Alfa Capital Markets Ltd

Pillar III Disclosures in accordance with Regulation (EU) No. 2019/2033

As at 31 December 2021

GENERAL NOTES

- Alfa Capital Markets Ltd (hereafter referred to as "ACM" or the "Company") has prepared these disclosures.

- The disclosures are based on the audited financial statements of ACM for the year ended 31 December 2021.

- The information contained within these disclosures is presented for the purpose of explaining how risks are managed by the Company and to disclose the own funds requirements corresponding to these risks, in line with the "Publication requirements" as stipulated in section 37 of Part D ("Supervisory measures and powers") of L. 165(I)/2021 on the prudential supervision of investment firms (the "Prudential Law") and the requirements of Regulation (EU) No. 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms and amending Regulations (EU) No 1093/2010, (EU) No 575/2013, (EU) No 600/2014 and (EU) No 806/2014 (the "IFR" or the "Regulation"). The disclosures have been reviewed by ACM's Senior Management and have been verified by the Company's external auditor.

- These disclosures, henceforth referred to as the "Pillar III Disclosures", include, to a large extent, tables and disclosures required in line with the EBA Draft Implementing Technical Standards on reporting requirements for investment firms under Article 54(3) and on disclosures requirements under Article 49(2) of Regulation (EU) 2019/2033 ("EBA/ITS/2021/02" or the "EBA ITS"). The EBA ITS cover all supervisory reporting and disclosures requirements for investment firms under IFR taking into account the business of investment firms, their activity, size and interconnectedness. There are commonalities between the information that investment firms have to report to their supervisors and the regulatory information that they have to make public in the interest of investors and external stakeholders. These have been consistently integrated in these disclosures and specifically with regard to the 'own funds' templates.

- The Pillar III Disclosures are published on the Company's website: https://alfacapital.com.cy/en/mifid/disclosures/

- All figures are stated in US Dollars. Figures are rounded to the nearest thousand except where otherwise stated. Figures in parenthesis represent negative numbers.

- The Company does not undertake any securitisation activity, nor does it have any asset encumbrances.

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Specific References to EBA ITS

Template	Compliance reference	Section
IF EU CC1	Composition of own funds, such as Common Equity Tier 1 items, Additional Tier 1 items, Tier 2 items, and applicable filters and deductions applied to the own funds of investment firms, including the reconciliation of these items with the relevant items of the institutions' audited balance sheet, and a description of all restrictions applied to the calculation of own funds, in accordance with Article 49 (1)(a) and (b) of the IFR.	Section 4
IF EU CC2	Full reconciliation of Common Equity Tier 1 items, Additional Tier 1 items, Tier 2 items, and applicable filters and deductions applied to the investment firm's own funds and the balance sheet in their audited financial statements, in accordance with Article 49(a) of the IFR.	Section 4
IF EU CCA	Description of the main features of the Common Equity Tier 1 and Additional Tier 1 instruments and Tier 2 instruments issued by the investment firm; following Article 49(1), point (b) of the IFR.	Section 4, Appendix 1

Specific references to articles in the Regulation

IFR Ref.	High-level summary	Compliance reference
Scope of disclosure requirements		
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46(3)	Investment firms may determine an appropriate medium and location to comply effectively with the disclosure requirements	Section 1.1
Risk management objectives and policies		
47	Disclosure of risk management objectives and policies for each separate category of risk set out in Part Three (K-factor requirements), Four (Concentration Risk) and Five (Liquidity) in accordance with Article 46, including a summary of the strategies and processes to manage those risks	Section 2
Internal Governance		
48 (a)	Disclosure of the number of directorships held by members of the BoD	Section 3.1
48 (b)	The policy on diversity with regard to the selection of the members of BoD, its objectives and any relevant targets set out in that policy, and the extent to which those objectives and targets have been achieved	Section 3.1.1
48 (c)	Disclosure of whether a separate risk committee is in place, and number of meetings in the year	Section 3.1.1
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50 (a)	Summary of investment firm's approach to assessing adequacy of capital levels	Section 2.9, Section 5
50 (c)	The K-factor requirements calculated in aggregated form for RtM, RtF, and RtC, based on the sum of the applicable K-factors	Section 5.3
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Remuneration policy and practices		
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51 (a)	Variable remuneration principles and criteria for awarding variable remuneration, pay out in instruments policy, deferral policy and vesting criteria	
51 (b)	The ratios between fixed and variable remuneration	
51 (c)	Aggregated quantitative information on remuneration, broken down by senior management and members of staff whose actions have a material impact on the risk profile of the investment firm	

IFR Ref.	High-level summary	Compliance reference
51 (d)	Information on whether the investment firm benefits from a derogation laid down in Article 32(4) of Directive (EU) 2019/2034.	
Investment policy		
52 (1) (a)	Disclosure of the proportion of voting rights attached to the shares held by the investment firm, directly or indirectly, a complete description of voting behaviour in the general meetings of companies the shares of which are held, an explanation of the votes and the ratio of proposals put forward by the BoD of the company which the investment firm has approved, an explanation of the use of proxy advisor firms and the voting guidelines regarding the companies the shares of which are held (subject to additional criteria being met)	N/A

1. Introduction

1.1. Policy Statement

In accordance with Article 12(1) of IFR, ACM is classified as an investment firm other than small and non-interconnected ('Class 2'), and therefore in accordance with Article 46(1) of the Company shall publicly disclose the information specified in Part Six of the IFR. The said disclosures are referred to as the "Pillar III Disclosures". ACM's Pillar III Disclosures focus on transparency through the disclosure of relevant information and set out the internal controls and procedures for disclosure of such information. In particular, general information in relation to the Company's policies and procedures for managing risks is contained, as well as quantitative information in relation to governance, own funds requirements and calculations, as well as remuneration policy and practices.

The Company has adopted a formal policy (the "Pillar III Disclosures Policy") to comply with the requirements of Parts Six of the Regulation. The Pillar III Disclosures Policy describes the Company's process for assessing the appropriateness of its Pillar III Disclosures, including their verification and frequency, and its policy for assessing whether its Disclosures convey its risk profile comprehensively to market participants.

For assessing the appropriateness of the Company's Pillar III Disclosures, the Company appoints its external auditors to express an independent conclusion in relation to the fair presentation of the Disclosures, in all material respects, in accordance with the requirements of the Regulation.

The Pillar III Disclosures document and the independent auditors' verification report are submitted to the CySEC the latest within five months from the end of each financial year, unless otherwise communicated by CySEC. The Pillar III Disclosures document will be uploaded to the Company's website upon receipt of the external auditors' independent conclusion.

1.2. Regulatory Framework

The information disclosed below is in accordance with the Part Six "Disclosure by Investment Firms" of the Regulation, as well as with the relevant EBA ITS.

1.3. Company Information

The Company is a Cyprus investment firm regulated by the Cyprus Securities and Exchange Commission ("the Commission" or "CySEC") under license number CIF387/20. With the highest standards of professionalism and devotion to its principles, the Company provides the following investment and ancillary services for the financial instruments 1-10 of Part III of the First Appendix of the Law:

Investment Services:

1. Reception and transmission of orders in relation to one or more financial instruments
2. Execution of orders on behalf of clients
3. Dealing on own account
4. Underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis
5. Placing of financial instruments without a firm commitment basis

Ancillary Services:

1. Safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash/collateral management and excluding maintaining securities accounts at the top tier level
2. Granting credits or loans to an investor to allow him to carry out a transaction on one or more financial instruments, where the firm granting the credit or loan is involved in the transaction

3. Advice to undertakings on capital structure, industrial strategy and related matters and advice and services relation to mergers and the purchase of undertakings
4. Foreign exchange services where these are connected to the provision of investment services
5. Investment research and financial analysis or other forms of general recommendation relating to transactions in financial instruments

Moreover, the Company has obtained license for the following "other services":

1. Spot trading (including currency conversions)
2. Prepayment Deal transactions and Granting of loans
3. Dealing in credit risk investments

ACM is owned by JSC "ALFA-BANK" ("Alfa-Bank" or "Parent Bank"), the largest Russian privately owned bank with well-established diversified franchise, strong access to Russian blue chips, successful footprint of mass corporate segment and solid positions in retail banking. Alfa-Bank is a wholly owned subsidiary of the ABH Financial Limited. ABH Financial Limited and its subsidiaries form the Alfa Banking Group (herein after "the Group"). The Group offers a wide range of products and operates in all sectors of the financial market, including corporate and retail lending, deposits, payment and account services, foreign exchange operations, cash handling services, custody services, investment banking and other ancillary services to institutional, corporate and retail customers.

1.4. Scope of Application

As at 31 December 2021, the Company did not own any subsidiaries. These disclosures have therefore been prepared on a solo basis.

The Company does not foresee any material practical or legal impediments to the prompt transfer of own funds from, or repayment of liabilities to, its parent.

2. Risk and Capital Management

2.1. Risk Management Framework

Risk is an everyday part of the Company's operations and Management recognises that identifying, assessing, monitoring and controlling each type of risk is important for the Company's financial stability, performance and reputation. As such, comprehensive control and governance procedures have been established in order to ensure that the risks faced by the Company are managed carefully, so that an optimum level of risk-return trade-off is achieved.

The Company's risk management framework aims to create, implement and sustain adequate policies and procedures designed to identify and manage the risks assumed by the Company. The risk management framework of the Company is based on the organisational and operational model, risk governance and risk culture, and has been developed to ensure that the level of capital maintained is in line with the risk appetite set by the Board of Directors ("BoD" or the "Board"). The main aim of the risk management framework is to ensure that the Company's own funds are adequate to absorb any losses and risks emanating from the Company's operations.

The Risk Management and Compliance Department ("RCD") frequently prepares management reporting information, which is sent to the Company's Senior Management, Risk Committee and BoD. The Senior Management and Risk Committee consistently review the information reported, in close cooperation with the RCD, and taking corrective actions to mitigate risk if and when necessary.

The Company has put in place risk management systems to monitor risks. The systems are able to clearly distinguish positions between the Trading Book and Banking Book so that the regulatory capital charges are properly calculated. The systems have the necessary controls in place to generate prudent and reliable valuation estimates which are regularly provided to Senior Management and the Risk Committee whenever requested.

With regards to risk monitoring procedures, the RCD monitors on a daily basis whether internal policies, procedures and limits set are followed by all departments. In case of violations, the Head of RCD and/or risk control officer immediately inform the relevant departments of the violation and the actions that should be performed to rectify the situation. In addition, relevant reports are prepared and submitted to the Risk and Investment Committees, the Chief Executive Officer ("CEO") or the Board where relevant.

