



# Forextime Ltd

*Regulated by the Cyprus Securities and Exchange Commission License no. 185/12*

## **DISCLOSURE AND MARKET DISCIPLINE REPORT FOR 2021**

*May 2022*

## DISCLOSURE

*The Disclosure and Market Discipline Report for the year 2021 has been prepared by Forextime Ltd as per the requirements of Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms and amending Regulations (EU) No 1093/2010, (EU) No 575/2013, (EU) No 600/2014 and (EU) No 806/2014.*

*Forextime Ltd states that any information that was not included in this report was either not applicable on the Company's business and activities -OR- such information is considered as proprietary to the Company and sharing this information with the public and/or competitors would undermine our competitive position.*

*Forextime Ltd is regulated by the Cyprus Securities and Exchange Commission under License number **185/12**.*

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### Abbreviations

AT1	Additional Tier 1
BoD	Board of Directors
CET1	Common Equity Tier 1 Capital
CIF	Cyprus Investment Firm
CRD	Capital Requirements Directive - Directive 2013/36/EU
CRR	Capital Requirements Regulation - Regulation (EU) No. 575/2013
CySEC	Cyprus Securities & Exchange Commission
ICAAP	Internal Capital Adequacy Assessment Process
ICARA	Internal Capital Adequacy and Risk Assessment Process
IFD	Investment Firm Directive – Directive (EU) 2019/2034
IFR	Investment Firm Regulation – Regulation (EU) 2019/2033
RAF	Risk Appetite Framework
RAS	Risk Appetite Statement
T1	Tier 1 Capital
T2	Tier 2 Capital
UBO	Ultimate Beneficial Owner
EU	European Union
EC	European Commission
EBA	European Banking Authority

## 1. INTRODUCTION

### 1.1. Pillar III Regulatory Framework and Scope of Application

The present report for the end of 2021 reference date, is prepared by Forextime Ltd (the “Company”) a Cyprus Investment Firm (“CIF”) authorized and regulated by the Cyprus Securities and Exchange Commission (the “CySEC”, the “Commission”) under license number 185/12 and Legal Entity Identifier (LEI) number 549300AOBWCBUX8I1R48, operating in harmonisation with the Markets in Financial Instruments Directive (MiFID II).

In accordance with Regulation (EU) 2019/2033 (the “Investment Firm Regulation”, “IFR”), which was published in 2019, the Company is required to disclose information relating to its risk management structure and processes, its risk governance, its Own Funds, its Minimum capital requirements, as well as the most important characteristics of its remuneration system. The scope of this report is to promote market discipline and to improve transparency of market participants.

Further to the provisions of the Directive (EU) 2019/2034 (the “Investment Firm Directive” or “IFD”) and specifically Section 2, as well as the provisions of Section 10 of the Law 87(I)-2017, please find in the following sections 4, 5, and 7 information in relation to the Company’s governance and remuneration.

The IFR addresses the prudential requirements only for investment firms in order to avoid disproportionate administrative burden on this category. The IFR permits a transitional period for certain of the enhanced capital requirements. The current regulatory framework comprises of three pillars:

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

The 2021 Pillar III Disclosures report sets out both quantitative and qualitative information required in accordance with Part Six of the IFR and in particular Articles 46 to 53, which set the requirements of the disclosures. For the referenced financial year (i.e. year ended 31 December 2021) the Company was classified as a Class 2 investment firm based on the rules of the IFR & IFD prudential framework, and was

not subject to consolidated supervision, therefore these disclosures have been prepared on an individual (stand-alone) basis. Furthermore, the Company prepares its financial records in accordance with the International Financial Reporting Standards (“IFRSs”) as adopted by the European Union.

The information contained in the Pillar III Market Discipline and Disclosure report is audited by the Firm’s external auditors and published on the Company’s website at <https://www.forextime.com/eu/policies-regulation/client-account-opening-agreements> on an annual basis.

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

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

The Company is exposed to a variety of risks. In particular the Company focuses on the three K-factors: Risk to Customer (‘RtC’), Risk to Market (‘RtM’) and Risk to Firm (‘RtF’), in accordance with the new IFR. More information can be found in the sections below.

## 1.2. Investment Firm

**Table 1 Corporate Information**

Company name	Forextime Limited
CIF Authorization date	13 December 2012
CIF License number	185/12
Company Registration Date	09 August 2012
Company Registration Number	310361
<b>Investment Services</b>	
(a)	Reception and Transmission of orders in relation to one or more Financial Instruments
(b)	Execution of orders on behalf of Clients
(c)	Dealing on Own Account
(d)	Portfolio Management
(e)	Investment Advice
<b>Ancillary Services</b>	
(a)	Safekeeping and administration of Financial Instruments for the account of Clients, including custodianship and related services such as cash/collateral management
(b)	Granting credits or loans to an investor to allow him to carry out a transaction in one or more Financial Instruments, where the firm granting the credit or loan is involved in the transaction
(c)	Foreign exchange services where these are connected to the provision of investment services
(d)	Investment research and financial analysis or other forms of general recommendation relating to transactions in Financial Instruments

## 1.3. Regulatory (Prudential) Supervision

The Laws and Regulations that govern the operations of Cyprus Investment Firms and set out the obligations and requirements that shall be met in the aspect of capital adequacy and market discipline, are comprised, inter alia, by the following:

- Law 87(I)/2017: Provision of investment services, the exercise of investment activities, the operation of regulated markets and other related matters (hereafter “the Law”).
- Part Six of Regulation (EU) 2019/2033 – IFR.
- Regulation (EU) No. 648/2012 – European Markets Infrastructure Regulation.
- Directive (EU) 2019/2034 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 – IFD, which has been harmonized into Cyprus

legislation through the issuance of Law 165(I)/2021 of the CySEC for the prudential supervision of Investment Firms.

As of the 26<sup>th</sup> of June 2021, the capital adequacy and overall risk management requirements that applied to the Company, as well as the majority of EU investment firms, under the Capital Requirements Regulation & Directive (“CRR & CRDIV”) prudential framework, have been replaced by amended prudential rules. In particular, EU Regulation 2019/2033 on the prudential requirements of investment firms (“IFR”) and EU Directive 2019/2034 on the prudential supervision of investment firms (“IFD”) – harmonized through the issuance of the Cyprus Law on the Prudential Supervision of CIFs of 2021 (165(I)/2021) – have been developed to address the specific vulnerabilities and risks inherent to investment firms by means of proportionate and appropriate prudential arrangements.

The new rules introduce several changes to the methodologies that investment firms are required to apply for quantifying their exposure to risk and deriving their Capital Adequacy ratio, as well as to their required level of initial capital, their Internal Capital Adequacy Assessment Process (“ICAAP”) which is replaced by the Internal Capital & Risk Assessment (“ICARA”) Process, a newly introduced Liquidity Requirement according to which they are required to maintain liquidity levels equal to at least one third of their Fixed Overhead Requirement and many more.



## 2. RISK MANAGEMENT

### 2.1. Definition of Risk Management

Risk Management is the process of identification, analysis and evaluation of uncertainty in investment decision-making. As a result, it is treated accordingly; either accepted or mitigated.

