



iCFD Limited

Pillar III – Disclosures 2024

Disclosures in accordance with Part Six of Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms and amending Regulations (EU) No 1093/2010, (EU) No 575/2013, (EU) No 600/2014 and (EU) No 806/2014

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1. Scope of Application

iCFD Limited (hereinafter the “Company”), is an investment firm incorporated in Cyprus as a private limited liability Company under the provisions of the Cyprus Companies Law, Cap. 113. The Company is authorized and regulated by the Cyprus Securities and Exchange Commission (hereinafter “CySEC”) under license number 143/11, and which has a LEI Code of 21380087DF767XENPB60 for the conduct of designated investment business in the Republic of Cyprus and other jurisdictions.

Under its license the Company offers the following investment and ancillary services:

Investment Services	Ancillary Services
Reception and transmission of orders in relation to one or more financial instruments	Safekeeping and administration of financial instruments, including custodianship and related services
Execution of orders on behalf of clients	Granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction
Dealing on own account	Foreign exchange services where these are connected to the provision of investment services
	Investment research and financial analysis or other forms

The Company's principal activity during the year was the facilitation of clients' trading in Contracts for Differences (“CFDs”) through internet-based trading platform. In providing these services to its clients the Company acts as a market maker. At the same time, the Company hedges all its transactions with a liquidity provider within its group of companies under Risk Mitigation Agreement and receives commission in return. To this extent, the Company takes minimal market risk.

Furthermore, it is noted that the Company does not hold any real crypto assets. However, the Company offers through its internet-based trading platform a number of CFDs with crypto as their underlying instrument which are less than 5% of the total volume of CFDs of the Company in terms of notional value, exposure value and capital requirement as measured under K-TCD. Based on these figures, the Company considers that it does not have any material crypto-asset holdings.

We note that the Company is not considered significant as defined by the current definitions set by the CySEC in the financial year covered by these Disclosures (i.e. Circular C487).

The Company is making the disclosures on an individual (solo) basis. Also, it is noted that the Company’s financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (“EU”) and the requirements of the Cyprus Companies Law, Cap. 113.

In addition, the Company meets the criteria referred to in Article 32(4)(a) of IFD, therefore, this report does not include details regarding the Investment Policy, nor Environmental, Social and Governance Risks outlined in Articles 52 and 53 of the IFR, respectively. Furthermore, the Company was not considered a Significant CIF per the conditions of CySEC Circular C487, and following consideration of its size, internal organisation and the nature, scope and complexity of its business, the Company’s management did not deem it necessary to establish a Nomination or a Remuneration Committee.

1.1 Regulatory context

Since 26th June 2021, the Company abides by the prudential rules set by the EU Regulation 2019/2033 on the prudential requirements of investment firms (“Investment Firm Regulation” or “IFR”) and EU Directive 2019/2034 on the prudential supervision of investment firms (“Investment Firm Directive” or “IFD”) – harmonized through the issuance of the Cyprus Law on the Prudential Supervision of CIFs of 2021 (165(I)/2021). This prudential framework addresses the specific vulnerabilities and risks inherent to investment firms by means of proportionate and appropriate prudential arrangements. Also, the IFR permits a transitional period of five years, until the 26th of June 2026, for certain of the enhanced capital requirements.

The current regulatory framework comprises of three pillars:

- **Pillar I** covers the calculation of the Capital Adequacy Ratio and Liquidity Requirement.
- **Pillar II** covers the Supervisory Review and Evaluation Process (‘SREP’), which assesses the Internal Capital Adequacy and Risk Assessment Process (the ‘ICARA’) and provides for the monitoring and self-assessment of an institution’s capital adequacy and internal processes.
- **Pillar III** covers external disclosures that are designed to provide transparent information on regulatory capital adequacy, risk exposures and risk management and internal control processes.

2. Governance – Board and Committees

2.1 The Board

The Board is responsible, inter alia, for ensuring that the Company complies with its obligations under the relevant and applicable legislation. The Board assesses and periodically reviews the effectiveness of the policies, arrangements and procedures put in place to comply with the obligations under the relevant and applicable legislation, and to take appropriate measures to address any deficiencies.

The Board ensures that it receives at least annually, written reports regarding Risk Management, Compliance, Money Laundering & Terrorist Financing and Internal Audit issues, indicating, in particular, whether the appropriate remedial measures have been taken in the event of any deficiencies. The Board is 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 of any unlawful transactions, the identification of risks, and the timely and adequate flow of information.

During the year 2024, the Board consisted of two Executive and two Non-Executive Directors.

2.2 Diversity in the selection of members of the management body

In selecting the members of its Board, the Company aims at achieving a diverse pool of members, with a broad set of qualities, competencies and skills, to achieve a variety of views and experiences and to facilitate independent opinions, so as to be able to apply a well-rounded approach to the issues facing the Company, understand the risks arising from its various activities and operations and take proper strategic decisions, in a manner that promotes the integrity of the market and the interest of clients.

2.3 Board Committees

In order to support effective governance and management of the wide range of responsibilities the Board has established a Risk Management Committee and an Investment Committee, with the purpose of ensuring the implementation of a prudent investment policy and the monitoring of the provision of adequate investment services to clients.

Furthermore, the Company maintains a ‘Senior Management - “4-Eyes”’ structure, which is responsible to ensure compliance with its obligations under the applicable legislation, to assess and periodically review the effectiveness of the policies, arrangements and procedures put in place and to take appropriate measures to address any deficiencies.

Risk Management Committee

The Company maintains a Risk Management Committee, which is formed with the view to ensure the efficient monitoring of the risks inherent in the provision of the investment and ancillary services to clients, as well as the risks underlying the operation of the Company, in general.

