of risks that arise due to the Company's operations in respect of the level of risk tolerance.
- Monitors the adequacy and effectiveness of the Company's risk management policies and procedures.
- Informs and updates related Company's personnel on the current risk policies, procedures and arrangements and monitors the level of compliance by the Company and the persons employed.
- Takes rectification measures to address any deficiencies in risk policies, procedures, arrangements, processes and mechanisms, including failures by the relevant persons of the Company to comply/follow the applicable policies and procedures.
- Undertakes a review of the effectiveness of the internal control system and provides a report to the Senior Management and Board on an annual basis or whenever deemed necessary.
- Produces all the required reports related to the risks the Company is exposed as well as the documents that are required to be submitted to the Senior Management, the Board and CySEC and keeps records of these reports. (e.g. submission of Annual Risk Management Report to the Senior Management, the Board and CySEC and Internal Capital Adequacy Assessment Process (ICAAP) preparation).
- Where applicable and required, provides advice to the Senior Management of the Company in relation to any potential deficiencies and suggests remedial measures to be in full compliance with the regulatory requirements.
- Where necessary, reports directly to the Board of Directors, independently from senior management and raises concerns and warnings to the Board, where appropriate, when specific risk developments affect or may affect the Company.
- Where applicable, establishes exposure risk limits that are approved by the Board and reports to the Senior Management and the Risk Management Committee on any breaches against approved Board limits

### **Risk Management Committee**

The Board has appointed a Risk Management Committee to assist in its oversight of the Company's risk management framework, the risk appetite and the performance of the Risk Management Function.

The Committee is as best practice, (if feasible by the Board composition at the time), composed by at least three non-executive members of the Board. For the year ended 30 June 2023, the Risk Committee comprised of one independent non-executive director, and two executive directors (one of which who also appointed as the Risk Manager)<sup>1</sup> up to 31st of August 2022. A new Risk Manager was appointed on 1st September 2023 and as such the Risk Committee comprised by one independent non-executive director, two executive directors and the new appointed Risk Manager.

The Risk Committee has met twice during the financial year ended 30 June 2023.

<sup>1</sup> A new Risk Manager was appointed on the 1st of September 2022 (replacing the previous Risk Manager that was also serving as an Executive Director of the Company). The Executive Director and ex Risk Manager, continued to serve on the Risk Management Committee during the financial year.

### **Compliance Officer**

The Compliance Officer of the Company is responsible to:

- a) review on an annual basis (and when deemed necessary on an ad-hoc basis) the risk management policies and procedures and ensure that the Company is compliant with relevant rules and regulations; and
- b) report to Senior Management and the Risk Manager all instances of non-compliance for immediate action.

### **Anti- Money Laundering Compliance Officer (AMLCO)**

The AMLCO has overall responsibility for the establishment and maintenance of effective AML systems and controls. The AMLCO is also responsible for designing and implementing risk-based approach policies for money laundering and due diligence procedures for new clients. The Company (as per CySEC requirements) has appointed an alternate Compliance Officer, in case the AMLCO is absent, who should replace him temporarily and perform his duties as defined in the present Directive of CySEC for the Suppression of Money Laundering and Terrorist Financing and The Prevention and Suppression of Money Laundering and Terrorist Financing Law No. 188(I)/2007 as amended).

### **Internal Auditor**

The Internal Auditor of the Company is responsible to periodically:

- a) assess the existing risk management policies, procedures and arrangements, identify possible deficiencies and propose related improvements; and
- b) report directly to the Board of Directors on the level of compliance of the Company with its Risk



Management policies and procedures and recommend related improvements.

### **Legal Function**

The Company outsources the Legal function to Pepperstone Group's legal function and additionally retains local external legal counsel in all jurisdictions where it has a business presence (including Cyprus), to ensure that local regulatory obligations and legal issues are appropriately identified and managed.

### **Head of Finance & Accounting Department**

The Company retains a qualified and experienced person as the Head of Finance & Accounting Department. The Head of the Finance & Accounting Department shall also be responsible for supervising the rest of the staff in the said department, in addition to the below:

- a) Capital Adequacy Planning & Monitoring;
- b) Regulatory Compliance regarding Financial Information;
- c) Monthly, Quarterly & Annual Financial Statements; and
- d) Monitoring and supervising the reconciliation of the Client Financial Information, handling system balances to any table entries used and to the corresponding General Ledger Account balances.

Currently the Finance and accounting function is outsourced to the affiliate UK company Pepperstone Ltd.

## **2.2 Risks & Mitigating Actions**

This section provides information as per Article 47 of the Investment Firms Regulation regarding the risk management objectives and policies for each separate category of risk set out in Part Three ("Capital Requirements"), Part Four ("Concentration Risk") and Part Five ("Liquidity") of the IFR, together with a summary of the strategies and processes to manage those risks.

### **2.2.1 Capital Requirements**

#### **2.2.1.1 Risk to Client (RtC)**

The Company calculates capital requirements for Risk-to-Client ("RtC") in accordance with Article 16 of the IFR, and is the total of the following K-factors:

- K-Assets Under Management (K-AUM)
- K-Client Money Held (K-CMH)
- K-Assets Safeguarded and Administered (K-ASA)
- K-Client Orders Handled (K- COH).

***The Company is only subject to K-CMH.***

RtC K-Factor definitions and applicability to the Company are detailed below:

- K-AUM captures the risk of harm to clients from an incorrect discretionary management of client portfolios or poor execution and provides reassurance and client benefits in terms of the continuity of service of ongoing portfolio management and investment advice. The Company is not subject to K-AUM since it does not provide discretionary portfolio management for its clients or non-discretionary arrangements constituting investment advice of an ongoing nature.
- K-ASA captures the risk of safeguarding and administering client assets and ensures that investment firms hold capital in proportion to such balances, regardless of whether they are on their own Balance Sheet or in third-party accounts. The Company is not subject to K-ASA since it does not provide safeguarding and administration for clients' financial instruments other than CFDs (Note: custodianship of clients' CFDs is provided and is considered to be captured under K-CMH due to the intrinsic nature of the CFDs).
- K-COH captures the potential risk to clients of an investment firm which executes orders (in the name of the client, and not in the name of the investment firm itself), for example as part of execution-only services to clients or when an investment firm is part of a chain for client orders. The Company is not subject to K-COH since it does not execute orders in the name of the client, on an agency basis (i.e., all client orders are executed on a principal basis).