2.2. Risk Organisation

The Company's risk function has been set up in such a manner, so as to enable appropriate risk management. It comprises two individuals, the Head of the RCD and the Risk Control Officer, who meet with the Company's CEO to discuss any outstanding / significant matters. The Board is also updated on a regular basis, and at least on a quarterly basis, about any risk management issues and the Company's capital adequacy and large exposures positions. The risk function of the Company is enhanced by the support provided by the risk function of Alfa-Bank in line with the terms of the relevant consulting and information services agreement signed between the parties. It is noted that Alfa-Bank does not exercise control in the activities of the Company and any transaction is subject to the limits and policies approved by the relevant Committees and BoD of the Company.

Furthermore, the Company has set up a separate Risk Committee ("RC"), which comprises 3 non-executive directors, and meets as and when required. During 2021, the RC held numerous meetings (49 in total), discussing areas, including but not limited to counterparty credit risk limits, amendments to the Company's policies, as well as risk appetite limits for 2021.

In addition, the Management decided to establish a separate Risk Support Body (the "RSB") to support, where needed, the functions of the Risk Committee. The RSB identifies possible risks assumed by the Company for different types of transactions and provides recommendations for the establishment / amendment / confirmation of risk limits. The Board of Directors, or the RC, or the CEO and Head of RCD based on their authorisation rights, have the authority to make a final decision on approval or rejection of proposed transactions as well as to establish personal limits, and / or client limits and / or market risk limits in accordance with the recommendations of the RSB, the Investment Committee or the risk function of the Parent Bank.

In carrying out the RC's oversight responsibilities, each member of the RSB, the Investment Committee, or the risk function of the Parent Bank, has the integrity and expertise to provide information / support to the RC and the Board.

2.3. Risk Governance

The Company's risk governance is based on the three lines of defence model. The three lines of defence model provides a simple and effective way to enhance communications on risk management and control by clarifying roles and responsibilities.

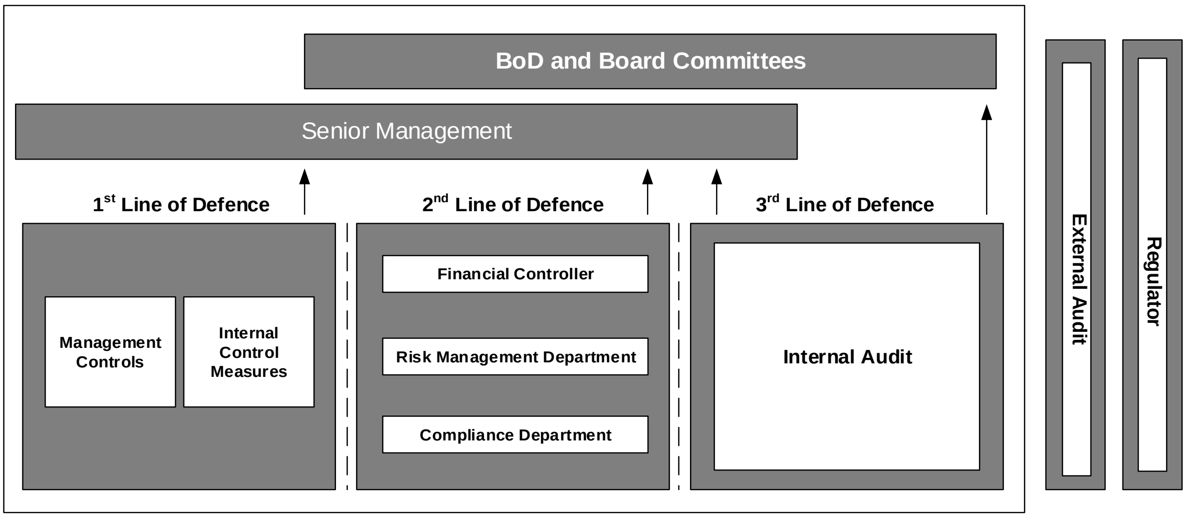

Figure 1: *Three lines of defence*

The first line of defence comprises the departments interacting with the clients and those persons owning the Company's risks, including to the extent applicable the Board and Senior Management. As such, the first line of defence includes management controls and internal control measures necessary to counteract the risk-taking activities of the first line of defence.

The second line of defence lies with the RCD which provides the policies, procedures, tools and methodology that should be followed in terms of risk management and is responsible for promoting risk awareness to Management and staff. The RCD reports to the BoD any issues relating to risk management, and their comments and recommendations are communicated to the CySEC on an annual basis.

The third line of defence lies with the Internal Audit function which assesses the efficiency and effectiveness of internal policies and procedures, the reliability and integrity of the reporting processes, the Company's compliance with laws, regulations, directives, internal policies and procedures and reports to the Company's BoD. In addition, the Internal Audit is responsible, on an annual basis, for the independent review of the risk management processes and of the work done by the RCD. Their findings and recommendations are communicated to the CySEC. This function has been outsourced.

2.4. Main Roles and Responsibilities

The main roles and responsibilities of the persons / bodies involved in risk management are outlined below.

Risk Committee and Risk Support Bodies

The RC is tasked by the BoD with the following main responsibilities:

- Advises the BoD upon, and periodically evaluates, the risk strategy laid down;
- Lays down and presents a “remedy strategy” to the Board of Directors;
- Reviews the pricing policy as well as the risk management policies and procedures of the Company taking into account the business model, risk strategy and goals set by the Board of Directors and issues recommendations for consideration and final approval by the Board of Directors;
- Generally, manages risk and engages in an evaluation of the risk management system, and checks, as well as makes recommendations as to how to strengthen such system, how to tackle and prevent risk and how to evaluate the degree of severity and likelihood of risk.

To support the functions of the Risk Committee, the Company established a Risk Support Body (‘the RSB’ or ‘Sub-risk Committee’). Sub-risk Committee consists of at least 3 persons and includes representatives of the Company's business and infrastructure. Each member of the RSB has the integrity, knowledge and expertise to provide information, support and recommendations to the Risk Committee, the Investment Committee and the Board of Directors. Sub-risk Committee may be held in absentia and meets upon necessity.

Senior Management

The responsibilities of Senior Management with regards to risk management include the following:

- Implement the Company’s investment strategy taking into account the Company’s overall risk tolerance in relation to the relevant risks;
- Ensure that the overall risk exposure is maintained at prudent levels and is consistent with the available capital;
- Ensure that top management, as well as employees, are responsible for risk management and have the resources necessary to carry out their functions;
- Ensure that the Company implements sound fundamental principles that facilitate the identification, measurement, monitoring and control of risks;
- Ensure that appropriate plans and procedures for risk management are in place;
- Making decisions in accordance with the powers granted to it by the Board of Directors.

Head of Risk Management and Compliance Department

The main responsibilities of the Head of RCD, include the following:

- Establishes, maintains and develops the Company’s risk strategy and directs it to the Risk Committee and the Board of Directors for their consideration and approval;
- Provides input into the budget and capital planning process;
- Has the authority to freeze for a specified period or indefinitely, reduce or close a credit risk limit in the event of material risk-taking, as well as the right to issue an Order on the reallocation of sub-limits within the limit of a counterparty;
- Approves changes in the Company’s Trading Book Policy Statement and directs it to the Risk Committee and the BoD for ratification and approval;

- Monitors the investment risk undertaken by the Company for each client and as a whole;
- Escalates to the most senior levels of management, risk management issues that require their attention;
- Monitors the adequacy and effectiveness of the risk management policies and procedures;
- Reports to Senior Management, the Risk Committee and the Board risk management issues indicating in particular whether appropriate remedial measures have been taken in the event of any deficiencies identified.

Risk Control Officer

The main responsibilities of the Risk Control Officer include the following:

- Provide support in the establishment, implementation and maintenance of adequate risk management policies and procedures aimed at identifying the risks relating to the Company's activities and processes;
- Establishes, maintains and updates the Trading Book Policy Statement;
- Maintains the Company's operational loss risk register;
- Monitors on a daily basis the clients' positions, as well as the liquidity of the assets held as collateral for credit or loans granted to clients;
- Monitors compliance with risk limits set;
- Maintains the appropriate internal control systems designed to manage key risk areas;
- Monitors the adequacy and effectiveness of measures taken to address any deficiencies in the risk management arrangements and procedures;
- Prepares reports on operational risk and other material risk exposures;
- Builds a risk awareness culture within the organization;
- Provides support in day-to-day risk management procedures and risk controls.

2.5. Risk Profile and Business Model

The Company's activities expose it to a variety of risks on the basis of its operations and the services offered to its clients. The Company, through its operations, has significant exposure to the economies and financial markets of the Russian Federation, and Cyprus.

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations.

In February 2022 the economic situation in the Russian Federation was negatively affected by the situation in Ukraine and the associated international sanctions against a number of Russian banks, companies, and individuals. The announced sanctions, among other things, provide for a freezing of foreign currency reserves managed by the Bank of Russia, restrictions of access to European capital markets for the Ministry of Finance of the Russian Federation and the Bank of Russia, restrictions on deposits and the sale of banknotes and transferable securities denominated in any official currencies of EU member states to Russia and Belarus and a number of other restrictive measures.

These factors led to a substantial growth of instability on financial markets, sharp changes in prices for financial instruments, increase in spreads of trade operations, decrease of the Russian Federation's sovereign ratings. To reduce foreign currency exchange rates volatility, the Bank of Russia increased the key rate to 20.0% p.a., then decreased to 11.0% p.a., introduced the mandatory sale of foreign exchange revenues, and took a number of other measures. Also, restrictions on exit from Russian assets by foreign investors were imposed.

In February 2022, JSC “ALFA-BANK”, and all its subsidiaries under the “ownership and control test”, including the Company, were included in US Sectoral Sanctions. The said listing prohibits US persons to enter into transaction in, financing, or and dealing in new debt of longer than 14 days maturity and new equity of JSC “ALFA-BANK” and its subsidiaries, including the Company.

Also, in February 2022, JSC “ALFA-BANK” was included in EU Sectoral Sanctions. In February-March 2022 the EU and the UK imposed sanctions on some Shareholders, namely Mr. Fridman, Mr. Khan, Mr. Kuzmichev and Mr. Aven. In March 2022 Mr. Khan and Mr. Kuzmichev sold their shares to Mr. Kosogov, one of the Shareholders.

In March 2022, following the listing of JSC “ALFA-BANK” in the UK Asset Freeze Targets list, the Company became subject to the UK Asset Freeze restrictions.

