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## **Assurance Report to the Cyprus Securities and Exchange Commission in respect to the public disclosures referred to in Part Six of Regulation (EU) 2019/2033 of the European Parliament, of Mega Equity Securities and Financial Services Public Ltd for the year ended 31 December 2021.**

### *1. Scope*

We have been engaged by Mega Equity Securities and Financial Services Public Ltd (hereinafter the “Firm”) to perform a ‘limited assurance engagement’, as defined by the International Standards on Assurance Engagements, here after referred to as the engagement, to report on the Firm’s public disclosures pursuant to Part Six of Regulation (EU) 2019/2033, for the year ended 31 December 2021 (hereinafter the “Disclosures”). The Disclosures are attached as an Appendix and have been initialed for identification purposes.

### *2. Criteria applied by Mega Equity Securities and Financial Services Public Ltd*

In preparing the Disclosures, the Firm applied the Regulation. Such Regulation was specifically designed for public disclosures by investment firms to reinforce market discipline. As a result, the Disclosures may not be suitable for another purpose.

### *3. Management’s responsibilities*

The Firm’s Board of Directors is responsible for the preparation and fair presentation of the Disclosures in accordance with the Regulation, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the Disclosures, such that it is free from material misstatement, whether due to fraud or error.

### *4. EY’s responsibilities*

Our responsibility is to express a conclusion on the presentation of the Disclosures based on the evidence we have obtained.

We conducted our engagement in accordance with the International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information 3000 (‘ISAE 3000’) and the terms of reference for this engagement as agreed with the Company on 21 June 2022. This standard requires that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Disclosures, in order for it to be in accordance with the Regulation, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.



## *5. Our Independence and Quality Control*

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## *6. Description of procedures performed*

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than, for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of personnel responsible for the preparation of the Disclosures and related information and applying analytical and other appropriate procedures.

Our procedures also included verification, on a sample basis, of the compliance of the Disclosures with the requirements of the Regulation, as well as obtaining evidence supporting certain of the amounts and notifications included in the Disclosures. Our procedures also included an assessment of any significant judgements and estimates made by the Firm's management and/or Board of Directors in the preparation of the Disclosures. We also performed such other procedures as we considered necessary in the circumstances.

## *7. Conclusion*

Based on our procedures and the evidence obtained, we are not aware of any material modifications that need to be made to the Disclosures for the year ended 31 December 2021, in order for it to be in accordance with the Regulation.



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working world**

*8. Specific purpose and Restricted use*

This report is intended solely for the information and use of the Cyprus Securities and Exchange Commission for evaluating the Firm's compliance of the Disclosures being in accordance with the Regulation and is not intended to be and should not be used by anyone other than those specified parties, without our express permission. The report refers exclusively to the Disclosures and must not be associated with any of the Firm's financial statements as a whole.

A handwritten signature in blue ink, appearing to read 'Nicolas Pavlou', enclosed within a blue circular scribble.

Nicolas Pavlou  
Certified Public Accountant and Registered Auditor  
for and on behalf of

**Ernst & Young Cyprus Limited**  
Certified Public Accountants and Registered Auditors

Nicosia, 6 July 2022



**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 as at 31 December  
2021 (the “Disclosures”)**

**June 2022**

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INITIALLED FOR PURPOSES  
OF IDENTIFICATION  
**ERNST & YOUNG CYPRUS LIMITED**

## 1. INTRODUCTION

### 1.1. Corporate Information

Mega Equity Securities & Financial Services Public Ltd (hereinafter the 'Company' or 'Mega Equity') was incorporated on 17 December 1999 as a limited liability company under the Cyprus Companies Law. The Company holds a license from the Cyprus Securities and Exchange Commission (the 'CySEC') to operate as a Cyprus Investment Firm (CIF) since 12 May 2003, and it has been trading under license number 011/03 ever since (20-digit LEI Code: 213800Z38J623HQWC228). The Company's license is in line with the Cyprus Investment Services Law L.87 (I)/2017, as amended thereafter (hereby the "Law").

The principal activities of the Company involve the provision of brokerage and investment services, which under its license the Company is entitled to provide the following investment and ancillary services:

- (i) Reception and transmission of orders in relation to one or more financial instruments;
- (ii) Execution of orders on behalf of clients;
- (iii) Dealing on own account;
- (iv) Provision of investment advice;
- (v) Safekeeping and administration of financial instruments including custodianship and related services;
- (vi) Granting credits or loans to one or more financial instruments;
- (vii) Foreign exchange services where these are connected to the provision of investment services.

The Company also holds a license to provide Cross Border Services to Member States and countries outside the EU. For further details on the license information of the Company refer to <https://www.cysec.gov.cy/en-GB/entities/investment-firms/cypriot/37640/>.

### 1.2. Regulatory Framework: The new Investment Firms Regime

The new prudential regime for Investment Firms under the Investment Firms Regulation 2019/20331 (the "IFR") and the Investment Firms Directive 2019/20342 (the "IFD") entered into effect on 26 June 2021. The new prudential regime, specific for EU-regulated Investment Firms, has been introduced by the European Commission, in order to enhance the proportionality of the prudential framework for certain types of Investment Firms which used to follow the full Basel III CRR/CRD IV requirements.

The introduction of IFR/IFD aims to address the vulnerabilities and risks inherent specifically to investment firms and ensure proportionate and appropriate prudential requirements on capital adequacy and overall risk management arrangements.

To this end, the Disclosures have been prepared in accordance with the following legislative documents, which have become applicable on 26<sup>th</sup> of June 2021 and have replaced the previous prudential framework comprising of the Capital Requirements Regulation ("CRR") and Directive ("CRD IV"):

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<sup>1</sup> 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.

<sup>2</sup> Directive (EU) 2019/2034 of the European parliament and of the council of 27 November 2019 on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU.

- Part Six of IFR.
- Law 165(I)/2021 of the CySEC for the Prudential Supervision of Investment Firms, which harmonizes the European Directive 2019/2034 Directive with local legislation.
- The Implementing Regulation 2021/2284 of 10 December 2021 laying down the technical standards for the application of Regulation 2019/2033 of the European Parliament and of the Council with regard to supervisory reporting and disclosures of investment firms.

IFR/IFD introduced several changes to the methodologies that investment firms are required to apply, which include amongst others the following:

- The quantification of risk exposures;
- The derivation of Capital Adequacy ratio;
- The required level of initial capital;
- The Internal Capital Adequacy Assessment Process (“ICAAP”) which under IFR/IRD is replaced by the Internal Capital Adequacy & Risk Assessment (“ICARA”) Process, and;
- A Liquidity Requirement according to which firms are required to maintain liquid assets equal to at least one third of their Fixed Overhead Requirement.