### **Client Money Held (CMH)**

CMH means the amount of client money that the Company 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 Company. CMH captures the risk of potential for harm where an investment firm holds the money of its clients, taking into account whether they are on its own Balance Sheet or in third-party accounts and arrangements under applicable national law provide that client money is safeguarded in the event of bankruptcy, insolvency, or entry into resolution or administration of the Company.

The Company implements a number of policies and procedures in order to properly safeguard and minimise the risk of loss of any clients' money held under custody. Specifically, according to these policies and procedures the Company shall, on receiving any Client funds, promptly place those funds into one or more accounts opened with any of the following:

- a) central bank
- b) credit institution
- c) bank authorized in a third country
- d) qualifying money market fund.

In the event that the Company decides not to deposit Client funds with a central bank, it shall exercise all due skill, care and diligence in the selection, appointment and periodic review of the credit institution, bank or money market fund where the funds are placed and the arrangements

for the holding of those funds. The Company shall take into account the expertise and market reputation of such institutions or money market funds with a view to ensuring the protection of Clients' rights, as well as any legal or regulatory requirements or market practices related to the holding of Client funds that could adversely affect Clients' rights.

The Head of Safekeeping Department, who's role is performed by the Head of Finance, shall be responsible for implementing the provisions arising from the above by:

- opening separate accounts for Clients and the Company.
- performing due diligence over the operational adequacy of the third parties so as to ensure that separate accounts are maintained for holding Client assets and Company assets through the review of (indicatively): the terms of business, expertise, credit ratings, reputation, references, availability of authorization/specialized licenses, granted by the supervisory authority of the country of origin of the third party for the provision of services, availability of suitable staff members employed by the third party, in this respect, availability of information on shareholders, financial position and top managers of the third party and ability of third party to maintain segregation of assets between Clients and the Company.

Further to the above, the Head of Safekeeping & Finance, shall be responsible for ensuring that the Company does not mix its Own funds with its Clients' funds. In this respect, the account(s) containing Client funds should be labeled as "*Clients' Account*".

The implementation of the provisions related to safekeeping client funds are also monitored by the appointed officer for safeguarding client funds, as per CySEC requirements, as an extra layer of control.

It is noted that for the year ended 30 June 2023, all Client funds were kept in EEA credit institutions.

#### **2.2.1.2 Risk to Market (RtM)**

The Company calculates Risk-to-Market ("RtM") capital requirements in accordance with Article 21 of the IFR. There are two K-factors under RtM, as described in this section:

- K-NPR (Net Position Risk)
- K-CMG (Clearing Margin Given)

The RtM K-factor requirement for the trading book positions of an investment firm dealing on own account, whether for itself or on behalf of a client shall be either the K-Net Position Risk (K-NPR) calculated in accordance with Article 22 of the IFR or the K-Clearing Margin Given (K-CMG) calculated in accordance with Article 23 of the IFR. The RtM K-factor requirement applies to all Trading Book positions, which include in particular positions in debt instruments, equity instruments, collective investment undertakings (CIUs), foreign exchange and gold, and commodities (including emission allowances). Furthermore, for the purposes of calculating RtM K-Factor requirement an investment firm shall include positions other than trading book positions where those give rise to Foreign Exchange risk or Commodity risk.

For the purposes of calculating RtM the Company has elected to apply K-NPR instead of K-CMG, since K-CMG applies in the case where the execution and settlement of transactions of an investment firm dealing on own account take place under the responsibility of a clearing member or a qualifying central counterparty, which is not relevant for the Company. For the purpose of calculating K-NPR the Company applies the Standardised Approach set out in Chapters 2, 3 and 4 of Title IV of Part Three of Regulation (EU) No 575/2013.

The Company incurs Market risk from its Trading Book transactions in FX, equity and commodity CFDs, as well as from exchange rate fluctuations on all its Banking Book assets and liabilities held in foreign currencies. The Company monitors its exposure on a day-to-day basis and performs hedging as deemed necessary. The Company also regularly analyses its currency groups by netting each currency's cash balances with the respective client liabilities. If the net position of a currency group is in deficit, funds from a currency group that is in surplus may be converted and transferred to bring the deficit currency group into surplus.

The Company's Market risk arising from its Trading Book is insignificant as all the Market risk is hedged with the affiliate company Pepperstone Group Ltd.

### **2.2.1.3 Risk to Firm (RtF)**

The Company calculates Risk-to-Firm ("RtF") capital requirements in accordance with Article 24 of the IFR. There are three k-factors under RtF:

- K-Trading Counterparty Default (K-TCD)
- K-Daily Trading Flow (K-DTF)
- K-Concentration (K-CON).

In accordance with point (35) of Article 4(1) of the IFR, "Trading Counterparty Default" or "TCD" means "the exposures in the Trading Book of an investment firm in instruments and transactions referred to in Article 25 giving rise to the risk of Trading Counterparty Default". For the Company, TCD risk arises from its trading activities in Over The Counter ("OTC") CFD derivative contracts, either when acting as Principal for the purposes of executing its clients' transactions, or when performing hedging trades with its affiliate company, Pepperstone Group Limited, in Australia.

