

## **FIBO GROUP HOLDINGS LIMITED**

### **Solo Pillar III disclosures for the year ended 31 December 2021**

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

**August 2022**

## 1. Introduction

This report is prepared in accordance with the Investment Firms Regulation (EU) 2019/2033 (“the Regulation” or “the IFR”) 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 and the Investment Firms Directive (EU) 2019/2034 (“the Directive” or “the IFD”) 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 (collectively, “IFR/IFD Framework”).

Furthermore, Law 165(I)/2021 on the prudential supervision of Investment Firms is in force, for the purposes of harmonisation of the IFD and effective implementation of the IFR.

### 1.1. Corporate Information

This Report is based on the financial statements of the company Fibo Group Holdings Ltd (the “Company”).

The Company is required to prepare annually this report, regarding capital, risks and other information related to Market discipline.

The Company’s information are presented in the following table:

Name of Entity	Country of incorporation	Regulator	Principal Activity	LEI Code
FIBO GROUP Holdings Limited	Cyprus	CySEC	Investment Company	213800JXJNPQ5XWE8L51

FIBO Group Holdings Limited (registration number HE 242381) is regulated by the Cyprus Securities and Exchange Commission (‘CySEC’) under authorization number 118/10, issued on 14 June 2010, by which it is licensed to operate as a Cypriot Investment Firm and to provide investment and ancillary services in Cyprus and in other Member-States of the European Union.

The principal activities of the Company are described in the following table:

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

Based on the rules set by the IFR/IFD Framework the CIF (FIBO Group Holdings Ltd) is classified as a Class 2 Investment Firm. As a result, the Company’s Audited calculations and results in regards to Minimum Capital Requirements, presented in this Report are based on Class 2 requirements for Investment Firms.

### 1.2. Scope of Disclosures

The current disclosures are prepared on a solo basis and are presented based on the Audited Financial Statements of the Company, with reference date 31 of December 2021 and reporting currency Euro. These solo financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113.

No Crypto-Asset holdings were held by the Company during the financial year 2021.

### 1.3. Regulatory Framework - Overview

As of the 26th 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 (“Investment Firm Regulation” or “IFR”) and EU Directive 2019/2034 on the prudential supervision of investment firms (“Investment Firm Directive” or “IFD”) – harmonized through the issuance of the Cyprus Law on the Prudential Supervision of CIFs of 2021 (165(I)/2021) – 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.

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 IFR/IFD framework consists of three mutually re-enforcing pillars, as set out below:

- Pillar I defines the minimum regulatory capital requirements that are required for specified key risks, using prescribed quantitative methodologies.
- Pillar II covers the Supervisory Review & Evaluation Process (“SREP”) that is conducted in relation to an investment firm’s Internal Capital Adequacy and Risk Assessment (“ICARA”) process, by which the investment firm assesses the adequacy of its internal capital and evaluates the extent to which additional capital needs to be put aside against material risks that may not be sufficiently covered in Pillar I.
- Pillar III (Market discipline) covers external disclosures that are designed to provide transparent information on regulatory capital adequacy, risk exposures and risk management, and internal control processes.

This Pillar III Disclosures Report sets out both quantitative and qualitative information in accordance with the IFR/IFD Framework and related guidance issued by the European Banking Authority (“EBA”).

### 1.4. Location and Frequency of Disclosures

According to CySEC’s Directive DI144-2014-14 (the “Directive”), the risk management disclosures must be included either in the financial statements of the investment firm, if these are published, or on its website. In addition, these disclosures must be verified by the external auditor of the investment firm. The investment firm will be responsible for submitting its external auditor’s verification report to CySEC.

The Company intends to make its disclosures annually in a document other than the Audited Financial Statements. The Board of Directors has stated in its Disclosure Policy that the disclosures will be uploaded on the website of the Company <https://www.fibogroup.eu/about/company-profile/disclosures/>.

In addition, the disclosures have been reviewed by the external auditor.

### 1.5. Operating Environment of the Company

On 11 March 2020, the World Health Organisation declared the Coronavirus COVID- 19 outbreak to be a pandemic in recognition of its rapid spread across the globe. Many governments are taking increasingly stringent steps to help contain, and in many jurisdictions, now delay, the spread of the virus, including: requiring self-isolation/ quarantine by those potentially affected, implementing social distancing measures, and controlling or closing borders and "locking-down" cities/regions or even entire countries. These measures have slowed down the economies both in Cyprus but globally as well with the potential of having wider impacts on the respective economies as the measures persist for a greater period of time.

This operating environment may have a significant impact on the Company's operations and financial position. Management is taking necessary measures to ensure sustainability of the Company's operations. However, the future effects of the current economic situation are difficult to predict and Management's current expectations and estimates could differ from actual results.

The Company's Management is unable to predict all developments which could have an impact on the Cyprus economy and consequently, what effect, if any, they could have on the future financial performance, cashflows, and financial position of the Company.