The Risk Management Committee bears the responsibility to monitor the adequacy and effectiveness of the in place risk management policies and procedures, 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 the measures taken to address any deficiencies with respect to those policies and procedures, including failures by the Company's relevant persons to comply with them.

During 2024, the Risk Management Committee met two times.

Investment Committee

The Investment Committee ensures the implementation of a prudent investment policy and the monitoring of the provision of adequate investment services to clients.

The Investment Committee is responsible to supervise the proper choice of investments and analyse the investment potential, as well as to contribute to the elaboration of the investment policy. The Committee shall also determine the Company's pricing policy and the mode, content, and frequency of the clients' briefing. Finally, the Committee shall analyse the economic conditions and the investment alternatives based on a thorough examination of third-party reports, decide upon the market and types of financial instruments in which the Company shall be active and also review the established Company's investment policy and dealing on own account policy.

2.4 Risk Management Function

The Board appointed a Risk Manager to ensure that all the different types of risks assumed by the Company are in compliance with the relevant and applicable legislation, and that all the necessary procedures relating to risk management are in place and are functional on an operational level and on a day-to-day basis. The Risk Manager reports directly to the Senior Management of the Company.

As detailed above, this role is supported and monitored by the Risk Management Committee and is more operational than strategic. Policy is set by the Board and the Risk Management Committee. The activities carried out by the Risk Management Function include, inter alia:

- The design of the overall risk management system of the Company
- The preparation of the Risk Management policies and procedures
- The identification of all risks faced by the Company
- The establishment of methods for risk monitoring and measurement

- The provision of assistance to the relevant persons responsible for carrying out investment services and activities to comply with their obligations under the Law and the Directives issued pursuant to the Law;
- The provision of training to the personnel of the Company on risk related issues; and
- The evaluation and provision of assurance that risk management control and governance systems are functioning as intended and will enable the Company’s objectives and goals to be met.

Furthermore, the Risk Management Function of the Company bears the responsibility to supervise the construction of Company’s “ICARA”, including the formation of the subjective decisions/ policies on the relevant risks applicable to the Company, as well as to plan and organize the implementation and embedment of the “ICARA” within the Company, on an operational level. Further, the Risk Management Function is responsible to review, re-run, as well as present the Company’s “ICARA” Report to the Board, on an annual basis.

The Company’s ICARA Report for the year 2023 has been reviewed, and approved by the Board during a relevant Board meeting in July 2024. It is expected that the ICARA Report for the year 2024 will be prepared within 2025 and will be finalized during the third quarter of 2025.

2.5 Number of directorships held by members of the Board

The table below provides information on the number of directorships each member of the management body of the Company holds at the same time in other entities, excluding iCFD Limited. Directorships in organizations which do not pursue predominantly commercial objectives, such as non-profit-making or charitable organizations, are not taken into account for the purposes of the below.

It shall be noted that, based on its internal assessment, the Company did not consider itself to be significant in terms of its size, internal organization and the nature, scope and complexity of its activities for the year ended 31st December 2024.

Table 1:

Name of Director	Position within iCFD Limited	Other Directorships – Executive	Other Directorships – Non-Executive
Theodotos Choraitis	Executive Director	-	-
Nicolas Mbakallouris	Executive Director	-	-
Pavlos Nacouzi	Independent, Non-Executive Director	1	-
Christakis Taoushanis	Independent, Non-Executive Director	-	5

1. The information presented in this table is based only on representations made by the directors of the Company as at the time of preparation of this report.

2. Where a director holds executive or non-executive directorships in entities of the same group, this was reflected as one executive position in the table above.

3. Board Risk Appetite Statement

The Risk Appetite Statement defines the level of risk the Board is willing to take in pursuit of its business objectives and strategic goals. It defines the parameters within which the Company can operate and the relevant risks it can assume, both on an individual as well as on an aggregated basis.

The Risk Appetite Statement includes some high-level principles and key risk indicators to alert Management and the Board of Directors of any risk concerns and triggering appropriate responsive actions. Specific limits are in place, which are embedded in the risk monitoring systems and reporting, to cap the amount of risk the Company will take.

The Company's risk appetite statement is provided in the Appendix 1.

4. Capital Management

The primary objective of the Company’s capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value. In addition, the Company manages its capital to ensure that it will be able to continue as a going concern while increasing the return to shareholders through striving to improve its Equity and Capital Adequacy Ratio.

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

- Pillar I - Minimum capital requirements
- Pillar II - Supervisory review process
- Pillar III - Market discipline

4.1 Pillar I – Minimum Capital Requirements

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

4.2 Pillar II – The Supervisory Review and Internal Capital Adequacy and Risk Assessment Process

The Internal Capital Adequacy and Risk Assessment (“ICARA”) process under IFR/IFD prudential framework, determines the Pillar II capital and liquidity requirements. Further to the Pillar 1 minimum capital requirements as mentioned above, the Company needs to keep additional capital and liquidity to cover its Pillar II risks. The amount of these capital and liquidity are determined internally by the Company through the performance of the ICARA, and upon CySEC’s request, the ICARA is collected by the CySEC and undergoes the Supervisory Review and Evaluation Process (“SREP”). Following the SREP, the final Pillar II capital and liquidity deemed as necessary by the CySEC are communicated to the Company and considered as an additional requirement affecting the minimum required Capital Adequacy Ratio. Pillar II connects the regulatory capital and liquidity requirements to the Company’s internal capital and liquidity and to the reliability of its internal control structures.

The Company shall update its ICARA Report with the Audited Financial Statements for the year 2024 within the 3rd quarter of 2025. Furthermore, the Company shall arrange so that the ICARA Report is thereafter approved by the Board.