Furthermore, "Daily Trading Flow" or "DTF" is defined by point (33) of IFR Article 4(1) as "the daily value of transactions that an investment firm enters through Dealing on Own Account or the Execution of orders on behalf of clients in its own name, excluding the value of orders that an investment firm handles for clients through the Reception and Transmission of client orders and through the Execution of orders on behalf of clients which are already taken into account in the scope of client orders handled". Pepperstone EU Limited is subject to DTF risk as a result of its Trading Book activity, performed for its own account both through the transactions of clients that

it executes on a Principal basis, as well as through the hedging trades performed with the Parent.

The Company strives to manage, control and minimize RtF risks by implementing the following measures:

- Client margins are monitored on a daily basis so that minimum risk exposure occurs. Moreover, as at 30 June 2023 the Company held most of its own and clients' cash with a top tier EEA (Ireland)-based bank after undertaking an initial assessment of the credit rating of the bank. Further, for diversification reasons part of its own and clients' cash is held with a top tier EEA bank based in Germany and another EEA bank based in Cyprus. Assessments on these credit institutions are made on an on-going basis.
- Under the new ESMA rules, the following restrictions have been introduced in respect of retail clients:
  - Leverage limits on the opening of a position between 30:1 and 2:1, which vary according to the volatility of the underlying asset:
    - 30:1 for major currency pairs;
    - 20:1 for non-major currency pairs, gold and major equity indices;
    - 10:1 for commodities other than gold and non-major equity indices;
    - 5:1 for individual equities and any underlying not otherwise mentioned;
    - 2:1 for cryptocurrencies.
  - A margin close-out rule on a per account basis.
  - A negative balance protection on a per account basis.
  - A prohibition on benefits incentivising trading; and
  - A standardised risk warning.
- Any negative balances are being guaranteed by the affiliate company Pepperstone Group Ltd (which also acts as the Company's Liquidity Provider). This mitigates the Firm's TCD risk in relation to its clients.
- The Company enters into OTC financial derivatives contracts with its clients only if such contracts are supported by sufficient margin collateral. The Company is required to apply margin requirements as a minimum to support the clients' investments and any other trading activities performed through the Company. Any open positions held by the clients in OTC derivatives will be included with 100% of their prevailing mark-to-market values (i.e., including the unrealized profit or loss related to each such position), in support of the clients' margin collateral requirements at any time.
- The Company monitors and controls on an ongoing basis the clients' Net Free Equity and related margin requirements, where Net Free Equity for a client is the sum of the below:
  - The value-dated cash balance of the client's trading accounts,
  - plus (or minus) any unrealised profits (or losses) from the client's open contracts,
  - minus any margin required for financing the client's open positions.

### **2.2.2 Concentration Risk**

The Company assesses the Concentration risk on a continuous basis by actively monitoring its open positions with its clients and with its hedging counterparty and affiliate entity, Pepperstone Group Limited. The Company calculates the capital adequacy requirement daily – this calculation includes a concentration risk metric (K-CON) – to ensure that where a reportable event is triggered, it is reported to the regulator in good time. This also acts as a measure to stop out clients with positions large enough to breach the hard limit as identified in article 37 of the Investment Firm Regulation. In order to reduce the risk of breaching the concentration risk limit as set by the Investment Firm Regulation, the Firm implemented 2 measures during the year:

- Introduction of Tiered Margins – this means the margin that clients need to have in place before opening a trade, becomes increasingly more as the size of the position increases. This means a client has to pay more to open a trade, which should reduce the risk of the client opening larger positions than if they were not on the Tiered Margin requirement.
- Introduction of Net Open Position Limits – this means that a client cannot open any new positions once the aggregated value of all his trades hits a certain limit.

As at 30 June 2023, the Company had no significant concentration of Trading Counterparty Default risk (Counterparty Credit risk under the CRR framework) to any single counterparty, or of Issuer risk to issuers of equities underlying its own positions in equity CFDs.

### **2.2.3 Liquidity Risk**

Liquidity risk arises from the possibility that the Company might encounter difficulty in settling its debts or otherwise meeting its obligations relating to financial liabilities.

The Senior Management of the Company is committed to maintaining sufficient liquidity to meet obligations as they fall due, or as needed in the event of an operational and regulatory orderly wind down. The Company's Liquidity risk management framework is designed to ensure that it has sufficient liquid funds to meet its foreseeable liabilities as they fall due. An increase in expenses would occur only if coupled with an identified increase in the Company's cash income, or sufficient excess liquid capital to support any forecasted negative cash flow. Such an increase would only arise as a result of formal business planning. The liquidity of the Company's assets in relation to its Fixed Overhead Requirement is monitored through the quarterly financial reporting process.

The Company manages this risk through the following mechanisms:

- preparing forecast cash flow analysis in relation to its operational, investing and financial activities, monitored on an annual basis; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses by preparing a 12-month cash flow forecast. The Company maintains liquidity levels which are at least one third of the fixed overhead requirement as per the requirements of Article 43 of the IFR.

## 3. Governance arrangements

### 3.1 Board of Directors

For the year ended 30 June 2023 the Board consisted of seven members, of which two were Independent Non-Executive Directors, one was Non-Executive Director (indirect shareholder) and four were Executive Directors.

### 3.2 Diversity Policy

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service.

As per the Company's Suitability Policy for the members of the Board, the Company promotes and ensures diversity and adequate representation of gender in its Board, and, in general, it ensures equal treatment and equal opportunities, as well as ensuring that its members wield a broad spectrum of qualifications and competencies. However, the Company should not recruit members of the management body with the sole purpose of increasing diversity to the detriment of the functioning and suitability of the management body collectively, or at the expense of the suitability of individual members of the management body.

The members of the Board of Directors shall at all times be of appropriately good repute and possess sufficient knowledge, skills and experience to perform their duties.

The ultimate objective is to have a Board that offers a broad range of perspectives that are directly relevant to the business and organizational needs. The Company ensures that a broad set of qualities and competences exists when recruiting members to its Board.

The overall composition of the Company's Board shall reflect an adequately broad range of experiences and knowledge in domain areas of the Company's business such as investment banking and finance, human resources, legal and compliance, risk management, etc.