The geopolitical situation in Eastern Europe intensified on 24 February 2022 with the commencement of the conflict between Russia and Ukraine. As at the date of authorizing these financial statements for issue, the conflict continues to evolve as military activity proceeds. In addition to the impact of the events on entities that have operations in Russia, Ukraine, or Belarus or that conduct business with their counterparties, the conflict is increasingly affecting economies and financial markets globally and exacerbating ongoing economic challenges.

The European Union as well as United States of America, Switzerland, United Kingdom and other countries imposed a series of restrictive measures (sanctions) against the Russian and Belarusian government, various companies, and certain individuals. The sanctions imposed include an asset freeze and a prohibition from making funds available to the sanctioned individuals and entities. In addition, travel bans applicable to the sanctioned individuals prevents them from entering or transiting through the relevant territories. The Republic of Cyprus has adopted the United Nations and European Union measures. The rapid deterioration of the conflict in Ukraine may as well lead to the possibility of further sanctions in the future.

Emerging uncertainty regarding global supply of commodities due to the conflict between Russia and Ukraine conflict may also disrupt certain global trade flows and place significant upwards pressure on commodity prices and input costs as seen through early March 2022. Challenges for companies may include availability of funding to ensure access to raw materials, ability to finance margin payments and heightened risk of contractual non-performance.

The impact on the Company largely depends on the nature and duration of uncertain and unpredictable events, such as further military action, additional sanctions, and reactions to ongoing developments by global financial markets.

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

The Company has limited direct exposure to Russia, Ukraine, and Belarus and as such does not expect significant impact from direct exposures to these countries.

Management has considered the unique circumstances and the risk exposures of the Company and has concluded that there is no significant impact in the Company's profitability position. The event is not expected to have an immediate material impact on the business operations.

## 2. Governance arrangements

The board of directors must ensure that the Senior Management defines, oversees and is accountable for the implementation of the governance arrangements that ensure effective and prudent management of the Company, including the segregation of duties in the organization and the prevention of conflicts of interest.

Those arrangements must comply with the following principles. The Board of Directors must:

- have the overall responsibility for the Company and approve and oversee the implementation of the Company's strategic objectives, risk strategy and internal governance,
- ensure the integrity of the accounting and financial reporting systems, including financial and operational controls and compliance with the law and relevant standards,
- oversee the process of disclosure and communications,
- be responsible for providing effective oversight of senior management.

The Board of Directors monitors and periodically assesses the effectiveness of the institution's governance arrangements and takes appropriate steps to address any deficiencies.

### 2.1. Diversity Policy on Selection of Members of the Board of Directors ('the BoD')

The Company has implemented the suitability and diversity policy in the process of selecting the members of the BoD which is effective from 29 December 2020 and will remain in force should the BoD not resolve to change it, revoke it or approve a replacement. The policy is periodically being reviewed by the BoD and any updates or modifications deemed necessary are submitted at any given time.

The Company's Board of Directors will promote diversity in the composition by encouraging the inclusion of people with different profiles, knowledge, training, experience and qualities. To ensure that the corporate bodies have an adequate and balanced composition, the renewal and selection processes will encourage diversity of their members, based on the needs of the Company at all times.

In particular, they will strive to ensure that the Board of Directors has a balanced representation of men and women.

### 2.2. Number of Directorships held by the member of the board

The recruitment principles for the Board member provide that there is a maximum number of directorships which can be held by the Boards members.

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. Executive or non-executive directorships held within the same group, are considered as a single directorship. For the year ended 31 December 2021, the Company was not considered as significant CIF.

Data is provided for the Directors in office as of 31 December 2021.

**Table 1:** Number of directorships of the Company:

Name of Director	Position within the Company	Executive Directorships	Non-Executive Directorships
Dmitrii Goriunov**	Executive Director	1	-

<b>Name of Director</b>	<b>Position within the Company</b>	<b>Executive Directorships</b>	<b>Non-Executive Directorships</b>
Roman Kalinin**	Executive Director	1	-
Michael Larkos	Independent Non-Executive Director	9	1
Pantelis Ftellehas	Independent Non-Executive Director	1	1
Elena Shirei	Non-Executive Director	1	1

\*\* Resigned on 17 May 2022 and 3 June 2022 respectively

### **3. Risk Management Objectives and Policies**

Risk is inherent to the Company's business and activities. The Company's ability to identify, measure, monitor and manage each type of risk to which the Company is exposed, is an important factor in its financial stability, performance, reputation and in the achievement of its strategic objectives.

The Company's Risk Management framework encompasses the scope of risks to be managed, the process/systems and procedures to manage risk and the roles and responsibilities of individuals involved in risk management. This framework is comprehensive enough to capture all risks. The Company is exposed to and has flexibility to accommodate any change in business activities.

#### **3.1. Risk Management Function and Organizational Structure**

The Company is governed by the Board of Directors and has also established the **Risk Management Committee** and the **Investment Committee**. In addition, the Company has a **Risk Management Function** that is responsible to monitor the Company's risk exposures and report to the Risk Management Committee and to the Board of Directors.