In accordance with new prudential regulation IFR/IFD, the Company is categorized as a Class 2 Investment Firm, and is required to hold a minimum initial capital of €750,000. Therefore, the Company, in accordance with Article 46 of the IFR, does not meet the requirements of article 12(1) of the IFR, i.e. categorized as small and non-interconnected investment firms, and thus publicly discloses within this Report, the information set out in Part 6 of the IFR.

### 1.3. Frequency & Means of Disclosures

These Disclosures present the evaluation and management of the various risks faced by the Company during the year ended 31 December 2021. The Company is obliged to disclose information regarding its capital, its risk exposures, own funds, remuneration policies, practices and its investment policy.

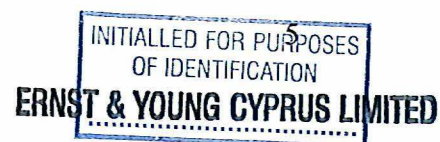
The Company’s policy regarding the Pillar III disclosure requirements is aligned with the requirements of IFR/IFD and other applicable legislation.

The Company makes the disclosures on a solo basis on an annual basis. Information in the Disclosures is presented in thousands of Euros (€), unless otherwise indicated. The Pillar III Disclosures Report publishes annually on the Company’s website: <http://www.megaequity.com>

### 1.4. Verification of the Disclosures

The Disclosures have been prepared by the Chief Operating Officer (“COO”), have been reviewed by the Risk Manager and then final reviews and approval are obtained by the Board of Directors (the “Board” or “BoD”), that approve the adequacy of risk management arrangements of the Company and providing assurance that the risk management systems in place are adequate with regards to the Company’s profile and strategy.

The Board notes that the Disclosures should be reviewed in conjunction with the audited financial statements of the Company for the year ended 31 December 2021, with the view of explaining how the Company manages risks under the requirements of IFR/IFD and how much capital is assigned to these risks for their management. The Company’s Financial Statements are also prepared on a stand-alone basis and in accordance with the International Financial Reporting Standards (“IFRS”).





## 1.5. Operating Environment

### *Covid-19 Pandemic*

The rapid development of COVID-19 outbreak resulted in the world entering in a period of unprecedented health care crisis, causing significant disruption to business and economic activity. It is an emerging risk that the Company is monitoring closely and assesses the range of possible impacts and will continue to respond to the situation as it evolves.

The Management of the Company has considered the unique circumstances that could have a material impact on the business operations and the risk exposures of the Company and has concluded that COVID-19 did not negatively affect the Company in terms of operations, liquidity and profitability. The Management has already taken the necessary measures to ensure that the Company's activity will continue as normal and be able to meet the needs of its customers. The Company will continue to monitor the situation closely and assess additional measures.

### *Events after the reporting date*

The geopolitical situation in Eastern Europe intensified on 24 February 2022 with the commencement of the conflict between Russia and Ukraine. The impact on the Company largely depends on the nature and duration of uncertain and unpredictable events, such as further military action, additional sanctions, and reactions to ongoing developments by global financial markets.

The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty at this stage, due to the pace at which the conflict prevails and the high level of uncertainties arising from the inability to reliably predict the outcome.

The Company has limited direct exposure to Russia, Ukraine, and Belarus and as such does not expect significant impact from direct exposures to these countries. Despite the limited direct exposure, the conflict is expected to negatively impact the tourism and services industries in Cyprus. Furthermore, the increasing energy prices, fluctuations in foreign exchange rates, unease in stock market trading, rises in interest rates, supply chain disruptions and intensified inflationary pressures may indirectly impact the operations of the Company. The indirect implications will depend on the extent and duration of the crisis and remain uncertain.

The Management has considered the unique circumstances and the risk exposures of the Company and has concluded that there is no significant impact in the Company's profitability position. The event is not expected to have an immediate material impact on the business operations. Nonetheless, the Company's Management will continue to monitor the situation closely and will assess the need for any actions in case the crisis becomes prolonged.

## **2. RISK MANAGEMENT OBJECTIVES AND POLICIES**

### **2.1. Risk Management Governance**

#### **The Board of Directors**

Risk management is embedded in the Company's strategy and decision-making process. The Board comprehends the multidimensional nature of risk. The BoD's responsibility against risk management is to set the risk appetite and ensure that the risk management framework is appropriate and effective.

The BoD ensures, on an ongoing basis, that the risk management framework in place monitors the process of identifying, evaluating, managing and reporting the risks faced. The BoD reviews and challenges the systems and controls in place. Policies and procedures relating to risk management are presented and approved by the BoD as the ultimate risk responsibility is borne by the BoD. The Internal Capital Adequacy and Risk Assessment Process (ICARA) is examined by the Board and has a direct effect on the decision making of the BoD.

The ultimate responsibility of risk management of the Company lies with the Board.

#### **The Risk Management Department**

The Risk Management Department of the Company consists of the Risk Manager who is reporting directly to the CEO and the Board of Directors of the Company. Due to the size of the Company, the Company concluded that no Risk Committee is currently required, and the Board of Directors assumes the overall responsibility for the risks that the Company might face. To this end, the Board at all times ensures that the structure of the Risk Management Department remains appropriate, given the profile and size of the Company.

The Risk Manager is responsible for the determination, evaluation and efficient management of the risks inherent in the provision of investment services in accordance with the provisions of the Investment Services Law and Directives issued by CySEC, as well as the internal regulations and policies approved by the Board of Directors. The Company is also responsible for the preparation, at least on an annual basis, of the Risk Management Report, that must be discussed and approved by the Board of Directors, prior to its submission to CySEC.

The main role of the Risk Management Department is to assess potential risks that the Company might be exposed to and evaluate their significance, the likelihood of their occurrence, and how these should be managed in order to reduce them to an acceptable level. Overall, the Risk Manager's responsibilities are summarized below:

- (a) Establish, implement and maintain adequate risk management policies and procedures in order to identify the risk related to the Company's activities, processes and systems, and where appropriate, set the level of risk tolerated by the Company;
- (b) To adopt effective arrangements, processes and mechanisms to manage the risks relating to the firm's activities, processes and systems, in light of that level of risk tolerance;
- (c) To monitor the following:
  - The adequacy and effectiveness of the company's risk management policies and procedures.

- The level of compliance of the Company with regards to the firm's arrangements, processes and mechanisms adopted in accordance with those described above.
- The adequacy and effectiveness of measures taken to address any deficiencies in those policies, procedures, arrangements, processes and mechanisms, including failures by the relevant persons to comply with such arrangements, processes and mechanisms, or follow such policies and procedures.

The Company has established Risk Policy Guidelines, that form an integral part of the Company's Internal Operational Manual Framework, the purpose of which is to address the areas which may expose the Company to risks, and to efficiently manage those risks, accordingly.

## **2.2. Risk Management Framework**

Mega Equity operates in a complex and dynamic financial markets environment, therefore the Management recognizes that risk is embedded in all the Company's activities. Risk is about uncertainties – that may have either a positive (constructive) or negative (destructive) impact.