### 3.3 Number of directorships held by members of the Board

The table below provides the number of directorships each member of the management body of the Company currently holds at the same time in other entities (including the directorship held in the Company).

Directorships in organizations which do not pursue predominantly commercial objectives, such as non-profit-making or charitable organizations, are not taken into account for the purposes of the below. Executive or non-executive directorships held within the same group shall count as a single directorship, as per the provisions of the Investment Services Law.

**Table 1: Number of Directorships**

Name of Director	Position within the Company	Directorships – Executive	Directorships – Non-Executive
Stavros Vassiliades	Executive	1	-
Savvakis (Zack) Ioannou	Executive	1	-
Robert Bowen	Executive	1	-
Panayiotis Theodorou	Executive	1	-
Nikolas Xenofontos	Non-Executive	2	1
Andreas Koumenides	Non-Executive	-	1
Tamas Szabo	Non-Executive	5	1

Note: The information in this table is based only on representations made by the directors of the Company.

All the Company's Directors have been approved by CySEC.



## 4. Board Approved Risk Statement

The Risk Appetite Statement (“RAS”) is an expression of the level of risk the Company is willing and able to accept in pursuit of its strategic objectives. The RAS gives clear accountability and clarity of those risks that are encompassed within the Risk Management Framework (“RMF”) that are consistent with the pursuit of the Company’s profitability and other strategic objectives.

The risk capacity of the Company is influenced by the following strategic boundary conditions:

- maintain a sustainable risk profile;
- maintain risk appetite that is consistent with the Company’s business and franchise;
- ensure that the business is prudently funded and capitalised at all times and is resilient at times of stress;
- maintain a stable threshold of profit generation consistent with the Company’s strategic plans;
- comply with all regulatory requirements both prudential, conduct of business and any other relevant codes; and
- maintain the trust and goodwill of clients, regulators and other stakeholders.

The Board accepts that in its pursuit of its strategic and business goals, the Company will be exposed to risk. Some risks will be consciously taken in the pursuit of profit. Other risks will be an indirect consequence of profit-taking activities. Accordingly, it is important that the Company’s overall risk-taking activities are undertaken within acceptable limits and tolerances in order for the potential impact of such risks on the earnings and capital ratios of the Company to be managed. It is accepted that the risk profile of the Company will vary and at times may be exposed to a higher level of risk, particularly at times when market or environmental conditions may be volatile.

The Company’s risk appetite is directly linked to its business strategy, funding capacity and capital planning. The Company’s “Risk Capacity” is the maximum level of risk that the Company can assume given its financial resources, earnings profile and obligations to stakeholders. The Company’s Risk Capacity is a maximum measure, and it is not intended to be reached, therefore there is a designated buffer between the risk appetite and the Company’s Risk Capacity.

While the risk appetite is a high-level statement that broadly considers the levels of risk management deems acceptable, the Risk Tolerances are narrower and set the acceptable level of variation around specific objectives. The Company’s Risk Tolerance is assessed by undertaking stress testing. Senior Management within the Company conducts monitoring of the application of the risk appetite to ensure that the aggregate risk profile of the Company (this includes all the material risks as defined within the Company’s RMF) remains within the prescribed limits and tolerances as determined by the Board.

The Company is prudently capitalised and operates with appropriate level of capital resources. The aim is to maintain at all times a buffer of not less than 60% over and above the prevailing level of financial resource requirement calculated on a regular basis.

In order for the Company to proceed with the initial assessment of risks, quantitative and qualitative measures are used. Once the assessment controls are set, the Company attempts to mitigate the significant risks identified and to monitor the progress on mitigation actions when defined.

The following table presents the quantitative and qualitative indicators that describe the tolerance of the Company.

**Table 2: Risk Appetite Statement**

<b>Risk Appetite Statement - Quantitative Indicators</b>				
<b>Quantitative Indicators</b>		<b>Normal</b>	<b>Warning</b>	<b>Limit</b>
Regulatory Requirements	Common Equity Tier 1 Ratio	>130%	<110%	56%
	Tier 1 Capital Ratio	>160%	<140%	75%
	Total Capital Ratio	>160%	<140%	100%
	Liquid Assets	≥ Fixed Overheads	2/3 of Fixed Overheads	1/3 of Fixed Overheads
Profitability	Return on Assets	≥5.00%	<5.00%	≤0.00%
	Return on Equity	≥5.00%	<5.00%	≤0.00%
Concentration Risk	Exposures with Institutions	≤60.00%	>60.00%	≥100.00%
	Exposures with non-Institutions	≤10.00%	>10.00%	≥25.00%
Operational Risk	Internal Fraud (single incident)	≤€0	>€0	≥€10k
	External Fraud (single incident)	≤€0	>€0	≥€10k
	Damage to Physical Assets	≤€0	>€0	≥€2k
Conduct Risk – Customer Complaints (per year)		≤20 complaints	>20 complaints	≥40 complaints
Legal Risk – Loss on single legal case (potential losing in court greater than 50%)		≤€0	>€0	≥€50k
<b>Risk Appetite Statement - Qualitative Indicators</b>				
Strategic Risks	The Company has a low appetite for threats to the effective and efficient delivery of strategic initiatives. It recognises that the actual or perceived inability to deliver strategic initiatives could have a significant impact on its ability to achieve its objectives as well as its reputation.			
Financial Risks	The Company holds domestic and foreign currency-denominated financial instruments to support its operations in financial markets in pursuit of its policy objectives. As a result, the Company has a very low appetite for credit risk.			
Operational Risk	<i>Internal Fraud:</i> The Company has a low appetite for any fraud or corruption perpetrated by its staff.			
	<i>External Fraud:</i> The Company has a low appetite for losses due to acts of a type intended to defraud, misappropriate property or circumvent the law by a third party which is not related with the staff.			