The ICARA Report will present the main business background aspects and developments of the Company, summary of the Company’s business economic environment, the Company’s financial

summary for the previous and upcoming years, the business and strategic goals, organisational structure and the risk management framework, the overall assessment of the material risks as well as a forward-looking capital and liquidity planning.

The Company recognises the importance of the ICARA and appreciates that it enables the firm to justify its business strategy and risk assessments in such a way to be more diligent in the inclusion of risk factors in the business design process and also to hold less capital and liquidity than the gross risks to which it is exposed. The Board is committed to continuously update the ICARA at least annually to reflect the latest strategic plans and updates.

4.3 Pillar III – Market Discipline

Market Discipline requires the disclosure of information regarding the risk management policies of the Company, as well as the results of the calculations of minimum capital requirements, together with concise information as to the composition of Own Funds.

The Company’s Pillar III disclosures have been prepared in compliance with Part Six of the IFR and relate to the financial year ending on 31st of December 2024. This Report should be read in conjunction with the audited financial statements of the Company. The disclosures are made on a solo basis and are published annually. Further, the Company has commissioned its External Auditors to verify its Pillar III Disclosures. Where in this Report there are references to “reference date” this is the 31st of December 2024.

The Company’s Pillar III disclosures are published on the Company’s website through the ‘Legal agreements and documents’ section. Please refer to the following link: <https://www.iforex.eu/legal-documents/legal-agreements-and-documents>

Unless stated otherwise, all amounts are in thousands of Euros (“€”).

5. Fixed Overheads Requirement (“FOR”)

The Company calculates its FOR by taking the one quarter of the fixed overhead expenses of the preceding year in accordance with the provisions of Article 13 of the IFR. The Fixed Overheads Requirement of the Company as of 31 December 2024 amounted to €406 thousand. The Company monitors its expenses and calculates the projected fixed overheads requirement for every year. In case of a material change (change by 30% in the Company’s projected fixed overheads of the current year or €2m in the Company’s own funds requirements based on projected fixed overheads of the current year), the Company should recalculate its fixed overheads requirement based on the projected figures and assess whether the appropriate capital resources are in place to comply with the provisions of the IFR.

6. Permanent Minimum Capital Requirement (“PMCR”)

The Company monitors its Own Funds on a continuous basis and ensures that they remain above the Permanent Minimum Capital Requirement of €750 thousand, which corresponds to the initial capital that applies to the Company, since it is authorized to provide the investment service of “dealing on own account”, in accordance with Article 9 of the IFD.

7. K-Factors Requirement

The K-factor capital requirements are essentially a mixture of activity- and exposure-based requirements. Capital requirement from applying K-factors formula is the sum of Risk to Client (‘RtC’), Risk to Market (‘RtM’) and Risk to Firm (‘RtF’). Further to the above and since the Company is a Class 2 Investment Firm which is authorized to provide the investment service of Dealing on Own Account, all RtC, RtM and RtF proxies are applicable for the Company.

In the following sections all Risk Proxies are described with a reference to the relevant K-factors requirements.

7.1 Risk to Client

Risk to Client (“RtC”) is the risk that an investment firm poses to its clients in the event where it fails to properly carry out the services being offered to them. It reflects the risk covering the business areas of investment firms from which harm to clients can conceivably be generated in case of problems.

There are four K-factors through which some of the core aspects of RtC are being captured and measured, and which act as proxies that cover the specific business areas referred to above. These K-factors consist of the following:

- **K-AUM (Assets Under Management)** - K-AUM captures the risk of harm to clients from an incorrect discretionary management of client portfolios or poor execution and provides reassurance and client benefits in terms of the continuity of service of ongoing portfolio

management and investment advice. Since the Company is not authorised for the Portfolio Management or Investment Advice investment services, then K-AUM is not applicable.

- **K-CMH (Client Money Held):** K-CMH captures the risk of potential for harm where an investment firm holds the money of its clients, taking into account whether they are on its own balance sheet or in third-party accounts and whether arrangements under applicable national law provide that client money is safeguarded in the event of bankruptcy, insolvency, or entry into resolution or administration of the investment firm. K-CMH excludes client money that is deposited on a (custodian) bank account in the name of the client itself, where the investment firm has access to the client money via a third-party mandate. Based on the reference year, as part of its business, the Company receives from its customers, cash deposits to enable them to perform transactions in financial instruments and to this end, it is subject to the risk captured by this K-factor.
- **K-ASA (Assets Safeguarded and Administered):** K-ASA captures the risk of safeguarding and administering client assets and ensures that investment firms hold capital in proportion to such balances, regardless of whether they are on its own balance sheet or in third-party accounts. During the year under review, the Company offered safeguarding services only in relation to the CFD positions of its clients, which is captured under K-CMH in consideration of the nature of CFD products. Therefore, the Company was not subject to the risk relating to this K-factor.

K-COH (Client Orders Handled): K-COH captures the potential risk to clients of an investment firm which executes orders (in the name of the client, and not in the name of the investment firm itself), for example as part of execution-only services to clients or when an investment firm is part of a chain of client orders. The Company executes its clients' orders by acting as principal to their trades, therefore the risk reflected by this K-factor does not apply.

7.1.1 K-CMH

The Company holds money on behalf of clients in accordance with the client money rules set out in the CySEC's Directive DI87-01 for the Safeguarding of Client Assets, Product Governance Obligations and Inducements. Such money is classified as "segregated client funds" in accordance with the CySEC regulatory requirements. Segregated client money accounts hold statutory trust status, according to regulatory requirements, restricting the Company's ability to control the money and accordingly such amounts are not presented on the Company's statement of financial position. Furthermore, the Finance & Accounting Department is responsible for monitoring and supervising the reconciliation of the client balances to any table entries used and to the corresponding General Ledger Account balances, in order to ensure that client money is properly and adequately safeguarded.