A risk is an opportunity that will not be realized or a threat that an event or action will materialize. That missed opportunity or unmanaged threat in turn may damage an organization's ability to deliver results for its stakeholders and to achieve business objectives. The unpredictability of financial markets may have adverse effects on the Company's financial performance therefore, identifying, assessing, monitoring and controlling each type of risk is important for the Company's financial stability, performance and reputation. The Company's ability to identify, evaluate, monitor and manage each type of risk to which the Company is exposed to, is an important factor in its performance, reputation and the achievement of its strategic objectives.

Overall, the Company's Management is satisfied that the risk management arrangements provide assurance that the risk management mechanisms and/or systems that are in place are adequate, given the risk profile of the Company.

### ***Risk Strategy***

The Company's activities and offering of its services expose it to various types of risks, which may adversely affect its profitability and strategic goals. As a result of the abovementioned, the Company continuously manages its expectations towards risk and to achieve its business objectives without jeopardizing its reputation.

The Company has established proper organizational measures to manage the risks mentioned above by setting a risk management function, internal controls and systems.

The Board of Directors is responsible for setting the risk strategy of the Company and aims at providing to senior management and employees a general risk framework and awareness for managing the various risks that the Company might face.

### ***Risk Appetite***

The risk appetite of the Company is the maximum level of risk that the Company is prepared to accept to meet its business objectives. The Company defines its risk appetite as the amount and type of risks that are considered being acceptable for implementing its business strategy.

The Board of Directors is responsible for setting and updating the risk appetite and monitoring the Company's risk profile in order to ensure that it is aligned to its business strategy.

### ***Risk management policy for clients***

Clients are evaluated in the early stages of their relationship with the Company through the information they provide via the questionnaires they fill and/or any other information that is obtained from third party sources (e.g. World Check). Based on the information gathered it is decided whether to accept the client or not. Through the client acceptance process the Company also considers the risk of any of its clients being involved in money laundering or in terrorist activities. The clients' accounts are continuously monitored in order to identify any suspicious transactions. The Company considers that the risk of its clients being involved in money laundering or in terrorist funding is minimal.

### ***Assessment of Capital Adequacy & Stress testing***

Stress testing is the process where the Company's business plans are subject to severe stress test scenarios in order to assess the impact of those potential effects on Company's business capital. Various stress tests are made and to assess the impact of these scenarios to the Company's capital adequacy and ratios. Accordingly, the Company prepares a budget in accordance with the future effects and flow of work to the Company as well as the results of the stress test scenarios performed.

The company in accordance with IFR is implementing an ICARA procedure in order to evaluate the risk to clients, risk to market, risk to firm and any other risk which may affect the Company. This includes the calculation of K-factor requirements. The Company closely monitors the ASA factor due to the fact that they invest and expand the service of depositary services to various funds. Various calculations have been made in order to ensure that the risk arise from any service of the Company are covered and will not affect dramatically the capital of the Company.

The Company performs a full ICARA on a yearly basis. A risk register exists and constantly monitored with all the mitigation measures apart from the K-Factors.

The aforesaid measures allow the management to evaluate whether any gaps that require further attention exist, and to create an action plan so as to monitor and mitigate the consequences of the risks, that will subsequently allow the board of directors' decision making.

## **2.3. Risk Identification & Mitigating controls**

As part of its business activities, the Company faces a variety of risks, the most significant of which are credit risk, market risk and operational risk (including litigation risk). All relevant risks and their mitigating actions are further described below in this Section.

In accordance with IFR Article 47, this section of the Disclosures presents a description of each separate category of risk, as set out in Parts Three "Capital Requirements", Part Four "Concentration Risk" and Part Five "Liquidity" of the IFR, together with a summary of the strategies and processes to manage those risks.

### 2.3.1. Credit Risk

Credit risk is defined as the risk the Company may suffer losses, because its counterparties and/or customers may not be able to meet their obligations with the Company, as they fall due. The Company is mostly exposed to credit and counterparty risk on the balances it maintains with banks and financial institutions (e.g., Cyprus Stock Exchange ('CSE'), Athens Stock Exchange ('ASE'), Investors Compensation Fund, etc.) and trade and other receivables.

The Company establishes counterparty relationships only with reputable banks regulated by national regulators which are rated by international rating agencies, and which carry acceptable ratings. The credit ratings as well as the financial position of the banks are regularly monitored given the ongoing financial markets and economic uncertainty.

The actual exposures by financial institutions are reviewed daily and the level of credit risk is limited through the allocation of the balances on various financial institutions.

The Company identifies and monitors credit related risks which include:

- (a) Counterparty Credit risk: The Company's credit exposure with other counterparties. The Company has policies to ensure that credit limits are granted to clients with an appropriate credit history and the ageing profile of each client is monitored on a daily basis.
- (b) Settlement risk: The risk that counterparty fails to deliver the terms of a contract with the Company. Company has ASE and CSE that act as clearing houses and pledge funds from each party in order to ensure the settlement of all transactions.
- (c) Issuer risk: The risk arising from the credit deterioration of an issuer of instruments in which the Company has invested in. The Company manages this risk through the diversification of its portfolio across industries and sectors.
- (d) Concentration risk: The risk that arises from the uneven distribution of exposures to individual borrowers or by industry, economic sector or geographical regions. Some concentration of credit risk exists with respect to trade receivables as the Company has high exposures to some clients. The Management monitors these amounts on a daily basis and action is taken accordingly.
- (e) Country risk: The Company's credit exposure arising from lending and/or investment or the presence of the Company to a specific country. Concentration risk also exists due to the fact that the majority of the clientele is based in Cyprus and mainly trading in the CSE and ASE. For this reason, the Company is continuously seeking to attract clients from other countries and has expanded its services by becoming a member of XNet, thus giving clients the ability to trade in foreign markets.

Under IFR, Risk to Firm (RtF) refers to the risk that the Company faces through its trading activity and market participation, which could affect the orderly operation of the firm. The K-Factor captures the exposure of company in those risk. There are three K-factors under RtF, which are also presented in Section 5.2.3 of this Report:

- **K-TCD (Trading Counterparty Default):** Considers the risk of losses arising from the default of a counterparty with which a firm maintains open Trading Book positions in derivatives and other specified transactions. This includes both clients and liquidity providers.

- **K-DTF (Daily Trading Flow)**: Captures the operational risk related to the value of trading activity that the investment firm conducts.
- **K-CON (Concentration Risk)**: This seeks to apply additional own funds to manage concentration to a single counterparty or a group of connected counterparties to which a company incurs Trading Book exposures.