Risk Appetite Statement -Quantitative Indicators	
	<i>Employment practices and workplace safety:</i> The Company has a low appetite for losses arising from acts inconsistent with employment, health or safety laws or agreements, from payments of personal injury claims or from diversity and discrimination events.
	<i>Clients, products and business practices:</i> The Company has a low appetite for losses arising from an unintentional or negligent failure to meet a professional obligation to specific clients.
	<i>Damage to physical assets:</i> The Company has a low appetite for losses arising from damage to physical assets from natural disasters or other events.
	<i>Business disruption and systems failures:</i> The Company has a low appetite for losses arising from disruption of business or system failures (Business Continuity Plan).
	<i>Execution, delivery, and process management:</i> The Company has a low appetite for losses from failed transaction processing or process management.
Market Risk	The Company has a low appetite for exceeding the defined currency limits per day as defined in the Risk Management Policy.
	The Company has a low appetite for not implementing stop loss-controls for counterparty transactions that exceed a defined threshold.
Credit Risk	The Company has a medium-low appetite for Credit Risk. The Company addresses credit risk by depositing own funds and clients' funds by highly rated bank institutions. The Company holds clients' money in accounts with entities that are in accordance with par. 6(1) of the Directive DI087-01.
Conduct Risk	The Company has a low appetite with respect to Conduct Risk.
AML Risk	The Company has zero tolerance with respect to AML risk.
Reputational Risk	The Company has zero tolerance for reputational risk. The Company ensures that all reasonable steps are taken to minimise the probability of an adverse reputational impact arising from adverse media exposure, regulatory / supervisory investigations or regulatory / supervisory non-compliance.
Leverage Limits	For retail clients the leverage limits are for trading in CFDs relating to the following instruments and should not exceed: <ul style="list-style-type: none"> <li>● 30:1 for major currency pairs;</li> <li>● 20:1 for non-major currency pairs, gold and major indices;</li> <li>● 10:1 for commodities other than gold and non-major equity indices;</li> <li>● 5:1 for individual equities and other reference values;</li> <li>● 2:1 for cryptocurrencies.</li> </ul>
Cyber Security risk	The Company has a low tolerance for damages due to cyber-attacks or internally malicious actions on its information technology. In this respect, The Company is closely monitoring the developments on this new regulatory regime (DORA), and it is aware that it will have a year to take the actions needed in accordance to its size, nature and complexity in order to comply with these new regulatory requirements.
Regulatory Risk	<i>Financial Crime:</i> The Company has zero tolerance and appetite regarding the financial crime.
	<i>Product Governance Requirements:</i> The Company has in place measures in order to remain compliant with the Product Governance Requirements under MiFID II.
	<i>Investment and Ancillary Services and Investment Activities in a third country:</i> The Company has adequate documentation and is fully compliant with the regulatory requirements.
	<i>MiFID II, AML Directive and GDPR:</i> The Company has zero tolerance with respect to regulatory risk.

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

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

Table 3 below presents the responsible function with respect to the reporting, monitoring and escalation of each risk:

**Table 3: Responsible functions**

Indicator/Risk	Risk Owner
Regulatory Capital Ratios and Own Funds	Risk Manager & Finance Department
Profitability	Risk Manager & Finance Department
Concentration Risk	Risk Manager & Finance Department
Operational Risk	Risk Manager, Head of Operations & Head of IT Security
Conduct Risk	Risk Manager & Compliance Officer
Legal Risk	Legal Department & Compliance Officer
Strategic Risks	Risk Manager
Financial Risks	Risk Manager & Finance Department
Market Risk	Risk Manager & Dealing on Own Account Department (Head of Operations)
Credit Risk	Risk Manager & Finance Department
Reputational Risk	Risk Manager & Compliance Officer/ AML Officer
Leverage Limits	Risk Manager & Brokerage Department
AML Risk	Anti-Money Laundering Compliance Officer
IT risk	IT Department (Head of IT Security)
Regulatory Risk	Compliance Officer & Legal Department

## 5. Capital Management and Preservation

The Company's eligible Own Funds at year-end comprised entirely of Common Equity Tier 1 Capital. As at 30 of June 2023, the Company's eligible Own Funds consisted of the following:

**Table 4: Template EU IF CC1 – Composition of Regulatory Own Funds**

Ref	Template EU IF CC1 - Composition of Regulatory Own Funds	(a)		(b)
		30 June 2023	30 June 2022	Source based on reference numbers/ letters of the balance sheet in the audited financial statements (Cross reference with EU IF CC2)
<b>1</b>	<b>Own Funds</b>	<b>10.940</b>	<b>10.545</b>	
<b>2</b>	<b>Tier 1 Capital</b>	<b>10.940</b>	<b>10.545</b>	
<b>3</b>	<b>Common Equity Tier 1 Capital</b>	<b>10.940</b>	<b>10.545</b>	
4	Fully paid-up capital instruments	875	875	Ref 12
6	Retained Earnings	10.086	9.674	Ref 13
12	(-) Total Deductions from Common Equity Tier 1	(21)	(4)	
26	(-) Other deductions (Additional Valuation Adjustment)	(4)	(4)	
27	CET1: Other capital elements, deductions, and adjustments	(17)	-	Ref 1
28	Additional Tier 1 Capital	-	-	
40	Tier 2 Capital	-	-	

In accordance with CySEC's Circular C334, Cyprus investment firms should deduct the additional cash buffer of €3 per thousand of the eligible funds and financial instruments of their clients from the Common Equity Tier 1 capital, as shown in table EU IF CC1.01. Therefore, the amount of €17K represents the Company's contribution to ICF (Investor Compensation Fund).

The Company's Capital Adequacy Ratio as of 30 June 2023 was 932,32% (30 June 2022: 1184,02%) which was above the IFR regulatory threshold of 100% for Total Capital Requirements.