In April 2022, the Department of the Treasury's Office of Foreign Assets Control (“OFAC”) has expanded its previous imposed sanctions and therefore both JSC “ALFA-BANK” and the Company thereafter became subject to OFAC blocking/asset freeze sanctions. During February-May 2022, the Company carried out a significant unwinding and deleveraging of its balance sheet trading positions in order to minimise risks on liquidity, capital adequacy and profitability.

On 6 May 2022 financial assets at fair value through profit or loss and repurchase receivables were reduced from USD 562 910 thousand at the beginning of the year to USD 166 563 thousand (unaudited).

As at 6 May 2022 the Company had cash balances in the amount of USD 49 682 thousand (unaudited) in JSC “ALFA-BANK”. Due to Russian foreign currency restrictions these balances are not available for operations of the Company in the EU. The Company is still negotiating with several parties, including the Ministry of Finance of Cyprus, CySec, the Central Bank of Cyprus, Financial Sanctions Advisory Committee (SEOK), the Competent Authorities where it keeps clients’ assets, international banks and lawyers, to receive a permission to unblock cash balances held in EU domiciled banks only for the payments of the Company’s recurring business expenses, and release clients’ assets.

As at 6 May 2022 the Company had freezed cash balances in the amount of USD 80 476 thousand (unaudited).

As at the date of the latest mandatory report to the CySEC, 31 March 2022, the Company was in compliance with all the ratios of the CySEC including capital adequacy ratios and liquidity ratios. The management of the Company expects to continue to be in compliance with all the ratios of the CySEC under the condition that current requirements will remain unchanged.

In regards to the spreading and impact of COVID-19, that was declared since March 12, 2020 by the World Health Organisation as a global pandemic, and despite the broad improvements in the overall economy since its initial impact, uncertainty remains on the pace of the recovery going forward, reflecting concerns about virus resurgence from the Omicron variant and other possible variants. The Company constantly monitors the developments related to the coronavirus disease and takes relevant business continuity measures which, among other, aims to preserve the efficient and orderly functioning of its services and to remain compliant with all relevant measures of the Government which aim to preserve public health. The effectiveness of the Company’s business continuity and disaster recovery arrangements, which include among other social distance arrangements, were tested during the last two years with no material disruptions being recorded.
The events mentioned above require the Company’s business to adapt to a changing operating environment characterized by high level of uncertainty and having a significant impact on the Company and its operations. The actual future operating environment and its impact on the Company and its operations can differ from the current expectations of the management. The management of the Company is currently assessing the possible impact of the events mentioned above and taking all the necessary measures to ensure the sustainability of the Company's operations. There is no decision to liquidate the entity or cease the license.

The Company's risks are categorised as follows, including their respective K-factors that have been established in accordance with the Regulation for calculation of the own funds' requirements, and are also further utilised for risk monitoring and measurement purposes.

2.5.1. Risk to Client (RtC)

RtC, covers the risk imposed to the Company's Clients, resulting from the business services and activities the Company offers. Particularly, RtC arises from safeguarding and administrating clients' financial instruments, and holding clients' money for the purpose of executing orders, as described in the table below.

Risk Category	K-Factors	Definition	Measurement
Risk to Client (RtC)	**Assets safeguarded and administered (K–ASA)**	Captures the risk of safeguarding and administering client financial instruments, regardless of whether they are on the Company's own balance sheet or in third-party accounts.	For the purpose of calculating K-ASA; the total ASA value is the rolling average of the value of the total daily assets safeguarded and administered, measured at the end of each business day for the previous nine months, excluding the three most recent months in accordance with the first subparagraph of Article 19(1) of the IFR.
	Client money held (K-CMH)	Captures the risk of potential harm in relation to the clients' money held in the Company's own balance sheet or in third-party accounts and arrangements under applicable national law provide that CMH is safeguarded in the event of bankruptcy, insolvency, or entry into resolution or administration of the Company. This is broken down further into CMH held in segregated accounts and CMH held in non-segregated accounts.	For the purpose of calculating K-CMH; the total CMH value reported (in segregated or non-segregated accounts) is the rolling average of the value of total daily client money held, measured at the end of each business day for the previous nine months, excluding the three most recent months, in accordance with the first subparagraph of Article 18(1) of the IFR.
	Client orders handled (K-COH)	Captures the risk to clients of the Company, in relation to the execution of orders in the names of clients as defined in in point (5) of Article 4(1) of Directive 2014/65/EU, and not in the Company's name, for example as part of providing execution-only services or when the Company is part of a chain of client orders.	For the purpose of calculating K-COH; COH Client orders is the rolling average of the value of the total daily COH measured throughout each business day over the previous six months, excluding the three most recent months.

Table 1: *Risk to Client – K-factors, definitions and measurement*

2.5.2. Risk to Market (RtC)

RtM, relates to the market risk for positions the Company holds in financial instruments, in foreign exchange, and in commodities. RtM is captured by the K-factor Net Position Risk (K-NPR) in accordance with the market risk provisions of Regulation (EU) No 575/2013. The Company follows the total standardised approach to calculate its own funds requirement for positions in its trading book in accordance with Chapters 2, 3 or 4 of Title IV of Part Three of the Regulation (EU) No. 575/2013.

Market risk is carefully managed through detailed policies and procedures. Models and methodologies to assess market risk are subject to regular testing to verify accuracy of forecast amount of accepted risk. Market risk and the positions giving rise to market risks are managed on a daily basis.

Specifically, the main responsibilities of the various stakeholders in the management of market risk are as follows.

Board of Directors:

- approves the Company's market risk strategy, appetite and tolerance levels taking into consideration the Risk and Investment Committees recommendations;
- approves the policies and procedures for identifying, assessing, monitoring, controlling and/or mitigating market risks;
- oversees management of market risk by reference to risk appetite and tolerance levels;
- promotes the effective dialogue and information exchange between the organizational units regarding market risk management;
- ensures independent analysis of the market risk management system by the internal audit;
- approves market risk limits.

Investment Committee:

- advises the Board of Directors where amendments to market risk limits may be necessary (including market risk acceptance) under certain circumstances and provides recommendations;
- informs the Board of Directors where weaknesses in the Company's market risk framework are identified and suggests remedial actions.

Risk Committee:

- periodically reviews the market risk limits and advises the Board of Directors if these limits should be increased or decreased, taking into account the risk profile of the Company as well as the Investment Committee's recommendations that are based on the Company's investment strategy;
- reviews and assesses situations where requests for limits increase have been submitted;
- advises the Board of Directors on the adequacy and effectiveness of the Company's market risk management framework including reporting requirements, policies and procedures for identification, assessment, monitoring and mitigation of market risks.

Front office:

- ensures that all transactions are performed within market risk limits and that there is sufficient headroom for prospective trades to be completed within the existing limits;
- ensures that in the absence of approved limits, trading activity is not undertaken and no new products are traded;
- informs and obtains advice from the Risk and Investment Committees, where limits are likely to be exceeded, and seeks pre-approval from the Board of Directors, or another authorising body based on their authorisation rights e.g. CEO, based on the recommendations provided.

RCD:

- establishes a limits framework for the trading business, setting out the permitted products and activities, as well as the maximum exposure limits and performs ongoing monitoring;
- prepares the limits recommendations and submits them to the Risk and Investment Committee members for their review and consideration;
- performs VaR and stress testing calculations, for quantitative risk measurement and management.

Position risk

The Company's own funds requirement for Position risk is the sum of the own funds requirements for the general and specific risk of its positions in debt and equity instruments.

In accordance with Section 2, Chapter 2, Title IV, Part Three of the CRR, net positions in traded debt instruments are classified according to the currency in which they are denominated. No netting is allowed between a convertible and an offsetting position in the instrument underlying it. All net positions, irrespective of their signs, are converted on a daily basis into the Company's reporting currency (USD) at the prevailing spot exchange rate before their aggregation.

The Company's overall net position in equities is calculated by the sum of the difference between its net long positions and all its net short positions (in absolute values).

The K-factor under RtM captures net position risk (K-NPR) in accordance with the market risk provisions of Regulation (EU) No 575/2013 or, where permitted by the competent authority for specific types of investment firms which deal on own account through clearing members, based on the total margins required by an investment firm's clearing member (K-CMG). Investment firms should have an option to apply K-NPR and K-CMG simultaneously on a portfolio basis. The Company calculates K-factor under RtM in accordance with the market risk provisions of Regulation (EU) No 575/2013.

Other market risks

In respect of all of its business activities, the Company calculates capital requirements also for foreign-exchange risk and commodities risk.

Foreign-exchange risk

In accordance with Chapter 3, Title IV, Part Three of the CRR, in case the sum of the Company's overall net foreign-exchange position and its net gold position exceeds 2% of its total own funds, the Company calculates its own funds requirements for foreign exchange risk. The own funds requirements for foreign exchange risk are the sum of the Company's overall net foreign-exchange position and its net gold position in the reporting currency, multiplied by 8%.

Commodities risk

The Company adopted the Simplified Approach for calculating the own funds requirement for commodity risk in accordance with the provisions of Regulation (EU) No 575/2013. Specifically, the own funds requirement for each commodity is calculated as the sum of the following: (a) 15 % of the net position, long or short, multiplied by the spot price of the commodity; (b) 3 % of the gross position, long plus short, multiplied by the spot price of the commodity.

Market Risk Assessment

The methodology used to assess market risks, comprises of two stages:

- assessment of positions' sensitivity to market risk factor changes;
- assessment of prospective dynamics of market factors.

A market risk factor is a variable that causes changes in the value of financial instruments or on the portfolio value. The multitude of factors includes the term structure of interest rates, spot transaction rates in foreign currency, equity prices, commodity prices and their volatility. These factors can affect both product prices and the associated market risk. The assessment of market risk factors, implies measurement of volatility (standard deviations) of the factor within a period of time required to liquidate the position or hedge the risk (liquidation period).

The Company applies the following market risk calculation methods:

- Value at Risk (VaR) - VaR is a measure of the risk of loss for investments, given normal market conditions, in a set time period such as a day. The Company may use VaR for setting up limits on own portfolio positions as well as for its own FX open positions.
- Stress testing - for the evaluation of the maximum own portfolio loss and for assessing its ability to maintain financial stability during a crisis (stress) of the economy. Stress test is based on a historical scenario representing the worst performance of a given own portfolio. Historical scenario is chosen based on a current portfolio structure. Stress testing models a decline in asset prices, increased correlation of securities and a lack of liquidity in the market.

