

# **Finquotes Financial (Cyprus) Ltd**

*Regulated by the Cyprus Securities and Exchange Commission under License no. 418/22*

## **PUBLIC DISCLOSURES REPORT FOR FINANCIAL YEAR 2023**

*April 2024*

## **DISCLOSURE**

*The Public Disclosures Report for the year 2023 has been prepared by Finquotes Financial (Cyprus) Ltd as per the requirements of Regulation (EU) No. 2019/2033 and Delegated Regulation (EU) 2021/2153 issued by the European Commission and Law 165 (I)/2021 (the “Law”) issued by the Cyprus Securities and Exchange Commission (hereinafter, “CySEC”).*

*Finquotes Financial (Cyprus) Ltd (hereinafter, the “Company”) states that any information that was not included in this Report is either not applicable to the Company’s business and activities or such information is considered as proprietary to the Company and sharing this information with the public and/or competitors would undermine its competitive position.*

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## 1. INTRODUCTION

### 1.1 INVESTMENT FIRM

**Table 1:** Company information

<b>General Information:</b>	
<b>Company name</b>	Finquotes Financial (Cyprus) Ltd
<b>CIF Authorization date</b>	05/09/2022
<b>CIF License number</b>	418/22
<b>Company Registration Date</b>	29/10/2020
<b>Company Registration Number</b>	HE 414581
<b>Legal Entity Identifier code (LEI)</b>	984500B4483CCC0B1E07
<b>Investment Service:</b>	
1) Reception and transmission of orders in relation to one or more financial instruments 2) Execution of Orders on Behalf of Clients	
<b>Ancillary Services:</b>	
1) Safekeeping and administration of Financial Instruments for the account of Clients, including custodianship and related services such as cash/collateral management 2) Granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction 3) Foreign exchange services where these are connected to the provision of investment services 4) Investment research and financial analysis or other forms	
<b>Financial Instruments:</b>	
1) Transferable Securities 2) Money-Market Instruments 3) Financial contracts for differences (CFDs)	

## 1.2 PURPOSE

The present Report is prepared by Finquotes Financial (Cyprus) Ltd, a Cyprus Investment Firm (hereinafter, “CIF”, “Company” or “Finquotes”) authorized and regulated by CySEC under the license number 418/22 and operates in harmonization with the Markets in Financial Instruments Directive II (hereinafter, “MiFID II”).

In accordance with Part Six of Regulation (EU) No. 2019/2033 (the “Investment Firms Regulation”, hereinafter “IFR”), the Company is required, as it is categorised as a Class 2 investment firm, to disclose information relating to its risk management objectives and policies, governance, level of own funds and own funds requirements, remuneration policy and practices, investment policy (if applicable) and environmental, social and governance risks (if applicable). The scope of this Report is to promote market discipline and to improve transparency of market participants.

The 2023 Public Disclosures Report has been prepared based on the relevant requirements in accordance with Part Six of the IFR and in particular with Articles 46 to 53, as applicable to the Company.

In order to meet the requirements of the IFR, the Board of Directors (“Board”) and the Senior Management have the overall responsibility for the internal control systems in the process of the “Capital Adequacy Assessment” and they have established effective processes to ensure that the full spectrum of risks facing the Company is properly identified, measured, monitored and controlled to minimize adverse outcomes.

The Company’s business effectiveness is presented and based on the guidelines of the risk management policies and procedures. The Board, Internal Auditor, Risk Manager, Compliance Officer, and Anti-Money Laundering Officer control and supervise the overall risk system so that all units charged with risk management perform their roles effectively on a continuous basis.

The information contained in the Public Disclosures Report is to be audited by the Company’s external auditors and published on its website (<https://finpros.eu/>) on an annual basis. Moreover, the Company is obliged to provide a copy of the external auditor’s verification report to CySEC within 5 months after the end of each financial year.

The disclosure currency is in Euro (€) and the information disclosed in this Report is related to the year ended 31<sup>st</sup> of December 2023 (based on unaudited management accounts. The Company has prepared this report on a solo basis.

### 1.3 REGULATORY (PRUDENTIAL) FRAMEWORK

In accordance with the IFR and with EU Directive 2019/2034 (“Investment Firms Directive” or “IFD”), which became applicable on 26 June 2021 and replaced Regulation (EU) 575/2013 (the “Capital Requirements Regulation” or “CRR”) and Directive 2013/36/EU (“Capital Requirements Directive” or “CRD”), the Company is obliged to disclose information regarding its risk management, capital structure, capital adequacy, its risk exposures as well as the most important characteristics of its corporate governance, including its remuneration system. The core aim of the IFR is to introduce more proportionate rules for the majority of the MiFID II investment firms in relation to capital, liquidity and other prudential requirements, while ensuring a level-playing field between large and systemic financial institutions.

Unlike the CRR, which mainly captures credit institutions risks, the IFR aims at considering specific risks that are applicable only to investment firms, depending on their business model and size. The IFR categorizes IFs into three categories depending on their business activities, systemic importance, size and interconnectedness.

Each IF class is subject to a different set of prudential requirements, with some systematically important and larger firms remaining under the CRR/CRD regime. In particular, under the IFR & IFD, IFs are categorized into the following classes:

- **Class 1 IFs (remain subject to CRR and CRD):** Large IFs that exceed certain criteria and need to be reclassified as credit institutions, plus:
  - **Class 1a:** Not reclassified as credit institutions, but above certain criteria and/or categorized as Systemically important IFs to the country (“O-SIIs”) and subject to CRR.
  - **Class 1b:** Not-Systemic Large IFs, but which elect to be subject to the CRR (if they are part of a group containing a bank that is subject to consolidated supervision under CRR).
- **Class 2 IFs (subject to IFR & IFD framework):** IFs exceeding the categorization thresholds for Small and Non-interconnected Investment Firms.
- **Class 3 IFs (subject to IFR & IFD framework, BUT with exemptions):** Small and Non- interconnected Investment Firms, in accordance with Article 12 of the IFR.

**Finquotes falls into the Class 2 category** and is thus subject to the IFR & IFD framework. In accordance with the IFR methodologies for Class 2 IFs, the **minimum regulatory capital requirement** for Finquotes is determined as the greatest of:

- The **Permanent Minimum Capital Requirement of EUR 150,000;**
- The **Fixed Overhead Requirement which corresponds to the 25% of the Company’s fixed overhead expenses** based on the most recent annual audited financial statements; and
- The total **K-factors Requirement**, which is based upon nine risk exposure indicators (“K-factors”) which are designed to measure operational risk to customers, counterparty credit risk, trading book market risk, and concentration risks in the trading book, if applicable.

Similarly, to the CRR, the IFR regulatory framework is comprised of three main areas:

- (i) Minimum Own Funds Requirement:** Covers the calculation of the minimum capital needed to be allocated depending on the IF's class categorization (i.e., calculation of Fixed Overhead Requirement, Permanent Minimum Capital requirement or k-factors requirement) and liquidity requirements.
- (ii) Internal Capital Adequacy and Risk Assessment Process ("ICARA"):** Covers the Supervisory Review and Evaluation Process ("SREP"), which assesses the ICARA and provides for the monitoring and self-assessment of the Company's capital and liquidity adequacy and internal processes; and
- (iii) Public Disclosures:** Covers external, public disclosures that are designed to provide transparent information on regulatory capital and liquidity adequacy, own funds requirements, risk management objectives and policies, internal governance arrangements, remuneration policy and practices, investment policy (if applicable) and environment, social and governance risks (if applicable).

#### 1.4 RUSSIA'S WAR AGAINST UKRAINE: OVERVIEW OF EU & US SANCTIONS

On 24th February 2022, Russia launched an undeclared war against Ukraine, a country Russia first invaded and partially occupied in 2014.

##### **EU Sanctions:**

As a result, the EU has imposed a series of new sanctions against Russia in response to the military aggression against Ukraine. They add to existing measures imposed on Russia since 2014 following the annexation of Crimea and the non-implementation of the Minsk agreements. The EU Sanctions include targeted restrictive measures (individual sanctions), economic sanctions and visa measures.

The aim of the economic sanctions is to impose severe consequences on Russia for its actions and to effectively prevent Russian abilities to continue the aggression.

The individual sanctions target people responsible for supporting, financing or implementing actions which undermine the territorial integrity, sovereignty and independence of Ukraine or who benefit from these actions.

The EU has also adopted sanctions against:

- Belarus, in response to its involvement in the invasion of Ukraine; and
- Iran, in relation to the use of Iranian drones in the Russian aggression against Ukraine

EU restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine now apply to a total of nearly 1,950 individuals and entities. In December 2023 the EU adopted the [12th package of sanctions against Russia](#) and sanctioned an additional 61 individuals and 86 entities. The list of sanctioned individuals can be found [here](#).