The Company maintains Clients funds in four (4) Banking Institutions. In addition, the Company further diversified placements of its clients' funds by setting maximum limits of funds placed in each financial institution by considering, among others, the credit ratings of each financial institution.

7.2 Risk to Market

Risk to Market ("RtM") is the risk that an investment firm poses to the financial markets that it operates in and the counterparties that it trades with.

There are two K-factors that capture the principal risks under RtM:

- **K-NPR (Net Position Risk)** – This k-factor is based on the rules for Market Risk for positions in equities, interest rate financial instruments, foreign exchange and commodities in accordance with Regulation (EU) No. 575/2013 ("CRR"). The Company is exposed to market risk resulting from exposure to:
 - FX Risk.
 - Commodity Risk.
 - Equity Risk
- **K-CMG (Clearing Margin Given)** -This is an alternative to K-NPR to provide for market risk for trades that are subject to clearing or on a portfolio basis, where the whole portfolio is subject to clearing or margining as set out in Article 23 of IFR. CMG means the amount of total margin required by a clearing member or qualifying central counterparty, where the execution and settlement of transactions of an investment firm dealing on own account take place under the responsibility of a clearing member or qualifying central counterparty. Based on the reference year, this K-factor is not applicable to the Company due to the nature of its operations.

Foreign Exchange Risk

Foreign exchange risk is the effect that unanticipated exchange rate changes have on the Company. In the ordinary course of business, the Company is exposed to foreign exchange risk, which is monitored through various control mechanisms.

The foreign exchange risk in the Company is effectively managed by setting and controlling foreign exchange risk limits, such as through the establishment of maximum value of exposure to a particular currency pair as well as through the utilization of sensitivity analysis.

The Company's foreign exchange risk capital requirement is €79 thousand based on the latest relevant calculations of the Company's capital requirements, as at 31st of December 2024. The Company continues to regularly monitor the impact of exchange rate risks and if deemed necessary corrective actions will be taken to minimize the effect.

Position Risk

Position Risk is the risk involved with a certain trading position, commonly incurred due to the changes in price of the debt and equity (i.e., stocks and indices) instruments. The Company calculates its capital requirements for position risk as the sum of the own funds' requirements for the general and specific risk of its positions in debt and equity instruments.

Equities

Equity Risk is the risk that the fair value of a financial instrument fluctuates as a result of changes in market prices other than due to the effect of transactional foreign currency exposures or interest rate risks.

The sum of the absolute values of all of the Company's net long positions and all its net short positions is its overall gross position. The Company calculates, separately for each market, the difference between the sum of the net long and the net short positions. The sum of the absolute values of those differences is its overall net position. The specific risk on this individual equity can be ignored if the stock-index future in question is exchange traded and represents a relevant appropriately diversified index.

The Company multiplies its overall gross position by 8% in order to calculate its own funds requirement against specific risk. The own funds requirement against general risk are the Company's overall net position multiplied by 8%.

As of 31 December 2024, the market risk capital requirements, due to position risk in equities amounted to zero.

7.2.1 K-NPR

The Company operates a Back-to-back hedging model, where all the positions in the trading book are fully hedged with the Liquidity Provider. Therefore, there is no market risk resulting from exposure to foreign exchange risk, position risk (equities risk) and commodities risk in the ordinary course of business. The Company is subject to market risk arising solely from the banking book assets and liabilities that are denominated in a currency other than its reporting currency (the euro).

7.3 Risk to Firm

The Risk to Firm captures the risk that could be inflicted on the Company itself. The K-factors under RtF capture an investment firm's exposure to their trading counterparties, the concentration risk in an investment firm's large exposures and the operational risk from an investment firm's daily trading flow:

K-factors for K-TCD and K-CON under RtF constitute a simplified application of the rules laid down in the CRR on counterparty credit risk and large exposures risk, respectively. The Company is required to calculate the following K-Factors requirement as part of the RtF:

- **K-TCD (Trading Counterparty Default)** – K-TCD captures the risk to an investment firm 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 investment firm on an ancillary basis as part of an investment service that fails to fulfil their obligations, by multiplying the value of the exposures, based on replacement cost and an add-on for potential future exposure, accounting for the mitigating effects of effective netting and the exchange of collateral.

The Company, throughout the year under review, was exposed to TCD due to its over-the-counter (“OTC”) derivative transactions (i.e., CFDs).

- **K-DTF (Daily Trading Flow)** – K-DTF captures the operational risks to an investment firm in large volumes of trades concluded for its own account or for clients in its own name in one day which could result from inadequate or failed internal processes, people and systems or from external events, based on the notional value of daily trades, adjusted for the time to maturity of interest rate derivatives in order to limit increases in own funds requirements, in particular for short-term contracts where perceived operational risks are lower.

DTF means the daily value of transactions that an investment firm enters through dealing on own account or the execution of orders on behalf of clients in its own name, excluding the value of orders that an investment firm handles for clients which are already taken into account in the scope of client orders handled.

The Company is exposed to DTF due to the fact that it executes its trades on a principal basis (i.e., dealing on own account).

- **K-CON (Concentration Risk)** – K-CON is an additional own funds requirement, which only applies to exposures in the trading book for investment firms, which deal on own account, or execute orders on behalf of clients in the name of the investment firm. The K-CON aims to provide additional own funds for managing concentration risk to a single counterparty or group of connected counterparties. The investment firms shall monitor and control their concentration risk and where the trading book exposures with regard to a client or group of connected clients exceeds the limits as set out in the IFR shall meet an own funds requirement in accordance to Article 39 of the IFR and shall notify the competent authorities of the excess, the name of the individual client concerned and where applicable the group of connected clients concerned without delay as per Article 38 of the IFR.