Market risk limits

A number of limits have been established to enable the Company mitigate market risk. These are monitored by the RCD on a daily basis and any discrepancies are reported to the Risk and Investment Committees. Depending on market conditions, limits may be revised and increased limit restrictions may be applied.

The structure and amount of any set limits depend on the nature of risk-exposed operations carried out by a unit and complexity of positions as well as the amount of the accepted market risk. There are four basic limit types intended to deter market risk:

- Limits on open position’s value (including concentration/diversification limits);
- Risk-based limits:
    - VaR limit to restrict the aggregate value of accepted market risk on a normal market;
    - Extreme Loss Value limit to restrict the aggregate value of accepted market risk in a crisis;
    - PV1% limit to restrict the aggregate value of interest rate risk accepted by the Company;
    - Stop-loss limits to restrict the maximum losses from operations within the limit;
- Collateral liquidity limits in relation to the collateral required as part of client margin trading business; The Company maintains a list of securities which it may accept as collateral to execute transactions on behalf of its clients.

Trading Book

The trading book of the Company consists of all positions in financial instruments and commodities held either with trading intent or in order to hedge other elements of the trading book and which are either free of any restrictive covenants on their tradability or able to be hedged. Positions held with trading intent are those held intentionally for short-term resale and/or with the intention of benefiting from actual or expected short-term price differences between buying and selling prices or from other price or interest rate variations.

All positions held in the Trading Book are subject to Market risk. A number of limits have been established by the Company in order to mitigate market risk. Depending on market conditions, limits may be revised and further limit restrictions may be applied.

Foreign Exchange Risk:	Market Risk arising from Bond Securities, Bond Futures, Interest Rate Futures, Interest Rate Swaps, Credit Default Swaps:	Market Risk arising from Equity positions:
• Net Open Position against local currency; • Total Net Short Position; • Net Open Position by currency; • Maximum Maturity; • Counterparty Limits; • FX Settlement Limits.	• Position Limits; • Maximum Holding Period Limit; • Maximum Maturity; • Counterparty Exposure Limits.	• Position Limits; • VaR, 1 day 99% confidence level.

Table 2: *Position risk and Foreign exchange risk*

Banking Book

The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Management monitors on a daily basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken. Interest rate risk in the banking book is also managed by establishing relevant risk appetite limits, and by closely monitoring and controlling adherence to these limits.

Foreign exchange risk is managed on a consolidated basis for both banking book and trading book positions using the prescribed regulatory approach, and by monitoring the net Open Currency Position (OCP) against internal limits. The Company's OCP is divided into corporate OCP (i.e. the Finance and Treasury position) and trading OCP (i.e. position of the Front Office – the trading desk) and is managed separately.

2.5.3. Risk to Firm (RtF)

RtF covers the default risk arising form Company's trading book exposures to counterparties, the concentration risk that arises from the Company's large exposers to specific counterparties, and the operational risks that are inherent where trades are concluded in large volumes either for the Company's own account or for its clients in its own name. These are measured be the following K-factors accordingly:

- Trading counterparty default, (K- TCD);
- Concentration Risk, (K-CON);
- Daily Trading Flow, (K-DTF).

Trading counterparty default, (K – TCD)

Captures the risk of default by counterparties to over-the-counter (OTC) derivatives, repurchase transactions, securities and commodities lending or borrowing transactions, long settlement transactions, margin lending transactions, or any other securities financing transactions, as well as by recipients of loans granted by the Company on an ancillary basis as part of an investment service.

The Company has established a number of methodologies and techniques for managing and monitoring counterparty credit risk including the establishment of limits on the amount of risk accepted in relation to a borrower, or groups of borrowers, as well as to counterparty type and industry sectors. Additionally, management ensures through the ICAAP that adequate internal capital is assigned to counterparty credit risk if not adequately covered under Pillar I capital requirements. The results of the stress testing exercise undertaken in the ICAAP are also considered in the Company's decision-making process including strategic planning, the determination of the Company's risk appetite and consequently, the setting of counterparty credit risk limits.

The use of a credit assessment framework helps the RCD mitigate such risks by analysing a client's or counterparty's credit quality based on the evaluation of both financial and non-financial information. In addition, the RCD also reviews the analysis and appropriateness of the credit ratings issued by external credit rating agencies (where available) both prior to entering into transactions and throughout the life of a transaction in order to monitor risks and set appropriate limits.

The use of limits for counterparty credit risk contributes to the effective management of the Company's exposure to such risks. Counterparty exposure limits are also set collectively, for each counterparty type. Utilisation of limits takes the market value of each transaction as well as any potential future fluctuations. Actual exposures against limits are monitored daily. Exposure to credit risk is also managed, in part, by obtaining collaterals.

For monitoring and control purposes, all limits are inputted into the Company's systems. The RCD is responsible for monitoring all limit violations. As noted above, in case of violations, deals are blocked by the system and the Head of RCD has right to pass the deals for processing subject to conditions.

Furthermore, the Company monitors closely portfolio concentration limits, as well as cases where limit utilisation is close to a maximum, such that the impact of new transactions on the concentration within the Company's portfolio is consistent with its risk appetite and portfolio limit structure.

The Company has established a number of other measures in order to mitigate indirectly counterparty credit risk. Such measures include performing transactions on a Delivery Versus Payment ("DVP") settlement basis or requesting pre-payments or pre-deliveries from counterparties. The Company also performs secured transactions backed by eligible collaterals.

Counterparty Credit Risk Monitoring

The counterparty credit risk management framework is automatically monitored by the systems. Counterparties are assigned limits and are checked in the system. In case there are any violations in the credit risk terms of a client, the Front Office is immediately informed to get the transaction revised in order to be within the limit. In exceptional cases and after the risk is analysed and approved by the relevant governance body, the transactions that violate the pre-determined credit risk limits may be allowed to be processed. This operation is done manually in order to be able to control the risk. Settlement risk, delivery risk and payment risks are monitored on a daily basis with the reports that are distributed by the Settlements team. In cases where a transaction is delayed to settle, action is taken by the relevant departments to settle the transaction immediately.

Value of Exposures

The Company's financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by the revaluation of financial instruments categorised at fair value through other comprehensive income ("FVOCI") and at fair value through profit and loss ("FVTPL"), including derivatives.

Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument, or by a valuation technique which relies only on observable market data.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the Company. Those financial instruments that are not traded in an active market are measured at the fair value of a company of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or paid to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date.

All purchases and sales of financial assets that require delivery within the timeframe established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date that the Company commits to deliver a financial asset. All other purchases are recognised when the Company becomes a party to the contractual provisions of the instrument.

Sale and repurchase agreements ("repo transactions") are treated as secured financing transactions ("SFTs"). Securities sold under sale and repurchase agreements are not derecognised. The securities are reclassified as repurchase receivables in the statement of financial position if the transferee has the right by contract or custom to sell or re-pledge the securities. The corresponding liability is presented within amounts due to other banks or other financial liabilities.

On the other hand, securities purchased under agreements to resell ("reverse repo agreements") are recorded as "due from other banks" or "loans and advances to customers", as appropriate. The difference between the sale and repurchase price is treated as interest income and accrued over the life of the repurchase agreements using the effective interest method.

Securities lent to counterparties for a fixed fee are retained in the financial statements in their original category in the statement of financial position unless the counterparty has the right by contract or custom to sell or re-pledge the securities, in which case they are reclassified and presented separately. Securities borrowed for a fixed fee are not recorded in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded in profit or loss for the year within gains or losses arising from trading securities. The obligation to return the securities is recorded at fair value as securities sold not yet purchased in the statement of financial position.

Derivative financial instruments, including foreign exchange contracts, currency and interest rate swaps and other derivative financial instruments are carried at fair value. All derivative instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Changes in fair value of derivative financial instruments are included in profit or loss for the year in gains less losses arising from foreign currencies and precious metals and gains less losses arising from trading securities, depending on the related contracts.

As at 31st December 2021, the Company reported asset derivative positions of positive fair value amounted to USD 32.561k and liability derivative positions of fair value amounted to USD 29.109k.

For investments in debt securities, the Company classifies them in one of the following three categories, depending on the business model and the cash flow characteristics:

- Amortised Cost ("AC"): debt securities that are held for collection of contractual cash flows and where those cash flows represent solely payments of principal and interest ("SPPI") are measured at AC.
- FVOCI: debt securities that are held for collection of contractual cash flows and for selling, where those cash flows represent SPPI, and that are not designated at FVTPL, are measured at FVOCI.
- FVTPL: investments in debt securities that do not meet the criteria for AC or FVOCI are measured at FVTPL (mandatory FVTPL).

On the other end, financial assets that meet the definition of equity from the issuer's perspective, i.e. instruments that do not contain a contractual obligation to pay cash and that evidence a residual interest in the issuer's net assets, are considered as investments in equity securities by the Company. Investments in equity securities are measured at FVTPL, except where the Company elects at initial recognition to irrevocably designate an equity investment at FVOCI. The Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns.

Concentration Risk, K-CON

Concentration risk relates to the exposures in the trading book of the Company and is limited to 25% of the Company's own funds. The limit (L) to concentration risk to credit institutions or an investment firm or where a group of connected clients includes one or more credit institutions or investment firms, is the higher of 25 % of the investment firm's own funds or EUR 150 million.

Concentration risk is monitored daily by the Company as follows and where exposure values exceed certain limits, the Company ensures that the exposure is not exceeding the following:

(a) 500 % of the investment firm's own funds, where 10 days or less have elapsed since the excess occurred;

(b) in aggregate, 600 % of the investment firm's own funds, for any excesses that have persisted for more than 10 days.

Counterparty Concentration Risk Limits

Counterparty Credit risk is related to the process of settling financial transactions. Settlement and pre-settlement risk have been identified in this regard. Specifically, settlement and pre-settlement limits have been set taking into consideration the value of a transaction as a percentage of the Company's equity capital in the following situations:

a) whether the client or counterparty is rated by ECAI or not;

b) where the credit rating of the client or counterparty is at speculative level;

c) where the credit rating of the client or counterparty is at investment level;

Moreover, in order to manage the concentration of the Company's credit exposure on transactions with Counterparties, the following mandatory portfolio concentration limits are set:

- *Counterparty/Group of Related Parties Risk Concentration Limit (CL1).* This defines the maximum exposure as a percentage of the Company's Capital that may be taken by the Company on a Counterparty/Group of related parties.
- *Concentration limit for transactions with High Risk Counterparties, except for Legal Entities/Corporations and physical persons (CL2).* The limit is set for the total amount of exposure, related to the transactions conducted with High Risk Counterparties/Group of related parties. High Risk Counterparties include Counterparties, except for Legal Entities/Corporations and physical persons, rated B+ and below, including NR rating.
- *Risk concentration limit for transactions with Counterparties registered in high-risk countries (CL3).* The limit is set for the total amount of exposure related to the transactions with Counterparties from High-risk countries. High-risk countries for the purposes of this limit include those countries which are rated BBB+ and below, with the exception of the Russian Federation.