##### **Risk Management Committee**

The Risk Management Committee is formed with the view to ensure the efficient monitoring of the risks inherent in the provision of the investment services to Clients, as well as the risks underlying the operation of the Company's own trading. The Risk Management Committee shall report directly to the Board. The Risk Management Committee meets at least annually, except where the circumstances require extraordinary meetings. Extraordinary meetings can be called by any member of the Risk Management Committee, as well as by the Risk Manager. The members of the Risk Management Committee comprise of 1 executive director, 1 independent non-executive director, and the Risk Manager. In 2021, the Risk Management Committee has met twice (2 times).

Towards this direction, the Company shall adopt and maintain 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 with those policies and procedures that are in place, including failures by the Company's relevant persons to comply with those policies and procedures.

##### **Investment Committee**

The Investment Committee is formed with the view to ensure the establishment and monitoring of the Company's Investment Policy which shall be set and approved by the Investment Committee. The Investment Committee shall be responsible for Asset Management investment service and supervision of the relevant department. The Company's Investment Policy shall include the strategic investment guidelines and limits for the provision of the Portfolio Management service by the Portfolio Management Department. The Company Investment Policy shall be reviewed and evaluated frequently. The Company Investment Policy shall also be reviewed at any time, after request by the Head of the Portfolio Management Department or any member of the Investment Committee. For each strategy, asset allocation and risk, limits shall need to be established and adjusted by the Investment Committee, according to the Company Investment Policy. As a control procedure, it shall be part of the Internal Auditor's duties to verify, at least once a year, that the establishment and adjustments of the Company Investment Policy, the Client risk profile categories and the Specimen Portfolio Strategy Guidelines, or similar templates, are in place.

##### **Internal Control Function**

The principal objective of the Internal Auditor shall be to provide assistance to the Senior Management, as well as to the Board of the Company, so that it may efficiently practice its responsibilities. The Internal Auditor shall review and evaluate the adequacy and effectiveness of the Company's systems of internal controls and the

quality of operating performance when compared with established standards on an ongoing basis. The recommendations that the Internal Auditor makes to the Senior Management and the Board regarding the internal controls and the management of the various risks that are associated with the operations, aim to secure a controlled environment in the Company. The Company shall either appoint a qualified and experienced individual as a full-time Internal Auditor of the Company or outsource the Internal Audit function to reputable and qualified firm(s) or person(s).

### **Compliance and AML Function**

The MIFID compliance function is responsible for the Company's compliance with the Law and regulations as well as the directives at times issued by CySEC. Separate function, AML compliance function is responsible to ensure compliance with AML/CFT Law and relevant CySEC Directives, as well as the identification and reporting of any money laundering activity to the relevant authorities.

Both functions, to work efficiently, shall have the necessary authority, resources and expertise to carry out its relevant duties and responsibilities and also has access to all relevant information.

### **3.2. Risk Management Policy**

Being an investment company, Risk Management is one of the crucial processes within the Company. The senior management and the Risk Manager are responsible to develop and monitor the overall Risk Investment Policy on a regular basis. The Board of Directors annually approves/revise the proposed changes and performs the strategic overview and control of the Risk Management Policy.

### **3.3. Risk Statement**

The Company ensures that it manages to pursue its strategic and business objectives while monitoring the risks to which it is exposed, so that they are within the predefined risk appetite/tolerance levels. The risk appetite of the Company is the result of its ICARA process. Each identified specific risk is classified into its general risk category and risk type, and is assigned a risk profile (Low/Medium/High), based on the overall score received after quantification of the specific risk. The specific risk is quantified by considering its expected impact and its likelihood of occurrence.

This process is implemented to assure the Board that the Company currently operates, and will continue to operate, within its current and future aggregate risk limit as represented by its current and projected Internal Capital. In case that the aggregate risk limit is expected to exceed the Company's expected risk tolerance (as represented by its projected regulatory own funds), the Board plans ahead by securing the injection of additional capital and/or the establishment of additional risk controls. Key figures are provided in the capital management section, providing external stakeholders with a comprehensive view of the Company's management of risk.

The Company has also harmonized its Regulatory Reporting requirements by adopting the transition from Credit Risk, Market Risk and Operational Risk into the new risk categorization under the IFR / IFD framework, that of the K-Factor requirements which aims to better capture the risks posed to customers, the market and the Company itself, while continuing to manage the above risk categories both on an individual and on a Group basis.

The management of all risks that are significant to the Company, is discussed below.

### **3.4. Principal Risks**

The IFR/IFD prudential framework introduces a differentiated classification and quantification of the main risks that investment firms can be subject to, which is labelled as "K-Factors" (Article 15 of the IFR). It relates to a set of risk factors tailored to the business of investment firms and determines the minimum capital requirement in relation to the risks that arise from the various activities and operations of investment firms.

More specifically, the risks are categorized as below:

### **Risk to Client**

Risk to Client (“RtC”) is the risk that an investment firm poses to clients if it fails to carry out its services or operations correctly.

