Pillar III Disclosures
For the year ended December 31\textsuperscript{st}, 2021

Capital Com (UK) Ltd

MAY 2022
# TABLE OF CONTENTS

1. Introduction 1  
   1.1. About Capital Com (UK) Ltd 1  
   1.2. Regulatory Framework 1  
   1.3. Upcoming change of the prudential regime for MiFID investment firms 2  
2. Corporate Governance – Board and Committees 2  
   2.1. Board of Directors (BoD) 2  
   2.2. Governance Committees 3  
   2.3. Information flow to Regulator and the Board of Directors (BoD) 5  
3. Risk Management Objectives and Policies 5  
   3.1. Risk Management Governance 6  
   3.2. Risk Appetite 6  
   3.3. Stress Testing 7  
4. Principal Business Risks 7  
   4.1. Credit Risk 7  
   4.2. Operational Risk 8  
   4.3. Market Risk 8  
   4.4. Capital Risk 9  
   4.5. Liquidity Risk 9  
   4.6. Strategic Risk 10  
   4.7. Reputational Risk 10  
   4.8. Business Risk 10  
   4.9. Unforeseeable Risk (COVID-19) 10  
5. Remuneration Policy 11  
6. Leverage Ratio 11  
7. Capital Base 12  
8. Capital Adequacy 12  
9. Compliance with Pillar 2 (ICAAP) 13  
10. Further Information 13  

This document is publicly available as per Pillar III disclosure requirements set out in the Capital Requirement Regulation 575/22013
1. INTRODUCTION

1.1. About Capital Com (UK) Ltd

Capital Com (UK) Limited ("the Company") is a private limited company registered in England and Wales under number 10506220. It is authorised and regulated by the FCA (firm reference number 793714), as a BIPRU 125K Firm and is wholly owned subsidiary of Capital Com SV Investment Ltd which is a Cypriot Investment Firm (CIF) and regulated and authorised by the Cyprus Securities and Exchange Commission (CySEC).

2021 was the Company’s third year in operations. The Company offers financial Contracts for Differences (CFDs) in Forex pairs, Indices, Commodities, Stocks and Cryptocurrencies (available only to professional clients) as well as Spread Betting and Stock Investing services.

The Company is an execution only firm that operates on a matched-principal basis. It is permitted to deal with Retail and Professional Clients.

1.2. Regulatory Framework

In 2007, the European Union Capital Requirements Directive (‘CRD’) introduced consistent capital adequacy standards and an associated supervisory framework based on the Basel II Accord within the European Union. The CRD was implemented in the United Kingdom (the "UK") by the UK Financial Services Authority (the “FSA”) now the Financial Conduct Authority (the “FCA”) as the Prudential Sourcebook for Banks, Building Societies and Investment Firms (“BIPRU”). It comprises three elements:

Pillar 1: the minimum capital requirements of firms to cover credit, market and operational risk;  
Pillar 2: the requirements for firms and regulators to assess the need to hold additional capital to cover risks not covered under Pillar 1. Pillar 2 is also known as the Internal Capital Adequacy Assessment Process (“ICAAP”); and 
Pillar 3: a set of disclosure requirements which enable market participants to assess information on firms’ risk management controls and capital position.

The information set out herein represents the Pillar III disclosure of the Company, which is authorised and regulated by the FCA. Its aim is to encourage market discipline by allowing market participants to assess key pieces of information on the Company’s capital, risk exposures and risk assessment processes. Future disclosures will be issued on an annual basis and published as soon as practicable after the publication of the Annual Report and Accounts.

Should there be a material change in approach used for the calculation of capital, business structure or regulatory requirements, the frequency of disclosure will be reviewed.

The Company’s Pillar III disclosures are subject to internal review and validation prior to being submitted to the Board of Directors (BoD) for approval. This includes approval by the Company’s Chief Executive Officer (CEO) and the Group Chief Risk Officer and the Group Chief Financial Officer (CFO). The Risk and Finance operations of the Company are performed on a Group Level, by the Chief Financial Officer and the Chief Risk Officer of the parent company, Capital Com SV Investments Ltd.
The Company’s Pillar III disclosures have been reviewed and approved by the BoD. The Company reports on a Solo basis and the reporting currency is GBP. This report is published on the Company’s website at https://www.capital.com/regulations.