As a general principle, for setting limits on transactions with counterparties the Company takes into consideration the following:

- Counterparty's credit rating.
- Nature of transactions and term of transactions with the Counterparty.
- Country of registration of the Counterparty.

Daily Trading Flow, K-DTF

K-DTF, captures the operational risks to the Company 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.

Particularly, the K-DTF factor is equal to the rolling average of the value of the total daily trading flow, measured through each business day over the previous 9 months, excluding the 3 most recent months.

Daily trading flow is the sum of the absolute value of buys and sells for both cash trades (amount paid/received on each trade) and derivatives (notional amount of the contract).

Management of Operational Risk

Measures to reduce operational risks are developed and executed independently by the individual departments, as provided by the Company's procedures, and where necessary, the department heads consult with the RCD. The basic criterion for taking a decision on implementation of measures to minimize an operational risk is the economic effect from such operational risk reduction i.e. the cost of control measures must not exceed the amount of expected losses from realization of the risk.

For the purpose of managing operational risk, the following risks are also managed:

- Business process risks;
- Technological risks;
- Personnel risks;
- Risks of unforeseen situations and external events.

Operational risk is inherent to all the fields and at all the levels of Company's operations; therefore, the Company's operational risk management system requires involvement of all of its personnel. Main roles of each organizational unit is described below:

Board of Directors

- determines and controls the implementation of the operational risk management policy and system;
- promotes the operational risk management culture;
- promotes the effective dialogue and information exchange between the organizational units regarding operational risk management;
- reviews and approves the methodology procedures for identifying, assessing, monitoring, controlling and/or mitigating operational risks taking into account the recommendations of the Investment Committee and Risk Committee;
- approves the Company's operational risk appetite and tolerance levels after Risk and Investment Committee recommendations;
- controls management of operational risk and capital by reference to risk appetite and tolerance levels;
- ensures independent analysis of the operational risk management system by the internal audit;
- considers questions of operational risk acceptance within its powers.

Risk Committee

- provide recommendations to the Board of Directors on the procedures to be set for identifying, assessing, monitoring, controlling and/or mitigating operational risks;
- provide opinion to Board of Directors about operational risk appetite and tolerance levels;
- provide opinion to CEO and Board of Directors about questions of operational risk acceptance;
- controls implementation of the operational risk mitigation actions.

Investment Committee

- provide opinion to Board of Directors about operational risk appetite and tolerance levels;
- provide opinion to CEO and Board of Directors about questions of operational risk acceptance.

CEO

- considers questions of operational risk acceptance in accordance with his powers.

The Company's Senior Management and the RCD successfully manage and control operational risks by identifying, measuring, monitoring, reporting, controlling and mitigating operational risks. To enable this process, it ensures implementation of the Company's operational risk policy and maintains the Company's operational loss risk register and performs in cooperation with all Business Units an annual operational risk and control self-assessment.

Identification, Assessment and Escalation of Operational Risk

For identifying and assessing operational risks, the following tools are used:

- **analysis of new processes, products or systems** by the responsible department and identification of the relevant operational risks and respective mitigation action plans;
- **internal operational risk events collection and analysis** – Department heads are responsible for the identification and submission of operational events, including mitigation action plans, through the designated database for the RCD's review and assessment;
- **external operational risk events collection and analysis** – RCD periodically collects data on external operational risk events, which have caused considerable losses to other financial institutions and that are similarly related to the course of the Company's business (e.g. loss amount, causes and circumstances of their occurrences, categorization of the operational risk event and business line, information on the scale of business operations of the company in the areas where such loss occurred);
- **risk and control self-assessment (RCSA)** – identification and assessment of operational risks inherent in the Company's activities to improve the control process efficiency and/or to implement the operational risk mitigation actions to avoid occurrence of risk and losses on a timely basis. Risk and control self-assessment is carried out by the Company at least once a year and reviewed by the Risk Committee and approved by the authorised bodies;
- **key operational risk indicators (KRI)** – to establish a system for monitoring and early warning of any increasing level of operational risk showing high probability of occurrence, in order to implement the operational risk mitigation actions on a timely basis to avoid occurrence of such risk and losses. RCD is responsible to monitor the KRIs and escalate discrepancies to the Risk Committee and Board of Directors;
- **scenario analysis of operational risk (stress-testing)** – the Company is carrying out stress testing of its operational risks using the scenario analysis method. The scenario analysis of operational risks (stress-testing) is an expert estimation of potential influence of low-probability operational risk events. Such events are capable of causing the maximum damage and even affecting the financial strength and viability of the Company. The Board of Directors is responsible to approve the scenario analysis.

Reporting on Operational Risk

The RCD is responsible for the timely preparation of operational risk reports including:

- quarterly report on the operational risk events realized during the reporting period and operational risk appetite utilization, for the Risk Committee and Board of Directors;
- annual report on the significant operational risks, identified during risk and control self-assessment (RCSA), in the form of the filled-in self-assessment form and the results of the scenario analysis of operational risk (stress-testing) as part of the Pillar II process;
- ad-hoc reports upon request by the CEO, Risk Committee or the Board.

2.6. Liquidity Risk

Liquidity risk, is the risk that the Company will not be able to meet its financial obligations and arises when the maturity of assets and liabilities does not match. The Company holds a minimum of one third of their fixed overheads requirement in liquid assets at all times and a Risk Appetite Indicator in relation to liquidity has been established to monitor and manage on a daily basis liquidity requirement.

In case of liquidity indicator thresholds breach, the Head of Treasury informs the Chief Financial Controller (CFO) and CEO who set up a meeting with the Investment Committee members who are responsible to take the necessary actions in coordination with the BOD.

2.7. Risk Appetite

The Company's risk strategy takes into account the risk profile and appetite of the Company. The risk appetite is defined by the BoD and the RC as the maximum level of residual risk that ACM is prepared to accept in order to deliver its business objectives and strategy.

The Company's risk appetite as of December 2021 is expressed through the following dimensions and indicators:

Risk appetite indicators (%)	Normal (Green)	Warning (Amber)	Limit (Red)	Actual Level 31/12/2021 (Audited)
Capital indicators				
Common Equity Tier 1 Ratio (%)	≥125% (with "RTAAC" buffer of 2%) / ≥100%	<125% (with "RTAAC" buffer of 2%)/ <100%	<81% (with "RTAAC" buffer [1]of 2%) / 56%	271,65%
Capital Adequacy Ratio (%)	≥169% (with "RTAAC" buffer of 2%) / ≥144%	<169% (with "RTAAC" buffer of 2%) / <144%	<125% (with "RTAAC" buffer of 2%) / 100%	271,65%
Leverage ratio (%)	N/A	N/A	N/A	N/A
Profitability indicators				
Return on Equity (%)	≥8%	<8%	≤5%	43,48%
Cost to income ratio (%)	≤40%	>40%	≥60%	34,84%
Asset Quality indicator				
Provisions of impairments/total loans (%)	≤20%	>20%	≥30%	0%
Other				
Number of complaints relative to the total number of active clientele (%)	≤1%	<3%	≥3%	0%
Significant operational losses ($)	<$579.600	<$579.600	≥$644.000	$0.00
IFR Liquidity ratio (= IFR Liquid assets / IFR Liquidity requirement)	≥ 125%	<125%	< 100%	9.842%
Liquidity stress metric "Survival Horizon", days	>35 days	≤35 days	<30 days	>100
Liquid Assets / Total Liabilities	≥25%	<25%	<20%	35%
PV1% ALL interest rate risk metric, $	>-$5.500.000	≤-$5.500.000	≤-$6.000.000	-$56.630

Table 3: *Risk Appetite Indicators*

[1] Not applicable for the reference year.

The zones correspond to the following:

- *Green zone* – provides the range where the indicator is performing at satisfactory levels given the operating conditions and business environment,
- *Amber zone* – provides a range which acts as a warning indicator to the Company to be able to take corrective action,
- *Red zone* – a breach of the limit which may be a threat to the Company, especially if it is a breach of a regulatory limit.

The risk appetite indicators are subject to review by the RCD, at least on an annual basis, and further approval by the RC and BoD. The Company's Management ensures that the regulatory required levels are met.

2.8. Risk Policies and Procedures

The RCD has established strong risk policies and procedures that correspond to the strategies and risk appetite set by the Management and the Investment and Risk committees. Such policies include the following:

- Credit risk policy which describes the approach followed to manage credit, counterparty credit risk and concentration risk by establishing the framework for credit assessment, the structure of credit limits and the processes of approval, as well as the monitoring of credit risks;
- Market risk policy which outlines the strategy and tactics deployed by the Company to identify, assess and manage market risks;
- Operational risk policy which provides a description of the Company's uniform approach for the management and functioning of the operational risk management system aimed at identifying, assessing, managing, mitigating, monitoring and reporting of operational risk;
- Liquidity risk policy which outlines the internal procedures deployed by the Company to monitor and manage its liquidity requirements to ensure that the Company can function in an orderly manner over time, without the need to set aside liquidity specifically for time of stress.
- Trading book policy which reflects the Company's approach in managing its trading book in line with its trading strategy;
- Pillar 3 Disclosures policy;
- FX Margin Trading Leverage and Limit policy which sets out the decisions of the ESMA/CySEC and the Company's Risk Committee on the level of leverage and stop out applied on clients' open positions in various currency pairs, CFDs, precious metals and forward contracts based on their deposit level, the client's aggregate position limit and other concentration limits per instrument class;
- Capital Management policy which outlines the Company's approach in adhering to the capital adequacy requirements given the volatility of its business levels and risk profile through effective capital planning, monitoring and governance.

The aforementioned documents set up ACM's risk tolerance management and they are established, implemented and maintained by the RCD. The Procedures Manual of the Company provides an extensive analysis of the procedures followed by the RCD.

Moreover, the Company has published on its website key information for its CFD, Forward and Options derivative products as per Regulation (EU) 2021/2259, amending Regulation (EU) No 1286/2014, including risk scenarios for the profitability of clients' investments.

2.9. Internal Capital Adequacy Assessment Process

The Company uses the results of its most recent ICAAP exercise as a measurement of its internal capital requirements. The Company applies methodologies which are specified by the regulatory framework in order to calculate the capital requirements for Pillar I risks, as well as additional capital requirements for those risks which are either partially covered or not addressed under Pillar I.