### **U.S. Sanctions:**

Prior to 2022, the United States had imposed sanctions on Russia in response to Moscow's 2014 invasion of Ukraine and other malign activities. Beginning in December 2021, the United States and others warned Russia's leadership that a new attack on Ukraine would lead to severe new sanctions (in addition to increased security assistance to Ukraine and an enhanced NATO presence in Central and Eastern Europe).

Sanctions designations and related actions the Biden Administration and Congress have taken since February 2022 include actions targeting Russian government assets, international trade, broad economic sectors, and specific individuals and entities.

The Management has evaluated the effect of the war on liquidity, currency, interest rate, and credit risks, as well as potential impairment and revenue of the Company. It is noted that the Company does not have any Russian clients, who are subject to the EU-Russia sanction lists. Based on management's assessment, there is no significant impact on the Company's activities.

## **2. CORPORATE GOVERNANCE**

### **2.1 BOARD OF DIRECTORS**

The Board of Directors, as at 31 December 2023, consists of five (5) members. Two (2) Executive Directors, one (1) Non-Executive Director and two (2) Non-Executive and Independent Directors.

The members of the Board exercise effective control on the Company's affairs and the non-executive members of the Board exercise control over the business carried out by the executive members of the Board.

All in all, the Board of Directors shall ensure compliance with the following principles:

- the Board shall have the overall responsibility for the Company and approve and oversee the implementation of the Company's strategic objectives, risk strategy and internal governance;
- the Board shall ensure the integrity of the accounting and financial reporting systems, including financial operational controls and compliance with the Law and relevant standards;
- the Board shall oversee the process of disclosure and communications;
- the Board shall be responsible for providing effective oversight of the Senior Management; and
- the Chairman of the Board shall not exercise simultaneously the functions of a Chief Executive Officer within the Company, unless justified by the Company and approved by CySEC.

Furthermore, the Board shall monitor and periodically assess the adequacy and the implementation of the Company's strategic objectives in the provision of investment services and activities and ancillary services, the effectiveness of the CIF's governance arrangements and the adequacy of the policies relating to the provision of services to clients and take appropriate steps to address any deficiencies.



The members of the Board shall have adequate access to information and documents, which are needed to oversee and monitor management decision-making. The Board shall assess whether the Company becomes, at any point in time, significant in terms of size, internal organization and the nature, scope and complexity of its activities, and accordingly establish a nomination committee composed of members of the Board who do not perform any executive function in the Company.

In addition, the Board shall ensure that it shall receive on a frequent basis, and at least annually, written reports regarding Internal Audit, Compliance, Money Laundering & Terrorist Financing, Risk Management and Internal Capital Adequacy and Risk Assessment (“ICARA”), indicating, in particular, whether the appropriate remedial measures have been taken in the event of any deficiencies. The Board must oversee the process of disclosure and announcements and must be responsible for providing effective supervision of Senior Management. The Board shall be responsible for the monitoring of the internal control mechanisms of the Company to enable prevention of activities outside the scope and strategy of the Company and the prevention of any unlawful transactions, the identification of risks, and the timely and adequately flow of information.

## 2.2 NUMBER OF DIRECTORSHIPS OF BOARD MEMBERS

As at 31 December 2023, the Board of Directors consisted of five (5) members – two (2) Executive Directors, one (1) Non- Executive Director and two (2) Non-Executive and Independent Directors.

The table below provides the number of directorships the members of the Board of the Company hold at the same time in entities other than the Company, as at the time of preparation of this Report. Directorships held within the same group of companies are considered as a single directorship. In addition, directorships in organizations which do not pursue predominantly commercial objectives, such as non-profit-making or charitable organizations, are not considered for the purposes of the below.

**Table 2:** Board of Directors as at 31 December 2023

<i>Name of Director</i>	<i>Executive Director/ Independent Non-Executive Director</i>	<i>Number of Executive Directorships in other entities</i>	<i>Number of Non- Executive Directorships in other entities</i>
<i>Nicolas Evans</i>	Executive Director	0	0
<i>Marios Pittalis</i>	Executive Director	0	1
<i>Zhou Zhongbin</i>	Non-Executive Director	0	3
<i>Iacovos Kyriacou Iacovou</i>	Independent Non- Executive Director	0	3
<i>Gerasimos Koumnas</i>	Independent Non- Executive Director	0	0

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

## 2.3 DIVERSITY OF THE BOARD OF DIRECTORS

Diversity is increasingly seen as an asset to organizations and linked to better economic performance. It is an integral part of how the Company does business and imperative to commercial success. The Company recognizes the value of a diverse and skilled workforce and is committed to creating and maintaining an inclusive and collaborative workplace culture that will provide sustainability for the organization into the future. This is also documented as best practices in the Corporate Governance Code of many EU countries.

The Company recognizes the benefits of having a diverse Board which includes and makes use of differences in the skills, experience, background, race and gender between directors. A balance of these differences will be considered when determining the optimum composition of the Board.

## 2.4 TRAINING

During 2023, the Company's employees and directors, including the Risk Manager, attended a number of training seminars, presented by external organisations, covering the following areas: (i) MiFID II Compliance; (ii) AML Matters; (iii) Insider Dealing and Market Manipulation; (iv) The new RTS 27/28 requirements and Best Execution in Practice; (v) Compliance with Market Abuse; (vi) Regulatory Updates on AML & MiCA, etc.

## 3. RISK MANAGEMENT

### 3.1 RISK MANAGEMENT FRAMEWORK

The Company implements and maintains risk management policies and procedures which identify the risks relating to the Company's activities, processes and systems, and where appropriate, set the level of risk tolerated by the Company. The Company adopts effective arrangements, processes and systems, in light of that level of risk tolerance, where applicable.

The key stakeholders to the Company's risk management framework are the:

- Board of Directors;
- Risk Management Committee;
- Risk Manager;
- Internal Auditor;
- Compliance Officer; and
- Anti-Money Laundering Compliance Officer ("AMLCO").

The Company envisages a risk management framework that is founded on the following principles:

- The Company's risk-taking strategy shall ensure that adequate risk management policies and procedures are established, implemented and maintained in such a way that the level of risk undertaken by the Company can be effectively tolerated. The risk tolerance determines the

amount of risk in both qualitative and quantitative terms that the Company is willing to accept. The abovementioned policies and procedures shall be documented and subject to periodic review and adjustment in accordance with the Company's risk profile and appetite, as well as internal and external norms and best industry practices.

- Processes and systems necessary for ensuring effective and efficient operations, adequate control of risks, and prudent conduct of business, accurate internal and external disclosures, as well as compliance with internal and external rules shall be in place.
- The Company's risk-taking strategy shall ensure the compliance and monitoring of all transactions in the context of legality, avoidance of conflict of interest, insider dealing and preservation of confidential information. Clearly defined roles and responsibilities shall exist while independence between risk management functions and position/risk taking functions shall be ensured in all cases.
- The Company's risk-taking strategy shall at all times ensure the determination, evaluation and efficient management of the risks inherent in the provision of the investment services.
- The Company's strategic planning and capital management shall be based on the Company's risk-taking appetite and the shareholder return objectives, as well as risk-adjusted business line performance.
- The Company's operating model shall aim at the standardization and integration of policies and processes, supporting the improvement of operational competence and the efficient mitigation of operational risks. Adequate, reliable and automated reporting must support the implementation of the operating model. In addition, it shall be ensured that the Company's IT strategy is in line with the operating model.
- All new investment activities shall be subject to adequate procedures and controls prior to their introduction, allowing for proper and independent identification of all inherent risks in line with the Company's risk criteria and limits.
- The Company's personnel shall be properly trained in order to be aware of the Company's risk-related issues, understand their responsibilities regarding the management of those risks and have the adequate skills for their management.

### **3.2 RISK MANAGEMENT DEPARTMENT**

The Risk Management Department shall be responsible for the compliance and monitoring of all transactions in the context of legality, avoidance of conflict of interest, insider dealing, and preservation of confidential information. The Risk Management Department is also responsible for the determination, evaluation, and efficient management of the risks inherent in the provision of the investment services.

In accordance with the Company's Organisational Structure, the Risk Management Department of the Company comprises of:

#### **1. Head of the Risk Management Department**

Mrs. Damiani Papatheodotou, under an outsourcing agreement, on behalf of MNK Risk Consulting Ltd based in Cyprus.

## 2. Risk Management Committee

- a) Mr. Nicolas Evans, Managing Director, Executive Director, part of “4-Eyes”, based in Cyprus;
- b) Mr. Marios Pittalis, General Manager, Executive Director, part of “4-Eyes”, based in Cyprus; and
- c) Mr. Iacovos Kyriacou Iacovou, Independent, Non-Executive Director, based in Cyprus.

### 3.3 INTERNAL AUDIT

The Internal Audit function is separate and independent from the other functions and activities of the Company. The Internal Audit function is outsourced to MNK Risk Consulting Ltd, which reports directly to the Board.

