DISCLOSURE AND MARKET DICSIPLINE REPORT

in accordance with Regulation (EU) 2019/2033 of the European Council and the Parliament of the Prudential Requirements of Investment Firms (IFR) and Directive (EU) 2019/2034 of the European Council and the Parliament on the Prudential Supervision of Investment Firms (IFD)

31 December 2021

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1. Introduction

1.1 Corporate information

The Company Ronin Europe Limited (the Company) was incorporated on 21 August 2006 as a private company with limited liability under the Companies Law, Cap.113. The Company's principal activity is the operation as an investment firm and the provision of investment and ancillary services.

On 31 October 2007 the Company received authorisation from the Cyprus Securities and Exchange Commission (hereafter the "CySEC") to operate as a Cypriot Investment Firm under license number 081/07 and registration number HE 182457. This authorisation entitles the Company to operate locally and outside Cyprus.

The Company's license was subsequently amended on 7th November 2011, whereby the Company has also been granted a license for trading on own account.

According to its CIF license, the Company is authorized to provide the following investment and ancillary services:

Investment Services:

- Reception and transmission of orders in relation to one or more financial instruments
- Execution of orders on behalf of clients
- Dealing on own account
- Portfolio management
- Investment advice

Ancillary Services:

- Safekeeping and administration of financial instruments, including custodianship and related services
- Granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction
- Advice to undertakings on capital structure, industrial strategy and related matters and advice and services relating to mergers and the purchase of undertakings
- Foreign exchange services where these are connected to the provision of investment services
- Services Related to Underwriting
- Investment services and activities as well as ancillary services where these are connected to the provision of investment or ancillary services.

1.2 Pillar III Regulatory Framework

Regulatory framework overview:

The information below is disclosed in accordance with the legal framework currently in force:

- the Regulation (EU) 575/2013, issued on 26.6.2013 on prudential requirements for credit institutions and investment firms, amending Regulation (EU) No. 648/2012 (the "CRR"), in particular articles 432 and 433 of Part Eight thereto;
- the Directive 2013/36/EU issued on 26.06.2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (the "CRD IV") as amended by the Directive 2014/17/EU, Directive 2014/59/EU, Directive (EU) 2015/2366 and Directive (EU) 2018/843;
- Regulation (EU) 2019/2033, also known as the Investment Firms Regulation (IFR);
- Directive (EU) 2019/2034, also known as the Investment Firms Directive (IFD);
- Law L. 165(I)/2021 to provide for the prudential supervision of Investment Firms.

The Regulation and Directive are based on three pillars:

1. Pillar I covers the standards that set out the minimum regulatory capital and liquidity requirements
2. Pillar II covers the Supervisory Review Process which assesses the Internal Capital Adequacy Processes (ICAAP). This pillar requires investment firms to develop internal methodologies to assess their exposure to, and capital needs for, all material risks not reflected under Pillar I
3. Pillar III covers transparency and relates to the obligation of investment firms to publicly disclose information with respect to prudential requirements, risk management and principles of the remuneration policy

The information that Ronin Europe Limited ('the Company or Ronin") discloses herein relates to the year ended 31 December 2021.

1.3 Disclosure policy: Basis and Frequency of Disclosure / Location and verification

The 2021 Pillar III disclosures report (the Report) of the Company prepared under requirements of Articles 46 to 53 of the IFR and sets out both quantitative and qualitative information. The Report provides information on the capital structure, capital adequacy and risk exposures of the Company. The Report is prepared and published annually in conjunction with the date of publication of the financial statements.

In determining the frequency of the disclosure, the Company took into consideration that the risk profile of the Company does not fluctuate significantly in a six-month period and that the Pillar III disclosures should be prepared in accordance with financial reports to allow users to assess the risk of the Company. In respect to the obligation for the year ending on 31st December 2021, the Company has noted the extension of the publication date of the Pillar III disclosures report up to 31st of July 2022.

1.3.1 Location of publication

The Company's Pillar III disclosures are published on the Ronin Europe Limited corporate website:

http://ron.in/en/europe/what-mifid/

Additional information regarding attributable risks can be found in the Company's audited Annual Report and Financial Statements for the year ended December 31, 2021.

https://ron.in/wp-content/uploads/2022/04/FS-2021_Ronin-Europe-Limited_.pdf

1.3.2 Verification

The Company's Pillar III disclosures are subject to internal review and validation prior to being submitted to the Board for approval. This includes approval by the Directors, the Risk Manager and the General Manager. The Company's Pillar III disclosures have been reviewed and they have been approved by the Board. In addition, the Remuneration disclosures have been reviewed by the Remuneration Committee. The disclosures are subject to audit by Deloitte Ltd the external auditors of the Company and they are based on the Company's Annual Report and Financial Statements. The Company is required to provide a copy of the auditor's verification report to Cyprus Securities and Exchange Commission within five months of the year end.

2. Scope of the Application

The disclosures are based on the audited financial statements of Ronin Europe Limited for the year ended 31 December 2021 and signed on 31 March 2022 and are presented on an individual (solo) basis.

3. Classification and prudential requirements

The Investment Firm Regulation (EU) 2019/2033 (IFR) and the Investment Firms Directive (EU) 2019/2034 (IFD) that entered into force on 26 of June 2021, introduced a new classification system for investment firms, according to their activities, systemic importance, size and interconnectedness.

All investment firms are classified as Class 1, 2 or 3 Investment Firms:

Class 1 Investment Firms are Systemically important firms that are authorized to deal on their own account or underwrite or place financial instruments on a firm commitment basis and whose total assets exceed €30 billion (individually or on a group basis), have equal treatment with credit institutions in the sense of a level playing field accordingly and they will fall entirely under the Regulation EU) No 575/2013 (CRR).

Class 2 Investment Firms are those that meet at least one of the following thresholds:

- The total annual gross revenue from investment services and activities of the Investment Firm is greater than EUR 30 million, calculated as an average on the basis of the annual figures from the two-year period immediately preceding the given financial year;
- Assets under management greater than EUR 1,2 billion;
- Client orders handled: EUR 100M/Day for cash trades or EUR 1b/day for derivatives trades;
- The on- and off-balance-sheet total of the Investment Firm is greater than EUR 100 million;
- One of the following is not zero:
  Assets safeguarded and administered (ASA);
  Client money held (CMH);
  Daily trading flow (DTF);
  Trading Counterparty default (TCD);
  Net position risk (NPR).

Class 3 Investment Firms are small and non-interconnected firms which do not meet Class 2 thresholds.