The RCD, in cooperation with the Accounting Department, are responsible for the preparation of the ICAAP document, whilst Senior Management has the overall responsibility for approving the ICAAP document and submitting it to the CySEC. The process followed for the preparation of the ICAAP document consists of the following steps:

- Identifying risks and assessing the management of those risks;
- Documenting the techniques used for the quantification of the risks identified;
- Calculating the amount of regulatory and internal capital required for each type of risk identified;
- Determining the need for additional capital buffers to ensure the Company has enough capital over a "healthy" business cycle, as well as, in the case of a stress.

According to the size and the complexity of its operations, the Company utilises the "Pillar I Plus" approach for the calculation of the additional capital for Pillar II. Under this approach, the Company calculates the capital needs, over and above the Pillar I minimum capital requirements, to cover risks not fully covered or not covered under Pillar I.

The results of the ICAAP are communicated to the CySEC annually through the Prudential Supervision Form 165-03.

2.10. Stress Testing Framework

ACM performs stress tests as part of the Internal Capital Adequacy Assessment Process (ICAAP), in order to assess the Company's resilience against adverse economic conditions. Indicatively, the following stress testing scenarios run to identify the Company's vulnerabilities to risk:

1. Decrease of securities portfolio and FX, given significant volatility in financial market;
2. Default of major counterparties;
3. Sadden lack of liquidity;
4. Reverse stress testing.

2.11. Reporting on Risk Management

The Company's reporting is separated into two categories:

Prudential reporting as per CySEC's requirements:

- *Quarterly capital adequacy reports*: These present the Company's own funds requirements calculations, k-factors requirements, concentration risk, and liquidity requirements. In 2021, all the Prudential Forms were submitted to CySEC within the prescribed deadlines. It is noted that no breaches of regulatory limits were recorded;
- *Annual Pillar III disclosures*;
- *Internal Capital Adequacy Assessment Process* ("ICAAP") document;
- *Recovery Plan*.

Internal reporting:

- Daily Counterparty limits report;

- Daily Market Risk – Value at Risk ("VaR") limits reports;
- Capital adequacy evaluation reports;
- Cash Deposit at banks monitoring for concentration risk to one bank;
- Daily leverage and stop-out control for forex trading as defined by FX Margin Trading policy (including appropriateness);
- Cash/Deposit control of forex clients according to allowed leverage;
- Daily monitoring of CFD position limits;
- Daily control of Chinese walls maintenance between Own and Brokerage Books;
- Liquidity management;
- Unsettled trades report;
- Daily consolidated position to main currencies and precious metals;
- Quarterly analysis of Risk Appetite Indicators and coverage levels;
- Daily control of over the counter ("OTC") Equity and FI deals (including REPO, Spot and Forward transactions).

The RCD implements strong risk monitoring controls related to the Company's forex business, continuously updating its FX Margin Trading Leverage and Limit policy in line with relevant guidance issued by ESMA and CySEC's Directive DI87-09 for the restriction on the Marketing, Distribution or Sale of Contracts for Differences (CFDs) to Retail Clients.

2.12. Exposures in Equity securities not included in the Trading Book

Under this category, the Company includes equity investments in Group Companies (subsidiaries or other), investments in associates, and financial instruments bought that may be classified in the non-trading book. During 2021, the Company did not have any exposures in equities which were not included in the Trading Book.

2.13. Risk Management Declaration

The BoD of ACM confirms that the risk management arrangements and procedures of the Company are adequate, given the size and complexity of operations of the Company. In particular, the BoD confirms that the risk management systems put in place are adequate with regard to the Company's risk profile and strategy and in line with the principle of proportionality.

3. Governance Arrangements

3.1. Number of Directorships

As per the provisions of Article 9 (4), of Title II / Chapter I of Law 87(I) / 2017 which provides for the Provision of Investment Services, the exercise of investment activities, the operations of regulated markets and other related matters (the "Law"), a director of a CIF that is significant in terms of its size, internal organization and the nature, the scope and the complexity of its activities shall not hold more than one of the following combinations of directorships at the same time:

- one executive directorship with two non-executive directorships;
- four non-executive directorships.

According to Article 9 (5) of the Law, executive or non-executive directorships held within the same group shall count as a single directorship. All ACM's Directors have been approved by the CySEC. The number of directorships held by the members of the Board are outlined in the table below:

Director	Position within ACM	Executive Directorships	Non-Executive Directorships
Pavel Nazariyan	Non-executive Director	1	2
Dmitry Vitman	Non-executive Director	-	1
Mikhail Grachev	Non-executive Director	-	1
Konstantinos Hadjisavvas	Executive Director	1	-
Ekaterina Beketova	Executive Director	1	-
Constantinos Demetriou	Independent Director	1	1
Constantinos Constantinou	Independent Director	1	3[2]
Andreas Christofides	Independent Director	1	3[3]

Table 4: *Number of directorships*

It is noted that for the purposes of the disclosures above, executive or non-executive directorships held within the same group count as a single directorship.

3.1.1. Diversity

The Management Body of the Company is the BoD. The members of the Board are recruited in line with the Diversity Policy and based on the guidelines issued by the CySEC and ESMA. The assessment of new Directors is performed by the Nomination Committee, whereas the approval of new Directors is taken by the Directors as a collective body. The Company recognizes the benefits and necessity of an adequately diverse BoD, which includes and utilizes the Director's unique characteristics, including gender and age diversity. The Company's Nomination Committee has prepared the Company's Diversity policy which addresses, among others, the diversity of the members of the BoD. The objective of the said policy is to promote a balanced working environment where the skills, experience, qualities, professionalism and other backgrounds, such as the temperament and perspective of the Directors, irrespective of gender, age, race, ethnicity and other criteria, enable each of them to contribute individually.

[2] Approval by the Commission has been obtained for the additional non-executive position.
[3] Even though the additional non-executive position does not consume significant time of the director and does not compromise his ability to commit sufficient time to perform his duties in the Company, the director is in process of designing his exit strategy or apply for special approval by the Commission.

The Company's BoD has varied experience and background, including accounting, legal, banking, investments, risk management, etc. Additionally, the Independent Directors have a strong background in their field, adding as such value to the Company's BoD.

The Nomination Committee encourages gender diversity in Board appointments and appointment of other key positions. The aim is to strengthen the Company's corporate performance and ensure sound corporate governance.

The recommended target set by ACM's Nomination Committee is for a minimum female participation in the Board, of approximately 12% which is currently met.

The Nomination Committee also recommends, to the extent possible, and where such suitable candidates are identified, variety in race and ethnicity. The Nomination Committee also encourages age diversity to the extent that this combines the principles of drive, ambition, enthusiasm and hard work, with the experience and wisdom of older age. It is stressed that under no circumstances should any Board appointment be made based on factors of age, race or ethnicity but solely based on merit and skills.

4. Own Funds

The Company's regulatory capital base consists of Common Equity Tier 1 ("CET1"), which includes share capital and retained earnings. From CET1, the Company deducts intangible assets, the Investors Compensation Fund contribution and additional cash buffer. From the Company's capital, prudential filters (i.e., value adjustments due to the requirements for prudential validation) are also deducted.

On 6 December 2019, the Company's sole shareholder took the decision on issuing 1.000.000 ordinary shares at a nominal value of USD 1,00 each. On 19 August 2020, the Company's sole shareholder took the decision on issuing a further 74.000.000 ordinary shares at a nominal value of USD 1,00 each. At 31 December 2021 and 2020 authorised, issued and fully paid capital consisted of 75 000 000 ordinary shares of USD 1,00 each. All shares rank equally and carry one vote.

The main features of the Company's capital instruments issued by the Company in accordance with Article 49(1), point (b) of the IFR, are presented in Appendix 1.

In line with Article 49 (1)(c) of the IFR the table below presents the Company's information on the composition of own funds, including Common Equity Tier 1 items, Additional Tier 1 items, Tier 2 items, and applicable filters and deductions applied to the own funds of investment firms, including the reconciliation of these items with the relevant items of its audited statement of financial position.

	Item	Amounts in thousands ($)
Common Equity Tier 1 (CET1) capital: instruments and reserves		
1	**OWN FUNDS**	116.266
2	**TIER 1 CAPITAL**	116.266
3	**COMMON EQUITY TIER 1 CAPITAL**	116.266
4	Fully paid up capital instruments	75.000
5	Share premium	
6	Retained earnings	44.921
7	Accumulated other comprehensive income	
8	Other reserves	
9	Minority interest given recognition in CET1 capital	
10	Adjustments to CET1 due to prudential filters	-1.077
11	Other funds	
12	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	- 2.520
13	(-) Own CET1 instruments	
14	(-) Direct holdings of CET1 instruments	
15	(-) Indirect holdings of CET1 instruments	
16	(-) Synthetic holdings of CET1 instruments	
17	(-) Losses for the current financial year	
18	(-) Goodwill	
19	(-) Other intangible assets	-2.520
20	(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	
21	(-) Qualifying holding outside the financial sector which exceeds 15% of own funds	
22	(-) Total qualifying holdings in undertaking other than financial sector entities which exceeds 60% of its own funds	
23	(-) CET1 instruments of financial sector entities where the institution does not have a significant investment	

24	(-) CET1 instruments of financial sector entities where the institution has a significant investment	
25	(-) Defined benefit pension fund assets	
26	(-) Other deductions	
27	CET1: Other capital elements, deductions and adjustments	-58
28	**ADDITIONAL TIER 1 CAPITAL**	
29	Fully paid up, directly issued capital instruments	
30	Share premium	
31	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	
32	(-) Own AT1 instruments	
33	(-) Direct holdings of AT1 instruments	
34	(-) Indirect holdings of AT1 instruments	
35	(-) Synthetic holdings of AT1 instruments	
36	(-) AT1 instruments of financial sector entities where the institution does not have a significant investment	
37	(-) AT1 instruments of financial sector entities where the institution has a significant investment	
38	(-) Other deductions	
39	Additional Tier 1: Other capital elements, deductions and adjustments	
40	**TIER 2 CAPITAL**	
41	Fully paid up, directly issued capital instruments	
42	Share premium	
43	(-) TOTAL DEDUCTIONS FROM TIER 2	
44	(-) Own T2 instruments	
45	(-) Direct holdings of T2 instruments	
46	(-) Indirect holdings of T2 instruments	
47	(-) Synthetic holdings of T2 instruments	
48	(-) T2 instruments of financial sector entities where the institution does not have a significant investment	
49	(-) T2 instruments of financial sector entities where the institution has a significant investment	
50	Tier 2: Other capital elements, deductions and adjustments	

Table 5: EU IF CC1 *Composition of regulatory Own Funds*

In accordance with Article 49(1)(a) of the IFR the table below presents a full reconciliation of own funds and the balance sheet in ACM's audited financial statements.