The Internal Audit function has the following responsibilities:

- Establish, implement, and maintain an internal audit plan to examine and evaluate the adequacy and effectiveness of the Company’s systems, internal control mechanisms and arrangements.
- Issue recommendations based on the result of work carried out in accordance with the previous point.
- Verify compliance with the recommendations of the previous point.
- Report in relation to internal audit matters to Senior Management and the Board of Directors, at least annually; and
- Provide an annual written report to the Senior Management and the Board incorporating the Internal Auditor’s performance (i.e., whether remedial measures have been taken in the event of any deficiencies), to be submitted to CySEC by the end of April each year.

Additional information, duties and responsibilities of the Internal Auditor can be found in the Company’s IOM.

### 3.4 COMPLIANCE

The Compliance function is performed independently. The Company employs, on a full-time basis, a Compliance Officer. The Compliance function reports only to the Board, which ensures that the Compliance Officer and other compliance staff act independently when performing their tasks. The Compliance Officer is appointed and replaced by the Board. The role of the Compliance Officer is to ensure compliance with the current and any new laws, regulations and directives issued by CySEC.

The duties and responsibilities of the Compliance Officer are summarized below:

- Ensure that the Company maintains at all times full compliance with the legal framework (national and international laws) applicable for CIFs;
- Ensure the implementation of the procedures as described in the Company’s IOM;

- Monitor and assess those policies and procedures, to detect any risk of failure by the Company to comply with its obligations under the Law, as well as any associated risks;
- Continuously improve the existing control procedures;
- Communicate with the employees of any updated copies of the IOM, internal regulations and of any further instructions and rules, that relate to their role and responsibilities in the Company;
- Ensure that the Company's personnel attends training sessions on compliance with applicable laws, rules, and regulations;
- Provide advice and guidance to the Company's employees;
- Ensure that the Company complies with its continuous obligations to CySEC;
- Communicate with the regulatory bodies;
- Assist the regulatory bodies in performing inspections of the Company's activities;
- Training and educating the staff of the Company in respect with the compliance function according to the Law including, where necessary, provision of day-to-day assistance to the staff;
- Recommend, in case of detection of any weakness or failure by the Company to comply with its obligations under the Law, specific remedial measures; and
- Provide an annual written report to the Senior Management and the Board incorporating the Compliance Officer's performance (i.e., whether remedial measures have been taken in the event of any deficiencies), to be submitted to CySEC by the end of April each year.

### 3.5 ANTI-MONEY LAUNDERING

Money Laundering is defined as the process by which criminals attempt to conceal the true origin and ownership of the proceeds of their criminal activities, whereas terrorist financing refers to activities that provides financing or financial support to individual terrorists or terrorist groups. The role of the Anti-Money Laundering Compliance Officer ("AMLCO") is to ensure the Company's compliance with the laws and directives issued by CySEC regarding money laundering and terrorist financing issues. Note that the Company employs a full-time employee for the position of the AMLCO.

The duties and responsibilities of the AMLCO are summarized below:

- Ensure compliance with anti-money laundering laws and directives issued by CySEC as well as the identification and proper reporting of any money laundering activity to the relevant authorities;
- Ensure the implementation of the "Know Your Client" procedures of the Company;
- Design the internal practices, measures, procedures and controls relevant to the prevention of money laundering and terrorist financing, and describe and explicitly allocate the appropriateness and the limits of responsibility of each department that is involved in the abovementioned;
- Develop and establish the Customer Acceptance Policy and submit it to the Board for consideration and approval;
- Submit, where deemed necessary, an "Internal Evaluation Report on Suspicious Transactions", to the Anti-Money Laundering Unit ("MOKAS") via the GoAML portal;
- Prepare the Company's risk management and procedures manual regarding the prevention

- of money laundering and terrorist financing;
- Ensure that the Company prepares and maintains lists of customers classified on a risk-based approach, as defined in the CySEC Directive, which should contain, among other data, the names of customers, their account number, and the date of the commencement of business relationship;
- Provide advice and guidance to other employees of the Company on the correct implementation of procedures and controls against money laundering and terrorist financing;
- Prepare and apply an annual staff training program. Additionally, the AMLCO shall maintain full records of the seminars and other training offered to the Company's employees and assesses the adequacy of the training and education provided;
- Correctly prepare and timely submit to the CySEC the monthly prevention statement and provide the necessary explanation to the appropriate employees of the Company for its completion; and
- Provide an annual written report to the Senior Management and the Board incorporating the AMLCO's performance (i.e., whether remedial measures have been taken in the event of any deficiencies), to be submitted to CySEC by the end of March each year.

### 3.6 RISK MANAGEMENT COMMITTEE

The Risk Management Committee (hereafter, the "RMC") is formed with the view to ensure the efficient monitoring of the risks inherent in the provision of the investment services to Clients, as well as the risks underlying the operation of the Company, in general.

The RMC bears the responsibility to monitor the adequacy and effectiveness of the ICARA and of the risk management policies and procedures that are in place, the level of compliance by the Company and its relevant persons with the policies and procedures adopted, as well as the adequacy and effectiveness of measures taken to address any deficiencies with respect with those policies and procedures that are in place, including failures by the Company's relevant persons to comply with those policies and procedures.

Members of the risk committee must have appropriate knowledge, skills and expertise to fully understand and monitor the risk strategy and the risk appetite of the Company.

The RMC meets at least annually, unless the circumstances require extraordinary meetings. Extraordinary meetings can be called by any member of the Risk Management Committee, as well as by the Risk Manager. It is noted that the Company onboarded its first client in October 2023, which marked the activation of its license. No Risk Management Committee meeting occurred during of 2023.

The duties and responsibilities of the Risk Management Committee include:

- Ensure that all material risks are identified, measured and properly reported;
- Scrutinize, and decide on various risks associated with the operation of the Company with the view to increase the awareness of, formulate internal policies and measure the performance of the said policies in dealing with the risks associated with the operation of the Company;

- Review the risk management procedures in place
- Review, discuss, elaborate and amend, if necessary, the ICARA of the Company, on a yearly basis, prior to the approval of the Board
- Monitor and control the Risk Manager in the performance of his/her duties and the effectiveness of the Risk Management Department;
- Ensure that the Company has clear policy in respect of the assumption, follow up and management of risks duly notified to all interested parties or organizational units of the Company. Specifically, such policy shall ensure that all parties involved in the provision of investment services are aware of:
  - the particular features of each investment service, Financial Instrument, and risk inherent in the provision of the services in respect thereof;
  - the interrelation between the volume of the projected returns and the gravity of the risks undertaken by the Company
- Consider, to the extent possible, risk factors affecting costs, the price at which competitors offer the same services, and the cost-benefit ratio for each service, and verify that such information is utilized by the Risk Management Department in the carrying out of their duties;
- Specifically, with respect to liquidity risk and market risk, review the policies of the Risk Management Department on:
  - acceptable maximum risk assumption limits per class of risk
  - breakdown of such risk limits further where necessary, for example, per class of investment service or Financial Instrument, or Client or market
  - implementing stop loss-control limits
  - following up open positions within the approved limits
- Prior to expanding its operations to any new financial instruments or investment services, the Committee shall be satisfied that the Company incorporated such expansion projects into its strategic development plan, located and accurately assessed the inherent risks, by implementing the necessary risk management procedures, and resolving any legal issues associated with the execution of the relevant transactions as well as the issues relating to their monitoring;
- Ensure the immediate tracking down and scrutiny of important abrupt changes in the Company's financial figures, procedures or personnel, as well as the regular control of the volume and causes underlying deviations between projections and corporate end results, as submitted to the Board, so as to enable the assessment of the performance of each of the Company's separate organizational units by reference to the set targets;
- Approve Client and counterparty limits;
- Approve policy description concerning information systems and monitor the information systems in place;
- Appoint the responsible security user/super user for the provision of access rights to the various database and monitor the security measures in place;
- Establish policy regarding the amount of information provided to Clients about the nature and risks of Financial Instruments according to the Client classification;



- Maintain systematic supplier cooperation with the information services' end-users in all phases of development, operation and evaluation of the information applications of the Company's system;
- Supervise the Disaster Recovery Plan;
- Supervise the proper choice of investments (framework for investment decisions);
- Determine the Company's pricing policy;
- Decide upon the markets and types of Financial Instruments in which the Company shall be active;
- Determine the mode, content and frequency of the Client's briefing;
- Brief the Internal Auditor, as applicable;
- Analyze the economic conditions and the investment alternatives based on a thorough examination of third-party reports;
- Ensure that the board of directors' instructions on the Company's overall current and future risk appetite and strategy and assist the board of directors in overseeing the implementation of that strategy by senior management.

The Risk Management Committee shall present its findings in a report to the Board. The latter shall decide upon the risk management policies of the Company, following the recommendations of the RMC.