There are four K-factors under RtC:

- **K-AUM (Assets Under Management):** Captures the risks associated with discretionary portfolio management and non-discretionary arrangements constituting investment advice of an ongoing nature. This is not applicable to the Company since FIBO Group Holdings Ltd, does not offer portfolio management or investment advice services, even though it has obtained authorization from the CySEC to provide the former.
- **K-CMH (Client Money Held):** Captures the risk of an investment firm causing potential harm to clients where it holds their money under custody. FIBO Group Holdings Ltd hold clients’ money under custody, therefore the Company is subject to this risk. The Company takes all necessary measures to safeguard the funds of its clients, which include among others, holding client funds in segregated accounts separated from the Company’s own funds, opened with various financial institutions located in different geographic locations, in order to achieve sufficient diversification.
- **K-ASA (Assets Safeguarded and Administered):** The risk of harm associated with the safeguarding and administering of a client’s financial instruments. This does not apply to the Company as the product offering in terms of investment services is only constrained to CFDs.
- **K-COH (Client Orders Handled):** Captures the potential risk to clients of an investment firm, which executes orders in the name of the client. This does not apply to the Company since all trades are being executed by FIBO Group Holdings Ltd which acts as principal in the trade execution process i.e., not on an agent basis.

### **Risk to Market**

Risk to Market (“RtM”) is the risk that an investment firm poses to the financial markets that it operates in and the counterparties that it trades with. There are two K-factors under RtM:

- **K-NPR (Net Position Risk):** The Company is subject to Market Risk as a result of its trading activities where it acts as a counterparty to customers’ CFD transactions. The Company is therefore exposed to losses if adverse market movements cause the value of its open positions to decline.
- **K-CMG (Clearing Margin Given):** K-CMH is alternative to K-NPR and aims to provide for Market Risk for trades that are subject to clearing, as set out in Article 23 of the IFR. This is not applicable to the Company since the execution and settlement of the Company’s transactions by FIBO Group Holdings Ltd is being carried out Over-The-Counter and is not under the responsibility of any clearing member or qualifying central counterparty.

### **Mitigation Actions:**

#### **K-NPR**

K-NPR coincides with the Market Risk under the CRR. Market risk reflects the extent to which the return of the security varies in response to, or in association with, variations in the overall market returns. Market risk is associated with the Company’s open positions, which are exposed to the risks of changes in the market. The Company’s Risk Management Department is responsible for measuring and monitoring of market risk, setting out the policy for management of this type of risk and approving acceptable market risk limits, such as position limits, stop-loss limits etc.

FIBO Group Holdings Ltd acts as a principal for their clients’ orders, taking market risk from clients’ transactions. However, hedging strategy, includes hedging positions with clients on a back- to-back basis with other execution venues i.e. FIBO does not take any market risk as a result of its hedged clients’ transactions and the other execution venues, selected by the firm, for its hedging activity which are used to determine the execution price for the firm’s clients’ orders. Hence, Head of Dealing on own account selects and regularly reviews current execution venue used for executing orders, regularly review independent price data providers

and appropriate execution venues for hedging orders on back-to-back basis.

### **Risk to Firm**

Risk to Firm (“RtF”) is the risk that an investment firm faces through its trading activity and overall market participation. There are three K-factors under RtF:

- **K-TCD (Trading Counterparty Default):** Captures the risk of losses arising from the default of a counterparty with which a company maintains open Trading Book positions in derivatives and other specified transactions. This includes both clients and liquidity providers. The Company is subject to this risk as FIBO Group Holdings Ltd maintains open CFD trades with its clients.
- **K-DTF (Daily Trading Flow):** Captures the Operational Risk related to the value of trading activity that the investment firm conducts. This applies to the Company, as FIBO Group Holdings Ltd carries out Dealing on Own Account activities, i.e. executes clients’ orders on a principal basis.
- **K-CON (Concentration Risk):** Applies additional own funds to manage concentration to a single counterparty or a group of connected counterparties to which a company incurs Trading Book exposures. This arises from the Company’s Counterparty Credit Risk concerning its TCD exposures towards clients and selected counterparties. The Company aims to maintain a diversified client portfolio so as to avoid high concentration to any single client or counterparty, hence it is not required to reserve any additional capital for this risk.

### **Mitigation Measures:**

#### **K-TCD:**

The Company manages TCD Risk through a number of measures, which include but are not limited to the following.

The Company evaluates the client’s or counterparty’s creditworthiness which involves analysis of financial data (e.g. balance sheet, income statement etc.) and non-financial data (qualitative characteristics, reputation, assessment of credit risk by external assessors etc.), including submitted pledge to cover their credit risks. All required information is collected from the clients during account opening KYC (‘Know Your Client’) procedures and from the counterparties during due diligence procedures.

The purpose of such monitoring is to ensure that limits set previously to clients and counterparties are valid and there is no negative information stipulating high probability of counterparty’s/ client’s failure to carry its obligations. Following the review, Risk Management amends if required the limits set previously for the particular client or counterparty.