Balance sheet as in audited financial statements		
		As at 31/12/2021 USD'000
Assets - *Breakdown by asset classes according to the balance sheet in the published/audited financial statements*		
1	Cash and cash equivalents	48.476
2	Financial assets at fair value through profit or loss	337.497
3	Repurchase receivables relating to financial assets at fair value through profit or loss	225.413
4	Due from banks	76.786
5	Loans and advances to customers	138.133
6	Derivative financial instruments	32.561
7	Other financial assets	65.756
8	Current income tax prepayment	6

9	Taxes receivable other than on income	3
10	Other assets	2.602
	Total Assets	**927.233**
Liabilities - *Breakdown by liability classes according to the balance sheet in the published/audited financial statements*		
1	Due to banks	164.218
2	Funding from companies within the Group	110.050
3	Securities sold not yet purchased	26.472
4	Derivative financial instruments	29.109
5	Other financial liabilities	476.429
6	Provision for income tax liability	1.007
7	Deferred tax liability	27
	Total Liabilities	**807.312**
Shareholders' Equity		
1	Share capital	75.000
2	Share premium	0
3	Retained Earnings	44.921
	Total Shareholders' equity	**119.921**
	Total Liabilities and Equity	**927.233**

Table 6: EU IF CC2 - *Own Funds Reconciliation of regulatory own funds to the Statement of Financial Position in the audited financial statements*

Own Funds reconciliation	USD ’000
As per Balance Sheet	
Share Capital	75.000
Share Premium	–
Retained Earnings (includes current year profit)	44.921
Total Equity as per Balance Sheet	**119.921**
Intangible Assets	(2.520)
Investors Compensation Fund contributions and cash buffer	(58)
Prudential Filters	(1.077)
Capital Base as per Regulatory Reporting Requirements	**116.266**

5. Own Funds Requirements

ACM is categorized as Class 2 on the basis that it does not meet any of the conditions for qualifying as small and non-interconnected investment firms set out in Article 12(1) of the IFR. In accordance with Article 9 of the IFR, the Company maintains own funds consisting of the sum of their Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital, and meets all the following conditions at all times:

a) $\frac{Common\ Equity\ Tier\ 1\ capital}{D} \geq 56\%$

b) $\frac{Common\ Equity\ Tier\ 1\ capital+Additional\ Tier\ 1\ capital}{D} \geq 75\%$

c) $\frac{Common\ Equity\ Tier\ 1\ capital+Additional\ Tier\ 1\ capital+Tier\ 2\ capital}{D} \geq 100\%$

Where, in accordance with Article 11(1) of the IFR D is defined as the highest of the following:

- their fixed overheads requirement calculated in accordance with Article 13;
- their permanent minimum capital requirement in accordance with Article 14; or
- their K-factor requirement calculated in accordance with Article 15.

5.1. Fixed overhead requirement

In accordance with Article 13(1) of the Regulation the fixed overheads requirement shall amount to at least one quarter of the fixed overheads of the preceding year.

The table below presents the fixed overhead requirement subject to specific deductions as per Article 13 (4), as at 31/12/2021.

Item	Amount '$000
Fixed Overhead Requirement	**3.124**
Annual Fixed Overheads of the previous year after distribution of profits	12.494
Total expenses of the previous year after distribution of profits	15.454
Of which: Fixed expenses incurred on behalf of the investment firms by third parties	
(-)Total deductions	-2.960
(-)Staff bonuses and other remuneration	
(-)Employees', directors' and partners' shares in net profits	
(-)Other discretionary payments of profits and variable remuneration	
(-)Shared commission and fees payable	
(-)Fees, brokerage and other charges paid to CCPs that are charged to customers	
(-)Fees to tied agents	
(-)Interest paid to customers on client money where this is at the firm's discretion	
(-)Non-recurring expenses from non-ordinary activities	

Item	Amount '$000
(-)Expenditures from taxes	-2.960
(-)Losses from trading on own account in financial instruments	
(-)Contract based profit and loss transfer agreements	
(-)Expenditure on raw materials	
(-)Payments into a fund for general banking risk	
(-)Expenses related to items that have already been deducted from own funds	
Projected fixed overheads of the current year	12.494
Variation of fixed overheads (%)	0%

Table 7: *Fixed Overhead Requirement calculation*

5.2. Permanent minimum capital requirement

As at the reference date, the Company's permanent minimum capital requirement as per L.165(I)/2021 on the prudential supervision of investment firms (the "Prudential Law") Section 9(1) pursuant to Section 16 of the Investment Services and Activities and Regulated Markets Law for the authorisation to provide any of the investment services or perform any of the investment activities listed in points (3) and (6) of Part I of Annex I to the Investment Services and Activities and Regulated Markets Law, is seven hundred fifty thousand Euro (€750 000).

5.3. K-factor requirement

The overall own funds requirement under the K-factors is the sum of the requirements of the K-factors under RtC, RtM and RtF. K-AUM, K-ASA, K-CMH, K-COH and K-DTF relate to the volume of activity referred to by each K- factor. The volumes for K-CMH, K-ASA, and K-DTF are calculated on the basis of a rolling average from the previous nine months. The volume for K-COH is calculated on the basis of a rolling average from the previous six months, while for K-AUM it is based on the previous 15 months. The volumes are multiplied by the corresponding coefficients set out in this Regulation in order to determine the own funds requirement. The own funds requirements for K-NPR are derived from Regulation (EU) No 575/2013, while the own funds requirements for K-CON and K-TCD use a simplified application of the corresponding requirements under that Regulation for, respectively, the treatment of large exposures in the trading book and of counterparty credit risk. The amount of a K-factor is zero if an investment firm does not undertake the relevant activity.

In accordance with Article 15(1) of the Regulation, the K-factor requirement shall amount to at least the sum of the following set of K-factors which capture Risk to Client ("RtC"), Risk to Market ("RtM") and Risk to Firm ("RtF"):

	Factor amount USD '000	K-factor requirement USD '000
TOTAL K-FACTOR REQUIREMENT		**42.799**
Risk to client		502
Assets under management	-	-
Client money held - Segregated	91.540	366
Client money held - Non-segregated	10.457	52
Assets safeguarded and administered	203.270	81
Client orders handled - Cash trades	1.922	2
Client orders handled - Derivatives Trades	-	-
Risk to market		24.664
K-Net positions risk requirement		24.664

	Factor amount USD ‘000	K-factor requirement USD ‘000
Clearing margin given	-	-
Risk to firm		17.634
Trading counterparty default		17.356
Daily trading flow - Cash trades	143.860	144
Daily trading flow - Derivative trades	1.342.408	134
K-Concentration risk requirement		-

Table 8: *Total K- Factor Requirement*

The Company’s own funds required conditions and capital ratios are reflected in the table below.

	USD ‘000
OWN FUNDS REQUIREMENTS	42.799
Permanent minimum capital requirement	849
Fixed overhead requirement	3.124
Total K-Factor Requirement	42.799
Total own funds requirement	
CET 1 Ratio	**271,65%**
Tier 1 Ratio	**271,65%**
Own Funds Ratio	**271,65%**
Transitional requirement based on CRR own funds requirements	-
Transitional requirement based on fixed overhead requirements	-
Transitional requirement for investment firms previously subject only to an initial capital requirement	-
Transitional requirement based on initial capital requirement at authorisation	-
Transitional requirement for investment firms that are not authorised to provide certain services	-
Transitional requirement of at least 250 000 EUR	-
Total own funds requirement (including Transitional Requirements)	42.799
CET 1 Ratio (including Transitional Requirements)	**271,65%**
Tier 1 Ratio (including Transitional Requirements)	**271,65%**
Own Funds Ratio (including Transitional Requirements)	**271,65%**

Table 9: *Own Funds Requirement*

6. Remuneration Policy and Practices

The Remuneration policy ("the Policy") of the Company, forms an integral part of the Company's corporate governance and is developed taking into consideration the Company's objectives, the business and risk strategy, corporate cultures and values and the long-term interests of the Company.

The Policy applies to all Company employees, especially to those considered as having a material impact on the Company's risk profile in line with the qualitative and quantitative criteria set out in Regulation (EU) No 2021/923.The Policy is reviewed at least annually, and any amendments made are approved by the BoD. The Human Resources Department is responsible for the preparation, upkeep and updating of the Policy. The owner of the Policy is the Remuneration Committee with the BoD endorsing, approving and periodically reviewing the general principles specified therein. The BoD is also responsible for its implementation as well as for preventing/mitigating any risks and conflicts which may arise as a result of the remuneration practices of the Company.

The implementation of the Policy is also subject to periodic review by the Compliance and Internal Audit functions in order to assess the level of compliance with the legislation, internal policies and the Company's risk culture.

The Remuneration Committee comprises of 3 non-executive members of the BoD. The Remuneration Committee met six times during the year ended 31 December 2021.

The main responsibility of the Remuneration Committee is to prepare recommendations in relation to the remuneration policies and practices of the identified categories of staff whose professional activities have a material impact on an institution's risk profile according to the relevant regulation[4], by taking into account the public interest and the long-term interests of shareholders, investors and other stakeholders in the Company, and submit them to the BoD for approval. In addition, the Remuneration Committee is responsible to:

- provide its support and advice to the BoD on the design characteristics of the Company's Remuneration Policy practices, including aspects related to gender neutrality and the gender pay gap;
- support the BoD in overseeing the policies, practices and processes relating to remuneration and the compliance with the Remuneration Policy and practices;
- check whether the existing Remuneration Policy and practices are clearly documented and proportionate to the size, internal organisation and nature, as well as to the scope and complexity of the activities of the Company and that are still up to date and, if necessary, make proposals for changes;
- review the appointment of external remuneration consultants that the BoD may decide to engage for advice or support;
- ensure the adequacy of the information provided to shareholders on policies and practices and in particular on the proposed maximum level of the ratio between variable and fixed remuneration;
- assess the mechanisms and systems adopted to ensure that the remuneration system properly takes into account all types of risks, liquidity and capital levels;
- ensure that the Policy is consistent with, and promotes, sound and effective risk management and is in line with the Company's business strategy, objectives, corporate culture and values, as well as its long-term interests; assess the achievement of performance targets and the need for ex post risk adjustment, including the application of malus and clawback arrangements.