### 2.3.2. Market Risk

Market risk is the risk associated with changes in the market prices such as changes in equity prices, in interest rates and in foreign exchange rates, which may eventually impact the Company's net income or the value of the assets and liabilities. Market risk arises mainly from the following, all of which are summarized below:

- (a) **Price Risk**: The Company is exposed to equity securities price risk because of investments held by the Company and classified on the balance sheet as at fair value through profit or loss.
- (b) **Interest rate risk**: Interest rate risk is that which exists in an interest-bearing asset, due to the possibility of a change in the asset's value resulting from the variability of interest rates.
- (c) **Foreign exchange risk**: Currency risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in foreign exchange rates. The Company's financial assets and liabilities are primarily denominated in Euro which is the functional currency of the Company. The Company is not exposed to any significant foreign exchange risk as it does not have any significant financial assets or financial liabilities in a foreign currency.

The Company is not exposed to commodity risk.

Under IFR, Risk to Market (RtM) is the risk that the Company may pose to the financial markets that it operates in and the counterparties that it trades in. It relates to the trading book positions of the Company which are either their positions or their clients' positions.

There are two K-factors under RtM, which are further explained in Section 5.2.3 of this Report:

- **K-NPR (Net Position Risk)**: This is the Risk where an investment firm is subject to market risk as a result of its trading activities and would be exposed to losses if adverse market movement cause the value of its trading positions to decline.
- **K-CMG (Clearing Margin Given)**: This is an alternative to K-NPR to provide for market risk for trades that are subject to clearing as set out in Article 23 of IFR.

RtM for the Company is zero.

### 2.3.3. Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, systems and personnel or from external events, outside the control of the Company. It is inherent in every business organization and covers a wide range of risks. It includes potential losses arising from fraud, unauthorised activities, error, omission, inefficiency, systems failure or external events. Furthermore, operational risk encompasses certain other risks such as Information Security and Information Technology (IT) risk, legal/litigation risk, taxation risk, reputational and compliance risk, all of which are described in this section of the Disclosures.

Under IFR, Risk to Clients (RtC) refers to the risk that an investment firm poses to clients if it fails to carry out its services or operations correctly. RtC captures the Company's exposures to risk to clients taking into consideration assets under management, client money held, assets safeguarded and administered, and client orders handled. There are four K-factors under RtC, which are presented in Section 5.2.3 of this Report:

- K-AUM (Assets Under Management): Considers risks associated with discretionary portfolio management and non-discretionary arrangements constituting investment advice of an ongoing nature.
- K-CMH (Client Money Held): Captures the risk of an investment firm causing potential harm to clients where it holds their money.
- K-ASA (Assets Safeguarded and Administered): The risk of harm associated with the safeguarding and administering of a client's financial instruments.
- K-COH (Client Orders Handled): Captures the potential risk to clients of an investment firm which executes orders in the name of the client.

Failure to carry out its services or operations correctly will be a key risk that the Company would need to manage. The negative impact on clients of this failure could be substantial if the management is not appropriate.

The Company manages operational risk through a control-based environment in which all processes are monitored and documented, and transactions are reconciled and monitored. Day to day operational risks and procedures at all levels of the Company's hierarchy are monitored by the Compliance Officer, the Risk Manager and the internal auditors. Any incidents detected are monitored to ensure they are not repeated. Any issues arising are dealt with immediately and monitored until being resolved and ensure they are not repeated.

#### **2.3.4. Liquidity Risk**

Liquidity risk is defined as the risk to the Company's earnings or capital from its inability to meet its financial obligations as they fall due. It arises from the management of its assets and liabilities. The Company maintains sufficient liquidity to manage known and unanticipated funding needs.

Liquidity is managed in accordance with a framework of policies and controls such as maintaining sufficient cash deposits and highly liquid assets and performing daily reconciliations of cash balances and payments.

An additional requirement for the investment firms is the Liquidity requirement, as defined in Part Five of the IFR, where an investment firm is obliged to hold an amount of liquid assets at least one third of its fixed overhead requirement. During the year, the Company had liquid assets amounting to €1.358K, mainly consisting of asset-backed securities and unencumbered short-term deposits, in accordance with the IFR.

### **2.3.5. Legal, Compliance & Regulatory risk**

Legal, Compliance and Regulatory risk is the risk of financial loss arising from litigations, fines and other penalties, which could arise as a result of breaches or non-compliance with legislation, regulations, agreements or ethical standards. If this risk materializes, it could trigger the effects of reputation and strategic risk.

The Company may, from time to time, be involved in legal proceedings which may affect its operations and results. Litigation risk arises from pending or potential legal proceedings against the Company and in the event that legal issues are not properly dealt with by the Company.

The risk is limited to a significant extent due to the detailed internal policies and controls implemented and the supervision applied by the Compliance officer and the reviews performed by the internal auditors at least annually.

### **2.3.6. Reputational risk**

Reputational risk is the risk of loss arising from damage to the Company's reputation, due to negative publicity relating to the Company's operations (whether true or false) which may subsequently result in a reduction of its clientele, reduction in revenue and possible legal actions against the Company.

Reputational risk can derive from financial or operational activities or have an effect or outcome with financial or operational consequences. It is generally about an opportunity or threat that has a social or ethical dimension, rather than purely a financial or operational one. For example, poor customer service, fraud or theft, customer claims and legal action.

The Management acknowledges that reputation is the single most valuable asset and the one that differentiates the Company from its competitors. Therefore, the Company has applied policies and procedures to minimize this risk. Reputation is protected, sustained and enhanced through the active management of issues and the maintenance of relationships, both at high level and as routine contacts e.g. possible customer complaints. The Company has in place policies and procedures when dealing with customer complaints in order to provide the best possible service.

The likelihood of complaints is low as the services provided to the clients are agreed and signed beforehand. In addition, the Company's Directors are made up of high caliber professionals who are recognized in the industry for their integrity and ethos. The Company is highly sensitive to the handling of ethics and integrity issues, paying particular emphasis on anti-fraud, bribery and corruption measures.

### **2.3.7. Information Technology risk**

IT risk could occur as a result of inadequate information technology, processes and procedures or inadequate use of the Company's information technology. The Company monitors its IT risk through a range of controls such as back-ups, software and hardware maintenance procedures, anti-virus controls and user right controls.

The Management acknowledges that in case of destruction the Company can continue to provide services through a desk in the Cyprus Stock Exchange.



### **2.3.8. Other risks**

Additional risks directly linked to the financial services sector are generated from the operation of the common CSE-ASE trading platform and the overall interdependence between the local market and other markets considering the general susceptibility of capital markets to foreign influences in terms of volatility through liberalization regional relations and even simple contagion.

There are also risks that relate to the intensification of competition and of the possible decrease in profit margins. The activity through investments in new systems experienced personnel and continuous training of human capital aims at practicing better risk management and thus maintaining its competitiveness in the business world.

The Department Managers are encouraged to identify risks in the areas of Anti Money Laundering and know your customer, internal and external fraud and continuity of operations.

It should be noted that for the year ended 31 December 2021 the Company did not have any crypto assets holdings and the risk exposure to any crypto assets is zero.