Further to the above, the Company is categorized as a Class 2 Investment Firm.

4. Risk Management Framework

Risk is an inherent part of the Company's business activities. The Company's overall objective is to manage its business and the associated risks, in a manner that balances serving the interest of its clients and protects the safety and soundness of the Company. Ronin Europe has clear risk management objectives and strategy to deliver them, through core risk management processes.

At a strategic level, the risk management objectives are to:

- Identify the Company's significant risks;
- Formulate the Company's risk appetite and ensure that business profile and plans are consistent with it;
- Optimise risk/return decisions by taking them as closely as possible to the business, while establishing strong management review;
- Ensure that business growth plans are properly supported by effective risk management;
- Manage risk profile to ensure that specific financial deliverables remain possible under a range of adverse business conditions; and
- Help executives improve the control and co-ordination of risk taking across the business.

The Company's approach is to provide direction on: understanding the principal risks to achieving Company strategy; establishing risk appetite; and establishing and communicating the risk management framework. The process is then broken down into five steps: identify, assess, control, report and manage/challenge. Each of these steps is broken down further, to establish end-to-end activities within the risk management process. The Company's risk management strategy is broadly unchanged in 2021.

The Company's risk management framework aims to establish, implement and maintain adequate policies and procedures designed to manage any type of risks relating to the Company`s activities. The Company's risk policy is aimed at maintaining, on the whole, a medium-to-low, predictable risk profile. The current risk management framework sets the process applied in the activities of and across the Company, designed to identify potential events that may affect its business, to manage risks to be within its risk appetite, and to provide reasonable assurance regarding the achievement of its mission and its objectives.

Communication of information at all relevant levels of the Company is defined by the organizational structure which clearly specifies reporting lines and allocates functions and responsibilities; the Company maintains internal reporting of various risk types, frequency, and depth of reports.

The Company's risk management framework is monitored by various executive and board committees as described further below (Section 4 Governance). The framework and its constituents are subject to compliance and assurance reviews that endorse its effectiveness or where necessary identify issues to be addressed. The Company's management and BoD are satisfied that these arrangements are appropriate given the risk profile of the Company.

5. Risk Governance – Board and Committees

5.1 Board of Directors

The Board is currently consisting of two independent non-executive directors, and two executive directors.

The Board shall be responsible for ensuring that the Company complies with its obligations under the Law. The Board shall assess and periodically review the effectiveness of the policies, arrangements and procedures put in place to comply with the obligations under the Law, and to take appropriate measures to address any deficiencies. The Board shall ensure that it shall receive on a frequent basis and at least annually written reports regarding Compliance, Internal Audit and Risk Management issues, indicating, in particular, whether the appropriate remedial measures have been taken in the event of any deficiencies. The Board shall be responsible for the monitoring of the internal control mechanisms of the Company to enable prevention of activities outside the scope and strategy of the Company and the prevention of any unlawful transactions, the identification of risks, and the timely and adequate flow of information. Furthermore, the Board shall pass a resolution for selecting a service provider or individual for outsourcing.

The Board satisfies itself that financial controls and systems of risk management are robust. The Board of Directors in cooperation with the Risk Manager and Risk Management Committee are responsible for organization and monitoring of the internal control mechanism of the Company.

The main objectives of the Board are:

- governing the organization by establishing broad policies and objectives;
- selecting, appointing, supporting and reviewing the performance of the General Manager;
- ensuring the availability of adequate financial resources;
- approving annual budgets;
- accounting to the shareholders for the organization's performance;
- setting the salaries and compensation of Company management;
- review and approve the Financial Statements, the Annual Risk Report, the Annual Internal Audit Report, the Annual Compliance Report, MLCO Annual Report, the Suitability Report, the ICAAP Report, Recovery and Resolution Plans, Internal Policies and Procedures, the ISDA- GMRA and all the other agreements signed by the Company, the Financial Statements, the Annual Risk Report, the Remuneration Policy, Internal Audit Report.

5.1.1 Board recruitment policy

Recruitment into the Board combines an assessment of both technical capability and competency skills referenced against the Company's leadership framework. The Company's recruitment policy involves contemporary methodology and the tools required to acquire a competitive pool of candidates that is free from any form of favoritism and adheres to the principles of equity, equal opportunity and industrial legislation. To this end, the Company recruits, hires, trains and promotes individuals without regard to color, race, religious belief, sex, marital status, sexual orientation, national or ethnic origin, disability, veteran status, or age. Recruitment to a vacant position will be a result of a competitive merit-based process in accordance with this policy and relevant guidelines. All employees must sign a contract of employment prior to commencement. The standard terms and conditions of employment contracts can only be approved by the General Manager and shall contain:

- Position title
- Type of position
- Specific job duties
- Skills, credentials, and experience required
- Anticipated salary range

5.1.2 Board Diversity policy

The Company invests in the talents of each individual, and in each employee's creativity and innovation that it may bring different experiences, perspectives and cultures work together in the company. This is what drives invention and high performance and it is the base of knowledge, skills and cross-cultural understanding, which in turn, enables the members of the Company to understand, relate and respond to the diverse and changing clients throughout the world, connecting them to the power of investment.

5.1.3 Composition of the Board

The Directors during 2021 were:

Tatiana Elkina

Mrs. Elkina joined the Board of Ronin Europe in 2010. She is currently Executive Director and General Manager of the Company. She works in the financial services sector since 1995.

She holds Bachelor degree with honor in Finance and Certificate of Professional Competence.

Artem Delendik

Mr. Delendik joined the Board of Ronin Europe in 2011. He is currently Executive Director of the Company and also responsible for Investment Advice Department. He works in the financial services sector since 2002.

He holds Master degree in Economics and Certificate of Professional Competence.

Alexander Papadopoulos

Mr. Papadopoulos joined the Board of Ronin Europe in 2009. He is currently Independent Non-Executive Director of the Company.

He holds Master degree in Law and member of Cyprus Bar Council and Chartered Institute of Arbitrators.

Christophoros Koutouroushis

Mr. Koutouroushis joined the Board of Ronin Europe in March 2019. He is currently Independent Non- Executive Director of the Company. He works in the financial sector since 1997.

Mr. Koutouroushis holds a BSc in Economics from the University of Warwick, an MSc in Finance & Economics from Queen Mary and Westfield College of the University of London and an MBA from Warwick Business School.

Mr. Koutouroushis has resigned from the position Independent Non- Executive Director of the Company on December 31, 2021.