Approved credit limits are registered on a protected excel spreadsheet and circulated to all traders and front office and back office employees as an extra monitoring tool. In cases where a trader enters a deal which results in violation of credit limits, the deal is blocked by the system and is not executed. The Risk Manager is informed of any violations and makes decision whether to accept the violation or close the deal.

The assessment of the quality of the portfolio of the Company’s clients is carried out using credit rating and credit scoring systems to determine the creditworthiness of its customers. Credit Rating approach to credit risk classifies companies based on their rating with External Credit Assessment Institutions (ECAI) and calculates the historical percentage of defaults for each rating. The Company only uses ECAs that have been recognized and announced as eligible by CySEC.

#### **K-DTF:**

In relation to DTF risk, the Company has in place policies and processes whose implementation supports the evaluation and management of many exposures arising in the course of its daily business. Also, the Company’s systems and controls are evaluated, maintained and upgraded continuously, to avoid malfunctions to the degree possible.

**K-CON:**

The Company manages K-CON by allocating a limit to each counterparty to which shall be trading with, as applicable. The allocation of the limit shall take into consideration characteristics of the counterparty. In all cases the minimum limits shall always comply with provision of the CySEC Directives, as revised time to time, but may be set at higher levels, depending on the internal risk assessment.

**3.5. Other Risks****Liquidity risk**

Liquidity risk is a financial risk that for a certain period of time a given financial asset, security or commodity cannot be traded quickly enough in the market without impacting the market price. The Company chooses carefully its liquidity providers which are EU based and do not have any relationship with the Company aside from liquidity provider agreements. The Risk Manager is also responsible with respect to liquidity risk and market risk by:

- defining acceptable maximum risk assumption limits per class of risk;
- breaking down the above risk limits further where necessary, for example, per class of investment service or Financial Instrument, or Client or market, as applicable;
- implementing stop loss-control limits, where applicable;
- following up open positions within the approved limits.

Furthermore, as at 31 December 2021, the Company's total Liquid Assets amounted to EUR 259K, which exceeded the Liquidity Requirement of EUR 56K, calculated as the one third of the Fixed Overhead Requirement, in accordance with Article 43 of the IFR.

**Credit risk**

Credit risk is defined as the potential that a company borrower or counterparty will fail to meet its obligations in accordance with agreed terms. The goal of credit risk management is to maximize a company's risk-adjusted rate of return in the provision of investment services by maintaining credit risk exposure within acceptable parameters. The effective management of credit risk is a critical component of a comprehensive approach to risk management and essential to the long-term success of an investment company.

**Operational risk**

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes legal risk but excludes reputation and strategic risks. It is embedded in every business activity and potential losses may occur in all Company's activities. The Company is continuously monitoring its day-to-day operations in order to address any potential operational risks. Moreover, when relying on a third party for the performance of investment services or activities or operational functions which are critical for the provision of continuous and satisfactory service to clients and the performance of investment activities on a continuous and satisfactory basis, it takes reasonable steps to avoid undue additional operational risk.

**Compliance risk**

Compliance risk is the risk of financial loss, including fines and other penalties, which arises from non-compliance with laws and regulations of the state. The risk is limited to a significant extent due to the supervision applied by the Compliance Officer, as well as by the monitoring controls applied by the Company.

**Litigation risk**

Litigation risk is the risk of financial loss, interruption of the Company's operations or any other undesirable situation that arises from the possibility of non-execution or violation of legal contracts and consequentially of lawsuits. The risk is restricted through the contracts used by the Company to execute its operations.

**Reputation risk**

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

**Other risks**

The general economic environment prevailing in Cyprus and internationally may affect the Company's operations to a great extent. Economic conditions such as inflation, unemployment, and development of the gross domestic product are directly linked to the economic course of every country and any variation in these and the economic environment in general may create chain reactions in all areas hence affecting the Company.

#### 4. Own Funds

##### 4.1. Composition of Own Funds

As per the new rules set by the IFR (Article 9), 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, subject to the conditions below, at all times:

1. Common Equity Tier 1 Capital shall constitute at least 56% of the Own Funds Requirements.
2. Common Equity Tier 1 Capital and Additional Tier 1 Capital shall constitute at least 75% of the Own Funds Requirements.
3. Common Equity Tier 1 Capital, Additional Tier 1 Capital and Tier 2 Capital shall correspond to at least 100% of the Own Funds Requirements.

Table 2 below presents the composition of the Own Funds of the Company, as of 31 December 2021. The Company maintained only Common Equity Tier 1 capital as eligible Own Funds (i.e. no Additional Tier 1 Capital), and Tier 2 Capital. A detailed description of the main features of Common Equity Tier 1 and Tier 2 instrument issued by the Company are presented in the Appendix of these Disclosures.