1.3. Upcoming change of the prudential regime for MiFID investment firms

On 26 November 2021, the UK Financial Conduct Authority (“FCA”) published its third policy statement (PS21/17) setting out its final rules to introduce its Investment Firms Prudential Regime (“IFPR”). The IFPR will come into force on 1 January 2022 and will represent a major change for FCA-authorised investment firms in the UK that are authorised under the Markets in Financial Instruments Directive (“MiFID”), including alternative investment fund managers with MiFID top-up permissions.

The IFPR will introduce a single prudential regime that will apply to such firms. With the introduction of the IFPR, the FCA aims to refocus prudential requirements and expectations away from the risks the firm faces, to also consider and manage the potential harm the firm itself can pose to consumers and markets.

The rules apply to any MiFID investment firm currently subject to any part of the Capital Requirements Directive (CRD) and the Capital Requirements Regulation (CRR).

The current prudential regime for FCA investment firms is based on requirements designed for globally active systemically important banks. The main aim of that regime is to protect depositors by ensuring that it is difficult for a bank to fail. Investment firms do not have depositors that need to be protected. This means that the current requirements are not designed to address the potential harm posed by investment firms to their clients and the markets in which they operate.

By contrast, the IFPR considers the harm these firms can cause to others based on the activities that they carry out. It also considers the amount of own funds and liquid assets a firm should hold so that if it does have to wind down, it can do so in an orderly manner.

Introducing the IFPR means that there will be a single prudential regime for all FCA investment firms. It should reduce barriers to entry and allow for better competition between investment firms.

The Company has taken all necessary steps for complying to the new framework and has conducted an impact analysis to assess the operational and financial implications under the new regime.

2. CORPORATE GOVERNANCE – BOARD AND COMMITTEES

2.1. Board of Directors (BoD)

The BoD has overall responsibility for the business governance and defining the risk appetite. It sets the strategic aims for the business, in line with delegated authority from the shareholder, The BoD satisfies itself that financial controls and systems of risk management are robust.

The persons proposed for appointment to the Board should commit the necessary time and effort to fulfill their obligations. Main factors influencing the decision to propose the appointment of potential Directors include:

- Integrity and honesty
- High business acumen and judgement
• Knowledge and experience relevant to financial institutions
• Risk Management experience
• Specialised skills and knowledge in finance, accounting, law, or other related subject.

The Board considers that it has in place adequate systems and controls with regard to the Company’s profile and strategy and an appropriate array of assurance mechanisms, properly resourced and skilled, to avoid or minimise loss. The process and systems of internal control are designed to manage, rather than eliminate, the risk of failure to achieve the Group’s objectives, and can therefore only provide reasonable and not absolute assurance against material misstatement or loss.

In relation to other directorships, members of the BoD do not hold more directorships than is appropriate given the nature, scale and complexity of the Company’s business.

On 31st of December 2021, the Board is comprised of 2 executive directors as part of a four-eyes principal in business oversight.

<table>
<thead>
<tr>
<th>Full name of Director</th>
<th>Position/Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peter Zachariades*</td>
<td>Executive Director</td>
</tr>
<tr>
<td>Viktor Prokopenya</td>
<td>Executive Director</td>
</tr>
</tbody>
</table>

* Kypros Christopher Zoumidou was appointed as an Executive Director on 01/03/2022 replacing Peter Zachariades

2.2. Governance Committees

The Company benefits from the governance structure and processes set up by the Parent Company. Formed Committees are responsible for governing operations and managing risk on a group level.

Governance committees have been formed 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 Company will form additional governance committees.

The Pricing Committee takes responsibility for the further development of the product. Members come from across the whole Group, from various positions such as Trading, Risk, Development, Compliance etc.

The Risk Management Committee (RMC) advises the BoD on the overall current and future risk appetite and strategy.

Furthermore, several Company level Committees have been established as described below.

CASS Committee

The CASS Committee’s role is to assist the Firm with the work of the Board in respect of all risks that may affect the business related to CASS.

Duties include:
- Oversee the maintenance of effective systems and controls for the holding of client money and assets in accordance with the FCA CASS and SYSC rules and Principle 10 (protection of client assets).
- Review the banking institutions where client money is held
- Review and maintain internal policies and procedures relating to CASS.
- Report and make recommendations to the Risk Committee on the implications of any FCA Consultation Papers or Policy Statements relating to CASS.
- Review and maintain the CASS risk register and CASS rules-mapping.
- Review the CASS Breaches Register and make recommendations to ARC and implement additional controls where appropriate.
- Review and maintain CASS Resolution Pack.