Georgios Lakkotrypis

Mr. Lakkotrypis joined the Board of Ronin Europe in October 2020. He is currently Independent Non- Executive Director of the Company.

Mr. Lakkotrypis holds a BSc in Computer Science & Maths from the University of Keele and MBA of the University of Colorado.

Yuliy Shleper

Mr. Shleper joined the Board of Ronin Europe in October 2020. He is currently Independent Non-Executive Director of the Company. He works in the financial sector since 1999.

Mr. Shleper holds Master degree in Finance.

5.1.4 Number of directorships held by members of the Board

The table below provides the number of directorships a member of the management body of the Company holds at the same time in other entities. 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.

Name	Position with Ronin Europe Ltd	Directorships - Executive	Directorships – Non Executive
Tatiana Elkina	Executive Director	0	1
Artem Delendik	Executive Director	0	0
Alexander Papadopoullos	Independent Non-Executive Director	1	2
Chris Koutouroushis	Independent Non-Executive Director	2	0
Georgios Lakkotrypis	Independent Non-Executive Director	0	0
Yuliy Shleper	Non- Executive Director	1	0

5.2 Committees

5.2.1 Risk Management Committee

The Company maintains a Risk Management Committee, which is formed with the view to ensure the efficient management of the risks inherent in the provision of the investment services to Clients, as well as the risks underlying the operation of the Company, in general. The Risk Management Committee of the Company comprises of two non-executive directors and the Risk manager, who are ultimately responsible for risk monitoring and the implementation of risk mitigation measures.

Towards this direction, the Company had adopted risk management policies, which identify the risks relating to the Company's activities, processes and systems and sets the level of risk tolerated by the Company. Also, the Risk Management Committee bears the responsibility to monitor the adequacy and effectiveness of the risk management policies and procedures that are in place, the level of compliance by the Company and its relevant persons with the policies and procedures adopted, as well as the adequacy and effectiveness of measures taken to address any deficiencies with respect to those policies and procedures that are in place, including failures by the Company's relevant persons to comply with those policies and procedures.

The main responsibilities of the Risk Management Committee are the following:

(a) scrutinize and decide on various risks associated with the operation of the Company with the view to increase the awareness of, formulate internal policies and measure the performance of the said policies in dealing with the risks associated with the operation of the Company

(b) review the risk management procedures in place (monitor and control the Risk Manager in the performance of his/her duties)

(c) ensure that the Company has clear policy in respect of the assumption, follow up and management of risks duly notified to all interested parties or organizational units of the Company. Specifically, such policy shall ensure that all parties involved in the provision of investment services are aware of:

- the particular features of each investment service, financial instrument, and risk inherent in the provision of the services in respect thereof
- the interrelation between the volume of the projected returns and the gravity of the risks undertaken by the Company

(d) consider, to the extent possible, risk factor affecting costs, the price at which competitors offer the same services, and the cost-benefit ratio for each service, and verify that such information is utilized by the Risk Management Department in the carrying out of their duties

(e) with respect to liquidity risk and market risk, review the policies of the Risk Management Department on:

- acceptable maximum risk assumption limits per class of risk
- break down of such risk limits further where necessary, for example, per class of investment service or financial instrument, or Client or market
- implementing stop loss-control limits
- following up open positions within the approved limits

(f) ensure the immediate tracking down and scrutiny of important abrupt changes in the Company's financial figures, procedures or personnel, as well as the regular control of the volume and causes underlying deviations between projections and corporate end results, as submitted to the Board, so as to enable the assessment of the performance of each of the Company's separate organizational units by reference to the set targets

(g) approve Client and counterparty limits

(h) approve policy description concerning information systems and monitor the information systems in place

(i) appoint the responsible security user/super user for the provision of access rights to the various database and monitor the security measures in place

(j) supervise and approve the Company's Disaster Recovery Plan.

Risk Management Committee meetings took place 19 times during the year 2021.

5.2.2 Investment committee

The Investment Committee is formed to ensure the practice of a proper investment policy and the monitoring of the provision of adequate investment services to Clients.

The responsibilities of the Investment Committee are the following:

a) to establish, approve, monitor and adjust the Company Investment Policy
b) to supervise the proper choice of investments (framework)
c) information analysis for a better briefing prior to decision-making
d) to analyze the investment potential and contribute to the elaboration of the investment policy
e) to determine the Company's pricing policy
f) to determine the mode, content and frequency of the Client's briefing
g) to brief the Internal Auditor
h) to establish risk profile categories for each Client (e.g. cautious, balance, growth, aggressive)
i) to analyze the economic conditions and the investment alternatives based on a thorough examination of third- party reports
j) to select appropriate benchmarks for different type of portfolios, where applicable
k) to examine the returns and the associated risks of the managed portfolios

l) to decide upon the markets and types of financial instruments in which the Company shall be active

m) to review annually the portfolio management policy established and to use the recommendations of the Head of the Portfolio Management Department. Such a review shall also be carried out whenever a material change occurs

n) to review annually the investment advice policy established and to use the recommendations of the Head of the Investment Advice Department. Such a review shall also be carried out whenever a material change occurs

o) to monitor the collection of the Client information through the filling of the KYC Questionnaire, the Investment Questionnaire, or information obtained through interviews

5.2.3 Remuneration committee

The main targets of the Remuneration Committee are the development and implementation of remuneration policies and practices that support the delivery of the business strategy and which thereby help create value for the Company and the shareholders. The Committee ensures the sufficient understanding of the Company's remuneration policy and employment conditions by adopting a coherent approach to remuneration in respect of all employees.
The Remuneration Committee shall;

- Set the principles and parameters of remuneration policy across the Company,
- Agree changes to incentive plans,
- Govern employee share schemes,
- Look at strategic recruitment issues,
- Develop remuneration related disclosure objectives for the Company and ensuring that those objectives meet all legal requirements and are accurate,
- Make recommendations to the Board on the remuneration packages of each Director,
- Review and approve general policy relating to strategic remuneration issues.

5.2.4 Nomination committee

The Nomination Committee shall identify and recommend for the approval of the Board of Directors or for approval of the general meeting, candidates to fill vacancies in the Board, evaluate the balance of knowledge, skills, diversity and experience of the Board and prepare a description of the roles and capabilities for a particular appointment and assess the time commitment expected.
The Nomination Committee shall:

- assess periodically and at least annually the structure, size, composition and performance of the Board and make recommendations to the Board with regard to any changes,
- assess periodically and at least annually the knowledge, skills and experience of the member of the Board individually and collectively and report to the Board accordingly,
- review the policy of the Board for selection and appointment of senior management and make recommendations to the Board.