[4] Commission Delegated Regulation (EU) No. 2021/923 of 25 March 2021 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards setting out the criteria to define managerial responsibility, control functions, material business units and a significant impact on a material business unit's risk profile, and setting out criteria for identifying staff members or categories of staff whose professional activities have an impact on the institution's risk profile that is comparably as material as that of staff members or categories of staff referred to in Article 92(3) of that Directive.

The Company has established a competitive compensation framework in order to attract, engage and retain its employees. The basic principles on which the Remuneration Policy is formulated relate to the following:

- provides for an effective framework for performance measurement, risk adjustment and the linkages between performance and reward;
- ensures that the remuneration policy is a gender-neutral remuneration policy;
- outlines the structure of variable remuneration including where applicable the instruments in which part of the variable remuneration is awarded;
- supports the Company in achieving and maintaining a sound capital base and an appropriate liquidity profile;
- enables the identification and mitigation of conflicts of interests stemming from the remuneration awarded, by establishing, amongst others, objective award criteria based on the internal reporting system, appropriate controls and the four-eye principle;
- is consistent, promotes sound and effective risk management and does not encourage risk-taking that exceeds the level of risk tolerated by the Company;
- is clear, well documented and transparent including proper documentation of the decision-making process and the reasoning behind this Remuneration Policy;
- remuneration awarded to different categories of staff including staff members that are employed in control functions is consistent with the principle that such persons are considered as material risk takers, since they are responsible for the day-to-day management of the business and its risks;
- outlines the methods for the measurement of performance, including the performance criteria, as defined in the Bonus Policy of the Company which forms part of the Remuneration Policy.

The Remuneration Policy covers total remuneration (i.e. fixed and variable) as well as benefits in kind and allowances. It does not cover the remuneration of service providers, affiliates and partners; such arrangements are governed by the terms of the respective bilateral agreement between the parties.

The basic fixed remuneration as specified in the employment agreement of each employee reflects primarily relevant professional experience and the organisational responsibility set out in the job description taking also into account the markets rate for similar positions. The Company has developed fixed remuneration ranges which differ among hierarchical levels and nature of business. Ranges are reviewed annually taking into consideration market trends and prevailing legal requirements. Total remuneration consists of the fixed salary, benefits such as health insurance and in certain cases variable remuneration in the form of a bonus. The fixed component represents a sufficiently high proportion of the total remuneration so as to enable the operation of a fully flexible policy on variable remuneration components.

As per the provisions of Section 26(1) of the Prudential Law the principles adopted by the Company relating to variable remuneration, when provided, are as follows:

- the total amount of variable remuneration is based on a combination of the financial and non-financial performance criteria at an individual level and of the business unit concerned, as well as the overall results of the Company as a whole;
- assessment of performance is set in a multi-year framework in order to ensure that the assessment process is based on long-term performance and that the actual payment of performance-based components of remuneration is spread over a period which takes account of the underlying business cycle of the Company and the business risks it encounters;
- the total fixed and variable remuneration paid to the identified persons does not exceed the materiality threshold; where this is the case the Company’s BoD exercises its discretion as to the means by which variable remuneration will be paid (i.e. solely in instruments or solely in cash or a combination of both); variable remuneration does not affect the Company’s ability to ensure a sound capital base;

- variable remuneration is not guaranteed and shall not be part of prospective remuneration plans;
- guaranteed variable remuneration is limited only to the cases where the Company wants to offer it to the first year of employment of a new staff member, if and only if the Company has a strong capital base;
- payments relating to the early termination of an employment contract reflect performance achieved over time by the staff member and shall not reward failure or misconduct;
- remuneration packages relating to compensation or buy out from contracts in previous employment are aligned with the long-term interests of the Company;
- the measurement of performance used as a basis to calculate pools of variable remuneration takes into account all types of current and future risks and the cost of the capital and liquidity required in accordance with the Regulation;
- the allocation of the variable remuneration components within the Company takes into account all types of current and future risks;
- discretionary pension benefits are in line with the business strategy, objectives, values and long-term interests of the Company.

When paying out any variable remuneration to the risk takers, the Company ensures the following, in a manner and to the extent that is appropriate to the Company's size, internal organisation and nature, scope and complexity of activities (the "Proportionality Conditions"):

- At least 40% of the variable remuneration is deferred over a period of three to five years;
- In case that variable remuneration is of a particularly high amount, then at least 60% of the amount shall be deferred;
- At least 50% of any variable remuneration is paid out in instruments. This is applied to both the deferred and the non-deferred part of the variable remuneration component and instruments are subject to appropriate retention policy designed to align the incentives of the individual with the long-term interests of the Company, its creditors and clients.
- Up to 100% of the total variable remuneration is subject to malus or clawback arrangements, subject to cireteria set by the Company which in particular cover situations where the individual in question: (i) participated in or was responsible for conduct which resulted in significant losses for the CIF; and (ii) is no longer considered fit and proper.

Proportionality Conditions

In accordance with Section 24 (1) paragraph (a) of the Prudential Law, investment firms shall apply remuneration principles in a way and to the extent that is appropriate to their size, internal organisation and the nature, the scope and the complexity of their activities. Taking into account that currently there are no official guidelines provided with regards to the implementation, form and provisions of proportionality, the Company introduced certain Proportionality Conditions in relation to the most stringent provisions of remuneration principles to ensure that a balance is reached between achieving the objectives of the Prudential Law and market practice for ensuring fair remuneration of the Company's personnel. These Proportionality Conditions take into account guidelines provided by the FCA (Principle 12 of the Remuneration Principles (19C.3.34)). The Company's Proportionality Conditions take into account the following factors:

- % of variable remuneration, compared to total remuneration of all identified staff;
- Maximum amount of total remuneration per identified staff;
- % of total variable remuneration awarded to all identified staff compared to the Company's profits for the period; and
- The Company's Own Funds Requirements Ratio, and Pillar 2 requirements.

All Proportionality Conditions set out in the Company's Remuneration Policy are subject to periodic review by the Remuneration Committee in order to assess the level of compliance with the applicable regulatory and legal framework. Such review is conducted at least on an annual basis, and any amendments made are approved by the Board of Directors.

In accordance with the Article 51 of the Regulation, the Company should disclose aggregated quantitative information on remuneration, broken down by senior management and members of staff whose actions have a material impact on the risk profile of the investment firm, indicating the following:

i. the amounts of remuneration awarded in the financial year, split into fixed remuneration, including a description of the fixed components, and variable remuneration, and the number of beneficiaries;

ii. the amounts and forms of awarded variable remuneration, split into cash, shares, share-linked instruments and other types separately for the part paid upfront and for the deferred part;

iii. the amounts of deferred remuneration awarded for previous performance periods, split into the amount due to vest in the financial year and the amount due to vest in subsequent years;

iv. the amount of deferred remuneration due to vest in the financial year that is paid out during the financial year, and that is reduced through performance adjustments;

v. the guaranteed variable remuneration awards during the financial year and the number of beneficiaries of those awards;

vi. the severance payments awarded in previous periods, that have been paid out during the financial year;

vii. the amounts of severance payments awarded during the financial year, split into paid upfront and deferred, the number of beneficiaries of those payments and the highest payment that has been awarded to a single person;

It is noted that as at 31 December 2021, there was no outstanding deferred remuneration and amounts of severance payments awarded in relation to points (iii), (iv), (vi) and (vii) above during the year.

Performance appraisals are conducted on an annual basis for Senior employees (Heads of Departments) and on a quarterly basis for all other. In order to perform performance appraisals key objectives/goals are set for each employee at the beginning of the year. Performance is then assessed against these objectives/goals. If deemed appropriate to propose salary revisions for the Company's employees, the Company's CEO recommends such a change to the Remuneration Committee which gives the final approval for ratification by the Board.

The table below provides aggregated quantitative information on, broken down by business area, including those considered as senior management and members of staff whose actions have a material impact on the risk profile of the Company.

Remuneration			
Position	Fixed USD'000	Variable USD'000	Number of Persons
Senior Management[5]	1.019	998	9
Other identified staff/risk taker	1.209	837	17

Table 10: *Amount of remuneration, split into fixed and variable*

During the reporting period there were no individuals remunerated EUR 1m or more. The following table provides aggregate quantitative information on remuneration, broken down by business line:

[5] It includes Executive Directors and Heads of significant business lines

Business Line	Remuneration USD'000
Control Functions[6]	1.134
Trading and Sales[7]	2.174
Other identified staff / risk takers not included in the above categories	755

Table 11:*Remuneration per business line*

The table below provides the amounts and forms of awarded variable remuneration, split into cash, shares, share-linked instruments, broken down by business area, including those considered as senior management and members of staff whose actions have a material impact on the risk profile of the Company.

Forms of awarded remuneration	Variable Remuneration USD'000	
	Senior Management	Other identified staff/risk taker
Cash	998	837
Shares	-	-
Share-linked instruments	-	-

Table 12: *Variable Remuneration per different forms of awarded remuneration*

[6] It includes Risk, Compliance, Legal, and any personnel which comprise four eyes, including Executive Directors.
[7] It includes Own Account, Brokerage, Forex and Portfolio Management Divisions.

Appendix 1: EU IF CCA - Own funds: main features of own instruments issued by the Company

Capital instruments main features template		
1	Issuer	Alfa Capital Markets Ltd
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Public or private placement	Private placement
4	Governing law(s) of the instrument	Cyprus
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)	USD 75mln
7	Nominal amount of instrument	1,00
8	Issue price	1,00
9	Redemption price	
10	Accounting classification	Equity
11	Original date of issuance	N/A
12	Perpetual or dated	N/A
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	N/A
17	Fixed or floating dividend/coupon	N/A
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	N/A
20	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
21	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
22	Existence of step up or other incentive to redeem	N/A
23	Noncumulative or cumulative	N/A
24	Convertible or non-convertible	N/A
25	If convertible, conversion trigger(s)	N/A
26	If convertible, fully or partially	N/A
27	If convertible, conversion rate	N/A
28	If convertible, mandatory or optional conversion	N/A
29	If convertible, specify instrument type convertible into	N/A
30	If convertible, specify issuer of instrument it converts into	N/A
31	Write-down features	N/A
32	If write-down, write-down trigger(s)	N/A
33	If write-down, full or partial	N/A
34	If write-down, permanent or temporary	N/A
35	If temporary write-down, description of write-up mechanism	N/A
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
38	Link to the full term and conditions of the instrument (signposting)	N/A