### 3.7 RISK APPETITE STATEMENT

Risk appetite is the level of risk that the Company is willing to take in order to achieve its business objectives. Risk appetite is expressed in both quantitative and qualitative terms and covers all risks, both on-balance sheet and off-balance sheet. Such risks include, but are not limited to, credit, market, operational, business, reputational, legal and compliance and data security/IT risk.

An effective risk appetite statement is empowering in that it enables the decisive accumulation of risk in line with the strategic objectives of the Company while giving the Board and management confidence to avoid risks that are not in line with the strategic objectives.

The Board has approved the following Risk Appetite Statement decided by the Management:

#### ***Risk appetite statement***

*The Company's risk appetite is determined by its Board, following the recommendations of the Risk Manager and taking into account the Company's risk bearing capacity.*

*Risk appetite determines the maximum risk that the Company is willing to assume in order to meet its business targets. To ensure coherence between the Company's strategic considerations as regards risk taking and the day-to-day decisions, Management reviews and when deemed necessary updates the Company's risk appetite statement.*



The Company's risk appetite is set by taking into consideration its current risk profile (please see below). The following are the main risk appetite statements which are applicable across all of the Company's activities:

- The Common Equity Tier 1 ("CET1") capital of the Company and capital ratios shall always exceed the IFR regulatory limits as tabulated below:

A	B	C
Regulatory Capital Ratios	Regulatory % of Own Funds Requirement (OFR)	Regulatory Limits
Min. Initial Capital Requirement	EUR 150,000	CET1 must at all times be higher than (i) EUR 150,000 and (ii) ratios shown in Column B
Fixed Overheads Requirement	25% of total FOH of previous year	
CET1	56%	
Tier 1	75%	
Total	100%	

- In case the CET1 Capital or capital ratios fall below the regulatory limits tabulated in Column B above, the Company should immediately notify CySEC.
- The Company has zero tolerance in regards to regulatory non-compliance, including regulatory client leverage limits. Therefore, all departments are required to operate at all times in compliance with respective regulatory requirements, relevant laws and regulations;
- The Company has limited tolerance towards operational risks / losses, such as internal fraud, unauthorized trading limit excesses, data security and General Data Protection Regulation (hereinafter, "GDPR"). Operational risks inherited in the business operations of the Company are managed proactively.

The Company's risk bearing capacity is defined as the ability of the Company's available capital to absorb adverse risk.

The Company's available eligible own funds as at 31.12.2023 were higher than the regulatory capital ratio of 100% (i.e., at 165.5% as at 31.12.2023) and higher than the permanent initial capital requirement of EUR 150,000 (i.e., at EUR 248K as at 31.12.2023).

The risk appetite of the Company is the aggregate level and types of risk the Company is willing to assume within its risk capacity to achieve its strategic objectives and business plan. Thus, Risk Appetite and Strategic Plan occur and evolve in parallel. The Risk Appetite enables the Company to demonstrate that the achievement of its strategic goals has not been the result of fortuitous circumstances.

The Board and Senior Management understand how the risk capacity impacts on the business and have taken the necessary steps in order to be in constant awareness, mitigating any potential threats.

The Company's Risk Appetite Statement is reviewed at least annually and is updated when deemed necessary.

### 3.8 RISK CULTURE

The Board has a crucial role in strengthening risk governance, including setting the ‘tone at the top’, reviewing strategy, and approving the Risk Appetite Statement. It is the Board that is ultimately responsible and accountable for risk governance.

The role of the Risk Manager is to promote a risk management culture across the Company, develop policies and supporting methodologies for identifying, assessing, and where possible mitigating the Company’s risk exposures.

The Company has focused primarily on the implementation of a firm-wide effective and pervasive risk culture. This will be achieved through the following:

- Embedding the risk culture at all levels of the Company with clear ownership and accountability of tasks;
- Conducting firm-wide risk assessments;
- Implementing formal risk education presentations;
- Effecting, as necessary, changes in policies and procedures, introducing additional risk criteria for the evaluation of credit and investment decisions;
- Changes in key personnel; and
- Training.

### 3.9 REGULATORY LIMITS

Under the IFR/IFD, the Company shall at all times satisfy the following regulatory own funds requirements:

1. A **CET1 ratio of at least 56%**, where CET1 ratio is the Company’s CET1 capital expressed as a % of its total Own Funds Requirement\*;
2. A **Tier 1 (CET1+ Additional Tier 1 (“AT1”)) ratio of at least 75%**, where Tier 1 ratio is the Company’s Tier 1 capital expressed as a % of its Own Funds Requirement\*;
3. A **Total ratio (Tier 1 and Tier 2) ratio of 100%**, where total capital ratio is the Company’s own funds expressed as a % of its total Own Funds Requirement\*.

**Note:** For Finquotes, the Own Funds Requirement is given as the greatest of: (i) the Permanent Minimum Capital Requirement of EUR 150,000; (ii) the Fixed Overheads Requirement; and (iii) the total K-Factors Requirement.

In addition to the capital requirements, under the new IFR, the Company is obliged to hold liquid assets equal to or greater than its Liquidity Requirement.

The Liquidity Requirement is equal to one third of the Company’s Fixed Overheads Requirement (so a twelfth of the Company’s fixed overhead expenses based on the most recent audited financial statements).

### 3.10 ICARA AND STRESS TESTING

The scope of the stress testing in the context of the Annual ICARA Process, is to evaluate the impact of the incurred risks on the Company's current and future profitability and capital and liquidity adequacy, using forward looking stress testing scenarios.

The ICARA process helps the Company to determine the additional, to the IFR Own Funds and Liquidity Requirement, capital and liquidity needed to cover all risks and to maintain an adequate surplus in respect to the minimum capital and liquidity requirements under the IFR.

The first ICARA report will be prepared during 2024 based on the 31.12.2023 cut-off, after gathering sufficient data to perform the ICARA assessment. It is reiterated that the Company onboarded its first client in October 2023. The ICARA will be conducted in accordance with the CySEC's guidelines and the results will be communicated to the Board and the General Management, as well as to CySEC upon the latter's request.

#### **Stress tests to be considered upon preparation of first ICARA:**

- Understanding the risk profile of the Company.
- Evaluating the Company's capital adequacy in absorbing potential losses under stressed conditions from risks not covered or not adequately covered under the minimum regulatory capital and liquidity requirements. This takes place in the context of the Company's ICARA.
- Evaluating the Company's strategy: Senior Management considers the stress test results against the approved business plans and determines whether any corrective actions need to be taken. Overall, stress testing allows Senior Management to determine whether the Company's exposures correspond to its risk appetite.
- Establishing or revisioning limits: Stress test results, where applicable, are part of the risk management processes for the establishment or revision of limits across products, different market risk variables and portfolios.

The ultimate responsibility and ownership of the Company's stress testing policy rests with the Board. If the stress testing scenarios reveal vulnerability to a given set of risks, the Management should make recommendations to the Board for remedial measures or actions. These may vary depending on the circumstances and include one or more of the following:

- Review the overall business strategy, risk appetite, capital and liquidity planning.
- Review limits.
- Consider an increase in share capital; or
- Enhance contingency planning.

#### 4. OWN FUNDS COMPOSITION

The following information provides a reconciliation between the Balance Sheet presented in the Audited Financial Statements and the Balance Sheet prepared for prudential purposes.

In accordance with the provisions of Article 49 (1) of the IFR, the Company shall disclose the composition of its Own Funds using the templates of Annex VI of the European Commission Regulation (EU) 2021/2284 and in accordance with the relevant instructions set out in Annex VII of that Regulation.

The composition of the Company's Own Funds as at 31 December 2023, in accordance with the abovementioned Regulation is tabulated in the following table:

**Table 3: Composition of regulatory Own Funds based on Template EU IF CC1.01 as at 31.12.2023**

<i>Ref</i>	<i>Common Equity Tier 1 (CET1) capital: Instruments and reserves</i>	<i>31 Dec 2023 EUR</i>	<i>Source based on reference numbers of the Balance Sheet in the unaudited management accounts (cross reference to EU IF CC2)</i>
<b>1</b>	<b>OWN FUNDS</b>	<b>248,247</b>	
<b>2</b>	<b>TIER 1 CAPITAL</b>	<b>248,247</b>	
<b>3</b>	<b>COMMON EQUITY TIER 1 CAPITAL</b>	<b>248,247</b>	
4	Fully paid-up capital instruments	4,000	Ref. 1 (Shareholder's equity)
5	Share Premium	668,000	Ref. 2 (Shareholder's equity)
6	Retained earnings	(293,214)	Ref. 3 (Shareholder's equity)
10	Adjustments to CET1 due to prudential filters	0	
<b>12</b>	<b>(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1</b>	<b>(130,539)</b>	
17	(-) Losses for the current financial year	(91,539)	Ref. 3 (Shareholder's equity)
26	(-) Other deductions	0	
27	CET1: Other capital elements, deductions and adjustments	(39,000)	Ref. 3 (Shareholder's equity)
<b>28</b>	<b>ADDITIONAL TIER 1 CAPITAL</b>	<b>0</b>	
<b>40</b>	<b>TIER 2 CAPITAL</b>	<b>0</b>	

