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Pillar III Disclosures
For the year ended December 31st, 2023

May 2024

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1. Introduction

1.1. The Company

Capital Com SV Investments Ltd (the “Company”) is an investment firm regulated by the Cyprus Securities and Exchange Commission (the “CySEC”) under license number 319/17. The license permits the Company to operate as a Cyprus Investment Firm (“CIF”) and provide investment and ancillary services with regards to specific financial instruments as these are defined in the Company’s operating license as stated below:

Investment Services and Activities:

- I. Reception and transmission of orders in relation to one or more Financial Instruments
- II. Execution of orders on behalf of clients
- III. Dealing on own Account

Ancillary Services:

- I. Safekeeping and administration of Financial Instruments, including custodianship and related services
- II. Granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction
- III. Foreign exchange services where these are connected to the provision of investment services

The financial instruments that are offered are mainly distinguished in two categories:

- I. Contracts For Difference (CFDs) across a range of underlying asset classes including, but not limited to, equities, commodities, FOREX, indices and cryptocurrencies.
- II. Exchange-traded securities.

1.2. Basis of Disclosure Preparation and Group Information

The present Disclosures document is prepared on a consolidated basis and reflects information that relates to the Capital Com Group (hereinafter the “Group”), which for the purposes of this document comprises of the Company and its subsidiary entities. The Group and three of its subsidiaries are licensed to offer the Investment services of reception and transmission of orders in relation to one or more financial instruments, execution of orders on behalf of clients and dealing on own account. The Group also offers the Ancillary services of safekeeping and administration of financial instruments including custodianship and related services, granting services or loans to one or more financial instruments where the firm granting the credit or loan is involved in the transaction and foreign exchange services where these are connected to the provision of investment services.

The obligation for consolidated Pillar III reporting arises from the fact that the Group was subject to consolidated supervision at the level of the Company, as at 31st of December 2023.

The subsidiaries of the Company as at 31st of December 2023 and their country of registration are enlisted below:

Subsidiary	Country of Incorporation	Regulatory Authority	LEI
Capital LT (UAB Capital.com Services LT)	Lithuania	-	-
Capital Com Online Investments Ltd	Bahamas	Securities Commission of the Bahamas	-
Capital Bulgaria EOOD	Bulgaria	-	-
Capital.com Services GE LLC	Georgia		
Capital Com Online Markets Trading Ltd	Mauritius	-	-
Capital Com Investments (Bermuda) Ltd.	Bermuda	-	-
Digital Services Poland Sp.zo.o	Poland	-	-
Capital Com Asia Holdings PTE LTD.	Singapore	-	-
Capital Com (UK) Ltd	UK	FCA (Financial Conduct Authority)	213800BVMT8DG331O519
Capital Com Canada Inc	Canada	-	-
Capital Com Australia Ltd	Australia	ASIC (Australian Intelligence Criminal Commission)	21380098NNR9UDPYTP23
Capital Com US Holding LLC	USA	-	-
Capital Com Mena Securities Trading L.L.C	UAE	-	-

Notes:

- 1) Although these Disclosures include all entities in the Group, for prudential supervision purposes only these entities should be included:
 - Capital Com SV Investments Ltd
 - Capital Com (UK) Limited
 - Capital Com Australia Ltd
 - Capital Com Online Investments Ltd

- 2) For prudency reasons, the present Disclosures reflect information based on accounting figures that have been prepared in accordance with the International Financial Reporting Standards (“IFRSs”) and expressed in thousands of US Dollars (“USD”).
- 3) The Company has operations through a branch in Gibraltar and Italy
On 16 February 2023, the group entered into a share purchase agreement with Currency Com Ltd in relation to the shares in Digital Services Poland Sp. z o.o. The Group has acquired the 100% of the share capital
- 4) On 13 April 2023 Capital Com US Futures LLC, a subsidiary of Capital Com US Holding LLC has been liquidated
- 5) Capital Com Mena Securities Trading L.L.C was in the process of receiving a full regulatory approval from the Securities and Commodities Authority (SCA) in UAE. The approval was received in Q1 2024.

1.3. Regulatory Framework

The Group applies the prudential rules set by Regulation (EU) 2019/2033 (the “Investment Firm Regulation” or “IFR”) and Directive (EU) 2019/2034 (the “Investment Firm Directive” or “IFD”), where the latter has been harmonized into Cyprus legislation through the issuance of the Cyprus Law on the Prudential Supervision of CIFs of 2021 (165(I)/2021). It is noted that the Group is a Class 2 CIF and is required to hold €3.481K as at 31st of December 2023 of initial capital, set in accordance with Article 14 of the IFR and Article 9 of the IFD.

The IFR/IFD framework consists of three (3) Pillars that are used to regulate, supervise and improve the risk management of firms in the financial services industry. The three (3) Pillars and their applicability to the Group, are summarised below:

- Pillar I - Minimum Capital Requirements - ensures that the Group maintains at all times a sufficient amount of capital above the minimum requirement in relation to certain key risks, as calculated using prescribed methods.
- Pillar II - ICARA and Supervisory Review and Evaluation Process (“SREP”) - ensures that the Group and its supervisor, CySEC, actively assess, control and mitigate the various risks that the Group faces.
- Pillar III - Market Discipline - ensures the promotion of market discipline through the disclosure of the Group’s regulatory requirements, risk management and risk governance policies and procedures, allowing market participants to view and compare meaningful information relating to the Group and its peers.

The Group’s Consolidated Pillar III disclosures have been prepared in compliance with Part Six of the IFR and relate to the financial year ending on 31st of December 2023.

The regulatory requirement is to publish the disclosures on an annual basis. Should there be a material change in approach used for the calculation of capital, business structure or regulatory requirements, the frequency of disclosure will be reviewed. The Group’s Pillar III disclosures have been also verified by the External Auditors.

This Group’s Pillar III disclosures can be found on the Group’s website at <https://www.capital.com/regulations>.

We note that the Company was not considered a significant CIF in 2023 since its 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 covered by these Disclosures.

2. Corporate Governance – Board and Committees

2.1. Board of Directors (BoD)

The Board of Directors (“BoD”) defines, oversees and is responsible for the implementation of the governance arrangements that ensure effective and prudent management of the Group, including the segregation of duties within the entity and the prevention of conflict of interest, and in a manner, that promotes the integrity of the market and the interest of the client pursuant to the provisions of the regulatory framework.

In particular, the BoD shall:

- have the overall responsibility of the Group and approve and oversee the implementation of the Group’s strategic objectives, risk prevention strategy and internal governance;
- must ensure the integrity of the accounting and financial reporting systems, including financial and operational controls and compliance with the legislation and relevant standard;
- must oversee the process of disclosure and announcement;
- must be responsible for providing effective supervision of senior management;
- the chairman of the BoD shall not exercise simultaneously within the same Group, the functions of a CEO, unless justified by the Group and approved by the CySEC.

Members of the BoD, must fulfil the following requirements:

- all members of the BoD commit sufficient time to perform their duties
- the number of directorships which may be held by a member of the BoD at the same time shall consider individual circumstances and the nature, scale and complexity of the entity’s activities. The Group, specifically, shall also consider the limitations in the number of directorships in cases where the Group becomes significant in terms of size, nature, scope and complexity of its activities;
- The BoD shall collectively possess adequate knowledge, skills and experience to be able to understand the entities’ activities, including principal risks;
- Each member of the BoD must act with honesty, integrity and independence of mind to effectively assess and challenge the decisions of the senior management where necessary, and to effectively oversee and monitor management’s decision-making.

In relation to other directorships, on 31st of December 2023, the Board is comprised of two (3) executive and three (3) non-executive directors.

The below indicates the number of directorships held by the Group’s directors excluding the directorship held in the Group or its subsidiaries.