### **2.4. Risk Management Declaration**

The Board has the ultimate responsibility for the risk management processes and practices in place. The Board assesses the effectiveness of the risk management strategies and policies to ensure that there is adequate monitoring, management and mitigation of all relevant risks. To this end, the company has not set up a separate risk committee.

The Board has the responsibility for the implementation of an appropriate risk management framework as well as for the oversight of risk management and internal controls. Additionally, it is the Board's responsibility to conduct an ongoing and an annual review to make sure of the effectiveness and adequacy of the risk management framework and internal controls.

Overall, the Board considers that the Company has established effective risk management arrangements, with regards to the Company's profile, strategy and business objectives.

### **2.5. Concise Risk Statement**

The Company constantly monitors the relevant regulatory ratios and whenever the minimum regulatory limits are close to be reached or a breach occurs, the management of the Company is immediately notified, to take the necessary actions.

The Company sets out below, a summary of the key ratios, even though not exhaustive, which are monitored on a frequent basis, along with the risk appetite of the Company.

Key Risk Area	Regulatory Requirement	Level (%) at 31 December 2021	Comments
Total Capital Adequacy	100%	144%	The Company considers the current level of the ratio as acceptable and strives to always maintain adequate funds to meet regulatory own funds. Where the 100% ratio is close to be reached, the Company will consider the relevant actions to be taken (e.g., additional fund raise).
Concentration Risk	25% of own funds	20%	The Company considers the current level of the ratio as acceptable and constantly monitors and maintains in various banks lower than the 25% of clients' money.
Liquidity Risk	maintain a minimum of 33% of fixed overheads in liquid assets	70%	The Company considers the current level of the ratio is acceptable and well above the minimum regulatory limit. The Company constantly monitors the relevant amount of liquid assets against the fixed overhead balance, in order to be in line with the law and thus satisfy its liquidity requirements.

Table 1: Concise Risk Statement

### 3. GOVERNANCE ARRANGEMENTS

#### 3.1. Number of directorships

In accordance with Section 9 of the Law the number of directorships which may be held by a member of the board of directors of a CIF that is significant in terms of its size, internal organization and in terms of the nature, the scope and the complexity of its activities, shall not hold more than one of the following combinations of directorships at the same time:

- (a) one executive directorship with two non-executive directorships;
- (b) four non-executive directorships.

Executive or non-executive directorships held within the same group shall count as a single directorship, as per the provisions of the Investment Services Law. The Company, having considered its relatively small size and internal organization as well as its non-complex nature of activities, it considers that the above combination directorships may not be met. The overall responsibility for approving and monitoring the Company's overall strategy and policies for managing risks lies with the Board of Directors.

The table below presents the members of the Board of Directors of the Company and the respective number of directorships held by each (including the directorship in the Company) as at the date of these Disclosures.

Director Name	Position	Executive Directorships	Non-Executive Directorships
Andreas Papacharalambous	Non-executive Chairman	-	3
Nicolas Papacostas	Executive Director	1	3
Charidemos Charidemou	Executive Director	1	1
Nicos Hadjiioseph	Non-executive Director	22	1

Table 2: Number of Directorships

All the Company's Directors have been approved by CySEC.

#### 3.2. Recruitment policy

One of the Board of Directors' main duties is to identify, evaluate and select candidates who would be able to respond to the demands as member of the Board of Directors of the Company.

Members of the Board are chosen for their high academic and professional qualifications, diversity, skills and experience with local and international financial matters, as well as for their integrity and honesty. Diversity is taken into consideration in determining the optimum composition of the Board of Directors.

As of the date of this report, the Board of Directors consists of 2 Executive and 2 Non-executive members, the qualifications of which are summarized below.

##### *Andreas Papacharalambous – Non-executive Chairman*

- Andreas Papacharalambous studied at the National and Kapodistrian University of Athens (B.A. (Athens)). Since 1976 he has been practising law in Nicosia where he co-founded Papacharalambous & Angelides LLC in 1983. In October 2014 he had joined Koushos &

Korfotis LLC and had formed a new scheme, namely Koushos, Korfotis Papacharalambous LLC, in which he is currently a senior partner.

- Andreas deals with all areas of law and is in charge of the overall administration of the office as well as maintaining contacts with overseas clients. He particularly specialises in listing Companies on the Cyprus Stock Exchange.
- Amongst many positions held, he was appointed President of the Cyprus Athletics Organisation (KOA) from 2000 to 2003. Andreas has also lectured in Constitutional Law and Political Sciences at various colleges in Nicosia.
- Andreas has been a member of the Cyprus Bar Association Committee, which he has represented at an international level.

*Nicolas Papacostas - Executive Director*

- Nicolas Papacostas studied at Saint John's in New York and has an MBA in Financial Services. He is also a holder of the professional title of Chartered Financial Analyst (CFA).
- He commenced his career in 1992 as an Investment Manager in Interamerican.
- Since 1996 he is a broker and financial analyst and in 2002 he was appointed Executive Director in Mega Equity.
- He is a registered stockbroker representative of CSE and ASE and has been approved by CySEC as supervisor of underwriting section, of dealings in financial instruments for own account section and of customer portfolio management.

*Charidemos Charidemou - Executive Director*

- Charidemos Charidemou studied Accounting and Finance at the University of Carbondale in the United States and holds an MBA degree in Finance.
- He commenced his career as a Sales Manager in Coopers & Lybrands (now PwC). In 1996, he co-founded Benchmark Securities Ltd with CDB Bank and served as an Executive Director until 1999.
- Mr. Charidemou currently serves as an Executive Director of Mega Equity Securities & Financial Services Public Ltd, which he co-founded in 2000.

*Nicos Hadjiioseph - Non-executive Director*

- Nicos Hadjiiosif studied Accounting and Finance (BSc) at the Polytechnic of Central London and has an MSc in Accounting from the London School of Economics.
- He commenced his career in Hellenic Bank as Credit Officer.
- He currently serves as Director in Hadjiioseph, Zapites & Asprides Ltd, Soph. Hadjiioseph Ktimatiki Ltd and Gladiotus Estates Ltd.

### **3.3. Diversity policy**

The Company recognizes the benefits of having a Board that promotes diversity in its members. For the Company, a diverse Board would effectively consist of Directors with a balanced set of different skills, experiences, background, race and gender. The Investment Services Law (Article 10 (2) (b) (ii)) requires institutions to set a target for the representation of the underrepresented gender in the Board and the preparation of a policy on how to increase the number of the underrepresented gender in the Board to achieve this target. The target, policy and their implementation shall be made public.

At the date of these Disclosures, the Board has yet to set the above required policy, even though it aspires towards representation of the underrepresented gender within its Board of Directors. The Company intends to set and implement a relevant target within the next 3 to 5 years.