The primary objective of the Company's capital management is to ensure that it has sufficient

capital to enable it to effectively fund its operations on a going concern basis and maximise shareholder value by taking advantage of growth opportunities. The Company does not leverage through the use of debt finance in order to generate returns on equity. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust its capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The following table presents the reconciliation of Regulatory Own Funds to Balance Sheet in the audited Financial Statements of the Company, for the year ended 30<sup>th</sup> of June 2023:

**Table 5: Template EU IF CC2 Own Funds – Reconciliation of regulatory own funds to Balance Sheet in the audited Financial Statements**

EUR (€000)		a		c
		Balance Sheet as in audited Financial Statements		Cross reference to EU IF CC1
		30 June 2023	30 June 2022	
<b>Assets - Breakdown by asset classes according to the Balance Sheet in the audited Financial Statements (€' 000)</b>				
1	Cash and cash equivalents	19.192	20.349	Ref 27
2	Trade and other receivables	10.178	2.532	
3	Prepayments	12	4	
4	Equipment	111	57	
5	Right of use assets	324	159	
<b>6</b>	<b>Total assets</b>	<b>29.817</b>	<b>23.101</b>	
<b>Liabilities - Breakdown by liability classes according to the Balance Sheet in the audited Financial Statements</b>				
7	Trade and other payables	18.232	11.423	
8	Current tax payable	79	596	
9	Provisions	211	366	
10	Lease liabilities	334	167	
<b>11</b>	<b>Total liabilities</b>	<b>18.856</b>	<b>12.552</b>	
<b>Shareholders' Equity</b>				
12	Share capital	875	875	Ref 4
13	Retained earnings	10.086	9.674	Ref 6
<b>14</b>	<b>Total shareholders' equity</b>	<b>10.961</b>	<b>10.549</b>	

**Variance explanation:**

- *The net assets of the company increased by EUR412k – this represents the profit for the year ended 30 June 2023. No dividends have been declared and/or paid.*
- *Total assets increased by EUR6.7m. This is mainly as a result of the increased client money held (increase of EUR5m). The company’s own cash has decreased by EUR6.2m which is offset against an increase in Trade and other receivables of EUR7.6m – the latter is mainly due to less settlements of intercompany balances during the year. The Right of Use Assets is higher due to the signing of a new lease during the year.*
- *Total liabilities increased by EUR6.3m, mainly as a result of the increase in client funds.*

**Note 1:** *The Company meets the requirements set out in Part Six of the IFR on an individual basis. Therefore, Column (b) of Template EU IF CC2 titled “Under regulatory scope of consolidation” and prescribed by Commission Implementing Regulation (EU) 2021/2284, has not been included in the abovementioned table since the Company complies with the disclosure requirements of Part Six of the IFR on an individual basis.*

**Note 2:** *Column C above, indicates those Balance Sheet components that contribute to the calculation of the Company’s regulatory Own Funds, by linking them with the relevant Own Funds components in the first column of the previous Table 4 titled “Template EU IF CC1”.*

## 6. Minimum Capital Requirements

### 6.1 Own Funds Requirements

The Company's policy is to monitor Own fund requirements in order to comply with Article 11 of the IFR stating that the Company shall at all times have Own Funds in accordance with Article 9 of the IFR, which amounts to at least the highest of the following:

- a) Its fixed overheads requirement calculated in accordance with Article 13 of the IFR;
- b) its permanent minimum capital requirement in accordance with Article 14 the IFR; or
- c) its K-factor requirement calculated in accordance with Article 15 the IFR.

The Senior Management monitors the adherence to the IFR capital adequacy requirements through oversight on daily own funds reports prepared by the Finance team, which include Fixed Overheads requirement, K-Factor requirement, and permanent minimum capital requirement (of € 750K).

### 6.2 Fixed Overheads Requirements

The Company complies with Article 13 of the IFR stating that the Company shall hold Own Funds of at least one quarter of the fixed overhead expenses of the preceding year.

The Fixed Overheads Requirement as of 30 June 2023 amounted to €1,173 thousand (30 June 2022: 891 thousand).

### 6.3 Permanent Minimum Capital Requirement

The Company's policy is to monitor on a continuous basis its Own Funds and ensure that they remain above the Permanent Minimum Capital Requirement of €750 thousand, which corresponds to the initial capital that applies to the Company, in accordance with Article 9 of the IFD (and related Article 14 of the IFR).

### 6.4 K-Factor Requirements

The Company's monitors K-Factor Requirements on a daily basis and complies with Article 11 p.1(c) and relevant Article 15 of the IFR.

Table 6 below presents the K-Factor requirements as of 30 June 2023 and 30 June 2022:



**Table 6: K-Factor Requirements**

K-Factor Requirements		30 June 2023 €'000	30 June 2022 €'000
Risk-to Client (RtC)	K-AUM	-	-
	K-CMH	45	60
	K-ASA	-	-
	K-COH	-	-
Risk-to Market (RtM)	K-NPR	128	196
	K-CMG	-	-
Risk-to Firm (RtF)	K-TCD	255	249
	K-DTF	49	76
	K-CON	-	-
<b>Total K-Factor Requirement</b>		<b>477</b>	<b>581</b>

The variance in the K-factors can be explained as follows:

- *K-CMH (Client Money Held) is calculated as an average over a period. Over the applicable period in the year ended 30 June 2023, the Company held less client money than during the same period in the year ended 30 June 2022.*
- *K-NPR (Net Position Risk) is a measure that is taken at a specific time (rather than an average over a period). The numbers in the table above are calculated as at 30 June 2023 and 30 June 2022, respectively. The number is calculated as a percentage of non-Euro balances on the company's banking and trading book. At 30 June 2023, the company had less non-Euro balances compared to 30 June 2022.*
- *K-TCD (Trading Counterparty Default) is also a measure taken at a point in time. Like K-NPR, K-TCD is calculated as at 30 June 2023 and 30 June 2022 respectively. K-TCD is calculated using data from the end of day open positions from the trading book. The numbers were similar on 30 June 2023 compared to 30 June 2022.*
- *K-DTF (Daily Trading Flow) is calculated as an average over a period. Over the applicable period in the year ended 30 June 2023, our clients traded less volume than during the same period in the year ended 30 June 2022.*