**Table 4: Own Funds: Reconciliation of regulatory Own Funds to Balance Sheet in the unaudited management accounts based on Template EU IFCC2 as at 31.12.2023**

Ref	Balance sheet as in unaudited management accounts	31 Dec 2023 EUR	Cross reference to EU IF CC1
<b>Assets - Breakdown by asset classes according to the Balance Sheet in the unaudited management accounts</b>			
1	Property, plant and equipment (Non-current assets)	351	
2	Receivables (Current assets)	151,000	
3	Cash at bank and in LPs	170,959	
	<b>Total Assets</b>	<b>322,310</b>	
<b>Liabilities - Breakdown by liability classes according to the Balance Sheet in the unaudited management accounts</b>			
1	Trade and other payables (Current liabilities)	22,702	
2	Borrowings (Non-Current liabilities)	51,361	
	<b>Total Liabilities</b>	<b>74,063</b>	
<b>Shareholders' Equity - Breakdown by equity classes according to the Balance Sheet in the unaudited management accounts</b>			
1	Share Capital	4,000	Ref. 4
2	Share Premium	668,000	Ref. 5
3	Accumulated losses	(423,753)	Ref. 6, 17 and 27
	<b>Total Shareholders' equity</b>	<b>248,247</b>	

## 5. OWN FUNDS REQUIREMENTS

The primary objective of the Company with respect to its capital management is to ensure that it complies with the own funds requirements imposed by the IFR and Law 165(I)/ 2021 of CySEC.

Under this framework, the Company needs to monitor the level of its Own Funds and own funds requirements and maintain a strong Capital Adequacy ratio in order to be able to promote itself as a fully compliant and healthy Company, to support its business and maximize shareholders' value. In this respect, the own funds requirements should not be seen as a restriction of business, but rather as proactive risk management imposed to help both the Company and its client base.

The total Own Funds Requirement of the Company is determined in accordance with Article 11 of the IFR and is defined as the highest of the following:

1. The **Permanent Minimum Capital Requirement** – calculated in accordance with Article 14 of the IFR
2. The **Fixed Overheads Requirement** – calculated in accordance with Article 13 of the IFR
3. A **K-Factor Requirement** – calculated in accordance with Article 15 of the IFR.

The Board, as well as the Risk Manager, monitor the reporting requirements and have policies and procedures in place to help meet the specific regulatory requirements. This is achieved through the preparation of accounts to monitor the financial and capital position of the Company.

The Company manages the level of its Own Funds and own funds requirements and makes adjustments to it in light of the changes in the economic and business conditions and the risk characteristics of its activities.

### 5.1 PERMANENT MINIMUM CAPITAL REQUIREMENT

In accordance with the license details of Finquotes, its Permanent Minimum Capital Requirement in accordance with Article 14 of the IFR, is EUR 150,000.

The Company monitors its Own Funds on a continuous basis in order to ensure that they remain above the Permanent Minimum Capital Requirement of EUR 150,000. As further noted in Section 3.7 above, the Company's available eligible own funds as at 31.12.2023, were higher than the Permanent Minimum Capital Requirement.

### 5.2 FIXED OVERHEADS REQUIREMENT

In accordance with Article 13 of the IFR, the Fixed Overheads Requirement is calculated as the 25% of the Company's fixed overhead expenses based on the most recent Audited Financial Statements.

The following table presents the total Fixed Overhead Requirement for the Company as at 31 December 2023:

**Table 5:** Calculation of Fixed Overheads Requirement as at 31 December 2023

<b>Fixed Overheads Requirement Calculation</b>	<b>31 Dec 2023</b>
	<b>EUR</b>
<b>Fixed Overhead Requirement</b>	<b>34,249</b>
<b>Annual Fixed Overheads of the previous year after distribution of profits</b>	<b>136,997</b>
<b>Total expenses of the previous year after distribution of profits<sup>1</sup></b>	<b>136,997</b>
of which: Fixed expenses incurred on behalf of the investment firm by third parties	0
<b>(-) Total Deductions</b>	<b>0</b>
(-) Staff bonuses and other remuneration	0
(-) Employees', directors' and partners' shares in net profits	0
(-) Other discretionary payments of profits and variable remuneration	0
(-) Shared commission and fees payable	0
(-) Fees, brokerage and other charges paid to CCPs that are charged to customers	0
(-) Fees to tied agents	0
(-) Interest paid to customers on client money where this is at the firm's discretion	0
(-) Non-recurring expenses from non-ordinary activities	0
(-) Expenditure from taxes	0
(-) Losses from trading on own account in financial instruments	0
(-) Contract based profit and loss transfer agreements	0
(-) Expenditure on raw materials	0

(-) Payments into a fund for general banking risk	0
(-) Expenses related to items that have already been deducted from own funds	0
<b>Projected fixed overheads of the current year<sup>2</sup></b>	<b>187,850</b>
<b>Variation of fixed overheads (%)</b>	<b>37.12%</b>

**Notes:**

<sup>1</sup> Total Expenses represent the total expenses of the Company based on the Audited Financial Statements for the year ended 31.12.2022.

<sup>2</sup> Projected fixed overheads (for the year ended 31.12.2023) are based on the Company's capital planning.

### 5.3 K-FACTOR REQUIREMENT

The K-factor Requirement under the IFR/IFD framework is based upon the risk exposure indicators (“K-factors”), capturing not only the Balance Sheet risks but P&L risks as well.

The **K-Factor Requirement** for the Company shall amount to, at least, the sum of the following:

- 1. Risk-to-Client (“RtC”) K-Factors**, which capture client assets under management and ongoing advice (K-AUM), client money held (K-CMH), assets safeguarded and administered (K-ASA), and client orders handled (K-COH).
  - **K-AUM** captures the risk of harm to clients from mismanagement of client portfolios or poor execution and provides reassurance to clients in terms of the continuity of service of portfolio management and ongoing investment advice. The Company is not subject to the K-AUM capital requirement, since it does not offer the services of (i) portfolio management and/or (ii) investment advice.
  - **K-CMH** captures the risk of harm to client money taking into account the legal arrangements in relation to asset segregation (i.e., risk of clients to lose money safeguarded by the Company in the event of bankruptcy, insolvency, or entry into resolution or administration of the Company). The Company onboarded its first client in October 2023. K-CMH is calculated and reported on a quarterly basis.
  - **K-ASA** captures the risk of harm to client financial instruments/assets safeguarded by the Company and ensures that the Company holds capital in proportion to such balances, regardless of whether they are on its own balance sheet or in third-party accounts. The Company onboarded its first client in October 2023. K-ASA is calculated and reported on a quarterly basis.
  - **K-COH** captures the risk to clients of an IF which executes orders (in the name of the client, and not in the name of the IF itself), for example as part of execution-only services to clients or when an investment firm is part of a chain for client orders. The Company onboarded its first client in October 2023. K-COH is calculated and reported on a quarterly basis.
- 2. Risk-to-Market (“RtM”) K-Factor** is captured by the Net Position Risk (K-NPR) in accordance with the market risk provisions of the CRR or, where permitted by the competent authority, based on the total margins required by an investment firm’s clearing member (K-CMG). It is noted that the Company is **not licensed to offer the Dealing on Own Account** service and therefore the **RtM k-**

**factor is not applicable to its business model.** The RtM k-factor requirement will be calculated **only** in the cases where the Company has positions, other than trading book positions, where those give rise to foreign exchange or commodity risk. The Company will use the K-NPR method to calculate the market risk capital requirement, if and when applicable in the future.

- 3. Risk-to-Firm (“RtF”) K-Factors** captures the risk of trading counterparty default (K-TCD), concentration risk of large exposures to trading counterparties (K-CON) and operational risks from daily trading flow (K-DTF). **However, the Company is not licensed to offer the Dealing on Own Account service and therefore the RtF k-factors are not applicable to its business model.**

The table below provides information on the total K-factor requirement for the Company and the applicable K-factors that form it, in accordance with its licensed investment services:

**Table 6: Total k-factor requirement as at 31 December 2023**

<i>K-factor category</i>	<i>K-factor Requirement 31 Dec 2023 EUR</i>
<b>Risk to client</b>	<b>7,400</b>
Assets under management	0
Client money–held - Segregated	400
Client money–held - non-segregated	0
Assets safeguarded and administered	2,000
Client orders handled - Cash trades	0
Client orders handled - Derivatives Trades	5,000
<b>Risk to market</b>	<b>0</b>
K-Net positions risk requirement	0
Clearing margin given	0
<b>Risk to firm</b>	<b>0</b>
Trading counterparty default	0
Daily trading–flow - Cash trades	0
Daily trading–flow - Derivative trades	0
K-Concentration risk requirement	0
<b>TOTAL K-FACTOR REQUIREMENT</b>	<b>7,400</b>



## 5.4 TOTAL OWN FUNDS REQUIREMENT AND CAPITAL RATIOS

The total Own Funds Requirement and Capital Ratios of the Company as at 31<sup>st</sup> of December 2023 are presented in the below table. It is reminded that the total own funds requirement for Finquotes should be the highest of the following:

1. The **Permanent Minimum Capital Requirement** (see Section 5.1 above)
2. The **Fixed Overheads Requirement** (see Section 5.2 above)
3. The **K-Factor Requirement** (see Section 5.3 above).