Risk Management occurs anytime an investor analyses and attempts to quantify the potential for losses in an investment and then takes the appropriate action (or inaction) given their investment objectives and risk tolerance.

Risks should be continuously monitored and reviewed. In addition to that, outcomes and results should be properly reported and new objectives should be set.

Characteristics of a productive Risk Management process:

- A culture of risks adjusted in the organization. It embraces a series of values, attitudes and ways of acting towards risks, including taking decisions on change management and strategic business planning.
- Complete approach to all risks; there are risks that directly affect the Company and risks that indirectly affect the Company. It is very important to report all kinds of risks and to assume and understand the relations between them. The overall calculation should be simplified without affecting the difference of nature, degree of evolution and real possibilities of management and control of each type of risk, adjusting the organization, processes, reports and tools to the features of each one.
- An organizational and control model which is assigned to all risk types.
- Common management instruments among the different departments, without negatively affecting the regulations and requirements of supervisors and the degree of development of each department.

Lastly, it is very important that all risk assessment results are communicated to all relevant departments with the appropriate consultation given.

### RISK MANAGEMENT PROCESS

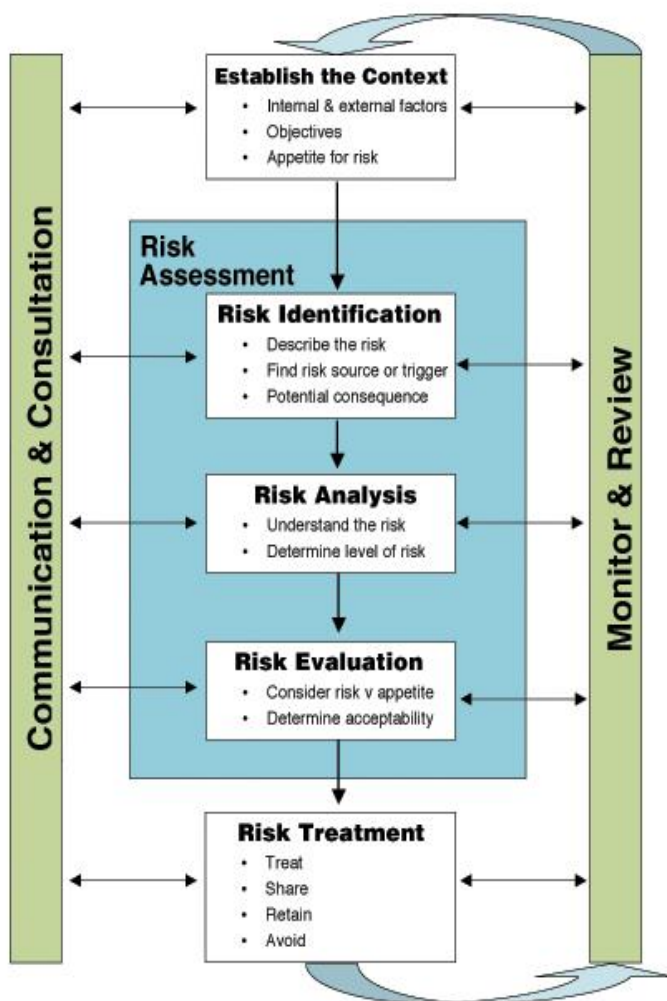


Figure 1 Risk Management Process

### 2.2.Risk Management Policy and Objectives

The Company’s Risk Management Policy was formed with the view to ensure the efficient monitoring of the risks inherent in the provision of the investment services to Clients, as well as the risks underlying the operation of the Company, in general.

It sets out the procedures and mechanisms regarding risks and it describes the roles and responsibilities of the Risk Manager. In addition to that, it identifies the main reporting procedures and outlines the process followed by the Senior Management in order to evaluate the effectiveness of the Company’s internal control procedures.

The Risk Manager ensures that all different types of risks taken by the Company are monitored and reported to the Senior Management and the Board of Directors (“BoD” or “Board”). Moreover, the Risk Manager is responsible for making recommendations and indicating in particular whether the appropriate remedial measures have been taken in the event of any deficiencies identified, as aforementioned.

The Senior Management bears the responsibility to monitor the adequacy and effectiveness of 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 Company's BoD receives on a regular basis written reports, which contain a description of the implementation and effectiveness of the overall control environment for investment services and activities, ancillary services and other business, and a review of the risks that have been identified, analysed, planned as well as remedies undertaken or will be undertaken.

Processes are continuously being reviewed with the intent of further strengthening through the implementation of guidance provided by both the industry and new regulatory requirements. In addition, the entire risk management policy universe has been re-designed to define an updated comprehensive and coherent framework for risk management, linked to the Company's risk appetite.

The risk management policy is as follows:

**Table 2 Risk Management Policies**

<b>Policy Name</b>	<b>Revision Frequency</b>
Internal Operations Manual	Annual or Ad-Hoc

### **2.3.Risk Appetite Framework (RAF)**

Risk appetite is the amount and type of risk that the Company is able and willing to accept in pursuing its business objectives. Risk appetite is expressed in both quantitative and qualitative terms and covers all risks, both on-balance sheet and off-balance sheet. Such risks include, but are not limited to, risks to client, market and firm, liquidity, reputational and compliance risk.

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

The BoD has approved a Risk Appetite Statement (see Appendix 2), expressed along multiple scenarios, including both 'normal' business conditions and 'stressed' periods with zero tolerance for regulatory, legal or compliance risks.

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

Furthermore, the Risk Capacity/Tolerance is the maximum amount of risk which the Company is technically able to assume before breaching one or more of its capital base, liquidity, borrowing capacity, reputational and regulatory constraints.

The risk capacity represents the upper limit beyond which a breach is likely to result in failure.

Taking into consideration the Company's size, services offered, complexity and operations, the risks that are considered significant and / or material for the Company are the three K-factor Risks to Client, Market and Firm but also the liquidity risk.

In regards to the above, setting the corporate risk appetite without taking into account the risk capacity of the Company may have serious consequences. Risk capacity may be easy to quantify in terms of capital or required funding but it is more challenging to consider the point at which the Company's reputation is beyond repair.

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

## **2.4.Risk Culture**

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

A robust risk culture is a substantial determinant of whether the CIF will be able to successfully execute its chosen strategy within its defined risk appetite. The risk culture that the CIF wishes to build is reflected in its policies and procedures which are closely aligned to its Risk Appetite. Risk culture is manifested in the day-to-day decisions that indicate how risk is identified, understood, discussed, and acted upon.

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

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

## **2.5.Stress Testing**

Stress testing is a key risk management tool used by the Company to rehearse the business response to a range of scenarios, based on variations of market, economic and other operating environment conditions. Stress tests are performed for both internal and regulatory purposes and serve an important role in:

- Understanding the risk profile of the Company.
- The evaluation of the Company’s capital adequacy in absorbing potential losses under stressed conditions: This takes place in the context of the Company’s ICARA.
- The evaluation of the Company’s strategy: Senior Management considers the stress test results against the approved business plans and determines whether any corrective actions need to be taken. Overall, stress testing allows Senior Management to determine whether the Company’s exposures correspond to its risk appetite.
- The establishment or revision of limits: Stress test results, where applicable, are part of the risk management processes for the establishment or revision of limits across products, different market risk variables and portfolios.