As per Article 37 of the IFR these limits are in line with those set out for large exposures purposes in the CRR and are:

- 25% of own funds of the investment firm in case of an individual client or group of connected clients other than credit institution or investment firm.
- The higher of 25% of own funds of the investment firm or EUR150 million where individual client is a credit institution or investment firm or where a group of connected clients includes one or more credit institutions or investment firms. However, where the EUR150 million is higher than the 25% of own funds of the investment firm, the applicable limit shall not exceed 100% of the investment firm's own funds.

7.3.1 K-TCD

The Company's key counterparties under the Trading book are its retail and corporate clients as well as its hedging counterparty. With respect to client counterparty risk, also referred as K-TCD, client accounts must be funded before trading takes place (i.e., the Company shall not execute a Client order without the necessary funds available in their Clients' accounts, unless the Clients were granted credits for conducting these transactions).

7.3.2 K-DTF

As previously mentioned, DTF aims to capture the operational risks from a CIF's daily trading flow. Similarly, to other k-factors, DTF is calculated and monitored on an ongoing basis.

The Company manages operational risk through a control-based environment in which processes are documented and transactions are reconciled and monitored.

The Company has developed, implemented, and maintained an Operational Risk Management Framework, congruent with the Policy and the principles of the Capital requirements framework. The Operational Risk Management Framework provides the strategic direction and guidelines on operational risk in order to ensure that an effective operational risk management and measurement process is adopted throughout the Company. The Framework also provides for the consistent and comprehensive capture of data elements needed to measure and verify the operational risk exposure, as well as to implement appropriate reporting systems and mitigation strategies.

Further to the above, the Company has in place controls and procedures in order to reduce the operational risk as follows:

- Monitoring of the effectiveness of policies, procedures and controls.
- Use of systems to automate processes and controls to eliminate risk due to human error.
- Ongoing maintenance of procedures to prevent unauthorised actions and errors.
- Use of training to reduce the likelihood of human error arising from lack of expertise.

- Maintaining risk registers in the context of ICARA; and
- Maintaining a four-eye structure and implementing board oversight over strategic decisions made by the heads of departments.

8. Other Risks

Operational Risk (other than daily trading flow)

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk. It is inherent in every business organization, and it is managed by the Company through a control-based environment in which processes are documented and transactions are reconciled and monitored. This is supported by continuous monitoring of operational risk incidents to ensure that past failures are not repeated.

In addition, the Company has developed, implemented and maintained an Operational Risk Management Framework, congruent with the Policy and the principles of the Capital requirements framework. Furthermore, the Company has in place additional policies and processes whose implementation assists with the evaluation and management of any exposures to operational risk such as the Business Continuity and Recovery Plan. The Company acknowledges that a significant hazard exists to its ability to continue normal business procedures following unexpected incidents. Moreover, the Company has an important dependency with its automatic systems and processes. As a result, a recovery plan is needed in order to deal with the risk of potential disaster.

The objectives of this plan are to provide:

- a) continuing operations so that the Company can offer its services to the clients,
- b) business and records protection,
- c) a framework for risk and exposure controlling,
- d) measures against risks.

Moreover, the following list presents some event-type categories, included in operational risk:

- Internal Fraud.
- External Fraud.
- Employment Practices and Workplace Safety.
- Clients, Products, & Business Practice.
- Damage to physical assets.
- Business Disruption & Systems Failures.
- Execution, Delivery, & Process Management.

Liquidity Risk

Liquidity risk is defined as the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability but can also increase the risk of losses. The Company has procedures with the objective of minimizing such losses, such as maintaining sufficient cash and other highly liquid current assets as well as by having available an adequate amount of committed credit facilities.

According to Article 43 of IFR, the Company is required to maintain a basic Liquidity Requirement equal to at least one third of its Fixed Overhead Requirement. As of 31st of December 2024 the Company satisfied the Liquidity Requirement.

As per the Company's current operational status, liquidity risk is not considered significant because the Company maintains high cash balances and its does not hold illiquid assets.

Reputation Risk

The risk of loss of reputation arising from the negative publicity relating to the Company's operations (whether true or false) may result to a reduction of its clientele and its revenue and legal cases against the Company.

The Company is aware that, operating in a demanding industry, with many competitors, could introduce risks of reputational nature. The possibility of having to deal with serious incidents is limited as the Company exerts its best efforts in providing 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.

Furthermore, the Company has policies and procedures in place when dealing with possible Client complaints in order to handle the issue in a timely manner and provide the best possible assistance and service under the specific circumstances.

Strategic Risk

This type of risk could occur as a result of adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment.

The Company's exposure to strategic risk is moderate as policies and procedures are implemented in the overall strategy of the Company to minimize it.

Business Risk

Business Risk arises due to probable losses that might be incurred by the Company during unfavorable market conditions, thus having a current and/or future possible impact on earnings or capital from adverse business decisions and/or lack of responses to industry changes by the Company.

The Company has taken into consideration Business Risk when preparing its financial projections and when conducting its stress testing. Also, to avoid any potential damage to the Company's financial position, the Company continuously evaluates (and redesigns if and when necessary) its business plans taking into account changing economic conditions. Moreover, 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.

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 Reputation and Strategic risk.