**Table 2:**

Composition of regulatory Own Funds

##### Template EU IF CC1.01

		(a)	(b)
		Amounts (€'000)	Source based on reference numbers/letters of the balance sheet in the audited financial statements (Cross Reference to EU IF CC2)
<b>Ref.</b>	<b>Common Equity Tier 1 (CET1) capital: instruments and reserves</b>		
1	<b>OWN FUNDS</b>	866	
2	<b>TIER 1 CAPITAL</b>	841	
3	<b>COMMON EQUITY TIER 1 CAPITAL</b>	841	
4	Fully paid up capital instruments	5	Ref. 1 (Shareholder's Equity)
5	Share premium	2.022	Ref. 2 (Shareholder's Equity)
6	Retained earnings	(1.150)	Ref. 3 (Shareholder's Equity)
7	Accumulated other comprehensive income	46	Ref. 3 (Shareholder's Equity)
10	Adjustments to CET1 due to prudential filters	(0)	
27	CET1: Other capital elements, deductions and adjustments	(82)	Ref. 2 & 4 (Assets)
28	<b>ADDITIONAL TIER 1 CAPITAL</b>	-	
40	<b>TIER 2 CAPITAL</b>	25	
41	Fully paid up, directly issued capital instruments	25	

#### 4.2. Reconciliation of regulatory capital with solo financial statements

Table 3 below provides a reconciliation between the Company Statement of Financial Position presented in the solo Financial Statements, with regulatory Own Funds.

**Table 3:**

Reconciliation of regulatory Own Funds to Balance Sheet in the solo financial statements

**Template EU IFCC2**

		a	c
		Balance sheet as in published/audited financial statements	Cross reference to EU IF CC1
		As at 31 Dec 2021 (€'000)	
Ref.	Assets		
1	Property, plant and equipment	822	
2	Receivables (Investor's Compensation Fund)	81	Ref. 27
3	Receivables (Other)	92	
4	Cash and cash equivalents (minimum cash buffer of 3 per thousand of the eligible funds and financial instruments of clients)	1	Ref. 27
5	Cash and cash equivalents (Other)	428	
6	Other current assets	2	
	<b>Total Assets</b>	<b>1.426</b>	
Ref.	Liabilities		
1	Non-current liabilities	338	
3	Other Current liabilities	165	
	<b>Total Liabilities</b>	<b>503</b>	
Ref.	Shareholders' Equity		
1	Share Capital	5	Ref. 4
2	Share Premium	2.022	Ref. 5
3	Retained Earnings / (accumulated losses)	(1.104)	Ref. 6 & Ref. 7
	<b>Total Shareholders' equity</b>	<b>923</b>	

It shall be noted that Tables 2 and 3 above 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).

## 5. Capital Requirements

The new IFR/IFD framework introduces a different approach for calculating the Minimum Capital Requirements, which dictates for Class 2 investment firms, 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.

### 5.1. Fixed Overheads Requirement ("FOR")

The Fixed Overheads Requirement, as per Article 13 of the IFR, shall amount to at least one quarter of the fixed overheads of the preceding year, calculated using figures from the most recent audited annual financial statements, where available, after the distribution of profits.

### 5.2. Permanent Minimum Capital Requirement ("PMCR")

The Company monitors on a continuous basis its consolidated Own Funds and ensures that they remain above the Permanent Minimum Capital Requirement of EUR 750 K, which corresponds to the PMCR of FIBO Group Holdings Ltd, which is subject to this requirement based on the investment and ancillary activities that it carries out (pursuant to Article 14 of the IFR and the EBA Consultation Paper EBA/CP/2020/06 setting out Draft Implementing Technical Standards related to the implementation of the IFR/IFD on prudential consolidation requirements (among others).

### 5.3. K-Factor Capital Requirement

The K-factor methodology is an entirely new concept introduced by the IFR/IFD prudential rules and essentially quantifies the risks analyzed and categorized in Section 3.4 of this document. As at 31 December 2021, the Company was subject to K-CMH, K-NPR, K-TCD, K-DTF and K-CON, as a result of the activities that the Company carries out.

Table 4 below represents the Company's minimum capital requirements as of 31 December 2021. As it can be seen, the PMCR is the highest of the three amounts indicated by the IFR methodology, hence determining the ultimate amount of minimum capital requirements.

**Table 4:** Minimum Capital Requirements

Minimum Capital Requirements		31 Dec 2021 (€'000)
<b>K-Factor Requirement</b>		
Risk-to-Client (RtC)	K-AUM	-
	K-CMH	1
	K-ASA	-
	K-COH	-
Risk-to-Market (RtM)	K-NPR	14
	K-CMG	-
Risk-to-Firm (RtF)	K-TCD	1
	K-DTF	0
	K-CON	-
<b>Total K-Factor Requirement</b>		<b>16</b>
<b>Fixed Overhead Requirement ('FOR')</b>		<b>170</b>
<b>Permanent Minimum Capital Requirement ('PMCR')</b>		<b>750</b>

#### 5.4. Capital Adequacy Ratio

According to Article 57 of the IFR, a firm can make use of a 5-year transitional arrangement allowed by Article 57(4)(b) of the IFR, according to which investment firms that were in existence before 26 June 2021 may limit their permanent minimum capital requirements to those provided for in Article 93(1) of Regulation (EU) No 575/2013, as amended by Regulation (EU) 2019/876, with reference to levels of initial capital set by Title IV of Directive 2013/36/EU, as amended by Directive (EU) 2019/878, that would have applied if the investment firm had continued to be subject to that Regulation, subject to an annual increase in the amount of those requirements of at least EUR 5 000 during the five-year period.