Full name of Director	Position/Capacity	Number of Executive Directorships	Number of Non-Executive Directorships
Valentina Rzhetskaya	Executive Director	1	-
Christoforos Soutzis	Executive Director	-	-
Kypros Zoumidou	Executive Director	-	-
Viktor Prokopenya	Non-Executive Director	-	-
Raffi Mahdessian	Non-Executive Director, Independent	1	-

Full name of Director	Position/Capacity	Number of Executive Directorships	Number of Non-Executive Directorships
Marios Vourgos	Non-Executive Director, Independent	1	2

Table 1: Number of directorships held by the Group's Board members

2.2. Governance Committees

The Group has formed several governance committees to achieve a level of elaborate governance oversight to adequately monitor its operational effectiveness and its potential risks. With growth in scale and complexity, the Group will form additional governance committees.

During 2023, the Company had in place the following governance committees:

- Executive Committee
- Risk Management Committee
- Audit, Risk and Compliance Committee

A number of committees were established and operated on a group level, involving employees as Members. During 2023, the following Committees were in place:

- Group Pricing Committee;
- Group Client Money Committee;
- Group Remuneration Committee;
- Group Technology Committee;
- Group Risk Committee; and
- Group Executive Committee.

Additional levels of assurance for the Group are provided by control functions, which are independent of the business operations – namely Risk, Compliance, AML, Data Protection and Internal Audit. The control functions, provide frequent reporting to the Executive Committees and BoD.

2.3. Statement on diversity

The Group is committed to encouraging and promoting diversity, equity and inclusion in all aspects of its work and business. The Group is also ensuring that all their Team Members feel included and respected, therefore enabled to perform to their full potential.

The Recruitment, Diversity and Suitability policy was last updated in August 2023. The purpose of the Diversity Policy is to set out the procedures established for ensuring the adequate recruitment of personnel comprising the management function of the Group as well as the procedures established to promote and ensure diversity within the management body.

The Group acknowledges that establishing an organisational culture that welcomes diversity and understands that people with diverse backgrounds and experiences may offer unique ideas to the workplace, it is crucial to the global organisation's integrity and wellbeing. Furthermore, the Group understands the benefits of diversity, equity and inclusion from a business standpoint.

As a diverse and inclusive business, the Group is well equipped to:

- Reach out to a global customer base

- Attract and retain top talent
- Encourage different perspectives
- Foster a culture of innovation

The Group is committed to promote a diverse and inclusive workspace at all levels. It approaches diversity in the broadest sense, recognizing that successful businesses flourish through embracing diversity into their business strategy. This also helps to promote good governance and challenges “group think” mentality. Diverse boards act as a powerful driver for innovation and creativity. The aim of the policy is to engage a broad set of qualities and competences when recruiting members of the management body, to achieve a variety of views and experiences and to facilitate independent opinions and sound decision-making within the management body.

The Policy established, takes into consideration the nature, scale, complexity of the Group’s operations. Thereafter, for the consideration of a management body member, the Group takes into account the following diversity aspects:

- Educational and professional background
- Gender
- Age
- Geographical provenance

Candidates shortlisted for becoming members of the management body of the Group shall at least cover one (1) of the areas of diversity listed above which is not currently present on the management body.

Despite the aforementioned, when appointing members of the management body, the Group will ensure that the candidates have adequate knowledge, experience, qualifications and skills necessary to safeguard the proper and prudent management of the Group.

The Group shall perform a comprehensive suitability assessment prior to recruiting the new member of the management body. Through the said practice, the Group will be able to assess the following qualities of the proposed member:

- Reputation, honesty and integrity
- Knowledge, skills and experience
- Time commitment
- Independence of mind

The Group will ensure that it adequately sets out and describes the role and capabilities required for any given appointment to the management body. The principles will be exercised and manifest through transparent and open recruitment procedures.

3. Risk Management Objectives and Policies

The Group's aim is to embed explicit and robust risk management practices across its entire business operations, to ensure that the level of risk it faces is consistent with its corporate objectives and its level of risk tolerance. This is achieved through the implementation of a comprehensive risk management framework for the identification, assessment, monitoring and control of all relevant risks. The framework also enables the Group to continually align its business objectives against a background of changing risks and uncertainty.

The risk management framework:

- Enables the Group to proactively manage its risks in a systematic manner
- Ensures that appropriate measures are in place to mitigate risks
- Creates a culture of risk awareness within the Group and
- Ensures that risk management is an integral part of the Group's decision-making process.

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

Risk Area	Metrics	Comment
Capital Adequacy	Core Equity Tier1 ratio (CET1),	The Group's objective is to maintain regulatory ratios well above the minimum thresholds set by the IFR/IFD
	Own Funds	The Group's objective is to maintain Own Funds well above the total regulatory and any Internal Capital requirement based on the latest ICARA results.
	Internal Capital Requirement	
Liquidity	Liquid Assets	The Group's objective is to maintain liquid assets well above both regulatory and internal liquidity limits based on the latest ICARA results

Table 2: Key measures used to monitor the Group's risk profile

3.1 Risk Management Governance

The overall responsibility for approving and monitoring the Group's risk strategy lies with the BoD. The Risk Management Committee (RMC) plays a central role in ensuring compliance with the Group's risk management strategy and policies. The ability of the RMC to carry out its responsibilities effectively and in an unbiased manner rests on its independence. Structurally, risk management is a separate unit independent of the business, with the RMC reporting directly to the BoD. Members of the risk committee have appropriate knowledge, skills, and expertise to fully understand and monitor the risk strategy and the risk appetite of the Group.

The Risk Committee advises the Board regarding the entities' overall current and future risk appetite and strategy and assists the Board in overseeing the implementation of that strategy by the Risk Management Function. The Risk Committee bears the responsibility for monitoring the adequacy and effectiveness of the ICARA and of the risk management policies and procedures that are in place, the level of compliance by the Group and its relevant persons with the policies and procedures adopted, and the adequacy and effectiveness of measures taken to address any control deficiencies.

Furthermore, prior to expanding its operations to any new products or markets, the Committee needs to be satisfied that appropriate product governance is followed, and the products proposed are suitably risk assessed and in line with the firm's strategy. Risk Management Committee minutes including agenda, committee approvals and action items are circulated to the Board, who have the authority to enforce changes to risk management policies and strategy.

The Group Risk Committee reports to the Group Executive Committee and to the Board and it provides executive level assessment, supervision, oversight and management of risk on an actional basis to address current and potential future specific and thematic risk issues.

The committee is chaired by the Group Head of Risk and meets weekly to review, assess and discuss key current or potential risks, challenge and approve or reject stakeholder risk proposals beyond appetite or policy and to review outstanding risk management action points. The frequency of the meeting emphasises the senior executives' commitment to play an active role in day-to-day management of risk which sets the tone across Capital that risk management is central to corporate culture.

All business and control functions are represented at the committee whose primary responsibilities are to:

- Approve and support the embedding of the Group Risk Management Framework and Risk Appetite Statement (RAS)
- Evaluate and monitor the Group's Principal taxonomy risks in relation to the risk appetite set by the Board
- Receive, analyse and challenge risk MI, including thematic issues and emerging risks
- Provide assurance to the Board and make recommendations in relation to all risk matters

3.2 Risk Management Framework

The Risk function is responsible for the implementation and on-going maintenance of a comprehensive Risk Management Framework that identifies, measures, and mitigates risk across the firm. While input is obtained from all relevant areas, approval of the Risk Management Framework is the primary responsibility of the Risk Committee, with formal oversight and sign-off provided by the Board. The Group's Risk Management Framework identifies the key drivers, mitigating factors and the progress made in further mitigating those risks.

Primary Level responsibility for monitoring and controlling risk is assumed at the operating level by the staff in each department. Each of these teams, though separately managed in their respective areas of the business, contributes to the holistic view of the organisation's risk profile through their reporting responsibilities via the Group Head of Risk as the senior risk officer of the Firm.