**Best Interests Committee**

The BI Committee’s role is to assist the organisation with the work of the Board in respect of all risks to the business related to the fair treatment of customers, including its short, medium and long term strategy impacting customer related matters.

Duties include:

- Seek to ensure that the firm acts honestly, fairly and professionally in accordance with the best interest of its clients
- Ensure that no communication seeks to exclude or restrict any duty or liability to a client according to the regulatory provisions inter alia the client best interest rule, except where it is honest, fair and professional to do so
- The Committee will also strive to achieve fair treatment of customers, employing the 6 outcomes the FCA regards as core
- Pay specific attention to the treatment of vulnerable customers by monitoring and assessing whether the firm is meeting and responding to the needs of customers with characteristics of vulnerability.

**Audit, Risk, and Compliance Committee**

The ARC committee’s role is to ensure that formal and transparent arrangements are in place for the consideration, monitoring and oversight of the Firm’s internal control and risk management system (including credit, market, liquidity, and operational risks to which the Firm is exposed), financial reporting, legal and compliance and internal and external audit. The Committee shall also ensure that relevant policies and procedures are effectively implemented and executed to comply with legal and regulatory requirements, and that risks are mitigated to the degree required by the Board.

Duties include:

- Ensuring that the systems of internal control and risk management are kept under review, and that reports on the effectiveness of these systems are assessed, approved, and appropriately addressed.
- Monitoring and reviewing the integrity of financial reporting by reviewing, approving, and recommending to the Board for approval various financial documents such as Annual or significant Returns, accounting policies and practices.
- Reviewing and approving Audit plans

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• Reviewing and approving Whistleblowing policies
• Reviewing ICAAP and capital reserves
• Oversight of Compliance and Legal teams and matters
• Reviewing and approving all Compliance and legal and policies, and ensuring effective implementation of the same.

Executive Committee

The ExCO's role is to assist the Chief Executive Officer (CEO) in the performance of his duties within the bounds of its authority. Duties include:

• Develop and implement strategic and operational plans, policies and procedures as well as budgets, forecasts and estimates.
• Monitor the financial and operational performance of the firm including prioritisation and allocation of resources.
• Assess and control risk, monitoring competitive forces in each area of operation.

Additional levels of assurance are provided by control functions, which are independent of the business operations – namely Finance, Risk, Compliance and Legal. The control functions provide periodic reporting to the Board and Executive Committees as appropriate.

2.3. Information flow to Regulator and the Board of Directors (BoD)

Information of risk matters to the BoD is done through meetings with the heads of control functions and the following reports:

<table>
<thead>
<tr>
<th>Report</th>
<th>Owner</th>
<th>Recipient</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance Report</td>
<td>Compliance Officer</td>
<td>BoD</td>
<td>Annually</td>
</tr>
<tr>
<td>AML Report</td>
<td>Compliance Officer</td>
<td>BoD</td>
<td>Annually</td>
</tr>
<tr>
<td>Pillar III Disclosures</td>
<td>Chief Risk Officer of Group</td>
<td>BoD, Published</td>
<td>Annually</td>
</tr>
<tr>
<td>ICAAP Report</td>
<td>Chief Risk Officer of Group</td>
<td>BoD, FCA</td>
<td>Annually</td>
</tr>
<tr>
<td>Capital Adequacy Reports</td>
<td>Chief Risk Officer of Group</td>
<td>Senior Management, FCA</td>
<td>Quarterly</td>
</tr>
<tr>
<td>Audited Statements</td>
<td>Financial</td>
<td>Chief Financial Officer of Group</td>
<td>BoD, FCA</td>
</tr>
</tbody>
</table>

3. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's aim is to embed explicit and robust risk management practices across its entire business operations, in order 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 Company to continually align its business objectives against a background of changing risks and uncertainty.

The risk management framework:

- Enables the Company 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 Company and
- Ensures that risk management is an integral part of the Company's decision-making process.

### 3.1. Risk Management Governance

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

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

The RMC plays a central role in ensuring compliance with the Company’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.

Risk is an inherent part of Capital Com's business. Capital Group’s objective is not to eliminate risk but to manage risk to an acceptable level. Effective risk management assists the delivery of strategic objectives, management of potential threats and aid capital planning. A core objective of Capital Com’s risk management framework is the continuous identification, assessment, mitigation, monitoring and reporting of risk. The framework is based on three lines of defence:

- Risk Management and Control, including the identification, control, monitoring and mitigation of risk
- Risk Oversight and Governance; and
- Independent Assurance.