As at 31 December 2021, the Company's Own Funds Requirement under the 5-year transitional arrangement was at €730k.

The Company's Capital Adequacy Ratio for the year ended 31 December 2021 stood at 118,64% which was above the minimum required threshold for the total CAR of 100%, as presented in Table 5 below.

The management of Fibo Group Holdings Limited has agreed in June 2022 the process of amending the company structure. The shareholding structure of Fibo Group Holdings Limited will not fall under consolidated supervision. Furthermore, Fibo Group Holdings Limited has a healthy capital ratio and own funds (Above the minimum threshold). Estimation of completion the shareholding structure changes will be in 4 weeks time to be finalized and the request to be submitted for approval by CySEC.

**Table 5:**  
Capital Excess / Ratio

31 Dec 2021 (€'000)	Fully-Phased in	Transitional	Reference
<b>Capital</b>			
Common Equity Tier 1	841	841	
Additional Tier 1	-	-	
Tier 2	25	25	
<b>Total Own Funds</b>	<b>866</b>	<b>866</b>	<i>a</i>
<b>Own Funds Requirement</b>			
K-factor Requirement	<b>16</b>	<b>16</b>	<i>b</i>
Fixed Overhead Requirement	<b>170</b>	<b>170</b>	<i>c</i>
Permanent Minimum Capital Requirement	<b>750</b>	<b>730</b>	<i>d</i>
<b>Minimum Own Funds Requirement</b>	<b>750</b>	<b>730</b>	<i>e = (higher of b, c, d)</i>
<b>Capital Excess/Ratio</b>			
Capital Excess	<b>116</b>	<b>136</b>	<i>a-e</i>
Capital Ratio	<b>115,48%</b>	<b>118,64%</b>	<i>a/e</i>

## 6. Internal Capital Adequacy and Risk Assessment (“ICARA”)

The IFD introduces the ICARA process as a new requirement for investment firms (Article 24 of IFD), which is similar in some respects to the previous Internal Capital Adequacy Assessment Process (“ICAAP”). The ICARA falls under the scope of Pillar II, which is described as a set of relationships between CySEC and the investment firm. Its objective is to enhance the link between a CIF’s risk profile, its risk management and risk mitigation systems, and effectively its capital. The Company is in the process of updating its existing ICAAP and preparing its first ICARA, through which it will fully align with the IFR/IFD framework.

Pillar II establishes a process of prudential interaction that complements and strengthens Pillar I, by promoting an active dialogue between the CySEC and the investment firm such that, any inadequacies or weaknesses of the internal control framework and also other important risks, the fulfilment of which may entail threats for the Company, are identified and managed effectively with the enforcement of additional controls and mitigating measures. The ICARA is an important part of the process through which the Company’s management is informed of the ongoing assessment of the Company’s risks, sets mitigation measures and controls for those risks and identifies and measures current and future capital needs, having considered the above.

The Company considers the ICARA as a key element of its day-to-day governance process and its strategic management initiatives.

The ICARA Report is a document that will be submitted to the Board for approval and subsequently to CySEC, upon request by the latter, explaining:

- How the CIF has implemented and embedded the ICARA process within its business.
- The risk profile and the extent of risk appetite that the CIF is prepared to accept.
- The capital that it considers as adequate to be held against all the risks that the CIF is exposed to in accordance with its assessment.

## 7. Remuneration Policy

The Company established a remuneration policy. The purpose of this Policy is 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. The Principles of this policy are taking into accounts the nature, scale and complexity of the structure of the Company's internal organization and the range of its investment services and activities.

### Approval and Oversight

The Policy was approved by the BoD of the Company, after taking advice from the compliance function, and is implemented by appropriate functions to promote effective corporate governance. In particular, the BoD is responsible for the implementation of remuneration policies and practices and for preventing and dealing with any relevant risks those remuneration policies and practices can create. In addition, the BoD periodically reviews the remuneration policy, at least once per year, and in case of necessity, more frequently, in consulting with the Compliance function.

### Review and Basic Principles

The Internal Auditor of the Company makes a mandatory review of the implementation of the current policy at least once a year. In case of discrepancies found or the need for a change or adjustment of the policy, the Internal Auditor promptly informs the BoD.

The BoD takes measures to ensure that the Remuneration Policy is not violated through use of vehicles or methods that facilitate avoidance of the Policy. In addition, the employees with control functions are independent of the employees of the Company over whom they exercise control and are compensated according to the fixed remuneration, which takes not account achievement of goals related to their functions.