**Table 7: Total Own Funds Requirement, capital ratios and capital levels based on the IFR rules**

Description of Metric	31 Dec 2023 <sup>1</sup> EUR
<b>Available Eligible Own Funds<sup>2</sup></b>	<b>248,247</b>
<b>Own Funds Requirement, higher of:</b>	<b>150,000</b>
1. Permanent Minimum Capital Requirement	150,000
2. Fixed Overhead Requirement	34,249
3. Total K-factor Requirement	7,400
<b>CET1 Ratio</b> (min. regulatory limit is 56% based on IFR)	165.5%
Surplus/(Deficit) over CET1 Ratio	164,247
<b>Tier 1 Ratio</b> (min. regulatory limit is 75% based on IFR)	165.5%
Surplus/(Deficit) over CET1 Ratio	135,747
<b>Own Funds Ratio</b> (min. regulatory limit is 100% based on IFR)	165.5%
Surplus/(Deficit) over CET1 Ratio	98,247

**Notes:**

<sup>1</sup>Based on unaudited management accounts as at 31 December 2023.

<sup>2</sup>Own Funds consist of CET1 instruments only (i.e., no AT1 instruments, no Tier 2 instruments)

It is noted that the Company's available eligible own funds as at 31.12.2023 were above the regulatory capital ratio of 100% and above the permanent initial capital requirement of EUR 150,000 (i.e., at EUR 248K as at 31.12.2023).

## 5.5 LIQUIDITY REQUIREMENT

Liquidity risk is the possibility that, over a specific horizon, the Company will be unable to raise cash and meet its financial obligations.

The Company has procedures with the object of minimizing the liquidity risk such as maintaining sufficient cash and also the shareholder of the Company is willing to perform liquidity injections were necessary.

Under the IFR/IFD regulatory framework, Class 2 CIFs (like Finquotes), are obliged to hold liquid assets that are equal to at least one third of their fixed overheads capital requirement (so one twelfth of their fixed overhead expenses based on their most recent annual audited financial statements).

The total Liquidity Requirement and level of liquid assets for the Company as at 31<sup>st</sup> of December 2023 is presented in the below table.

**Table 8: Liquidity Requirement and level of Liquid Assets as at 31.12.2023**

Amounts in EUR	31.12.2023
<b>Liquidity Requirement<sup>1</sup></b>	<b>11,416</b>
<b>Client Guarantees<sup>2</sup></b>	<b>0</b>
<b>Total Liquid Assets</b>	<b>155,914</b>
<b>Unencumbered short-term deposits</b>	<b>155,914</b>
<b>Total eligible receivables due within 30 days</b>	<b>0</b>
<b>Level 1 assets</b>	<b>-</b>
Coins and banknotes	-
Withdrawable central bank reserves	0
Central bank assets	0
Central government assets	0
Regional government/local authorities' assets	0
Public Sector Entity assets	0
Recognisable domestic and foreign currency central government and central bank assets	0
Credit institution (protected by Member State government, promotional lender) assets	0
Multilateral development bank and international organisations assets	0
Extremely high-quality covered bonds	0
<b>Level 2B assets</b>	<b>0</b>
<b>Qualifying CIU shares/units</b>	<b>0</b>
<b>Total other eligible financial instruments</b>	<b>0</b>

**Notes:**

<sup>1</sup> Liquidity Requirement is calculated as the 1/3 of the Fixed Overhead requirement during the year of 2023. The Fixed Overhead requirement (see Section above) for 2023 was equal to EUR 34K).

<sup>2</sup> No client guarantees were given by the Company during 2023.

## 5.6 OTHER RISKS

### Other Concentration Risks

In addition to the K-CON capital requirement, Finquotes also monitors other concentration risks on a quarterly basis in accordance with Article 54 of the IFR. Such concentration risks do not give rise to capital requirements for the Company but are being monitored and reported to CySEC only for information purposes.

In accordance with Article 54 of the IFR, the Company also monitors on a quarterly basis, the following levels of risk:

- a) the level of concentration risk with respect to **the credit institutions, investment firms and other entities where client money is held;**
- b) the level of concentration risk with respect to the **credit institutions, investment firms and other entities where client securities are deposited;**
- c) the level of concentration risk with respect to the **credit institutions where the investment firm's own cash is deposited;**
- d) the level of concentration risk from **earnings;**
- e) the level of concentration risk as described in the points above, calculated taking into account **assets and off-balance-sheet items.**

### Business Risk

Business risk is a distinct type of risk that is not captured in the course of the minimum regulatory capital requirement under IFR/IFD and is defined as the possibility of economic loss arising from adverse strategic and business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment, including technological progress. The Company manages strategic risk through its normal conduct of business, while business risk will be further examined in the course of the first ICARA that will be conducted by the Company's Risk Manager.

### Reputational Risk

Reputational risk is the current or prospective risk to earnings and capital arising from an adverse perception of the image of the Company by clients, counterparties, shareholders, investors or regulators. Reputational risk could be triggered by poor performance, the loss of one or more of the Company's key directors, the loss of large clients, poor client service, fraud or theft, client claims, legal action, regulatory fines and from negative publicity relating to the Company's operations, whether such fact is true or false.

The Company has policies and procedures in place when dealing with possible client complaints, in order to provide the best possible assistance and service under such circumstances. The risk of having unhappy clients is considered as remote, due to the fact that the Company considers that it will do its best to provide high quality services to its clients. In addition, the Company's Board members and Senior Management

comprise of experienced professionals who are recognized in the industry for their integrity and ethos, and, as such, add value to the Company.

### **Regulatory Risk**

Regulatory risk is the risk the Company faces by not complying with relevant Laws and Directives issued by its supervisory body. If materialized, regulatory risk could trigger the effects of reputational and strategic risk. The Company has in place documented procedures and policies based on the requirements of relevant Laws and Directives issued by CySEC. Compliance with these procedures and policies is further assessed and reviewed by the Company's Internal Auditor and suggestions for improvement are implemented by management. The Internal Auditor evaluates and tests the effectiveness of the Company's control framework at least annually. Therefore, the risk of non-compliance is considered as low.

### **Compliance Money Laundering Terrorist Financing Risk**

Compliance risk is the current and prospective risk of economic loss arising from violations or non-compliance with laws, rules, regulations, agreements, prescribed practices, or ethical standards.

Money laundering and terrorist financing risk mainly refers to the risk where the Company may be used as a vehicle to launder money and/or assist or be involved in financing terrorism.

The Company has in place and is updating as applicable, certain policies, procedures and controls in order to mitigate the Compliance/Money Laundering and Terrorist Financing Risks. Among others, the Company has established or is in the process of establishing the below policies, procedures and controls:

- Adoption of a risk-based approach that involves specific measures and procedures in assessing the most cost effective and appropriate way to identify and manage the Money Laundering and Terrorist Financing Risks faced by the Company;
- Adoption of adequate Client due diligence and identification procedures in line with the Clients' assessed Money Laundering and Terrorist Financing Risk, prior to and after the establishment of a business relationship with a client;
- Setting certain minimum standards of quality and extent of the required identification data for each type of Client (e.g., documents collected from independent and reliable sources);
- Obtaining additional data and information from Clients, where this is appropriate and relevant, for the proper and complete understanding of their activities and source of wealth and for the effective management of any increased risk emanating from a particular Business Relationship or an Occasional Transaction;
- Monitoring and reviewing the business relationship or an occasional transaction with Clients and potential Clients of high-risk countries;
- Develop and establish a Customers' Acceptance Policy ("CAP") which has also been included in the AML Manual and reflects the actual policies and procedures followed by the Company;
- A number of policies (i.e., Conflicts of Interest Policy, Client Complaints Policy, Investor Compensation Fund Policy, MIFID Client Categorization, etc.) have been uploaded in the Company's

website, aiming at providing its Clients with all necessary information prior to the establishment of a business relationship;

- The Company's Compliance Officer, in liaison with the Board and the Heads of the Front-line Departments, designed effective organizational and administrative arrangements, which are expected to be implemented going forward, with a view to taking all reasonable steps to prevent conflicts of interest from adversely affecting the interests of the Company's Clients;
- Established mechanisms that allow the Company to submit the EMIR and MIFIR reporting on a daily basis according to the provisions of the relevant Laws and Directives;
- Electronically submit to CySEC the Risk Based Supervision Framework ('RBS-F');
- The Company is in the process of setting in place the Common Reporting Standard (CRS) reporting;
- Registered with the goAML system implemented by the Unit for Combating Money Laundering (MOKAS).
- The Company's Compliance Officer and Senior Management shall ensure on an ongoing basis that, the Product Governance Requirements under MiFiD II will be met; and
- Ensure that the Company's personnel receive the appropriate training and assistance.