## 7. Remuneration Disclosures

### 7.1 Remuneration Principles

#### 7.1.1 Remuneration Committee

The Company, due to its size, nature of business and scale of its operations, is not obliged to set up a Remuneration Committee and instead the responsibilities of the Remuneration Committee are performed by the Board of Directors. The design of remuneration policies and practices are approved by the people who effectively direct the business of the Company (i.e., the Board of Directors and its Senior Management), after taking advice from the Compliance Function and implemented by the relevant functions to promote effective corporate governance. The people who effectively direct the business should be responsible for the implementation of remuneration policies and practices and for preventing and dealing with any relevant risks that remuneration policies and practices can create.

#### 7.1.2 Remuneration Policy

The Remuneration Policy is designed in a way that it:

- Promotes a sound and effective risk management and does not encourage risk-taking that exceeds the level of tolerated risk of the Company.
- Is in line with the business strategy, objectives, values and long-term interests of the Company and its clients.
- Discourages conflict of interests in order to prevent employees or associates of the Company to act against the interests of any of the Company's clients or the Company itself.

Remuneration consists of all forms of payments and/or benefits provided directly or indirectly to employees or to Company's associates. All employees and associates of the Company are covered by the principles of the Remuneration Policy.

The Remuneration Policy is established pursuant to:

- Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments markets (MiFID II).
- Cyprus Law L. 87(I)/2017 which provides for the provision of investment services, the exercise of investment activities, the operation of regulated markets and other related matters (Sections 10(1)(c)(iii), 17(3)(a), 24, 25(10) and 28(2) in particular).
- MiFID II Delegated Regulation (EU) 2017/565. Article 27.
- The European Securities and Markets Authority (ESMA) ESMA35-43-3565 Guidelines On certain aspects of the MIFID II remuneration requirements.
- CySEC Guidelines GD-IF-07: Guidelines on remuneration policies and practices (reissued as Circular C031).
- CySEC Circular C138 of 2016 with Subject: "Remuneration policies and practices".

- CySEC Circular C145 of 2016 with Subject: “Clarifications for Circular C138 – Remuneration policies and practices”.
- CySEC Circular C240 with Subject: “Guidelines on sound remuneration policies issued by the European Bank”
- CySEC Circular C507 with Subject: “EBA Guidelines on sound remuneration policies under Directive (EU) 2019/2034 (EBA/GL/2021/13)”
- CySEC Circular C578 with Subject “ESMA35-43-3565 - Guidelines on certain aspects of the MIFID II remuneration requirements”

The Company ensures that any remuneration or similar incentive arrangement provided abides by the following basic principles:

- Remuneration or similar incentives shall not be solely or predominantly based on quantitative commercial criteria and shall take fully into account appropriate qualitative criteria reflecting compliance with the applicable regulations, the fair treatment of clients and the quality of services provided to clients.
- Remuneration or similar incentives encourage responsible business conduct, as well as avoiding conflict of interests in the relationships with clients, i.e. clients’ interests are not impaired by the remuneration practices adopted by the Company.
- Under no circumstances will the Company make any variable remuneration awards that would impact upon its capital base, either from the need to retain required regulatory capital or where the Company has identified the need to build its capital base.
- The Company does not remunerate or assess the performance of its staff in a way that conflicts with its duty to act in the best interests of its clients. In particular, the Company shall not make any arrangement by way of remuneration, sales targets or otherwise that could provide an incentive to its staff to act against the best interest of its clients.
- The method of determining the remuneration of the relevant persons involved in control functions (the Compliance, AML, Risk Management and Internal Audit functions) does not compromise their objectivity. Persons engaged in control functions should be independent from the business units they oversee, have appropriate authority and be compensated in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control.
- A balance between fixed and variable components of remuneration is maintained at all times, so that the remuneration structure does not favour the interests of the Company or its relevant persons against the interests of any client. The fixed component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy, on variable remuneration components, including the possibility to pay no variable remuneration component. The variable remuneration for any given year is capped at 100% of fixed remuneration.
- The remuneration of the Executive Directors ensures the Company’s continued ability to attract and retain the most qualified Executive Board members and a good basis for succession planning.
- Before launching a new product, the Company should assess whether the remuneration features

related to the distribution of that product comply with the firm's remuneration policies and practices and therefore do not pose conduct of business and conflicts of interest risks.

- In case of outsourcing functions to various service providers, the Company shall apply the same remuneration practices and policies as those applied for Company staff.

Remuneration consists of both fixed and variable remuneration, as described in detail in the following sections.

## **7.2 Fixed remuneration**

Fixed remuneration is determined on the basis of the role of the individual employee, including responsibilities and job complexity, performance and local market conditions. Furthermore, fixed remuneration takes into consideration each individual's "work" characteristics, including:

- Skills and competencies required to generate results
- Relevant professional experience and organisational responsibility as set out in an employee's job description as part of the terms of employment
- Contribution to the team and the Company as a whole, and
- The value and contribution of the individual in the context of the external market.

## **7.3 Variable remuneration**

If the Company decides to proceed with the variable elements of remuneration, then the Company must set the appropriate ratios between the fixed and the variable component of the total remuneration. Specifically, the variable component shall not exceed 100% of the fixed component of the total remuneration for each individual. The factors considered for variable remuneration include:

- The staff member's performance of the duties and responsibilities specified in the relevant job description;
- Performance indicators, objectives and targets, developed for each department;
- Overall financial performance of the Company;
- The staff member's contribution to the work of his/her department;
- The staff member's punctuality and efficiency;
- The overall behaviour, morals and credibility of the staff member.