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

- Review the overall business strategy, risk appetite, capital and liquidity planning.
- Review limits.
- Reduce underlying risk positions through risk mitigation strategies.
- Consider an increase in capital.
- Enhance contingency planning.

## **2.6. Internal Capital Adequacy and Risk Assessment**

Further to the requirements of Pillar I, a more detailed approach on managing risks is achieved through the preparation of the Pillar II requirements and more precisely the new Internal Capital Adequacy and Risk Assessment Process (ICARA) which follows the requirements under the IFR and IFD, as well as the relevant guidelines issued by the European Banking Authority ("EBA"). As already mentioned, the ICARA is now replacing the ICAAP, as the new requirement for investment firms, according to Article 24 of IFD. More specifically, the ICARA will increase the focus placed on the assessment of risks which are based on the K-factor requirements. To this effect, the Company is in the process of preparing an updated report so as to meet the new requirement.

The ICARA process and report is a key tool for both the Company and the regulator as it approaches the risk assessment from a holistic perspective, enabling the Company to assess and match risks as much as possible, reducing its residual risk and enabling more precise future growth planning.

The ICARA Report, similarly to the ICAAP, outlines how the Company has implemented and embedded the management of risk within its business, taking into consideration its risk profile, risk appetite and capital needs. Specifically, the ICARA Report includes procedures and measures adopted by the Company to ensure:

- The appropriate identification and measurement of risks.
- An adequate level of internal capital in relation to the Company's risk profile.
- The application and enhancement of the risk management and internal control systems.

Moreover, the ICARA enables the BoD and Senior Management to assess on an ongoing basis the risks inherent in the Company's activities, and to this extent, it forms an integral part of the Company's risk management process and decision making culture.

## **2.7.COVID-19**

With the recent and rapid development of the Coronavirus disease (COVID-19) pandemic the world economy entered a period of unprecedented health care crisis that has caused considerable global disruption in business activities and everyday life.

The Board of Directors has considered the unique circumstances and the risk exposures of the Company and has concluded that there is no significant impact on the Company's financial position. The event did not have an immediate material impact on the business operations.

Depending on the duration of the Coronavirus disease (COVID-19) pandemic, and continued negative impact on economic activity, the Company might experience negative results and liquidity restraints, and incur impairments on its assets in 2022. Although the future operating results of the Company due to the continuing Covid-19 pandemic are not predictable, during 2022 to date the Board of Directors do not believe that there is a continuing negative impact. The opposite has been observed in the global economies, following the vaccine's discovery and the consequent continuous vaccination of the global population.

## **2.8.Russian Invasion to Ukraine**

Further to the provisions of CySEC Circular C489 regarding the Restrictive Measures/Sanctions imposed against Russia in response to the crisis in Ukraine, the Company does not have any established business relationship with any persons subject to Sanctions/ Restrictive Measures, and does not maintain any bank accounts with own and/or client funds in Russia. Therefore, there is no impact on the Company's operations, capital adequacy and/or funds that holds.

The Board of Directors, as well as all relevant officers are fully committed to adhering to all the rules, regulations and instructions received from CySEC and the Company shall continue to adhere to all measures and actions required by the Regulator and/or the respective Authorities in order to facilitate and ensure the smooth operation of the business.

### 3. K-FACTOR REQUIREMENT - TYPES OF RISK

The K-factor requirement consists of at least the sum of the Risk-to-Client ('RtC') K-factors, Risk-to-Market ('RtM') K-factors and Risk-to-Firm ('RtF') K-factors.

#### 3.1. Risk to Client ('RtC')

##### *Definition*

Risk to Client arises when an investment firm fails to properly provide services to its clients. The K-factors under RtC capture client Assets Under Management and ongoing advice (K-AUM), Client Money Held (K-CMH), Assets Safeguarded and Administered (K-ASA), and Client Orders Handled (K-COH).

- **K-AUM** (Assets Under Management) is the value of assets that an investment firm manages for its clients under both discretionary portfolio management and non-discretionary arrangements constituting investment advice of an ongoing nature. As the Company did not provide portfolio management or investment advice services during the year ending 31 December 2021, the Company was not subject to the risk relating to this k-factor.
- **K-CMH** (Client Money Held) is the amount of client money that an investment firm holds, taking into account the legal arrangements in relation to asset segregation and irrespective of the national accounting regime applicable to client money held by the investment firm. The Company is subject to this k-factor since it is holding client funds under custody. The Company calculates its K-CMH based on the provisions of Articles 15 and 18 of the IFR.
- **K-ASA** (Assets Safeguarded and Administered) is the value of assets that an investment firm safeguards and administers for clients, irrespective of whether assets appear on the investment firm's own balance sheet or are in third-party accounts. The Company is not subject to K-ASA since it does not provide safeguarding and administration services for any clients' financial instruments other than for clients' CFDs which are covered under K-CMH as they are inherently more similar to cash.
- **K-COH (Clients Orders Handled)** is the value of orders that an investment firm handles for clients, through the reception and transmission of client orders and through the execution of orders on behalf of clients. The Company is not subject to K-COH since it does not execute orders in the name of the client, on an agency basis (i.e. all client orders are executed on a principal basis).



## **K-CMH**

The Company holds money on behalf of clients in accordance with the client money rules set out in the CySEC's Directive DI87-01 for the Safeguarding of Client Assets, Product Governance Obligations and Inducements.

### ***Risk Mitigation Measures***

Such monies are classified as "segregated client funds" in accordance with the CySEC regulatory requirements. Segregated client money accounts hold statutory trust status, according to regulatory requirements, restricting the Company's ability to control the monies and accordingly such amounts are not presented on the Company's statement of financial position. Furthermore, the Finance & Accounting Department is responsible for monitoring and supervising the reconciliation of the client balances to any table entries used and to the corresponding General Ledger Account balances, in order to ensure that client money is properly and adequately safeguarded.

### ***Reconciliations***

The Dealing Department is responsible to send information on all the executed orders (of Clients and Own Account) to the Finance & Accounting Department. This is done through the use of the segregated report, so as to enable the Finance & Accounting Department to proceed with the necessary reconciliations.

The Back Office Department is responsible to provide the Clients' cash balances as per third parties statements (i.e. Financial Institutions, Payment providers etc.) to Finance & Accounting Department in order to proceed with the reconciliation of Clients' balances and Clients' funds.

The Finance & Accounting Department conducts the necessary reconciliations between the internal accounts and records of the Company and those of any third parties by whom own assets are held, as applicable.

In this respect, daily bank statements of separately managed Clients' bank accounts and own bank accounts or other custodians are obtained and reconciled to the Company's internal accounts and records, as applicable. The Head of the Back Office Department has to conduct a daily reconciliation of the balances of the bank accounts for Clients' money and of the credit balances of the Clients.

The Internal Auditor is responsible for reviewing the reconciliations undertaken by the Finance & Accounting Department, at least annually.

### 3.2.Risk to Market ('RtM')

#### *Definition*

Risk to Market captures the risk an investment firm can pose to market access. The K-factors that fall under the scope of RtM include Net Position Risk (K-NPR) or Clearing Margin Given (K-CMG) where permitted by the competent authority for specific types of investment firms which deal on own account through clearing members, based on the total margins required by an investment firm's clearing member.