The Company has reviewed its policies, procedures and controls with respect to money laundering and terrorist financing in order to ensure compliance with the applicable legislation and incorporated, as applicable, any new information issued/available in this respect.

### **IT Risk**

IT risk could occur as a result of inadequate information technology and processing or arise from an inadequate IT strategy and policy or from the inadequate use of the Company's information technology. Policies have been implemented regarding back-up procedures, software maintenance, hardware maintenance, internet use, data protection procedures, and disaster recovery, as applicable. The Company will be regularly, at least annually, conducting Business Continuity Plan (BCP) stress tests to ensure the proper functioning of its systems and back-up procedures but also to minimise the possibility of such type of risk to materialise.

## **6. REMUNERATION POLICY AND PRACTISES**

The Company's Remuneration Policy (the "Policy") forms an integral part of its corporate governance and is developed in accordance with its operational model and strategy. The Policy has been drafted in line with ESMA's "Guidelines on Remuneration Policies and Practices (MiFiD)", the EBA's "Guidelines on sound remuneration policies under Directive (EU) 2019/2034" and the relevant provisions set out in Law 165(I)/2021 for the Prudential Supervision of Investment Firms.

In accordance with Title IV, Chapter 2, Part B of the Law, Finquotes is obliged to establish and apply a remuneration policy for categories of staff, including senior management, risk takers, staff engaged in control functions and any employees receiving overall remuneration equal to at least the lowest

remuneration received by senior management or risk takers, whose professional activities have a material impact on the risk profile of the Company or of the assets that it manages.

The remuneration policy shall comply with the following principles:

- Be clearly documented and proportionate to the size, internal organisation and nature, as well as to the scope and complexity of the activities of the CIF;
- Be gender-neutral;
- Be consistent with and promote sound and effective risk management;
- Be in line with the business strategy and objectives of the CIF, and also takes into account long term effects of the investment decisions taken;
- Contain measures to avoid conflicts of interest, encourage responsible business conduct and promote risk awareness and prudent risk taking;
- The CIF's board of directors in its supervisory function shall adopt and periodically review the remuneration policy and have overall responsibility for overseeing its implementation;
- The implementation of the remuneration policy shall be subject to a central and independent internal review by control functions at least annually;
- Staff engaged in control functions shall be independent from the business units they oversee, have appropriate authority, and be remunerated in accordance with the achievement of the objectives linked to their functions, regardless of the performance of the business areas they control;
- The remuneration of senior officers in the risk management and compliance functions must be directly overseen by the remuneration committee or, where such a committee has not been established, by the board of directors in its supervisory function;
- The remuneration policy, taking into account the rules in force in the Republic of Cyprus on wage setting, should make a clear distinction between the criteria applied to determine the following:
  - Basic fixed remuneration, which should primarily reflect relevant professional experience and organisational responsibility as set out in an employee's job description as part of his or her terms of employment;
  - Variable remuneration, which shall reflect a sustainable and risk adjusted performance of the employee, as well as performance in excess of the employee's job description;
- The fixed component shall represent a sufficiently high proportion of the total remuneration so as to enable the operation of a fully flexible policy on variable remuneration components, including the possibility of paying no variable remuneration component.

In accordance with Article 51 of the IFR, the Company shall disclose the following information regarding its remuneration policy:

i. **Most important design characteristics**

The Company's remuneration policy aims to ensure that:

- The remuneration of employees is based on their overall performance within the Company, particularly emphasising on evaluating the employees on the basis of Qualitative Criteria, which aim on the employees' efficiency in the workplace and the overall service experience rendered to the Company's Clients;
- The Company is able to attract, develop and retain high-performing and motivated employees in a competitive, international market;
- Employees are offered a competitive remuneration package;
- Employees feel encouraged to create sustainable results
- A link shall exist between shareholder and employee interests;
- Corporate values and culture are supported;
- Leadership, accountability, teamwork and innovation are reinforced;
- The contribution and performance of the businesses, teams and individuals are aligned.

The Company's remuneration policy is set by the Board and focuses on ensuring sound and effective risk management through:

- Setting goals and communicating these goals to employees;
- Including non-financial goals in performance and result assessments;
- Making fixed salaries the only remuneration component.

The Board has the overall responsibility for providing recommendations on employee remuneration.

The Policy will be reviewed by the Board on a regular basis, at least once a year. The design of remuneration policies and practices is approved by the people who effectively direct the business of the Company, after taking advice from the compliance function, and implemented by appropriate functions to promote effective corporate governance.

The people who effectively direct the business are responsible for the implementation of remuneration policies and practices and for preventing and dealing with any relevant risks that remuneration policy and practices can create.

***The Company will be paying fixed remuneration to all staff and no variable remuneration will be provided.***

The Company may provide annual discretionary bonus to all employees, taking into account the business activities of the Company and associated risks, as well as the impact that different categories of staff have on the risk profile of the Company.

**ii. Ratios between fixed and variable remuneration**

As stated in the previous section, Finquotes will not be offering any variable remuneration or bonus to any individual employee.

**iii. Aggregated quantitative information on remuneration:**

The table below provides aggregate 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 Company:

**Table 9:** Aggregate Annual Remuneration as at 31.12.2023

<i>Remuneration as at 31st December 2023</i>	<i>No. of beneficiaries</i>	<i>Annual Remuneration (EUR)</i>		
		<i>Fixed</i>	<i>Variable</i>	<i>TOTAL</i>
<i>Senior Management</i>	<i>2</i>	<i>48,000</i>	<i>0</i>	<i>48,000</i>
<i>Heads of Departments &amp; other staff</i>	<i>4</i>	<i>107,400</i>	<i>0</i>	<i>107,400</i>
<b><i>Total</i></b>	<b><i>6</i></b>	<b><i>155,400</i></b>	<b><i>0</i></b>	<b><i>155,400</i></b>

**Notes:**

1. *Senior Management personnel includes the Executive Directors of the Board of Directors*
2. *Other Staff includes Senior Officers whose actions have a material impact on the risk profile of the Company.*

During 2023, the Company did not pay or award any sign-on or severance payments, nor any guaranteed variable remuneration.



## 7. INVESTMENT POLICY DISCLOSURES

In accordance with Article 52 of the IFR, Class 2 investment firms whose value of on and off-balance sheet assets is on average equal to or more than EUR 100 million over the four-year period (Article 32(4)(a) of IFD) shall disclose the following information:

1. the proportion of voting rights attached to the shares held directly or indirectly by the investment firm, broken down by Member State and sector;
2. 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 administrative or management body of the company which the investment firm has approved; and
3. an explanation of the use of proxy advisor firms;
4. the voting guidelines regarding the companies the shares of which are held.