The Company has documented procedures and policies based on the requirements of relevant laws and directives issued by the CySEC. Compliance with these procedures and policies is further assessed and reviewed by the Company's Internal Auditors and suggestions for improvement are implemented by management. The Internal Auditors evaluate and test the effectiveness of the Company's internal control framework at least annually.

Compliance Risk

Compliance risk is the current and prospective risk to earnings or capital arising from violations of, or non-conformance with, laws, bylaws, regulations, prescribed practices, internal policies, and procedures, or ethical standards. This risk exposes the Company to financial loss, fines, civil money penalties, payment of damages, and the voiding of contracts. Compliance risk can lead to diminished reputation, reduced Company value, limited business opportunities, reduced expansion potential, and an inability to enforce contracts

Compliance risk is limited to a significant extent due to the supervision applied by the Compliance Officer, as well as by the monitoring controls implemented by the Company. Furthermore, the Company's Compliance Officer has initiated a program to supervise and examine in detail the level of compliance of certain areas of the Company with the relevant legislation, propose remedy measures/actions, and provide relevant training to the Company's personnel.

Information Technology Risk

Information Technology ("IT") risk could occur as a result of inadequate information technology and processing, inadequate IT strategy and policy or from inadequate use of the Company's information technology.

The aim of the Company is for the materialization of the IT risk to be minimized to the lowest possible level and, as such, the Company shall take the respective rectifying measures, as and when deemed necessary.

Policies have been implemented regarding back-up procedures, software maintenance, hardware maintenance, use of the internet, anti-virus processes, data protection procedures, and disaster recovery while this risk is constantly monitored by the IT department of the Company. The

abovementioned policies are documented in the Company’s Business Continuity and IT Disaster Recovery Plan.

9. Own Funds

The prudential framework for investment firms set out in the IFR and the IFD is designed to reflect the nature, size, and complexity of investment firms' activities. One key aspect of the IFR/IFD framework is that it provides for simpler and more bespoke capital requirements for investment firms.

As per the rules set by the IFR, investment firms are required to maintain Own Funds consisting of the sum of their Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital, and shall at all times meet all of the following conditions:

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

As at 31 of December 2024, the Company's Own Funds comprised of Common Equity Tier 1 capital, amounted to €4.004 thousand.

Table 2 below presents the composition of the Company's Own Funds as of 31 December 2024, while **Table 3** indicates how these Own Funds reconcile with the Company's audited Balance Sheet as of this date, and they have been prepared using the format set out in Commission Implementing Regulation (EU) 2021/2284 laying down implementing technical standards for the application of IFR with regard to supervisory reporting and disclosures of investment firms.

Table 2:

Template EU IF CC1.01 - Composition of regulatory own funds (Investment firms other than small and non-interconnected)

		(a)	(b)
		Amounts (€' 000)	Source based on reference numbers/letters of the balance sheet in the audited financial statements (Cross Reference to EU IF CC2) – Table 3 below
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	OWN FUNDS	4.004	
2	TIER 1 CAPITAL	4.004	
3	COMMON EQUITY TIER 1 CAPITAL	4.004	
4	Fully paid-up capital instruments	1.295	Ref. 1 (Shareholder's Equity)
5	Share premium	1.575	Ref. 2 (Shareholder's Equity)
6	Retained earnings	1.188	Ref. 3 (Shareholder's Equity)
10	Adjustments to CET1 due to prudential filters	(3)	
27	CET1: Other capital elements, deductions, and adjustments	(51)	Ref. 3 (Assets) & Ref. 5 (Assets)
28	ADDITIONAL TIER 1 CAPITAL	-	
40	TIER 2 CAPITAL	-	

Table 3:

Template EU IF CC2: Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements

As at financial year end 31 Dec 2024 (€' 000)		a	c
		Balance sheet as in audited financial statements	Cross reference to EU IF CC1 – Table 2 above
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements			
	Total Assets	4.812	
	of which:		
1	CYSEC Investor Compensation Fund (<i>part of Trade and other receivables</i>)	41	Ref. 27
2	Additional Cash Buffer (<i>part of Cash and cash equivalents</i>)	10	Ref. 27
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements			
	Total Liabilities	754	
Shareholders' Equity			
	Total Shareholders' equity	4.058	
	of which:		
1	Share capital	1.295	Ref. 4
2	Share premium	1.575	Ref. 5
3	Retained earnings	1.188	Ref. 6

Table 4 below breaks down the Pillar I minimum capital requirement that the Company was required to hold as of 31st of December 2024. The Company’s K-factor requirement is calculated in accordance with Articles 15 through to 33 of the IFR.

Table 4: Minimum Capital Requirements

Minimum Capital Requirements		
K-Factor Requirement		31 December 2024 (€'000)
Risk-to-Client (RtC)	k-AUM	-
	k-CMH	10
	k-ASA	-
	k-COH	-
Risk-to-Market (RtM)	k-NPR	79
	k-CMG	-
Risk-to-Firm (RtF)	k-TCD	279
	k-DTF	1
	k-CON	22
Total K-Factor Requirement		391
Fixed Overhead Requirement		406
Permanent Minimum Capital Requirement		750

As indicated in **Table 5** below, as of 31 December 2024 the CAD ratio of the Company amounted to 533,92% which far exceeded the minimum required threshold of 100%, and a capital surplus of €3.254 thousand.

Table 5: Capital Excess/Ratio

31 Dec 2024	(€'000)
Capital	
Common Equity Tier 1	4.004
Additional Tier 1	-
Tier 2	-
Total Own Funds	4.004
Own Funds Requirement	
K-factor Requirement	391
Fixed Overhead Requirement	406
Permanent Minimum Capital Requirement	750
Minimum Own Funds Requirement	750
Capital Excess/Ratio	
Capital Excess	3.254
Capital Ratio	533,92%

10. Remuneration policy

The principles employed within the Company's Remuneration Policy shall be appropriate to its size, internal organisation and the nature, the scope and the complexity of its activities, whilst adhering to the provisions of the Regulation.