- **K-NPR** (Net Position Risk) means the value of transactions recorded in the Trading Book of an investment firm, as well as transactions in the Banking Book which give rise to Foreign Exchange or Commodity Risk. This k-factor is based on the rules for Market Risk for positions in equities, interest rate financial instruments, foreign exchange and commodities in accordance with Regulation (EU) No. 575/2013 ("CRR"). Therefore, K-NPR captures the Market Risk, which is defined as the risk that changes in market prices will affect the Company's income or the value of its holding of financial instruments. The Company's exposure to Market Risk at any point in time depends primarily on short-term market conditions and client activities during the trading day. The Company is subject to Market Risk as a result of its trading activities. The Company is therefore exposed to losses in the case where adverse market movement cause the value of its open positions to decline.
- **K-CMG** (Clearing Margin Given) means the amount of total margin required by a clearing member or qualifying central counterparty, where the execution and settlement of transactions of an investment firm dealing on own account take place under the responsibility of a clearing member or qualifying central counterparty. K-CMG 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. The Company was not subject to this k-factor since, for the year ended 31 December 2021, it did not execute or settle transactions through a clearing member or a qualifying central counterparty.

#### **K-NPR**

The K-factor for RtM for investment firms which deal on own account is based on the rules for Market Risk for positions in interest rate instruments, equities, foreign exchange and commodities.

#### **Types of Market Risk**

*Position Risk (General and Specific Risk):* This is the sum of Interest Rate and Equity Risk. Specific risk occurs when a price of an instrument changes due to factors related to its issuer or, in the case of a derivative, the issuer of the underlying instrument, whilst, General risk arises due to a change in the level of interest rates (when traded debt

instrument) or to a broad equity-market movement unrelated to any specific attributes of individual securities.

The Company is substantially independent from changes in market interest rates due to the fact that the Company, other than cash at bank, which attracts interest at normal commercial rates, has no other significant interest bearing financial assets or liabilities or any investments in interest rate sensitive assets.

Nonetheless, the Risk Manager monitors this risk with the assistance of the accounting function and based on the fluctuations of the relevant rates.

The Company is also analyzing on a frequent basis though tailored-made stress tests the Company's potential financial impact from the deterioration of major equity prices and assess its recovery options under the abovementioned scenarios in order to ensure that the Company will be able to recover under periods of extreme external circumstances.

*Commodities Risk:* It refers to the uncertainties of future market values and of the size of the future income, caused by the fluctuation in the prices of commodities. These commodities may be oil, metals, gas, electricity, etc.

The Company is analyzing on a frequent basis though tailored-made stress tests the Company's potential financial impact from the deterioration of major commodity investments prices and assess its recovery options under the abovementioned scenarios in order to ensure that the Company will be able to recover under periods of extreme external circumstances.

*Foreign Exchange Risk:* It is the risk that exists when a financial transaction is denominated in a currency other than the reporting currency (Euro) of the Company. The Company's Foreign Exchange Risk is effectively managed through the establishment and control of foreign exchange limits, such as the setting of a maximum value of exposure to a particular currency pair, as well as through the utilization of sensitivity analysis.

### **3.3.Risk to Firm ('RtF')**

#### *Definition*

Risk to Firm captures the risk an investment firm may be subject to through its activities and operations. The K-factors under RtF capture an investment firm's exposure to the default of its trading counterparties (K-TCD), the Concentration Risk resulting from an investment firm's Trading Book exposures to specific counterparties or groups of connected counterparties (K-CON), and Operational Risks from an investment firm's trading activities (both Banking Book and Trading Book – K-DTF).

- **K-TCD** (Trading Counterparty Default) means the exposures in the Trading Book of an investment firm in instruments and transactions referred to in Article 25 of

the IFR, which give rise to the risk of a counterparty's default. As at 31 December 2021, the Company was subject to K-TCD as a result of its open positions in CFDs.

- **K-DTF** (Daily Trading Flow) is the daily value of transactions that an investment firm enters through dealing on own account or the execution of orders on behalf of clients in its own name, excluding the value of orders that an investment firm handles for clients through the reception and transmission of client orders and through the execution of orders on behalf of clients which are already taken into account in the scope of client orders handled. For the referenced year, the Company's exposure to K-DTF arose from its trading activity in CFDs and real equities, which was performed by acting as Principal for executing its clients' trades and by opening its own, proprietary positions.
- **K-CON** (Concentration Risk) captures large exposures in the Trading Book to counterparties and groups of connected counterparties, including issuers of Trading Book financial instruments.

### **K-TCD**

This factor reflects the Company's exposure to the default of its trading counterparties through its open positions in Contracts for Difference maintained with clients and selected counterparties, to which it acts as Principal.

The Company has established stop out limit for all account types, which allows it to close out a client's open position without their consent or any prior written notice, in case where the client's equity (as defined by the Company's terms of business) is below the stop out limit.

### **K-DTF**

K-DTF applies to the Company and it reflects the Operational Risks incurred when executing trades in FX, equity, stock index and commodity CFDs as well as real equities on a Principal basis (on its own account or on behalf of clients in its own name), due to inadequate or failed processes, people, and systems, or from external events.

Operational Risk is defined by the Basel Committee for Banking Supervision as "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events". The main sources of Operational Risk include inadequate operational processes, IT security, dependence on key service providers and implementation of strategic change, fraud, human error, recruitment training and retention of staff.

### ***Risk Mitigation Measures***

The Company's systems and controls are evaluated, maintained and upgraded continuously. Furthermore, the Company has a "four-eye" structure and Board oversight ensuring the separation of power and authority regarding vital functions of the Company. Also, the Company has in place policies and processes whose implementation supports the evaluation and management of almost any exposures to Operational Risk. The Company has implemented an Operational Risk management framework designed to ensure that Operational Risks are assessed, mitigated and reported in a consistent manner.

### **K-CON**

The Company assesses Concentration Risk by actively monitoring its open positions with its clients, its hedging counterparties and the issuers of the financial instruments it invests in. As at 31 December 2021, the Company had no significant concentration of Trading Counterparty Default risk to any single client or hedging counterparty, or of Issuer risk to issuers of either real equities or CFDs on equities of its own positions, and to this end it had a K-CON of zero.

In any case, the Company is constantly monitoring its exposure to all its counterparties, and takes the relevant actions if a counterparty enters into more than 500 effective/outstanding OTC derivatives contracts with the Forextime Ltd, as and if deemed appropriate.

### ***Dealing on Own Account Policy***

The Risk Manager is responsible for monitoring the performance and overall actions of the Dealing on Own Account Department, on a continuous basis.

The Compliance/MLCO supervises and verifies the policy, as well as the procedures and controls kept by the Dealing on Own Account Department, at least annually.

The Dealing on Own Account Department performs the investment activity of Dealing on Own Account, and the Global Head of the Dealing on Own Account Department is responsible for this activity.

The Dealing on Own Account Department activities is aligned with the long-term direction and goals of the Company. The Department is also duly monitored, transparent in its procedures, decisions and actions and in particular, in accordance with the relevant legislations and the provisions of the IOM, in order to avoid giving rise to conflicts of interest.