The Secondary Level of responsibility is the activity of the second line Risk Management function which reports directly to the Risk Committee, summaries of its matters and reports are provided to the Board. Executive Committees receive operational risk, capital requirement, and other risk reports produced by the Group Risk Team, and Compliance reports from the Compliance Function. The Compliance report covers key regulatory areas such as the appropriateness process for clients, breaches and incidents, complaints, market abuse alerts, financial promotions reviews etc. The Risk Committee also reviews periodic reports and proposals submitted by other business stakeholders as first line owners of the various key risks on the risk register.

The Risk Committee has the authority to commission external advisors, to address any weaknesses it perceives in the structure or operation both primary monitoring or controls and of the entirety of the integrated Risk Management Framework. During the 2023 financial year the RMC has met once.

3.3 Three lines of defense Overview

To ensure effective risk management, the Group has adopted the “three lines of defense model”, with clearly defines roles and responsibilities.

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

Second line of defense: The Risk Management Function is responsible for proposing to the BoD appropriate objectives and measures to define the Group’s risk appetite, and for devising the suite of policies necessary to control the business including the overarching framework and for independently monitoring the risk profile, providing additional assurance where required. Members of the Risk Management Function leverage their expertise by providing frameworks, tools and techniques and assist management and BoD in meeting their responsibilities, as well as acting as a central coordinator to identify enterprise-wide risks and make recommendations to address them.

Third line of defense: Comprises the Internal Audit Function which is responsible for providing assurance to the Board and senior management on the adequacy of design and operational effectiveness of the systems of internal controls.

3.4 Internal Control Functions

The Group, taking into consideration the nature, scale, and complexity of its operations, as well as the investment services and activities provides, has established adequate internal control functions to ensure decisions are made in compliance with regulations, and internal policies and procedures.

Additional levels of assurance for the Group, as the regulated CIF, are provided by control functions, which are independent of the first line of defense business operations – namely Risk, Compliance, Anti-Money Laundering, Data Protection, and Internal Audit. The control function teams provide periodic and regular reporting to the Board and Executive Committees as appropriate.

3.4.1 Compliance Function

A Head of Compliance has been appointed to establish, implement, and maintain adequate and effective policies and procedures and ensure appropriate systems and controls are in place to detect any risk of failure by the Group to comply with its obligations.

Further to this, the Head of Compliance was made responsible for putting in place adequate measures and procedures designed to minimise associated risks and to enable the competent authorities to exercise their powers effectively.

The Head of Compliance was made responsible for establishing a second line of defense function, fully independent to the first line of defense, and has the necessary authority, resources, expertise, and access to all relevant information. Furthermore, it was necessary they were duly certified and registered in accordance with article 5(6) of the Consolidated Directive on the Certification of Persons, RAD 44/2019, as amended.

3.4.2 Anti-Money Laundering Compliance Function

The Board retains a person to the position of the Group's Anti-Money Laundering Compliance Officer (AMLCO) to whom the Group's employees report their knowledge or suspicion of transactions involving money laundering and terrorist financing.

Each entity has an AMLCO or equivalent who leads the Anti-Money Laundering Compliance procedures and processes for that entity and reports to the Senior Management of the Group. In cases where it is deemed necessary assistants to the money laundering officer are also appointed.

3.4.3 Risk Management Function

A Group level second line of defense risk management team was established with a Group Head of Risk Management. Furthermore, each regulated entity has in place its own Risk Management Department with experienced professionals and size appropriate for the business.

The Group's Risk Officer in collaboration with the Group's Head of Risk are responsible for maintaining oversight and monitoring the ongoing adequacy of own funds and liquidity to ensure that they remain appropriate, ensuring the methodologies and assumptions made in its ICARA remain relevant and responsible for ensuring accuracy and timeliness of quarterly submissions to CySEC relating to the Group's own funds and liquidity requirements.

The Risk Officer is also responsible for ensuring that all risks taken by the Group are in compliance with the Law and the obligations of the Group under the Law, and that all the necessary policies, documentation and procedures relating to risk management are in place.

The Risk team drafts written reports to the Senior Management via relevant committees and to the Board including recommendations where remedial measures are required to address material deficiencies. Production of a risk management report is also performed annually as required. These reports are presented to the Board and discussed during its meetings, which are held at least annually. The Group submits the reports to CySEC alongside the minutes of the meetings of the Board of Directors, during which the risk management report has been discussed.

3.4.4 Internal Audit Function

Internal Audit's aim is to ensure compliance of the different units of the Group its policies and procedures to ensure a robust control environment and to ensure that appropriate decisions are made by the business stakeholders within a suitable governance framework. At the reporting date the Group was outsourcing the Internal Audit Function which was independent from the functions of the Group and was reporting directly to the Group's Board of Directors.

The Internal Audit Function is establishing a comprehensive audit plan which will aim to examine, evaluate, and issue findings with recommended management actions as to whether the Group and its subsidiaries have adequate internal controls in place and to ensure that all policies are effective and comply with the legal framework.

The Internal Auditor receives access to the Group's personnel and systems and access to External Internal Audit resources in order to ensure independent review of its own work.

The Internal Auditors report directly to the Group's senior management. On at least annual basis the Internal Auditor prepares and submit to the Group's Board of Directors reports. The report of the Internal Auditors is submitted to

the Commission by the end of April each year along with the minutes including details of Board of Director approvals with regards to agreeing required management actions.

3.5 Risk Appetite

Risk appetite expresses the level of risk that the Group is willing to assume within its risk capacity in order to achieve its business objectives and strategies, so that it can maintain its ordinary activity in the event of unexpected events. Risk Tolerance is the level of risk to which the Group is willing and able to be exposed, taking into account its financial strength, nature, size and complexity and other factors that needed to adequately manage the risk. Risk capacity is defined as the maximum level of risk the Group is able to tolerate. Risk capacity should be set in the beginning of the risk management process. Risk appetite is considered as an integral element in the business planning, to promote the appropriate alignment of risk, capital and performance targets, while at the same time considering risk capacity and appetite constraints from both financial and non-financial risks. Top-down risk appetite serves as the limit for risk-taking for the bottom-up planning from the business functions.

The Group defines its risk appetite and capacity based on a description of the risks to which the Group is exposed and within the analysis performed, mitigation techniques are proposed. The analysis counts for quantitative factors of risk such as their positive and negative consequences, and the likelihood that those negative impacts will occur. On the other side, qualitative factors such as the causes and sources of risk are taken into account. To this end, the BoD reviews and approves the risk appetite statement (“RAS”) and capacity on an annual basis, with the aim of ensuring that they are consistent with the Group’s strategy, business and regulatory environment and stakeholders’ requirements.

The Risk Appetite Statement (“RAS”) contains a set of high-level principles that look to balance both the qualitative and quantitative measures that provide an indication of increasing or decreasing risk levels. These are designed to alert senior management that risk is approaching or has exceeded an acceptable level, thus triggering an appropriate response.

The existing RAS was formally approved alongside the Group’s business plan. The Group’s strategic, capital and liquidity plans are also set with reference to its ICARA which assesses the residual rating of each principal risk in respect of the Group’s Risk Appetite. The Board has determined the Firm’s appetite and tolerance for risk across a broad spectrum of risk areas. It has expressed its tolerance for each risk as a summary narrative and has, where appropriate, set metric limits for the control of that risk. The review and approval processes are undertaken at least annually.

The Group’s operation within its risk appetite is subject to ongoing monitoring by the Group and Group Risk Management Function and the management. If a breach of the risk appetite were identified, this would be escalated to the Risk Committee, Executive Committee and Board immediately and the appropriate corrective action would be taken.