The Nomination Committee draws and submits periodically to the Board diversity focused initiatives concerning gender diversity in order to reach specific benchmarks for a balanced representation of genders in senior management of the Company.

6. Information flow on risk to the management body

The information flow on risk to the management body is achieved, inter alia, through the following reports that are prepared once a year:

1. Annual Risk Manager Report prepared by the Risk Manager
2. Annual Compliance Report
3. Money Laundering Compliance Officer Report and
4. Internal Audit Report (outsourced to KPMG)
5. ICAAP (Internal Capital Adequacy Assessment Process) Report
6. ILAAP (Internal Liquidity Adequacy Assessment Process) Report
7. Recovery and Resolution Plans
8. Suitability Report
9. Statement of financial position and estimated calculation of income tax
10. Board of Directors approves all transactions in the banking book portfolio following recommendations of Risk Management Committee
11. Board of Directors approves entering into Master, GMRA and ISDA Agreements following recommendations of Risk Management Committee

Additionally, the Board of Directors receives all the minutes of the Risk Management, Investment, Remuneration and Nomination Committees.

7. Internal Control Functions

7.1 Risk Management Function

The Risk Manager is responsible to operate the Risk Management Function. One of the fundamental tasks of the Risk Manager is to classify the risk by size. In this way more attention is given to checking the investments and services which are considered of higher risk. Where the risk can be quantified in numbers the classification is easier and is based on amounts which bear risks in accordance with the size the policy of the Company and the available capital. For other risks the Risk Manager together with the Management and Board of Directors set out criteria for the classification of risks.

The main responsibilities of Risk Manager are the following:

- Conform to the Company's operations manual, the legal and regulatory framework and CySEC requests and communication
- Regularly give the Board of Directors a report on the investigations with the details of any of violation, consequences of the violation for the Company and persons involved in it. At the same time work out recommendations for prevention of such situations
- Analyze the market and its trends (from a risk management perspective), as applicable
- Evaluate how the introduction of any potential new services or activities by the Company could affect the risk management of the Company, and provide such requests to the Senior Management or the Board, as requested
- Examine the capital adequacy and the exposures of the Company
- Provide draft written reports to the Senior Management making recommendations and indicating in particular whether the appropriate remedial measures have been taken in the event of any deficiencies, at least annually. These reports shall be presented to the Board and discussed during its meetings, at least annually
- Set up, update and monitor Client and counterparty limits
- Maintain a record of all the Clients and counterparties risk and limits involved
- Recommend, provide and supervise policy description concerning information systems (including backup systems that can restore smooth operation in case of failure)

Written evidence and reports on the check of the above should are produced and distributed to the Board of Directors and the Internal Auditor. Report is also submitted to the CySEC not later than 2 months after the year end.

7.2 Internal Audit Function

The Internal Audit function is outsourced to KPMG. The Internal Audit Function operates independently from other parts of the Company and reports directly to the Board of Directors, providing testing and evaluation of processes and controls across all business lines. The Internal

Audit team assesses the effectiveness of governance, risk management and internal controls; evaluates compliance with laws and regulations; and identifies opportunities for improvement. In this way, the Internal Audit Function assists management in the effective discharge of its responsibilities and the better management and control of the Company.

It is an independent unit reporting directly to the Board of Directors through a written Internal Audit Report prepared on an annual basis. Report is also must be submitted to the CySEC not later than 4 months after the year-end.

7.3 Compliance function and Money Laundering officer

The Compliance and Money Laundering Officer is independent of all operational and business functions and reports directly to the Board of Directors. More specifically, this officer has the following main duties:

- To ensure that the Company is conducting its business in full compliance with all national and international laws and regulations, as well as professional standards, accepted business practices, and internal standards;
- To monitor the adequacy and effectiveness of the policies and procedures of the Company;
- To coordinate internal compliance reviews and routine audits;
- To evaluate business activities in order to assess compliance risk;
- To administer compliance activities and supervise employees of compliance department;
- To prepare written reports and present it to the Board of Directors for discussion, making recommendations and indicating in particular whether the appropriate remedial measures have been taken in the event of any deficiencies, at least annually. This report shall be presented to the regulator;
- To review and approve clients' files at final stage of client's on-boarding/regular update process;
- To review counterparties files at final stage of counterparties' setup/regular update process;
- To serve as coordinator for external investigations and inquiries related to the Company's operations;
- To review any internal suspicion reports, and act as a first point of contact with MOKAS;
- To train and educate the staff of the Company in respect with the compliance function according to the applicable legislation;
- To ensure that all employees have the ability to identify cases of potential breach of legal requirements, report them to the BoD, draw, generate and monitor practices to mitigate them.

7.4 Board Declaration – Adequacy of the Risk Management Arrangements

The Board is responsible for reviewing the effectiveness of the Company's risk management arrangements and systems of financial and internal control. These are in structure to achieve the business objectives, targets and to serve the tasks of the Company in the reasonable assurance against fraud, material misstatement and loss.

The Board considers that it has in place adequate systems and controls with regard to the Company's profile, market positioning and strategy and the desirable tools of assurance mechanisms, properly resourced and skilled, to avoid or diminish loss.

7.5 Risk Statement

The Company's Risk Statement is provided in Annex I. This is approved by the Board and describes the Risk Appetite and its link to the overall strategy.

8. Principal Risks

8.1 Identification and measurement of key risks

Ronin Europe completes the Internal Capital Adequacy Assessment Process (ICAAP) periodically, which forms part of management and decision-making processes such as the Company's risk appetite, strategy, capital and risk management frameworks, and stress testing. The ICAAP is used to assess the key risks to which the Company is exposed; how these risks are measured, managed, monitored and mitigated; and how much capital the firm should hold to reflect these risks now, in the future and under stressed conditions.

The principal risks that the Company is exposed to are as follows:

- Credit risk
- Liquidity risk
- Currency risk
- Debt securities price risk
- Capital risk management
- Operational risk
- Reputation risk
- Strategic risk
- Business risk
- Regulatory risk
- Legal and compliance risk
- IT risk
- Pandemic Risk
- Political Risk

Further information on each principal risk is provided in the sections below.

8.2 Credit Risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the statement of financial position date. The Company has no significant concentration of credit risk.