The investment activity of Dealing on Own Account is subject to the general directions of the Investment Committee as regards its general investment strategies, and the Head of the Department is monitored by the Risk Manager. The Board of Directors is

discussing and evaluating the general investment strategies and performance of the dealing on own account, at a frequency to be decided by the Board.

The Company reviews annually the execution policy established in respect to its activity as Systematic Internaliser as well as their order execution arrangements, as applicable. Such a review shall also be carried out whenever a material change occurs that affects the ability of the Company to continue to obtain the best possible result for the execution of its Client orders on a consistent basis using the venues included in its execution policy.

### ***General: Decision-Making Procedure & Investment Strategies***

The Global Head of the Dealing on Own Account Department is deciding upon the markets and instruments in which the Company shall be active at any point in time subject to the Investment Committee decisions/general strategic guidelines.

The Dealing on Own Account Department is using in-house and third party research material to make a decision as regards the various investment options within the policy, monitored and updated by the Risk Management Committee and any reports and comments from the Risk Manager, as applicable.

The Risk Manager is responsible for monitoring daily the performance of the portfolios that the Company shall be dealing on own account. The Risk Management Committee also reviews the latter. The Chief Executive Officer is also responsible for monitoring, frequently, the actions of the Global Head of Dealing on Own Account, so that they fall within the approved strategy of the Company.

The Risk Management Committee approves and monitors the relevant Client and counterparty limits, as applicable, in relation with the performance of the investment activity of Dealing on Own Account.

### ***Transmission & Execution of Trades for Own Account***

Own account trades shall either:

- (a) be transmitted to eligible and dully authorized and supervised investment firms (3rd parties), and thus executed through authorized financial markets, or MTF, or OTC, or
- (b) be executed through the Execution Department, or
- (c) be executed through the Company, acting as a Systematic Internaliser: be executed through OTC transactions, via sales and purchases, or equivalent agreements, and, thus, be trading directly with the Company's Clients or other counterparties, subject to the provisions of this IOM and the relevant legal requirements at the time.

The Global Head of Dealing on Own Account Department is allowed to trade directly with counterparties only within the counterparty limits calculated and set by the Risk Manager, and approved by the Risk Management Committee. The approved limits are valid for a period of time and are reviewed at least quarterly, as stipulated in the Company's IOM.

## REFERENCE TO ADDITIONAL SIGNIFICANT RISKS

### 3.4.Liquidity Risk

Liquidity Risk is the risk that the Company will not be able to meet its financial obligations as they fall due. In periods of abnormal fluctuations in market conditions or financial crisis, Liquidity Risk can expose the Company to a shortfall of liquidity and limit its access to the capital markets resulting in damages. Liquidity shortages expose the Company to the risk of not having enough cash to fulfil its duties against creditors/debtors that can eventually cause regulatory sanctions and loss of business/reputation.

According to Article 43 of IFR, the Company is required to maintain a basic Liquidity Requirement equal to at least one third of its Fixed Overhead Requirement. As at 31 of December 2021 the Company satisfied the Liquidity Requirement.

#### *Mitigation Strategies*

To minimize its exposure to Liquidity Risk, the Company implements the below Liquidity Risk Mitigation Strategies:

- Regular analysis and reporting to the BoD on the funding needs of the Company.
- Monitoring of the Company's exposures and diversification to avoid rise of concentration risk as per the internal policies.
- Cash Management.

### 3.5.Money Laundering and Terrorist Financing Risk

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

The Company has in place and is updating as applicable, certain policies, procedures and controls in order to mitigate the Money Laundering and Terrorist Financing Risks. Among others, these policies, procedures and controls include the following:

- (a) the adoption of a risk-based approach that involves specific measures and procedures in assessing the most cost effective and appropriate way to identify and manage the Money Laundering and Terrorist Financing Risks faced by the Company;
- (b) the adoption of adequate Client due diligence and identification procedures in line with the Clients' assessed Money Laundering and Terrorist Financing Risk,
- (c) setting certain minimum standards of quality and extent of the required identification data for each type of Client (e.g. documents from independent and reliable sources, third party information);
- (d) obtaining additional data and information from Clients, where this is appropriate and relevant, for the proper and complete understanding of their activities and



- source of wealth and for the effective management of any increased risk emanating from a particular Business Relationship or an Occasional Transaction;
- (e) monitoring and reviewing the business relationship or an occasional transaction with clients and potential clients of high risk countries;
  - (f) ensuring that the Company's personnel receive the appropriate training and assistance.

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

## 4. CORPORATE GOVERNANCE

### 4.1. Board of Directors

Further to the provisions of Section 10 emanating from the Law, the Company has taken into consideration the relevant provisions when identifying its Board. The Company's members of the Board reflect an adequately broad range of experiences and:

- Have sufficiently good repute and possess sufficient knowledge, skills and experience to perform their duties.
- Commit sufficient time to perform their functions in the Company.
- The number of directorships held by each member of the Board does not compromise the time devoted to the Company. In all cases the Company's Board members do not hold more than one executive directorship with five non-executive directorships at the same time.
- Act with honesty, integrity and independence of mind to effectively assess and challenge the decisions of the senior management where necessary and to effectively oversee and monitor the decision-making of the management.

The members of the Board collectively possess adequate knowledge, skills and experience to be able to understand the Company's activities, including the principal risks. The current members of the Board of Directors consist of two executive directors and two independent non-executive directors. Their biographies can be accessed on the Company's website (<http://www.forextime.com/eu/forex-time/leadership>).

The Company devotes adequate human and financial resources to the induction and training of members of the Board, as well as to the rest of the Company's employees.

Table 3 below presents the number of directorships held by each member of the Company's Board of Directors 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. Executive or non-executive directorships held within the same group, are considered as a single directorship.

**Table 3 Board of Directors**

Name of Directors	Position in Forextime Limited	Number of Executive Directorships in other entities	Number of Non-Executive Directorships in other entities
Nicholas Defteras*	Executive Director	1	3
Charis Mountis**	Executive Director	2	0
George Kyriakoudes***	Executive Director	N/A	N/A
Valeriya Kolesnik****	Executive Director	N/A	N/A
Philippos Mannaris	Independent Non-Executive Director	1	3
Yiannis Misirlis	Independent Non-Executive Director	1	2

\* Nicholas Defteras holds multiple positions (2 Executive and 3 Non Executive directorships) within the same Exinity Group. These positions have been recorded as 1 entry in each executive and non executive category

\*\* Charis Mountis holds multiple positions (6 Executive) within the same Group. These positions have been recorded as 1 entry in the executive category

\*\*\* George Kyriakoudes resigned on 31 May 2021

\*\*\*\* Valeriia Kolesnik resigned on 30 November 2021

## **4.2.Diversity Policy of the Board of Directors**

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

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

The Company considers that the Board currently has a balanced and diverse range of skills, background, knowledge and experience and it aims to have board members with knowledge and experience in operational, corporate governance, financial, IT, software development, risk management, compliance, legal, marketing and sales matters.

During the previous year, 2021, the Company did not achieve its target of 20% female representation in the Board. The Company aims to increase the percentage of female representation in the period 2022 to 2023.