### 3.4. Reporting & Information flow

The information flow to the management body of the Company is considered as very adequate. The heads of all departments communicate to the executive directors the information that emanates from their respective areas of expertise. Indicatively, examples of information circulated include but are not limited to the quarterly management accounts, annual Risk Management report, quarterly portfolio performance report, quarterly Capital Adequacy report, and announcements, issuance of Directives and updates in legislation and regulatory issues, on a continuing and ad-hoc basis.

The following table presents the Company's description of the information flow on risk to the management body.

Report Name	Report Description	Owner	Recipient	Frequency
Compliance Report	Annual Compliance Review	Compliance Officer	Board, CySEC	Annual
Internal Audit Report	Annual Internal Audit Review	Internal Auditor	Board, CySEC	Annual
Risk Management Report	Annual Risk Management Report	Risk Manager	Board, CySEC	Annual
Pillar III Report	Disclosure regarding the risk management, capital structure, capital adequacy and risk exposures of the Company	Risk Manager, Financial Controller	Board, CySEC, Public	Annual
Financial Statements	Audited financial statements of the Company	Financial Controller	Board, CySEC	Annual
ICAARA Report	Assessment of the level of capital that adequately supports all relevant current and future risks of our business	Risk Manager, Financial Controller	Board	Annual
Capital Adequacy Report-165-01	Capital requirement calculation	Financial Controller	Senior Management, CySEC	Quarterly

Table 3: Flow of Information

#### 4. OWN FUNDS

Own Funds is considered to be the amount of capital which the Company is obliged to maintain in order to be able to absorb losses. It can consist of the sum of Common equity Tier 1 capital, additional Tier 1 capital and Tier 2 Capital. The Company is obliged to hold adequate funds according to the IFR/IFD.

As per the Article 9 of 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 exceed all of the following thresholds:

- 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.

For the year ended 31 December 2021 the Company complies in full of its initial capital requirement of €750,000 and fulfilled its obligations by successfully submitting on a quarterly basis (unless an exclusion is given from the regulator) all the CoRep Forms and the IFR/IFD (165-01) forms since the new regulatory framework came into force on 26<sup>th</sup> June 2021.

The Company's own funds consist of paid-up share capital and retained earnings with current year profits being added to own funds only if audited. The Company deducts contributions to investors' compensation funds from the Common Equity Tier 1 capital.

There were no Additional Tier 1 capital and Tier 2 capital as of 31 December 2021 and as at the date of this Report.

A detailed description of the main features of Common Equity Tier 1 and Additional Tier 1 instrument issued by the Company are presented in Appendix I.

Additionally, the following two tables present the composition of the Company's Own Funds as at 31 December 2021, and how these Own Funds reconcile with the Company's audited Balance Sheet as of this date, respectively.

The following tables have been prepared using the format set out in the Draft Implementing Standards issued by the EBA on reporting and disclosure requirements of investment firms under the IFR (EBA/ITS/2021/02) and the EU Implementing Technical Standards 2021/2284, as per Annex VI and VII of the latter.

**Template EU IF CC1.01**

Ref	Item	Amounts €'000	Source based on reference numbers/letters of the Balance Sheet in the audited Financial Statements
1	<b>OWN FUNDS (CET1+T1)</b>	1,339	
2	<b>TIER 1 CAPITAL</b>	1,339	
3	<b>COMMON EQUITY TIER 1 CAPITAL</b>	1,339	
4	Fully paid-up capital instruments	4,832	Ref 1 (Shareholders' Equity)
5	Share premium	182	Ref 2 (Shareholders' Equity)
6	Retained earnings	(3,266)	Ref 3 (Shareholders' Equity)
10	Adjustments to CET1 due to prudential filters	-	
12	<b>(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1</b>	(410)	
13	(-) Own CET1 instruments	(135)	Ref 3 (Assets)
21	(-) Qualifying holding outside the financial sector which exceeds 15% of own funds	(275)	
28	<b>ADDITIONAL TIER 1 CAPITAL</b>	-	
40	<b>TIER 2 CAPITAL</b>	-	

Table 4: Template EU IF CC1.01 – Composition of Regulatory Own Funds

**Template EU IF CC2**

As at 31/12/2021 (EUR '000)	Balance Sheet as in audited Financial Statements	Cross reference to EU IF CC1	
<b>Ref</b>			
1	Property, Plant and Equipment	9	
2	Investment Property	597	
3	Contribution to the Investors Compensation Fund	135	Ref 13
4	Receivables	1,142	
5	Financial Instruments	26	
6	Cash and cash equivalents	108	
7	<b>Total Assets</b>	<b>2,017</b>	
	<b>Liabilities- Breakdown by liability classes according to the Balance Sheet in the audited Financial Statements</b>		
1	Current Liability - Payables	268	
2	Income tax payable	1	
3	<b>Total Liabilities</b>	<b>269</b>	
	<b>Shareholders' Equity</b>		
1	Share capital	4,832	Ref 4
2	Share premium	182	Ref 5
3	Accumulated losses	(3,266)	Ref 6
4	<b>Total Shareholders' Equity</b>	<b>1,748</b>	

Table 5: Template EU IFCC2: Own Funds: Reconciliation of Regulatory Own Funds to Balance Sheet in the audited Financial Statements

The Company notes that in accordance with the Commission Implementing Regulation (EU) 2021/2284 (Annex VII, paragraph 11), the column of template EU IFCC2, namely "Under regulatory scope of consolidation" is not reported since the Company complies with the disclosure requirements of Part Six of the IFR on an individual basis.

## **5. OWN FUND REQUIREMENTS**

### **5.1. Assessment of Capital Adequacy**

The Company calculates the capital adequacy ratio on a quarterly basis and monitors its direction in order to ensure its compliance with externally imposed capital requirements. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company's objectives when managing capital are:

- (i) to comply with the capital requirements set by the regulator;
- (ii) to safeguard the Company's ability to continue as a going concern, and;
- (iii) to maintain a strong capital base to support the development of the business.

The Company's policy of capital management is designated to maintain the capital base sufficient to keep the confidence of customers, creditors, other market participants and to secure the future development of the Company. Capital adequacy and the use of the regulatory capital are monitored by the Company's management. The required information is filed with the Company's regulator on a quarterly basis.

As a Class 2 investment firm it is required to calculate the own funds requirement as the highest of its Fixed Overhead Requirements (FOR), its permanent minimum capital (PMC) and its K-Factor Capital Requirement (KFR), all of which are described in detailed in this section.

At 31 December 2021 the Own fund ratio of the Company is 144%, which is higher than the minimum requirement of 100% as this is stated in article 9 of the IFR. During the year 2021, the ratio did not fall at any time below the minimum required by CySEC.

### **5.2. Minimum Capital Requirements**

#### **5.2.1. Fixed Overheads Requirement**

The fixed overheads requirement shall amount to at least one quarter of the fixed overheads of the preceding year. Investment firms shall use figures resulting from the applicable accounting framework and where an investment firm has not been in business for one year from the date on which it started providing investments services or performing investment activities, it shall use the projected fixed overheads included in its projections for the first twelve months trading.