The Company's credit risk management consists of the following activities:

- Establishing a comprehensive credit risk policy framework
- Monitoring and managing credit exposure across all asset classes
- Intensive management of criticized exposures
- Determining the allowance for credit losses and ensuring appropriate credit risk-based capital management

Moreover, the Company has policies in place to ensure that sales of services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables. Cash balances are held with high credit quality financial institutions and the Company has policies to limit the amount of credit exposure to any financial institution.

Wholesale credit risk is monitored regularly at an aggregated portfolio, industry and individual client and counterparty level with established concentration limits that are reviewed and revised as deemed appropriate by management, usually on an annual basis.

8.3 Market risk

Market risk is the risk associated with changes in market prices/rates, such as interest rate changes, changes in equity, bond or derivatives prices and changes in foreign exchange rates, which may impact the Company's capital or earnings.

The Company decreases exposure to the Market risk through the following restrictions:

- No trading book
- No equity holdings
- Conservative limits for debt instruments investments
- No open FX position

Key elements of market risk and possible impact on the capital and earnings of the Company are analyzed below.

8.4 Liquidity risk

Liquidity risk is 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 object of minimizing such losses such as maintaining sufficient cash and other highly liquid current assets.

The Liquidity Requirement analysis, as at 31 December 2021, is shown in the table below.

Item	Amount (USD '000)
Liquidity Requirement	**351**
Total liquid assets	**19.767**
Unencumbered short-term deposits	168
Level 1 assets	2.138
Level 2A assets	4.920
Level 2B assets	12.541

8.5 Currency Risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's measurement currency. The Company is exposed to currency risk arising from various currency exposures primarily with respect to the Euro, GBP and the Russian Ruble. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

8.6 Debt Securities Price Risk

Debt securities price risk is the risk of loss as a result of adverse changes in the prices of debt securities held by the Company. Debt security prices change as the credit risk of the issuers change. The Company invests a significant part of its liquid assets in debt securities and assesses on a forward-looking basis the expected credit losses associated with its debt instruments. Those securities are held primarily for collection of contractual cash flows (coupon payments) and therefore the Company is not exposed to market price fluctuations.

8.7 Capital Risk

This is the risk that the Company will not comply with capital adequacy 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. The Company has a regulatory obligation to monitor and implement policies and procedures for capital risk management. Specifically, the Company is required to test its capital against regulatory requirements and has to maintain a minimum level of capital. This ultimately ensures the going concern of the Company. Such procedures are explained in detail in the Policy and Internal Operations manual of the Company.

The Company is further required to report on its capital adequacy each quarter and has to maintain at all times a minimum capital requirement for CET1 is 56% and that of Tier 175%, with an overall ratio of 100% (including Tier 2).
Management monitors such reporting and has policies and procedures in place to help meet the specific regulatory requirements. This is achieved through the preparation on a monthly basis of accounts to monitor the financial and capital position of the Company.

8.8 Operational Risk

Operational risk is the risk of loss arising from inadequate or failed processes or systems, human factors or due to external events that are neither market nor credit related. Operational risk is inherent in the Company's activities and can reveal itself in fraud, unauthorized activities, business interruptions, inappropriate behavior of employees, failure to comply with applicable laws and regulations or failure of clients and counterparties to perform in accordance with their arrangements. These events could result in financial losses, litigation and regulatory fines, as well as other damage to the Company. The main target is to keep Operational risk at appropriate levels, in light of the Company's financial stability, the characteristics of its businesses, the markets in which it operates, and the competitive and regulatory environment to which it is subject.

The Company manages operational risk through a control-based environment in which processes are documented and transactions are reconciled and monitored. This is supported by a program of audits undertaken by the Internal Auditors and External Auditors of the Company and by continuous monitoring of Operational risk incidents to ensure that past failures are not repeated. In addition, the Company manages this risk via onsite inspections by the Compliance Officer, maintaining a Disaster Recovery and Business Continuity plan and information security policy.

8.9 Reputation Risk

Reputation risk is the current or prospective risk to earnings and capital arising from an adverse perception of the image of the Company on the part of customers, counterparties, shareholders, investors or regulators. Reputation risk could be triggered by poor performance, the loss of one or more of the Company's key directors, the loss of large clients, poor customer service, fraud or theft, customer claims and legal action, regulatory fines.

The Company has policies and procedures in place when dealing with possible customer complaints in order to provide the best possible assistance and service under such circumstances. The Company's Directors are made up of high caliber professionals who are recognized in the industry for their integrity and ethos; this adds value to the Company.

8.10 Strategic Risk

Strategic 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 to minimize this type of risk are implemented in the overall strategy of the Company.

8.11 Business Risk

Business Risk includes the current or prospective risk to earnings and capital arising from changes in the business environment including the effects of deterioration in economic conditions. Research on economic and market forecasts are conducted with a view to minimize the Company's exposure to Business risk. These are analyzed and taken into consideration when implementing the Company's strategy.

8.12 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, Directives and Circulars issued by CySEC, EU Regulations, ESMA Recommendations and Guidelines; these can be found in the Internal Operations Manual and relevant policies. Compliance with these procedures and policies are 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 control framework at least annually. Therefore, the risk of non-compliance is very low.

8.13 Legal and Compliance risk

Legal and Compliance risk could arise as a result of breaches or non-compliance with legislation, regulations, agreements or ethical standards and have an effect on earnings and capital. The probability of such risks occurring is relatively low due to the detailed internal procedures and policies implemented by the Company and regular reviews by the Internal Auditors and Compliance Officer. The structure of the Company is such to promote clear coordination of duties and the management consists of individuals of suitable professional experience, ethos and integrity, who have accepted responsibility for setting and achieving the Company's strategic targets and goals. In addition, the Board meets at least annually to discuss such issues and any suggestions to enhance compliance are implemented by management.

8.14 IT Risk

IT risk could occur as a result of inadequate information technology and processing or arise from an inadequate IT strategy and policy or inadequate use of the Company's information technology. The Company's Business Continuity Plan addresses the consequences of IT risk. Specifically, policies have been implemented regarding back-up procedures, software maintenance, hardware maintenance, use of the internet and anti-virus procedures. Materialization of this risk has been minimized to the lowest possible level.

8.15 Pandemic Risk

Further to the recent developments of the COVID-19 outbreak, which is a current significant worldwide issue, the Company constantly follows all the government and health authorities' guidelines and instructions, regarding the protection measures against the virus.
Moreover, the company implements additional health and safety measures enabling the Company to continue its operations in a smooth and moderate manner.

8.16 Political Risks

The consequences of the Russian-Ukrainian conflicts, and the sanctions imposed by the European Council against Russia considerably affected the whole financial sector. The Company's governance and controls that are in place aim to protect the Company from risks associated with the said conflict.