### 4.3. Governance arrangements

Overall, the Company's governance arrangements comply with the below requirements, as set out in the Law:

- the Board defines, oversees and is accountable for the implementation of governance arrangements that ensure effective and prudent management of the Company. This includes the segregation of duties in the organization and the prevention of conflicts of interest.
- the overall responsibility for the Company lies with the Board, which approves and oversees the implementation of the Company's strategic objectives, risk prevention strategy and internal governance.
- the Board ensures the integrity of the accounting and financial reporting systems, including financial and operational controls and compliance with the Law and relevant standards.
- the Board oversees the process of disclosure and announcements.
- the Board is responsible for providing effective supervision of senior management.
- the Chairman of the Board of Directors is one of the independent non-executive directors of the Company.
- the Company's Board monitors and periodically assesses the effectiveness of the Company's governance arrangements and takes all appropriate steps to address any deficiencies.

### 4.4. Risk Management Committee

The Company, due to its large and complex organisational structure, its license and investment services as well as broad range of products and countries which it serves, has established a Risk Management Committee in order to better handle the risks that arise from its operations.

The Risk Management Committee is a committee appointed by the BoD to review the Company's system of risk management. The Risk Management Committee is formed with the purpose of ensuring 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.

The Risk Management Committee, which reports directly to the BoD, consists of 4 participants and during 2021 it held 3 meetings.

The role of the Risk Management Committee is essential to:

- (a) ensure the efficient management of the risks inherent in the provision of the investment services to clients;
- (b) monitor the risks underlying the operation of the Company;
- (c) be responsible for monitoring and controlling the Risk;

(d) meet regularly in the offices of the Company, or via conference call.

The Risk Management Committee is dedicated primarily to managing the credit, market and operational risks of the Company, resulting from the Company's operations, and as part of its responsibilities it has to set out, approve and regularly update the policies, arrangements and procedures, which form the risk strategy, as well as to monitor all risks on an ongoing basis. The Risk Management Committee provides the BoD with status updates and recommendations on risk management policies and guidelines.

The primary function of the Risk Management Committee shall be to monitor the Risk Manager in the performance of his/her duties. Towards this direction, the Company shall adopt and maintain diversity risk management policies, which identify the risks relating to the Company's activities, processes and systems and set the risk tolerance levels of the Company. The Risk Management Committee bears the responsibility to monitor the adequacy and effectiveness of such 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.

## 5. OWN FUNDS

As per the new rules, 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 meet all the following conditions at all times:

- (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.

The following information provides a reconciliation between the balance sheet presented in Financial Statements and the balance sheet prepared for prudential purposes. The two tables have been prepared using the format set out in the Final Report on the Draft Implementing Standards issued by the EBA on reporting and disclosure requirements of investment firms under the IFR (EBA/ITS/2021/02).

**Table 4: Template EU IF CC1.01 - Composition of regulatory own funds**

		Amounts (€'000)	Source based on reference numbers/letters of the balance sheet in the audited financial statements (Cross Reference to EU IF CC2)
<b>Ref.</b>	<b>Common Equity Tier 1 (CET1) capital: instruments and reserves</b>		
<b>1</b>	<b>OWN FUNDS</b>	<b>8.884</b>	
<b>2</b>	<b>TIER 1 CAPITAL</b>	<b>8.884</b>	
<b>3</b>	<b>COMMON EQUITY TIER 1 CAPITAL</b>	<b>8.884</b>	
<b>4</b>	<b>Fully paid up capital instruments</b>	<b>32.261</b>	<b>Ref. 1 (Shareholders' Equity)</b>
<b>5</b>	<b>Share premium</b>	-	
<b>6</b>	<b>Retained earnings</b>	<b>(23.282)</b>	<b>Ref. 2 (Shareholders' Equity)</b>
<b>8</b>	<b>Other reserves</b>	-	
<b>10</b>	<b>Adjustments to CET1 due to prudential filters</b>	-	
<b>19</b>	<b>(-) Other intangible assets</b>	-	<b>Ref. 1 (Assets)</b>
<b>27</b>	<b>CET1: Other capital elements, deductions and adjustments</b>	<b>(94)</b>	<b>Ref. 3 &amp; 5(Assets)</b>
<b>28</b>	<b>ADDITIONAL TIER 1 CAPITAL</b>	-	
<b>40</b>	<b>TIER 2 CAPITAL</b>	-	

**Table 5: Template EU IFCC2: Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements**

		Balance sheet as in published/audited financial statements	Cross reference to EU IF CC1
		As at 31 Dec 2021 (€'000)	
<b>Ref.</b>	<b>Assets - Breakdown by asset classes according to the balance sheet in the published/audited financial statements</b>		
<b>1</b>	<b>Intangible assets</b>	<b>0</b>	<b>Ref. 19</b>
<b>2</b>	<b>Other non-current assets</b>	<b>328</b>	
<b>3</b>	<b>Trade and other receivables (ICF)</b>	<b>85</b>	<b>Ref. 27</b>
<b>4</b>	<b>Trade and other receivables (other)</b>	<b>3.076</b>	
<b>5</b>	<b>Bank Deposits and cash in hand(Additional cash buffer)</b>	<b>9</b>	<b>Ref. 27</b>
<b>6</b>	<b>Bank Deposits and cash in hand(other)</b>	<b>9.563</b>	
	<b>Total Assets</b>	<b>13.061</b>	
<b>Ref.</b>	<b>Liabilities - Breakdown by liability classes according to the balance sheet in the published/audited financial statements</b>		
<b>1</b>	<b>Non- current liabilities</b>	<b>0</b>	
<b>2</b>	<b>Current Liabilities</b>	<b>4.083</b>	
	<b>Total Liabilities</b>	<b>4.083</b>	
<b>Ref.</b>	<b>Shareholders' Equity</b>		
<b>1</b>	<b>Share capital</b>	<b>32.261</b>	<b>Ref. 4</b>
<b>2</b>	<b>Accumulated losses</b>	<b>(23.282)</b>	<b>Ref. 6</b>
	<b>Total Shareholders' equity</b>	<b>8.979</b>	

***Country-by-Country reporting***

In line with the requirements of Article 27 of the Directive please find below the following information for the year end of 2021:

**Table 6: Company's Information**

Name	Forextime Limited
Nature of Activities	The principal activity of the Company is the carrying out of investment activities and ancillary services.
Geographical Location	Cyprus
Turnover	7.814.785 EUR
Number of Employees on a full time basis	31
Gross Profit	6.897.403 EUR
Gross Profit Margin	88%
Public Subsidies received	The Company does not receive any public subsidies so no such disclosure is necessary.



## 6. CAPITAL REQUIREMENTS UNDER PILLAR I

The primary objective of the Company with respect to its capital management is to ensure that the Company complies with the capital requirements regulation imposed by the European Union and regulated by CySEC. Under this framework, the Company needs to monitor its capital base and maintain a strong capital adequacy ratio in order to be able to promote itself as a fully compliant and healthy Company, to support its business and maximize shareholders' value. In this respect, the Capital requirements should not be seen as a restriction of business but rather as proactive risk management imposed to help both the Company and its client base.