3.6 Stress Testing

This is an important risk management tool used by the Risk Management function to test the Group’s response in various scenarios. Stress tests are used for both internal as well as regulatory purposes and assist in developing the risk profile of the Group. Also, stress testing allows the BoD and Senior Management to determine if the Group’s exposure is within the accepted risk limits.

The Risk department has implemented a number of Stress Test scenarios that are run on a daily basis. The impact of each scenario on capital availability and requirements is analysed. The daily stress test results along with ad-hoc yearly stress tests, are used to inform the Internal Capital and Risk Assessment Process (ICARA).

3.7 Internal Capital and Risk Assessment Process

The regulatory framework IFD introduces the concept of the ICARA process, which is an evolution of the former ICAAP, to determine level of internal capital requirements. Much like the ICAAP process, the ICARA demonstrates that adequate risk management has been undertaken by the firm. Under the ICARA process, the focus is more onto the Group's business model and its activities, from which it should identify, assess and estimate the potential harm to clients, to markets, and to the firm itself, as opposed to simply risks to the firm.

Fundamental to the ICARA process is identifying risks and potential harms and considering what could go wrong to the point of failure of the firm. Investment firms need to consider 'what-if' scenarios for the activities they undertake, the harm that can be caused and the events that led to that. The assessment will need to factor in the likelihood of the events materialising, and that different events might occur at the same time. Investment firms will also need to consider and account for other risks that can reduce the level of their own funds. This may require a more conceptual approach to assessing the risk than that which those familiar with the current ICAAP may be used to, as well as more time and input from senior management and those charged with a firm's governance. Finally, the ICARA considers business model planning and forecasting, recovery and wind-down planning as well as assessing the adequacy of financial resources throughout the economic cycle (i.e., including under stressed conditions)

The key stages of a firm's ICARA process should be as follows:

- Identify and monitor harms: Operate systems and controls to identify and monitor all material potential harm.
- Undertake harm mitigation: Consider and put in place appropriate financial and non-financial mitigants to minimise the likelihood of crystallisation and/or impact of the material harm.
- Undertake business model assessment, planning and forecasting: Forecasting capital and liquidity needs, both on an ongoing basis and under a wind-down scenario. This must include expected and stressed scenarios.
- Undertake recovery planning: Determine appropriate and credible recovery actions to restore own funds or liquid resources where there is a risk of breaching threshold requirements tied to specific intervention points.
- Undertake wind-down planning: Set out entity-level credible wind-down plans, including timelines for when and how to execute these plans.
- Assess the adequacy of own funds and liquidity requirements: Where, in the absence of adequately mitigating risks through systems and controls, the firm assesses that additional own funds and liquid assets are required to cover the risk.

The ICARA document forms part of the Group's internal risk management governance framework. The ICARA document details the below:

- How the Group has implemented and embedded the ICARA process within its business.
- The Group's risk profile and risk appetite, including its capital and liquidity risk profile and the approach applied to manage its various risks; and

- The capital and liquidity resources that Capital Com Group considers as adequate to be held against all the risks to which it is exposed, in accordance with its internal assessment, as well as its future plans to further mitigate and control these risks.

This ICARA Report has been prepared on a consolidated basis and reflects information that relates to the Capital Com Group, which for the purposes of this document comprises the Group and its subsidiary entities. The ICARA process and report are updated at least annually.

4. Principal Business Risks

The Group has adopted a comprehensive risk taxonomy as noted in section two with all 120+ risks classified into four risk areas inherent in its business model: conduct and operational risk; technology infrastructure & business continuity risk; prudential risk; and commercial risk. Within those areas the below key 'principal risks' have been identified including a description of the risks and the mitigating control activity currently in place to reduce the impact and likelihood of risk occurrence.

4.1 Risk to Client

Risk to Client ("RtC") reflects the risk covering the business areas of an investment firm from which harm to clients can conceivably be generated in case of problems. The K-factors relevant of RtC which are being captured and measured are the following:

- **K-AUM (Assets Under Management)**

K-AUM captures the risk of harm to clients from an incorrect discretionary management of client portfolios or poor execution and provides reassurance and client benefits in terms of the continuity of service of ongoing portfolio management and investment advice. The Group is not subject to the risk relating to this K-factor since the Group is not licensed for the investment services of "Portfolio management" and/or "Investment Advice".

- **K-CMH (Client Money Held)**

K-CMH captures the risk of potential harm, where an investment firm holds the money of its clients, considering whether they are on its own balance sheet or in third-party accounts and arrangements under applicable national law provided that client money is safeguarded in the event of bankruptcy, insolvency, or entry into resolution or administration of the investment firm. K-CMH excludes client money that is deposited on a (custodian) bank account in the name of the client itself, where the investment firm has access to the client money via a third-party mandate. The Group receives from its customers deposits to enable them to perform transactions in financial instruments, and to this end it is subject to the risk captured by this K-factor.

Risk Mitigating Measures: The Group has adopted a policy to deposit client funds in highly credible financial institutions in various jurisdictions. A number of factors such as credit rating from reputed agencies, years of operations, jurisdiction established and framework under supervision, reputation and market presence are taken into consideration when choosing financial institutions. This diversification amongst institutions will mitigate this risk to acceptable levels. The Finance Department has maintained and regularly reviewed Client Money Procedures that govern how client monies are secured, safeguarded, and transferred. In addition, the Finance Department undertakes daily bank reconciliations which are subsequently reviewed and approved to minimise financial risk and ensure group and client funds are managed in line with regulation.

It is confirmed that the group's accounts utilised for operational and capital expenses are distinct and segregated from the client accounts.

Furthermore, the capital requirements for CMH, are calculated and monitored on an ongoing basis and capital adequacy reports that monitor in detail K-CMH under RtC, are being reported by the Risk Department on a quarterly basis to the BoD and the CySEC.

- **K-ASA (Assets Safeguarded and Administered)**

K-ASA captures the risk of safeguarding and administering client assets and ensures that investment firms hold capital in proportion to such balances, regardless of whether they are on its own balance sheet or in third-party accounts. Therefore, the Group during the year ending 31st of December 2023 was subject to the risk relating to this K-factor since the relevant regulated entities safeguard real equities for clients.

It is noted that the safeguarding of clients' positions in CFD products is captured under K-CMH in consideration of the nature of CFD products.

Risk Mitigating Measures: The Group has selected a reputable sub-custodian, and neither it, nor its general creditors have any right to sell, attach, or create a security interest in any financial instruments held, neither in case of sub-custodians' insolvency nor otherwise. Furthermore, the Group safeguards the real equity positions of its clients in accordance with the MiFID II safeguarding rules as well as CySEC's Directive DI87-01 for the Safeguarding of Client Assets, Product Governance Obligations and Inducements. Additionally, similarly to CMH, the capital requirements for ASA, are calculated and monitored on an ongoing basis, and capital adequacy reports that calculate and monitor this K-factor are being reported by the Risk Department on a quarterly basis to the BoD as well as the CySEC.

- **K-COH (Client Orders Handled)**

K-COH captures the potential risk to clients of an investment firm which executes orders (in the name of the client, and not in the name of the investment firm itself), for example as part of execution-only services to clients or when an investment firm is part of a chain for client orders. The Group executes its clients' orders to real equities by acting as agent to their trades, therefore the risk reflected by this K-factor was applicable for the year ending 31st of December 2023.

Risk Mitigating Measures: The Group has arrangements and processes in place by which it assesses the liquidity providers and execution venues on which it relies upon to execute its client orders and that it monitors the credit standing and overall position of these parties so as to ensure that the risk of losses arising for the client as a result of the failure of such a party to execute a transaction, is minimised to the greatest extent possible. Furthermore, the Group follows the MiFID II best execution rules which are designed to ensure and always achieve the best interest of the client when executing their orders. Furthermore, similarly to the aforementioned K-factors, relevant capital requirements are calculated and monitored on an ongoing basis and capital adequacy reports that calculate and monitor this K-factor, are being reported by the Risk Department on a quarterly basis to the BoD and the CySEC.