## **7.4 Annual Remuneration Review**

We have 3 goals when we review remuneration annually:

- a) To be fair and competitive within our industry
- b) To be equitable across the team
- c) To be relevant in a regional context

### **The "3 Ps" model.**

To accomplish the above the Company uses the "3Ps model". We analyse Position, Person and Performance as described below.

<b>Position</b>	<ul style="list-style-type: none"> <li>▪ The function of the role, its criticality to the team, business and importance in achieving results</li> <li>▪ The scope of responsibility, accountability and level of impact</li> <li>▪ Market considerations and demand for role</li> </ul>
<b>Person</b>	<ul style="list-style-type: none"> <li>▪ A highly competent and/or hard to find skill set and relevant experience</li> <li>▪ Additional skills and experience which is not a core requirement of an existing role, but directly benefits Pepperstone</li> <li>▪ A brilliant attitude, aligned with our values</li> <li>▪ A willingness to learn and self-educate</li> <li>▪ Actively and consistently contributing to their immediate team department, wider company and Pepperstone culture</li> <li>▪ If relevant, previous remuneration with Pepperstone also considered</li> </ul>
<b>Performance</b>	<ul style="list-style-type: none"> <li>▪ Performance is the main consideration for a discretionary incentive (bonus).</li> <li>▪ Performance is largely rewarded through our annual bonus scheme.</li> </ul>

### 7.5 Deferral Policy and Payout in Instruments Policy

The Company does not have a Deferral Policy, nor does it maintain a Payout in Instruments Policy. In the event of a Deferred payment or Payout in Instruments, these will be payable in accordance with the applicable employment laws at the time.

### 7.6 Quantitative Remuneration Disclosures

During the year ended 30 June 2023, the remuneration structure offered by the Company to management and staff comprised of a fixed salary cash component and non-cash benefits. The Company also paid bonus in the form of cash to reward outstanding employee performance during the year.

Information on the aggregate remuneration to Senior Management and other staff whose actions had a material impact on the Company's risk profile as of 30 June 2023 and 2022, is provided in the following tables.

**Table 7: Remuneration for the year ended 30 June 2023**

30 June 2023				
Position/Role	No of Beneficiaries	Fixed Remuneration €'000	Variable Remuneration €'000	Aggregate Remuneration €'000
Senior Management (incl. Executive & Non-Executive Directors)	10	392	55	447
Other Staff	-	-	-	-
<b>Total</b>	<b>10</b>	<b>392</b>	<b>55</b>	<b>447</b>

*Note: The number of beneficiaries under the "Senior Management" category above includes three persons that are not being remunerated by the Company but by another group entity.*

**Table 8: Remuneration for the year ended 30 June 2022**

30 June 2022				
Position/Role	No of Beneficiaries	Fixed Remuneration €'000	Variable Remuneration €'000	Aggregate Remuneration €'000
Senior Management (incl. Executive & Non-Executive Directors)	9	307	47	354
Other Staff	1	55	9	64
<b>Total</b>	<b>10</b>	<b>362</b>	<b>56</b>	<b>418</b>

During the years ended 30 June 2023 and 2022, the Company did not pay or award any deferred remuneration or severance payments. In addition, all the variable remuneration paid within the year was in the form of cash.

Furthermore, the Company benefits from the derogation laid down in Article 32(4) of the IFD since:

- a) The value of its on and off-balance sheet assets is on average equal to or less than EUR 100 million over the four-year period immediately preceding the given financial year; and
- b) During the year ended on 30 June 2023, there was no individual employed by the Company whose annual variable remuneration exceeded EUR 50.000 and represented more than one fourth of that individual's total annual remuneration.

The aforementioned derogation applies to all staff members disclosed in the table above.

There were no guaranteed variable remuneration or severance payments given during the financial year ending in 30 June 2023.

## 8. Annexes

### 8.1 Annex I - Template EU CCA: Own funds: Main features of Own Funds instruments issued by the Company

N/N	Template EU IF CCA: Main features of Own Funds instruments issued by the Company	a
1	Issuer	Pepperstone EU Limited
2	Unique identifier (e.g., CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Public or private placement	Private
4	Governing law(s) of the instrument	Cyprus
5	Instrument type (types to be specified by each jurisdiction)	Common ordinary shares
6	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	€ 10,940 mln
7	Nominal amount of instrument	€ 0,875 mln
8	Issue price	€ 1 per share
9	Redemption price	N/A
10	Accounting classification	Share capital
11	Original date of issuance	31 May 2019
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
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	
17	Fixed or floating dividend/coupon	N/A
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	N/A
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	N/A
23	Non-cumulative or cumulative	N/A
24	Convertible or non-convertible	N/A

N/N	Template EU IF CCA: Main features of Own Funds instruments issued by the Company	a
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



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## 8.3 Annex III – Abbreviations

Abbreviation	Description
<b>AMLCO</b>	Anti Money Laundering Compliance Officer
<b>BoD</b>	Board of Directors
<b>CFD</b>	Contract-For-Difference
<b>CIF</b>	Cyprus Investment Firm
<b>CySEC</b>	Cyprus Securities and Exchange Commission (“CySEC”)
<b>EBA</b>	European Banking Authority
<b>ESMA</b>	European Securities and Markets Authority
<b>IFD</b>	Investment Firm Directive
<b>IFR</b>	Investment Firm Regulation
<b>IASB</b>	International Accounting Standards Board
<b>IFRS</b>	International Financial Reporting Standards
<b>K-AUM</b>	K-factor - Assets Under Management
<b>K-CHM</b>	K-factor - Client Money Held
<b>K-ASA</b>	K-factor - Assets Safeguarded and Administered
<b>K-COH</b>	K-factor - Client Orders Handled
<b>RtC</b>	Risk to Client
<b>RtM</b>	Risk to Market
<b>RtF</b>	Risk to Firm

Pepperstone EU Limited,  
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