9. Own Funds

Own Funds of the Company as at 31 December 2021 consisted solely of Common Equity Tier 1 (CET1) capital i.e. wholly paid-up share capital, share premium, retained profits net of dividends and investment revaluation reserve representing fair value of financial assets. The Company has not issued any AT1or T2 capital.

Since 26th of June 2021, the new regulatory framework sets minimum requirements to be met for the CET1 ratio and the Tier 1 ratio. The minimum requirement for CET1 is 56% and that of Tier 175%, with an overall ratio of 100% (including Tier 2). As at 31 December 2021 the capital adequacy ratio of the Company was 3.127, 24%.

The following table shows a breakdown of the Own funds of the company as at 31 December 2021:

Item	Amount (USD '000)
OWN FUNDS	**63.900**
TIER 1 CAPITAL	**63.900**
COMMON EQUITY TIER 1 CAPITAL	**63.900**
Fully paid-up capital instruments	2.000
Share premium	874
Retained earnings	60.266
Accumulated other comprehensive income	820
Adjustments to CET1 due to prudential filters	-60

Adjustments to CET1 is calculated under the prudent filters requirements, which apply to all fair-valued positions regardless of whether they are held in the trading book or banking book. Institutions may apply the simplified approach, provided the sum of the absolute value of fair-valued assets and liabilities is less than EUR 15 billion. Under this approach the calculation of the required Additional Value Adjustment (AVA) is based on a percentage (0.1%) of the aggregate absolute value of fair-valued positions held by the institution (this adjustment covers all AVAs requirements).

Share capital

Authorised capital

The authorised share capital of the Company remained unchanged during the year 2021, at 2.000.000 ordinary shares of nominal value of USD1.00 each.

Issued capital

Similarly, the Company issued and allotted to the shareholders 2.000.000 ordinary shares of nominal value USD1,00 each.

Further breakdown of the own funds is provided in Annex II and III.

10. Capital Requirements

Minimum regulatory capital requirements for Class 2 Investment Firm shall at all times be at least the highest of the following:

- Initial minimum requirement,
- Fixed Overheads Requirements and
- K-Factors Requirement.

The initial capital of a CIF which is authorised to provide any of the investment services or perform any of the investment activities listed in points (3) and (6) of Part I of Annex I to the Investment Services and Activities and Regulated Markets Law, shall be €750.000. Ronin falls under this requirement since it is authorized to provide the investment service of 'dealing on own account'.

Item	Capital Requirements (USD '000)
Fixed overhead requirement	1.053
Permanent minimum capital requirement	850
Total K-Factor requirement	2.043

As shown in the Table above, the total capital requirements of Ronin Europe Limited as at 31 December 2021, which is the highest of the above three amounts, amounted to USD 2,04 million producing the following capital ratios:

Item	Amount (USD '000)
CET 1 Ratio	3.127, 24%
Surplus(+)/Deficit(-) of CET 1 Capital	62.756
Tier 1 Ratio	3.127, 24%
Surplus(+)/Deficit(-) of Tier 1 Capital	62.368
Own Funds Ratio	3.127, 24%
Surplus(+)/Deficit(-) of Total capital	61.857

10.1 K-Factor Requirement

The Company calculates its own funds requirement by reference to several K-factors which capture:

Risk-To-Client (RtC) - which reflects client assets under management and ongoing advice (K-AUM), client money held (K-CMH), assets safeguarded and administered (K-ASA), and client orders handled (K-COH).

K-AUM – represents Clients' Assets under management under both discretionary portfolio management and nondiscretionary advisory arrangements. For the purpose of calculating K-AUM, AUM shall be the rolling average of the value of the total monthly assets under management, measured on the last business day of each of the previous 15 months, excluding the three most recent monthly values.

K-CMH – represents the amount of Clients' money that an investment firm holds. For the purpose of calculating K-CMH, CMH shall be the rolling average of the value of total daily client money held, measured at the end of each business day for the previous nine months, excluding the three most recent months.

K-ASA - represents the value of assets that an investment firm safeguards and administers for Clients. For the purpose of calculating K-ASA, ASA shall be the rolling average of the value of the total daily assets safeguarded and administered, measured at the end of each business day for the previous nine months, excluding the three most recent months.

K-COH – represents the value of orders that Company handles for clients, through the reception and transmission of client orders and through the execution of orders on behalf of clients. For the purpose of calculating K-COH, COH shall be the rolling average of the value of the total daily client orders handled, measured throughout each business day over the previous six months, excluding the three most recent months. COH shall exclude transactions executed by the Company in its own name either for itself or on behalf of a client. All client orders are executed by the Company in its own name, consequently COH shall be zero.

Risk-to-Market (RtM) - – which reflects requirement for the trading book positions of Company dealing on own account, whether for itself or on behalf of a client shall be either net position risk (K-NPR) or clearing margin given (K-CMG).

K-NPR – represents s the value of transactions recorded in Company's the trading book. The Company does not have trading book exposure, consequently K-NPR shall be zero.

K-CMG – represents the amount of total margin required by a clearing member or qualifying central counterparty, where the execution and settlement of transactions of a Company dealing on own account take place under the responsibility of a clearing member or qualifying central counterparty. The Company is not dealing under responsibility of a clearing member or qualifying central counterparty, consequently K-CMG shall be zero.

Risk-to-Firm (RtF) - which reflects Company's exposure to the default of their trading counterparties (K-TCD), concentration risk in an investment firm's large exposures to specific counterparties (K-CON), and operational risks from an investment firm's daily trading flow (K-DTF).

K-DTF – represents 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. For the purpose of calculating K-DTF, DTF shall be the rolling average of the value of the total daily trading flow, measured throughout each business day over the previous nine months, excluding the three most recent months. DTF shall be measured as the sum of the absolute value of buys and the absolute value of sells for both cash trades and derivatives in accordance with the following:

- for cash trades, the value is the amount paid or received on each trade;
- for derivatives, the value of the trade is the notional amount of the contract. The notional amount of interest rate derivatives shall be adjusted for the time to maturity (in years) of those contracts.

K-TCD – represents exposures in the trading book of an investment firm in instruments and transactions giving rise to the risk of trading counterparty default. The company does not have trading book exposure, consequently K-TCD shall be zero.

K-CON – represents the exposures in the trading book of the Company to a client or a group of connected clients the value of which exceeds the limits set to 25% of own funds. The company does not have trading book exposure, consequently K-CON shall be zero.