4.2 Risk to Market

Risk to Market ("RtM") is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as equity prices, interest rates, foreign exchange rates and commodity prices. Market risk arises from the Group's exposures to financial instruments and to changes in the market prices of these financial instruments. Market risk of the Group comprises of equity risk, foreign exchange risk and commodity risk. There are two K-factors that capture the principal risks under RtM:

- **K-NPR (Net Position Risk)**

This K-factor is based on the rules for Market Risk for positions in equities, interest rate financial instruments, foreign exchange and commodities in accordance with CRR (as prescribed by the IFR, the methodology for calculating capital requirements for this K-factor remain the same with the CRR, as amended). Therefore, K-NPR captures the Market Risk, which is defined as the risk that the Group's income or the value of its holdings of financial instruments will change due to the change in market risk factors (market prices, foreign exchange rates). Exposure to market risk at any point in time depends primarily on short term market conditions and the levels of client activity. Based on the year ending 31st of December 2023, this K-factor was applicable to the Group as a result of its trading activities where it acts as a counterparty to its clients' CFD transactions.

As at the reference date, the Group was exposed to the following types of Market Risk:

Currency Risk

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

Market Price Risk

Market price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices. The Group is exposed to fluctuations in market prices on open positions on CFDs. The Group's exposure to price risk mainly depends on market conditions and client activities during the trading day. The exposure is constantly monitored by the Risk Management department. If there is a significant exposure, then immediate actions are taken by the Risk Management department to mitigate it. As there is a broad client base, with its different trading strategies, there is a significant level of "natural hedging".

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 Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets. The Group is exposed to interest rate risk in relation to its non-current borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's Management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

Risk Mitigating Measures: The Group has established a Risk Management department and highly skilled Dealing on Own Account and Trading Departments, who are continuously monitoring the market movements and act accordingly to hedge the excessive exposure and maintain risk within accepted limits. The Group has accounts with various regulated companies (Liquidity Providers) to open proprietary positions and hedge the excessive risk. Furthermore, custom made tools are developed to help identifying the aggregate risk in real time. To this end, a detailed Market Risk and Investment Policy is established. It is worth mentioning that the Group has procedures in place for every trade to be recorded, so that assessing the effectiveness of the risk management procedures can be undertaken by the BoD. Key performance indicators critical for timely risk detection are continuously monitored and reviewed. Furthermore, the leverage offered to clients is closely monitored on an ongoing basis and adjusted, depending on market conditions, risk profile and/or trading profile of the relevant client. Finally, similarly to the aforementioned K-factors, relevant capital requirements are calculated and monitored on an ongoing basis and

capital adequacy reports that calculate and monitor this K-factor, are being reported by the Risk Department on a quarterly basis to the BoD and the CySEC.

- **K-CMG (Clearing Margin Given)**

This is an alternative to K-NPR to provide for market risk, trades that are subject to clearing or on a portfolio basis, where the whole portfolio is subject to clearing or margining as set out in Article 23 of IFR. K-CMG means the amount of total margin required by a clearing member or qualifying central counterparty, 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 qualifying central counterparty. Based on the reference year, this K-factor was not applicable to the Group Group.

4.3 Risk to Firm

Risk to Firm (“RtF”) captures an investment firm’s exposure to the Risk of Default of its Trading Counterparties (K-TCD), the Concentration Risk arising from its exposures to counterparties and their connected persons (K-CON) and Operational Risks from its Daily Trading Flow of transactions (K-DTF).

- **K-TCD (Trading Counterparty Default)**

K-TCD means the exposures in the trading book of an investment firm in specific instruments and transactions giving rise to the risk of trading counterparty default. This methodology replaces the old Counterparty Credit Risk methodology that used to be applicable under the old framework, CRR. This includes both clients and liquidity providers. The Group, throughout the year under review, was exposed to TCD due to its over the counter (“OTC”) derivative transactions (i.e. CFDs).

Risk Mitigating Measures: With regards to K-TCD, the Group mitigates its exposure towards TCD risk by applying automatic close outs of client positions and negative balance protection, recognising the margin used to secure clients positions as cash collaterals and carefully selecting its hedging counterparties. Specifically, credit ratings of all counterparties are subject to periodic reviews. Furthermore, relevant capital requirements are calculated and monitored on an ongoing basis and the respective capital adequacy reports are being reported by the Risk Department on a quarterly basis to the BoD and the CySEC.

- **K-DTF (Daily Trading Flow)**

K-DTF is measured via the daily value of transactions that a CIF 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 a CIF handles for clients through reception and transmission of client orders as well as through the execution of orders on behalf of clients which are already considered in the scope of K-COH. DTF aims to capture the operational risks from an CIF’s daily trading flow. K-DTF captures the operational risks to an investment firm in large volumes of trades concluded for its own account or for clients in its own name in one day which could result from inadequate or failed internal processes, people and systems or from external events, based on the notional value of daily trades. The Group was exposed to DTF due to the fact that it executes its trades on a principal basis (i.e. dealing on own account).

Risk Mitigating Measures: The Group has a comprehensive framework with a common approach to identify, assess, quantify, mitigate, monitor and report operational risk. Overall planning, coordination, and monitoring is centralised, however, most operational risks are managed within the departments in which they arise. Furthermore, the Group manages operational risk through a control-based environment in which important processes are thoroughly

documented in the Internal Procedures Manual and are continuously monitored. The Group follows a strict implementation of the 4-eye principal at all levels of hierarchy, which adheres to a "need to know" rule that segregates important information and tasks. Deep scrutiny in the recruitment process provides a satisfactory guarantee of the professional qualifications as well as ethos and dignity of the employees. Senior management ensure that there is a risk-based approval process for all new products, activities, processes and systems. The Group calculates and monitors its capital requirements for DTF on a quarterly basis and reports to the competent authorities, as applicable.

- **K-CON (Concentration Risk)**

K-CON means the exposures in the trading book of an investment firm to a client or a group of connected clients, the value of which exceeds the limits specified in IFR. The concentration risk regime applies to all investment firms with exposure limits applicable to all investment firms that deal as principal, even where this is for clients. It is closely based on the CRR's large exposures regime (Large Exposures in the Trading Book Risk), with derogations for non-trading book exposures.

Risk Mitigating Measures: The Group monitors the amount of credit exposure to any financial institution in accordance with the IFR. Relevant capital requirements are calculated through the capital adequacy reports submitted quarterly to the CySEC.

4.4 Other Risks

4.4.1 Liquidity Risk

The risk of the firm being unable to meet its short-term obligations when they fall due, or the risk of not having sufficient liquid assets to meet regulatory minimum requirements. The firm's liquidity position could be impacted by poor execution of its hedging strategy over a period of time, or if broker margin requirements increased or expenditure was to increase substantially in the short to medium term. The CIF must also manage its liquidity obligations to support other entities within its structure and ensure locally incurred costs are covered and liquid assets requirements are met at all times.

Risk Mitigating Measures: The Group's policy is to maintain adequate liquidity and contingent liquidity to meet its liquidity needs under both normal and stressed conditions. To achieve this, the Group monitors and manages its liquidity needs on an ongoing basis. The Group also ensures that it has sufficient cash on demand to meet expected operational expenses. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. A detailed Business Plan is created by the Finance department including projections for revenue, expenses, cash flows and capital adequacy ratios for the foreseeable future.

The Group follows the Liquidity requirement set by the new IFR/IFD framework. Since 31st of December 2023 the Group continuously satisfied the Liquidity Requirement of the preceding year. The adequacy of the available liquid assets was further assessed via Stress Tests and Wind Down scenarios during the ICARA process.