### 3.2. Risk Appetite

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

The Board approves the Risk Appetite, which defines the level of risk that the Company is prepared to accept to achieve its strategic objectives and is translated into specific risk measures that are tracked, monitored and reported to the Board. The Risk Appetite framework has been designed to create clear links to the strategic long-term plan, capital planning, stress testing and the Company’s risk management...
framework. The review and approval processes are undertaken at least annually. The Company’s Risk Appetite covers three core areas, financial risk, reputational risk and operational risk.

3.3. Stress Testing

This is an important risk management tool used by the Risk Management function to test the Company'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 Company. Also, stress testing allows the BoD and Senior Management to determine if the Company's exposure is within the accepted risk limits.

The Company is required to prepare and make available upon request periodic Internal Capital Adequacy Assessment Process (ICAAP) reports which set out future plans, their impact on capital availability and requirements and the risks to capital adequacy under potential stress scenarios. Starting in 2022, the process is replaced by the ICARA (Internal capital adequacy and risk assessment) process.

4. PRINCIPAL BUSINESS RISKS

4.1. Credit Risk

Credit risk is the risk associated with a financial loss or potential financial loss from counterparties failing to fulfil their financial obligations. Generally, credit risk can be derived from the following areas:

1. Cash deposits
2. Other Assets

The Company’s objective in managing credit risk exposures is to maintain them within parameters that reflect the strategic objectives and risk tolerance. Sources of credit risk are assessed and monitored, and the Company has policies to manage the specific risks within the various subcategories of credit risk. To assess counterparty credit risk, the Company performs Due Diligence in addition to using available ratings assigned by external rating agencies. General market reputation is also taken into account.

Table with credit exposure per class as at 31/12/2021 in GBP:

<table>
<thead>
<tr>
<th>Exposure Class</th>
<th>UK</th>
<th>Cyprus</th>
<th>Luxembour</th>
<th>Sweden</th>
<th>Total Exposure</th>
<th>Total Risk Weighted Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutions</td>
<td>437,790</td>
<td>5,786,5</td>
<td>271,523</td>
<td>196,680</td>
<td>6,692,706</td>
<td>1,338,541</td>
</tr>
<tr>
<td>Corporates</td>
<td>143,180</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>143,180</td>
<td>143,180</td>
</tr>
<tr>
<td>Other</td>
<td>474,548</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>474,548</td>
<td>474,548</td>
</tr>
<tr>
<td>Total</td>
<td>1,055,518</td>
<td>5,786,5</td>
<td>271,523</td>
<td>196,880</td>
<td>7,310,434</td>
<td>1,956,270</td>
</tr>
</tbody>
</table>
4.2. Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. In general, operational risk can be derived from the following areas:

- Internal Procedures & Controls
- Business Disruption and System Failure due to acts of God, External or Internal causes
- Legal Risk from fraud (internal/external) or other criminal activity
- Employee error or omission
- Regulatory changes
- Conflicts of interest

The Company’s exposure to operational risk is limited to the extent of its current scale and complexity. The Company 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.

In addition to its overall framework, in order to mitigate operational risks, the Company has specific processes and systems in place to focus continuously on high priority operational matters such as information security, managing business continuity and combating fraud.

Finally, the Company is dependent on outsourced services from its affiliate companies. The affiliate companies are backed up by the systems and controls in place to supervise the outsourced activities.

4.3. Market Risk

Market risk is the risk stemming from adverse movements in several drivers which may relate to the Company’s trading book and balance sheet positions. Such fluctuating risk drivers resulting in market risk include:

1. Changes in Financial instruments prices
2. Changes in Interest rates
3. Changes in Currency exchange rates

4.3.1. Financial Instrument Prices

The Company operates under a matched-principal business model, effectively hedging back to back exposure with the Parent Company. Therefore, market risk arising from changes in financial instrument prices is transferred to the Parent Company.

4.3.2. Interest rates

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company’s exposure is mainly stemming from own cash deposited in Credit Institutions which bear interest at normal commercial rates.
The Company’s Finance Department monitors the interest rate fluctuations on a continuous basis despite the lack of interest rate risk given the deposit only nature of its exposure. Under the current conditions, the Company places greater emphasis on diversifying its exposure to more than one institution (credit risk) than dealing with the potential effects of interest rate fluctuations (market risk).