The K-Factor breakdown, as at 31 December 2021, is shown in the table below.

Item	K-factor requirement (USD '000)
TOTAL K-FACTOR REQUIREMENT	**2.043**
Risk to client	**1.241**
Assets under management (average amounts)	16
Client money held - Segregated	336
Assets safeguarded and administered	889
Risk to firm	**802**
Daily trading flow - Cash trades	636
Daily trading flow - Derivative trades	166

10.2 Fixed Overhead Requirements

The fixed overheads requirement (FOR) applies to all CIFs. The FOR is intended to calculate a minimum amount of capital that a CIF must have available to absorb losses if it has to wind-down or exit the market.
It is calculated as the one quarter of the fixed overheads of the preceding year in accordance with the provision of Article 13 of IFR.
As at 31 December 2021, the Fixed overheads capital requirement amounted to 1,05m USD.

The Fixed Overhead Requirements, as at 31 December 2021, is shown in the table below.

Item	Amount (USD '000)
Fixed Overhead Requirement	**1.053**
Annual Fixed Overheads of the previous year after distribution of profits	**4.212**
Total expenses of the previous year after distribution of profits	6.280
(-) Total deductions	-2.068
(-) Shared commission and fees payable	*-6*
(-) Fees, brokerage and other charges paid to CCPs that are charged to customers	*-1.092*
(-) Non-recurring expenses from non-ordinary activities	*-134*
(-) Expenditures from taxes	*-836*

11. Remuneration

The Remuneration Committee proposes to the Board the remuneration of the executives whose activities are capable of having significant impact on material risk-taking by the Company. The identified group consists of:

- Executive directors;
- Non-executive directors;
- General Manager;
- Heads of Departments;
- AML Compliance Officer;
- Compliance Officer;
- Risk Manager;
- any other employee receiving total remuneration within the same remuneration bracket as senior management and risk takers.

Each year, the Remuneration Committee reviews and, where appropriate, revises the scope of this group in order to identify the persons in the Company who meet the aforementioned parameters.

Remuneration practices

The Remuneration Committee, in setting remuneration policy, recognizes the need to be competitive in an international market. The Committee's policy is to set remuneration levels which ensure that the employees are fairly and responsibly rewarded in return for high levels of performance.

Remuneration policy is designed to support key business strategies and create a strong, performance orientated environment. At the same time, the policy must attract, motivate and retain talent. Also the remuneration policy is consistent with and promotes sound and effective risk management and does not encourage risk-taking that exceeds the level of tolerated risk of the Company;

Non-executive Directors

Fees are intended to be competitive with fees paid by the financial sector companies of comparable size. The Non-executive Directors are not eligible for bonuses, long-term incentives or performance-related remuneration. Fees are reviewed annually by the Board. No changes of remuneration policy for the non-executive directors are expected for the current or subsequent years.

Executive Directors, General Manager, Heads of Departments

It is the policy of the Company to pay base salaries to the executive directors and key personnel at broadly market rates compared with those of executives of companies of a similar size and complexity, whilst also taking into account the executives' personal performance and the performance of the Group.

The annual cash bonus opportunity of Executive Directors is maintained below 15% of salary. Executive Directors are not eligible for share-based or similar incentives.

In the year 2021 fixed salaries of executive directors remained unchanged compared to previous years.

AML Compliance Officer, Compliance Officer, Risk Manager

The remuneration of this category is directly overseen by the Remuneration Committee and cash bonuses for these jobholders are subject for decision made by the Remuneration Committee and are not impacted by the Company's performance, and are driven entirely by personal performance at the same time these officers are not eligible for share-based or similar incentives.

Pay and Performance Link

The remuneration package consists of fixed salary and variable (cash bonus) part and as a whole recognizes individual and Company's performance. Fixed remuneration represents a significant proportion of total compensation in order to prevent unnecessary risk-taking. The variable component is part of a performance-based remuneration and is linked to specific performance targets of the Company. It is implemented according to the contract signed with the company and the terms and conditions of each employment position. The variable component is not guaranteed and is sufficiently flexible so that in certain circumstances it may even be eliminated in full.
The Performance-related incentives are targeted for the achievement of business objectives. The Company is not committed to performance-related pay at all levels within the organization and the Board takes into consideration the remuneration arrangements throughout the whole Company when determining any bonus. The Company provided at its discretion bonus twice a year. The bonus is based on the salary of the employees and the Company does not use any formulas, variation or competitive packages for the employees. The performance measures used in Company's incentive plans are all financial, with growth in profit being the key measure used.
During the year 2021, Company's performance was recognised through the Company's annual cash bonus arrangements. Personal performance was specifically reflected in salary levels and in the size of individual awards made under the Company's annual bonus arrangements.

Performance Appraisal

The Management conducts annual performance appraisals for all Employees to monitor and review the appropriateness of each remuneration package. The Company appreciates that appraisals help develop individuals, improve organizational performance, and feed into business planning. Formal performance appraisals are generally conducted annually if it is needed for all staff in the organization by the General Manager. The Directors are appraised by one (1) member of the Group, who is appointed by the main shareholder of the Company. The performance appraisals enable management and monitoring of standards, agreeing expectations and objectives, and delegation of responsibilities and tasks. Staff performance appraisals also establish individual training needs and enable organizational training needs analysis and planning. Performance appraisals generally review each individual's performance against objectives and standards for the current year. Performance appraisals also typically feed into organizational annual pay as part of the salary of the employees, and any bonus as already mentioned is consisted based on the salary of the employees without using any extra packages and formulas for bonus Table below presents the gross remuneration for 2021 of Senior Management, Executive Directors and other staff whose actions have material impact on the risk profile of the company.

Aggregate Remuneration by Senior Management & Executive Directors and Other Staff 31 December 2021 (USD '000)				
Role	**No. of employees**	**Fixed (Cash)**	**Variable (Cash)**	**Aggregated Remuneration**
Directors and Senior Management	9	648	47	**695**
Members of staff whose actions have a material impact on the risk profile of the institution	0	0	-	**0**
Total	**9**	**648**	**47**	**695**

Table below presents the variable remuneration for 2021 of Senior Management, Executive Directors and other staff whose actions have material impact on the risk profile of the company.