10.1 Remuneration System

The Company's remuneration system and policy adopts best market practice established to ensure that the rewards of both the executive management and other employees are linked to the Company's performance and to encourage the above individuals to achieve the key business aims. One of the key factors considered is the existence of an appropriate link between bonus reward and performance-based remuneration, while ensuring base salary is not set at artificially low levels.

The remuneration mechanisms employed are well known management and human resources tools that take into account the staff's skills, experience and performance, whilst supporting at the same time long-term business objectives. Furthermore, the Company's remuneration system takes into account the highly competitive sector in which the Company operates, and the considerable number of resources the Company invests in each member of the staff.

It is noted that the Company has taken into account its size, internal organization, the nature, scope and complexity of its activities and it does not deem necessary the establishment of a specific Remuneration Committee. Decision on these matters is taken at the Board level, while the remuneration policy is reviewed periodically.

The total remuneration of staff consists of fixed and variable components. Fixed and variable components are appropriately balanced, and the fixed component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components, including the possibility to pay no variable remuneration. More specifically, the variable component shall not exceed 120% of the fixed component of the total annual remuneration for each employee (unless a lower percentage is specified in the Remuneration Policy).

The various remuneration components are:

a. Base Salaries (Fixed Remuneration)

Fixed remuneration varies for different positions/roles depending on each position's functional requirements, and it is set at levels which reflect the educational level, experience, accountability and responsibility needed for an employee to perform each position/role. In order to ensure that the Company's Remuneration Policy is in line with the business strategy, objectives, values and long-term interests of the Company and that it is consistent with and promotes sound and effective risk management, the Company

distinguishes between three categories of staff remuneration: Top Earners, Medium Earners and Normal Earners as below:

- Top Earners: Include the Senior Management (the Executive and the Managing Directors), and risk takers whose professional activities have a material impact on the risk profile of the Company (the Head of the Compliance, AML and Risk Management Functions and the Chief Financial Officer)
- Medium Earners: Includes the Heads of each Department and Senior Employees, who are classified as senior due to their seniority, knowledge and experience on the duties assigned
- Normal Earners: Includes all other staff.

b. Performance-based Bonus Scheme & Commissions (Variable Remuneration)

Variable remuneration is designed to ensure that the total remuneration remains at competitive levels and to reward the staff for its performance whilst remaining aligned with the department's and/or the Company's performance. Other factors taken into account are the following:

- The financial viability of the Company
- The general financial situation of the state in which the Company operates, and
- The employee's personal objectives (such as personal development, compliance with the Company's systems and controls, commitment and work ethics).

The variable remuneration component shall be mainly awarded in the form of an additional money layer on top of the base salary, while no remuneration is payable under deferral arrangements (with vested or unvested portions).

The Company acknowledges that the nature of the qualitative criteria used in order to decide on the eligibility of an employee to a variable remuneration, varies depending on the function an employee holds.

To this respect, the Company:

- Has produced certain variable remuneration schemes for the employees working in the Front Office (Sales and Retention) Department. Due to the higher risk of occurrence of a conflict of risk to the potential detriment of the Company's clients, specific guidelines are issued for the positions of the Front Office
- Has decided that Employees working in any other functions (e.g., Compliance, Accounting, HR etc.) will only be entitled to variable remuneration on extraordinary performance based on the below principles:
 - Shall be exceptional and cannot exceed the 25% of the total annual salary
 - Shall be suggested by the Senior Management and reviewed by the Compliance Officer
 - Shall be granted upon the overall performance of the employee during a specific period of time, which in exceptional cases shall be monthly and in regular cases annually

- Shall not in any case create any conflict of interest against the employee and the Company or the Company’s clients and shall not incentivize the employee to act outside its duties and responsibilities.

c. Provident Fund

Provident and Pension schemes guarantee employees a basic cover in the event of illness or death, and a suitable pension payment on retirement. In general, from the 7th month of employment, employees shall be entitled to be covered by defined contribution plans with a pension insurance company and the Company typically pays 5% of the pension contributions.

d. Other Benefits

Other benefits (company phone, company car, coupons etc.) are awarded based on individual employment contracts and local market practice.

e. Severance payment

Severance payments are payable in accordance with relevant employment laws.

10.2 Performance Appraisal

The Company by its Compliance Department and HR Department shall implement a performance appraisal method, which is based on a set of both measurable quantitative and qualitative indicators, developed for each business unit.

The appraisal is performed as follows:

- Quantitative and qualitative objectives are set in the beginning of each month, quarter and/or year (each department is being appraised on different periods) defining what the Company functions, departments and individuals are expected to achieve over an upcoming period of time.
- Performance checks and feedbacks: Managers provide support and feedback to the concerned staff during the time periods decided, during the daily activities or during formal or informal performance reviews; the aim is to assist the staff to develop their skills and competencies.

10.3 Remuneration of Key Management Personnel and Directors

The Board of Directors, at least annually identifies employees who may take material risks on behalf of the Company, considering the following criteria:

- Employees dealing in financial instruments
- Employees who monitor compliance with risk taking limits
- Senior Officers in the Risk Management and Compliance Function
- Other employees with a material impact on the Company’s risk profile.