### 4.3.3. Currency exchange rates

The Company is exposed to currency risk, the risk of loss resulting from changes in exchange rates. The Company is exposed to the financial impact arising from changes in the exchange rates of various currencies in two ways. Firstly, the Company may receive income in a currency other than GBP, which is the reporting currency of the Company. Secondly, the Company maintains deposit balances in currencies other than GBP.

The Company does not undertake any principal trading for its own account. As a result, it is not exposed to any significant market risk which would arise from such activities.

The Company uses the standardised approach for measuring market risk. The table below shows the capital requirements for market risk as at 31/12/2021:

<table>
<thead>
<tr>
<th>Asset class</th>
<th>Capital Requirement 31/12/2021 GBP</th>
<th>Risk Weighted Assets 31/12/2021 GBP</th>
</tr>
</thead>
<tbody>
<tr>
<td>FX</td>
<td>282,250</td>
<td>3,528,131</td>
</tr>
</tbody>
</table>

### 4.4. Capital Risk

Capital risk is the risk that the Company will not comply with capital adequacy requirements as instructed by FCA rules.

The BoD will safeguard the Company’s ability to continue as a going concern and is always monitoring the Company’s capital levels and relevant regulatory requirements. The Company is required to keep a minimum capital adequacy ratio and to report on this quarterly. Daily monitoring of the capital adequacy ratio is in effect.

### 4.5. Liquidity Risk

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

The Company’s policy is to maintain adequate liquidity and contingent liquidity to meet its liquidity needs under both normal and stressed conditions. To achieve this, the Company monitors and manages its liquidity needs on an ongoing basis. The Company also ensures that it has sufficient cash on demand to meet expected operational expenses. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.
4.6. Strategic Risk

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

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

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

4.7. Reputational Risk

Reputational risk can arise from direct Company actions or from actions of third parties that it may or may not have a relationship with. Such Company actions may include internal security breaches, employee fraud, client misinformation, mistakes in handling client requests and any other actions that can lead to significant negative public opinion and subsequently loss of business and income. Third-party actions can include problems with the provision of the outsourced services that can lead to operational interruptions, database hosting and security, spreading of rumours and unsubstantiated information.

The Company strives to preserve its reputation by adhering to applicable laws and regulations, and by following the core values and principles of the Company, which include integrity and good business practice. The Company centrally manages certain aspects of reputation risk, for example communications, through functions with the appropriate expertise. It also places great emphasis on the information technology security which is one of the main causes of such reputational risk manifestation.

4.8. Business Risk

Business risk is the risk of financial loss due to business cycles and conditions fluctuations over time. Possible deterioration in business or economic conditions.

Business risk in the brokerage business is particularly significant due to the lack of predictability of financial markets in a reliable manner. The uncertainty surrounding events and factors which affect financial markets is substantial and due to the effect these have on the behaviour of brokerage clients, it makes business risk particularly significant and unpredictable.

The Company will project forward its financial position taking into account this risk. Adequate margin of safety will be employed at all times in order to address the lack of predictability of business cycles in the brokerage business.

4.9. Unforeseeable Risk (COVID-19)

Since the end of 2019, the world witnessed a pandemic namely Covid-19. This has resulted a global shut down of economies. This has an unprecedented impact on the financial markets. Capital Com as a
group has prepared itself for such a scenario by putting in place business continuity plans to ensure that it was able to continuously offer its services to its clients. In addition, Capital Group and its affiliates acted accordingly along with the BoD to ensure it maintains its strong financial position to ensure continuity of business.

5. REMUNERATION POLICY

The purpose of the Company's Remuneration Policy is to ensure the consistent implementation of the Regulatory conflicts of interest and conduct of business requirements in the area of remuneration.

The remuneration policy and practices of the Company are designed in such a way to avoid exposing the Company into excessive or undue risks. Moreover, they are targeted to avoid creating incentives that may lead relevant persons to favour their own interest, or the firm's interests, to the potential detriment of clients. The Company has set up adequate controls for compliance with the regulatory requirements on the remuneration policy and practices. The controls are implemented throughout the Company and are subject to periodic review. These address all relevant factors such as:

- the role performed by relevant persons
- the type of products offered
- the methods of distribution
- the balance between fixed and variable components of the total remuneration
- appropriate qualitative and quantitative criteria to assess the performance of relevant persons

The Company’s annual remuneration to senior management and staff members for 2021 was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Fixed remuneration for 2021 (GBP)</th>
<th>Variable remuneration for 2021 (GBP)</th>
<th>Total remuneration for 2021 (GBP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior management</td>
<td>1,092,477</td>
<td>20,937</td>
<td>1,113,414</td>
</tr>
<tr>
<td>Other staff members</td>
<td>1,500,742</td>
<td>36,532</td>
<td>1,537,275</td>
</tr>
<tr>
<td>Total remuneration</td>
<td>2,593,220</td>
<td>57,469</td>
<td>2,650,689</td>
</tr>
</tbody>
</table>

6. LEVERAGE RATIO

The leverage ratio is a new monitoring tool which will allow the competent authorities to assess the risk of excessive leverage in their respective institutions. According to the CRR, the investment firms have to report all necessary information on the leverage ratio and its components.