The fundamental pillar of the capital adequacy framework, Pillar I, is based on the fact that the Company must have own funds which are at all times more than or equal to the sum of its capital requirements.

The Company's Minimum Capital Requirements as at 31<sup>st</sup> of December 2021, were the following:

**Table 7: Minimum Capital Requirements**

Minimum Capital Requirements		31 Dec 2021 (€'000)
<b>K-Factor Requirement</b>		
<b>Risk-to-Client (RtC)</b>	<b>K-AUM</b>	-
	<b>K-CMH</b>	12
	<b>K-ASA</b>	-
	<b>K-COH</b>	-
<b>Risk-to-Market (RtM)</b>	<b>K-NPR</b>	700
	<b>K-CMG</b>	-
<b>Risk-to-Firm (RtF)</b>	<b>K-TCD</b>	70
	<b>K-DTF</b>	5
	<b>K-CON</b>	-
<b>Total K-Factor Requirement</b>		<b>788</b>
<b>Fixed Overhead Requirement ('FOR')</b>		<b>1.827</b>
<b>Permanent Minimum Capital Requirement ('PMCR')</b>		<b>750</b>

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

According to Article 13 of the IFR, the FOR shall amount to at least one quarter of the fixed overheads of the preceding year. The Fixed Overheads Requirement of the Company as at 31 December 2021 amounted to €1.887K.

Also, in accordance with Article 14 of the Directive, the PMCR of the Company as at 31 December 2021 was equal to €750K which is above the levels of initial capital required for authorisation to conduct the relevant investment services set of the Company.

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

The Company manages its capital structure and makes adjustments to it in light of the changes in the economic and business conditions and the risk characteristics of its activities.

Table below indicates that the Company has excess capital of above the minimum which is required to hold. This is reflected by a Capital Adequacy Ratio of 471%, which is above the minimum threshold of 100% set out in Article 9(1)(c) of IFR.

**Table 8: Capital Excess/Ratio**

	31 Dec 2021 (€'000)	Reference
<b>Capital</b>		
Common Equity Tier 1	8.884	
Additional Tier 1	-	
Tier 2	-	
<b>Total Own Funds</b>	<b>8.884</b>	<b>a</b>
<b>Own Funds Requirement</b>		
K-factor Requirement	788	b
Fixed Overhead Requirement	1.827	c
Permanent Minimum Capital Requirement	750	d
<b>Minimum Own Funds Requirement</b>	<b>1.827</b>	<b>e = (higher of b, c, d)</b>
<b>Capital Excess/Ratio</b>		
Capital Excess	7.057	a-e
Capital Ratio	486,14%	a/e

## 7. REMUNERATION POLICY AND PRACTICES

Remuneration refers to payments or compensations received for services or employment. The Company, has established and implemented a Remuneration Policy (the Policy) which is applicable for its employees as well as its Senior Management. Based on the above, the Policy includes the base salary and any bonuses or other economic benefits that an employee or executive receives during employment and shall be appropriate to the Company's size, internal organization and the nature, the scope and the complexity of its activities to the provisions of the Directive (EU) 2019/2034.

The Company has also established an HR Committee which is responsible among other things for the following:

- (a) to evaluate the employees performance;
- (b) to review the staffing structures and organizational structures, as and if needed;
- (c) to ensure the consistent and improved implementation of the conflicts of interest and conduct of business requirements under the Law in the area of remuneration. On the one hand, remuneration policies and practices should ensure compliance with the conflicts of interest requirements set out in Section 18(2)(b) and 29 of the Law; and on the other hand they should also ensure compliance with the conduct of business rules set out in Section 36 of the Law;
- (d) to monitor implementation of the remuneration policies and practices approved by the Board;
- (e) to control risks that remuneration policies and practices create, if any risks are identified, these should be altered to Board of Directors;
- (f) to ensure that the scope and purpose of the remuneration policies relate to categories of staff which include senior management, risk takers, staff engaged in control functions and any employee receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers, whose professional activities have a material impact on their risk profile;
- (g) to ensure that the remuneration of staff in control functions and senior officers in the risk management and compliance functions (specifically, staff engaged in control functions) should be independent from the business units they oversee, have appropriate authority and be remunerated according to the achievement of the objectives linked to their functions, independent of the performance of the business areas they control.

The Company's Policies comply with the following principles, in a manner appropriate to its size, internal organisation and the nature, scope and complexity of its activities:

- The Policy promotes sound and effective risk management and does not encourage risk-taking that exceeds the acceptable levels of tolerated risks of the Company.
- The Policy is in line with the Company's business strategy, objectives and values. The Policy has been designed to serve the Company's long term interests, while it has incorporated measures to avoid conflicts of interest.
- The HR Committee is responsible for ensuring the implementation of the Policy and to periodically review it and suggest changes that may be necessary for ensuring that the Company's talent is retained.
- The implementation of the Policy, is reviewed at least annually, subject to independent internal review for compliance with policies and procedures adopted by the Board.
- The remuneration of the staff engaged in control functions is in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they oversee
- The remuneration of the Senior Officers in the Risk Management and Compliance functions are directly overseen by the HR Committee and the Board.

In relation to variable elements of remuneration, it is designed to ensure that the total remuneration remains at competitive levels thus rewarding the staff for their performance whilst remaining aligned with the department's and/or the Company's performance and long term targets.

The total remuneration of specific employees (i.e. sales and dealing on own account departments) consists of fixed remuneration and possible variable remuneration components. The principals of the current variable remuneration for these categories of employee, are based on quantitative individual and collective business targets, client satisfaction (e.g. number of client complaints) and compliance monitoring of mis-selling practices (qualitative criteria).

In addition to the aforementioned principles, the following principles for variable elements of remuneration shall also apply:

- where remuneration is performance related, the total amount of remuneration is based on a combination of the assessment of the performance of the individual and of the business unit concerned. The overall results of the Company when assessing individual performance and financial and non-financial criteria are also taken into account.
- the assessment of the performance is set in a multi-year framework in order to ensure that the assessment process is based on long-term performance. The actual payment of performance-based components of remuneration is spread over a period which takes account of the underlying business cycle of the Company and its business risks.
- the total variable remuneration does not limit the ability of the Company to strengthen its capital base.