4.4.2 Technology Infrastructure and Business Continuity Risk

Due to the business model of the Group as an online broker, risks relating to Technology are potentially high impact and are rated as principal risks. Such risks can arise from:

- Hardware Issues
- Software Issues
- Cyber Risk

- Network Issues
- Data Management/Data Theft

Risk Mitigating Measures: The Group has developed a detailed Access Management policy with set controls and review procedures to ensure the appropriate access authorisation is applied on a role basis. In addition, there are defined as Change Management Procedure and Network Security Policy controls as well as Business Continuity Policy and Disaster Recovery procedure. A number of other IT policies define the Group's approach to third party due diligence; Data Protection and Data Usage rules. The Group's infrastructure includes a robust back-up data and recovery systems, with pre-defined backup policy, firewalls and antivirus features. The Group has regular system testing, such as load testing and penetration testing to simulate the capacity and resilience of the infrastructure.

4.4.3 Trading and Client Management Risk

The risk of poor outcomes or client dissatisfaction as a result of direct issues relating to their user experience, which could cause significant impact to the reputation of the business and cause a direct/indirect loss of business opportunities. It arises when elements of the products and services provided are unsatisfactory or internal processes fail resulting in poor customer experience. This includes failures in our onboarding processes, incorrect booking of client trading positions (including corporate action misbookings), incorrect pricing of our markets or operational failures in our payments processes. This dissatisfaction can manifest in various forms, including complaints, negative reviews, or, in extreme cases, legal action and can lead to reputational damage, reduction in client retention and client onboarding levels.

Risk Mitigating Measures: The Group provides frequent training to ensure sufficient knowledge of the products and services offered along with specific limitations that may apply. The firm has also established an Incident and Event Management response teams with escalation criteria and SLAs in regard to raising operational risk events, agreeing and mitigating actions, and identifying and escalating breaches. An approval framework is also in place for any IT and infrastructure changes involving the Service Owner.

4.4.4 Process and Governance Failure Risk

The lack of suitable management oversight (including senior management responsibility) and accountability across the business which can result in control failings, regulatory breaches and significant harm. This includes the escalation and reporting of management information via the firm's committee structure, ownership of and approval of policies and ensuring the timely embedding of agreed management actions with regards to approval of risk strategy, key operational processes, oversight and implementation of key control improvements.

Risk Mitigating Measures: The Group has in place a documented Risk Management Framework with defined risk appetite and frequent reviews to ensure alignment with current business direction. It has also designed a robust committee structure with defined Terms of Reference for each regarding membership and responsibilities and meeting frequency. The committees review KRI, set triggers and suitable process, is in place for escalation to the BoD. The firm conducts independent evaluation of risks in addition to the risk and control self-assessment process.

4.4.5 Regulatory Compliance Risk

The Group recognizes two principal risk areas.

Breach of Regulatory Rules and Implementation

The potential risk of failure to comply with local regulations, incorrect regulatory calculations, or inaccurate regulatory reporting. This includes the failure to implement regulatory change (including tax changes and necessary changes to our products, services and technology to meet requirements). Failure to comply with regulation could result in restrictions on the products and services offered to clients and could result in severe business interruption, poor outcomes for clients and regulatory fines.

Lack of appropriate client due diligence/KYC practices

The risk of harm resulting from the lack of appropriate due diligence performed and inadequate KYC processes, causing an adverse impact and financial loss to the business, harm to clients and potential wider market harm.

Risk Mitigating Measures: The Group may, from time to time, become exposed to this type of risks, which could manifest because of non-compliance with local or international regulations, contractual breaches or malpractice. The probability of such risks manifesting is relatively low due to the detailed internal procedures and policies implemented by the Group and regular reviews performed by the compliance and legal departments. The management consists of individuals of suitable professional experience, ethos and integrity, who have accepted responsibility for setting and achieving the Group's strategic targets and goals.

The Group conducts regular reviews and monitoring on regulatory change. When necessary, is also seeking advice from reputable external Consultants and has outsourced the Internal Audit function to a provider with many years of experience in the industry. Any changes to local, EU and third country Regulations, Directives, and Circulars are being constantly monitored and acted upon ensuring that the Group is always compliant with them.

There is a four-eye review process on regulatory submissions.

The Group regularly reviews procedures and policies on KYC and other regulatory compliance duties to detect potential control gaps. It has also automated the client appropriateness testing with additional process assessment and review. Finally, the BoD meets regularly to review and discuss such issues and any suggestions to ensure compliance is implemented by management.

4.4.6 Financial Crime Risk

The risk and failure to ensure that the clients' information remains up to date with accurate information that can lead to not identifying potential financial crime in a timely manner. This includes a failure to identify transactions which are received from verified sources and that transactions are in line with the client's economic profile, resulting in failure to report suspicious activity. The risk may be triggered from the potential of non-compliance with the Prevention and Suppression of Money Laundering Activities, Market Abuse and Terrorist Financing Law, regulations and directives.

Risk Mitigating Measures: A mandatory training for all employees in the area of financial crime is conducted and updated on a frequent basis. Automatic alerts are set for suspicious transactions. The Market Abuse monitoring program is frequently reviewed by the second line of defense and relevant committees. It is noted that the Group provides execution only services to its clients and not advice, which could lead to more market manipulation or insider trading risks.

4.4.7 Employee Conduct Risk

The risk posed due to the possibility of employees mishandling sensitive group or client information or requests, potentially breaching internal code of conduct policies and contrary to the four outcomes of consumer duty. This involves the intentional violation of group policies regarding data security and privacy and the risk of failure to comply with data protection and privacy laws and regulations but also staff behavioral breaches of conduct. Non-compliance with these policies and regulations can result in significant risk of harm alongside potentially severe legal, financial, and reputational consequences.

Risk Mitigating Measures: The Group ensures that each employee receives training regarding consumer duty and other risk to clients. This includes training on vulnerable clients and best practices for communicating with clients. The client interactions are regularly reviewed. Regular updates on consumer duty and MI are presented to the Best

Interest Committee. Regular reviews are conducted on the suitability of products and services offered. Regular reviews from Quality Assurance managers are carried out specifically, regarding customer outcome.

4.4.8 Business Strategy, Execution and Delivery Risk

The risk from poor planning or execution of the business strategy. During business cycles, given market condition fluctuations over time and competitor risk factors this could be further constrained by capacity and capability needs as the business continues to grow and is required to spend time and resource on ensuring strategy is relevant and embedding newly and appropriately designed control and process improvements alongside these change initiatives.

Risk Mitigating Measures: Regular commercial strategy meetings are held with the involvement of the Board and the executive management to drive awareness but also challenge the current direction of the firm. Clear project prioritisation with agreed roadmaps for all technology projects relating to commercial initiatives. Clear internal and external communication on strategies and information on procedures to ensure alignment of client, stakeholder and management expectations.

4.4.9 Capital Adequacy Risk

The risk of having insufficient capital to meet the Group's capital requirements, which may result in the firm no longer being able to continue its business activities. This could include falling below the required amount for either the own funds and the liquid assets requirement or having insufficient funds for on-going operations.

Risk Mitigating Measures: Constant review, senior management challenge and board oversight on the Group's ICARA and resulting in internal limits. Continuous monitoring and daily reporting on own funds and liquidity levels against regulatory limits. On-going risk assessments and risk profile adjustments based on any business model changes. Regular assessment of impact of stress testing to capital and liquidity levels.

5. Risk related to crypto assets and financial instruments relating to crypto assets

It is noted that the Group does not hold any crypto assets. The Group bears risk arising from crypto assets and financial instruments relating to crypto assets in the following ways:

- **Trading of Group's clients in financial instruments relating to crypto assets with the Group acting as the counterparty**

The Group offers to its clients CFDs in various financial assets. The Group is the sole execution venue of these transactions (as per the Dealing on Own Account license) and hence the counterparty to those transactions. The Group is treating exposure coming from CFDs in Crypto assets as market commodity risk and capital requirements are calculated according to Articles 355 to 361 of the CRR.