The remuneration to Company staff whose actions had a material impact on the Company’s risk profile for the year ended 31st December 2024, is analyzed in the following table:

31 Dec 2024	Number of Beneficiaries	Fixed Remuneration	Variable Remuneration	Total Remuneration
		€000		
Senior management*	4	175	-	175
Members of staff whose actions have a material impact on the risk profile of the institution	8	386	38	424
Total	12	561	38	599

*Senior management includes executive and non-executive directors

**This category includes the Heads of Customer Support/Sales Department, Reception and Transmission and Execution Department, Compliance and Risk Manager, Anti-Money Laundering Compliance Officer, Back Office Department, Data Protection IT Manager, Marketing Director and Operations and Human Resources Manager.

Fixed Remuneration of the Company's risk takers as shown on the table above includes the Gross Salaries and the Total Contributions paid by the Company to these employees excluding any bonuses, as these are included on Variable Remuneration. Also, regarding the Company's Non-Executive Directors, the fees paid to them throughout the year are included on Fixed Remuneration.

During 2024, the Company did not pay or award any non-cash variable remuneration, deferred remuneration, severance payment, or any guaranteed variable remuneration. There were also no deferred remuneration or severance payments that were awarded in previous periods, and which have been paid out during 2024.

It should also be noted that as at 31/12/2024 the Company benefits from the derogation of Article 32(4) of IFD, given that the value of its on and off-balance sheet assets is on average equal to or less than 100 million Euros over the four-year period immediately preceding the given financial year. Hence the following specific requirements of IFD Article 32 regarding variable remuneration do not apply:

- point (j) of paragraph 1 regarding the components of any variable remuneration in terms of instruments,
- point (l) of paragraph 1 regarding deferred variable remuneration over a three-to-five-year period depending on the business cycle of the investment firm, the nature of its business, its risks and the activities of the individual in question,
- third subparagraph of paragraph 3, that refers to discretionary pension benefits subject to a five-year retention period that should be held (for employees leaving the investment firm before retirement age) or paid (for employees reaching retirement age and retiring) in the form of specific instruments as per point j above.

11. Appendix I: Board Approved Risk Appetite Statement

Risk appetite is the level and type of risk a firm is able and willing to assume in its exposures and business activities, given its business objectives and obligations to stakeholders. Risk appetite is generally expressed through both quantitative and qualitative means and should consider extreme conditions, events and outcomes. In addition, risk appetite should reflect potential impact on earnings, capital and funding/liquidity.

The Company has a low-risk appetite in respect to investing and to managing business and operational activities. The Company has adopted a risk appetite statement which is approved by the board to guide the decision makers in formulating business plans and regulatory responses. An appropriate risk appetite framework (RAF) should enable risk capacity, risk appetite, risk limits, and risk profile to be considered for business lines and legal entities as relevant, and within the group context. The Risk appetite framework is defined as the overall approach, including policies, processes, controls, and systems through which risk appetite is established, communicated, and monitored. It includes a risk appetite statement, risk limits, and an outline of the roles and responsibilities of those overseeing the implementation and monitoring of the RAF.

The RAF should consider material risks to the financial institution, as well as to the institution's reputation vis-à-vis policyholders, depositors, investors and customers. The RAF aligns with the Company's strategy. Consequently, the Risk Appetite Statement is defined as the articulation in written form of the aggregate level and types of risk that a financial institution is willing to accept, or to avoid, in order to achieve its business objectives. It includes qualitative statements as well as quantitative measures expressed relative to earnings, capital, risk measures, liquidity and other relevant measures as appropriate. It should also address more difficult to quantify risks, such as reputation and conduct risks as well as money laundering and unethical practices. Moreover, Risk Target is the Company's optimal positioning within the risk appetite. Every strategic and tactical objective has a certain return and a certain level of risk. The target is where the Company is aiming for both.

Once the Risk Target is reached, this is the threshold where the Company starts to take steps to bring risk back within the Risk Appetite. This could mean selling off risk, hedging, increasing monitoring, adding capital, increasing reserves or any other credit mitigation controls. Risk Limit is the Company's maximum risk of the risk appetite area.

Additionally, the risk tolerance is the level of risk to which an organization is willing and able to be exposed, taking into account the Company's financial strength, its nature, scale and complexity, liquidity, and the physical resources needed to adequately manage the risk. Furthermore, the risk capacity is defined as the maximum level of risk the financial institution can assume given its current level of resources before breaching constraints determined by regulatory capital and liquidity needs, the operational environment (e.g. technical infrastructure, risk management capabilities, expertise) and obligations, also from a conduct perspective, to

depositors, policyholders, shareholders, fixed income investors, as well as other customers and stakeholders.

Specifically, the Company's risk tolerance is the maximum allowable large exposure that the Company is able to be exposed to and maintain the respective additional capital and still be compliant with the capital requirements. For the formulation of the Risk Appetite, the following approach is followed by the Company in order to ensure that the different stakeholders' perspectives and risk types are considered:



12. Appendix II: Main Features of Own Instruments issued by the Company

		<i>Common Equity Tier 1 Capital</i>
1	Issuer	ICFD Limited
2	Unique identifier (Legal Entity Identifier)	21380087DF767XENPB60
3	Public or private placement	Private Placement
4	Governing law(s) of the instrument	Cyprus Law
5	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares
6	Amount recognised in regulatory capital	2.870.000 €
7	Nominal amount of instrument	1.295.000 €
8	Issue price	1,00 €
9	Redemption price	N/A
10	Accounting classification	Shareholder's Equity
11	Original date of issuance	07/09/2009 1.000.000 shares 07/07/2011 120.000 shares 27/06/2017 100.000 shares 31/08/2018 75.000 shares
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	<i>Coupons / dividends</i>	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	N/A
23	Noncumulative or cumulative	N/A
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
37	If yes, specify non-compliant features	N/A
38	Link to the full term and conditions of the instrument (signposting)	N/A