- guaranteed variable remuneration is not consistent with sound risk management or the pay-for-performance principle and shall not be a part of prospective remuneration plans.
- guaranteed variable remuneration is exceptional, it only occurs when hiring new staff and where the Company has a sound and strong capital base and is limited to the first year of employment.
- fixed and variable components of total remuneration are appropriately balanced and the fixed component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components. This includes the possibility to pay no variable remuneration.
- the Company sets the appropriate ratios between the fixed and the variable component of the total remuneration, whereby the following principles shall apply:
  - the variable component shall not exceed 100 % of the fixed component of the total remuneration for each individual.
  - The Shareholder of the Company may approve a higher maximum level of the ratio between the fixed and variable components of remuneration, provided the overall level of the variable component shall not exceed 200 % of the fixed component of the total remuneration for each individual.
  - Any approval of a higher ratio in accordance with the aforementioned point is carried out, taking into consideration the provisions of paragraph 21 of the Directive.
- the Company may apply the discount rate to a maximum of 25 % of total variable remuneration, provided it is paid in instruments that are deferred for a period of not less than five years.
- payments relating to the early termination of a contract reflect performance achieved over time and do not reward failure or misconduct.
- remuneration packages relating to compensation or buy - out from contracts in previous employment, must align with the long-term interests of the Company, including retention, deferral, performance and claw back arrangements.
- the measurement of performance used to calculate variable remuneration components or pools of variable remuneration components, includes an adjustment for all types of current and future risks and takes into account the cost of the capital and the liquidity required.
- the allocation of the variable remuneration components within the Company also takes into account all types of current and future risks.
- the variable remuneration, including the deferred portion, is paid or vests only if it is sustainable according to the financial situation of the Company as a whole, and justified on the basis of the performance of the Company, the business unit and the individual concerned.
- Without prejudice to the general principles of national contract and labour law, the total variable remuneration shall generally be considerably contracted, where subdued or negative financial performance of the Company occurs. This will take into account both current remuneration and reductions in payouts of amounts previously earned, including through malus or claw back arrangements.

- Up to 100 % of the total variable remuneration shall be subject to malus or claw back arrangements. The Company sets specific criteria for the application of malus and claw back. Such criteria covers situations where the staff member:
- participated in or was responsible for conduct which resulted in significant losses to the Company;
  - failed to meet appropriate standards of fitness and propriety;
  - the pension policy is in line with the business strategy, objectives, values and long-term interests of the Company.
  - staff members are required to undertake not to use personal hedging strategies or remuneration- and liability- related insurance to undermine the risk alignment effects embedded in their remuneration arrangements.
  - variable remuneration is not paid through vehicles or methods that facilitate the noncompliance with this Directive or Regulation (EU) 2019/2033.

### *Nomination Committee*

Taking into consideration the Company's size as well as the fact that the Company's on -and off- balance sheet assets is on average lower than EUR 100 million, categorizing it as non-significant as per the provisions of CySEC Circular C487, the Company's Board decided that currently there is no need for a Nomination Committee to be set up.

Table 9 presents the aggregated quantitative information on remuneration, broken down by executive and non-executive directors and members of staff whose actions have a material impact on the risk profile of the investment firm.

**Table 9 Remuneration Figures for 2021**

Remuneration Figures as at 31 December 2021	No. of staff during 2021	Annual Remuneration (EUR)		
		Fixed	Variable	Total
<i>Executive directors</i>	4	480.021	315.442	795.463
<i>Non-executive directors</i>	2	59.205	-	59.205
<i>Other Staff</i>	12	534.655	173.096	707.751
<b>Total</b>	<b>18</b>	<b>1.073.881</b>	<b>488.538</b>	<b>1.562.419</b>

During the financial year 2021, the Company did not pay or award any deferred remuneration, severance payment or guaranteed variable remuneration. The Company also did not award any deferred remuneration or severance payment for/in previous performance periods.

The variable remuneration paid by the Company during the aforementioned period, was entirely in the form of cash. Also, the Company does not benefit from any derogation as laid down in Article 32(4) of the IFD.

## 8. DISCLOSURES POLICY

The Company, taking into consideration the requirements of the Law, is currently planning on preparing its Disclosures policy for 2022.

## 9. ORGANIZATIONAL STRUCTURE OF RISK MANAGEMENT FUNCTION

The organizational structure of the Risk Management function is explained in the diagram below:



Figure 2 Risk Management Structure

### Appendix 1 - Specific References to IFR

IFR Ref	High Level Summary	Compliance Reference
<b><i>Scope of disclosure requirements</i></b>		
46(1)	Requirement to publish Pillar III disclosures.	Section 1.1
46(2)	Disclosure of information regarding Risk Management Objectives and Policies, Own Funds and compliance with the Capital Requirements.	Sections 2.2, 5, 6
<b><i>Risk management objectives and policies</i></b>		
47	Disclosure of risk management objectives and policies for each separate category of risk	Section 3
<b><i>Governance</i></b>		
48 (a)	Disclosure of the number of directorships held by members of the management body	Section 4.1
48 (b)	Disclosure of the policy on diversity 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 4.2
48 (c)	Disclosure of whether or not the investment firm has set up a separate risk committee and the number of times the risk committee has met annually	Section 4.3, 4.4
<b><i>Own Funds</i></b>		
49 (1) (a)	Disclosure of information regarding the own funds of investment firms	Section 5, 6
49 (1) (b)		
49 (1) (c)		
49(2)	EBA shall develop implementation standards for points (a), (b), (c) above	
<b><i>Own Funds Requirements</i></b>		
50(a)	Summary of investment firm's approach to assessing adequacy of capital levels.	Section 6
50(b)	Result of ICARA on demand from competent authority.	Section 2.6
50(c)	K - factor requirements calculated, in accordance with Article 15 of this Regulation, in aggregate form for RtM, RtF, and RtC, based on the sum of the applicable K - factors	Section 3
50(d)	Fixed overheads requirement determined in accordance with Article 13 of this Regulation	Section 6
<b><i>Remuneration Policy and Practices</i></b>		
51	Remuneration Policy	Section 7



## Appendix 2 – Risk appetite statement

The Company's risk appetite is determined by its BoD, following the recommendations of the Risk Management Committee and taking into account the Company's risk bearing capacity.

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

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

- The available internal capital over the total risk weighted assets for Pillar I risks is targeted to be greater than or equal to 11.5%.
- Under no circumstances should the regulatory capital adequacy ratio fall below the minimum required of 100% according to the IFR.
- The Company has zero tolerance towards internal fraud and non-compliance with regulatory requirements. Therefore all departments are required to operate at all times in compliance with respective regulatory and internal requirements.
- The Company has low tolerance towards operational risks / losses.

The Company's risk bearing capacity is defined as the ability of the Company's available capital to absorb adverse risk. The Company's available capital currently consists solely of Tier 1 capital, calculated after relevant deductions.

### Appendix 3 – Main Features of Own Funds

		<i>Common Equity Tier 1 Capital</i>
1	Issuer	Forextime Ltd
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Public or private placement	Private
4	Governing law(s) of the instrument	Cyprus Law
5	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
6	Amount recognised in regulatory capital	32.261.000
7	Nominal amount of instrument	32.261.000
8	Issue price	EUR 1 each
9	Redemption price	N/A
10	Accounting classification	Shareholder's Equity
11	Original date of issuance	09/08/2012
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	<i>Coupons / dividends</i>	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
21	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
22	Existence of step up or other incentive to redeem	N/A
23	Noncumulative or cumulative	N/A
24	Convertible or non-convertible	Non-convertible
25	If convertible, conversion trigger(s)	N/A
26	If convertible, fully or partially	N/A
27	If convertible, conversion rate	N/A
28	If convertible, mandatory or optional conversion	N/A
29	If convertible, specify instrument type convertible into	N/A
30	If convertible, specify issuer of instrument it converts into	N/A
31	Write-down features	No
32	If write-down, write-down trigger(s)	N/A
33	If write-down, full or partial	N/A
34	If write-down, permanent or temporary	N/A

35	If temporary write-down, description of write-up mechanism	N/A
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
38	Link to the full term and conditions of the instrument (signposting)	N/A