- **Direct exposure in crypto assets on a speculative basis (trading book exposure)**

The Group, according to the internal risk policies, may purchase crypto related CFD financial instruments from its Liquidity Providers, to transfer the risk incurred from the client's trading activity. Therefore, such investments are considered as purely risk management trading.

As at 31st of December 2023, the Group did not hold any investments in actual crypto assets.

6. Own Funds

The new prudential framework of the Union, IFR/IFD, has been developed to address the specific vulnerabilities and risks inherent to investment firms by means of proportionate and appropriate prudential arrangements and as such, aim to reflect the risks faced and posed by most investment firms.

While the calculation of Own Funds in IFR remains largely the same as in the CRR with only a few discrepancies on the items deducted, the new framework introduces a different approach for calculating the Minimum Capital Requirements. In respect of Own Funds, investment firms are required to maintain Own Funds consisting of the sum of their Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital, and shall always meet all of the following conditions:

- a) Common Equity Tier 1 Capital of at least 56% of Own Funds Requirements.
- b) Common Equity Tier 1 Capital and Additional Tier 1 Capital of at least 75% of Own Funds Requirements.
- c) Common Equity Tier 1 Capital, Additional Tier 1 Capital and Tier 2 Capital of at least 100% of Own Funds Requirements.

The Group's solo and consolidated capital adequacy calculation and minimum ratios are submitted to CySEC on a quarterly basis.

Table 4 below presents the composition of the Group's Own Funds as at 31st of December 2023, while Table 5 indicates the Own Funds based on the Group's audited Financial Statement as of the same date, and they have been prepared using the format set out in the Final Report on the Draft Implementing Standards issued by the EBA on reporting and disclosure requirements of investment firms under the IFR (EBA/ITS/2021/02).

As at 31st of December 2023, the Group's Own Funds fully comprised of Common Equity Tier 1 capital and as shown below, the Group's Own Funds amounted to \$68.624K.

		Amounts (\$'000)	Source based on reference numbers/letters of the balance sheet in the audited financial statements (Cross Reference to EU IF CC2)
Ref.	Common Equity Tier 1 (CET1) capital: instruments and reserves		
10	OWN FUNDS	68.624	
20	TIER 1 CAPITAL	68.624	
30	COMMON EQUITY TIER 1 CAPITAL	68.624	
40	Fully paid up capital instruments	2	Ref. 1 (Shareholders' Equity)
50	Share premium	56.024	Ref. 2 (Shareholders' Equity)
60	Retained earnings	23.439	Ref. 3 & 4 (Shareholders' Equity)
100	Other reserves	(8.378)	
120	Adjustments to CET1 due to prudential filters	(92)	
210	(-) Other intangible assets	(2.042)	Ref.1 (Assets)
260	(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	(65)	Ref.2 (Assets)

		Amounts (\$'000)	Source based on reference numbers/letters of the balance sheet in the audited financial statements (Cross Reference to EU IF CC2)
290	CET1: Other capital elements, deductions and adjustments	(265)	Ref. 3 & 5 (Assets)
300	ADDITIONAL TIER 1 CAPITAL	-	
420	TIER 2 CAPITAL	-	

Table 3: Template EU IF CC1.01 – Composition of Regulatory Own Funds

31 Dec 2023 (\$'000)		Balance sheet as in published/audited financial statements	Cross reference to EU IF CC1
Ref.	Assets - Breakdown by asset classes according to the balance sheet in the published/audited financial statements		
1	Intangible assets	2.042	Ref. 19
2	Investments in subsidiaries	0	Ref. 24
3	Financial assets at FVTPL (Investor's Compensation Fund)	44	Ref. 27
4	Non-current assets (other)	31.390	
5	Trade and other receivables	9.109	Ref. 27
6	Deferred tax asset	65	Ref. 20
7	Current assets (other)	66.074	
	Total Assets	108.724	
Ref.	Liabilities - Breakdown by liability classes according to the balance sheet in the published/audited financial statements		
1	Non-current liabilities	17.735	
2	Current liabilities	18.411	
	Total Liabilities	36.147	
Ref.	Shareholders' Equity		
1	Share capital	2	Ref. 4
2	Share premium	56.024	Ref. 5
4	Accumulated losses/Retained earnings	16.651	Ref. 6
	Total Shareholders' equity	72.577	

Table 4: Template EU IFCC2 –Reconciliation of Regulatory Own Funds to Balance Sheet in the Audited Financial Statements

7. Minimum Capital Requirements

As previously mentioned, the new IFR & IFD framework introduces a different approach for calculating the Minimum Capital Requirements, which for Class 2 investment firms dictates that they are derived by taking the highest of the Fixed Overhead Requirement (“FOR”), the Permanent Minimum Capital Requirement (“PMCR”) and the K-factors that apply to each investment firm.

7.1 Fixed Overheads Requirement (FOR)

The Group reports its Fixed Overhead requirements to the BoD and the CySEC on a quarterly basis. The Group calculates its FOR by taking the one quarter of the fixed overhead expenses of the preceding year in accordance with the provisions of Article 13 of the IFR. The Fixed Overheads Requirement as at 31st of December 2023 amounted to \$26.892 K.

7.2 Permanent Minimum Capital Requirement (PMCR)

The Group monitors its Own Funds on a continuous basis and ensures that they remain above the Permanent Minimum Capital Requirement. As at the reference date, this translated to \$3.481K, which corresponds to the initial capital that applies to the Group on a consolidated level, in accordance with Article 9 of the IFD.

7.3 “K-factor” Capital Requirement

The Group calculates its overall “K-factor” capital requirement on a continuous basis which is the sum of “K-factor requirements” grouped in three categories: Risk-to-Client (RtC), Risk-to-Market (RtM), Risk-to-Firm (RtF), in accordance with Articles 16 through to 33 of the IFR (and as described in further detail in Section 4).

Table 6 below breaks down the Pillar I minimum capital requirement that the Group was required to hold as at 31st of December 2023.

Minimum Capital Requirements		31 Dec 2023 (000's)
K-Factor Requirement		
Risk-to-Client (RtC)	<i>K-AUM</i>	-
	<i>K-CMH</i>	656
	<i>K-ASA</i>	2
	<i>K-COH</i>	4
Risk-to-Market (RtM)	<i>K-NPR</i>	11.349
	<i>K-CMG</i>	-
Risk-to-Firm (RtF)	<i>K-TCD</i>	2.135
	<i>K-DTF</i>	426
	<i>K-CON</i>	-
Total K-Factor Requirement		14.573
Fixed Overhead Requirement ('FOR')		26.892
Permanent Minimum Capital Requirement ('PMCR')		3.481

Table 5: Minimum Capital Requirements

As indicated in Table 7 below, the CAD ratio of the Group as at 31st of December 2023 amounted to 255,18% which far exceeded the minimum required threshold of 100%, with a capital surplus of \$ 41.732K.

	31 Dec 2023 (\$'000)	Reference
Capital		
Common Equity Tier 1	68.624	
Additional Tier 1	-	
Tier 2	-	
Total Own Funds	68.624	a
Own Funds Requirement		
K-factor Requirement	14.573	b
Fixed Overhead Requirement	26.892	c
Permanent Minimum Capital Requirement	3.481	d
Minimum Own Funds Requirement	26.892	e = (higher of b, c, d)
Capital Excess/Ratio		
Capital Excess	41.732	a-e
Capital Ratio	255,18%	a/e

Table 6: Capital Excess/Ratio

8. Remuneration Policy

The Group has established a remuneration policy. The objective of the Policy is to set out the remuneration practices followed by the Group.