As at 31/12/2021 the Company has a leverage ratio of 45%.

<table>
<thead>
<tr>
<th>Tier 1 Capital GBP</th>
<th>3,255,318</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets</td>
<td>7,310,434</td>
</tr>
<tr>
<td>Leverage Ratio</td>
<td>45%</td>
</tr>
</tbody>
</table>

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7. CAPITAL BASE

The company assesses its capital adequacy to support current and future activities in a number of ways. Pillar 1 capital adequacy is monitored daily for compliance with capital requirements and is reviewed formally by the risk committee on a regular basis. The Company assesses internal capital adequacy, as required by Pillar 2, on a quarterly basis.

At 31st of December 2021 the Capital base of the Company was as follows:

<table>
<thead>
<tr>
<th>Capital Base</th>
<th>GBP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share Capital</td>
<td>2,199,000</td>
</tr>
<tr>
<td>Retained Earnings</td>
<td>(796,577)</td>
</tr>
<tr>
<td>Audited Profit</td>
<td>1,852,897</td>
</tr>
<tr>
<td>Adjustments to CET1 due to prudential filters</td>
<td>0</td>
</tr>
<tr>
<td>Common Equity Tier 1 Capital Total</td>
<td>3,255,320</td>
</tr>
<tr>
<td>Deductions from CET 1 Capital</td>
<td>0</td>
</tr>
<tr>
<td>Additional Tier 1 Capital</td>
<td>0</td>
</tr>
<tr>
<td>Tier 2 Capital</td>
<td>0</td>
</tr>
<tr>
<td>Total Own Funds</td>
<td>3,255,320</td>
</tr>
</tbody>
</table>

8. CAPITAL ADEQUACY

Based on the Company’s authorisation, quarterly Capital Adequacy Reports are prepared and submitted to the FCA. The Capital Adequacy Reports are prepared on a solo basis and the reporting currency is GBP.

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

According to the CRR, the Company’s minimum capital adequacy ratio is 8% and the minimum initial capital requirement is €125,000. As at 31 December 2021, the Company’s total risk exposure amount was 16,224,322 GBP, resulting in a capital adequacy ratio of 20.06%.
## Total Capital (Own Funds) | 2021 (GBP)
---|---
Total Capital (Own Funds) | 3,255,320
Risk weighted exposure amounts for credit risk | 1,956,270
Total risk exposure amount for foreign exchange risk | 3,528,131
Risk Exposure amount due to fixed overheads | 16,224,322

### TOTAL RISK EXPOSURE AMOUNT
16,224,322

### CET1 Capital ratio
20.06%

### T1 Capital ratio
20.06%

### Total capital ratio
20.06%

### 9. COMPLIANCE WITH PILLAR 2

The Group undertakes an Internal Capital Adequacy Assessment Process (ICAAP), which is an internal assessment of its capital needs. The Board has considered the impact of an economic downturn on (i) the Company's financial position and on (ii) its business plans. The Company is well-capitalised; its cost base is fairly predictable and is within the Board’s control. The Board believes that the Company can cope with the current and unprecedented downturn in economic activity. Should income drop to an extent that significant and/or sustained losses are forecast the Board will take steps to reduce the cost base accordingly or could resolve to stop trading and liquidate the business.

The new framework, and specifically, the IFD, introduces the concept of the ICARA (Internal capital adequacy and risk assessment) process, to determine the Pillar II capital requirements. As part of the ICAAP, firms were expected to conduct an assessment against a specific list of risk categories. However, under the ICARA process, the focus has shifted more onto the Firm’s business model and its activities. From there 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.

The Company is in the process of updating its existing ICAAP in order to prepare its first ICARA process, through which it will ensure full alignment with the IFR & IFD framework.

### 10. FURTHER INFORMATION

Questions to this Report should be addressed to the Compliance Department.
Compliance department: compliance.uk@capital.com