The remuneration criteria will be based on the Working Contribution Ratio (WCR) principles, as follows: The Working Contribution Ratio (WCR) has been adopted by FIBO Group Holdings Ltd in order to define a share of contribution of every single employee of the Sales Department towards the total result of the team. Total remuneration will consist of the Basic Value and product of the Working Contribution Ratio, which may both increase or decrease the amount of an individual payment, subject to the upper cap of the total Bonus pool allocated to the department by the Executive Directors on discretionary basis and calculated in accordance with the overall Company's performance.

The Company's remuneration policy is determined by the Company's general meeting.

For the purposes of the Remuneration policy, remuneration represents salaries paid and other financial and material incentives, including benefits associated with retirement.

The policy concerns the following staff categories of the Company:

- Senior management staff;
- Employees, whose activities are associated with risk taking;
- Employees with management functions;
- 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 whose activities have a significant influence on the risk profile of the Company.

The remuneration of the Company's staff covered by the Remuneration Policy is based on fixed salaries with no performance related pay. Furthermore, the Company does not have any share-based compensation or any other variable component schemes. The remuneration of the Company's controlling functions is determined by the Board of Directors and is fixed.

Present disclosure is required to provide for the information as follows.

Aggregate quantitative information on remuneration, broken down by senior management and members of staff, whose actions have a material impact on the risk profile of the Company indicating the following:

**Table 6: Remuneration table**

31 Dec 2021	Number of beneficiaries	Fixed Remuneration	Variable Remuneration	Total Remuneration
		'000 EUR		
Senior Management	5	141	-	141
Other risk takers	5	128	-	128
<b>Total</b>	10	269	-	269

1. The 'Senior Management' category includes executive and non-executive directorships and the AMLCO and the 'Other risk takers' category includes heads of departments.
2. No variable remuneration was given throughout the financial year 2021.
3. No remuneration was awarded for the previous performance period of 2020, which was paid in 2021, or for remuneration awarded for 2021 and paid in 2022.
4. The Company did not pay or award any deferred remuneration that was reduced through performance adjustments, any severance payments, or any guaranteed variable remuneration.

**APPENDIX**

## Template EU IF CCA:

Own funds: main features of own instruments issued by the firm.

		a	b
		<i>Common Equity Tier 1 Capital</i>	<i>Tier 2 Capital</i>
1	Issuer	FIBO Group Holdings Ltd	FIBO Group Holdings Ltd
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A	N/A
3	Public or private placement	Private Placement	Private Placement
4	Governing law(s) of the instrument	Cyprus Law	Cyprus Law
5	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares	Subordinated Loan  (Article 9(1) of the IFR)
6	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	2.027.000	24.957 EUR
7	Nominal amount of instrument	5.000	261.906 EUR
8	Issue price	1,00	261.906 EUR
9	Redemption price	N/A	261.906 EUR
10	Accounting classification	Shareholder's equity	Liability – amortised cost
11	Original date of issuance	24/11/2008	23/6/2016
12	Perpetual or dated	Perpetual	Dated
13	Original maturity date	No maturity	23/6/2022
14	Issuer call subject to prior supervisory approval	N/A	No
15	Optional call date, contingent call dates and redemption amount	N/A	N/A
16	Subsequent call dates, if applicable	N/A	N/A
	<i>Coupons / dividends</i>		
17	Fixed or floating dividend/coupon	N/A	Fixed
18	Coupon rate and any related index	N/A	1% per annum
19	Existence of a dividend stopper	N/A	No
20	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A	N/A
21	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A	N/A
22	Existence of step up or other incentive to redeem	N/A	No
23	Noncumulative or cumulative	N/A	Cumulative
24	Convertible or non-convertible	Non-convertible	Convertible
25	If convertible, conversion trigger(s)	N/A	<b>Authority:</b>  Resolution Authority -

			statutory approach  <b>Triggers:</b> (a) independently of resolution action or (b) in combination with a resolution action, where relevant conditions are met
26	If convertible, fully or partially	N/A	Always Fully
27	If convertible, conversion rate	N/A	N/A
28	If convertible, mandatory or optional conversion	N/A	Mandatory
29	If convertible, specify instrument type convertible into	N/A	Common Equity Tier 1
30	If convertible, specify issuer of instrument it converts into	N/A	FIBO Group Holdings Ltd
31	Write-down features	N/A	Yes
32	If write-down, write-down trigger(s)	N/A	<b>Authority:</b>  Resolution Authority - statutory approach  <b>Triggers:</b> (a) independently of resolution action or (b) in combination with a resolution action, where relevant conditions are met
33	If write-down, full or partial	N/A	Always Fully
34	If write-down, permanent or temporary	N/A	Permanent
35	If temporary write-down, description of write-up mechanism	N/A	N/A
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	N/A	N/A
38	Link to the full term and conditions of the instrument (signposting)	N/A	N/A