Variable Remuneration by Senior Management & Executive Directors and Other Staff 31 December 2021 (USD '000)				
Role	**Cash**	**Shares**	**Share-linked and other types**	**Total Variable Remuneration**
Directors and Senior Management	47	-	-	**47**
Members of staff whose actions have a material impact on the risk profile of the institution	-	-	-	**-**
Total	**47**	**0**	**0**	**47**

Table below presents the aggregate remuneration by Senior Management & Executive Directors and Other Staff broken into business areas:

Aggregate Remuneration by Senior Management & Executive Directors and Other Staff into business areas	**Aggregate quantitative information on remuneration**
Business Area	**31 December 2021 (USD '000)**
Management, including members of staff who has a material impact on the risk profile of the institution	241
Accounting and control functions	77
Brokerage function	75
Back-office and Settlement function	191
Other functions	111
Total	**695**

Total wages and salaries paid by the Company during 2021 can be found in the Audited Financial Statements of the Company, which can be found in the Company's website.

The Company does not operate a pension scheme/provident fund for its employees.

There was no deferred remuneration as at 31 December 2021. During the year, the Company did not make any sign-on or severance payments.

12. Annexes

12.1 Annex I - Board Approved Risk Statement

The Company is expressing its attitude to risk through a risk appetite statement which forms the basis of a framework for risk decision-making and for the allocation of risk management resources, tolerances and capital where applicable.

Risk Appetite is the amount and type of risk that the Company is prepared to accept, tolerate or be exposed to at any point in time in the context of its business model and in the course of achieving its business objectives. Risk Appetite is integrated into the business via the Company's business planning, capital planning and the Risk Management Framework ("RMF"). These enable the Company's Board to set the overarching parameters within which it wishes the business to operate and to monitor performance thereon.

Risk appetite is expressed in both quantitative and qualitative terms and cover a number of risks (e.g. counterparty credit risk, concentration credit risk, market risk). The 'Risk appetite framework' chart below shows the key elements of this framework, which are described in more detail further below.

Risk Statement	
Risk principles, governance and responsibilities	**Risk objectives, measures and control**
Risk Management and control principles	Risk appetite objectives
Code of Conduct and Ethics	Operational risk appetite objectives
Organization Regulation/Policies	Risk measurement Framework
Roles and Responsibilities	Authorities and measurements
Risk reporting and disclosure, including internal, external and regulatory reporting	

Risk reports aggregating measures of risk from products and businesses provide insight into the amounts, types, and sensitivities of the various risks in our portfolios and are intended to ensure compliance with defined limits. Risk officers, senior management and the BoD use this information to understand our risk profile and the performance.

The Company accepted the following parameters of risk profile for the year 2021:

Primarily Lines of business	Brokerage	Up to 55%
	Portfolio management	Up to 10%
	Financial income	Up to 25%
Additional lines	Custody, Investment advice etc.	Up to 10%

Risk Tolerance:

Using a set of quantitative risk appetite objectives, company aims to ensure that aggregate risk exposure remains within desired risk capacity, based on capital and business plans. The specific definition of risk capacity for each objective seeks to ensure that company has sufficient capital, earnings, funding and liquidity to protect business and exceed minimum regulatory requirements under a severe stress event. The risk appetite objectives are evaluated as part of the annual business planning process and are approved by the BoD. The comparison of risk exposure with risk capacity is a key consideration in management decisions on potential adjustments to the business strategy and the risk profile of the Company. Risk Officer makes use of both scenario-based stress tests and statistical risk measurement techniques to assess the impact of a severe stress event. These complementary techniques capture exposures to all material primary and consequential risks as well as business risks across company's business.

Concentration credit risk	Risk exposure per single jurisdiction should not exceed 30% of the portfolio	Risk exposure per single asset class should not exceed 70% of the portfolio	Risk exposure per single issuer or group of related issuers should not exceed 25% of the capital base of the Company.
Counterparty credit risk	Risk exposure per single counterparty or group of connected persons should not exceed 25% of the capital base of the Company and at the same time the cap is set at 100% of own funds for institutions and 25% for other exposure classes		
Market risk	A portfolio of prop positions does not intent to gain from a short-term price movements while holding the financial assets; the size of portfolio is limited by the current capital of the firm via capital requirements calculated under Pillar I calculations and ICAAP. Currently the risk appetite is aimed at fixed income financial instruments rated by IRA at the level above BB; the Company does not intend to seek profit in equities and equity-based instruments or derivative instruments		
Operation risk	The minimum acceptable performance of internal systems is set at 99%		
Liquidity risk	Minimum 10% of assets are most liquid securities and cash on any business day		
FX risk	The company does not seek the gain from FX trading activities, the only FX exposure can be accepted via purchasing of securities nominated in currencies other than reporting currency of the Company, however such exposure needs special approval by the Management and total limit is set within 10% of the capital base of the Company		
Compliance risk	zero tolerance is set for breaching of compliance with regulation rules, including full disclosure by clients		
Reputation and brand	zero tolerance, the Company, management and personnel will manage/avoid situation/actions that could have a negative impact on Company's reputation and brand		

12.2 Annex II – Balance sheet reconciliation

As at 31 December 2021	**USD ‘000**
Eligible Own Funds	
Share capital	2.000
Share premium	874
Retained Earnings	56.227
Other Reserves	820
Audited profit/(loss) for the period	4.039
Accumulated other comprehensive income	
Total equity and reserves as per Audited Financial Statements	**63.960**
Deductions	-60
Original Own Funds (Tier 1 Capital)	**63.900**
Own Funds requirement	
Fixed overhead requirement	1.053
Total K-Factor Requirement	2.043
Transitional own funds requirements	-
Memorandum items	-
Total Own Funds requirement	***2.043***
Own Funds Ratio	***3.127%***
Surplus(+)/Deficit(-) of Total capital	***61.857***

12.3 Annex III – Own funds disclosure template

At 31 December 2021	**USD '000**
Common Equity Tier 1 capital	
Fully paid-up capital instruments	2.000
Share premium	874
Retained earnings	60.266
Accumulated other comprehensive income	820
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**63.960**
Common Equity Tier 1 (CET1) capital: regulatory adjustments	**-60**
Adjustments to CET1 due to prudential filters	-60
Contribution to ICF	0
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**0**
Common Equity Tier 1 (CET1) capital	***63.900***
Additional Tier 1 (AT1) capital	**0**
Tier 1 capital (T1 = CET1 + AT1)	***63.900***
Tier 2 (T2) capital	**0**
Total capital (TC = T1 + T2)	***63.900***
Capital ratios and buffers	
CET 1 Ratio	3.127%
Surplus(+)/Deficit(-) of CET 1 Capital	62.756
Tier 1 Ratio	3.127%
Surplus(+)/Deficit(-) of Tier 1 Capital	62.368