The Company's policy is to monitor Fixed Overheads Requirements at least on a quarterly basis.

The Company complies with Article 12 of the IFR stating that the Company shall hold Own Funds of at least one quarter of the fixed overhead expenses of the preceding year. The Fixed Overheads Requirement as at 31 December 2021 amounted to €71K.

#### **5.2.2. Permanent Minimum Capital Requirement**

The Company's policy is to monitor on a continuous basis its Own Funds and ensure that they remain above the Permanent Minimum Capital Requirement of €750,000, which corresponds to the initial capital that applies to the Company, in accordance with Article 9 of the IFD.



### 5.2.3. K-Factor requirements

The K-Factor requirements are calculations introduced by the new framework IFR/IFD and are tailored to the respective activities of an investment firm according to its authorization. K-Factors are quantitative indicators targeting the services and business practices that are most likely to generate risk to the company. K-Factors are categorized risk into three main groups which are Risk-to-Clients, Risk-to-Markets and Risk-to-Firm and reflects the risk of the company on each of these areas, all of which are described in Section 2.3 in detail.

The Company's K-factor requirement is calculated in accordance with Articles 16 through to 33 of IFR.

### 5.2.4. Quantitative Information

As stated in Article 11(1) of IFR, the Company is required to hold the higher of its K-factor requirement, fixed overhead requirement and permanent minimum capital requirement. Therefore, the Table below breaks down the Pillar 1 minimum capital requirement that the Company is required to hold as of 31 December 2021.

<b>Minimum Capital Requirements</b>		<b>As at 31/12/2021 EUR '000</b>
<b>K-Factor Requirement</b>		
	k-AUM	-
Risk-to Client (RtC)	k-CMH	19
	k-ASA	90
	k-COH	-
Risk-to Market (RtM)	k-NPR	-
	k-CMG	-
	k-TCD	158
Risk-to Firm (RtF)	k-DTF	-
	k-CON	664
<b>Total K-Factor Requirement</b>		<b>931</b>
<b>Fixed Overhead Requirement ('FOR')</b>		<b>71</b>
<b>Permanent Minimum Capital Requirement ('PMCR')</b>		<b>750</b>

Table 6: Minimum Capital Requirements

Additionally, the following table presents the excess capital of the Company, amounting €408K above the minimum it is required to hold. This equates to a capital ratio of 143.8%, which is above the minimum threshold of 100% set out in Article 9(1)(c) of IFR.

EUR '000	31 December 2021	Reference
<b>Capital</b>		
Common Equity Tier 1	1,339	
Additional Tier 1	-	
Tier 2	-	
<b>Total Own Funds</b>	<b>1,339</b>	<b>a</b>
<b>Own Funds Requirement</b>		
K-factor Requirement	931	b
Fixed Overhead Requirement	71	c
Permanent Minimum Capital Requirement	750	d
<b>Minimum Own Funds Requirement</b>	<b>931</b>	<b>e = (higher of b, c, d)</b>
<b>Capital Adequacy Ratios</b>		
Capital Excess (€000)	408	a-e
Capital Ratio (%)	143.8%	a/e

Table 7: Capital Excess/Ratio

## 6. INVESTMENT POLICY

Article 52 of the IFR requires investment firms, which do not meet the criteria referred to in point (a) of Article 32 (4) of the IFD, to disclose the following in accordance with IFR Article 46 of the same regulation:

- (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;
- (b) a complete description of voting behaviour in the general meetings of companies the shares of which are held in accordance with paragraph 2 of IFR Article 52, 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
- (c) an explanation of the use of proxy advisor firms;
- (d) the voting guidelines regarding the companies the shares of which are held in accordance with paragraph 2 IFR Article 52.

Article 32(4)(a) of the IFD refers to *“an investment firm, where the value of its on and off-balance sheet assets is on average equal to or less than EUR 100 million over the four-year period immediately preceding the given financial year”*.

As per IFR Article 52 (2) *“The investment firm referred to in paragraph 1 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”*.

Having considered the above references to the applicable legislation, and as at the reference date the Company did not hold any shares that would meet the criteria stated in Article 52(2) of IFR and therefore no disclosures regarding investment policy were made.

## 7. REMUNERATION POLICY & PRACTICES

### 7.1. Remuneration Policy

The Company's remuneration policy is determined by the Board of Directors, as it is not considered necessary for a separate Remuneration Committee to be established. Decisions on these matters are taken on a Board of Directors level, while the remuneration policy is periodically reviewed and updated.

The purpose of the Remuneration Policy is to strengthen client's protection by improving the implementation of the conflicts of interest and conduct of business requirements under the Investment Services Law in the area of remuneration, whilst taking into account the staff's skills, experience and performance and supporting at the same time the long-term business interests of shareholders, investors and other stakeholders in the Company. To this respect, the Company's remuneration system takes into account the highly competitive sector in which the Company operates, the considerable amount of resources the Company invests in each member of the staff, the financial viability of the Company and the general financial situation of Cyprus.

The Policy is reviewed by the Board of Directors on a regular basis, at least once a year and is designed to set remuneration of directors and relevant staff members that is sufficient to attract, retain and motivate them to improve personal and corporate performance, being market competitive but not excessive to the detriment of the clients. In this respect the Board of Directors supports the Company's efforts to ensure compliance of the Policy with regulatory requirements and applicable law. Therefore, the Remuneration Policy is amended if deemed necessary with the Board of Directors ensuring that any changes to this policy are properly documented.

### 7.2. Link Between Pay and Performance

The remuneration of the Company's employees is based on fixed salaries with no performance related pay being currently granted. Furthermore, the Company does not have any shared-based compensation or any other variable component schemes. The Board is responsible for any salary increases, bonuses or any other form of remuneration.

- **Senior Management:** The remuneration of the Senior Management is set in such a way as to ensure that the rewards for the 'executive management' are also linked to the Company's performance, to provide an incentive to achieve the key business aims.
- **Non-executive directors:** The remuneration of non-executive directors is not linked to the profitability and performance of the Company nor covered by any incentive programs. The remuneration of non-executive directors is fixed and is based on the number of the Board meetings they attend, with the fixed fee reflecting the qualifications and contribution required in view of the Company's complexity and the extent of the responsibilities. There are no Retirement Benefit Schemes / Share Options / Other Benefits granted to the non-executive directors.
- **Executive directors:** The BoD sets the remuneration of executive directors, on a basis that ensures the Company's continued ability to attract and retain the most qualified Executive Board members and a good basis for succession planning. The remuneration of the Executive Board is assessed annually and developments in market practice are assessed systematically. It consists of fixed salary plus bonus, based on the financial results of the Company. Bonus of €52,000 was recommended by the BoD for the year 2021. The performance of Executive Directors is assessed once a year.