The Group defines and implements remuneration policies and practices under appropriate internal procedures taking into account the interest of all the clients of the Group, with a view to ensuring that clients are treated fairly, and their interests are not impaired by the remuneration practices adopted by the Group in the short, medium or long term.

The Group shall ensure that the remuneration policy and practices apply to all relevant persons with an impact, directly or indirectly, on investment and ancillary services provided by the Group or on its corporate behaviour, regardless of the type of clients, to the extent that the remuneration of such persons and similar incentives may create a conflict of interest that encourage them to act against the interest of any of the firm's clients.

The Board of Directors of the Group shall approve, after taking advice from the Compliance function, any significant amendment made to the Group's remuneration policy. The senior management of the Group shall be responsible for day-to day implementation of the remuneration policy and the monitoring of the compliance risks related to the policy.

Remuneration and 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.

A balance between fixed and variable components of remuneration shall be maintained at all times, so that the remuneration structure does not favour the interests of the Group or its relevant persons against the interest of any client.

The Group's Remuneration includes financial Remuneration (i.e. salary) and/or non-financial Remuneration (i.e. career progression, health insurance, discounts or special allowances for car or mobile phone, seminars, etc., as may be decided from time to time by senior management).

The Policy applies to "Relevant Persons" of the whole Group including branches.

The "Relevant Persons" are:

- Senior management, risk takers, staff engaged in control functions and any employee receiving total Remuneration that takes them into the same remuneration bracket as senior management, risk takers whose professional activities have a material impact and whose remuneration may create inappropriate incentives to act against the best interests of the Group's clients;
- non-executive members of the Board of Directors, the Heads of the Departments (i.e. key functions holders), as well as other persons who oversee sales, back office, marketing and Client Support personnel (if any) who may be incentivized to pressurise Client Support staff;
- outsourcing service providers, if any;
- Affiliates who may receive inducements as part of introducing Clients to the Group.

The Policy aims to (i) provide for sufficient incentives so as for the Relevant Persons (as defined by the Group's Policy), to achieve their Key Performance Indicators, (ii) deliver an appropriate link between reward and performance whilst at the same time become a comprehensive, consistent and effective risk management tool that prevents excessive risk taking and /or miss-selling practices considering financial incentives schemes, which could lead to compliance risks for the Group in the long-run.

The Relevant Persons' total Remuneration can consist of a fixed as well as a variable component. Fixed and variable remuneration is different for each position/role depending on the position's actual requirements, and it is determined in a way that reflects the educational level, professional experience and responsibility needed for the employee to perform the specific position/role. The Policy is also set in comparison with standard market practices employed by the other market participants/competitors. Non-financial Remuneration provided to the Group's Relevant Persons, are not employee performance-related and are considered part of the fixed Remuneration. All Group employees are eligible for salary payment when working from the Group's offices during bank holidays and weekends. Other factors considered for the Remuneration of the Group's employees are the following:

- a. The financial viability of the Group,
- b. The employee's personal objectives (professional development, compliance with the Group's policies and procedures, compliance with regulatory requirements, commitment and work ethics), performance evaluation and the assessment score they achieved on their performance.

The Group has set appropriate ratios between the fixed and the variable component of the total remuneration, whereby the following principles shall apply:

- a. The variable component shall not exceed 100% of the fixed component of the total remuneration for each individual.
- b. The Group's shareholders may approve a higher maximum level of the ratio between the fixed and variable components of remuneration, provided the overall level of the variable component shall not exceed 200% of the fixed component of the total remuneration for each individual.

It should be noted that in accordance with EBA's latest consultation papers, the Group's remuneration policies ensure an alignment of fixed and variable remuneration between genders i.e. are gender neutral. In particular, the following aspects shall be taken into consideration:

- the place of employment and its costs of living;
- the hierarchical level of the staff and if staff has managerial responsibilities;
- the level of formal education of staff;
- the scarcity of staff available in the labour market for specialised positions;
- the nature of the employment contract, including if it is temporary or a contract with an indefinite period;
- the length of professional experience of staff;
- professional certifications of staff; and
- appropriate benefits, including the payment of additional household and child allowances to staff with spouses and dependent children.

In cases where the remuneration is performance related, the total amount of Remuneration is based on a combination of the performance of:

- the individual (quantitative and qualitative criteria, except those who perform their duties on Control Functions where only qualitative criteria apply, are taken into account; performance evaluation and assessment score are considered),
- the business unit concerned, and
- the overall results of the Group's and as long as conflicts of interest are mitigated, as described in this Policy.

The assessment of performance is set in a multi-year framework in order to ensure that the appraisal process is based on long-term performance and that the actual payment of performance-based components of Remuneration is spread over a period which will take into account the Group's underlying business cycle and the Group's risks.

Quantitative Criteria

The Group shall ensure to consider criteria that do not create conflicts of interests or incentives that may lead relevant persons to favour their own interests or the Group's interests to the potential detriment of any client.

Each member's work performance will be assessed on a monthly basis, starting from the date of commencing employment with the Group, by their respective managers, according to some Key Performance Indicators (KPIs) set. Depending on the department, some of the KPIs include:

- Response time to Client emails or chats
- Scoring of employees from the call monitoring results
- Time required for the execution of a withdrawal request
- Number of conversions per month

Qualitative Criteria

For the determination of employees' variable remuneration, the Group takes also into consideration a list of qualitative criteria, for instance:

- Customer satisfaction rating for tickets and chats
- Number of Client complaints received
- Acting in best interest of clients
- Knowledge of the industry and Group's operations
- Compliance with Group's procedures and legislative requirements
- Quality of cooperation with other departments
- Teamwork, creativity and motivation

The Group has identified that the method used to determine the variable remuneration of some of its relevant persons may give rise to conflicts of interests between the relevant persons and Clients. In addition to evaluating employees in accordance to the KPIs, the Group has also established a series of measures for monitoring and mitigating such conflict of interest risks identified.

The Group's annual remuneration to senior management and staff members for 2023 was as follows:

	Number of beneficiaries	Fixed Remuneration (\$'000)	Variable Remuneration (\$'000)	Total Remuneration (\$'000)
Directors	6	2.932,04	409,53	3.341,57
Senior Management	117	12.690,68	739,84	13.439,52
Total	123	15.622,72	1.149,37	16.722,09

Table 7: Group's annual remuneration for the year 2023

There were no severance payments or deferred remuneration awarded and paid out during the financial year.

The Group's Compliance Function performs annual reviews of the Policy ensuring that the Policy is in compliance with the relevant legislation and ensure that its applicability and alignment with the pre-described remuneration standards.

9. Further Information

Questions to this Report should be addressed to the Compliance Department.

Compliance department:

compliance@capital.com

Appendix – Own Funds

Own funds: main features of own instruments issued by the firm		
1	Issuer	Capital Com SV Investments Ltd
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Public or private placement	Private
4	Governing law(s) of the instrument	Cyprus Law
5	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares
6	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	2.310
7	Nominal amount of instrument	2.030
8	Issue price	EUR 1 each
9	Redemption price	N/A
10	Accounting classification	Shareholder's Equity
11	Original date of issuance	07/04/2016

Own funds: main features of own instruments issued by the firm		
12	Perpetual or dated	Perpetual
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
	<i>Coupons / dividends</i>	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	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	No
32	If write-down, write-down trigger(s)	N/A
33	If write-down, full or partial	N/A
34	If write-down, permanent or temporary	N/A

Own funds: main features of own instruments issued by the firm		
35	If temporary write-down, description of write-up mechanism	N/A
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
38	Link to the full term and conditions of the instrument (signposting)	N/A

Table 8: Template EU IF CCA: Own funds: main features of own instruments issued by the firm