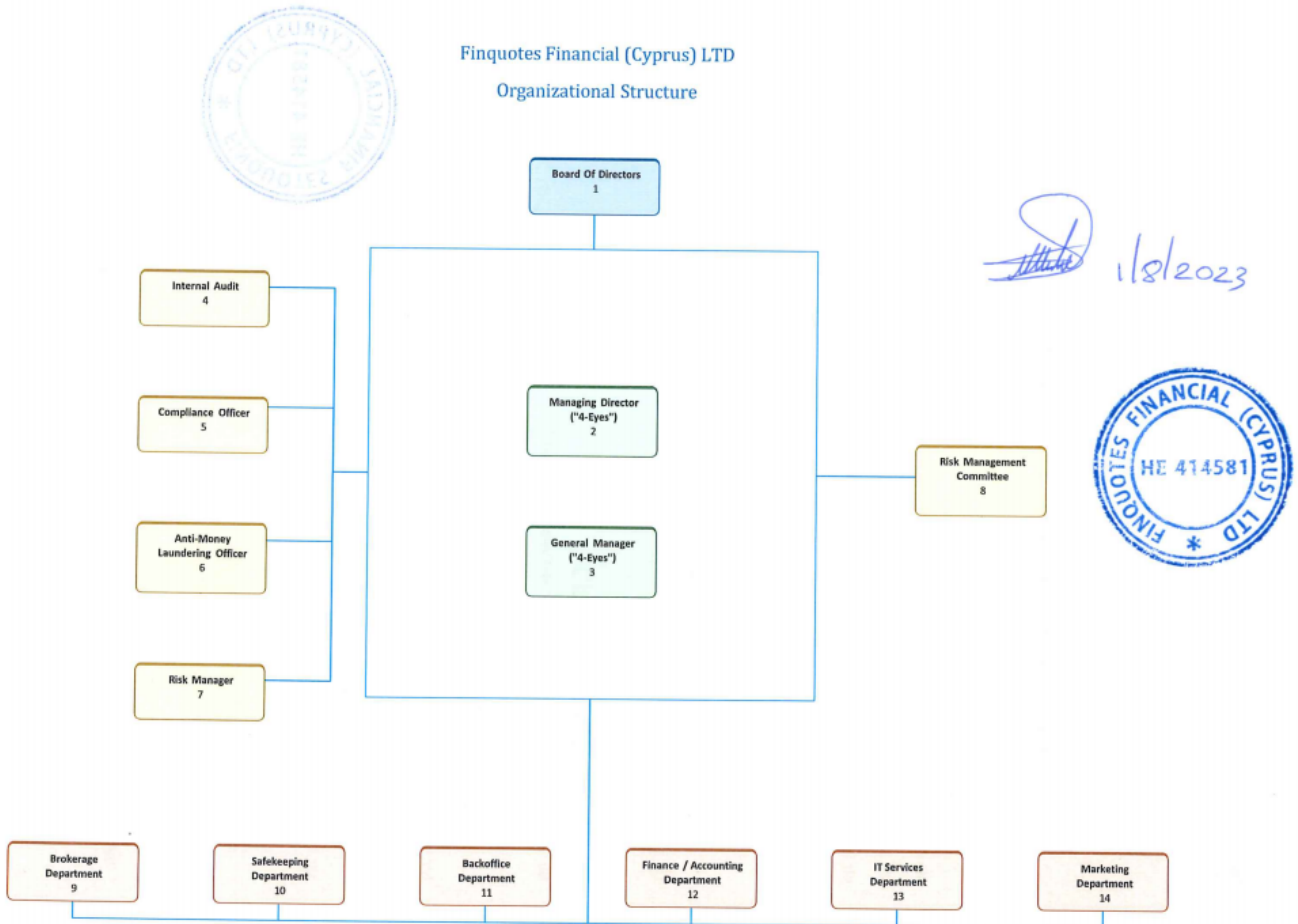
***It is noted that the value of the Company's on and off-balance sheet assets is below the EUR 100 million threshold stipulated in Article 32(4)(a) of the IFD, and therefore is excluded from the obligation to disclose information in relation to its investments.***

## 8. ESG DISCLOSURES

As of 26 December 2022, investment firms whose value of on and off-balance sheet assets is on average equal to or more than EUR 100 million over the four-year period (Article 32(4)(a) of IFD), shall disclose information on Environmental, Social and Governance (“ESG”) risks, including physical risks and transition risks, as defined in the report referred to in Article 35 of IFD.

***It is noted that the value of the Company's on and off-balance sheet assets is below the EUR 100 million threshold stipulated in Article 32(4)(a) of the IFD, and therefore is excluded from the obligation to disclose information in relation to its ESG risks.***

## 9. APPENDIX 1 – ORGANISATIONAL STRUCTURE AS AT 31/12/2023



## 10.APPENDIX 2 – MAIN FEATURES OF OWN FUNDS

<i>Template EU IF CCA</i>		<i>Common Equity Tier 1 instruments</i>
1	Issuer	Finquotes Financial (Cyprus) Ltd
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Public or private placement	Private
4	Governing law(s) of the instrument	Cyprus Company Law (Chapter 13)
5	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares
6	Amount recognised in regulatory capital (EUR)	2,000
7	Nominal amount of instrument (EUR)	2,000
8	Issue price (EUR)	1
9	Redemption price	N/A
10	Accounting classification	Shareholders' equity
11	Original date of issuance	29/10/2020
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	<i>Coupons / dividends</i>	N/A
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory (in terms of timing)	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	No
23	Non-cumulative or cumulative	Non-cumulative
24	Convertible or non-convertible	Non-convertible
25	If convertible, conversion trigger(s)	N/A
26	If convertible, fully or partially	N/A
27	If convertible, conversion rate	N/A
28	If convertible, mandatory or optional conversion	N/A
29	If convertible, specify instrument type convertible into	N/A
30	If convertible, specify issuer of instrument it converts into	N/A
31	Write-down features	No
32	If write-down, write-down trigger(s)	N/A
33	If write-down, full or partial	N/A
34	If write-down, permanent or temporary	N/A
35	If temporary write-down, description of write-up mechanism	N/A
36	Non-compliant transitioned features	No

\* 'N/A' indicates that the particular field is not applicable

## 11.APPENDIX 3 – SPECIFIC REFERENCES TO THE IFR

IFR Reference (Article)	High Level Summary	Compliance Reference
<b>Scope of Disclosure Requirements</b>		
46 (1)	Requirement to publish disclosures for Class 2 IFs	1.2
46 (2)	Requirement to publish disclosures for Class 3 IFs, issuing AT1 instruments	N/A
46 (3)	Requirement to publish disclosures when a Class 3 IFs no longer meets the criteria to be considered a small and non-interconnected IF	N/A
46 (4)	Determination of the appropriate medium and location to publish the disclosures	1.2
<b>Risk management objectives and policies</b>		
47	Investment firms shall disclose their risk management objectives and policies for each separate category of risk, including a summary of the strategies and processes to manage those risks and a concise risk statement approved by the investment firm’s management body succinctly describing the investment firm’s overall risk profile associated with the business strategy.	3
<b>Governance</b>		
48 (a)	Number of directorships	2.2
48 (b)	Diversity Policy	2.3
48 (c)	Risk Committee and number of times the risk committee has met annually	3.6
<b>Own Funds Composition</b>		
49 (1) (a) to (c)	Requirements regarding disclosure of own funds	4
49 (2)	Requirements regarding disclosure of own funds based on EBA Templates (Regulation (EU) 2021/2284)	4
<b>Own Funds Requirements</b>		
50 (a)	Summary of the investment firm’s approach to assessing the adequacy of its internal capital to support current and future activities	3.10
50 (b)	Upon a request from CySEC, the result of the investment firm’s internal capital adequacy assessment process, including the composition of the additional own funds based on the supervisory review process as referred to in point (a) of Article 39(2) of Directive (EU) 2019/2034 (“IFD”)	N/A
50 (c)	The K-factor requirements	5.3
50 (d)	The fixed overheads requirement	5.2

Remuneration policy and practises		
51 (a)	Most important design characteristics of the remuneration system, including the level of variable remuneration and criteria for awarding variable remuneration, pay out in instruments policy, deferral policy and vesting criteria	6 (i)
51 (b)	Ratios between fixed and variable remuneration	6 (ii)
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	6 (iii)
51 (d)	Information on whether the investment firm benefits from a derogation laid down in Article 32(4) of Directive (EU) 2019/2034 (“IFD”)	7 & 8
Investment Policy		
52 (1)	<p>Investment firms which <b>do not meet</b> the criteria referred to in point (a) of Article 32 (4) of Directive (EU) 2019/2034 (“IFD”) disclose the following in accordance with Article 46 of this Regulation:</p> <ul style="list-style-type: none"> <li>(a) the proportion of voting rights attached to the shares held directly or indirectly by the investment firm, broken down by Member State and sector;</li> <li>(b) a complete description of voting behaviour in the general meetings of companies the shares of which are held in accordance with Article 52 (2) of the IFR, an explanation of the votes, and the ratio of proposals put forward by the administrative or management body of the company which the investment firm has approved;</li> <li>(c) an explanation of the use of proxy advisor firms;</li> <li>(d) the voting guidelines regarding the companies the shares of which are held in accordance with article 52 (2) of the IFR</li> </ul>	<p>N/A – Finquotes meets the criterion of point (a) of Article 32 (4) of Directive (EU) 2019/2034</p> <p>(i.e., its total on and off-balance sheet assets are <b>less than EUR 100mio</b> over the last four-year period)</p>
52 (2)	The investment firm referred to in Article 52 (1) of the IFR shall comply with that paragraph only in respect of each company whose shares are admitted to trading on a regulated market and only in respect of those shares to which voting rights are attached, where the proportion of voting rights that the investment firm directly or indirectly holds exceeds the threshold of 5% of all voting rights attached to the shares issued by the company. Voting rights shall be calculated on the basis of all shares to which voting rights are attached, even if the exercise of those voting rights is suspended.	N/A – as per comment in point 52 (1) above

52 (3)	EBA, in consultation with ESMA, shall develop draft regulatory technical standards to specify templates for disclosure under Article 52 (1) of the IFR.	N/A – as per comment in point 52 (1) above
<b>Environmental, social and governance risks</b>		
53	From 26 December 2022, investment firms which do not meet the criteria referred to in Article 32(4) of Directive (EU) 2019/2034 shall disclose information on environmental, social and governance risks, including physical risks and transition risks, as defined in the report referred to in Article 35 of Directive (EU) 2019/2034.	N/A – Finquotes meets the criterion of point (a) of Article 32 (4) of Directive (EU) 2019/2034  (i.e., its average on and off-balance sheet assets are <b>less than EUR 100mio</b> over the last four-year Period)