### 7.3. Aggregate quantitative information on remuneration

The table below presents the total remuneration of all members of staff whose professional activities have a material impact on the Company's risk profile, for the year ended 31 December 2021, along with the respective number of beneficiaries.

The quantitative information listed below comprises of both fixed remuneration and variable remuneration.

Variable remuneration granted during the year is presented in the table set out below and consisted solely of cash bonus.

There were no Retirement Benefit Schemes, Share Options or Other Benefits granted to the members of staff whose professional activities have a material impact on the Company's risk profile.

<b>Members of staff whose professional activities have material impact on the Company's risk profile</b>	<b>No of beneficiaries</b>	<b>Total Fixed Remuneration (€)</b>	<b>Total Variable Remuneration (€)</b>	<b>Total Remuneration for the year (€)</b>
Non-Executive Directors fees	2	-	-	-
Executive Directors Remuneration	2	42.672	52.000	<b>94.672</b>
Senior Management	1	39.074	-	<b>39.074</b>
<b>Total</b>	<b>5</b>	<b>81.746</b>	<b>52.000</b>	<b>133.746</b>

Table 8: Remuneration – Aggregate quantitative information

The Non-Executive Directors waived their right to receive remuneration in 2021.

No individuals were remunerated with an amount exceeding €1million during the year.

There were no new sign-on or severance payments awarded and paid out during the year.

Additionally, no outstanding deferred remuneration has been awarded or paid out during the financial year.

## 8. APPENDICES

### 8.1. Appendix I: Main Features of Common Equity Tier 1

The following table, namely EU IF CCA, has been prepared in accordance with Article 49(1)(b) of the IFR and presents the main features, including full terms and conditions, of the ordinary shares of the Company, as at 31 December 2021 and as at the date of this report.

CAPITAL INSTRUMENTS MAIN FEATURES TEMPLATE		Common Equity Tier 1 Instruments
1	Issuer	Mega Equity Securities & Financial Services Public Ltd
2	Unique identifier (ISIN)	N/A
3	Governing law(s) of the instrument	Cyprus Law
4	Transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/ (sub-)consolidated/ solo & (sub-) consolidated	Solo
7	Instrument type	Ordinary Shares
8	Amount recognised in regulatory capital (in thousands of EUR€)	EUR 4,832
9	Nominal amount of instrument (in thousands of EUR€)	EUR 8,500
9a	Issue price (in thousands of EUR€)	EUR 4,832
9b	Redemption price	N/A
10	Accounting classification	Shareholders' equity
11	Original date of issuance	N/A
12	Perpetual or dated	N/A
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	N/A
15	Original call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates	N/A
17	Fixed or floating dividend/ coupon	N/A
18	Coupon date and any related index	N/A
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
21	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
22	Noncumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible info	N/A
29	If convertible, specify issuer of instrument it converts into	N/A

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CAPITAL INSTRUMENTS MAIN FEATURES TEMPLATE		Common Equity Tier 1 Instruments
30	Write-down features	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

Table 9: EU IF CCA: Own funds: main features of own instruments issued by the firm

## 8.2. Appendix II: References to Investment Firm Regulation (“IFR”)

IFR Article ref.	High-level summary	Pillar III Disclosures Section Reference
<b>Scope</b>		
46 (1)	Publicly disclosure of the information specified in Part Six on the same date as the publication of the annual financial statements.	Section 1.2
46 (2)	Investment firms that meet the conditions for qualifying as small and non-interconnected investment firms which issue Additional Tier 1 instruments shall publicly disclose the information set out in Articles 47, 49 and 50 on the same date as they publish their annual financial statements.	Not applicable – the Company is a Class 2 Investment Firm
46 (3)	Investment firms no longer meeting all the conditions for qualifying as a small and non-interconnected investment firm, shall publicly disclose the information set out in Part 6 of IFR as of the financial year following the financial year in which it ceased to meet those conditions.	Not applicable – the Company is a Class 2 Investment Firm
46 (4)	Determine the appropriate medium and location to comply effectively with the disclosure requirements referred to in Article 46(1) and 46(2). All disclosures shall be provided in one medium or location, where possible.	Section 1.3
<b>Risk management objectives and policies</b>		
47	Disclosure of information on strategies and processes to manage each separate category of risk set out in Parts Three – Five of the IFR, and a concise risk statement describing the investment firm’s overall risk profile associated with the business strategy.	Section 2
<b>Governance</b>		
48 (a)	Number of directorships held by member of the management body.	Section 3.1
48 (b)	Diversity policy with regard to the selection of members of the management body, its objectives and any relevant targets set out in that policy, and the extent to which those objectives and targets have been achieved.	Section 3.3
48 (c)	Disclosure of whether a separate risk committee is in place, and number of meetings in the year.	Section 2.4
<b>Own Funds</b>		
49	Information regarding the Company’s Own Funds.	Section 4
<b>Own Funds Requirements</b>		
50 (a)	Summary of institution’s approach to assessing adequacy of capital levels.	Sections 2.2 & 5.1
50 (b)	The result of the investment firm’s internal capital adequacy assessment process, upon a request from the competent authority.	Not applicable – the Competent authority did not make such request.
50 (c)	The K-factor requirements in aggregate form RtM, RtF and RtC, based on the sum of the applicable K-factors.	Section 5.2.3
50 (d)	The fixed overhead requirement.	Section 5.2.1
<b>Remuneration policy and practices</b>		
51	Investment firms shall disclose the information disclosed in this Article of the IFR, regarding their remuneration policy and practices, including aspects related to gender neutrality and the gender pay gap, for those categories of staff whose professional activities have a material impact on investment firm’s risk profile.	Section 7
<b>Investment Policy</b>		
52	Investment Policy	Section 6
<b>Environmental, social and governance risks</b>		
53	Information on environmental, social and governance risks, including physical risks and transition risks.	Not applicable – Disclosure on ESG should be made public from 26



IFR Article ref.	High-level summary	Pillar III Disclosures Section Reference
		December 2022 onwards, once in the first year and biannually thereafter.

Table 10: References to Investment Firm Regulation("IFR")

### 8.3. Appendix III: Abbreviations

AML	Anti-Money Laundering
ASE	Athens Stock Exchange
BoD	Board of Directors
CET1	Common Equity Tier 1
CIF	Cyprus Investment Firm
COO	Chief Operating Officer
CRD	Capital Requirement Directive
CRR	Capital Requirements Regulation
CSE	Cyprus Stock Exchange
CySEC	Cyprus Securities and Exchange Commission
EBA	European Banking Authority
EU	European Union
ICAAP	Internal Capital Adequacy Assessment Process
ICARA	Internal Capital Adequacy and Risk Assessment
ICF	Investor Compensation Fund
IFR	Investment Firms Regulation
IFD	Investment Firms Directive
IT	Information Technology
ITS	Implementing Technical Standards
PMCR	Permanent Minimum Capital Requirement
SREP	Supervisory Review Process

Table 11: Abbreviations

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